



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

NOTICE OF APPLICATION

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

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 March 21, 2012 at 9:45 a.m.
for the orders set out in Part 1 below.

Part 1: ORDERS AND DECLARATIONS SOUGHT

1. A Meetings Order substantially in the draft form attached as **Schedule "B"** hereto.
2. A Claims Procedure Order substantially in the draft form attached as **Schedule "C"** hereto.
3. A Sale and Investor Solicitation Process Order substantially in the draft form attached as **Schedule "D"** hereto.

Part 2: FACTUAL BASIS

1. On January 31, 2012, the Court granted an Initial Order (the "**Initial Order**") in respect of the Company providing for a comeback hearing on February 14, 2012 and a stay of proceedings until that same date. The Initial Order appointed PricewaterhouseCoopers Inc. as the monitor of the Company in the CCAA proceedings.
2. On February 3, 2012, the Court granted an Order amending and restating the Initial Order. Since that date, various other Orders have been granted by the Court.
3. The Company negotiated an agreement with certain First Lien Noteholders and certain Unsecured Noteholders by way of Restructuring and Support Agreement dated as of March 11, 2012 (the "**RSA**"). The RSA proposes a recapitalization transaction that would be implemented through a CCAA plan of compromise and arrangement (the "**Plan**") which would compromise the Company's debt in respect of various creditors, including the First Lien Noteholders, the Unsecured Noteholders and other unsecured creditors.
4. A copy of the Plan is attached as Schedule "C" to the draft Meetings Order, which Meetings Order is attached as Schedule "B" to this Notice of Application.
5. The Plan, if implemented, would reduce the Company's long-term debt by more than U.S. \$300 million and improve the Company's finances and operating flexibility.
6. The RSA requires the Company to, among other things, file the Plan and obtain, on or before March 20, 2012, a Claims Procedure Order, a Meetings Order and a Sale and Investor Solicitation Process Order.
7. Specifically, the RSA requires the Company to, amongst other things:
 - (a) obtain a Claims Procedure Order no later than March 20, 2012 providing for a claims bar date of no later than April 19, 2012;
 - (b) obtain a Meetings Order no later than March 20, 2012 providing for the calling, holding and conduct of meetings to vote in respect of the Plan by no later than April 23, 2012; and

(c) obtain an Order of the Court sanctioning the Plan no later than April 25, 2012.

8. The RSA also requires the Company to obtain an Order of the Court no later than March 20, 2012 approving of a sale and investor solicitation process (the "SISP") which would be implemented in the event of the Plan not receiving the requisite votes.

9. An extension of the above dates has been obtained from the Initial Supporting Noteholders allowing the applications to be made on or before March 21, 2012.

10. The SISP provides for a stalking horse bid. In connection therewith, in the event it is necessary to proceed with the SISP, the Company is seeking approval and direction from the Court pursuant to the SISP approval order to enter into a stalking horse purchase agreement with an entity formed by certain of the First Lien Noteholders ("Newco") in respect of a bid to acquire all or substantially all of the assets of the Company and Catalyst Paper General Partnership (the "Stalking Horse Purchase Agreement"). Newco would be the stalking horse bidder for the purposes of the competitive bidding process set out in the SISP and would be entitled to credit bid on behalf of all First Lien Noteholders up to the full amount of the obligations under the First Lien Notes Indentures, as such term is defined in the Plan.

11. The SISP prescribes timelines for the submission and review of bids, if any, for the purchase of some, substantially all, or all, of the Company's assets or an investment in the Company.

12. In the event there is no bid submitted or accepted other than the Stalking Horse Bid for a purchase of, or investment in, the Company pursuant to the terms of the SISP, the SISP authorizes the Company to seek court approval of a sale to the Stalking Horse Bidder pursuant to the Stalking Horse Purchase Agreement.

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 January 31, 2012;
2. Affidavit #3 of B. Baarda, made January 31, 2012;
3. Affidavit #1 of R. Lindstrom, made February 1, 2012;

4. Affidavit #1 of J. Reddy, made January 31, 2012;
5. Affidavit #1 of A. Purgas, made February 11, 2012;
6. Affidavit #4 of B. Baarda, made February 12, 2012;
7. Affidavit #1 of W. Dickson, made February 10, 2012;
8. Affidavit #5 of B. Baarda, made March 1, 2012;
9. Affidavit #2 of W. Dickson, made March 2, 2012;
10. Affidavit #6 of B. Baarda, made March 15, 2012;
11. Affidavit #1 of A. Crabtree, made March 16, 2012;
12. The pre and post filing reports of the Monitor; and
13. 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.

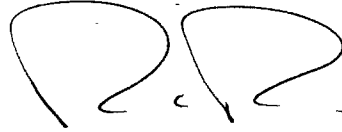
This matter is not within the jurisdiction of a master. This matter is to be heard before Mr. Justice Sewell.

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: March 16, 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