

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"**

To: The Service List

TAKE NOTICE that an application will be made by the Petitioners to Mr. Justice Sewell at the
courthouse at 800 Smithe Street, Vancouver, British Columbia on Wednesday July 25, 2012 at
10:00 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

1. Catalyst Paper Corporation entered into a lease, dated December 1, 2003 (the “**Lease**”), for premises located at 1050 United Boulevard, Coquitlam, British Columbia (the “**Property**”) with Balaclava Holdings Ltd., as landlord (the “**Landlord**”).

2. On December 1, 2003, the Lease was registered in the New Westminster Land Title Office (the “**Land Title Office**”) against title to the Property, under charge number BV500248.

3. Certain charges were registered in the Land Title Office against the Company’s leasehold interest in the Property, as follows:

- (a) Mortgage CA1482421 in favour of Computershare Trust Company of Canada;

- (b) Assignment of Rents CA1482422 in favour of Computershare Trust Company of Canada;

- ((a) and (b), the “**Computershare Charges**”)

- (c) Mortgage CA1482582 (as transferred by FB421269 and modified by FB421271) in favour of JPMorgan Chase Bank National Association; and

- (d) Assignment of Rents CA1482583 (as transferred by FB421270 and modified by FB421272) in favour of JPMorgan Chase Bank National Association

- ((c) and (d), the “**JP Morgan Charges**”).

4. The Company disclaimed the Lease effective March 16, 2012 (the “**Disclaimer**”).

5. Following the issuance of the Disclaimer, the Landlord advised the Company that it was seeking to re-lease the Property and requested that the Company discharge and release the Lease from title to the Property, as well as the Computershare Charges and the JP Morgan Charges (collectively, the “**Charges**”).

6. On April 10, 2012, the Company executed a “Form C Release” releasing the Lease from title to the Property (the “**Lease Discharge**”).

7. The Charges are required to be released and discharged in order to file the Lease Discharge. The Company requested that the current holders of the Charges execute releases in order to discharge and release the Charges from the Lease.

8. On July 19, 2012, JP Morgan Chase Bank National Association executed a Form C Release in respect of the JP Morgan Charges (the “**JP Morgan Release**”).

9. Pursuant to indentures dated March 10, 2010 and May 19, 2010, made among Computershare Trust Company of Canada (“**Computershare**”), as collateral trustee, the Company, as issuer, Wilmington Trust FSB (“**Wilmington**”), as trustee and the guarantors named therein (collectively, the “**Indentures**”) and a collateral trust agreement dated as March 10, 2010 among the Company, as issuer, Computershare, as collateral trustee, Wilmington, as trustee under the Indentures and the guarantors named therein (the “**Collateral Trust Agreement**”), Computershare is the registered holder of the Computershare Charges for the benefit of Wilmington and holders of the Company’s senior secured notes.

10. Computershare will not execute a Form C Release in respect of the Computershare Charges unless it receives, among other things, a direction from Wilmington to do so.

11. Wilmington requires a court order to effect the discharge of the Computershare Charges.

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;
3. The inherent and equitable jurisdiction of the Court; and
4. Orders previously pronounced by the Court in this proceeding.

Part 4: MATERIAL TO BE RELIED ON

1. Affidavit #7 of Robert Lindstrom, made on July 20, 2012;
2. The pre and post filing reports of the Monitor;
3. The materials previously filed herein; and
4. Such further and other materials as counsel may advise and the Court may permit.

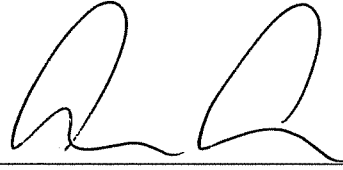
The applicants estimate that the application will take 5 minutes.

- 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 who is seized of this proceeding.

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: July 20, 2012

A handwritten signature in black ink, consisting of two large, stylized, overlapping loops that resemble the letters 'A' and 'A'.

Signature of
 applicant lawyer for applicants
Peter Rubin / Andrew Crabtree

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

Schedule "B"

No. S120712
Vancouver Registry

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ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL) July 25, 2012
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 25th day of July, 2012; AND ON HEARING Bill Kaplan Q.C. and Peter Rubin, counsel for the Petitioners, John Grieve, 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:

1. The Registrar of New Westminster Land Title Office is hereby directed to discharge, release, delete and expunge from title to the real property, legally described as follows:

Parcel Identified: 017-513-294
Lot A District Lot 16 and 48 Group 1 New Westminster District Plan LMP1969

the registrations which are registered in the New Westminster Land Title Office as set out in Schedule "C" to this Order forthwith upon receipt by such persons of:

- (a) a letter from Blake, Cassels & Graydon LLP to such registry authorizing the registration and/or filing of this Order; and
- (b) a certified copy of this Order.

APPROVAL

2. Endorsement of this Order by counsel appearing on this application, other than counsel for the Petitioner Parties, 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 "C"

Description of charges to be discharged by Court Order:

- (a) Mortgage CA1482421 in favour of Computershare Trust Company of Canada;
and
- (b) Assignment of Rents CA1482422 in favour of Computershare Trust Company of
Canada.