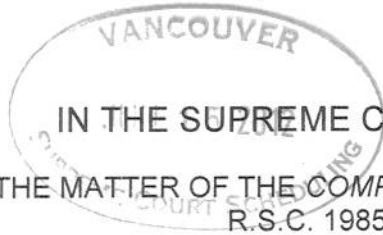


NO. S120712
VANCOUVER REGISTRY



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

APPLICATION RESPONSE

Application response of: The Ad Hoc Group of 2016 Senior Secured Noteholders,
(the "Application Respondents")

THIS IS A RESPONSE TO the Notice of Application of Ronald Gary McCaig, Jeff Whittaker, Janice Young, Peter Flynn, Patricia Dwornik and Francesca Pomeroy, acting on their own behalf and on behalf of the Catalyst Salaried Employees & Pensioners Group (collectively, the "**Applicants**") filed 13 / Apr / 2012.

Part 1: ORDER CONSENTED TO

The application respondents consent to the granting of the orders set out in the following paragraphs of Part 1 of the Notice of Application on the following terms:

Nil

Part 2: ORDERS OPPOSED

The Application Respondents oppose the granting of the orders set out in paragraphs 1 to 5 of Part 1 of the Notice of Application.

Part 3: ORDERS ON WHICH NO POSITION IS TAKEN

The Application Respondents take no position on the granting of the orders set out in paragraphs NIL of Part 1 of the Notice of Application.

Part 4: FACTUAL BASIS

The 2016 Notes and the Security

1. Pursuant to the Class A and Class B Indentures dated March 10 and May 19, 2010, respectively (collectively, the "**Indentures**"), Catalyst Paper Corporation ("**Catalyst**") issued approximately \$390 million in 11% senior secured notes, due December 15, 2016 (the "**2016 Notes**"). Catalyst's obligations pursuant to the 2016 Notes are guaranteed, jointly and severally, by each of Catalyst's restricted subsidiaries.
2. Pursuant to, among other things, a mortgage registered March 9, 2010, and a security agreement dated March 10, 2010 (collectively, the "**2016 Notes Security**"), the 2016 Notes were secured against the majority of the real and personal property of the Petitioners.

The Salaried Pension Plan and the Pension Fund

3. Catalyst is the registered administrator of the Catalyst Paper Corporation Retirement Plan for Salaried Employees (the "**Salaried Plan**"). A trust fund ("**CIBC Mellon Trust Fund**") has been established to hold the assets of the Salaried Plan. The assets of the CIBC Mellon Trust Fund are invested in a master trust, of which CIBC Mellon Trust Company is the trustee.
4. Catalyst has made all contributions to the CIBC Mellon Trust Fund which are required by applicable pension benefits legislation to be made.

CCAA Filing

5. On January 31, 2012, Catalyst filed for protection under the *Companies' Creditors Arrangement Act* in the Supreme Court of British Columbia (the "**CCAA Proceedings**").

6. The monitor in the CCAA Proceedings has reviewed the 2016 Notes Security and has confirmed that it is valid and enforceable.

7. On June 13, 2012, the Court in the CCAA Proceedings granted an order directing the Petitioners to disclose certain documents relevant to this application (the "Production Order"). To date, the Petitioners have disclosed some, but not all, of these documents. The Application Respondents therefore reserve the right to refer to such further or other facts or documents as may arise from further production pursuant to the Production Order.

Part 5: LEGAL BASIS

1. Despite request, the Applicants have declined to provide a summary of the legal bases for the relief sought in their Application. Accordingly, the Application Respondents are unable to provide the legal bases for their responsive position at this time. However, the Application Respondents anticipate relying, in part, on the following statutes and regulations:

- a) *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36;
- b) *Pension Benefits Standards Act*, R.S.B.C. 1996, c. 352;
- c) *Pension Benefits Standards Regulation*, B.C. Reg 433/93

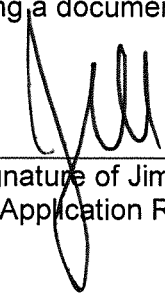
Part 6: MATERIAL TO BE RELIED ON

- 1. Affidavit #2 of Deborah Hamann-Trou, made 14/ Jun/2012;
- 2. The pleadings and other materials filed herein;
- 3. Written argument, to be provided;
- 4. Such further material as counsel may advise and this Honourable Court may allow.

The Application Respondents estimate that the application will take three days.

- ☒ The Application Respondents have filed in this proceeding a document that contains their address for service.

Date: 15 / Jun / 2012



Signature of Jim R. Schmidt
Lawyer for Application Respondents