



This is the 1st affidavit of
Jyotika Reddy in this case and was
made on January 31, 2012
No. S-120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

IN THE MATTER OF CATALYST PAPER CORPORATION
AND THE PETITIONERS LISTED IN SCHEDULE "A"

PETITIONERS

AFFIDAVIT

I, Jyotika Reddy, barrister and solicitor, of 2600 – 595 Burrard Street, Vancouver, AFFIRM
THAT:

1. I am a lawyer at Blake, Cassels & Graydon LLP, the solicitors for Catalyst Paper Corporation and the Petitioners listed in Schedule "A", the Petitioners in this proceeding, and as such I have personal knowledge of the matters deposed to in this Affidavit except where I depose

to a matter based on information from an informant I identify in which case I believe that both the information from the informant and the resulting statement are true.

2. On January 25, 2012, I instructed a clerk to conduct searches of the British Columbia Personal Property Registry in relation to the following debtors: Catalyst Paper Corporation, Catalyst Paper, Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Limited, Catalyst Pulp Sales Inc., Catalyst Paper Finance Limited, Elk Falls Pulp and Paper Limited, Pacifica Poplars Ltd., 0606890 B.C. Ltd., Catalyst Paper Energy Holdings Inc., and Catalyst Paper Service Hungary Limited Liability Company.

3. Also on January 25, 2012, I caused to be conducted searches of the Alberta Personal Property Registry and the Ontario Personal Property Registry in relation to the following debtors: Catalyst Paper Corporation, Catalyst Paper, Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Limited, and Catalyst Pulp Sales Inc., which produced certain results (the "PPSA Search Results").

4. Attached to this my affidavit and marked as **Exhibit "A"** is a summary of the PPSA Search Results. I have reviewed the PPSA Search Results and, based on my experience in the area of secured transactions, I am of the view that most of the security interests registered against the personal property of the debtors appear to be in connection with equipment leases and commercial consignments or other purchase money security interests; however, I have not reviewed any of the underlying documents in respect of such registrations in order to determine whether in fact this is the case. Further, if any such registrations are in fact purchase money security interests, I have not considered whether such interests have the priority that is granted to purchase money security interests pursuant to Section 34 of the *Personal Property Security Act* (British Columbia) or equivalent legislation. Such an analysis would require a review of the underlying documents, and knowledge of the surrounding facts, in respect of such registrations.

5. On December 13, 2011, I caused to be conducted an electronic search of the British Columbia Land Title System through BC OnLine in relation to the following parcels of land:

(PID)	(LEGAL DESCRIPTION)
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004-781-821 District Lot 7212 Group 1 New Westminster District
024-623-628 Lot A District Lot 1 Alberni District and Part of the Bed of
the Public Harbour of Alberni Plan VIP69746
024-662-666 Lot 1 of Sections 4, 5 & 6 Range 10 Chemainus District
Plan VIP69811
000-848-921 Lot 1 District Lot 109 Sayward District Plan 16956

(collectively, the "**Lands**")

6. I understand that these properties are affiliated with four of the mills associated with Catalyst Paper Corporation, one of which is no longer operational. Each of these mills is located on land consisting of numerous parcels. I did not have searches done of all parcels. I understand that the Lands are representative parcels that were among the Company's the most valuable parcels based on recent British Columbia Assessment Authority assessments. The results of the title searches that I had performed in relation to the Lands are attached hereto as **Exhibit "B"** (the "**Land Search Results**"). I have reviewed the Land Search Results and I am of the opinion that the only financial charges registered against the fee simple interest in the Lands as of December 13, 2011 are in favour of Computershare Trust Company of Canada and JPMorgan Chase Bank National Association.

7. In December 2011 and January 2012, I also obtained results from the Uniform Commercial Code and Federal tax lien searches (the "**UCC Searches**") that Annie Li, a lawyer with Skadden, Arps, Slate, Meagher & Flom LLP in Los Angeles, California, USA had performed. The UCC Searches were conducted in the State of Delaware for the following entities: Catalyst Paper Holdings Inc., Catalyst Paper (Snowflake) Inc., Catalyst Paper Recycling Inc., Pacifica Paper US Inc., Pacifica Papers Sales Inc., and Pacifica Poplars Ltd. The UCC Search for Catalyst Paper (USA) Inc. was conducted in the State of California. The UCC Search for The Apache Railway Company was conducted in the State of Arizona. The UCC Searches were conducted in the District of Columbia for Catalyst Paper Corporation and Norske Skog Canada Limited.

8. Attached to this my affidavit and marked as **Exhibit "C"** are the results for the UCC Searches that I received from Ms. Li.

