



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"

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 Thursday August 2, 2012 at
9:00 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. Wells Fargo is the indenture trustee for the 2014 Notes pursuant to a trust indenture, dated March 23, 2004 (the “**Indenture**”).
2. Pursuant to Article 6 of the plan of arrangement (the “**Plan**”), approved pursuant to Order of the Court dated June 28, 2012 (the “**BCSC Order**”), the Company is to make any cash or share distribution to the holders of 2014 Notes, through the Depository Trust Company (where eligible) rather than through Wells Fargo (the “**Distribution**”).
3. As a result of the Distribution, Wells Fargo filed an objection, dated July 9, 2012, to the Company’s application in the United States Bankruptcy Court that seeks an order recognizing and enforcing the BCSC Order in the United States.
4. On July 27, 2012, the BCSC Order was recognized and given full force and effect pursuant to an order of the United States Bankruptcy Court.
5. The Company seeks approval of this Court to pay all reasonable documented fees and expenses of Wells Fargo as indenture trustee pursuant to the Indenture (the “**Fees and Expenses**”).
6. The Company and Wells Fargo engaged in a number of discussions and agreed that the Company will seek court approval in both Canada and the United States for payment of the Fees and Expenses.
7. On July 27, 2012, the United States Bankruptcy Court granted an order approving the payment of the reasonable and documented fees and expenses of Wells Fargo.

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 #14 of Brian Baarda, made on July 19, 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 15 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 30, 2012



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"

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PETITIONERS

ORDER MADE AFTER APPLICATION

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

ON THE APPLICATION of the Petitioners and Catalyst Paper General Partnership (collectively, the "**Petitioner Parties**") coming on for hearing at Vancouver, British Columbia, on the 2nd day of August, 2012; AND ON HEARING, Bill Kaplan Q.C. and Peter Rubin, counsel for the Petitioner Parties, 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. All capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Second Amended and Restated Plan of Compromise and Arrangement, dated June 14, 2012 (the "Plan").

2. In connection with the consummation of the Plan, the Petitioners are authorized and directed to pay all reasonable and documented fees and expenses of Wells Fargo Bank, National Association, as indenture trustee (the "Indenture Trustee") for the unsecured 7.375% senior notes due March 1, 2014 (the "Notes"), pursuant to an Indenture dated March 23, 2003 (the "Indenture"), including without limitation, the fees and expenses of U.S. counsel to the Indenture Trustee (the "U.S. Counsel") and Canadian counsel to the Indenture Trustee (the "Canadian Counsel" and, collectively with U.S. Counsel, the "Indenture Trustee Professionals"). Subject to the provisions of paragraphs 3 and 4 of this Order, the Petitioners shall pay (in cash) such fees and expenses on or before the Effective Date, as defined in the Plan, provided that the Indenture Trustee shall have delivered invoices for such amounts to the Petitioners consistent with the Indenture.

3. Notwithstanding the terms of the Plan and the Order of this Court dated June 28, 2012, the source of payment of the first one hundred thousand dollars (\$100,000) of reasonable fees and expenses for the Indenture Trustee shall be from the PREI Proceeds Pool to be distributed by the Monitor pursuant to the Plan to Affected Unsecured Creditors with Allowed Unsecured Claims who are Unsecured Noteholders (the "Proceeds"), and the Plan shall be deemed amended to provide for such payment. Upon receipt by the Indenture Trustee, the Proceeds amount shall be an immediate credit against any amounts owing as set out in paragraph 2 above. Notwithstanding the foregoing, in the event that payment is due to the Indenture Trustee before the Proceeds are available for distribution, the Petitioners shall satisfy the reasonable fees and expenses of the Indenture Trustee as provided in this Order and the Petitioners shall be entitled to be reimbursed from the Proceeds when they become available.

4. In the event that the parties cannot resolve the issue of "reasonable" legal fees and expenses rendered by Canadian Counsel, that dispute shall be referred to this Court. For the avoidance of doubt, notwithstanding anything to the contrary contained in this Order, nothing in

this Order shall be deemed to modify the terms and conditions of any agreement between the Indenture Trustee and the Indenture Trustee Professionals.

5. The Indenture Trustee shall not file any objections to or otherwise oppose any relief in Canada or the United States designed to assist with consummation of the Plan provided that any such relief shall not be inconsistent with the provisions contained in paragraphs 2, 3 and 4 of this Order or impose any obligations upon the Indenture Trustee in relation to the Plan, the Notes, the Indenture or otherwise. In the event the Petitioners do not consummate the Plan for any reason, or in the event that the Petitioners seek relief that is in any way inconsistent with the provisions of paragraphs 2, 3 and 4 of this Order or impose any obligations upon the Indenture Trustee in relation to the Plan, the Notes, the Indenture or otherwise, all rights of the Indenture Trustee under the Indenture and related documents, as well as to object to any relief inconsistent herewith, are expressly preserved.

6. Nothing in this Order shall limit the scope or effect of the Order entered in the U.S. Proceeding on July 27, 2012 in connection with the Petitioners' Motion filed July 6, 2012.

APPROVAL

7. Endorsement of this by counsel appearing on this application other than counsel for the Petitioners, is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS SANCTION 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 PETITIONER PARTIES

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

