

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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In re:	:	Chapter 15
	:	
CATALYST PAPER CORP., <u>et al.</u> ,	:	Case No. 12-10221 (PJW)
	:	
Debtors in a Foreign Proceeding. ¹	:	Jointly Administered
	:	
	:	
	:	
	X	

**DEBTORS' MOTION TO SHORTEN NOTICE AND SETTING HEARING
ON MOTION FOR ORDER (I) RECOGNIZING AND ENFORCING
CCAA SANCTION ORDER, (II) APPROVING SETTLEMENT AMONG THE
DEBTORS AND 2014 NOTEHOLDERS, AND (III) APPROVING THE SALE OF
SECURITIES IN EXCHANGE FOR CLAIMS PURSUANT TO BANKRUPTCY RULES
2002 AND 9019 AND 11 U.S.C. §§ 105(a), 363, 1507, 1525, AND 1527**

Catalyst Paper Corporation (“CPC”), as the authorized foreign representative for itself and its above-captioned affiliates (collectively, the “Debtors” and, together with their non-debtor affiliates, the “Company”) in a proceeding (the “CCAA Proceeding”) under Canada’s Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-44, and Business Corporations Act, S.B.C. 2002, c. 57, before the Supreme Court of British Columbia (the “Canadian Court”), hereby moves (the “Motion to Shorten”), pursuant to section 102 of title 11 of the United States Code (the “Bankruptcy Code”), Rule 9006(c)(1) of the Federal Rules of Bankruptcy Procedures (the “Bankruptcy Rules”) and Rule 9006-1(e) of the Local Rules of Bankruptcy Practice and

¹ These jointly administered cases are those of the following Debtors: 0606890 B.C. Ltd., Catalyst Paper Corporation, Catalyst Paper Energy Holdings Inc., Catalyst Paper General Partnership, Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Ltd., Catalyst Pulp Sales Inc., Elk Falls Pulp and Paper Ltd., and Pacifica Poplars Ltd. (collectively, the “Canadian Debtors”) in addition to Catalyst Paper Holdings Inc., Pacifica Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc., Catalyst Paper (Recycling) Inc., Catalyst Paper (Snowflake) Inc., and The Apache Railway Company (collectively, the “U.S. Debtors”).

Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), for entry of an order shortening notice of, and scheduling a hearing on, the *Motion for Order (I) Recognizing and Enforcing CCAA Sanction Order, (II) Approving Settlement Among the Debtors and the 2014 Noteholders, and (III) Approving the Sale of Securities in Exchange for Claims Pursuant to Bankruptcy Rules 2002 and 9019 And 11 U.S.C. §§ 105(a), 363, 1507, 1525, and 1527* (the “U.S. Sanction Motion”) filed concurrently herewith. In addition, CPC relies on the Tenth Declaration of Brian Baarda (the “Tenth Baarda Declaration”) filed in support of the U.S. Sanction Motion. In support of the Motion to Shorten, CPC respectfully represents as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over these matters pursuant to 28 U.S.C. §§ 157 and 1334. These matters are core proceedings within the meaning of 28 U.S.C. § 157(b)(2).
2. Venue is proper pursuant to 28 U.S.C. § 1410.
3. The statutory predicates for the relief requested herein are section 102 of the Bankruptcy Code, Bankruptcy Rule 9006(c)(1), and Local Rule 9006-1(e).

BACKGROUND

4. On January 17, 2012 (the “Chapter 15 Petition Date”), CPC filed and served notice of its motion for protection under Canada’s Canada Business Corporations Act, R.S.C. 1985, c. C-44 before the Canadian Court (the “CBCA Proceeding”). On the Chapter 15 Petition Date, CPC also commenced the Debtors’ chapter 15 cases by filing petitions pursuant to sections 1504 and 1515 of the Bankruptcy Code (collectively, the “Chapter 15 Cases”). CPC dismissed the CBCA Proceeding when it was unable to obtain the required support among stakeholders for the original restructuring support agreement dated January 14, 2012.

5. On January 31, 2012, CPC commenced the CCAA Proceeding, and the Canadian Court entered an initial order, dated January 31, 2012, authorizing CPC to serve as foreign representative of the Debtors.

6. On March 5, 2012, this Court entered the *Order Granting Final Relief for Recognition of a Foreign Main Proceeding Pursuant to 11 U.S.C. §§ 105(a), 1517, 1519, 1520, and 1521* [Docket No. 89] recognizing the CCAA Proceeding as a foreign main proceeding.

7. On March 11, 2012, the Debtors entered into an amended restructuring support agreement (as further amended, the “Amended RSA”) with various stakeholders. Pursuant to the Amended RSA, the Debtors began pursuing a restructuring of the Company’s debt obligations under the auspices of a CCAA plan of compromise and arrangement. See Tenth Baarda Declaration, ¶ 5. Also, pursuant to the Amended RSA, various milestones were put in place with respect to the Debtors’ restructuring efforts, including the requirement the Debtors emerge from the CCAA Proceeding within forty-five (45) days of obtaining the CCAA Sanction Order (i.e., by August 13, 2012). See id., ¶ 5; Amended RSA, §§ 3.1, 3.2.

8. On June 14, 2012, in a renewed attempt to obtain a consensual arrangement and after the failure of a prior plan of compromise and arrangement, the Company filed the Second Amended and Restated Plan of Compromise and Arrangement (the “Second Amended Plan”). Tenth Baarda Declaration, ¶ 7. The Second Amended Plan, among other things, outlines the recovery for creditor classes upon the Debtors emergence from the CCAA Proceeding and contemplates the sale of securities to certain unsecured creditors in exchange for their claims against CPC. Id., ¶ 13. A condition to implementation of the Second Amended Plan is that this Court enters an order recognizing and enforcing the CCAA Sanction Order (i.e., the principal relief sought under the U.S. Sanction Motion). See Second Amended Plan, § 5.1. Another

condition under the Second Amended Plan is that the Debtors obtain exit financing before attempting to emerge from the CCAA Proceeding. See id.

9. On June 18, 2012, the Canadian Court entered the Supplemental Meetings Order authorizing and directing the Debtors to convene a meeting of the creditors on June 25, 2012 (the “Supplemental Creditors’ Meeting”) to consider the Second Amended Plan. Tenth Baarda Declaration, ¶ 7.

10. At the Supplemental Creditors’ Meeting held on June 25, 2012, well over the statutory minimum of creditors voted in favor of the Second Amended Plan. Id. In fact, over 99% of creditors in every class voted in favor of the Second Amended Plan. Id., at ¶ 8.

11. Further, on June 25, 2012, the Canadian Court entered an order approving the the Settlement and Support Agreement dated June 22, 2012 (the “Settlement Agreement”) by and among CPC and certain of its subsidiaries and affiliates and certain holders or investment advisers or managers of discretionary accounts that hold 7.375% Senior Notes due March 1, 2014 signatory thereto (the “Supporting 2014 Noteholders”). See id., ¶ 15. Under the Settlement Agreement, the Supporting 2014 Noteholders agreed to support the Second Amended Plan and vote their claims in favor of the Second Amended Plan at the Supplemental Creditors’ Meeting, thereby creating an essentially consensual plan process. Id.

12. The Canadian Court held a hearing with respect to the Second Amended Plan on June 28, 2012, at which time the Canadian Court sanctioned, authorized, and approved the Second Amended Plan. See id., ¶ 9. The CCAA Sanction Order was subsequently entered. See id.

RELIEF REQUESTED

13. By this Motion to Shorten, CPC respectfully requests that the Court enter an order substantially in the form attached hereto as Exhibit A: (i) permitting the relief sought in the U.S. Sanction Motion to be heard on July 24, 2012 at 2:00 p.m. (EST), or at a date and time as close to July 24, 2012 as possible; (ii) shortening the applicable notice period such that the relief sought in the U.S. Sanction Motion can be heard at the hearing scheduled by the Court; and (iii) granting such other relief as the Court deems appropriate.

BASIS FOR RELIEF

14. Bankruptcy Rule 9006(c)(1) provides that the Court may shorten the required notice period, in its discretion with or without a motion, when cause is shown. Similarly, Local Rule 9006-1(e) states that the Court may shorten the applicable notice period for a motion if there are “exigencies justifying shortened notice.” In accordance with Bankruptcy Rule 9006(c)(1) and Local Rule 9006-1(e), this Motion to Shorten demonstrates that sufficient cause exists for entry of an order shortening notice.

15. CPC is only seeking to shorten notice to parties in interest by a few days (i.e., 18 days notice instead of 21 days notice). The U.S. Sanction Motion would ordinarily not require more than 14 days notice, except for the secondary relief requested therein with respect to settlement approval and sale approval (the “Settlement & Sale Relief”). See Local Rule, 9006 (c)(1). Indeed, the principal purpose of the U.S. Sanction Motion is to seek recognition and enforcement of the CCAA Sanction Order; the Settlement & Sale Relief are only supplemental components to such enforcement. Although only secondary relief, the Settlement & Sale Relief each require 21 days notice under the Bankruptcy Rules. See Fed. R. Bankr. P. 2002(a)(2)(requiring 21 days notice for “a proposed use, sale, or lease of property of the estate”),

Fed. R. Bankr. P. 2002(a)(3) (requiring 21 days notice for “approval of a compromise or settlement”).

16. Importantly, the Settlement & Sale Relief have already been the subject of applications filed and approved in Canada. As noted above, the Settlement Agreement was approved by the Canadian Court on June 25, 2012; and, the sale relief, in the context of the Second Amended Plan, was approved by the Canadian Court on June 28, 2012. Tenth Baarda Declaration, at ¶¶ 9, 15. As a result all relevant parties in interest have already received ample notice of the Settlement & Sale Relief. Id., at ¶ 16.

17. In addition to the above, the relief requested in the U.S. Sanction Motion is necessary for the Debtors to obtain exit financing, which is a condition to implementation of the Second Amended Plan’s procedures. Second Amended Plan, § 5.1. In light of this need for financing and the Amended RSA requirement that the Debtors emerge by August 13, 2012, CPC has determined that it is in the best interests of their estates to clear all remaining obstacles to emergence (including entry of an order pursuant to the U.S. Sanction Motion) as soon as possible. Specifically, CPC has concluded that obtaining the relief sought by the U.S. Sanction Motion by the end of July is critical in order to maintain the plan process on track pursuant to the Amended RSA.. Id., at ¶ 17.

18. Accordingly, CPC believes that, pursuant to 11 U.S.C. § 102, Bankruptcy Rule 9006(c)(1), and Local Rule 9006-1(e), there is sufficient cause for the Court to deviate from the time frames set forth in Bankruptcy Rule 2002 and shorten time on the notice of, and schedule a hearing on, the U.S. Sanction Motion so as to allow the Debtors to obtain the relief requested herein.

NOTICE

19. CPC proposes to notify all Notice Parties of (a) the filing of this Motion to Shorten in accordance with this Court's *Order (I) Specifying Form and Manner of Service of Notice of Filing of Petitions and Other Pleadings Pursuant to Chapter 15 of the Bankruptcy Code and (II) Scheduling a Hearing on Chapter 15 Petitions for Recognition* [Docket No. 23] (the "Notice Order").² In light of the nature of the relief requested herein, CPC submits that no other or further notice of this Motion to Shorten is necessary or required.

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² Pursuant to Notice Order, the Notice Parties include: (i) all entities against whom provisional relief is being sought under section 1519 of the Bankruptcy Code (excepting employees); (ii) all parties to litigation pending in the United States in which any of the Debtors are parties at the time of the filing of the Chapter 15 Petitions; (iii) the United States Trustee; (iv) the Debtors; (v) counsel to certain 2016 Noteholders (as described in the Notice Order); (vi) counsel to certain 2014 Noteholders (as described in the Notice Order); (vii) counsel to the Administrative Agent for the Debtors' postpetition credit facility, J.P. Morgan Chase Bank, N.A., Toronto; (viii) all other known parties who claim interests in or liens upon the assets owned by the Debtors in the United States; (ix) all governmental taxing authorities who have or may have claims, contingent or otherwise, against any Debtor; (x) governmental pension, environmental and Medicare entities; (xi) the Attorneys General of Delaware, California and Arizona; (xii) the Attorney General of the United States; (xiii) the Internal Revenue Service; (xiv) all relevant taxing authorities; and (xv) all parties who have requested notice.

CONCLUSION

WHEREFORE, CPC respectfully requests that this Court (i) grant this Motion to Shorten and the relief requested herein; (ii) enter the Proposed Order substantially in the form attached hereto as Exhibit A; and (iii) grant such other and further relief as it deems just and proper.

Dated: Los Angeles, California
July 6, 2012

/s/ Van C. Durrer, II
Van C. Durrer, II (I.D. No. 3827)
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
300 South Grand Avenue
Los Angeles, California 90071
(213) 687-5000

Counsel for Catalyst Paper Corporation

EXHIBIT A

Order Granting Motion to Shorten

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

	X	
	:	Chapter 15
In re:	:	
	:	Case No. 12-10221 (PJW)
CATALYST PAPER CORP., <u>et al.</u> ,	:	
	:	Jointly Administered
Debtors. ¹	:	
	:	Related Dkt. No. ____
	X	

**ORDER GRANTING DEBTORS' MOTION TO SHORTEN NOTICE AND SETTING
HEARING ON MOTION FOR ORDER (I) RECOGNIZING AND ENFORCING
CCAA SANCTION ORDER, (II) APPROVING SETTLEMENT AMONG THE
DEBTORS AND 2014 NOTEHOLDERS, AND (III) APPROVING THE SALE OF
SECURITIES IN EXCHANGE FOR CLAIMS PURSUANT TO BANKRUPTCY RULES
2002 AND 9019 AND 11 U.S.C. §§ 105(a), 363, 1507, 1525, AND 1527**

Upon consideration of the motion² (the “Motion”) of Catalyst Paper Corporation (“CPC”), as the authorized foreign representative for itself and its above-captioned affiliates (collectively, the “Debtors” and, together with their non-debtor affiliates, the “Company”) in a proceeding (the “CCAA Proceeding”) under Canada’s *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”), *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, and *Business Corporations Act*, S.B.C. 2002, c.57, before the Supreme Court of British Columbia (the “Canadian Court”), pursuant to section 102 of title 11 of the United States Code (the

¹ These jointly administered cases are those of the following Debtors: 0606890 B.C. Ltd., Catalyst Paper Corporation, Catalyst Paper Energy Holdings Inc., Catalyst Paper General Partnership, Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Ltd., Catalyst Pulp Sales Inc., Elk Falls Pulp and Paper Ltd., and Pacifica Poplars Ltd. (collectively, the “Canadian Debtors”) in addition to Catalyst Paper Holdings Inc., Pacifica Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc., Catalyst Paper (Recycling) Inc., Catalyst Paper (Snowflake) Inc., and The Apache Railway Company (collectively, the “U.S. Debtors”).

² Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Motion.

“Bankruptcy Code”), Rule 9006(c)(1) of the Federal Rules of Bankruptcy Procedures (the “Bankruptcy Rules”), and Rule 9006-1(e) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”) seeking entry of an order (i) granting the Motion, (ii) permitting the relief sought in the U.S. Sanction Motion to be heard at the Court's earliest convenience, (iii) shortening the applicable notice period such that the relief sought in the U.S. Sanction Motion can be heard at the hearing scheduled by the Court; and (iv) granting such other relief as the Court deems appropriate; and it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these cases and the Motion in this District is proper pursuant to 28 U.S.C. § 1410; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and due and sufficient notice of this Motion having been given; and it appearing that no other or further notice need be given under the circumstances; and after due deliberation and sufficient cause appearing therefore:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

1. The relief requested in the Motion is hereby GRANTED;
2. The relief sought in the U.S. Sanction Motion will be heard at _____.m. (EST) on July ___, 2012.
3. The objection deadline for the U.S. Sanction Motion is July ___, 2012 at _____m. (EST).
4. Notwithstanding any Bankruptcy Rule to the contrary, this order shall take effect immediately upon its entry.

5. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: July ___, 2012
Wilmington, Delaware

Honorable Peter J. Walsh
UNITED STATES BANKRUPTCY JUDGE

File a Motion:12-10221-PJW Catalyst Paper Corporation

Type: bk

Chapter: 15 v

Office: 1 (Delaware)

Assets: y

Judge: PJW

Case Flag: MEGA, LEAD

U.S. Bankruptcy Court**District of Delaware**

Notice of Electronic Filing

The following transaction was received from Van C. Durrer entered on 7/6/2012 at 8:00 PM EDT and filed on 7/6/2012

Case Name: Catalyst Paper Corporation**Case Number:** 12-10221-PJW**Document Number:** 155**Docket Text:**

Motion to Shorten *Notice and Setting Hearing on Motion for Order (I) Recognizing and Enforcing CCAA Sanction Order, (II) Approving Settlement Among The Debtors and the 2014 Noteholders, and (III) Approving the Sale of Securities In Exchange for Claims* (related document(s)[154]) Filed by Catalyst Paper Corporation. (Attachments: # (1) Exhibit A, Proposed Order) (Durrer, Van)

The following document(s) are associated with this transaction:

Document description:Main Document**Original filename:**H:\temp\convert\1B - Motion to Shorten Time.pdf**Electronic document Stamp:**

[STAMP bkecfStamp_ID=983460418 [Date=7/6/2012] [FileNumber=10918862-0]
[6db339c5e271a2701a383e5b4e890d110ab70f3a3539758bf8432f9510ea5b06a261
862171ce754ad002fa0f05ac3ccddc3d0e34f3bc9fbe9d458c654c20b72b]]

Document description:Exhibit A, Proposed Order**Original filename:**2B - Order to Shorten Time.pdf**Electronic document Stamp:**

[STAMP bkecfStamp_ID=983460418 [Date=7/6/2012] [FileNumber=10918862-1]
[2cb3cd8d2687fa8c76c7cf565a27f9c5e1eb5e870ebb4562a9e28705c0a69a817ed7
ea7412ac55d21d23f303581e78db574c4664e820339f261633a75b2e8f92]]

12-10221-PJW Notice will be electronically mailed to:

Timothy P. Cairns on behalf of Interested Party Certain Holders of 2014 Notes
tcairns@pszjlaw.com

Timothy P. Cairns on behalf of Interested Party Certain Holders of 2014 Senior Notes
tcairns@pszjlaw.com

Mark L. Desgrosseilliers on behalf of Interested Party Andritz Inc., Andritz Ltd., and Andritz Iggesund Tools Canada, Inc.