

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" (collectively, "Catalyst")**

To: The Service List

TAKE NOTICE that an application will be made by the applicants to the presiding judge at the courthouse at 800 Smithe Street, Vancouver, British Columbia on August 28, 2012 at 9:00 a.m. for the orders set out in Part 1 below.

Part 1: ORDERS SOUGHT

1. Orders substantially in the draft forms attached as Schedule "B" ("**Annual General Meeting Order**"), Schedule "C" ("**Sale of Elk Falls Mill Order**") and Schedule "D" ("**Recognition Order**") hereto.

Part 2: FACTUAL BASIS

Annual General Meeting Order

1. Pursuant to section 133 of the *Canada Business Corporations Act*, S.C. 1985, c. C-44, the Company was required to hold an annual meeting of shareholders ("**AGM**") for the 2011 fiscal year by June 29, 2012.
2. On May 10, 2012 the Court granted an order which extended the deadline for holding the an AGM until a date set by further Order of this Court.
3. The Company seeks an order that the time for calling the next AGM be set at June 30, 2013.
4. In order to provide a period of stability following the emergence from the CCAA proceeding, the Company also seeks an order that the term of the directors appointed pursuant to the Second Amended and Restated Plan of Compromise and Arrangement dated June 14, 2012 (the "**Plan**") shall, subject to section 108 of the *Canada Business Corporations Act*, continue until the annual shareholder's meeting next following the first anniversary date of the Effective Date under the Plan.

Sale of the Elk Falls Mill Order

5. In September 2010, the Elk Falls Mill was permanently closed in light of persistent weak markets for commodity paper grades combined with uncompetitive manufacturing costs, including labour, municipal taxes, fibre, and other input costs.
6. In furtherance of the Company's restructuring efforts following the Amended and Restated Initial Order, the Company conducted a bidding process for the removal, sale and scrap of certain pieces of equipment at the Elk Falls Mill. Following the completion of the bidding process, Catalyst Paper General Partnership entered into an agreement with Schnitzer Steel BC, Inc. for the removal, sale and scrapping of selected equipment at the Elk Falls Mill.
7. Following the commencement of the sale and investor solicitation process (the "**SISP**") approved pursuant to an Order of the Court dated March 22, 2012, the Company began marketing the land and remaining assets of the Elk Falls Mill in accordance with the timelines and procedures set out in the SISP.
8. A number of parties examined the Elk Falls Mill. Subsequently, five parties became "Qualified Phase 2 Bidders" (as such term is defined in the SISP) in respect of the Elk Falls Mill sales process.

9. Three of the Qualified Phase 2 Bidders submitted binding offers to purchase the Elk Falls Mill (collectively, the “**Binding Offers**”). The Company, with the assistance of its advisors, reviewed and analyzed the Binding Offers.

10. The Company concluded the offer from Pacifica Deep Sea Terminals Incorporated (the “**Purchaser**”) was the superior offer based upon the purchase price and the Purchaser’s agreement to assume all environmental liabilities associated with the Elk Falls Mill.

11. On August 16, 2012, the Company entered into an asset purchase agreement with the Purchaser (the “**Sale Agreement**”) pursuant to which the Company agreed to sell the Purchaser the Acquired Assets (as such term is defined in the Sale Agreement) for CDN \$8.61 million. The Sale Agreement is expected to close on or before September 5, 2012, subject to the approval of the Court.

12. The Company believes that the Sale Agreement provides the Company with the best available price for the Elk Falls Mill in light of the current market conditions.

Recognition Order

13. On March 22, 2012, the Court granted an order establishing the procedure for proving Restructuring Claims and for the review and adjudication of contested claims (the “**Claims Procedure Order**”).

14. The Company has engaged in efforts to sell the assets of Catalyst Paper (Snowflake) Inc. (“**Catalyst Snowflake**”), a U.S. company that operates a newsprint and specialty paper manufacturing operation located in northeastern Arizona (the “**Snowflake Mill**”). The primary assets of Catalyst Snowflake include the Snowflake Mill equipment and a wholly-owned subsidiary, The Apache Railway Corporation (collectively, the “**Assets**”). The Snowflake Mill has approximately 300 employees, and operates two paper machines with an annual capacity of 289,000 tons of newsprint and 48,000 tons of specialty papers.

15. In May 2011, the Company retained RBC Capital Markets (“**RBC**”) as its financial advisor to assist in identifying a purchaser for the Assets. The Company spent more than a year aggressively marketing the Assets, including entering into negotiations with a number of prospective buyers. Ultimately, despite such efforts, the Company was ultimately unable to reach a binding sale agreement with a prospective buyer.

16. After consideration and consultation with its advisors, the Company has decided to permanently close the Snowflake Mill effective September 30, 2012.

17. In connection with a shutdown of the Snowflake Mill, the Company desires to reject certain executory contracts and unexpired leases (collectively, the “**Snowflake Contracts**”). The Snowflake Contracts are agreements between Catalyst Snowflake, a U.S. company, and U.S. counterparties, and all are governed by U.S. law. In that regard, on August 24, 2012, the Company is proceeding with a motion in the United States Bankruptcy Court for the District of Delaware seeking an order (the “**US Snowflake Order**”) approving the rejection of the

Snowflake Contracts. The Company will at the same time be seeking appropriate orders so that any claims arising from the rejection of the Snowflake Contracts can be filed in the Canadian proceedings, as well as the approval by the U.S. Court of a settlement with one of the counterparties.

18. Due to the closure of the Snowflake Mill, the Snowflake Contracts would no longer provide a benefit to the Company's estate, and, conversely, the Company would not be able to meet its obligations under those agreements. The rejection of the Snowflake Contracts will result in net cost savings to the Company.

19. The Company now seeks an order which (a) recognizes the US Snowflake Order, (b) approves the terms of settlement with a counterparty to a Snowflake Contract, (c) provides a procedure for counterparties to the Snowflake Contracts to file proofs of claim for claims relating to the rejection of the Snowflake Contracts, and (d) deems such claims to be Restructuring Claims to be treated in accordance with the Plan, including procedures for treatment of elections under the Plan.

Part 3: LEGAL BASIS

1. Supreme Court Civil Rules, Rule 8-1, 13-1;
2. *Canada Business Corporations Act*, S.C. 1985, c. C-44 ss. 106, 133 and 191;
3. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended; and
4. The inherent and equitable jurisdiction of the Court.

Part 4: MATERIAL TO BE RELIED ON

1. Affidavit #1 of J. Pratap, made August 23, 2012.
2. Affidavit #8 of B. Baarda, made May 7, 2012.
3. Affidavit #8 of R. Lindstrom, made August 23, 2012.
4. Affidavit #1 of L. McNally, Made August 23, 2012

The applicants estimate that the application will take 60 minutes.

[Check the correct box]

- 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: August 23, 2012



Signature of
 applicant lawyer for applicant(s)
Bill Kaplan, Q.C./ Peter 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

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

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

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL) August 28, 2012
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 28th day of August 2012; AND ON HEARING, [●], counsel for the Petitioners, [●], 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. Pursuant to section 133 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the "CBCA") the time for calling the next annual meeting of shareholders of Catalyst Paper Corporation is extended until June 30, 2013, subject to further extension upon order of the Court.

2. The term of the directors of Catalyst Paper Corporation appointed pursuant to section 6.11 of the Second Amended and Restated Plan of Compromise and Arrangement dated June 14, 2012 (the "**Plan**") shall, subject to section 108 of the CBCA, continue until the annual meeting of shareholders of Catalyst Paper Corporation next following the first anniversary date of the Effective Date under the Plan.

APPROVAL

3. Endorsement of this Order by counsel appearing on this application, other than counsel for the Petitioners, 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.

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"

**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

ORDER MADE AFTER APPLICATION

APPROVAL OF SALE (ELK FALLS)

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL) August 28, 2012
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 28th day of August 2012; AND ON HEARING, [●], counsel for the Petitioners, [●], 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 SALE AGREEMENT

1. The sale transaction (the "**Transaction**") contemplated by the agreement of purchase and sale (the "**Sale Agreement**") among Catalyst Paper Corporation ("**CPC**"), Catalyst Pulp Operations Limited, Elk Falls Pulp and Paper Limited (collectively, the "**Company**") and Pacifica Deep Sea Terminals Incorporated (the "**Purchaser**"), dated August 16, 2012, and attached as Exhibit "A" to the Affidavit #8 of Robert Lindstrom made August 23, 2012, is hereby approved.

2. The execution, delivery and performance of the Sale Agreement by the Company are hereby authorized and approved (with such alterations and amendments as the parties thereto may agree, subject to obtaining the consent of the Monitor and the Steering Group of 2016 Noteholders prior to making any material alterations or amendments to the Sale Agreement), and the Company is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the transactions contemplated by the Sale Agreement, including without limitation, the Transaction and the conveyance of the Company's right, title and interest in and to the land and assets described in the Sale Agreement (collectively, the "**Acquired Assets**") 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 Acquired Assets 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 (collectively, the "**Claims**") including, without limiting the generality of the foregoing:

- (a) any encumbrances or charges created by the Orders made in these proceedings, including, but not limited to, the Orders of the Court dated January 31, 2012 (as Amended and Restated) and Orders dated February 3, 2012, February 7, 2012 and March 9, 2012; and
- (b) liens, including without limitation mechanics' liens, repairers liens, builders' liens and statutory liens.

but specifically excluding the Permitted Encumbrances (as such term is defined in the Sale Agreement). For greater certainty, this Court orders that all of the Claims affecting or relating to the Acquired Assets are hereby expunged, discharged, released and deleted as against the Acquired Assets, save and except for the Permitted Encumbrances.

4. The Registrar of Victoria Land Title Office is hereby directed to discharge, release, delete and expunge from title the registrations on the lands which are registered in the Victoria Land Title Office, as set out in **Schedule "D"** to this Order, forthwith upon receipt by such person 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.

5. The Monitor shall file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof to the Purchaser. 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 arising from or related to the Transaction and the Acquired Assets that the Company receives pursuant to the Transaction (the "**Proceeds**") shall stand in the place and stead of the Acquired Assets, 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 Acquired Assets immediately prior to the sale as if the Transaction had not completed and the Acquired Assets had not been sold and remained in the possession or control of the Company. The Order made herein is without prejudice to: (a) the rights of the Company or any stakeholder to take the position that the Acquired Assets are, or are not, Excluded Assets; and (b) the rights of the 2016 Noteholders and the DIP Lender to claim that the 2016 Notes Security and the DIP Lender's Charge, respectively (as defined in the Amended and Restated Initial Order of this Court dated February 3, 2012) attach to the Proceeds.

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, to be released to the Company on the Effective

Date (as such term is defined in the Second Amended and Restated Plan of Compromise and Arrangement, dated June 14, 2012), or as further directed by the Court on application.

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 Acquired Assets 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, other than counsel for the Petitioners, 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

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"

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"
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 August 28, 2012, the Court approved the agreement for sale of certain lands and assets (the "**Acquired Assets**") in British Columbia, Canada, dated August 16, 2012, as may be amended from time to time (the "**Sale Agreement**"), among Catalyst Paper Corporation, Catalyst Pulp Operations Limited, Elk Falls Pulp and Paper Limited (collectively, the "**Company**") and Pacific Deep Sea Terminals Incorporated (the "**Purchaser**") for the Company's right, title and interest in and to the Acquired Assets and ordered that all of the Company's right, title and interest in and

to the Acquired Assets, 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:

13. 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.

14. 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 [•] day of [•], 2012.

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

By: _____
Name

Title

Schedule "D"

Description of charges to be removed

1. Mortgage CA1482588 and Assignment of Rents CA1482589 in favour of Computershare Trust Company of Canada;
2. Mortgage CA1482609 (transferred by FB422192 and modified by FB421275) and Assignment of Rents CA1482610 (transferred by FB422193 and modified by FB421276) in favour of JPMorgan Chase Bank, National Association; and
3. Claim of Builders Lien CA2397020 in favour of T-MAR Industries Ltd.

from the following parcels of land:

000 849 731	District Lot 120 (DD 215778I) Sayward District Except part in Plans 14946 and VIP57724
000 849 821	That part of District Lot 67 Sayward District shown outlined in red on Plan 1374 RW
000 848 905	Lot A District Lot 68 Sayward District Plan 20538 except Plan EPP7297
000 849 561	That part of District Lot 151 Sayward District shown outlined in red on Plan 1433R
000 849 502	That Part of District Lot 163 Sayward District shown outlined in red on Plan 1431R
001 233 475	Block B of Lot 1504 Sayward District
001 233 467	Block C of Lot 1504 Sayward District
001 233 459	Block D of Lot 1504, Sayward District
000 848 913	Lot 1 District Lot 68 Sayward District Plan 16712
000 849 855	That part of District Lot 52 Sayward District shown outlined in red on Plan 659 RW
000 849 847	That part of District Lot 67 Sayward District shown outlined in red on Plan 659 RW

000 849 910	District Lot 26 Sayward District except part in Plans 34604 and 42540
000 848 921	Lot 1 District Lot 109 Sayward District Plan 16956
000 849 430	District Lot 164 Sayward District shown outlined in red on Plan 1431R
001 233 432	District Lot 109 Sayward District except Parcel A (DD 285472- I) and those parts in Plans 1373- R, 16956, 19371, 50636 and VIP54479, VIP64521 and EPP7297
001 233 441	Lot 1599 Sayward District except that part in Plan VIP64521
000 846 287	District Lot 2 Sayward District except those parts in Plans 19371, 42540, 50636, VIP64521, VIP64522 and VIP76652

Schedule "D"

**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

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL) August 28, 2012
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 28th day of August, 2012; AND ON HEARING, [●], counsel for the Petitioner Parties, [●], 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. In accordance with paragraph 13 of this Court's Order dated June 28, 2012, the Petitioner Parties are hereby authorized and directed to take all actions necessary or appropriate to comply with the August 24, 2012 order of the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**") in the Chapter 15 Proceedings (Case No. 12-10221), a copy of which is attached as **Schedule "C"** hereto (the "**Snowflake Order**"). Without limiting the forgoing, the terms of the settlement agreement between Catalyst Paper (Snowflake) Inc. ("**Catalyst Snowflake**") and Snowflake Power, LLC ("**Snowflake Power**") as described in the Snowflake Order (the "**Power Agreement**") are approved and the terms of the Power Agreement will be binding on any successor, assignee or purchaser of Catalyst Snowflake and/or any of its assets.

2. Counterparties (collectively, the "**Snowflake Creditors**") to those contracts listed in Exhibit "A" to the Snowflake Order (collectively, the "**Snowflake Contracts**") must file Proofs of Claim (as defined in the Claims Procedure Order, dated March 22, 2012 (the "**Claims Procedure Order**")) in respect of any claims arising from the rejection of the Snowflake Contracts (the "**Snowflake Claims**") pursuant to section 365(a) of title 11 of the United States Code (the "**Bankruptcy Code**") by first-class mail, courier, or personal delivery to either:

(a) PricewaterhouseCoopers Inc.,
Court-appointed Monitor of Catalyst Paper Corporation et al.
250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7
Canada
Attention: Patricia Marshall; *or*

(b) Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, California 90245
USA;

so as to be received no later than 4:00 p.m. (prevailing Pacific time) on September 13, 2012 (the "**Snowflake Claims Bar Date**").

3. Snowflake Claims received on or before the Snowflake Claims Bar Date shall be deemed to be "Restructuring Claims" as defined in the Second Amended and Restated Plan of

Compromise and Arrangement of Catalyst Paper Corporation, dated June 14, 2012 (the “**Second Amended Plan**”) and proven Snowflake Claims shall be treated accordingly under the Second Amended Plan.

4. Snowflake Creditors who do not file Snowflake Claims on or before the Snowflake Claims Bar Date are forever barred and extinguished pursuant to paragraph 25 of the Claims Procedure Order, will not receive a distribution in these proceedings, and may not assert or enforce their claims against any of the Petitioner Parties.

5. The Petitioner Parties, in consultation with the Monitor, shall review, and shall accept, revise or disallow, the Snowflake Claims. If the Petitioner Parties wish to revise or disallow a Proof of Claim filed by a Snowflake Creditor, the Petitioner Parties and/or the Monitor shall, by no later than 4:00 p.m. (prevailing Pacific time) on September 24, 2012, send the applicable Snowflake Creditor a Notice of Revision or Disallowance (as defined in the Claims Procedure Order) advising that the Snowflake Claim as set out in its Proof of Claim has been revised or disallowed and the reasons therefor. If neither the Petitioner Parties nor the Monitor send a Notice of Revision or Disallowance to a Snowflake Creditor by such date, then such Snowflake Creditor’s Proof of Claim shall be an allowed Restructuring Claim for distribution purposes.

6. If a Snowflake Creditor is sent a Notice of Revision or Disallowance pursuant to paragraph 5 hereof and wishes to dispute such Notice of Revision or Disallowance, such Snowflake Creditor must deliver a completed Notice of Dispute, as defined in the Claims Procedure Order, to the Monitor by no later than 5:00 p.m. on the day which is seven (7) days after the date of the applicable Notice of Revision or Disallowance or such other date as may be agreed to by the Monitor. If such Snowflake Creditor fails to deliver a Notice of Dispute by such date, the Snowflake Claim of such Snowflake Creditor as set out in the applicable Notice of Revision or Disallowance, if any, shall be an allowed Restructuring Claim for distribution purposes.

7. If a Snowflake Creditor files a Notice of Dispute, the Petitioner Parties, in consultation with the Monitor, may, upon receipt of a Notice of Dispute: (i) attempt to resolve consensually the disputed Snowflake Claim with the Snowflake Creditor, (ii) in accordance with the Claims Procedure Order, deliver a “Dispute Package” to an appointed “Claims Officer” (as such terms

are defined in the Claims Procedure Order), or (iii) bring a motion before the Court in these proceedings to determine the validity and amount of its Snowflake Claim. The Snowflake Claim, as resolved by the dispute resolution procedures referenced in this paragraph 7 and upon the completion of such dispute resolution procedures, shall be an allowed Restructuring Claim for distribution purposes.

8. Any Snowflake Creditor who holds a Snowflake Claim greater than CAD \$10,000 may make a Cash Election by attaching a Cash Election Form (as such terms are defined in the Second Amended Plan) to its Proof of Claim and filing it on or before the Snowflake Claims Bar Date in accordance with paragraph 2 hereof. The allowed Snowflake Claim of any Snowflake Creditor who makes a Cash Election in accordance with this Order and the Second Amended Plan shall be deemed equal to CAD \$10,000 for distribution purposes. For clarity, no Snowflake Creditor may make a Cash Election after the Snowflake Claims Bar Date.

9. Any Snowflake Creditor who holds a Snowflake Claim other than a Snowflake Creditor that has made Cash Election in accordance with paragraph 8 hereof, may make an Equity Election by attaching an Equity Election Form (as such terms are defined in the Second Amended Plan) to its Proof of Claim and filing it on or before the Snowflake Claims Bar Date in accordance with paragraph 2 hereof.

10. Distributions on allowed Snowflake Claims shall be made in accordance with the Second Amended Plan.

11. THIS COURT REQUESTS the aid and recognition 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 and to be complementary to this Court in carrying out the terms of this Order 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 give effect to this Order, (ii) grant representative status to any of the Petitioners, and to Catalyst Paper Corporation (“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 terms of this Order.

12. The Petitioner Parties and the Monitor are hereby authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which forms delivered hereunder are completed and executed and the time in which they are submitted, and may, where they are satisfied that a Snowflake Claim has been adequately proven, waive strict compliance with the requirements of this Order and the Claims Procedure Order, including in respect of the completion, execution and time of delivery of such forms, and may request any further documentation from a Snowflake Creditor that the Petitioner Parties or the Monitor may require in order to enable them to determine the validity of a Snowflake Claim, without prejudice to the requirement that all other Snowflake Creditors must comply with this Order.

13. If any deadline set out in this Order falls on a day other than a Business Day, the deadline shall be extended to the next Business Day.

14. Notwithstanding the terms of this Order or the Snowflake Order, the Petitioner Parties and the Monitor may apply to this Court from time to time for directions from this Court with respect to this Order, or for such further Order or Orders as either of them may consider necessary or desirable to amend, supplement or replace this Order.

15. 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

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"

Counsel Name	Name of Party