

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 800
Smithe Street, Vancouver, BC, V6Z 2E1, on Monday, the 2nd day of April, 2012 at 10 a.m. for
the orders set out in Part 1 below.

Part 1: ORDERS AND DECLARATIONS SOUGHT

1. An Order substantially in the draft form attached as **Schedule "B"** hereto.

Part 2: FACTUAL BASIS

2. 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. On February 14, 2012, the stay of proceedings was extended to April 30, 2012. The Initial Order appointed PricewaterhouseCoopers Inc. as the monitor of the Company in the CCAA proceedings.
3. 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. The Initial Order provided that the Company could make any sales up to \$500,000 in one transaction or up to \$2,000,000 in the aggregate.
4. Pacifica Poplars Ltd. (**"Pacifica"**), one of the Petitioners, owns approximately 1800 acres of land in Snohomish County, Washington State that was used as poplar tree farm (the **"Poplar Land"**). The Poplar Land consists of several parcels of land that are suitable for various farming purposes.
5. In 2008 the Company listed all of the parcels of the Poplar Land for sale on a multiple listing service in Washington State for a total price of approximately US \$9.3 million.
6. Since that time, the Company has only sold a few small parcels of the Poplar Land.
7. On March 12, 2012, Pacifica entered into an agreement for the sale of two parcels of Poplar Land, totaling approximately 900 acres (the **"Parcels"**), with US Golden Eagle Farms LP (the **"Purchaser"**) for approximately US \$3.6 million (the **"Sale Agreement"**).
8. Prior to the Sale Agreement, the Pacifica had only received limited interest in the Parcels.
9. Under the Sale Agreement, the Purchaser has 20 days to complete a feasibility study. The Agreement is subject to approval of the Monitor and this Court. The Sale Agreement must close by April 20, 2012.
10. Based on the minimal level of interest exhibited in the Poplar Land since 2008, and in particular with the Parcels, the Company believes that the Sale Agreement contains the best possible terms that the Company is likely to achieve under the circumstances.
11. Certain portions of the Parcels contain wood debris which must be removed prior to the commencement of any farming activity. As a result, the time and financial costs required to prepare the land for farming likely reduces the number of potential purchasers interested in the Parcels.

12. Furthermore, the Company has had difficulties in locating a potential purchaser that is interested in purchasing approximately 900 acres of land or that has the financial capabilities to do so.

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 #1 of J. Reddy, made January 31, 2012;
3. Affidavit #3 of R. Lindstrom, made March 28, 2012;
4. The pre and post filing reports of the Monitor; and
5. Such further and other materials as counsel may advise and the Court may permit.

The applicants estimate that the application will take 30 minutes.

☐ 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 28, 2012



Signature of
[] applicant [x] lawyer for applicants
Bill Kaplan, Q.C.

for

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

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

Schedule "B"

**No. S120712
Vancouver Registry**

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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PETITIONERS

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL) April 2, 2012
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 2nd day of April, 2012; AND ON HEARING, Bill Kaplan, Q.C., counsel for the Petitioners, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

THIS COURT ORDERS AND DECLARES THAT:

APPROVAL OF CONTRACT

1. The sale transaction (the "**Transaction**") contemplated by an agreement of purchase and sale (the "**Sale Agreement**") between Pacifica Poplars Inc. (the "**Company**") and U.S. Golden Eagle Farms LP (the "**Purchaser**"), dated March 9, 2012 and attached as Exhibit "A" to the Affidavit #3 of Robert Lindstrom, made March 28, 2012, is hereby approved.
2. The Company is authorized to execute any documents to enter into the Transaction contemplated by the Sale Agreement, to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the land described in the Sale Agreement (the "**Purchased Land**") to the Purchaser.
3. Upon the delivery of a Monitor's certificate to the Purchaser substantially in the form attached as Schedule "C" hereto (the "**Monitor's Certificate**"), all of the Company's right, title and interest in and to the Purchased Land shall vest absolutely in the Purchaser free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including, without limiting the generality of the foregoing, any encumbrances or charges created by the Orders made in these proceedings including the Orders of the Honourable Justice Sewell dated January 31, 2012 (as Amended and Restated) and Orders dated February 3, 2012, February 7, 2012 and March 9, 2012 (collectively, the "**Claims**").
4. For greater certainty, this Court orders that all of the Claims, including but not limited to, those Claims registered under the laws of British Columbia or Canada, or made pursuant to an order of a superior court in British Columbia, affecting or relating to the Purchased Land are hereby expunged, discharged, released and deleted as against the Purchased Land.

5. The Monitor shall file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof. The Monitor is hereby authorized and directed to take such actions as it deems necessary or appropriate in the circumstances to assist the Company to conclude the Transaction.

6. The proceeds of sale of the Purchased Land that the Company receives pursuant to the Transaction (the "**Proceeds**") shall stand in the place and stead of the Purchased Land, and from and after the delivery of the Monitor's Certificate, all Claims shall attach to the Proceeds with the same priority as they had with respect to the Purchased Land immediately prior to the sale as if the Purchased Land had not been sold and remained in the possession or control of the Company.

7. The Company is hereby ordered and directed to forthwith deposit the Proceeds, as and when received, into one or more deposit accounts or securities accounts established by and under the sole dominion and control of the Monitor subject to further Order of this Court.

8. Notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of any of the Petitioner Parties and any bankruptcy order issued pursuant to any such applications;
- (c) any assignment in bankruptcy made in respect of any of the Petitioner Parties; and
- (d) any applications for an order now or hereafter issued pursuant to the *Winding Up and Restructuring Act* (Canada) in respect of any of the Petitioner Parties and any winding up order issued pursuant to any such application,

the vesting of the Purchased Land in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Company and shall not be void or voidable by creditors of the Company, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial

legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

9. This Order shall have full force and effect in all provinces and territories in Canada against all persons, firms, corporations, governmental, municipal and regulatory authorities against whom it may otherwise be enforceable.

10. The Petitioner Parties and the Purchaser are granted liberty to apply for further directions and relief as may be necessary to carry out this Order.

AID AND RECOGNITION OF THIS ORDER

11. THIS COURT REQUESTS the aid of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any Federal or State Court or administrative body in the United States of America, (including, without limitation, the United States Bankruptcy Court), to act in aid of this Court in approving the terms of the Transaction as set forth in the Sale Agreement where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to (i) make such orders and to provide such assistance to the Petitioner Parties and to the Monitor, as an officer of this Court, as may be necessary or desirable to approve the Transaction, (ii) grant representative status to any of the Petitioners, and to CPC on behalf of any or all of the Petitioner Parties, in any foreign proceeding, and (iii) assist the Petitioner Parties, CPC, the Monitor and the respective agents of each of the foregoing in carrying out the Transaction as set forth in the Sale Agreement.

APPROVAL

12. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of

☐ party ☒ lawyer for the Petitioner Parties

Bill Kaplan, Q.C. / Peter Rubin

BY THE COURT.

Registrar

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

Schedule "B"

Name of Counsel	Party

Schedule "C"

No. S120712
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AND THE PETITIONERS LISTED IN SCHEDULE "A"
TO THE PETITION FILED ON JANUARY 31, 2012

PETITIONERS

PURSUANT TO AN ORDER of the Honourable Justice Sewell of the British Columbia Supreme Court (the "**Court**") dated January 31, 2012, PricewaterhouseCoopers Inc. was appointed the monitor (the "**Monitor**") of the Petitioners. Pursuant to an order of the Court dated April 2, 2012, and pursuant to an order of the United States Bankruptcy Court dated April [17], 2012, the agreement for sale of land in Washington State, United States of America, dated March 9, 2012, as may be amended from time to time (the "**Sale Agreement**") between Pacific Poplars Inc. (the "**Company**") and US Golden Eagle Farms LP (the "**Purchaser**") is hereby approved and the Company's right, title and interest in and to the land described in the Sale Agreement (the "**Purchased Land**") and all of the Company's right, title and interest in and to

the Purchased Land, as described and defined in the Sale Agreement, shall vest in the Purchaser effective upon the delivery by the Monitor to the Purchaser of this Certificate.

THE MONITOR HEREBY CERTIFIES as follows:

1. The Monitor has received written confirmation from the Purchaser that it paid to the Company's counsel, and the Monitor received written confirmation from the Company that its counsel received the amounts owing to the Company as set out in the Sale Agreement.
2. The Monitor has received written confirmation from the Purchaser and the Company that all conditions precedent under the Sale Agreement have been satisfied or waived in accordance with the Sale Agreement and that the Sale Agreement has not been terminated.

DATED at the City of Vancouver, in the Province of British Columbia, this [•] of [•], 2012.

**PRICEWATERHOUSECOOPERS INC. in its
capacity as court-appointed Monitor of the
Petitioners and not in its personal capacity**

By:

Name

Title