

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 CONSTITUTIONAL QUESTION

(Pursuant to Section 8(2) of the *Constitutional Question Act*, R.S.B.C. 1996, c. 68)

TO: The Service List

AND TO: The Attorney General of British Columbia
Legal Service Branch - Constitutional
6th Floor
1001 Douglas Street
Victoria, BC V8V 1X4

AND TO: The Attorney General of Canada
Department of Justice
900 - 840 Howe Street
Vancouver, BC V6Z 2S9

TAKE NOTICE that the Petitioners intend to challenge the constitutional applicability of the *Environmental Management Act*, S.B.C. 2003, c. 53 and any regulations promulgated thereunder (the "EMA") to the matters in issue in these proceedings.

AND FURTHER TAKE NOTICE that the constitutional challenge will be argued at the hearing of the Petitioners' application to sanction the Plan of Arrangement and Compromise filed by the Petitioners (the "Sanction Hearing"). The Sanction Hearing is scheduled to take place on April 25, 2010.

Particulars of the point to be argued are as follows:

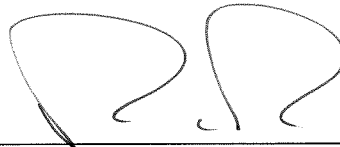
1. Pursuant to Section 91(21) of the *Constitutional Act, 1867*, the federal Parliament has exclusive legislative jurisdiction over the subject matter of bankruptcy and insolvency. In the exercise of that jurisdiction, Parliament has enacted the *Companies Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "CCAA").
2. By virtue of the doctrine of paramountcy, provincial laws are inoperable to the extent that they conflict with the CCAA. A provincial law conflicts with the CCAA where, *inter alia*, compliance with the provincial law would:
 - (a) frustrate the purpose of the CCAA or would interfere with or limit the authority of the Court to make any order which is aimed at achieving the objects of the CCAA; and/or
 - (b) alter the scheme of priorities under the CCAA.
3. The present proceedings are brought pursuant to the CCAA.
4. The Petitioners have obtained an Order approving a procedure for the Petitioners' creditors to prove their claims against the Petitioners (the "Claims Procedure Order"). In addition, the Petitioners have filed with this Court, on March 22, 2012, a Plan of Arrangement and Compromise (the "Plan"), and have obtained an order for a meeting of the Petitioners' creditors to vote on the Plan (the "Meetings Order").
5. The Petitioners intend to apply to the Court for an Order sanctioning the Plan and implementing, *inter alia*, the Meetings Order and the Claims Procedure Order (the "Sanction Order").
6. The CCAA vests the Court with the jurisdiction to make the Meetings Order and the Claims Procedure Order, to authorize a vote on the Plan and to issue the Sanction Order.

7. The Petitioners intend to rely at the Sanction Hearing upon the provisions of the CCAA generally and in particular upon section 11.8 of the CCAA.

8. To the extent that the EMA is inconsistent with or would limit the authority of the Court to grant the Sanction Order or otherwise implement the restructuring contemplated by the Plan, the EMA is rendered inoperable by virtue of the doctrine of paramountcy.

9. Further, or in the alternative, to the extent that the EMA is inconsistent with the provisions of the CCAA or would alter the scheme of priorities under the CCAA, the EMA is rendered inoperable by virtue of the doctrine of paramountcy.

Date: April 13, 2012

A handwritten signature in black ink, consisting of stylized, overlapping loops that appear to read 'P.L. Rubin'.

Peter L. 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