

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 September 28, 2012 at 10:00 a.m. for the orders set out in Part 1 below.

Part 1: ORDERS SOUGHT

1. Order substantially in the draft form attached as Schedule "B" hereto.

Part 2: FACTUAL BASIS

2. On April 27, 2012 Catalyst and the City entered into the Powell River Property Tax Agreement, dated (the “**Agreement**”), which was approved by order of the Court dated May 10, 2012 (the “**Powell River Order**”).

3. Pursuant to the Agreement, Catalyst agreed to, *inter alia*, grant the City rights of way, leases and rights of occupation over certain areas of waterfront lands (the “**Waterfront Lands**”) and an access way for the Waterfront Lands. In order to complete the transfer of the rights and interests of the Waterfront Lands to the City, Catalyst is required to deposit a plan with the Land Title Office that, *inter alia*, creates a sub-lease to the City over a portion of the Waterfront Lands.

4. Under the Agreement, Catalyst also agreed to transfer to the City an office building and associated lands as well as an access way, subject to Catalyst completing a subdivision plan (the “**Subdivision**”). The Subdivision must be deposited with the Land Title Office and approved by an approving officer of the City. The Subdivision is required to outline the specific portions of the parcels of lands that would be transferred to the City. The Subdivision was not completed prior to the Powell River Order.

5. Subsequent to the Powell River Order, Catalyst and the City agreed upon a plan for the Subdivision, as outlined in plan EPP21856 (the “**Office Building Plan**”), as well as a plan for the Waterfront Lands (the “**Waterfront Lands Plan**”). Catalyst and the City also agreed upon an easement plan, as outlined in plan EPP21857 (the “**Easement Plan**”), in furtherance of the Agreement.

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, s. 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 #15 of B. Baarda, made September 25, 2012;
2. Affidavit #8 of B. Baarda made May 7, 2012; and
3. Such further and other materials as counsel may advise and the Court may permit.

The applicants estimate that the application will take 5 minutes.

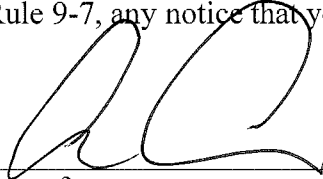
[Check the correct box]

- This matter is within the jurisdiction of a master.
- This matter is not within the jurisdiction of a master. Mr. Justice Sewell is seized of this proceeding. Mr. Justice Sewell is unavailable for the within application and advised the Petitioners that Madam Justice Brown was to hear all applications in this proceeding in his Lordship's absence.

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: September 25, 2012



Signature of
 applicant lawyer for Petitioners
Bill Kaplan, Q.C. / 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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AND THE PETITIONERS LISTED IN SCHEDULE "A"**

PETITIONERS

ORDER MADE AFTER APPLICATION

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

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 28th day of September 2012; AND ON HEARING, Bill Kaplan, Q.C., 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. Catalyst Paper Corporation (the "**Company**") is authorized to execute such documents as are necessary to transfer to the City of Powell River (the "**City**"), by way of sublease, that portion of foreshore lease No. 233204, a copy of which is attached as **Schedule "C"** to this

Order (the “**Foreshore Lease**”), and all of the Company’s right, title and interest in and to the Foreshore Lease shall, upon approval of the Foreshore Lease by the Ministry of Forests, Lands and Natural Resource Operations, vest absolutely in the City 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, including, without limiting the generality of the foregoing, any claims by JP Morgan Chase Bank, N.A. and Computershare Trust Company of Canada.

2. The Company is authorized to execute such documents as are necessary to transfer to the City an access easement, as outlined in Plan No. EPP21857, a copy of which is attached as **Schedule “D”** to this Order (the “**Easement**”), and all of the Company’s right, title and interest in and to the Easement shall vest absolutely in the City 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, including, without limiting the generality of the foregoing, any claims by JP Morgan Chase Bank, N.A. and Computershare Trust Company of Canada.

3. The Company and 0606890 B.C. Ltd. (the “**Subsidiary**”) are authorized to execute such documents as are necessary to transfer the Subsidiary’s 50,000 units (the “**Units**”) of PRSC Limited Partnership (“**PRSC**”) and 30 common voting shares (the “**Shares**”) of PRSC Land Developments Ltd. (“**PRSC Ltd.**”) to the City, 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, including, without limiting the generality of the foregoing, any claims by JP Morgan Chase Bank, N.A. and Computershare Trust Company of Canada.

4. The Company and the Subsidiary are authorized to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the transfer of the Units and the Shares to the City, including, without limiting the generality of the foregoing, the discharge of any registered charge or other security interest.

5. Paragraph 4 of the order of the Court dated May 10, 2012 in respect of the Powell River Property Tax Agreement is deleted and replaced with the following:

Upon the delivery of a Monitor's certificate to the City 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 Purchased Land shall vest absolutely in the City and the City shall have good, safe holding and marketable title to the Purchased Lands 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, including, without limiting the generality of the foregoing, any claims by JP Morgan Chase Bank, N.A. and Computershare Trust Company of Canada and any encumbrances or charges created by the Orders made in these proceedings including 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 (collectively, the "**Claims**"), and all Claims shall be subject and subordinate to all other interests in land granted, transferred, or assigned to the City pursuant to the Powell River Property Tax Agreement. For greater certainty, upon the deposit in the Land Title Office of the subdivision plan EP21856, dated June 20, 2012 (the "**Plan**"), subject to such minor variation thereof if any as may be required by the Registrar of Land Titles, attached as **Schedule "E"** to this Order, and the approval of the Plan by an approving officer of the City, all of the Company's right, title and interest in and to Lot 1, Lot 2 and Lot 3, as outlined in the Plan, shall vest absolutely in the City 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 "Financial Encumbrances").

The Purchased Lands do vest in the City as set out above and upon the registration at the Land Title Office of a certified copy of this Order, the Court directs the Registrar of the Land Title Office to register title in the Purchased Lands in the name of the City and that all the Financial Encumbrances be discharged, without any additional document or form of transfer.

APPROVAL

6. 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./Peter Rubin

BY THE COURT.

Registrar

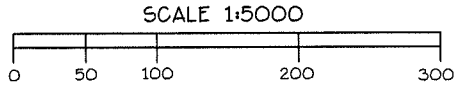
Schedule "A"

LIST OF ADDITIONAL PETITIONERS

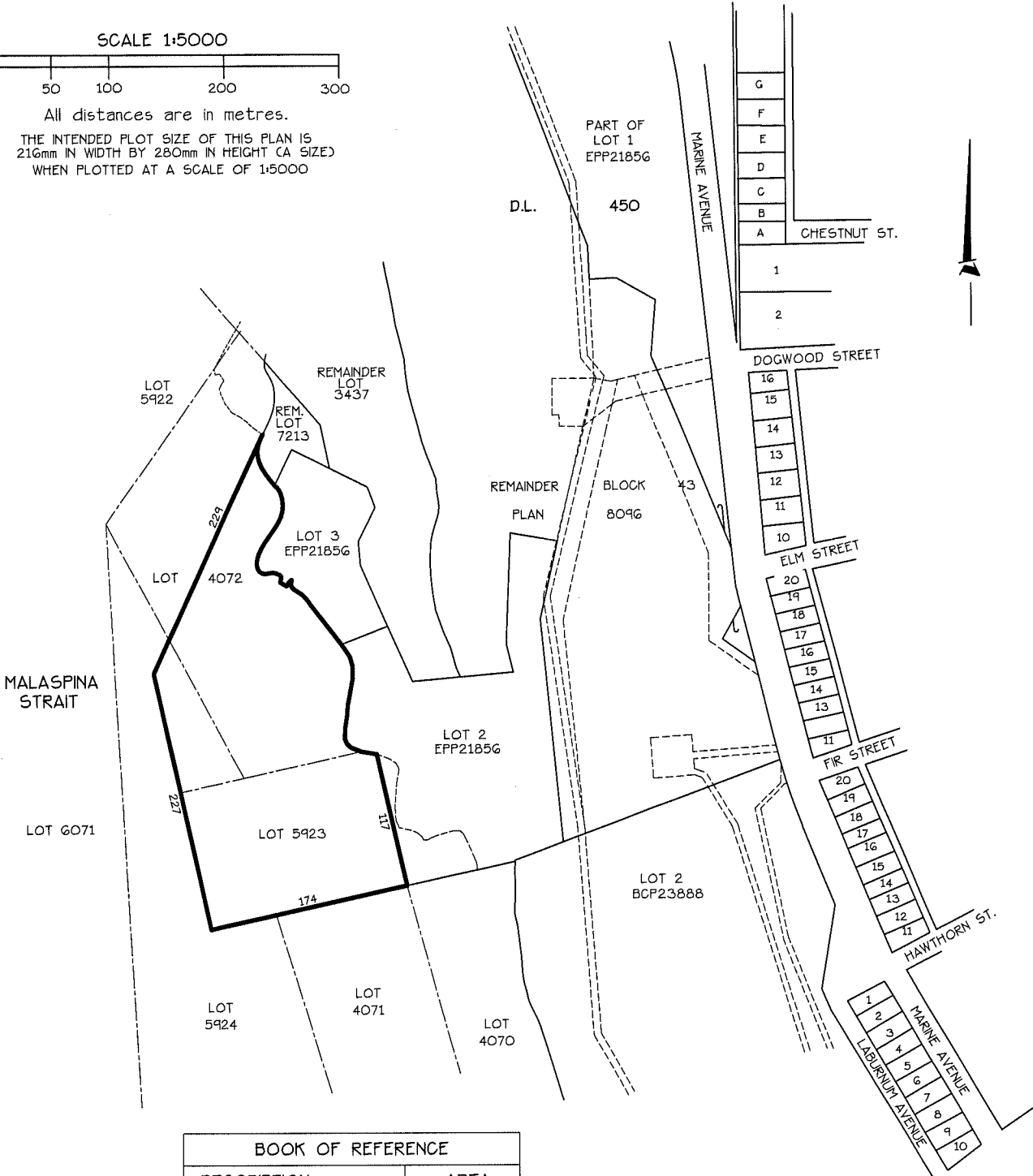
Catalyst Pulp Operations Limited
Catalyst Pulp Sales Inc.
Pacifica Poplars Ltd.
Catalyst Pulp and Paper Sales Inc.
Elk Falls Pulp and Paper Limited
Catalyst Paper Energy Holdings Inc.
0606890 B.C. Ltd.
Catalyst Paper Recycling Inc.
Catalyst Paper (Snowflake) Inc.
Catalyst Paper Holdings Inc.
Pacifica Papers U.S. Inc.
Pacifica Poplars Inc.
Pacifica Papers Sales Inc.
Catalyst Paper (USA) Inc.
The Apache Railway Company

Schedule "C"

SKETCH PLAN OF FORESHORE SUBLEASE AREAS
 BEING ALL OF LOT 5923 and PART OF
 LOTS 4072 AND 5924, ALL WITHIN
 GROUP 1. N.W.D.



SCALE 1:5000
 All distances are in metres.
 THE INTENDED PLOT SIZE OF THIS PLAN IS
 216mm IN WIDTH BY 280mm IN HEIGHT (A SIZE)
 WHEN PLOTTED AT A SCALE OF 1:5000



BOOK OF REFERENCE	
DESCRIPTION	AREA
LOT 5923	2.12 ha
PART OF LOT 4072	2.40 ha
PART OF LOT 5924	0.48 ha
TOTAL	5.00 ha

EMERY and RAE
 LAND SURVEYING LTD.
 4507 Manson Avenue,
 Powell River, B.C.
 V8A 3N3
 Ph. 604-485-4203
 Email: emeryrae@telus.net
 FILE:9241-118

Schedule "D"

REFERENCE PLAN OF:
 -LOT 1, PLAN EPP2185G,
 -PART OF BLOCK 43, EXCEPT THOSE PORTIONS IN PLANS 12273 AND 14778
 EXPLANATORY PLANS 5457, 7624, AND PLANS BCP7701, BCP23888, BCP23889,
 EPP2185G, PLAN 809G,
 BOTH WITHIN DISTRICT 450, GROUP 1, NEW WESTMINSTER DISTRICT
 FOR PURPOSES OF AN ACCESS EASEMENT PURSUANT TO SECTION 49(1)(c) OF THE LAND TITLE ACT

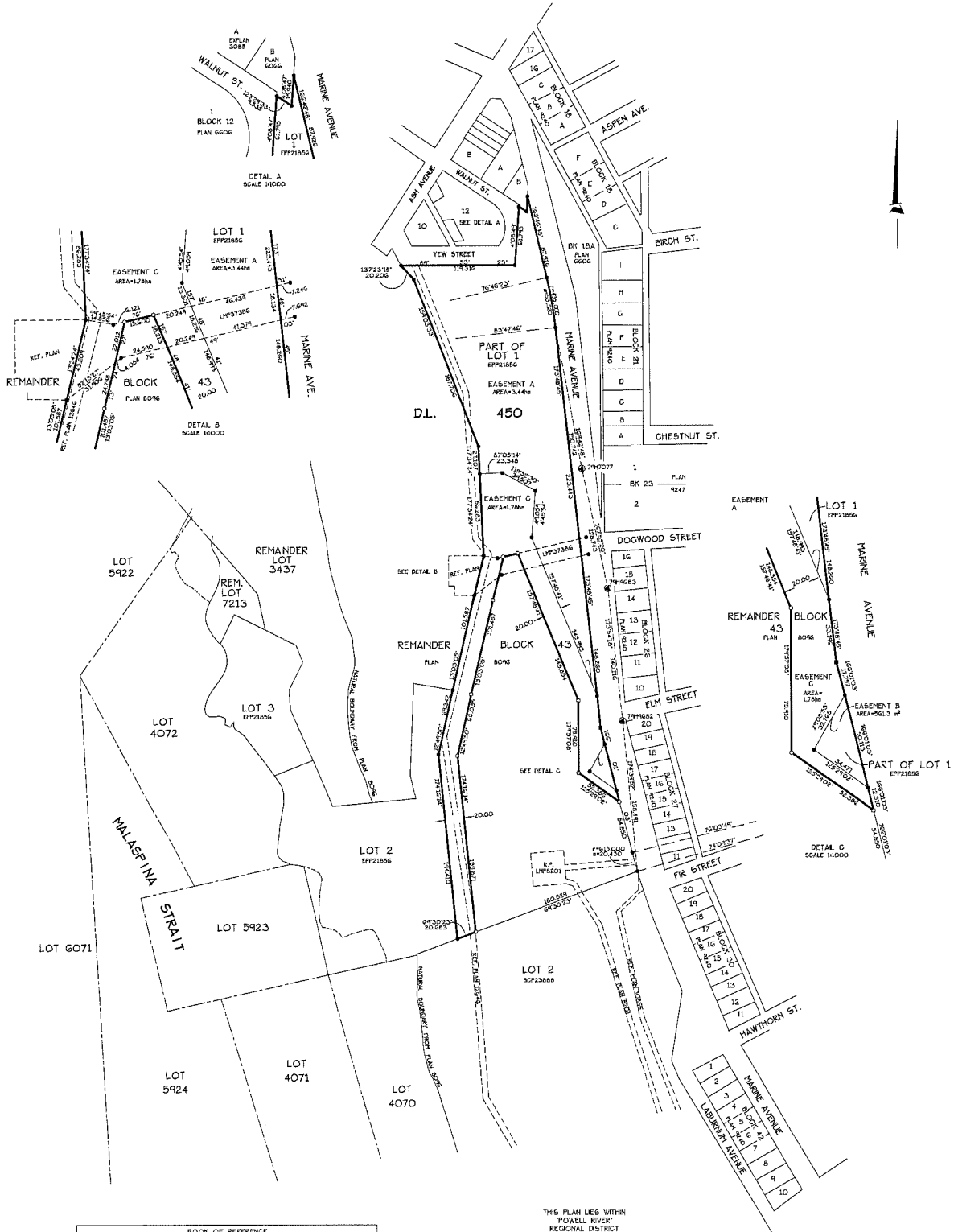
PLAN EPP21857

SCALE 1:2000
 ALL DISTANCES IN METERS. 0 20 40 60 80
 THE INTENDED PLOT SIZE OF THIS PLAN IS 360m BY WIDTH BY 604m BY HEIGHT (AS SHOWN) WHEN PLOTTED AT A SCALE OF 1:2000. 8055 927 0102

LEGEND

TYPE REFERENCE AND REFERRED FROM OBSERVATIONS BETWEEN CORNERS MONUMENTS:
 7411615, 7411616 AND 7411707, INTEGRATED SURVEY AREA NUMBER 20, NAD 83 (CGRS83)
 THIS PLAN SHOWS HORIZONTAL GROUND-LEVEL DISTANCES EXCEPT WHERE OTHERWISE NOTED.
 PRIOR TO COMPUTATION OF UTM COORDINATES, MULTIPLY GROUND LEVEL DISTANCES BY CORRECTION FACTOR 0.9997451.

(S) DENOTES OLD CONTROL MONUMENT FOUND
 (L) DENOTES OLD LEAD PLUG FOUND
 (P) DENOTES STANDARD IRON POST FOUND
 (D) DENOTES STAINLESS IRON POST SET



BOOK OF REFERENCE		
IDENTIFIER	LEGAL DESCRIPTION	AREA
EASEMENT A	PART OF LOT 1, D.L. 450, PLAN EPP2185G	3.44 ha
EASEMENT B	PART OF LOT 1, D.L. 450, PLAN EPP2185G	2613.47
EASEMENT C	PART OF THE REMAINDER OF BLOCK 43, D.L. 450, PLAN 809G	1.78 ha

THIS PLAN LIES WITHIN "POWELL RIVER" REGIONAL DISTRICT

THIS PLAN LIES WITHIN THE JURISDICTION OF THE APPROVING OFFICER FOR THE CITY OF POWELL RIVER

THE FIELD SURVEY REPRESENTED BY THIS PLAN WAS COMPLETED BY FRED EMERY, B.C.L.S., ON THE 20th DAY OF JUNE, 2012.

EMERY and RAE
 LAND SURVEYING LTD.
 4527 Finch Avenue
 North, Unit 102
 Vancouver, B.C.
 V5M 2G3
 Tel: 604-444-1203
 Email: emery@erandae.com
 RL0044-110

Schedule "E"

SUBDIVISION PLAN OF:

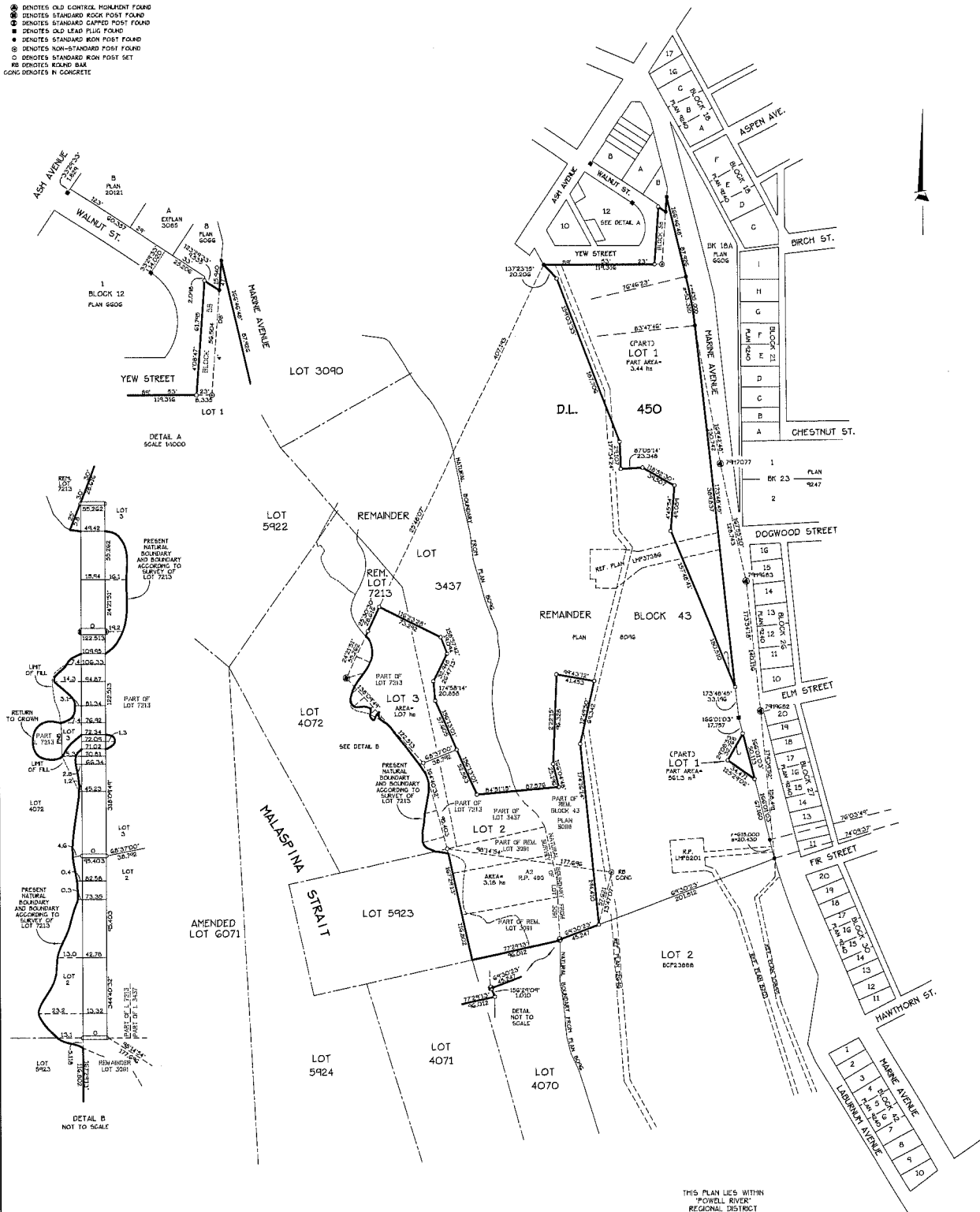
PLAN EPP2185G

- PART OF BLOCK 43, EXCEPT THOSE PORTIONS IN PLANS 12273 AND 14778 EXPLANATORY PLANS 5457, 7624, AND PLANS BCP7701, BCP23888 AND BCP23889, DISTRICT LOT 450, PLAN 809G;
- BLOCK 58 DISTRICT LOT 450 PLAN 809G;
- DISTRICT LOT 3091 EXCEPT LOT A2 (REFERENCE PLAN 490);
- LOT A2 (REFERENCE PLAN 490) DISTRICT LOT 3091;
- PART OF DISTRICT LOT 3437;
- PART OF DISTRICT LOT 7213;
- ALL WITHIN GROUP 1 NEW WESTMINSTER DISTRICT

SCALE 1:2000
 All distances are in metres. THE INTENDED PLOT SIZE OF THIS PLAN IS 250m BY 250m BY 250m IN HEIGHT (D. SIZES WHEN PLOTTED AT A SCALE OF 1:2000) 8055 42F 088

LEGEND
 CURV BEARINGS ARE DERIVED FROM OBSERVATIONS BETWEEN CONTROL MONUMENTS
 74°16'43", 74°16'43" AND 74°17'07" INTEGRATED SURVEY AREA NUMBER 85, NAD 83 (CGRS)
 THIS PLAN SHOWS HORIZONTAL, GROUND-LEVEL DISTANCES EXCEPT WHERE OTHERWISE NOTED.
 PRIOR TO COMPUTATION OF UTM COORDINATES, MULTIPLY GROUND LEVEL DISTANCES BY COMBINED FACTOR 0.9997451.

- ⊙ DENOTES OLD CONTROL MONUMENT FOUND
- ⊙ DENOTES STANDARD ROCK POST FOUND
- ⊙ DENOTES STANDARD CAPPED POST FOUND
- ⊙ DENOTES OLD LEAD FLAG FOUND
- ⊙ DENOTES STANDARD IRON POST FOUND
- ⊙ DENOTES NON-STANDARD POST FOUND
- ⊙ DENOTES STANDARD IRON POST SET
- ⊙ DENOTES IRON ROD B&B
- ⊙ DENOTES IRON ROD B&B
- CONG DENOTES IN CONCRETE



THIS PLAN LIES WITHIN POWELL RIVER REGIONAL DISTRICT
 THIS PLAN LIES WITHIN THE JURISDICTION OF THE APPROVING OFFICER FOR THE CITY OF POWELL RIVER

THE FIELD SURVEY REPRESENTED BY THIS PLAN WAS COMPLETED BY FRED ENERY, S.C.L.S., ON THE 20TH DAY OF JUNE, 2012.

ENERY and RAE
 LAND SURVEYING LTD.
 4507 Phoenix Avenue
 Powell River, B.C.
 V8A 3N3
 Tel: 250-462-4503
 Email: fred@erandae.com
 PLAN EPP2185G