

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

NOTICE OF APPLICATION

**Names of applicants: Catalyst Paper Corporation and the other Petitioners listed in
Schedule "A" ("Catalyst")**

To: The Service List

TAKE NOTICE that an application will be made by the applicants to the presiding judge at the courthouse at 800 Smithe Street, Vancouver, British Columbia on February 14, 2012 at 9:45 a.m. for the orders set out in Part 1 below.

Part 1: ORDERS AND DECLARATIONS SOUGHT

1. The stay of proceedings provided in the Order of this Court made herein on January 31, 2012 (the "**Initial Order**") be extended to April 30, 2012.

2. The Monitor shall file a report with the Court on the state of the Petitioners' business and financial affairs pursuant to section 23(1)(d)(ii) of the *Companies Creditors Arrangement Act* no later than March 30, 2012.

3. Sub-Paragraph 8(a) of the Amended and Restated Initial Order of the Court dated February 3, 2012 shall be deleted in its entirety and replaced with the following:

8. (a) all outstanding wages, salaries, employee and pension benefits (including long and short term disability payments), vacation pay and expenses (but excluding severance and termination pay) payable before or after the Order Date, in each case incurred in the ordinary course of business and consistent with the relevant compensation policies and arrangements existing at the time incurred (collectively "**Wages**");

4. Sub-Paragraph 12(c) of the Amended and Restated Initial Order of the Court dated February 3, 2012 shall be deleted in its entirety and replaced with the following:

12. (c) are authorized and directed to remit, in accordance with legal requirements, or pay all employer (which includes for greater certainty employee contributions collected by the Petitioner Parties) normal cost contributions to defined benefit and defined contribution registered pension plan provisions which, for greater certainty, excludes special payments (the "**Normal Cost Contributions**") as required by the most recently filed actuarial valuations in respect of any pension plans registered under the *Pensions Benefits Standards Act* (British Columbia) (the "**PBSA**") and maintained by the Petitioner Parties (collectively, the "**Pension Plans**"), whether such Normal Cost Contributions are in respect of periods prior to, on or after the date of this Order and such payments shall be made within four (4) business days of each payroll date with notice of such payments provided to the B.C. Superintendent of Pensions;

5. Paragraph 29 of the Amended and Restated Initial Order of the Court dated February 3, 2012 shall be deleted in its entirety and replaced with the following:

29. The directors and officers of the Petitioners shall be entitled to the benefit of and are hereby granted a charge (the "**D&O Charge**") on the Charged Property (defined below), which charge shall not exceed the aggregate amount of \$31,000,000, as security for the indemnity provided in paragraph 28 of this Order. The D&O Charge shall have the priority set out in paragraphs 51, 52, 54 and 55 herein.

6. Service has been effected in accordance with the terms of the Initial Order and notice has been provided to the secured creditors who are likely to be affected by the security or charges provided by the Orders of this Court.

7. The relief granted pursuant to the Initial Order, as amended by Order of this Court on February 3, 2012 and February 6, 2012, is hereby confirmed.

Part 2: FACTUAL BASIS

8. On January 31, 2012, the Supreme Court of British Columbia granted an Initial Order (the “**Initial Order**”) providing for a comeback hearing on February 14, 2012 and a stay of proceedings until that same date.

9. Subsequent to the granting of the Initial Order the Petitioner Parties provided notice to those secured creditors who were likely to be affected by the security or charges provided by the Orders of this Court. Service has also been effected in accordance with the terms of the Initial Order.

10. On February 3, 2012, the Supreme Court of British Columbia granted an Order amending and restating the Initial Order.

11. On February 6, 2012, the Supreme Court of British Columbia granted a critical suppliers Order and charge.

12. The Directors and Officers require protection by way of a D&O Charge to indemnify them against obligations and liabilities that they may incur as a directors or officers. The Directors and Officers require and are entitled to a degree of protection and certainty. The amount of the charge has been calculated with assistance of the Monitor and is appropriate in the circumstances.

13. In the fourteen days since the date of the Initial Order the Petitioner Parties have taken steps to stabilize the business and have and are acting in good faith and with due diligence. Circumstances exist that make the Orders sought appropriate.

Part 3: LEGAL BASIS

1. *Supreme Court Civil Rules*, Rule 8-1, 13-1;
2. *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended; and
3. The inherent and equitable jurisdiction of the Court.

Part 4: MATERIAL TO BE RELIED ON

1. Affidavit #1 of B. Baarda, made 31/Jan/2012;
2. Affidavit #3 of B. Baarda, made 31/Jan/2012;
3. Affidavit #1 of R. Lindstrom, made 1/Feb/2012;
4. Affidavit #1 of J. Reddy, made 31/Jan/2012;

5. Affidavit #1 of A. Purgas, made 11/Feb/2012;
6. Affidavit #4 of B. Baarda, to be sworn;
7. The pre and post filing reports of the Monitor; and
8. Such further and other materials as counsel may advise and the Court may permit.

The applicants estimate that the application will take 2 hours.

This matter is within the jurisdiction of a master.

This matter is not within the jurisdiction of a master.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this notice of application, you must, within 5 business days after service of this notice of application or, if this application is brought under Rule 9-7, within 8 business days after service of this notice of application,

- (a) file an application response in Form 33,
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following:
 - (i) a copy of the filed application response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Date: 11/Feb/2012



Signature of
 applicant lawyer for applicants
Bill Kaplan, Q.C. / Peter Rubin

SCHEDULE "A"

LIST OF ADDITIONAL PETITIONERS

Catalyst Pulp Operations Limited
Catalyst Pulp Sales Inc.
Pacifica Poplars Ltd.
Catalyst Pulp and Paper Sales Inc.
Elk Falls Pulp and Paper Limited
Catalyst Paper Energy Holdings Inc.
0606890 B.C. Ltd.
Catalyst Paper Recycling Inc.
Catalyst Paper (Snowflake) Inc.
Catalyst Paper Holdings Inc.
Pacifica Papers U.S. Inc.
Pacifica Poplars Inc.
Pacifica Papers Sales Inc.
Catalyst Paper (USA) Inc.
The Apache Railway Company

To be completed by the court only:

Order made

in the terms requested in paragraphs of Part 1 of this notice of application

with the following variations and additional terms:

Date: _____

Signature of Judge Master

APPENDIX

[The following information is provided for data collection purposes only and is of no legal effect.]

THIS APPLICATION INVOLVES THE FOLLOWING:

[Check the box(es) below for the application type(s) included in this application.]

- discovery: comply with demand for documents
- discovery: production of additional documents
- extend oral discovery
- other matter concerning oral discovery
- amend pleadings
- add/change parties
- summary judgment
- summary trial
- service
- mediation
- adjournments
- proceedings at trial
- case plan orders: amend
- case plan orders: other
- experts