

This is the 7th affidavit of
K. Grierson in this case and was
made on September 26, 2012

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"**

AFFIDAVIT

I, **Kimberly Grierson**, of Suite 2600 – 595 Burrard Street, Vancouver, British Columbia, Legal Assistant, SWEAR THAT:

1. I am a legal administrative assistant at Blake, Cassels & Graydon LLP, counsel for the Petitioners, and as such I have personal knowledge of the matters deposed to in this Affidavit except where I depose to a matter based on information from an informant I identify in which case I believe that both the information from the informant and the resulting statement are true.

2. Attached hereto and marked as **Exhibit "A"** is a copy of the order of the Court, dated February 7, 2012.
3. Attached hereto and marked as **Exhibit "B"** is a copy of the order of the Court, dated February 14, 2012.
4. Attached hereto and marked as **Exhibit "C"** is a copy of the order of the Court, dated March 8, 2012.
5. Attached hereto and marked as **Exhibit "D"** is a copy of an agreement between Catalyst Paper Corporation and the Petitioners in the Supreme Court of British Columbia Action No. S-120712 (the "**Petitioners**") and the Catalyst Salaried Employees and Pensioners Steering Committee ("**CSEP**"), dated March 9, 2012 (the "**Agreement**").
6. Attached hereto and marked as **Exhibit "E"** is a copy of an email from Peter Rubin to Ari Kaplan, dated May 1, 2012.
7. Attached hereto and marked as **Exhibit "F"** is a copy of the Notice of Application for Leave to Appeal filed by CSEP, dated March 6, 2012.
8. Attached hereto and marked as **Exhibit "G"** is a copy of the Amended Notice of Application for Leave to Appeal filed by CSEP, dated March 9, 2012.
9. Attached hereto and marked as **Exhibit "H"** is a copy of the oral reasons for judgment of Mr. Justice Hall, dated April 19, 2012.
10. Attached hereto and marked as **Exhibit "I"** is a copy of a Notice of Application to Vary an Order of a Justice, dated April 24, 2012.
11. Attached hereto and marked as **Exhibit "J"** is a copy of a Notice of Settlement or Abandonment filed by the CSEP, dated May 29, 2012.
12. Attached hereto and marked as **Exhibit "K"** is a copy of the reasons for judgment of Mr. Justice Sewell, dated March 28, 2012.

13. Attached hereto and marked as **Exhibit "L"** is a copy of an invoice of Koskie Minsky, dated March 31, 2012.
14. Attached hereto and marked as **Exhibit "M"** is a copy of an invoice of Koskie Minsky, dated March 31, 2012.
15. Attached hereto and marked as **Exhibit "N"** is a copy of an invoice of Koskie Minsky, dated April 30, 2012.
16. Attached hereto and marked as **Exhibit "O"** is a copy of an invoice of Koskie Minsky, dated May 11, 2012.
17. Attached hereto and marked as **Exhibit "P"** is a copy of an invoice of Koskie Minsky, dated May 31, 2012.
18. Attached hereto and marked as **Exhibit "Q"** is a copy of an invoice of Koskie Minsky, dated June 30, 2012.
19. Attached hereto and marked as **Exhibit "R"** is a copy of an invoice of Koskie Minsky, dated August 9, 2012.
20. Attached hereto and marked as **Exhibit "S"** is a copy of an invoice of Koskie Minsky, dated September 10, 2012.
21. Attached hereto and marked as **Exhibit "T"** is a copy of the proof of claim filed by the TimberWest Catalyst Retired Salaried Employees Association ("**RSEA**"), dated June 20, 2012.
22. Attached hereto and marked as **Exhibit "U"** is a copy of the written submissions prepared by RSEA dated June 20, 2012.
23. Attached hereto and marked as **Exhibit "V"** is a copy of the order-in-council dated June 22, 2012.

24. Attached hereto and marked as **Exhibit “W”** is a copy of the first page and “Schedule B” of certain orders of the Court in these proceedings.

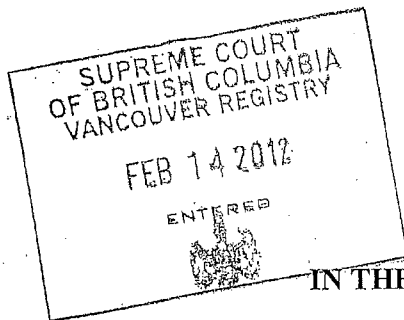
SWORN BEFORE ME at Vancouver,
British Columbia on September 26, 2012.

A Commissioner for taking Affidavits for British Columbia

Kimberly Grierson

This is **Exhibit "A"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia



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

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)
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7/February/2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 7th day of February, 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter Rubin and Anthony Purgas, counsel for the Petitioners, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

THIS COURT ORDERS THAT:

1. The Amended and Restated Initial Order of February 3, 2012 be amended by adding the following:

12 (f) The Petitioner Parties are authorized and directed to pay the following amounts on the following dates:

(i) On or before March 18, 2012 the amount of \$26,565.00 to CIBC Mellon Trust as Trustee of Pension Plan #P085994-1 ("Plan A") and the amount of \$523,435.00 to the CIBC Mellon Trust as Trustee of Pension Plan #P085400-1 ("Salaried Plan"); and

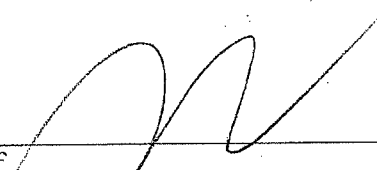
(ii) On or before April 15, 2012 the amount of \$26,565.00 to CIBC Mellon Trust as Trustee of Plan A and the amount of \$523,435.00 to CIBC Mellon Trust as Trustee of the Salaried Plan.

84 (a) The Catalyst TimberWest Retired Salaried Employees Association is, until further Order of this Court, entitled to make representations to the Court as, and be, the authorized representative of the pension beneficiaries of the Company's Salaried Plan.

(b) Counsel to the Catalyst TimberWest Retired Salaried Employees Association will be considered a "Assistant" pursuant to paragraph 8 (c) of the Amended and Restated Initial Order.

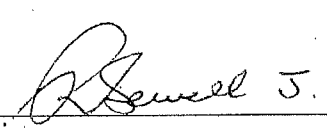
2. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

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 "B"

Name of Counsel	Party
John Sandrelli	A Representative Group of 2016 Noteholders
Mary Buttery Lance Williams	Powell River Energy Inc. TimberWestForest Corp. Quadrant Investments Ltd.
Jane Milton, Q.C.	International Forest Products Limited Western Forest Products Inc. Seaspan Marine Corporation
Kendall Andersen	Tolko Industries Ltd.
David Gruber John Uhren (by telephone)	Certain holders of 2014 Notes and certain holders of 2016 Notes
Jonathan McLean Elizabeth Pillon (by telephone)	Canexus Chemicals Canada LP Casco, Inc.
Benjamin La Borie	Wilmington Trust FSB
Peter Reardon	JPMorgan Chase Bank, N.A.
Don Bobert	CEP Locals – 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Allison Tremblay	United Steelworkers International, Local 2688
David McKinnon	Ad hoc group of Noteholders
James Harnum	Robert McCaig
Sandra Wilkinson	HMTQ as represented by the Superintendent of Pensions
Randal Kaardal	Catalyst TimberWest Retired Salaried Employees Association

This is **Exhibit "B"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 25, 2012.

A Commissioner for the taking Affidavits for
British Columbia

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY

FEB 24 2012

ENTERED



IN THE SUPREME COURT OF BRITISH COLUMBIA

No. S120712
Vancouver Registry

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*,
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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

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)

14/February/2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 14th day of February, 2012; AND ON HEARING, Bill Kaplan, Q.C. and Peter Rubin, counsel for the Petitioners, John Grieve and Kibben Jackson, 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:

INITIAL ORDER STAY EXTENSION

1. The stay of proceedings provided in the Order of this Court made herein on January 31, 2012 (the "**Initial Order**") as amended on February 3, 2012 and February 6, 2012, is hereby extended to April 30, 2012 or such other date this Court may subsequently order.

MONITOR REPORTING

2. The Monitor shall file a report with the Court on the state of the Petitioners' business and financial affairs pursuant to section 23(1)(d)(ii) of the *Companies Creditors Arrangement Act* no later than March 30, 2012.

DIRECTORS' AND OFFICERS' CHARGE

3. The directors and officers of the Petitioners shall be entitled to the benefit of and are hereby granted a charge (the "**D&O Charge**") on the Charged Property (as defined in the Amended and Restated Initial Order of the Court dated February 3, 2012 (the "**Amended Order**")), which charge shall not exceed the aggregate amount of \$31,000,000, as security for the indemnity provided in paragraph 28 of the Amended Order. The D&O Charge shall have the priority set out in paragraphs 51, 52, 54 and 55 of the Amended Order and all references in the Amended Order to the D&O Charge shall be a reference to the D&O Charge in this paragraph. Subject to further Order of the Court, the relief granted in this paragraph shall extend to and include February 23, 2012 at which time the relief sought shall be considered on a *de novo* basis.

AMENDED AND RESTATED INITIAL ORDER

4. Sub-Paragraph 12(c) of the Amended Order shall be deleted in its entirety and replaced with the following:

12. (c) are authorized and directed to remit, in accordance with legal requirements, or pay all employer (which includes for greater certainty employee contributions collected by the Petitioner Parties) normal cost contributions to defined benefit and defined contribution registered pension plan provisions which,

for greater certainty, excludes special payments (the “**Normal Cost Contributions**”) as required by the most recently filed actuarial valuations in respect of any pension plans registered under the *Pensions Benefits Standards Act* (British Columbia) (the “**PBSA**”) and maintained by the Petitioner Parties (collectively, the “**Pension Plans**”), whether such Normal Cost Contributions are in respect of periods prior to, on or after the date of this Order and such payments shall be made within four (4) business days of each payroll date with notice of such payments provided to the B.C. Superintendent of Pensions;

5. Paragraph 55 of the Amended Order shall be deleted in its entirety and replaced with the following:

55. The Charges shall constitute a mortgage, security interest, assignment by way of security and charge on the Charged Property and, save and except that the DIP Lenders’ Charge shall be subordinate to the 2016 Notes Security in respect of the Notes First Lien Collateral, all of the Charges are paramount to and shall rank in priority to all other security interests, trusts, liens, mortgages, charges and encumbrances and claims of secured creditors, statutory or otherwise, whether existing as of the date hereof or arising in the future, including any and all deemed trusts (provincial or otherwise), including under the PBSA, all claims in respect of breach of fiduciary duties and any future charges which may arise under Sections 81.5 and 81.6 of the BIA (collectively, “**Encumbrances**”), in favour of any Person.

SERVICE, NOTICE AND CONFIRMATION

6. Service has been effected in accordance with the terms of the Initial Order to the interested parties described therein and notice has been provided to the secured creditors who are likely to be affected by the security or charges provided by the Orders of this Court (collectively, the “**Served Parties**”).

7. The relief granted pursuant to the Initial Order, as amended by Order of this Court on February 3, 2012 and February 6, 2012, is hereby confirmed and paragraph 80 of the Amended

Order shall not be operative in favour of any Served Party to seek to vary the provisions of the Amended Order relating to the DIP Facility or the DIP Lenders' Charge, without the prior consent of the DIP Agent.

8. Notwithstanding paragraphs 5 and 7 above, the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (the "USW") only, and no other person, is granted leave to pursue an application which shall be limited to seeking an Order of this Court granting those employees who are represented by the USW and working at the Petitioner Parties' Snowflake Arizona Mill (the "U.S. Employees") equivalent economic protections as available to the Canadian employees of the Petitioner Parties under: (a) sections 81.3 and 81.4 of the *Bankruptcy and Insolvency Act (Canada)*; (b) the *Wage Earner Protection Program Act (Canada)*; and (c) the D&O Charge as defined in the Amended Order. For greater certainty, the USW and the U.S. Employees shall not be entitled to the establishment of a trust fund and the granting of leave to the USW is not intended, and shall in no way be construed, as pre-judging the appropriateness of any the relief permitted to be sought by the application of the USW.

APPROVAL

9. Endorsement of this Order by counsel appearing on this application 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

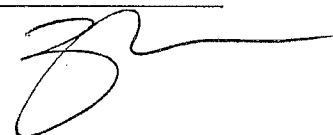
☐ party ☒ lawyer for the Petitioner Parties

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 "B"

Name of Counsel	Party
Shane Kukulowicz Chris Ramsay Ryan Jacobs Michael Wunder (by telephone)	A Representative Group of 2016 Noteholders
Sebastien Anderson Stefanie Quelch	United Steel, Paper and Forestry, Rubber, Manufactring, Energy, Allied Industrial and Service Workers International Union, Local 2688
Don Bobert	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
David Gruber Melaney Wagner Rob Chadwick (by telephone)	Certain 2014 Unsecured Noteholders and certain 2016 Noteholders
Randy Kaardal	Catalyst Timberwood Retired Salaried Employees Association
Harvey Chaiton Benjamin La Borie	Wilmington Trust FSB
Ari Kaplan James Baugh Demetrios Yiokaris (by telephone)	Ronald Gary McCaig and Certain Other Non-Union Employees and Retirees
Donnaree Nygard	Her Majesty the Queen in Right of Canada
Wael Rostom Jennifer Cockbill	JPMorgan Chase Bank, N.A.
Vasuda Sinha (by telephone)	Wells Fargo Bank NA
Heather Ferris Marc Wasserman (by telephone)	Board of Directors of Catalyst
Sandra Wilkinson	Superintendent of Pensions
Ken Lenz (by telephone)	Ad Hoc Committee of 2014 Noteholders
Mary Buttery	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.

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,
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AND

IN THE MATTER OF CATALYST PAPER
CORPORATION
AND THE PETITIONERS LISTED IN SCHEDULE "A"

PETITIONERS

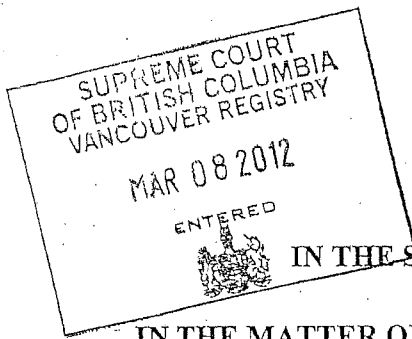
ORDER MADE AFTER APPLICATION

Bill Kaplan, Q.C./Peter Rubin
BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
Suite 2600, Three Bentall Centre
595 Burrard Street, P.O. Box 49314
Vancouver, B.C. V7X-1L3
604.631.3300
Agent: Dye & Durham

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This is **Exhibit "C"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia



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

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)
)

8/March/2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 8th day of March, 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter Rubin, and Anthony Purgas, counsel for the Petitioners, Ari Kaplan, counsel for the Catalyst Salaried Employees and Pensioners Steering Committee ("CSE&P"), and those other counsel listed in Schedule "B" hereto;

AND UPON the CSE&P confirming to this Court that in this proceeding with the exception of the claims or payments under s. 81.5 and 81.6 of the *Bankruptcy and Insolvency Act*, in respect of unpaid normal cost payments, the CSE&P and their legal counsel will not bring or pursue any claim, make any argument, or advance any appeal which would serve to give any pension claim priority (including any claim for fiduciary duty, past or future) over the DIP Lenders' Charge or the Administration Charge;

AND UPON the CSE&P Steering Committee and their lawyers having confirmed to the Petitioners and the DIP Agent that it shall forthwith amend the Notice of Application for Leave to Appeal to clarify that the leave to appeal does not advance any claim, make any argument or advance any appeal which could provide for a pension claim priority (including any claim for fiduciary duty, past or future) over the Administration Charge in respect of any Charged Property or the DIP Lenders' Charge in respect of the DIP Lenders' First Lien Collateral and forthwith serve and file same;

AND UPON READING the material filed;

THIS COURT ORDERS AND DECLARES THAT:

1. Paragraph 8 of the Amended and Restated Initial Order of February 3, 2012, as subsequently amended (the "**Amended and Restated Initial Order**") is amended to entitle the Petitioner Parties to pay the following expenses:

- (a) \$25,000.00 on account of the legal costs incurred by the CSE&P in relation to general CCAA advice and not the Application related to the representation of the Catalyst salaried employees and pensioners;
- (b) commencing March 1, 2012, up to \$30,000.00 (plus taxes and reasonable disbursements) per month for legal costs incurred, such amount to be a rolling amount such that if less than \$30,000.00 is incurred in any given month the shortfall can be credited to another month including a prior month; and
- (c) Koskie Minsky as counsel for CSE&P is an Assistant under paragraph 8.

2. Paragraph 53 of the Amended and Restated Initial Order shall be amended such that the DIP Lenders' Charge shall be subordinate to any future charges which may arise under sections 81.5 and 81.6 of the *BIA*, by including, after the definition of "Permitted Priority Claims", as paragraph (c) thereof:

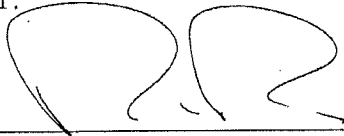
(c) charges which may arise under sections 81.5 and 81.6 of the *BIA* in respect of unpaid normal cost payments.

3. Nothing in the Amended and Restated Initial Order including paragraph 55 thereof, shall constitute or be interpreted as providing a priority for the 2016 Notes Security over any deemed trusts provincial or otherwise, including under the PBSA, or any past or future claims in respect of fiduciary duty in respect to the Petitioner Parties pension arrangements and any future charges which may arise under sections 81.5 and 81.6 of the *BIA* (collectively the "**Pension Claims**"). For certainty, any priority as between the 2016 Notes Security and the Pension Claims has not been determined by the provisions of the Amended and Restated Initial Order.

4. Notwithstanding the amendments made hereby to the Amended and Restated Initial Order remains a final order as at February 14, 2012 as ordered pursuant to paragraph 7 of the Order issued on February 14, 2012 confirming that paragraph 80 (comeback clause) of the Amended and Restated Initial order shall not be operative in favour of any Served Party to seek to vary the provisions of the Amended and Restated Initial order relating to the DIP Facility or the DIP Lenders' Charge, without the prior consent of the DIP Agent.

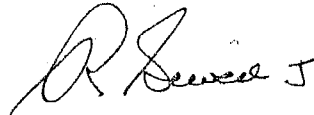
5. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

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 "B"

Name of Counsel	Party
Peter Reardon	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
John Sandrelli Shayne Kukulowicz (by telephone)	A Representative Group of 2016 Noteholders
Stefanie Quelch	United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 2688
Vasuda Sinha (by telephone)	Wells Fargo Bank NA
Benjamin La Borie George Benchetrit (by telephone)	Wilmington Trust, National Association
David McKinnon (by telephone)	Ad Hoc Committee of 2014 Noteholders
Ari Kaplan Michael Prokosh	Catalyst Salaried Employees & Pensioner Committee
Randal Kaardal	Catalyst TimberWest Retired Salaried Employees Association
Don Bobert	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
Sandra Wilkinson	Superintendent of Pensions
Kathryn Esaw (by telephone)	Canexus Corp and Casco Inc.
Heather Ferris	Board of Directors of Catalyst
Mary Buttery	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.
Kevin McElcheran (by telephone)	Perella Weinberg Partners LP

No. S120712
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IN THE MATTER OF THE BUSINESS CORPORATIONS
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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

Bill Kaplan, Q.C./Peter Rubin
BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
Suite 2600, Three Bentall Centre
595 Burrard Street, P.O. Box 49314
Vancouver, B.C. V7X 1L3
604.631.3300
Agent: Dye & Durham

50795275.1

This is **Exhibit "D"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

MEMORANDUM OF AGREEMENT

BETWEEN:

**CATALYST PAPER CORPORATION and THE PETITIONERS
IN SUPREME COURT OF BRITISH COLUMBIA ACTION NO. S-120712**

(“The Petitioners”)

- and -

**CATALYST SALARIED EMPLOYEES
AND PENSIONERS STEERING COMMITTEE**

(“CSE&P Steering Committee”)

WHEREAS the CSE&P Steering Committee has filed a Notice of Application for Leave to Appeal on March 6, 2012 (“Notice of Application for Leave to Appeal”) in respect to certain orders made by the Court in the ongoing CCAA proceedings;

AND WHEREAS the parties wish to resolve matters concerning certain of the issues raised in the Notice Application for Leave to Appeal the Parties agree as follows:

1. Koskie Minsky LLP and Blake, Cassels & Graydon LLP, as counsel for the Parties, will jointly draft language which makes clear that the Amended and Restated Initial Order of February 3, 2012 as subsequently amended (“Amended and Restated Initial Order”) does not provide a priority for the 2016 Notes Security over any of the three potential employees/pensioner claims referenced in paragraph 55 of said order (i.e. past and future breaches of fiduciary duty, statutory deemed trusts, and BIA ss. 81.5 and 81.6).
2. The Order of March 8, 2012, as drafted by Koskie Minsky LLP and Blakes, will be issued by the CCAA Court.
3. Employee/pensioner claims under 81.5 and 81.6 of the BIA, for unpaid normal cost payments, will not be primed by the DIP Lenders’ Charge. Language will be drafted to be inserted to the Amended and Restated Initial Order.
4. \$25,000 of the legal costs incurred by the CSE&P Steering Committee to date, in relation to general CCAA advice and not the application related to the representation of the salaried employees and pensioners (the “Representation Application”), will be paid by the Petitioners.
5. Up to \$30,000 plus reasonable disbursements will be paid each month for the legal costs of the CSE&P Steering Committee, starting in March 2012, with such an amount to be a rolling amount such that if less than the \$30,000 amount is billed in any given month the shortfall can be credited as against another month. Such amounts to be paid by the Petitioner Parties in accordance with normal practice in this proceeding.

6. The CSE&P Steering Committee and their lawyers shall amend the Notice of Application for Leave to Appeal to clarify that the leave to appeal does not advance any claim, make any argument or advance any appeal which could provide for a pension claim priority over the DIP Lenders' Charge or the Administration Charge. The CSE&P Steering Committee shall serve an amended Notice of Application for Leave to Appeal to the service list of the CCAA proceeding forthwith and use best efforts to file such amended Notice of Application for Leave to Appeal with the Court of Appeal by the end of the day on March 9, 2012 and no later than the end of the day on March 12, 2012.

7. Subject to paragraph 8 below, the CSE&P Steering Committee may proceed with its leave to appeal in respect to the matters referred to in the amended Notice of Application for Leave to Appeal including: leave to appeal application in relation to the D&O Charge and the Critical Suppliers' Charge priming claims under the BIA and for past and future breaches of fiduciary duty and its leave to appeal application in relation to the denial of their Representation Application brought on February 23, 2012.

8. With the exception of claims under ss. 81.5 and 81.6 of the BIA, for unpaid normal cost payments the CSE&P Steering Committee (including any person it represents) and their lawyers will not bring any claim, make any argument, or advance any appeal which would serve to give any pension claim priority over the DIP Lenders' Charge in respect of DIP Lenders' First Lien Collateral.

9. The CSE&P Steering Committee will make all reasonable efforts to expedite their leave to appeal application in relation to the matters that they are still permitted to appeal as referenced above.

10. CSE&P Steering Committee (including any person it represents) and their lawyers will not bring any claim, make any argument, or advance any appeal which would serve to give any pension claim priority over the Administrative Charge.

11. CSE&P Steering Committee (including any person it represents) and their lawyers acknowledge and agree that notwithstanding the granting of any order to give effect to this agreement that amends the Amended and Restated Initial Order, the provisions of the Amended and Restated Initial Order that relate to the DIP Documents and the DIP Lenders' Charge remain a final order as at February 14, 2012 as ordered pursuant to paragraph 7 of the Order issued on February 14, 2012 confirming that paragraph 80 (comeback clause) of the Amended and Restated Initial Order shall not be operative in favour of any Served Party to seek to vary the provisions of the Amended and Restated Initial Order relating to the DIP Facility or the DIP Lenders' Charge, without prior consent of the DIP Agent.

12. Parties to this Agreement confirm and acknowledge that the terms and conditions of this Agreement and orders contemplated to be issued by the court in this Agreement are relied upon by the DIP Lenders in respect to the administration of the DIP Credit Agreement.

DATED at _____ this 9th day of MARCH, 2012.

THE PETITIONERS

By: 
Name: _____
Title: David L. Adderley
Vice President and General Counsel

CSE&P STEERING COMMITTEE

per 
By: _____
Name: Anthony Guindon
Title: Kosak Minsky LLP

This is **Exhibit "E"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

CRABTREE, ANDREW

From: RUBIN, PETER
Sent: Tuesday, May 01, 2012 12:22 AM
To: 'Ari N. Kaplan'; 'jharnum@kmlaw.ca'; 'dyiokaris@kmlaw.ca'
Subject: FW: In the Matter of Catalyst Paper Corporation et al - Notice of Application to Vary an Order of a Justice
Attachments: NOATOVARY.pdf

Gentlemen,

We write further to the Notice of Application attached and sent via email on Tuesday April 24, 2012. As you are aware, the agreement reached with Catalyst requires your clients to proceed on an expedited basis in respect of the appeal matters. As you are also aware, our clients took issue with the prior delay in filing the leave application. That issue is in the past but we respectfully remind you of your clients obligations in this regard. This is a matter of some importance to our client given the continued impact on liquidity. Our clients require that your clients file and serve their motion book this week.

We will be seeking an expedited hearing date and will contact the Registry once we have your motion book.

Thank you.

Peter

Peter Rubin
Partner
peter.rubin@blakes.com
Dir: 604-631-3315

From: Kavita Goldsmith [mailto:kavita@mbwlaw.ca]
Sent: Tuesday, April 24, 2012 12:26 PM
To: 'jgrieve@fasken.com'; 'kjackson@fasken.com'; 'vtickle@fasken.com'; 'svolkow@fasken.com'; 'michael.j.vermette@ca.pwc.com'; 'chris.a.stocco@ca.pwc.com'; 'neil.p.bunker@ca.pwc.com'; 'patricia.marshall@ca.pwc.com'; 'blair.w.linnen@ca.pwc.com'; 'mica.arlette@ca.pwc.com'; 'jamie.m.cartwright@ca.pwc.com'; 'peter.reardon@mcmillan.ca'; 'wael.rostom@mcmillan.ca'; 'john.sandrelli@fmc-law.com'; 'shayne.kukulowicz@fmc-law.com'; 'ryan.jacobs@fmc-law.com'; 'tevia.jeffries@fmc-law.com'; 'robin.peardon@fmc-law.com'; 'kelly.tsang@fmc-law.com'; 'michael.wunder@fmc-law.com'; 'mstamer@akingump.com'; 'skuhn@akingump.com'; 'mlahaie@akingump.com'; 'dgruber@farris.com'; 'rchadwick@goodmans.ca'; 'mwagner@goodmans.ca'; 'llivingston@hsblawfirm.com'; 'tnauful@hsblawfirm.com'; 'dbobert@rogerslaw.ca'; 'drogers@rogerslaw.ca'; 'kandersen@blg.com'; 'doverholt@blg.com'; 'kesaw@stikeman.com'; 'sandra.wilkinson@gov.bc.ca'; 'wharton@bernardpartners.com'; 'sanderson@vslo.ca'; 'SQuelch@vslo.bc.ca'; 'harvey@chaitons.com'; 'george@chaitons.com'; 'wskelly@heenan.ca'; 'blaborie@heenan.ca'; 'arose@stikeman.com'; 'sdd@bht.com'; 'ejm@bht.com'; 'marilyn.mauritz@interfor.com'; 'richard.butler@gov.bc.ca'; 'david.hatter@gov.bc.ca'; 'gthompson@blg.com'; 'hferris@lawsonlundell.com'; 'mwasserman@osler.com'; 'jfraser@osler.com'; 'lpillon@stikeman.com'; 'jim.fergusson@ge.com'; 'mweinczok@dickinsonwright.com'; 'mschein@vedderprice.com'; 'mbuttery@davis.ca'; 'lwilliams@davis.ca'; 'akelley@dilworthlaw.com'; 'sfreedman@dilworthlaw.com'; 'cgordon@fgglawyers.com'; 'jgauthier@fgglawyers.com'; 'mliben@stikeman.com'; 'gg@gdlaw.ca'; 'zweigs@bennettjones.com'; 'mckinnond@bennettjones.com'; 'sahnir@bennettjones.com'; 'orzyr@bennettjones.com'; 'lenzk@bennettjones.com'; 'bjohnston@litigationchambers.com'; 'rkaardal@litigationchambers.com'; 'ssweatman@spectrumhrlaw.com'; 'cgalinski@spectrumhrlaw.com'; 'neva.beckie@justice.gc.ca'; 'lramdass@ercoworldwide.com'; 'tdewar@ercoworldwide.com'; 'dalem@sdmrealty.com';

9/21/2012

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'aglen@litigationchambers.com'; 'kmcclcheran@mccarthy.ca'; 'bsachdeva@pallettvalo.com';
'peter.seddon@worksafebc.com'

Cc: "Ari N. Kaplan"; 'aguindon@kmlaw.ca'; Kavita Goldsmith; James Baugh; 'jharnum@kmlaw.ca';
'dyiokaris@kmlaw.ca'; Michael Prokosh; 'ahatnay@kmlaw.ca'

Subject: In the Matter of Catalyst Paper Corporation et al - Notice of Application to Vary an Order of a Justice

To: Service List

Please find attached for service upon you a filed copy of the Notice of Application to Vary an Order of a Justice.

Thank you,

Kavita Goldsmith
McGrady & Company
Box 12101, 1105 - 808 Nelson Street
Vancouver, BC V6Z 2H2
tel: (604) 734-7003 fax: (604) 734-7009

email: kavita@mcgradylaw.ca
website: www.mbwlaw.ca

This e-mail may be privileged or confidential. Use of this e-mail by an unintended recipient is prohibited. If you receive this e-mail in error, please contact my office immediately. Thank you.

This is **Exhibit "F"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia



Case File No. **CA39754**

FORM 1 (RULE 3 (a)).

Court of Appeal File No.:

Supreme Court File No.: S120712

Supreme Court Registry: Vancouver

COURT OF APPEAL

**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 THE CATALYST PAPER CORPORATION
AND THE PETITIONERS LISTED IN SCHEDULE "A"**

NOTICE OF APPLICATION FOR LEAVE TO APPEAL

TAKE NOTICE that the Appellants, listed in Schedule "B", hereby apply for leave to appeal to the Court of Appeal for British Columbia from certain provisions of the order of the Honourable Mr. Justice Sewell of the Supreme Court of British Columbia (the "CCAA Judge") pronounced the 14th day of February, 2012 and the order of March 5, 2012 at Vancouver, British Columbia, ordering, *inter alia*, that certain potential statutory claims and rights of current employees and retirees of Catalyst Paper Corporation and its related companies ("Catalyst") are subordinated to the claims of other creditors of Catalyst and dismissing the application to appoint representative counsel to the employees and retirees of Catalyst.

1. The appeal is from a:

☐ Trial Judgment

☐ Summary Trial Judgment

☐ Order of a Statutory Body

☒ Chambers Judgment

2. If the appeal is from an appeal under Rule 18-3 or 23-6 (8) of the Supreme Court Civil Rules or Rule 18-3 or 22-7 (8) of the Supreme Court Family Rules, name the maker of the original decision, direction or order: **NOT APPLICABLE**
3. Please identify which of the following is involved in the appeal:

☒ Constitutional/Administrative	☐ Civil Procedure
☒ Commercial	☐ Family
☐ Motor Vehicle Accidents	☐ Municipal Law
☐ Real Property	☐ Torts
☒ Equity	☐ Wills and Estates

AND FURTHER TAKE NOTICE THAT the Court of Appeal will be moved at the hearing of this application for:

1. An Order granting leave to appeal certain provisions of the order of the CCAA Judge dated February 14, 2012;
2. An Order granting leave to appeal the order of the CCAA Judge dated March 4, 2012 dismissing the application to appoint Ronald Gary McCaig, Patricia Dwornik, Janice Young, Peter Flynn and Francesca Pomeroy as representatives of the employees and retirees of Catalyst and Koskie Minsky LLP as representative counsel.
3. An Order, if requested, that the hearing of this leave motion and if leave is granted, the appeal, be heard on an expedited basis;
4. An Order, if necessary, for leave to introduce evidence that arose after the hearing of the motion, or alternatively, prior to the disposition of the within leave to appeal motion;
5. Costs; and
6. Such further and other relief as to this Honourable Court seems just.

THE GROUNDS OF THIS APPLICATION ARE:

1. The Applicants are current employees and retirees of Catalyst who earned an entitlement to pension benefits from the Catalyst Paper Corporation Retirement Plan for Salaried Employees, B.C. Registration No.

85400-1 (the "Salaried Plan"). The Salaried Plan is a pension plan sponsored by Catalyst and registered with the Financial Institution Commission of British Columbia and Canada Revenue Agency.

2. The Salaried Plan is underfunded on a wind up basis by over \$73.5 million. If the plan is wound up in an underfunded state, it will result in significant losses to the monthly pension benefits payable to the members and retirees of the Salaried Plan.

3. On January 31, 2012, following a failure to restructure under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, Catalyst applied for and obtained protection from its creditors under the CCAA. The CCAA Judge issued an Initial CCAA Order. One provision of the Initial CCAA Order states that any interested party, on seven days' notice, could apply to the CCAA Judge to vary or amend the Initial Order (the "Comeback Clause").

4. On application by Catalyst, the Initial CCAA Order was amended on February 3, 2012, February 6, 2012, February 7, 2012 and February 14, 2012, and is now referred to as Amended and Restated Initial Order.

5. On February 2, 2012, the firm of Koskie Minsky LLP was approached by a group of Catalyst retirees seeking assistance with this matter. They expressed particular concern given the result in the CCAA proceeding of *Pope and Talbot Inc.* where retirees lost 30% of their pension benefits.

6. Koskie Minsky LLP has received 194 retainers from Catalyst retirees and active employees requesting assistance with this matter.

7. On February 14, 2012, the Applicants appeared before the CCAA Judge to request that the priorities ordered in paragraph 55 of the Amended and Restated Initial Order be reconsidered, and that the priority of the DIP Lender not be made permanent but remain subject to the Comeback Clause. The CCAA Judge dismissed the request to reconsider the priorities in paragraph 55 and ordered that the DIP priority is excluded from the Comeback Clause, thus making the DIP priority permanent.

8. Paragraph 55 of the Amended and Restated Initial Order provides that the claims and rights of employees and retirees based on:

- a) statutory deemed trusts, including the pension deemed trust pursuant to the British Columbia *Pension Benefits Standards Act* R.S.B.C. 1996 (the "PBSA");
- b) any finding based on past or future breach of fiduciary duty by the company or its agents to the Salaried Plan members; and
- c) the statutory secured claim for unpaid pension contributions under sections 81.5 and 81.6 of the *Bankruptcy and Insolvency Act* (the "BIA").

are all subordinated and rank below:

- a) the DIP Lenders' Charge;
- b) the Administrative Charge;
- c) the Critical Suppliers' Charge;
- d) the Directors' and Officers' Charge; and
- e) in relation to certain property constituting the 2016 Notes First Lien Collateral, the security interest of the 2016 Notes.

9. At this time, the Applicants do not seek leave to appeal from the order of the CCAA Judge ordering that the Administrative Charge, the Critical Suppliers' Charge, the Directors' and Officers' Charge and the DIP Lenders' Charge rank in priority to the PBSA deemed trust for unpaid contributions owing to the Salaried Plan.

10. The CCAA Judge erred by ordering that the Administrative Charge, the Critical Suppliers' Charge, the Directors' and Officers' Charge and the DIP Lenders' Charge rank in priority ahead of any claim arising from

any past and future breach of fiduciary duty by the company and ahead of the statutory pension priority under sections 81.5 and 81.6 of the BIA.

11. The CCAA Judge also erred by ordering priority to the 2016 Notes ahead of the statutory claims of the Applicants under deemed trusts, including under the PBSA, and ahead of any claims arising as a result of any past or future breach of fiduciary duty and over the statutory priorities under sections 81.5 and 81.6 of the BIA.

12. Section 43.1 of the PBSA states that amounts that an employer owes to a pension fund which it has not paid are deemed to be held in trust by the employer and deemed to be held separate and apart as a result of a filing under the CCAA, even if those amounts are not yet due but simply "owing" to the pension plan. Section 43.1 states:

Deemed trust

43.1 (1) An employer must, with respect to a pension plan to which the employer is required to make contributions, keep separate and apart from the employer's own assets

- (a) all contributions that are due or owing to the pension plan by the employer,
- (b) all amounts that have been deducted by the employer from a member's remuneration and not yet remitted to the fund holder, and
- (c) all contributions that have been received by the employer with respect to a member and not yet remitted to the fund holder.

(2) The amounts referred to in subsection (1) are deemed to be held in trust for members of the pension plan, former members, and any other persons entitled to pension benefits, refunds or other payments under the plan in accordance with their interests under the plan.

(3) If there is, in respect of an employer, a proceeding

- (a) under the *Companies' Creditors Arrangement Act* (Canada),
- (b) under the *Winding-up and Restructuring Act* (Canada) or similar provincial legislation,
- (c) in relation to liquidation, receivership or secured creditor enforcement, or
- (d) in relation to insolvency other than under the *Bankruptcy and Insolvency Act* (Canada),

an amount equal to the amounts deemed to be held in trust under subsection (2) is deemed to be separate and apart and form no part of the estate of the employer, whether or not that amount has in fact been kept separate and apart from the employer's own assets or from the assets of the estate.

13. Further, the 2016 Notes is debt that pre-existed the CCAA. Section 11.2 of the CCAA expressly provides that "The security or charge may not secure *an obligation that exists before the order is made.*"

14. The CCAA Judge further erred when he issued an order which purports to override the express statutory pension priorities in the BIA, a federal statute which governs a completely separate process than the one before him. The BIA, in sections 81.5 and 81.6, provides express protections for pension plan members in the event of a bankruptcy or receivership:

Security for unpaid amounts re prescribed pensions plan — bankruptcy

81.5 (1) If the bankrupt is an employer who participated or participates in a prescribed pension plan for the benefit of the bankrupt's employees, the following amounts that are unpaid on the date of bankruptcy to the fund established for the purpose of the pension plan are secured by security on all the assets of the bankrupt:

(a) an amount equal to the sum of all amounts that were deducted from the employees' remuneration for payment to the fund;

(b) if the prescribed pension plan is regulated by an Act of Parliament,

(i) an amount equal to the normal cost, within the meaning of subsection 2(1) of the *Pension Benefits Standards Regulations, 1985*, that was required to be paid by the employer to the fund, and

(ii) an amount equal to the sum of all amounts that were required to be paid by the employer to the fund under a defined contribution provision, within the meaning of subsection 2(1) of the *Pension Benefits Standards Act, 1985*; and

(c) in the case of any other prescribed pension plan,

(i) an amount equal to the amount that would be the normal cost, within the meaning of subsection 2(1) of the *Pension Benefits Standards Regulations, 1985*, that the employer would be required to pay to the fund if the prescribed plan were regulated by an Act of Parliament, and

(ii) an amount equal to the sum of all amounts that would have been required to be paid by the employer to the fund under a defined contribution provision, within the meaning of subsection 2(1) of the *Pension Benefits Standards Act, 1985*, if the prescribed plan were regulated by an Act of Parliament.

Rank of security

(2) A security under this section ranks above every other claim, right, charge or security against the bankrupt's assets, regardless of when that other claim, right, charge or security arose, except

(a) rights under sections 81.1 and 81.2;

(b) amounts referred to in subsection 67(3) that have been deemed to be held in trust; and

(c) securities under sections 81.3 and 81.4.

Security for unpaid amounts re prescribed pensions plan — receivership

81.6 (1) If a person who is subject to a receivership is an employer who participated or participates in a prescribed pension plan for the benefit of the person's employees, the following amounts that are unpaid immediately before the first day on which there was a receiver in relation to the person are secured by security on all the person's assets:

(a) an amount equal to the sum of all amounts that were deducted from the employees' remuneration for payment to the fund;

(b) if the prescribed pension plan is regulated by an Act of Parliament,

(i) an amount equal to the normal cost, within the meaning of subsection 2(1) of the *Pension Benefits Standards Regulations, 1985*, that was required to be paid by the employer to the fund, and

(ii) an amount equal to the sum of all amounts that were required to be paid by the employer to the fund under a defined contribution provision, within the meaning of subsection 2(1) of the *Pension Benefits Standards Act, 1985*; and

(c) in the case of any other prescribed pension plan,

(i) an amount equal to the amount that would be the normal cost, within the meaning of subsection 2(1) of the *Pension Benefits Standards Regulations, 1985*, that the employer would be required to pay to the fund if the prescribed plan were regulated by an Act of Parliament, and

(ii) an amount equal to the sum of all amounts that would have been required to be paid by the employer to the fund under a defined contribution provision, within the meaning of subsection 2(1) of the *Pension Benefits Standards Act, 1985*, if the prescribed plan were regulated by an Act of Parliament.

Rank of security

(2) A security under this section ranks above every other claim, right, charge or security against the person's assets, regardless of when that other claim, right, charge or security arose, except rights under sections 81.1 and 81.2 and securities under sections 81.3 and 81.4.

15. The CCAA Judge further erred when he ordered that a claim for past or future breach of fiduciary duty by the company or its agents could never rank in priority over the DIP Lenders' Charge, the 2016 Notes Security over their First Lien Collateral, the Directors' and Officers' Charge, the Administration Charge or the Critical Suppliers' Charge, this is contrary to equity, public policy, and case law.

16. The CCAA Judge further erred by failing to appoint Ronald Gary McCaig, Patricia Dwornik, Janice Young, Peter Flynn and Francesca Pomeroy as representative of the employees and retirees of Catalyst and Koskie Minsky LLP as representative counsel. Further particulars will be provided on receiving of the CCAA Judge's Reasons when they are released.

17. The proposed appeal satisfies the four point test for granting leave to appeal in CCAA matters:

- (a) *The point is of significance to the practice.* The point on appeal deals with employee and retiree priorities and the application of the deemed trust in section 43.1 of the PBSA in CCAA situations. This is a developing area of the law, and the point has not yet been considered in an appellant decision in British Columbia.
- (b) *The point raised is of significance to the action itself.*
 - (i) The point raised is of significance to the action as it will impact the determination of the priority of employees' and retirees' claims among the claims of other creditors of Catalyst.
 - (ii) The proposed appeal is also significant as it would deal with the jurisdiction of a CCAA judge to issue an order that purports to override the statutory pension priority distribution scheme in the BIA.
- (c) *The appeal is prima facie meritorious and is not frivolous:* The proposed appeal raises serious and arguable grounds which are meritorious. In particular, the CCAA judge erred when he:
 - (i) ordered priorities to secured and other creditors without prior notice to the beneficiaries of the PBSA deemed trust;
 - (ii) ordered that an equitable claim based on a *past or future* breach of fiduciary duty by the company on its agents are, regardless of the manner or extent of the breach, subordinate to other claims of creditors and effectively will only ever rank as an unsecured claim; and
 - (iii) ordered that the statutory pension secured claims in the BIA are overridden and subordinated to claims of other creditors.

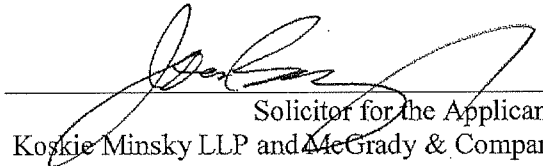
- (e) *The appeal will not unduly hinder the progress of the action:* There will be no undue hindrance on the progress of the action by this appeal, particularly if this motion and if leave is granted, the appeal, are expedited.

18. Sections 11; 13 and 14 of the CCAA.

19. Sections 81.5 and 81.6 of the BIA.

The trial/hearing of this proceeding occupied 1 day/hours.

Dated at Vancouver , British Columbia, this 6th day of March, 2012.


Solicitor for the Applicants
Koskie Minsky LLP and McGrady & Company

To the respondent(s): Petitioners
And to its solicitor: Blake, Cassels & Graydon LLP
Attention: William Kaplan, Q.C.

Peter Rubin
Anthony Purgas

Email: bill.kaplan@blakes.com
peter.rubin@blakes.com
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Counsel for the Petitioners

To the respondent(s): Monitor
And to its solicitor: Fasken Martineau DuMoulin LLP Attention:

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To the respondent(s): **Monitor**
And to its solicitor: PricewaterhouseCoopers Inc. McMillan LLP
Attention: Michael Vermette

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To the respondent(s): JPMorgan Chase Bank, N.A.

And to its solicitor: McMillan LLP

Attention: Peter Reardon

Wael Rostom

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To the respondent(s): *Counsel for A Representative Group of 2016*

Noteholders

And to its solicitor: Fraser Milner Casgrain LLP

Attention: John Sandrelli

Shayne Kukulowicz

Ryan Jacobs

Tevia Jeffries

Robin Peardon

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Akin Gump

Attention: Michael Stamer

Steven Kuhn

Meredith Lahaie

Email: mstamer@akingump.com

skuhn@akingump.com mlahaie@akingump.com

To the respondent(s): *A Representative Group of 2014 Unsecured Noteholders and certain 2016*

Noteholders

And to its solicitor: Farris, Vaughan, Wills & Murphy LLP

Attention: David E. Gruber

Email: dgruber@farris.com

Goodmans

Attention: Robert Chadwick

Melaney Wagner

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mwagner@goodmans.ca

To the respondent(s): *Sonoco Products Company*

And to its solicitor: Haynsworth Sinkler Boyd, P.A.

Attention: Lindsey Livingston

Tara E. Nauful

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tnauful@hsblawfirm.com

To the respondent(s): *CEP Unions — Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)*

And to its solicitor: Rogers, Robert & Burton Lawyers

Attention: Don Robert

Dan Rogers

Email: dbobert@rogerslaw.ca

drogers@rogerslaw.ca

To the respondent(s): *Tolko Industries Ltd.*

And to its solicitor: Borden Ladner Gervais LLP

Attention: Kendall E. Andersen

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To the respondent(s): *British Columbia Hydro and Power Authority*

And to its solicitor: Borden Ladner Gervais LLP

Attention: Deborah Overholt

Email: doverholt@b1g.com

To the respondent(s): *Asten Johnson, Inc.*

And to its solicitor: Stikeman Elliott LLP

Attention: Kathryn Esaw

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To the respondent(s): *HMTQ as represented by the Superintendent of Pensions*

And to its solicitor: Ministry of Justice

Attention: Sandra Wilkinson

Email: sandra.wilkinson@gov.bc.ca

To the respondent(s): *Arrow Transportation*

And to its solicitor: Bernard & Partners

Attention: Gary Wharton

Email: wharton@bernardpartners.com

To the respondent(s): *United Steelworkers International and USW Local 2688*

And to its solicitor: Victory Square Law Office LLP

Attention: Sebastien Anderson

Stefanie Quelch

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To the respondent(s): *Wilmington Trust FSB*

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This Notice of Leave to Appeal is given by Koskie Minsky LLP and McGrady & Company, whose address for service is Box 12101, Nelson Square, 1105 – 808 Nelson Street, Vancouver, British Columbia V6Z 2H2. Email: akaplan@kmlaw.ca. Fax: 416-204-2819.

To the respondent(s):

IF YOU INTEND TO PARTICIPATE in this proceeding, YOU MUST GIVE NOTICE of your intention by filing a form entitled "Notice of Appearance" (Form 2 of the Court of Appeal Rules) in a Court of Appeal registry and serve the notice of appearance on the appellant WITHIN 10 DAYS of receiving this Notice of Application for Leave to Appeal.

IF YOU FAIL TO FILE A NOTICE OF APPEARANCE

- (a) you are deemed to take no position on the application, and
- (b) the parties are not obliged to serve you with any further documents related to the application.

The filing registries for the British Columbia Court of Appeal are as follows:

Central Registry:

B.C. Court of Appeal
Suite 400, 800 Hornby Street
Vancouver BC V6Z 2C5

Other Registries:

B.C. Court of Appeal
The Law Courts
P.O. Box 9248 STN PROV GOVT
850 Burdett Ave
Victoria BC V8W 1B4

B.C. Court of Appeal
223 – 455 Columbia Street
Kamloops BC V2C 6K4

Inquiries should be addressed to (604) 660-2468 Fax filings: (604) 660-1951

Court of Appeal File No.
Action No. S120712
Vancouver Registry

COURT OF APPEAL

BETWEEN:

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 THE CATALYST PAPER CORPORATION AND THE
PETITIONERS LISTED IN SCHEDULE "A"

NOTICE OF APPLICATION FOR LEAVE TO APPEAL

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ATTENTION: JAMES HARNUM

This is **Exhibit "G"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

VANCOUVER
MAR 09 2012
COURT OF APPEAL
REGISTRY

FORM 1 (RULE 3 (a))

Court of Appeal File No.: CA39754

Supreme Court File No.: S120712

Supreme Court Registry: Vancouver

COURT OF APPEAL

**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 THE CATALYST PAPER CORPORATION
AND THE PETITIONERS LISTED IN SCHEDULE "A"**

AMENDED NOTICE OF APPLICATION FOR LEAVE TO APPEAL

TAKE NOTICE that the ~~Appellants~~ Applicants, listed in Schedule "B", hereby apply for leave to appeal to the Court of Appeal for British Columbia from certain provisions of the order of the Honourable Mr. Justice Sewell of the Supreme Court of British Columbia (the "CCAA Judge") pronounced the 14th day of February, 2012 and the order of March 5, 2012 at Vancouver, British Columbia, ordering, *inter alia*, that certain potential statutory claims and rights of current employees and retirees of Catalyst Paper Corporation and its related companies

("Catalyst") are subordinated to the claims of other creditors of Catalyst and dismissing the application to appoint representative counsel to the employees and retirees of Catalyst.

1. The appeal is from a:

☐ Trial Judgment	☐ Summary Trial Judgment
☐ Order of a Statutory Body	☒ Chambers Judgment
2. If the appeal is from an appeal under Rule 18-3 or 23-6 (8) of the Supreme Court Civil Rules or Rule 18-3 or 22-7 (8) of the Supreme Court Family Rules, name the maker of the original decision, direction or order: **NOT APPLICABLE**
3. Please identify which of the following is involved in the appeal:

☒ Constitutional/Administrative	☐ Civil Procedure
☒ Commercial	☐ Family
☐ Motor Vehicle Accidents	☐ Municipal Law
☐ Real Property	☐ Torts
☒ Equity	☐ Wills and Estates

AND FURTHER TAKE NOTICE THAT the Court of Appeal will be moved at the hearing of this application for:

1. An Order granting leave to appeal ~~certain~~ of the specific provisions of the order of the CCAA Judge dated February 14, 2012 expressly dealt with herein;

2. An Order granting leave to appeal the order of the CCAA Judge dated March 4, 2012

dismissing the application to appoint Ronald Gary McCaig, Patricia Dwornik, Janice Young, Peter Flynn and Francesca Pomeroy as representatives of the employees and retirees of Catalyst and Koskie Minsky LLP as representative counsel.

3. An Order, if requested, that the hearing of this leave motion and if leave is granted, the appeal, be heard on an expedited basis;

4. An Order, if necessary, for leave to introduce evidence that arose after the hearing of the motion, or alternatively, prior to the disposition of the within leave to appeal motion;

5. Costs; and
6. Such further and other relief as to this Honourable Court seems just.

THE GROUNDS OF THIS APPLICATION ARE:

1. The Applicants are current employees and retirees of Catalyst who earned an entitlement to pension benefits from the Catalyst Paper Corporation Retirement Plan for Salaried Employees, B.C. Registration No. 85400-1 (the "Salaried Plan"). The Salaried Plan is a pension plan sponsored by Catalyst and registered with the Financial Institution Commission of British Columbia and Canada Revenue Agency.
2. The Salaried Plan is underfunded on a wind up basis by over \$73.5 million. If the plan is wound up in an underfunded state, it will result in significant losses to the monthly pension benefits payable to the members and retirees of the Salaried Plan.
3. On January 31, 2012, following a failure to restructure under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, Catalyst applied for and obtained protection from its creditors under the CCAA. The CCAA Judge issued an Initial CCAA Order. One provision of the Initial CCAA Order states that any interested party, on seven days' notice, could apply to the CCAA Judge to vary or amend the Initial Order (the "Comeback Clause").
4. On application by Catalyst, the Initial CCAA Order was amended on February 3, 2012, February 6, 2012, February 7, 2012 and February 14, 2012, is now referred to as Amended and Restated Initial Order.
5. On February 2, 2012, the firm of Koskie Minsky LLP was approached by a group of Catalyst retirees seeking assistance with this matter. They expressed particular concern given the

result in the CCAA proceeding of *Pope and Talbot Inc.* where retirees lost 30% of their pension benefits.

6. Koskie Minsky LLP has received 194 retainers from Catalyst retirees and active employees requesting assistance with this matter.

7. On February 14, 2012, the Applicants appeared before the CCAA Judge to request that the priorities ordered in paragraph 55 of the Amended and Restated Initial Order be reconsidered, and that the priority of the DIP Lender not be made permanent but remain subject to the Comeback Clause. The CCAA Judge dismissed the request to reconsider the priorities in paragraph 55 and ordered that the DIP priority is excluded from the Comeback Clause, thus making the DIP priority permanent.

8. On March 6, 2012, the Notice of Application for Leave to Appeal of the Applicants was served to the Service List and filed with the Court of Appeal.

9. During the course of March 7 and 8, 2012 the Applicants entered into negotiations with Catalyst regarding the scope of the relief requested in the application for leave to appeal that was being sought. An agreement was reached to clarify and narrow the scope of the relief sought in the leave to appeal of the Applicants. These negotiations culminated in an agreement being executed on behalf of Catalyst and the Applicants and an Order being entered in on March 8, 2012 by the CCAA Judge to reflect the terms of that agreement.

10. The Applicants clarified and undertook in favour of Catalyst and the DIP Agent that with the exception of claims under ss. 81.5 and 81.6 of the BIA for unpaid normal cost pension contributions the Applicants and their lawyers will not bring any claim, make any argument, or

advance any appeal which would serve to give any pension claim priority over the DIP Lenders'

Charge in respect of DIP Lenders' First Lien Collateral.

11. Paragraph 55 of the Amended and Restated Initial Order provides that, *inter alia*, the claims and rights of employees and retirees based on:

- a) statutory deemed trusts, including the pension deemed trust pursuant to the British Columbia *Pension Benefits Standards Act* R.S.B.C. 1996 (the "PBSA"); and
 - b) any finding based on past or future breach of fiduciary duty by the company or its agents to the Salaried Plan members;
- ~~the statutory secured claim for unpaid pension contributions under sections 81.5 and 81.6 of the *Bankruptcy and Insolvency Act* (the "BIA").~~

are all subordinated and rank below:

- a) the DIP Lenders' Charge;
- b) the Administrative Charge;
- c) the Critical Suppliers' Charge; and
- d) the Directors' and Officers' Charge; and
- e) ~~in relation to certain property constituting the 2016 Notes First Lien Collateral;~~
~~the security interest of the 2016 Notes.~~

12. ~~At this time, the~~ The Applicants do not seek leave to appeal from the order of the CCAA Judge ordering that the Administrative Charge over the Charged Property and the Critical

~~Suppliers' Charge, the Directors' and Officers' Charge and the DIP Lenders' Charge over the DIP Lenders' First Lien Collateral rank in priority to the PBSA deemed trust for unpaid contributions owing to the Salaried Plan or any other pension related claim.~~

13. The CCAA Judge erred by ordering that ~~the Administrative Charge, the Critical Suppliers' Charge and the Directors' and Officers' Charge and the DIP Lenders' Charge~~ rank in priority ahead of any claim arising from any past and future breach of fiduciary duty by the company ~~and ahead of the statutory pension priority under sections 81.5 and 81.6 of the BIA.~~

14. ~~The CCAA Judge also erred by ordering priority to the 2016 Notes ahead of the statutory claims of the Applicants under deemed trusts, including under the PBSA, and ahead of any claims arising as a result of any past or future breach of fiduciary duty and over the statutory priorities under sections 81.5 and 81.6 of the BIA.~~

15. Section 43.1 of the PBSA states that amounts that an employer owes to a pension fund which it has not paid are deemed to be held in trust by the employer and deemed to be held separate and apart as a result of a filing under the CCAA, even if those amounts are not yet due but simply "owing" to the pension plan. Section 43.1 states:

Deemed trust

43.1 (1) An employer must, with respect to a pension plan to which the employer is required to make contributions, keep separate and apart from the employer's own assets

- (a) all contributions that are due or owing to the pension plan by the employer,
- (b) all amounts that have been deducted by the employer from a member's remuneration and not yet remitted to the fund holder, and
- (c) all contributions that have been received by the employer with respect to a member and not yet remitted to the fund holder.

(2) The amounts referred to in subsection (1) are deemed to be held in trust for members of the pension plan, former members, and any other persons entitled to pension benefits,

refunds or other payments under the plan in accordance with their interests under the plan.

(3) If there is, in respect of an employer, a proceeding

- (a) under the *Companies' Creditors Arrangement Act* (Canada),
- (b) under the *Winding-up and Restructuring Act* (Canada) or similar provincial legislation,
- (c) in relation to liquidation, receivership or secured creditor enforcement, or
- (d) in relation to insolvency other than under the *Bankruptcy and Insolvency Act* (Canada),

an amount equal to the amounts deemed to be held in trust under subsection (2) is deemed to be separate and apart and form no part of the estate of the employer, whether or not that amount has in fact been kept separate and apart from the employer's own assets or from the assets of the estate.

16. ~~Further, the 2016 Notes is debt that pre-existed the CCAA. Section 11.2 of the CCAA expressly provides that "The security or charge may not secure an obligation that exists before the order is made."~~

17. The CCAA Judge further erred when he issued an order which purports to override the express statutory pension priorities in the BIA by ordering that the Critical Suppliers' Charge and the Directors' and Officers' charge would rank in priority to any claims that employees and pensioners could make in relation to ss. 81.5 and 81.6 of that Act, which is a federal statute which governs a completely separate process than the one before him. The BIA, in sections 81.5 and 81.6, provides express protections for pension plan members in the event of a bankruptcy or receivership:

Security for unpaid amounts re prescribed pensions plan — bankruptcy

81.5 (1) If the bankrupt is an employer who participated or participates in a prescribed pension plan for the benefit of the bankrupt's employees, the following amounts that are unpaid on the date of bankruptcy to the fund established for the purpose of the pension plan are secured by security on all the assets of the bankrupt:

- (a) an amount equal to the sum of all amounts that were deducted from the employees' remuneration for payment to the fund;
- (b) if the prescribed pension plan is regulated by an Act of Parliament,

(i) an amount equal to the normal cost, within the meaning of subsection 2(1) of the *Pension Benefits Standards Regulations, 1985*, that was required to be paid by the employer to the fund, and

(ii) an amount equal to the sum of all amounts that were required to be paid by the employer to the fund under a defined contribution provision, within the meaning of subsection 2(1) of the *Pension Benefits Standards Act, 1985*; and

(c) in the case of any other prescribed pension plan,

(i) an amount equal to the amount that would be the normal cost, within the meaning of subsection 2(1) of the *Pension Benefits Standards Regulations, 1985*, that the employer would be required to pay to the fund if the prescribed plan were regulated by an Act of Parliament, and

(ii) an amount equal to the sum of all amounts that would have been required to be paid by the employer to the fund under a defined contribution provision, within the meaning of subsection 2(1) of the *Pension Benefits Standards Act, 1985*, if the prescribed plan were regulated by an Act of Parliament.

Rank of security

(2) A security under this section ranks above every other claim, right, charge or security against the bankrupt's assets, regardless of when that other claim, right, charge or security arose, except

(a) rights under sections 81.1 and 81.2;

(b) amounts referred to in subsection 67(3) that have been deemed to be held in trust; and

(c) securities under sections 81.3 and 81.4.

Security for unpaid amounts re prescribed pensions plan — receivership

81.6 (1) If a person who is subject to a receivership is an employer who participated or participates in a prescribed pension plan for the benefit of the person's employees, the following amounts that are unpaid immediately before the first day on which there was a receiver in relation to the person are secured by security on all the person's assets:

(a) an amount equal to the sum of all amounts that were deducted from the employees' remuneration for payment to the fund;

(b) if the prescribed pension plan is regulated by an Act of Parliament,

(i) an amount equal to the normal cost, within the meaning of subsection 2(1) of the *Pension Benefits Standards Regulations, 1985*, that was required to be paid by the employer to the fund, and

(ii) an amount equal to the sum of all amounts that were required to be paid by the employer to the fund under a defined contribution provision, within the meaning of subsection 2(1) of the *Pension Benefits Standards Act, 1985*; and

(c) in the case of any other prescribed pension plan,

(i) an amount equal to the amount that would be the normal cost, within the meaning of subsection 2(1) of the *Pension Benefits Standards Regulations, 1985*, that the employer would be required to pay to the fund if the prescribed plan were regulated by an Act of Parliament, and

(ii) an amount equal to the sum of all amounts that would have been required to be paid by the employer to the fund under a defined contribution provision, within the meaning of subsection 2(1) of the *Pension Benefits Standards Act, 1985*, if the prescribed plan were regulated by an Act of Parliament.

Rank of security

(2) A security under this section ranks above every other claim, right, charge or security against the person's assets, regardless of when that other claim, right, charge or security arose, except rights under sections 81.1 and 81.2 and securities under sections 81.3 and 81.4.

18. The CCAA Judge further erred when he ordered that a claim for past or future breach of fiduciary duty by the company or its agents could never rank in priority over the DIP Lenders'

~~Charge, the 2016 Notes Security over their First Lien Collateral, the Directors' and Officers' Charge, the Administration Charge or the Critical Suppliers' Charge, this is contrary to equity, public policy, and case law. The Applicants do not seek an order which would give priority to any claim for past or future breach of fiduciary duty over the Administration Charge over any Charged Property or which would allow such claims to rank in priority to the DIP Lenders' Charge over any DIP Lenders' First Lien Collateral.~~

19. The CCAA Judge further erred by failing to appoint Ronald Gary McCaig, Patricia Dwornik, Janice Young, Peter Flynn and Francesca Pomeroy as representative of the employees and retirees of Catalyst and Koskie Minsky LLP as representative counsel. Further particulars will be provided on receiving of the CCAA Judge's Reasons when they are released.

20. The proposed appeal satisfies the four point test for granting leave to appeal in CCAA matters:

(a) *The point is of significance to the practice.* The point on appeal deals with employee and retiree priorities and the application of the deemed trust in section 43.1 of the PBSA in CCAA situations. This is a developing area of the law, and the point has not yet been considered in an appellant decision in British Columbia.

(b) *The point raised is of significance to the action itself.*

(i) The point raised is of significance to the action as it will impact the determination of the priority of employees' and retirees' claims among the claims of other creditors of Catalyst.

(ii) The proposed appeal is also significant as it would deal with the jurisdiction of a CCAA judge to issue an order that purports to override the statutory pension priority distribution scheme in the BIA.

(c) *The appeal is prima facie meritorious and is not frivolous:* The proposed appeal raises serious and arguable grounds which are meritorious. In particular, the CCAA judge erred when he:

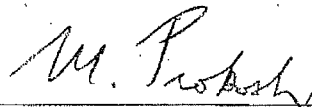
- (i) ordered priorities to secured and other creditors without prior notice to the beneficiaries of the PBSA deemed trust;
 - (ii) ordered that an equitable claim based on a *past or future* breach of fiduciary duty by the company on its agents are, regardless of the manner or extent of the breach, subordinate to other claims of creditors and effectively will only ever rank as an unsecured claim; and
 - (iii) ordered that the statutory pension secured claims in the BIA are overridden and subordinated to the Critical Suppliers' Charge and the Directors' and Officers' Charge. ~~claims of other creditors.~~
- (e) *The appeal will not unduly hinder the progress of the action:* There will be no undue hindrance on the progress of the action by this appeal, particularly if this motion and if leave is granted, the appeal, are expedited.

21. Sections 11, 13 and 14 of the CCAA.

22. Sections 81.5 and 81.6 of the BIA.

The trial/hearing of this proceeding occupied 1 days/hours.

Dated at Vancouver , British Columbia, this 9th day of March, 2012.



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To the respondent(s): *British Columbia Hydro and Power Authority*
And to its solicitor: Borden Ladner Gervais LLP
Attention: Deborah Overholt
Email: doverholt@blg.com

To the respondent(s): *AstenJohnson, Inc.*
And to its solicitor: Stikeman Elliott LLP
Attention: Kathryn Esaw
Email: kesaw@stikeman.com

To the respondent(s): *HMTQ as represented by the Superintendent of Pensions*
And to its solicitor: Ministry of Justice
Attention: Sandra Wilkinson
Email: sandra.wilkinson@gov.bc.ca

To the respondent(s): *Arrow Transportation*
And to its solicitor: Bernard & Partners
Attention: Gary Wharton
Email: wharton@bernardpartners.com

To the respondent(s): *United Steelworkers International and USW Local 2688*
And to its solicitor: Victory Square Law Office LLP
Attention: Sebastien Anderson
Stefanie Quelch
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To the respondent(s): *Wilmington Trust FSB*
And to its solicitor: Chaitons LLP
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To the respondent(s): *Casco, Inc.*
And to its solicitor: Stikeman Elliott LLP
Attention: Alex Rose
Email: arose@stikeman.com

To the respondent(s): *International Forest Products, Western Forest Products Inc. and Seaspan Marine Corporation*

And to its solicitor: Bull Houser & Tupper LLP

Attention: Steven Dvorak

Jane Milton, Q.C.

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ejm@bht.com

Attention: Marilyn Mauritz

marilyn.mauritz@interfor.com

To the respondent(s): *HMTQ in Right of the Province of British Columbia*

And to its solicitor: Ministry of Attorney General, Legal Services Branch

Attention: Richard Butler

David Hatter

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david.hatter@gov.bc.ca

To the respondent(s): *HSBC Bank Canada*

And to its solicitor: Borden Ladner Gervais LLP

Attention: Geoffrey Thompson

Email: gthompson@blg.com

To the respondent(s): *Board of Directors of Catalyst*

And to its solicitor: Lawson Lundell LLP

Attention: Heather Ferris

Email: hferis@lawsonlundell.com

Osler, Hoskin & Harcourt LLP

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Jean Fraser

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To the respondent(s): *Canexus Chemicals Canada LP*

And to its solicitor: Stikeman Elliott LLP

Attention: Elizabeth Pillon

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To the respondent(s):

And to its solicitor: GE Railcar Services Canada

Attention: Jim Fergusson

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Email: jim.fergusson@ge.com
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To the respondent(s): *The CIT Group/Equipment Financing, Inc., CIT Railcar Funding Company, LLC, C.I.T Leasing Corporation and Flex Leasing I, LLC*
And to its solicitor: Dickinson Wright LLP
Attention: Mike Weinczok
Email: mweinczok@dickinsonwright.com

Vedder Price P.C.
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To the respondent(s): *Powell River Energy Inc., Quadrant Investments Ltd. and Timber West Forest Corp.*
And to its solicitor: Davis LLP
Attention: Mary Buttery
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To the respondent(s): *Retired Members of the Retirement Plan for Salaried Employees of Catalyst Paper Corporation*
And to its solicitor: Koskie Minsky LLP
Attention: Andrew Hatnay
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To the respondent(s): *Rohm and Haas Canada LP*
And to its solicitor: Dilworth Paxson LLP
Attention: Anne Marie P. Kelley
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To the respondent(s): *Pulp, Paper and Woodworkers of Canada, Local 2*
And to its solicitor: Fiorillo Glavin Gordon Lawyers
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Jodie Gauthier

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To the respondent(s): *Counsel for Imetys Canada LP*
And to its solicitor: Stikeman Elliott LLP
Attention: Matthew Liben
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To the respondent(s): *Counsel for T-MAR Industries Ltd.*
And to its solicitor: Gehlen Dabbs
Attention: Greg Gehlen
Email: gg@gdlaw.ca

To the respondent(s): *Counsel for Certain of the Unsecured Noteholders*
And to its solicitor: Bennett Jones LLP
Attention: Sean Zweig

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Raj Sahni Rick Orzy Ken Lenz
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To the respondent(s): *Catalyst Timber West Retired Salaried Employees Association*
And to its solicitor: Hunter Litigation Chambers
Attention: Brent Johnston

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To the respondent(s): *Catalyst Paper Corporation Pension Administration Committee*
And to its solicitor: Spectrum HR Law
Attention: Scott Sweatman

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cgalinski@spectrumhrlaw.com

To the respondent(s): *Canada Revenue Agency*
And to its solicitor: Department of Justice Canada
Attention: Neva Beckie
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To the respondent(s):
And to its solicitor: ERCO Worldwide
Attention: Lucy Ramdass
Tracy Dewar
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tdewar@ercoworldwide.com

To the respondent(s): *Lysander Holdings Ltd.*
And to its solicitor: SDM Realty Advisors Ltd.
Attention: Dale Mumford
Email: dalem@sdmrealty.com

To the respondent(s): *Dunlap Towing*
And to its solicitor: Armstrong Wellman
Attention: Heather Wellman
Email: admin@loophole.ca

To the respondent(s): *Wells Fargo*
And to its solicitor: Norton Rose Canada LLP
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Orestes Pasparakis
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To the respondent(s): *HMTQ in Right of Canada*
And to its solicitor: Attorney General of Canada
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To the respondent(s): *Computershare Trust Company of Canada*
And to its solicitor: Borden Ladner Gervais LLP
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To the respondent(s): *Counsel for Wajax Industries*
And to its solicitor: Ogilvie LLP
Attention: Kentigern A. Rowan Q.C.
Stephanie A. Wanke

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swanke@ogilvieilaw.com

This Notice of Leave to Appeal is given by Koskie Minsky LLP, whose address for service is 20 Queen St. West, Toronto, ON, Suite 900, Box 52, M5H 3R3.

To the respondent(s):

IF YOU INTEND TO PARTICIPATE in this proceeding, YOU MUST GIVE NOTICE of your intention by filing a form entitled "Notice of Appearance" (Form 2 of the Court of Appeal Rules) in a Court of Appeal registry and serve the notice of appearance on the appellant WITHIN 10 DAYS of receiving this Notice of Application for Leave to Appeal.

IF YOU FAIL TO FILE A NOTICE OF APPEARANCE

- (a) you are deemed to take no position on the application, and
- (b) the parties are not obliged to serve you with any further documents related to the application.

The filing registries for the British Columbia Court of Appeal are as follows:

Central Registry:

B.C. Court of Appeal
Suite 400, 800 Hornby Street
Vancouver BC V6Z 2C5

Other Registries:

B.C. Court of Appeal
The Law Courts
P.O. Box 9248 STN PROV GOVT
850 Burdett Ave
Victoria BC V8W 1B4

B.C. Court of Appeal
223 - 455 Columbia Street
Kamloops BC V2C 6K4

Inquiries should be addressed to (604) 660-2468 Fax filings: (604) 660-1951

Schedule "A"

LIST OF ADDITIONAL PETITIONERS

Catalyst Pulp Operations Limited
Catalyst Pulp Sales Inc.
Pacifica Pulpers 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 Pulpers Inc.
Pacifica Papers Sales Inc.
Catalyst Paper (USA) Inc.
The Apache Railway Company

SCHEDULE "B"

	LASTNAME	FIRST NAME
1	Ackerman	David
2	Allan	John C. R.
3	Alsip	William Pitt
4	Andow	Lois D.
5	Asman	Glen
6	Bailey	Wayne
7	Baker	Tony
8	Barfield	Robert S.
9	Barker	Robert Bruce Richard
10	Beamond	Lynn
11	Beardmore	Catherine
12	Benisky	Tanis J.
13	Berard	Kevin Arthur
14	Bernardo	Paul N.
15	Bonar	Gord
16	Bourcier	Don
17	Brehant	William George
18	Brennert	Hans
19	Brett	Gary E.
20	Brown	David
21	Burrell	Charles J.
22	Cable	Peter
23	Cain	Bob
24	Carter	David Daniel
25	Castelsky	Roy
26	Catcher	John
27	Cherry	Len
28	Chipman	Brian
29	Ciarniello	M. D.
30	Clarke	Roy
31	Combe	Anne
32	Crawford	Robert R.
33	Crema	Ron
34	Cross	Larry
35	Culos	Wayne
36	Culos	Jean
37	De Wynter	Evelyn
38	De Wynter	Kevin
39	Dillon	Gary
40	Donnelly	James
41	Dupuis	Bernard L. J.
42	Dworak	Patricia

43	Dyer	Raymond A
44	Eng	Steve
45	Erickson	Robert J.
46	Erickson (Manthers)	Carol
47	Fair	Darlene
48	Fawcett	Ruth
49	Finch	Peter
50	Fisher	David
51	Fisler	Hansruedi
52	Fitzpatrick	John
53	Flynn	Peter
54	Forrest	William Nelsh
55	Fougere	Ambrose Alonzo
56	Fowler	Art
57	Fox	Graham
58	French	Timothy
59	Gambetta	Gladys
60	Gilchrist	David John
61	Gordon	Robert B.
62	Gosgnach	Sheila
63	Gray	Neil
64	Gunther	Steven M.
65	Gustafson	Gerald George
66	Hanna	Barb
67	Hatch	Darryl
68	Hettle	Shelley A.
69	Hiltunen	Paul E.
70	Hirayama	Masami
71	Hoberg	Philip
72	Hodgins	David
73	Holland	Bradley
74	Hughes	John
75	Hundley	Ziufka
76	Hunold	Peter
77	Hunter	Ken
78	Jackson	Ken
79	Jakeway	Walter
80	Jee	Alan
81	Jellama	Marinos
82	Johnson	Dennis A.
83	Jones	Gordon J.
84	Jones	Ken
85	Kery	Ralph
86	Kirkham	Janet
87	Klint	Peter
88	Kofler	Norman Peter

89	Konkin	Walter
90	Leach	Christopher C.
91	Leach	Anthony
92	Leger	Shirley
93	Levangie	Reg
94	Lewis	Richard
95	Lichty	Joanne Gail
96	Lightfoot	Ronald
97	Lofkrantz	Eric
98	Luff	Keith
99	Lyle	Shelli
100	Lynch	Kenneth
101	Manners	Ron
102	Massullo	Anna
103	Matheson	Colin
104	McCaig	Ronald Gary
105	McCartney	Robert
106	McIlveen	Maria
107	McInnes	G. Don
108	McKnight	Keith
109	McMurtie	Don
110	McNeil	Dennis
111	Meredith	Doug
112	Michaelson	Robert Bjorn
113	Mitchell	John Gordon
114	Mobley	Douglas Miles
115	Mollet	Edward A. (Ted)
116	Monahan	Marianne P.
117	Morrison	Mary E.
118	Morrison	Bruce R.
119	Nelson	Robert
120	Nicklin	Dennis
121	Nicklin	Donald G.
122	Norington	John
123	Novak	Carol Annetta
124	O'Brien	John
125	Ollenberger	David
126	Pagani	Peter
127	Pagani	Tineke
128	Passenger	Sandra L.
129	Peel	Douglas
130	Perkonig	Andreas
131	Pichor	Dora
132	Pierce	Susan
133	Pomeroy	Francesca
134	Poole	Daryl W.

135	Posein	Orville
136	Poucher	Eida
137	Powell	Michelle
138	Prothman	Brian R.
139	Quamstrom	Jack
140	Rasmussen	Preben
141	Reed	Clark
142	Reid	Terry
143	Reithang	Harvey
144	Richmond	Gary
145	Riley	Rick
146	Robson	William R. C.
147	Rogers	Richard
148	Ronalds	David
149	Ruel	Mary I.D.
150	Sasaki	Kelly
151	Savegnago	Gianpaolo
152	Seabrook	Donald E.
153	Seabrook	Jason
154	Seguin	Raymond J.
155	Shankie	David
156	Shepard	Perry
157	Silvester	Hendrika (Penny)
158	Simpson	Ronald R.
159	Sjerven	David J.
160	Smith	Beverley D.
161	Somerville	Darryl
162	Souchuk	Nick
163	St. Claire	Ian
164	Stewart	Terry
165	Stewart	Celeste
166	Stoddart	Irving
167	Stroomer	Matheus (Ted)
168	Stroomer	Willem
169	Swiatkowski	Donald P.
170	Tait	Ron
171	Tardif	J. Denis
172	Tham	Yin Nor (Nora)
173	Theus	Kai
174	Thibodeau	Doug
175	Tkacz	Andrew
176	Toms	Brian
177	Tull	Richard Danby
178	Tunstall	Edward W.
179	Turnbull	James Kelso
180	Van Gorkom	Donovan

181	van Hooydonk	Adrian (Andy)
182	van Kooten	Jacob
183	von Melville	Len
184	Walerius	Gerald
185	Walerius	Leslie
186	Whittaker	Jeffrey G. T.
187	Wickenkamp	Robert H.
188	Williamson	Elaine
189	Willis	David M.
190	Wolanski	Thomas
191	Woodfin	John C.
192	Yateman	Jason
193	Yeo	Charlene
194	Young	Janice

Court of Appeal File No. CA39754
Action No. S120712
Vancouver Registry

COURT OF APPEAL

BETWEEN:

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 THE CATALYST PAPER CORPORATION AND THE
PETITIONERS LISTED IN SCHEDULE "A"

AMENDED NOTICE OF APPLICATION FOR
LEAVE TO APPEAL

McGRADY & COMPANY

Lawyers
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Suite 1105 - 808 Nelson Street
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ATTENTION: MICHAEL J. PROKOSH

KOSKIE MINSKY LLP

Barristers and Solicitors

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M5H 3R3

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Fax: (416) 204-2819

ATTENTION: JAMES HARNUM

This is **Exhibit "H"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

COURT OF APPEAL FOR BRITISH COLUMBIA

Date: 20120419
Docket: CA039754

**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"**

Before: The Honourable Mr. Justice Hall
(In Chambers)

On appeal from: Supreme Court of British Columbia
(*Catalyst Paper Corporation*, Vancouver Registry S120712)

Oral Reasons for Judgment

Counsel for the Appellant Listed in Schedule
"B":

D. Yiokaris and J. Harnum

Counsel for the Respondent, Catalyst Paper
Corporation:

W.C. Kaplan, Q.C. and P. Rubin

Counsel for the Respondent, Monitor

J. Grieve

Counsel for the Respondent, International
Forest Products, Western Forest Products
Inc. and Seaspam Marin Corp.

J. Milton, Q.C.

Counsel for the Respondent, A
Representative Group of 2016 Note Holders

J. Sandrelli

Counsel for the Respondent, Representative
Group of 2014 Unsecured Creditors

D.E. Gruber

Counsel for the Respondent, Catalyst Timber
West Retired Salaried Employees Assoc.

M. Buttery

Place and Date of Hearing:

Vancouver, British Columbia
April 18, 2012

Place and Date of Judgment:

Vancouver, British Columbia
April 19, 2012

(leave to appeal)

[1] **HALL J.A.:** This is an application by the Catalyst salaried and employees' pension group for leave to appeal from orders of Mr. Justice Sewell made on February 14 and March 9, 2012, in *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, proceedings.

[2] The subject matter of the proceedings, Catalyst Paper Corporation, is in very perilous financial circumstances.

[3] It is alleged by the applicants that these orders are not in accord with certain legislative provisions and the spirit of Canadian bankruptcy and insolvency legislation. The orders in question granted priorities to *inter alia*, directors and officers, critical suppliers, key employees who had been in a key employee retention programme secured by an \$8.2 million letter of credit, and a financial advisor. It is asserted that the orders granting priorities imperilled the interests of the applicants and that the judge erred in according priority over possible equitable claims of the applicants based on alleged breaches of fiduciary duty by the subject corporation.

[4] Counsel for the Corporation and other counsel appearing on behalf of secured creditors, the Monitor and certain priority holders oppose leave. Mr. Kaplan, on behalf of the Corporation, submitted the applicants were out of time with respect to the earlier order and, as regards merit, suggested that they had no real complaint as normal course pension payments are provided for and are being made as they become due.

[5] Counsel opposed to leave cited a number of authorities in support of the proposition that judges acting under the C.C.A.A. are endowed with broad discretion. See *Century Services Inc. v. Canada (Attorney General)*, 2010 SCC 60, [2010] 3 S.C.R. It was submitted that appellate courts have indicated reluctance to readily interfere with what is often a delicately balanced process in which the managing judge has to make interconnected discretionary decisions: See *Edgewater Casino Inc. Re*, 2009 BCCA 40.

[6] Counsel for the applicants made reference to the case of *Sun Indalex Finance, LLC, et al. v. United Steelworkers, et al.*, 2011 ONCA 265, [2011] O.J. No. 1621 (Ontario) (Civil) (By Leave) a case which is currently before the Supreme Court of Canada.

[7] In the course of his March 9, 2012 reasons, the judge made reference to the interests of the applicants:

[28] Another question on this application is whether the interests of the pensioners and salaried employees who oppose the application would be unduly prejudiced by the order sought. I have concluded that they are not. The salaried plan is a defined benefit plan. The company is obligated to make considerable payments towards the plan's solvency deficiencies over the next seven years. If the company is successful in reorganizing itself, it will be in a better position to make those payments. Further, current employees will of course benefit from continued employment and from the benefit of those payments to the pension plan of which they are currently members.

[29] With respect in particular to the KERP, I also fail to see how the proposed order causes any real prejudice to the employees and pensioners. The pensioners group which opposes the application has already agreed to an order granting the DIP financing priority over pension claims. In this case the LCs already in place if drawn upon will increase the amount outstanding under the DIP facility. If the order is not granted, the \$8.26 million in LCs will, for all practical purposes, rank in priority to the pension claims in any event. I therefore can see no prejudice in the arrangements which are proposed with respect to the KERP, that is, converting the existing security in the form of letters of credit into a charge on the fixed assets of the company.

...

[40] Counsel for the petitioner submitted to me that the claims of the pensioners as described in para. 55 of the amended order are claims of secured creditors. I do not find it necessary to decide that issue. In my view, the analysis that I have gone through with respect to the jurisdiction to grant a KERP charge applies to the question of the priority to be given to the financial advisor's charge. However, again, with respect to the financial advisor's charge, the critical issue is whether I should exercise the jurisdiction that I do have to grant a charge with the priority sought.

...

[42] If the priority for those fees is postponed to potential pension claims and claims for breach of fiduciary duty in respect of such pension claims, such security may well prove to be illusory or, at a minimum, not recoverable until after the conclusion of lengthy litigation.

[43] In reaching the conclusion to grant the priority, I have attempted to balance the interests of the petitioner and its stakeholders in effecting a

restructuring against the possible prejudice to a particular group that may be affected by the order sought, in this case the employees and pensioners.

[8] It seems clear to me that the judge was mindful of the interests of the applicants. While it may be arguable that the applicants are not timely as to the February 2012 order, I do not consider that this is a significant objection having regard to the fact that these are evolving proceedings.

[9] The tests for granting leave to appeal are well known. They are:

1. Whether the point on appeal is of significance to the practice;
2. Whether the point raised is of significance to the action itself;
3. Whether the appeal is *prima facie* meritorious or, on the other hand, whether it is frivolous; and
4. Whether the appeal will unduly hinder the progress of the action.

[10] I start by noting that this is a discretionary order. I have doubts as to the proposed appeal's significance to the practice, but it does have some significance to the action, and, obviously, to the applicants.

[11] Having reflected on the submissions and the facts, I must say that I have grave reservations about the potential merit of the appeal. I would be very dubious that a division of this Court could be persuaded to grant the relief sought on behalf of the applicants. I also consider that any appeal would have a most deleterious effect on the proceedings in the court of first instance by causing delay and uncertainty. It will be no easy task to save for operation this financially distressed corporation and an appeal would be a highly negative factor in this process.

[12] Certain submissions of the applicants addressed what could or might happen in bankruptcy proceedings but such proceedings are not presently extant.

[13] In the result, I am firmly of the view, after considering previous case law and the particular circumstance disclosed here, that it would not be appropriate to grant leave to appeal from these discretionary decisions of Mr. Justice Sewell.

[14] The application for leave to appeal is therefore dismissed.

"The Honourable Mr. Justice Hall"

This is **Exhibit "I"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

VANCOUVER
APR 24 2012
COURT OF APPEAL
REGISTRY

FORM 15 (RULE 34 (1) (A))

Court of Appeal File No: CA39754
Supreme Court File No. S120712
Vancouver Registry

COURT OF APPEAL

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

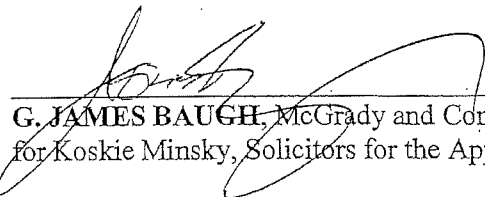
- AND -

IN THE MATTER OF THE CATALYST PAPER CORPORATION
AND THE PETITIONERS LISTED IN SCHEDULE "A"

NOTICE OF APPLICATION TO VARY
AN ORDER OF A JUSTICE

TAKE NOTICE that an application under section 9 (6) of the *Court of Appeal Act* will be made by the Catalyst Salaried Employees and Pensioners Group to the Court of Appeal at 800 Smithe Street, Vancouver, in the Province of British Columbia, at such time and date as may be determined by the Registrar, for an order to discharge or vary the order of the Honourable Mr. Justice Hall made on April 19, 2012.

Date: April 24, 2012


G. JAMES BAUGH, McGrady and Company,
for Koskie Minsky, Solicitors for the Appellants

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

Court of Appeal File No. CA39754
Action No. S120712
Vancouver Registry

COURT OF APPEAL

BETWEEN:

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 THE CATALYST PAPER CORPORATION AND THE
PETITIONERS LISTED IN SCHEDULE "A"

NOTICE OF APPLICATION TO VARY AN ORDER OF A JUSTICE

McGRADY & COMPANY

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M5H 3R3
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Fax: (416) 204-2819
ATTENTION: JAMES HARNUM

This is **Exhibit "J"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

COURT OF APPEAL
REGISTRY
MAY 29 2012
VANCOUVER

FORM 22 (RULE 46 (A))

Court of Appeal File No.: CA39754
Supreme Court File No.: S120712
Supreme Court Registry: Vancouver

COURT OF APPEAL

**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 -

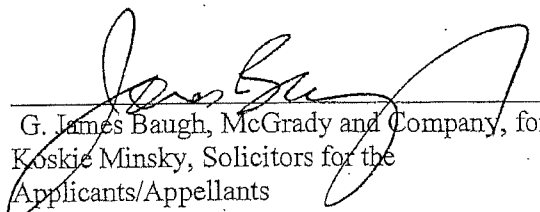
IN THE MATTER OF THE CATALYST PAPER CORPORATION

NOTICE OF SETTLEMENT OR ABANDONMENT

IN THE MATTER of the Notice of Application for Leave to Appeal filed on March 6, 2012, amended March 9, 2012 and March 30, 2012, from certain provisions of the order of the Honourable Mr. Justice Sewell of the Supreme Court of British Columbia pronounced the 14th day of February, 2012 and the orders of Mr. Justice Sewell pronounced March 5, 2012 and March 9, 2012; AND IN THE MATTER of the Notice of Application to Vary the Order of Honourable Mr. Justice Hall of the British Columbia Court of Appeal made on April 19, 2012.

Take Notice that the Catalyst Salaried Employees and Pensioners Group, the Applicants/Appellants in the above-noted matters, hereby abandon these Applications/this Appeal.

Dated: May 29, 2012


G. James Baugh, McGrady and Company, for
Koskie Minsky, Solicitors for the
Applicants/Appellants

This NOTICE OF SETTLEMENT OR ABANDONMENT is filed by: G. James Baugh of the firm, McGrady and Company, whose address is: Suite 1105-808 Nelson Street, Vancouver, British Columbia V6Z 2H2.

Telephone number is: 604-734-7003
Facsimile: 604-734-7009

(030)060/CA/FORM22

Court of Appeal File No. CA39754
Action No. S120712
Vancouver Registry

COURT OF APPEAL

BETWEEN:

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 THE CATALYST PAPER CORPORATION AND THE
PETITIONERS LISTED IN SCHEDULE "A"

NOTICE OF SETTLEMENT OR ABANDONMENT

McGRADY & COMPANY
Lawyers
Box 12101 - Nelson Square
Suite 1105 - 808 Nelson Street
Vancouver, British Columbia
V6Z 2H2
Tel: (604) 734-7003
Fax: (604) 734-7009
ATTENTION: G. JAMES BAUGH

KOSKIE MINSKY LLP
Barristers and Solicitors
20 Queens Street West
Suite 900, Box 52
Toronto, Ontario
M5H 3R3
Tel: (416) 542-6285
Fax: (416) 204-2819
ATTENTION: JAMES HARNUM

This is **Exhibit "K"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation: *Catalyst Paper Corporation (Re)*,
2012 BCSC 451

Date: 20120328
Docket: S120712
Registry: Vancouver

**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

Before: The Honourable Mr. Justice Sewell

Reasons for Judgment

Counsel for Petitioners:

P.L. Rubin
K. Burns
A. Purgas

Counsel for Monitor:

K.M. Jackson

Counsel for A Representative Group of 2016
Noteholders:

J.R. Sandrelli
S. Kukulowicz
R. Jacobs

Counsel for Powell River Energy Inc.,
Quadrant Investments Ltd. and TimberWest
Forest Corp.:

M. Buttery

Counsel for Catalyst TimberWest Retired Salaried Employees Association:	R.J. Kaardal A. Glen
Counsel for Wells Fargo Bank NA:	V. Sinha
Counsel for Representative Group of 2014 Unsecured Noteholders and Certain 2016 Noteholders:	T. Louman-Gardiner M. Wagner
Counsel for JPMorgan Chase Bank, N.A.:	J. Cockbill
Counsel for United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 2688:	S. Quelch
Counsel for Canexus Corp. and Casco Inc.	K. Esaw
Counsel for Wilmington Trust, National Association:	R. Patryluk G. Benchetrit
Counsel for Ad Hoc Committee of 2014 Noteholders:	D. McKinnon
Counsel for Catalyst Salaried Employees and Pensioner Committee:	A. Kaplan M. Prokosh D. Yiokaris J. Harnum
Counsel for CEP Unions - Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River):	D. Bobert
Counsel for PPWC Local 2:	C. Gordon
Counsel for Superintendent of Pensions:	S. Wilkinson
Counsel for Board of Directors of Catalyst:	H. Ferris
Counsel for Perella Weinberg Partners LP:	K. McElcheran
Counsel for Wajax Industries:	K. Rowan Q.C.
Place and Date of Trial/Hearing:	Vancouver, B.C. February 23, 2012
Place and Date of Judgment:	Vancouver, B.C. March 28, 2012

[1] On February 23, 2012, a group of current, former and retired employees of the Petitioners (the "CSE&P Committee") applied for an order amending the Amended and Restated Initial Order of February 3, 2012 (the "R.I.A.") by removing paragraph 84 of the R.I.A. and replacing it with the following:

(a) Ronald Gary McCaig, Jeff Whittaker, Janice Young, Peter Flynn, Patricia Dwornik, and Francesca Pomeroy (the "CSE&P Committee"), acting on their own behalf and on behalf of the Catalyst Salaried Employees & Pensioners group are, until further Order of this Court, entitled to make representations to the Court as, and be, the authorized representatives of Canadian employed or resident persons, and in particular:

- (i) all current non-unionized employees of 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 Recycling Inc., Catalyst Paper (Snowflake) Inc., Catalyst Paper Holdings Inc., Pacific Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc. or the Apache Railway Company (collectively "Catalyst") or any person claiming an interest under or on behalf of such employees;
- (ii) all active, deferred vested and retired members of the Catalyst Paper Corporation Retirement Plan for Salaried Employees (Reg. No. 85400-1), the Catalyst Paper Corporation Retirement Plan "A" (Reg. No. 85944-1) and/or the Catalyst Paper Corporation Retirement Plan "C" (Reg. No. 55234) (collectively, the "Catalyst Pension Plans"), or any person claiming an interest under the Catalyst Pension Plans; and
- (iii) all non-unionized current and former employees of Catalyst and its predecessors with an entitlement under any other unregistered supplementary pension benefit, post-retirement benefit, health and dental benefit, life insurance benefit, long term disability benefit, short term disability benefit, death and dismemberment benefit or any other employee benefit sponsored by Catalyst or one of its predecessors (collectively "OPEBs"), or any person claiming an interest under an OPEB under or on behalf of such employees and former employees.

(collectively, the "Employee Creditors").

(b) Counsel to the CSE&P Committee will be considered an "Assistant" pursuant to paragraph 8(c) of the Amended and Restated Initial Order.

[2] By memorandum dated March 5, 2012 I informed the parties that the application was dismissed with reasons to follow. These are those reasons.

Background

[3] On January 31, 2012 the Court granted protection (the Initial Order) to the Petitioners pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "CCAA"). The Initial Order was applied for in some haste because until a few days prior to January 31 it appeared that the Petitioners would be able to reorganize their affairs by means of a plan of arrangement pursuant to the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the "CBCA"). However, certain conditions precedent to the proposed CBCA plan of arrangement were not met and these proceedings resulted.

[4] *The Initial Order was amended and restated by the R.I.A. Paragraph 12(c) of the R.I.A. authorized and directed the Petitioners to make all normal employer cost contributions to defined benefit and defined contribution pension plans. Paragraph 12(d) authorized but did not require the Petitioners to make the special payments to pension plans set out in a letter from the Superintendent of Pensions (the "Superintendent") dated December 14, 2011 (the "Extension Letter") but prohibited the Petitioners from making any special or catch up payments on an accelerated basis without further court order made on notice to the D.I.P. Agent, to the Steering Committee for the 2016 Noteholders, and to counsel for the Ad Hoc Noteholders.(terms are as capitalized in R.I.A.)*

[5] The Extension Letter authorized the Petitioners to fund solvency deficiencies in the Petitioners' defined benefit pension plans nos. P085400-1 and P085994-1 (the "Defined Benefit Plans") over a seven year period, thereby extending the five year period within which such solvency deficiencies would otherwise have had to be funded pursuant to requirements of the *Pension Benefits Standards Act*, R.S.B.C. 1996, c. 352 (the *PBSA*). It was therefore of significant benefit to the Petitioners' liquidity. However, the Extension Letter contained a provision that if the Petitioners filed for protection under the CCAA, it would be rescinded and all contributions and

payments to the Defined Benefit Plans would be considered to be due and owing in accordance with s. 6 of the *PBSA*.

[6] At an early stage of these proceedings I was informed that the Petitioners, representatives of the 2016 noteholders, the Superintendant, the D.I.P. lender and the Catalyst Timberwest Retired Salaried Employees Association ("RSEA") as representative of pension beneficiaries of the Defined Benefits Plans were in discussions to address the consequences of the CCAA filing. I was not provided with details of those discussions but was informed that one of the topics under discussion was the applicability and implications to this proceeding of the Ontario Court of Appeal decision in *(Re) Indalex Ltd.*, 2011 ONCA 265 (*Indalex*).

[7] On February 7, 2012, I was informed that the parties referred to in the preceding paragraph had reached an agreement to resolve these issues. The essential points of this agreement were that the Petitioners agreed to make additional payments of \$550,000 on March 18 and April 15, 2012 to the trustees of the Defined Benefit Plans and the Superintendant waived her right to rescind the Extension Letter.

[8] By order dated the same date, on the application of the Petitioners I made an order amending the R.I.A. to give effect to the settlement. I recognized RSEA as authorized representative of pension beneficiaries under Pension Plan no. P085994-1. This is by far the larger of the Deferral Benefit Plans. At that time I proceeded on the basis that these arrangements were acceptable to the secured creditors, including the D.I.P. lenders and the 2016 noteholders, as well as the 2014 noteholders. It was implicit in that agreement that the pension beneficiaries agreed that the D.I.P. lender's security would rank in priority to any rights of the pension beneficiaries, including rights under the *PBSA* and under any fiduciary claim against the Petitioners and its management. Counsel for the applicants on this application attended that hearing by telephone and did not oppose the relief sought or seek to adjourn the application.

[9] On February 14, the Petitioners applied for a final order granting the D.I.P. financing a priority charge on the working capital assets of the Petitioners, and granting the D.I.P. lenders' charge priority over any deemed trust under the *PBSA*, any claim in respect of breach of fiduciary duty and any future charge that might arise under ss. 81.5 and 81.6 of the *Bankruptcy and Insolvency Act (B.I.A.)*.

[10] The provision granting priority over any claim for breach of fiduciary duty was sought to address any issue that might arise pursuant to *Indalex*. Counsel for the applicants on this application attended that hearing and sought an order adjourning the application to February 23, the same date on which this application was heard.

[11] I granted the order sought on February 14, 2012 because of the critical importance to the Petitioners of being able to access additional credit under the D.I.P. facility without further delay. Pursuant to paragraph 42 of the R.I.A. the amount available to be drawn under the D.I.P. facility was limited to \$40,000,000 until certain condition precedents were met, one such condition being the granting of super priority to the D.I.P. lenders' charge. I was also of the view that the concerns of pension beneficiaries had been addressed to the satisfaction of their representative by the February 7, 2012 Order, which, as I have indicated, was not opposed by any party, including the present applicants.

[12] I did, however, permit the applicants to make this application, which was heard on February 23, 2012.

[13] Counsel for the applicants began his submission by submitting that I should approach these applications as a hearing *de novo* of the representation issue notwithstanding the February 7, 2012 Order.

[14] Counsel then made seven points in support of the applications:

1. The applicants represent a ground up, grass roots group that is representative of a broad cross section of unorganized employees, former employees and persons with pension rights that had heretofore not been represented.

2. The relationship of the applicants and those they represent to the firm of Koskie Minsky is direct in that it is proposed that there be a direct solicitor client relationship between each member of the group and the firm.
3. Koskie Minsky has recognized experience and expertise in representing similar classes of creditors in other CCAA proceedings and with respect to pension issues generally.
4. The definition of persons interested in protecting pension rights contained in the February 7, 2012 Order was imprecise and ambiguous.
5. The proposed group for which representation was sought was a particularly vulnerable one.
6. There is a social benefit in having this group represented by counsel and by the efficiency of having one counsel represent it.
7. There was no prejudice to any one, and in particular no prejudice to RSEA, because RSEA could opt out of the representation order and had the resources to retain counsel to represent it.

[15] With regard to the nature of this application, I agree that the fact that RSEA was named as representative of pension beneficiaries in the February 7 order should not deprive the applicants of the ability to argue these applications on the merits. I therefore intend to approach the applications not on the basis that the applicants must show why RSEA should be displaced but on the basis of what order would be in the best interests of the affected group. However, in assessing this question I will have regard to what has transpired to date and in particular to whether RSEA has acted in an effective and efficient manner in representing the interests of pension beneficiaries to date. I also think it appropriate to take into account the additional cost of having a new firm familiarize itself with the circumstances of this proceeding.

[16] RSEA's position is that it represents a significant majority of pension beneficiaries, that it has expertise and experience both in financial matters and matters relating to the Petitioners and the British Columbia forest industry, that it has chosen capable counsel and that it has demonstrated the ability to effectively represent the interests of pension beneficiaries. It also submits that the group that the applicants propose to represent is overly broad and that there are actual and potential conflicts within that group that make it inappropriate for them to have a single representative.

[17] I do not think it is necessary to deal with each the seven points made by the applicants. In my view the critical issues are whether the orders sought are necessary to ensure fair and adequate representation of the group sought to be represented and whether the applicants had established that they have a mandate to represent the group as defined in the application.

[18] The applicants have failed to persuade me that they should be designated as the authorized representative of the groups identified in the notice of application. The most pressing and important issue facing this group at present is the protection of their position as beneficiaries of the Defined Benefit Plans. While it is clear that all salaried employees enrolled in the Defined Benefit Plans have an interest in their future, I am persuaded that it is the current pensioners that have the most pressing and immediate interest in that issue.

[19] The material filed on these applications shows that a significant majority of the current pensioners wish to have RSEA continue to represent their interests. The affidavit of Alan Statham states that as of February 21, 2012, 432 members and 4 non members of RSEA had delivered written authorizations to the board of RSEA authorizing it to represent their interests in this proceeding. While I agree that numbers alone should not be determinative of who is best placed to represent a group, the authorizations provided to RSEA do indicate a significant level of support for the actions it has taken to date.

[20] I also accept that RSEA has a long history of dealing with pension issues and with Catalyst and its predecessors and that the board of RSEA has substantial experience in the British Columbia forestry sector as well as in financial management.

[21] Given the substantial support that the board of RSEA has from its members it is likely that if I were to grant the applications there would be more affected retirees who opt out of the representation than remain within it.

[22] In his submissions the applicants' counsel was very critical of the amendments to paragraph 55 of the R.I.A. that were granted in the February 14, 2012 Order granting the charges priority over pension claims. The thrust of the submission was that the priority granted to the charges over deemed trusts and claims for claims for breach of fiduciary duty were extremely onerous and unfair to pension beneficiaries. The implication of this was that RSEA had not adequately or effectively represented the interests of pension beneficiaries in the proceedings leading up to the making of that order.

[23] I can see no basis for the criticism or the implication. The priority granted by paragraph 55 must be considered in the context of the overall objective of this proceeding; to permit the Petitioners to remain in business on a stable and sustainable financial foundation for the benefit of all stakeholders including pension beneficiaries. Nothing in the record of these proceedings leads to the conclusion that RSEA has not effectively and prudently represented the interests of pension beneficiaries.

[24] I have also been persuaded that the governance structure of RSEA and the arrangement whereby its counsel has a single instructing client is a more efficient and effective means of representation of pension beneficiaries than the ad hoc committee and direct individual representation model proposed by the applicants.

[25] I am satisfied that both law firms are well qualified to act in this matter. Koskie Minsky is well known for its expertise in CCAA and pension matters. However

Hunter Litigation is well known to this Court as respected counsel with considerable experience in matters involving the British Columbia forest industry. I also note that while the applicants seek an order appointing Koskie Minsky as representative counsel, the existing order leaves the choice of counsel in RSEA's hands. Generally, I think it preferable to leave the choice of counsel up to a representative group rather than having the Court impose one. RSEA's demonstrated ability to retain and instruct counsel of its choice is a factor that favours continuing its representation of pension beneficiaries.

[26] I am however satisfied the group which RSEA was authorized to represent was not adequately defined or inclusive of all pension beneficiaries. The group for which RSEA was entitled to make representations and be the authorized representative of in the February 7, 2012 Order was identified as "pension beneficiaries of the Company's Salaried Plan."

[27] In his submissions, counsel for RSEA confirmed that he did not purport to represent current salaried employees of the Petitioners who have rights under the Defined Benefit Plans.

[28] I agree that the group that RSEA represents does not capture all those persons who have a direct interest in the Defined Benefit Plans. It does not include current employees who have vested rights but are not yet receiving benefits from the plan. There are former salaried employees who have vested deferred rights under the Defined Benefit Plans who are not represented by RSEA.

[29] In the course of argument it also emerged that the descriptions of the various beneficiaries used by both parties were not consistent with the definitions contained in the *PBSA*. The *PBSA* defines such beneficiaries as follows:

"member" means, in relation to a pension plan that has not been terminated, an employee, and in the case of a multi-employer plan includes a former employee,

(a) who has made contributions to the plan or on whose behalf an employer was required by the plan to make contributions,
and

(b) who has not terminated membership or begun receiving a pension;

"former member" means, in relation to a pension plan, an employee or former employee

(a) whose membership has been terminated,

(b) who has begun receiving a pension, or

(c) whose plan has been terminated,

and who retains a present or future entitlement to receive a benefit under the plan.

[30] It can be seen from these definitions that RSEA considers that it represents plan former members but not plan members. Counsel for the applicants correctly points out that plan members have a real and substantial interest in the Defined Benefit Plans but do not have any authorized representative in these proceedings. He submits that it is unjust that they lack representation.

[31] I can see the force of the applicants' counsel's submission in this regard. However I must consider the application that is actually before me. That application seeks to displace RSEA as the authorized representative of pension beneficiaries which under the *PBSA* definitions include plan former members. It would not be appropriate for me to make a representation order for a smaller class than was applied for.

[32] When I was preparing these reasons, I had intended to indicate that I would consider a renewed application from the applicants to represent plan members. However, events have overtaken the necessity for such an application. On March 8, 2012, I made an order authorizing the Petitioners to make payments to the Catalyst Salaried Employees and Pensioners Group on account of their legal costs in *CCAA* matters in this proceeding. That order makes it unnecessary for me to consider a further application for representation of plan members.

[33] I am persuaded, however, by the submissions made by counsel for the Superintendant of Pensions that my order appointing RSEA should be amended to make it clear what group it is in fact representing. The definition of the group proposed by counsel is as follows:

Plan former members, persons entitled to or in receipt of survivor benefits and designated beneficiaries of former members.

[34] I accept that this is an accurate description of the group represented by RSEA, and is expressed in terms consistent with the definitions contained in the *PBSA*. I consider that I have the jurisdiction under s. 11 of the *CCAA* to make a remedial order clarifying the group that RSEA is authorized to represent. My order of February 7, 2012 is varied accordingly to substitute the above description for the words pension beneficiaries in paragraph 84(a) of the R.I.A.

[35] In all other respects the application is dismissed.

“Sewell J.”

This is **Exhibit "L"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

**KOSKIE
MINSKY LLP**
BARRISTERS & SOLICITORS

20 Queen Street West
Suite 900, Box 52
Toronto, Ontario
M5H 3R3

In Account with

Catalyst Paper Corporation

March 31, 2012

REGISTRATION NO. 109093757 RT

5075

Re: Catalyst Paper Corporation (CCAA) - Defined Benefit Pension Plan
Our File No: 12/0541

TO PROFESSIONAL SERVICES RENDERED with respect to the above matter during the period from March 1, 2012 to March 31, 2012 including:

OUR FEE IN ALL for the above services	\$30,000.00
Total Taxes (Registration # 109093757 RT)	\$4,211.12

Summary

Total Fees	\$30,000.00
Total Disbursements	5,096.64
Total Taxes	\$4,211.12
TOTAL DUE AND OWING	<u>\$39,307.76</u>

**THIS IS OUR ACCOUNT HEREIN
KOSKIE MINSKY LLP**

Andrew J. Hatnay

/jc

E.&O.E.

APPROVED FOR PAYMENT
Charge: 1301894
Date: 10 April 2012

Accounts due when rendered. Any disbursements not posted to your account on the date of this statement will be billed later. In accordance with the Solicitor's Act, interest will be charged at the rate of 1.3% per annum on unpaid fees, charges or disbursements, calculated from a date which is one month after this statement is delivered.

JRS/B

[Handwritten signature]

**KOSKIE
MINSKY** LLP
BARRISTERS & SOLICITORS

April 10, 2012

Via E-Mail

Andrew J. Hatnay
Direct Dial: 416-595-2083
Direct Fax: 416-204-2872
ahatnay@kmlaw.ca

Blake, Cassels & Graydon LLP
595 Burrard Street
P.O. Box 49314
Suite 2600, Three Bentall Centre
Vancouver, BC V7X 1L3

Attention: William C. Kaplan, Q.C.

Dear Sir:

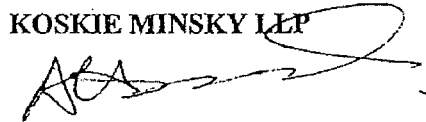
**Re: Catalyst Paper Corporation (CCAA)
Catalyst Salaried Employees and Pensioners Steering Committee
("CSE&P")
Our File No. 12/0541**

Pursuant to the Memorandum of Agreement entered into between our clients and the company dated March 9, 2012, we enclose two invoices for services rendered to the CSE&P. One is for the period from the inception of this matter to the end of February, 2012, and the second is for the month of March, 2012. We trust you will find these in order.

Thank you for your attention to this matter.

Yours truly,

KOSKIE MINSKY LLP



Andrew J. Hatnay
AJH/jc

- c. CSE&P Steering Committee
John Grieve and Kibben Jackson, counsel to the Monitor, *Fasken Martineau DuMoulin*
Ari Kaplan, Demetrios Yiokaris and James Harnum, *Koskie Minsky LLP*

This is **Exhibit "M"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

**KOSKIE
MINSKY** LLP
BARRISTERS & SOLICITORS

20 Queen Street West
Suite 900, Box 52
Toronto, Ontario
M5H 3R3

In Account with

Catalyst Paper Corporation

March 31, 2012

REGISTRATION NO. 109093757 RT

5074

New Vendor # Reg'd
129594

**Re: Catalyst Paper Corporation - Defined Benefit Pension Plan for Salaried Employees
Our File No: 12/0378**

TO PROFESSIONAL SERVICES RENDERED with respect to the above matter during the period from February 2, 2012 to February 29, 2012 including:

OUR FEE IN ALL for services \$25,000.00

Total Taxes (Registration # 109093757 RT) \$3,931.03

Summary

Total Fees	\$25,000.00
Total Disbursements,	\$7,792.47
Total Taxes	\$3,931.03
TOTAL DUE AND OWING	<u><u>\$36,723.50</u></u>

**THIS IS OUR ACCOUNT HEREIN
KOSKIE MINSKY LLP**

Andrew J. Hatnay
/s/

E.&O.E.

APPROVED FOR PAYMENT	
Charge:	1301894
Date:	10 Apr 2012

Company 01 C Add / Change

Vendor # 129594

Prepared by AS 5/23/12

Approved by _____

Entered by _____

Accounts due when rendered. Any disbursements not posted to your account on the date of this statement will be billed later. In accordance with the Solicitor's Act, interest will be charged at the rate of 1.3% per annum on unpaid fees, charges or disbursements, calculated from a date which is one month after this statement is delivered.

CRS/R

Lab

This is **Exhibit "N"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

**KOSKIE
MINSKY LLP**
BARRISTERS & SOLICITORS

20 Queen Street West
Suite 900, Box 52
Toronto, Ontario
M5H 3R3

In Account with

Catalyst Paper Corporation

April 30, 2012

REGISTRATION NO. 109093757 RT

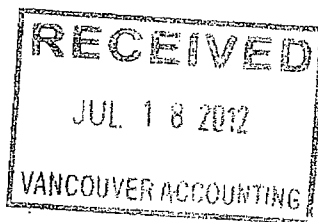
Re: Catalyst Paper Corporation (CCAA) - Defined Benefit Pension Plan
Our File No: 12/0752

TO PROFESSIONAL SERVICES RENDERED with respect to the above matter during the period from April 1, 2012 to April 30, 2012 including:

OUR FEE IN ALL for the above services	\$30,000.00
Total Taxes (Registration # 109093757 RT)	\$4,495.75

Summary

Total Fees
Total Disbursements
Total Taxes
TOTAL DUE AND OWING



\$30,000.00
7,642.45
\$4,495.75
<u>\$42,138.20</u>

THIS IS OUR ACCOUNT HEREIN
KOSKIE MINSKY LLP

Andrew J. Hatnay

/s/

E.&O.E.

376212 215

APPROVED FOR PAYMENT	
Charge:	1301894
Date:	July 18 2012

Accounts due when rendered. Any disbursements not posted to your account on the date of this statement will be billed later. In accordance with the Solicitor's Act, interest will be charged at the rate of 1.3% per annum on unpaid fees, charges or disbursements, calculated from a date which is one month after this statement is delivered.

531321

**KOSKIE
MINSKY LLP**
BARRISTERS & SOLICITORS

May 11, 2012

Via E-Mail

Blake, Cassels & Graydon LLP
595 Burrard Street
P.O. Box 49314
Suite 2600, Three Bentall Centre
Vancouver, BC V7X 1L3

Attention: William C. Kaplan, Q.C.

Andrew J. Hatnay
Direct Dial: 416-595-2083
Direct Fax: 416-204-2872
ahatnay@kmlaw.ca

*Pay as soon
as possible*

Dear Sir:

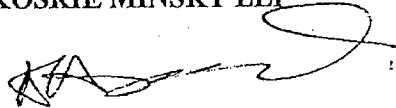
Re: Catalyst Paper Corporation (CCAA)
Catalyst Salaried Employees and Pensioners Steering Committee
("CSE&P")
Our File No. 12/0752

Pursuant to the Memorandum of Agreement entered into between our clients and the company dated March 9, 2012, we enclose an invoices for services rendered to the CSE&P. It is for the period from April 1, 2012 to April 30, 2012 which we trust you will find in order.

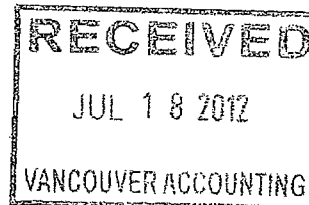
Thank you for your attention to this matter.

Yours truly,

KOSKIE MINSKY LLP



Andrew J. Hatnay
AJH/jc



- c. CSE&P Steering Committee
John Grieve and Kibben Jackson, counsel to the Monitor, *Fasken Martineau DuMoulin*
Ari Kaplan, Demetrios Yiokaris and James Harnum,, *Koskie Minsky LLP*

This is **Exhibit "O"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

BARRISTERS & SOLICITORS

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20 Queen Street West
Suite 900, Box 52
Toronto, Ontario
M5H 3R3

In Account with

Catalyst Paper Corporation

April 30, 2012

REGISTRATION NO. 109093757 RT

Re: Catalyst Paper Corporation (CCAA) - Defined Benefit Pension Plan
Our File No: 12/0752

TO PROFESSIONAL SERVICES RENDERED with respect to the above matter during the period from April 1, 2012 to April 30, 2012 including:

OUR FEE IN ALL for the above services	\$30,000.00
---------------------------------------	-------------

Total Taxes (Registration # 109093757 RT)	\$4,495.75
---	------------

Summary

Total Fees	\$30,000.00
------------	-------------

Total Disbursements	7,642.45
---------------------	----------

Total Taxes	\$4,495.75
-------------	------------

TOTAL DUE AND OWING	\$42,138.20
---------------------	-------------

**THIS IS OUR ACCOUNT HEREIN
KOSKIE MINSKY LLP**



Andrew J. Hatnay
/jc

E.&O.E.

Accounts due when rendered. Any disbursements not posted to your account on the date of this statement will be billed later. In accordance with the Solicitor's Act, interest will be charged at the rate of 1.3% per annum on unpaid fees, charges or disbursements, calculated from a date which is one month after this statement is delivered.

This is **Exhibit "P"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

In Account with

Catalyst Paper Corporation

May 31, 2012

REGISTRATION NO. 109093757 RT

Re: Catalyst Paper Corporation (CCAA) - Defined Benefit Pension Plan
Our File No: 12/0889

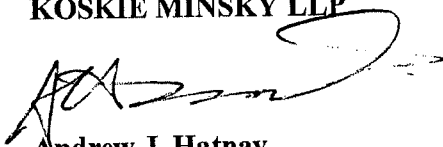
TO PROFESSIONAL SERVICES RENDERED with respect to the above matter during the period from May 1, 2012 to May 30, 2012 including:

OUR FEE IN ALL for the above services	\$30,000.00
Disbursements	\$33,457.03
Total Taxes (Registration # 109093757 RT)	\$7,612.83

Summary

Total Fees	\$30,000.00
Total Disbursements	\$33,457.03
Total Taxes	\$7,612.83
TOTAL DUE AND OWING	\$71,069.86

THIS IS OUR ACCOUNT HEREIN
KOSKIE MINSKY LLP



Andrew J. Hatnay

/jc

E.&O.E.

Kestrel Workplace Legal Counsel LLP

206 - 2695 Granville Street
Vancouver, BC V6H 3H4 Canada
www.kwlc.ca

Ph: 604 736-6010

Fax: 604 736-6069

Koskie Minsky LLP
20 Queen Street
Suite 900
Box 52 Toronto, ON
M5H 3R3

May 31, 2012

Attention:

File #: 802-01
Inv #: 536

RE: Catalyst Paper - CCAA

DATE	DESCRIPTION	HOURS	AMOUNT	LAWYER
May-17-12	Commenced review of file materials; telephone to Court of Appeal Registry; telephone to M.Prokosh; telephone from J. Harnum; email from J. Harnum; email from P. Rubin; email to J. Harnum; telephone from J. Harnum; various emails from J. Harnum; review J. Hall Decision	1.10	291.50	CF
May-18-12	Email from J. Harnum; email to J. Harnum; email from J. Harnum; attend BCCA; email to J. Harnum	1.30	344.50	CF
May-29-12	Email from P. Rubin; email to/from J. Baugh	0.10	26.50	CF
	Totals	2.50	\$662.50	
	Total GST/HST on Fees		79.50	

DISBURSEMENTS

Photocopies and Printing	44.10
Parking	14.50
Totals	\$58.60
Total GST/HST on Disbursements	7.03
Total Fee & Disbursements	\$807.63

Invoice #: 536

Page 2

May 31, 2012

BALANCE DUE AND OWING

\$807.63

THIS IS MY ACCOUNT HEREIN


Christopher Foy
E. & O.E.

GST/HST Registration No. 845528264RT0001 Total GST/HST Charged:

\$86.53



Ernst & Young Inc.
Toronto, Ontario

Invoice

Andrew Hatnay
Koskie Minsky LLP
P.O. Box 52
20 Queen Street West, Suite 900
Toronto, ON M5H 3R3

Invoice Number: 2134
Date: June 4, 2012

Remit To:

P.O. Box 57104, Postal Station A
Toronto, Ontario M5W 5M5

A/R Queries:
416-943-3851
1-800-311-1104

Client Reference: Catalyst Salaried Employees and Retirees Group ("CSEP")

CAD

For services rendered in connection with our appointment as financial advisor to the CSEP, 17,552.50
during the period of May 1, 2012 to May 31, 2012, including:

- Assessing value of CCAA court ordered charges and impact on net realizations.
- Discussing possible amendments to the Company's CCAA in order to allow the CSEP to file a claim and vote at the meeting of creditors.
- Attending various calls with Company and Monitor's counsel to discuss proposed amendments.
- Attending various calls with legal counsel to certain bondholders groups to discuss CCAA plan and possible voting outcomes.
- Reviewing the Monitor's thirteenth and fourteenth reports to court and discussing same with Koskie Minsky LLP ("KM").
- Reviewing amended CCAA plan and discussing same with CSEP and KM.
- Attending meeting of CCAA creditors' meeting on May 23, 2012.
- Attending court hearing in Vancouver on March 25, 2012 followed by meeting with CSEP, Fraser Milner Casgrain, Goodmans and Randy Kaardal.
- All other meetings and communications with CSEP, KM and the Company not specifically mentioned above.

HST 13% Ontario:

2,281.18

TOTAL DUE:

\$19,833.68

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GST/HST: R895296663 QST: 1021541717

Wire transfer instructions:

Send direct and pay to: Bank of Montreal, International Banking, H.O. Montreal, SWIFT BIC Address BOFMCAM2, Ernst & Young LLP, Transit #2411 Account #24111000237, 6 King Street West, Toronto, Ontario, Canada, M5H 1C3; Reference the name & address of remitter, invoice number & engagement number

Time Summary
Re: Catalyst Paper Corporation
For the Period May 1, 2012 to May 31, 2012

Personnel	Hours	Rate/Hour (\$)	Amount (\$)
Gus Tertigas	29.5	595	17,552.50
Total			17,552.50



Ernst & Young Inc.
Toronto, Ontario

Invoice

Andrew Hatnay
The Catalyst Salaried Employees and Retirees Group
20 Queen street West
Suite 900
Box 52
Toronto, ON M5H 3R3
Canada

Client Reference: 16446536

Invoice Number: CA0189705330

Date: June 11, 2012

Remit To:

P.O. Box 57104, Postal Station A
Toronto, Ontario M5W 5M5

A/R Queries : 416-943-3851
1-800-311-1104

CAD

6,545.00

For services rendered in connection with our appointment as financial
advisor to the CSEP, during the period of April 1, 2012 to April 30, 2012
including:

- Reviewing assets excluded from sale process and discussing implications and possible realizations with Koskie Monsky LLP ("KM") and CSEP.
 - Extensive analysis and discussions with KM regarding exercising a possible vote at the Company's CCAA meeting of creditors.
 - Assisting with the drafting and filing of a proof of claim on behalf of the CSEP.
 - Reviewing other options available to the CSEP in the event of a CCAA plan failure.
 - Reviewing the Monitor's Notice of Disallowance of the CSEP claim and assisting in drafting an appeal of the disallowance.
 - Participating in extensive discussions with Company and Monitor's counsel regarding the CSEP claim.
 - Preparing projections regarding the possible outcome of the CCAA vote and discussing alternatives with KM.
- All other meetings and communications with CSEP, KM and the Company not specifically mentioned above.

Subtotal:	6,545.00
HST 13% Ontario:	850.85
TOTAL DUE:	\$ 7,395.85

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GST/HST: R123425522 **QST:** 1006354498



THE SEGAL COMPANY, LTD.

45 St. Clair Avenue West, Suite 802 Toronto, Ontario M4V 1K9

T 416.969.3960 F 416.961.2101 www.segalco.com

June 18, 2012

Koskie Minsky LLP
Toronto, ON M5H 3R3

FOR PROFESSIONAL SERVICES:

Time charge fees for consulting and actuarial services with respect to Catalyst Paper Retirees in the month of May 2012:

Date	Name	Descriptions	Hours	Rate	Total
05/30/2012	Levy, Thomas	Discussions with counsel; review of pension proposal	1.00	\$700	\$ 700.00
05/31/2012	Levy Thomas	Review and analysis of pension proposal; conference call with advisors and client	2.00	\$700	\$1,400.00
		TOTAL AMOUNT DUE:			\$2,100.00
		TECHNOLOGY CHARGE (5%)			105.00
					\$2,205.00
		HST (13%)			286.65
		Total Invoice			<u>\$2,491.65</u>

HST Registration #103545018

13310.006/1205

INVOICE # 101819

PLEASE PAY WITHIN 30 DAYS.

7633159v1/13310.006

McGrady & Company

Lawyers

Box 12101, 1105 - 808 Nelson Street
Vancouver, British Columbia V6Z 2H2

Phone: (604) 734-7003 / Fax: (604) 734-7009

KOSKIE MINSKY LLP
900 - 20 Queen Street West
Box 52
Toronto, Ontario M5H 3R3

June 1, 2012

ARIN KAPLAN

File #: 30-60

Inv #: 5152

RE: CATALYST SALARIED EMPLOYEES AND PENSIONERS COMMITTEE

DATE	DESCRIPTION	HOURS	AMOUNT	LAWYER
May-07-12	Review Notice of Requisition	0.10	25.00	JB
May-08-12	Review e-mail from TimberWest; review e-mail from Cansulex; draft e-mails to A. Kaplan; review e-mail from J. Harnum; draft e-mail to J. Harnum; telephone from J. Harnum (x3); telephone to and from C. Foy; review e-mail from J. Harnum; prepare Motion for filing; telephone from BCCA Registry; telephone to and from J. Harnum; revise Motion and Affidavit	2.00	500.00	JB
May-09-12	Review e-mail from S. Danielisz; telephone from BCCA Registry; draft e-mail to C. Foy; draft e-mail to J. Harnum; review e-mails from J. Harnum and A. Kaplan; revise Motion and Affidavit; review e-mail from C. Foy; draft e-mail to J. Harnum	0.70	175.00	JB
	Revise Affidavit and Motion	0.20	45.00	MP
May-10-12	E-mail to and from J. Harnum	0.10	22.50	MP
May-17-12	Review e-mail from J. Harnum	0.10	25.00	JB
May-18-12	Review e-mail from J. Harnum; review e-mail from C. Foy; review e-mail from J. Harnum	0.10	25.00	JB
May-25-12	Draft e-mail to J. Harnum	0.10	25.00	JB

Invoice #:

5152

P

May-29-12	Telephone from BCCA; telephone to Koskie Minsky; draft e-mail to J. Harnum; review e-mail from J. Harnum; draft e-mail to A. Kaplan; review e-mail from J. Harnum; draft e-mail to J. Harnum; review e-mail from J. Harnum; draft Notice of Settlement or Abandonment; telephone from P. Reuben; telephone to BCCA Chambers Desk; review e-mail from J. Harnum; draft e-mail to J. Harnum; attend BCCA Chambers; review e-mail from A. Hatnay; draft e-mail to A. Hatnay; review e-mail from J. Harnum	1.80	450.00	JB
May-31-12	Review e-mail from S. Wood; draft e-mail to J. Harnum; review e-mail from J. Harnum	0.10	25.00	JB
	Totals	5.30	\$1,317.50	
	HST on Fees		\$158.10	
	PST on Fees		\$0.00	

DISBURSEMENTS**Disbursements**

May-10-12	Dye & Durham (#5665677): Filing of Notice of Motion (Court of Appeal)	11.50	
	Dye & Durham (#5665677): Filing of Notice of Motion (Court of Appeal)*	80.00	
May-31-12	Photocopy Charges	71.10	
	Long Distance Charges	2.04	
	Totals	\$164.64	\$0.00
	HST on Disbursements	\$10.16	

Invoice #:

5152

P

BALANCE DUE (on current invoice 5152)

\$1,650.40

Total HST: \$168.26

HST #: 114334824

** tax-exempt*

THIS IS OUR ACCOUNT


McGRADY & COMPANY

E&OE

Accounts payable within ten (10) days of receipt. Copies of disbursements invoices available on request. Interest charged on overdue accounts at 1% per month.

This is **Exhibit "Q"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

**KOSKIE
MINSKY LLP**
BARRISTERS & SOLICITORS

20 Queen Street West
Suite 900, Box 52
Toronto, Ontario
M5H 3R3

In Account with

Catalyst Paper Corporation

June 30, 2012

REGISTRATION NO. 109093757 RT

6315

Re: Catalyst Paper Corporation (CCAA) - Defined Benefit Pension Plan
Our File No: 12/1102

TO PROFESSIONAL SERVICES RENDERED with respect to the above matter during the period from May 1, 2012 to May 30, 2012 including:

OUR FEE IN ALL for the above services \$30,000.00

Disbursements \$49,801.05

Total Taxes (Registration # 109093757 RT) \$9,543.85

Summary

Total Fees	30,000	\$30,000.00
Total Disbursements	3600	\$49,801.05
Total Taxes	619.32	\$9,543.85
TOTAL DUE AND OWING	* 34,219.32	\$89,344.90

THIS IS OUR ACCOUNT HEREIN
KOSKIE MINSKY LLP


Andrew J. Hatnay
/j/c

E.&O.E.

Pay \$34,219.32.

APPROVED FOR PAYMENT

Charge: 1301894

Date: July 13 2012

Accounts due when rendered. Any disbursements not posted to your account on the date of this statement will be billed later. In accordance with the Solicitor's Act, interest will be charged at the rate of 1.3% per annum on unpaid fees, charges or disbursements, calculated from a date which is one month after this statement is delivered.



Ernst & Young Inc.
Toronto, Ontario

Invoice

Andrew Hatnay
Koskie Minsky LLP
P.O. Box 52
20 Queen Street West, Suite 900
Toronto, ON M5H 3R3

Invoice Number: CA0189712043
Date: July 6, 2012

Remit To:

P.O. Box 57104, Postal Station A
Toronto, Ontario M5W 5M5

A/R Queries:
416-943-3851
1-800-311-1104

Client Reference: 16446536

For services rendered in connection with our appointment as financial advisor to The Catalyst Salaried Employees and Retirees Group ("CSEP") during the period June 1, 2012 to June 30, 2012, including:

- ▶ Attending various calls on June 1, 2012 to deal with the Company's pension proposal including calls with Koskie Minsky ("KM"), Segal & Co. ("Segal"), and CSEP.
- ▶ Communications and discussions with CSEP and KM regarding the nature and value of the compromise of post employment benefits ("OPEB").
- ▶ Estimating potential vote outcomes and discussing various CCAA options with KM, including attending various calls on June 4, 2012.
- ▶ Attend conference call with KM and Segal regarding the quantification of the OPEB claim including the review of the underlying assumptions, followed by detailed conference call with CSEP on June 5, 2012.
- ▶ Attending various calls with legal counsel to certain bondholders groups to discuss CCAA plan and possible voting outcomes.
- ▶ Attending numerous calls regarding amended CCAA plan.
- ▶ Attending meetings and calls with KM and CSEP to discuss mechanics for soliciting input from CSEP members regarding the OPEB compromise, voting on the amended CCAA plan and supporting the overall plan as part of the court approval process.
- ▶ Attending court hearing in Vancouver on June 18, 2012 regarding the filing of an amended CCAA plan, followed by meeting with CSEP and Randy Kaardal.
- ▶ Attending conference call with various parties to review possible trading activity of 2014 bonds.
- ▶ Attending creditor's meeting on June 25, 2012.
- ▶ Attending sanction hearing on June 28, 2012, followed by meeting with CSEP to discuss replacement of the compromised OPEB and tax implications of pension changes.
- ▶ All other meetings and communications with CSEP, KM and the Company not specifically mentioned above.

	CAD
Our Fee (per attached time summary)	27,370.00
Out-of-pocket expenses	<u>2,275.60</u>
Subtotal	<u>29,645.60</u>
HST 13% Ontario:	<u>3,853.93</u>
TOTAL DUE:	<u>\$33,499.53</u>

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GST/HST: R895296663 QST: 1021541717

Wire transfer instructions:
Send direct and pay to: Bank of Montreal, International Banking, H.O. Montreal, SWIFT BIC Address BOFMCAM2, Ernst & Young LLP,
Transit #2411 Account #24111000237, 6 King Street West, Toronto, Ontario, Canada, M5H 1C3; Reference the name & address of remitter,
invoice number & engagement number

Time Summary
Re: Catalyst Paper Corporation
For the Period June 1, 2012 to June 30, 2012

Personnel	Hours	Rate/Hour (\$)	Amount (\$)
Gus Tertigas	46	595	27,370.00
Total			27,370.00

McGrady & Company

Lawyers

Box 12101, 1105 - 808 Nelson Street
Vancouver, British Columbia V6Z 2H2

Phone: (604) 734-7003 / Fax: (604) 734-7009

KOSKIE MINSKY LLP
900 - 20 Queen Street West
Box 52
Toronto, Ontario M5H 3R3

July 1, 2012

ARIN. KAPLAN

File #: 30-60

Inv #: 5171

RE: CATALYST SALARIED EMPLOYEES AND PENSIONERS COMMITTEE

DATE	DESCRIPTION	HOURS	AMOUNT	LAWYER
Jun-05-12	Review Appearances re other parties' appeal proceedings	0.10	25.00	JB
Jun-06-12	Review Appearances re appeal	0.10	25.00	JB
	E-mail to Koskie Minsky	0.10	0.00	SS
Jun-07-12	Review e-mail from J. Harnum; prepare Appearances for filing	0.10	25.00	JB
Jun-08-12	Confirm BCCA Appearances filed and served	0.10	25.00	JB
Jun-14-12	Telephone to J. Harnum (msg)	0.10	20.00	SS
Jun-15-12	E-mail from J. Harnum	0.10	20.00	SS
Jun-18-12	E-mail from FMC	0.30	60.00	SS
Jun-19-12	E-mail to J. Harnum; e-mail from J. Harnum; e-mail to J. Harnum	0.20	40.00	SS
	Review file	0.20	40.00	SS
Jun-20-12	Review, sign and file written argument to application; e-mail to J. Harnum	1.10	220.00	SS
Jun-28-12	Receipt and review of motion materials	0.20	40.00	SS

Invoice #:

5171

Jun-29-12	E-mail to J. Harnum	0.10	0.00	SS
	Totals	2.80	\$540.00	
	HST on Fees		\$64.80	
	PST on Fees		\$0.00	

DISBURSEMENTS**Disbursements**

Jun-30-12	Long Distance Charges	2.16	
	Photocopy Charges	10.80	
	Totals	\$12.96	\$0.00
	HST on Disbursements	\$1.56	

BALANCE DUE (on current invoice 5171)**\$619.32**

Total HST: \$66.36

HST #: 114334824

** tax-exempt*

THIS IS OUR ACCOUNT


McGRADY & COMPANY

E&OE

Accounts payable within ten (10) days of receipt. Copies of disbursements invoices available on request. Interest charged on overdue accounts at 1% per month.

This is **Exhibit "R"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

August 9, 2012

Via E-Mail

Andrew J. Hatnay
Direct Dial: 416-595-2083
Direct Fax: 416-204-2872
ahatnay@kmlaw.ca

Blake, Cassels & Graydon LLP
595 Burrard Street
P.O. Box 49314
Suite 2600, Three Bentall Centre
Vancouver, BC V7X 1L3

Attention: William C. Kaplan, Q.C.

Dear Sir:

**Re: Catalyst Paper Corporation (CCAA)
Catalyst Salaried Employees and Pensioners Steering Committee
("CSE&P")
Our File No. 12/1206**

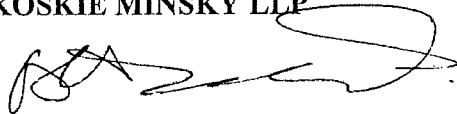
Further to our discussions, please find enclosed our Statement of Account for fees and disbursements from July 1, 2012 to July 31, 2012, which we trust you will find in order.

Should you have any questions, please feel free to contact the undersigned.

Thank you for your attention to this matter.

Yours truly,

KOSKIE MINSKY LLP



Andrew J. Hatnay
AJH/jc

- c. CSE&P Steering Committee
John Grieve, counsel to the Monitor, *Fasken Martineau DuMoulin*
Brian Baarda, *Catalyst Paper*
Bill Kaplan, *Blakes Cassels & Graydon LLP*
Ari Kaplan, Demetrios Yiokaris, *Koskie Minsky LLP*

In Account with

Catalyst Paper Corporation
9277 Faber Rd.
Port Alberni BC V9Y 9C3

July 31, 2012

REGISTRATION NO. 109093757 RT

6775

Attention: Ronald Gary McCaig

**Re: Catalyst Paper Corporation Defined Benefit Pension Plan for Salaried Employees
Our File No: 121206****TO PROFESSIONAL SERVICES RENDERED** with respect to the above matter during the period from July 1, 2012 to July 31, 2012 including:

Jul 1, 2012	e-mail message from Andrew J. Hatnay and client; receipt and review of media articles;	AK	.3
Jul 2, 2012	reviewing PBSA Regulations; attending to file;	AK	.3
Jul 3, 2012	review sanction order and discussions with client re: same and next steps re: CCAA;	AJH	.8
Jul 3, 2012	receipt and review of Sanction Order; receipt and review of Critical Supplier BCCA documentation; attending to CSEP fee matters; telephone conversation with other parties (B. Kaplan); e-mail message from and e-mail message to several parties; reviewing and preparation of file documentation;	AK	1.5
Jul 4, 2012	email with clients re: status and next steps re: CCAA and other matters;	AJH	1.0
Jul 4, 2012	receipt and review of Court documentation; e-mail message from and e-mail message to various parties; attending to monitor matters; attending to disputed claim matters;	AK	1.0
Jul 5, 2012	e-mails from Gary McCaig and Andrew Hatnay;	JH	.2
Jul 5, 2012	discussions with client re: status and next steps and review email re: same;	AJH	.7
Jul 5, 2012	receipt and review of equity election notice documentation; e-mail message from and e-mail message to and advising client; attending to claim compromise matters;	AK	.8
Jul 6, 2012	reviewing e-mail messages;	JH	.1
Jul 6, 2012	phone call with member; attending to the processing of contribution;	DG	.1
Jul 6, 2012	discussions with client re: status of CCAA and next steps and review email re: same;	AJH	.9

0-175-20 66

**KOSKIE
MINSKY** LLP
BARRISTERS & SOLICITORS

Jul 17, 2012	discussions with clients re: status and next steps and review documentation re: same;	AJH	1.2
Jul 17, 2012	receipt and review of client documentation regarding EHC matters; e-mail message to and e-mail message from various parties; advising client; attending to file;	AK	1.0
Jul 18, 2012	discussions with clients re: status of CCAA and other matters and next steps re: same and review email re: same;	AJH	1.5
Jul 18, 2012	e-mail message from and e-mail message to other parties (B. Kaplan); attending to disputed claim and Monitor matters; receipt and review of client documentation; attending to EHC matters; advising client; attending to CSEP Fee matters;	AK	1.5
Jul 19, 2012	attending to the processing of contributions;	DG	.2
Jul 19, 2012	attending to file; e-mail message from and e-mail message to various parties;	AK	.2
Jul 20, 2012	consulting Ari N. Kaplan; preparing fee application;	CG	1.3
Jul 20, 2012	attending to the processing of client correspondence;	DG	.2
Jul 20, 2012	receipt and review of company Court application documents regarding financing and lease; e-mail message from and e-mail message to various parties; advising client; attending to CSEP matters;	AK	1.2
Jul 21, 2012	e-mail message from and e-mail message to various parties; advising client; receipt and review of client documentation;	AK	1.0
Jul 23, 2012	drafting Costs motion materials;	AG	4.3
Jul 23, 2012	corresponding with lawyer; attending to the processing of client correspondence;	DG	.4
Jul 23, 2012	internal discussions re: tax ruling for non-payment tax on distributions to retirees and internal discussions re: status of CCAA and next steps;	AJH	1.0
Jul 23, 2012	e-mail message from other parties (D. Adderley); attending to plan member inquiry matters; receipt and review of monitor report regarding company Court application; e-mail message from and e-mail message to various parties; advising client;	AK	1.5
Jul 24, 2012	preparing fee motion materials;	AG	2.2
Jul 24, 2012	responding to inquiries by e-mail; attending to the processing of contributions;	DG	.5
Jul 24, 2012	discussions with clients re: status and next steps with CCAA and review documentation re: same;	AJH	2.2
Jul 24, 2012	e-mail message from other parties regarding Court application; e-mail message from and e-mail message to various parties; attending to file and client matters;	AK	.8
Jul 25, 2012	call with Jamie Baugh; call to Ronald Gary McCaig re: status and next steps in CCAA and distribution to creditors and retirees;	AG	2.8

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Jul 25, 2012	e-mail message to other parties (B. Kaplan); e-mail message from Anthony Guindon;	AK	.7
Jul 26, 2012	discussions with clients re: status and next steps re: advance tax ruling and other items re: CCAA Plan of Compromise;	AJH	2.0
Jul 26, 2012	e-mail message from other parties (D. Adderley); e-mail message from and e-mail message to various parties; advising client; attending to EHC matters;	AK	1.0
Jul 27, 2012	attending to the processing of contribution; sending e-mail to member;	DG	.3
Jul 27, 2012	internal discussions re: tax status of distributions and next steps re: same and discussions re: status of file and next steps;	AJH	2.0
Jul 27, 2012	preparing fees motion material; consulting Ari N. Kaplan;	AG	1.4
Jul 27, 2012	voice mail message to other parties (D. Adderley); e-mail message from and e-mail message to various parties; advising client; discussions with Anthony Guindon; receipt and review of Court documentation regarding Wells Fargo fees motion; reviewing Court and file documentation;	AK	2.5
Jul 28, 2012	receipt and review of e-mail message to and e-mail message from client; reviewing client documentation;	AK	.5
Jul 29, 2012	e-mail message from and e-mail message to various parties; attending to CSEP fee motion matters; receipt and review of client documentation;	AK	.7
Jul 30, 2012	processing cheques; preparing trust deposit forms;	BK	1.5
Jul 30, 2012	various emails;	AG	.1
Jul 30, 2012	sending contribution receipt; attending to the processing of contributions; phone calls with members;	DG	.6
Jul 30, 2012	processing cheques;	UR	2.2
Jul 30, 2012	processing payments;	NM	.6
Jul 30, 2012	internal discussions re: Wells Fargo motion and next steps and discussions re: file;	AJH	1.0
Jul 30, 2012	preparing for and attending at conference call with other parties (D. Adderley); e-mail message from other parties (D. Adderley); preparation of client and file documentation; e-mail message from and e-mail message to various parties; advising client; receipt and review of monitor report regarding Wells Fargo motion;	AK	2.5
Jul 31, 2012	processing client correspondence;	UR	1.9
Jul 31, 2012	preparing report for Andrew Hatnay; reviewing members correspondence;	BK	2.3
Jul 31, 2012	attending to the processing of correspondence; corresponding with lawyer; phone call with member; sending e-mails to members; meeting with Natercia McClellan and Barbara Kowalski;	DG	4.2

Jul 31, 2012	call to Kavita Goldsmith; calls from counsel;	AG	.3
Jul 31, 2012	Meeting re: file status;	DY	.2
Jul 31, 2012	discussions with Andrew Hatnay re: status of distributions;	JH	.1
Jul 31, 2012	internal discussions re: issues re: CCAA Plan and next steps;	AJH	1.2
Jul 31, 2012	receipt and review of Court documentation regarding Wells Fargo fee motion; e-mail message from and e-mail message to various parties; advising client re: status and next steps;	AK	.9

OUR FEE IN ALL for the above services	\$30,000.00
---------------------------------------	-------------

HST on	\$30,000.00	Fees	3,903.42
HST on	\$26.33	Disbursements	3.42
Total Taxes (Registration # 109093757 RT)			\$3,903.42

Total Fees	\$30,000.00
Total Disbursements	\$26.33
Total Taxes	\$3,903.42
TOTAL DUE AND OWING	\$33,929.75

This is **Exhibit "S"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

Andrew J. Hatnay
Direct Dial: 416-595-2083
Direct Fax: 416-204-2872
ahatnay@kmlaw.ca

Blake, Cassels & Graydon LLP
595 Burrard Street
P.O. Box 49314
Suite 2600, Three Bentall Centre
Vancouver, BC V7X 1L3

Dear Sir:

Please find enclosed our Statement of Account for fees and disbursements from July 13, 2012 to August 31, 2012, which we trust you will find in order.

Should you have any questions, please feel free to contact the undersigned.

Thank you for your attention to this matter.

Yours truly,

Andrew J. Hatnay
AJH/jc

- c. CSE&P Steering Committee
John Grieve, counsel to the Monitor, *Fasken Martineau DuMoulin*
Brian Baarda, *Catalyst Paper*
Bill Kaplan, *Blakes Cassels & Graydon LLP*
Ari Kaplan, Demetrios Yiokaris, *Koskie Minsky LLP*

In Account with

Catalyst Paper Corporation

August 31, 2012

REGISTRATION NO. 109093757 RT

Re: Catalyst Paper Corporation (August) - Defined Benefit Pension Plan for Salaried Employees
Our File No: 121555

7235

TO PROFESSIONAL SERVICES RENDERED with respect to the above matter during the period from July 13, 2012 to August 31, 2012 including:

Aug 1, 2012	responding to inquiry by phone; making address change; attending to the processing of contributions; sending e-mails to Gary McCaig; sending contribution receipts; attending to file documentation;	DG	3.5
Aug 1, 2012	internal discussion; various emails; preparing Affidavits;	AG	.4
Aug 1, 2012	attending to Wells Fargo application matters; attending to CSEP fees matters; e-mail message from and e-mail message to various parties;	AK	1.2
Aug 2, 2012	composing contribution report; sending e-mail to Gary McCaig; sending e-mail to member; attending to the processing of contributions; attending to file documentation;	DG	3.3
Aug 2, 2012	email to Ari N. Kaplan; various emails; drafting Affidavit; attending motion via teleconference;	AG	1.5
Aug 2, 2012	preparing for and attending at Court via teleconference re Wells Fargo motion; e-mail message to and e-mail message from company, monitor and various persons; advising client; attending to CSEP matters; attending to pensioner EHB tax claim matters;	AK	3.0
Aug 2, 2012	email with counsel to other creditors re: motion by company and next steps re: same and discussions with client re: distributions to retirees and related issues;	AJH	1.8
Aug 3, 2012	processing cheque contribution; responding to email;	BK	.3
Aug 3, 2012	e-mail message from and e-mail message to client and various parties; attending to file;	AK	.5
Aug 3, 2012	email with clients re: questions re: CCAA and internal discussions re: same;	AJH	1.5
Aug 4, 2012	receipt and review of e-mail message from client; attending to file;	AK	.3
Aug 5, 2012	e-mail message from and e-mail message to client; attending to file;	AK	.2

Accounts due when rendered. Any disbursements not posted to your account on the date of this statement will be billed later. In accordance with the Solicitor's Act, interest will be charged at the rate of 1.3% per annum on unpaid fees, charges or disbursements, calculated from a date which is one month after this statement is delivered.

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MINSKY** LLP
BARRISTERS & SOLICITORS

Aug 6, 2012	e-mail message from client; reviewing court documentation;	AK	.2
Aug 7, 2012	processing cheques; updating master database;	BK	.9
Aug 8, 2012	preparing report for Andrew J. Hatnay; processing cheque contributions;	BK	.5
Aug 8, 2012	sending contribution update to Gary McCaig; processing information from member and updating database; attending to the processing of contributions; corresponding with lawyer;	DG	3.6
Aug 8, 2012	e-mail message from and e-mail message to Andrew J. Hatnay;	AK	.2
Aug 8, 2012	discussions with client re: CCAA Plan and next steps and internal discussions re: same;	AJH	1.2
Aug 9, 2012	processing information from members and updating database; attending to the processing of contributions; sending contribution receipts; corresponding with lawyer;	DG	3.5
Aug 9, 2012	e-mail message from and e-mail message to other parties re CSEP fees motion;	AK	.5
Aug 10, 2012	sending contribution receipts; attending to the processing of contributions;	DG	1.2
Aug 10, 2012	email exchange;	DY	.2
Aug 10, 2012	e-mail message from and e-mail message to other parties re CSEP fees motion; e-mail message from and e-mail message to various parties; receipt and review of pensioner EHC tax material; attending to file;	AK	1.2
Aug 11, 2012	e-mail message from Andrew J. Hatnay; attending to file;	AK	.2
Aug 13, 2012	emails from and to Ari N. Kaplan; email to Sonya Sabet-Raseleh;	AG	.2
Aug 13, 2012	phone call; attending to the processing of contributions;	DG	.6
Aug 13, 2012	review emails and order; revise draft order language;	DY	.5
Aug 13, 2012	drafting and preparing of and revising "carve out" language re Plan effective date and CSEP motion; e-mail message to and e-mail message from various and other parties; attending to file; attending to E&Y letter;	AK	2.8
Aug 14, 2012	attending to the processing of contributions; phone call with member; processing information from members and updating database; conversation with Natercia McClellan; sending contribution report to Gary McCaig;	DG	3.5
Aug 14, 2012	e-mail message from and e-mail message to various parties; e-mail message from T. Levy re actuarial matters; receipt and review of McGrady documentation; attending to file;	AK	.5
Aug 15, 2012	attending to file documentation; attending to the processing of contributions; phone call with member;	DG	1.0
Aug 15, 2012	e-mail message from and e-mail message to other parties and various parties; attending to EHC tax matters and CSEP matters;	AK	1.8

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Aug 16, 2012	attending to the processing of contributions;	DG	.8
Aug 16, 2012	discussions with clients re: roll out of optional health benefits plan and next steps and discussions re: counted volume transfer option and next steps;	AJH	1.0
Aug 16, 2012	e-mail message from and e-mail message to various parties including company and monitor counsel; attending to CSEP scheduling motion matters; attending to CCAA documentation matters; attending to file;	AK	1.2
Aug 16, 2012	e-mail message from and e-mail message to various parties including company and monitor counsel; attending to CSEP scheduling motion matters; attending to CCAA documentation matters; attending to file;	AK	1.2
Aug 17, 2012	phone call with member; processing information from members and updating database; attending to the processing of contributions; sending e-mails to members; attending to file documentation;	DG	1.4
Aug 17, 2012	drafting motion materials;	AG	.7
Aug 17, 2012	e-mail message from and e-mail message to client and various parties; attending to pensioner EHC and other matters;	AK	.7
Aug 19, 2012	e-mail message from other parties (monitor); e-mail message to various parties; attending to file;	AK	.3
Aug 20, 2012	sending contribution receipts; attending to the processing of contributions; sending contribution update to Gary McCaig; phone call with member; processing information from members and updating database;	DG	3.4
Aug 20, 2012	drafting motion materials; various internal emails;	AG	1.2
Aug 20, 2012	e-mail message from and e-mail message to other parties (monitor); attending to CSEP fees motion matters; receipt and review of draft documentation and other documentation;	AK	.7
Aug 20, 2012	discussions with clients re: issues for CCAA Plan and next steps re: same and re: distributions to retirees and review documentation re: same;	AJH	1.0
Aug 21, 2012	attending to the processing of contributions; reviewing documents; attending to file documentation; processing information from member and updating database;	DG	1.6
Aug 21, 2012	e-mail message from and e-mail message to client, other parties; and various parties; attending to file;	AK	.5
Aug 22, 2012	conversation with lawyer; attending to the processing of contributions;	DG	.8
Aug 22, 2012	e-mail message from and e-mail message to client and various parties re pensioner EHC claims;	AK	.3
Aug 22, 2012	email with client re: tax status of distributions and next steps re: same and internal discussions re: same;	AJH	2.0

Lawyer	Initials	Hours	Rate	Total
Ari Kaplan	AK	25.2	450.00	11,340.00
Andrew J. Hatnay	AJH	11.5	475.00	5,462.50

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Lawyer	Initials	Hours	Rate	Total
Anthony Guindon	AG	4.1	275.00	1,127.50
Demetrios Yiokaris	DY	.7	370.00	259.00
Barbara Kowalski (Clerk)	BK	1.7	75.00	127.50
Daniel Gatto (Clerk)	DG	32.1	75.00	2,407.50

OUR FEE IN ALL for the above services	\$20,724.00
(To be credited against prior amounts owing from previous months, as per Fee Memorandum para. 5)	\$9,276.00
TOTAL:	\$30,000.00

Disbursements

Photocopies	28.00	T	
Long Distance Charges	15.90	T	
Airfare	3,483.45	T	
Hotel Accommodations	1,078.94	T	
Taxis	242.55	T	
Agency Fees	175.00	T	
Telephone Charges	10.89	T	
Gratuities	65.00		
Meals	354.76	T	
Parking	20.09	T	
Total Disbursements			\$5,474.58

TAXES

HST on	\$30,000.00	Fees	3,600.00	
HST on	\$5,409.58	Disbursements	649.15	
Total Taxes (Registration # 109093757 RT)				\$4,249.15

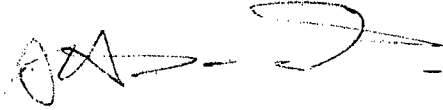
Summary

Total Fees	\$30,000.00
Total Disbursements	\$5,474.58
Total Taxes	\$4,249.15
TOTAL DUE AND OWING	\$39,723.73

**KOSKIE
MINSKY_{LLP}**

BARRISTERS & SOLICITORS

**THIS IS OUR ACCOUNT HEREIN
KOSKIE MINSKY LLP**

A handwritten signature in black ink, appearing to read 'Andrew J. Hatnay', with a long horizontal stroke extending to the right.

Andrew J. Hatnay

/jc

E.&O.E.

McGrady & Company

Lawyers

Box 12101, 1105 - 808 Nelson Street
Vancouver, British Columbia V6Z 2H2

Phone: (604) 734-7003 / Fax: (604) 734-7009

KOSKIE MINSKY LLP
900 - 20 Queen Street West
Box 52
Toronto, Ontario M5H 3R3

August 1, 2012

ARIN. KAPLAN

File #: 30-60

Inv #: 5193

RE: CATALYST SALARIED EMPLOYEES AND PENSIONERS COMMITTEE

DATE	DESCRIPTION	HOURS	AMOUNT	LAWYER
Jul-04-12	Review e-mail from S. Woods; draft e-mail to J. Harnum	0.10	25.00	JB
Jul-11-12	Review e-mails from S. Danielz; draft e-mail to J. Harnum; review e-mail from J. Harnum	0.20	50.00	JB
Jul-13-12	Review e-mail from J. Harnum; draft e-mail to J. Harnum	0.10	25.00	JB
Jul-25-12	Telephone from A. Guindon; note to file	0.30	75.00	JB
	Totals	0.70	\$175.00	
	HST on Fees		\$21.00	
	PST on Fees		\$0.00	

Invoice #:

5193

P

BALANCE DUE (on current invoice 5193)

\$196.00

Total HST: \$21.00

HST #: 114334824

** tax-exempt*

THIS IS OUR ACCOUNT



McGRADY & COMPANY

E&OE

Accounts payable within ten (10) days of receipt. Copies of disbursements invoices available on request. Interest charged on overdue accounts at 1% per month.

This is **Exhibit "T"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

Schedule "E"

FORM OF PROOF OF CLAIM

PROOF OF CLAIM AGAINST CATALYST PAPER CORPORATION AND THE OTHER ENTITIES LISTED BELOW (hereinafter referred to collectively as the "Petitioner Parties")

Catalyst Paper General Partnership
Catalyst Pulp Sales Inc.
Catalyst Pulp and Paper Sales Inc.
Catalyst Paper Energy Holdings Inc.
Catalyst Paper Recycling Inc.
Catalyst Paper Holdings Inc.
Pacifica Poplars Inc.
Catalyst Paper (USA) Inc.

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

Please read the enclosed Instruction Letter carefully prior to completing this Proof of Claim. Defined terms not defined within this Proof of Claim form shall have the meaning ascribed thereto in the Claims Procedure Order dated March 22, 2012, as may be amended, restated or supplemented from time to time.

1. Particulars of Creditor

(a) Please complete the following (Full legal name should be the name of the original Creditor, regardless of whether an assignment of a Claim, or a portion thereof, has occurred prior to or following the Commencement Date.) and Full Mailing Address of the Creditor (the original Creditor, not the Assignee):

Full Legal Name: William Sharkey,	on behalf of the Catalyst - Timberwest Retired Salaried Employees Assoc. ("RSEA"), as representative of former members of the Catalyst Paper Corp. Retirement Plan for Salaried Employees ("Salaried Plan") persons entitled to or in receipt of survivor benefits and designated beneficiaries of former members
Full Mailing Address:	P.O. Box 19084, 1153-56th Street Delta, B.C. V4L 2P8
Telephone Number:	604 - 943 - 5760
Facsimile Number:	604 - 647 - 4554
E-mail address:	rsea@shaw.ca
Attention (Contact Person):	Randa Kaardal, Hunter Litgahan Chambers 2100 - 1040 W. Georgia St., Vancouver BC V6E 4H1 604 - 647 - 4559 rkaardal@litgahanchambers.com

(b) Has the Claim been sold, transferred or assigned by the Creditor to another party (an "Assignee")?

Yes: ☐

No: ☒

2. **Particulars of Assignee(s) (If any):**

- (a) Please complete the following if all or a portion of the Claim has been assigned, insert full legal name of assignee(s) of the Claim. If there is more than one assignee, please attach a separate sheet with the required information.):

Full Legal Name of Assignee(s):	
Full Mailing Address of Assignee(s):	
Telephone Number of Assignee(s):	
Facsimile Number of Assignee(s):	
E-mail address of Assignee(s):	
Attention (Contact Person):	

Proof of Claim:

I, William Sharkey (name of individual Creditor or Representative of corporate Creditor), of Delta, B.C. (City, Province or State) do hereby certify:

that I ☐ am a Creditor; OR

☒ I am a Director of RSEA (state position or title) of RSEA, representative of former members of the Salaried Plan, persons entitled to or in receipt of survivor benefits and designated beneficiaries of former members - (name of corporate Creditor), which is a Creditor; are

that I have knowledge of all the circumstances connected with the Claim referred to below;

that Catalyst Paper Corporation (name of applicable Petitioner Parties and/or Directors and/or Officers) was and still is indebted to the Creditor as follows;

CLAIM (other than Restructuring Claim):

\$ 22,366,193 — (insert \$ value of Claim)

RESTRUCTURING CLAIM:

\$ _____ (insert \$ value of Claim arising after the Commencement Date resulting from the restructuring, disclaimer, resiliation, termination or breach after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral);

that the Creditor's Claim and the Creditor's invoices, statements and/or supporting documents attached are denominated in:

☒ Canadian Dollars
☐ U.S. Dollars
☐ Other: _____ (stipulate other currency referenced)

A. TOTAL CLAIM(S) \$ 22,366,193 —

(Note: Claims in a currency other than U.S. Dollars will be converted to U.S. Dollars at the noon spot rate of the Bank of Canada as at the Commencement Date, January 31, 2012. The reported US/CDN rate was USD\$1.0000:CAD\$10052.)

Nature of Claim:

(Check and complete appropriate category)

☒ A. UNSECURED CLAIM OF \$ 22,366,193 —. That in respect of this debt, no assets of any of the Petitioner Parties are pledged as security.

☐ B. SECURED CLAIM OF \$ _____. That in respect of this debt, assets of _____ (insert name of applicable Petitioner Parties) valued at \$ _____ are pledged to me as security, particulars of which are as follows:

(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

Particulars of Claims:

Other than as already set out herein, the particulars of the undersigned's total Claim and/or Restructuring Claim are attached. (see Schedules "A" and "B" attached)

(Provide all particulars of the claims and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the claims, name of any guarantor which has guaranteed the claims, and amount of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by the Petitioner Parties to the Creditor and estimated value of such security. Where a claim is advanced against any Directors or Officers, please provide either a reference to a statutory authority for your claim or enclose a draft Notice of Civil Claim.)

Filing of Claims:

This Proof of Claim must be received by the Monitor by no later than 4:00 (prevailing Pacific time) on April 18, 2012 (the "Claims Bar Date") unless your claim is a Restructuring Claim. June 20, 2012

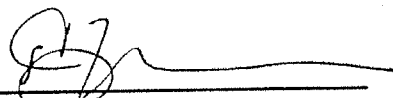
Proofs of Claim for Restructuring Claims arising after the Commencement Date resulting from a restructuring, disclaimer, resiliation, termination, or breach after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral, must be received by the Monitor by the later of: (a) the Claims Bar Date, and (b) by 5:00 p.m. (prevailing Pacific time) on the day which is 10 days after the date of the applicable Notice of Disclaimer or Resiliation (the "Restructuring Claims Bar Date").

FAILURE TO FILE YOUR PROOF OF CLAIM AS DIRECTED BY THE CLAIMS BAR DATE OR RESTRUCTURING CLAIMS BAR DATE, AS APPLICABLE, WILL RESULT IN YOUR CLAIM BEING FOREVER BARRED AND EXTINGUISHED, AND YOU WILL BE PROHIBITED FROM MAKING OR ENFORCING A CLAIM AGAINST ANY OF THE PETITIONER PARTIES AND/OR ANY OF THEIR DIRECTORS AND/OR OFFICERS.

This Proof of Claim must be delivered by prepaid registered mail, personal delivery, e-mail, courier or facsimile transmission at the following addresses:

PricewaterhouseCoopers Inc.,
Court-appointed Monitor of Catalyst Paper Corporation et al.
250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7
Attention: Patricia Marshall
Telephone: 604.806.7070
Fax: 604.806.7806
Email: catalystclaims@ca.pwc.com

DATED this 20 day of June, 2012.


Witness:

Per:



Print name of Creditor:

RSEA, as representative of former members of the Salaried Plan, persons entitled to or in receipt of survivor benefits and designated beneficiaries of former members

If Creditor is other than an individual, print name and title of authorized signatory

Name: Randal Kaardal

Title: Counsel to the RSEA

Schedule "A"

Particulars of Claim of William Sharkey, on behalf of the Catalyst TimberWest Retired Salaried Employees Association ("RSEA"), as representative of former members of the Catalyst Paper Corporation Retirement Plan for Salaried Employees (the "Salaried Plan"), persons entitled to or in receipt of survivor benefits, and designated beneficiaries of former members:

William Sharkey, on behalf of RSEA, as representative of former members of the Salaried Plan, persons entitled to or in receipt of survivor benefits, and designated beneficiaries of former members, advances an unsecured claim in the amount of \$22,366,193 in connection with the loss of benefits under the following Pacific Blue Cross extended health benefits plans: E035490, E035492, E043743, E043799, E043800, E043863, E047225, E078160, E089486, E094272 and E094273 (the "Extended Health Benefits Claims").

In the event that the Second Amended and Restated Plan of Compromise and Arrangement dated June 14, 2012 is ratified, the Extended Health Benefits Claims will be Affected Claims (as is defined under that plan).

The stated value of the Extended Health Benefits Claims (being \$22,366,193) is represented as the aggregate of all benefits under the identified Pacific Blue Cross extended health benefits plans, as is reflected in the actuarial calculations attached as Schedule "B". Such value is based on the benefits as provided by Catalyst, with all of the attendant efficiencies and cost-savings as could be obtained under a group plan and with the benefits being obtained prior to the age of retirement, and thus is considered to be very conservative. The cost to replace such benefits would be exponentially higher if each former member of the Salaried Plan (or persons entitled to or in receipt of survivor benefits or designated beneficiaries of former members) were to attempt to purchase equivalent extended health care benefits on an individual basis at their present age and medical condition.

This is **Exhibit "U"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

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

WRITTEN ARGUMENT

HUNTER LITIGATION CHAMBERS
2100 – 1040 West Georgia Street
Vancouver, B.C.
V6E 4H1

Randal J. Kaardal//Andrea A. Glen
Tel: 604.647.4559
Fax: 604.647.4554

PART I – OVERVIEW

1. The Applicant, the Catalyst TimberWest Retired Salaried Employees Association (“RSEA”) is the authorized representative of pensioners who have earned entitlements to pension benefits from the Catalyst Paper Corporation Retirement Plan for Salaried Employees, B.C. Reg. No. 85400-1 (the “Salaried Plan”), as well as designated beneficiaries of pensioners and persons entitled to or in receipt of survivor benefits from the Salaried Plan.

2. The Salaried Plan is underfunded. At present, there is a solvency deficiency in the pension fund for the Salaried Plan that is estimated to be approximately \$107 to \$115 million. The Petitioners (collectively, “Catalyst” or the “Company”) are now proposing to sell substantially all of Catalyst’s assets to a third party as part of these proceedings under the *Companies Creditors Arrangement Act*, R.S.C., 1985, c. C-36 (“CCAA”). If this sale proceeds as contemplated, the Salaried Plan will almost certainly be wound-up in its underfunded state, and pensioners and their beneficiaries will be facing losses of about 30 to 35% of their hard-earned pension benefits. For obvious reasons, such a result would be devastating to pensioners.

PART II – FACTS

A. The Solvency Deficiency in the Salaried Pension Plan

3. The Applicants are a vulnerable group of beneficiaries of the Salaried Plan, which is a registered pension plan under the *British Columbia Pension Benefits Standards Act*, R.S.B.C. 1996, c. 352 (“PBSA”). The Salaried Plan is the umbrella plan for Catalyst’s non-union employees, and is one of several pension plans maintained by Catalyst. It provides a pension based on years of service and earnings and traces its history to pension plans established by predecessors of Catalyst as early as 1952. Catalyst is the administrator of the Salaried Plan.

Affidavit #1 of William A. Sharkey, at para. 9, 11 and Ex. C.

4. The Salaried Plan has both defined benefit and defined contribution segments. In the defined benefit segment, employees are promised a specific monthly benefit upon retirement. In the defined contribution segment, it is the level of employer contributions into the pension plan that is defined. Those contributions, plus the earnings generated by their investment until retirement, determines the amount of funds available to provide an annual pension benefit. As of December 31, 2010, there were 1,477 members of the defined benefit segment of the Salaried Plan (consisting of 1,195 retired members or their beneficiaries, 203 terminated vested members, and 79 active and disabled members).

Affidavit #1 of William A. Sharkey, at paras. 13-18.

5. The present application concerns the defined benefit portion of the Salaried Plan, which has been underfunded for many years. The solvency deficiency in the defined benefit segment of the Salaried Plan was first reported to the British Columbia Superintendent of Pensions (the "Superintendent") in an Actuarial Valuation Report as at December 31, 2003 (the "2003 AVR"), which was filed with the Superintendent in or around September 2004. According to the 2003 AVR, as of December 31, 2003, the amount of the solvency deficiency was \$48,012,516.

Affidavit #1 of William A. Sharkey, at paras. 30, 31 & Ex. E.

6. Since December 31, 2003, Catalyst has been required, pursuant to the *PBSA* and the *Pension Benefits Standards Regulation*, B.C. Reg. 443/93 (the "Regulations"), to make additional contributions to the pension fund for the Salaried Plan on a quarterly basis to amortize the solvency deficiency. Although Catalyst has made all of the contributions required by the Superintendent to date the total solvency deficiency in the Salaried Plan is now significantly

higher than it was in 2003. According to an Actuarial Valuation Report as at December 31, 2011, which was filed with the Superintendent in March 2012 (the "2011 AVR"), the solvency deficiency in the Salaried Plan was approximately \$115 million, meaning that the Salaried Plan was approximately 35% underfunded.

Affidavit #1 of William A. Sharkey, at paras. 30, 31 & Ex. E.

7. The underfunding of the defined benefit portion of the Salaried Plan has put the financial security of almost fifteen hundred individuals at risk. As explained below, these risks are now about to materialize, with devastating consequences for pensioners, unless the Court grants the relief requested by the Applicants.

B. The CCAA Proceedings and the Imminent Sale of Catalyst's Assets and Wind-Up of the Salaried Plan

8. Catalyst has a significant amount of secured and unsecured debt. At present, Catalyst's secured debt consists of its outstanding 11% Senior Secured Notes due December 15, 2016 (the "2016 Notes" or the "Senior Secured Notes"), which were issued on or about March 10, 2010—long after the solvency deficiency in the Salaried Plan arose. Catalyst also has significant unsecured debt, including, *inter alia*, certain unsecured notes that are due in 2014 and debts to various trade suppliers.

Affidavit #1 of Brian Baarda at paras. 3, 53-66.
Affidavit #3 of Brian Baarda, at Ex. B.

9. Catalyst is currently insolvent. On January 31, 2012, Catalyst obtained an order pursuant to the CCAA granting it protection from their creditors (the "Initial Order"). The Initial Order has since been amended various times by this Court and is referred to herein as the "Amended and Restated Initial Order".

10. In March 2012, Catalyst proposed a Plan of Compromise and Arrangement (“Plan of Arrangement”) to its creditors, which, if approved by the requisite majorities of creditors, would have compromised and restructured Catalyst’s debt. The Plan of Arrangement contemplated that the pension benefits (including the Salaried Plan) and the health benefits of current and former employees of Catalyst would be maintained. Accordingly, pensioners were not given an opportunity to vote on the Plan of Arrangement, as their pension, health and other benefits were deemed to be unaffected by the Plan of Arrangement.

11. On May 23, 2012, the Plan of Arrangement, as amended on May 15, 2012, failed to obtain the necessary creditor approval. As such, and pursuant to an order of this Court dated March 22, 2012, a bidding procedure has been commenced to sell Catalyst’s assets in accordance with the terms of a Stalking Horse Purchase Agreement (“SHPA”), a draft form of which was approved by this Court on April 4, 2012.

Affidavit #1 of William A. Sharkey at para. 47 & Ex. L.

12. Under the terms of the SHPA, the purchaser (the “Stalking Horse Purchaser”) is proposing to acquire the majority of Catalyst’s assets, with the exception of certain Excluded Assets (as defined in the SHPA). The purchase price for the acquisition is in the form of a credit bid of an amount of the obligations outstanding under the Senior Secured Notes, plus payment in full, in cash or through the assumption of liabilities, by the Stalking Horse Purchaser of various amounts, including an amount at least equal to “any claims ranking senior in priority the Senior Secured Notes that are or would be payable in the CCAA Cases . . .”

Affidavit #1 of William A. Sharkey at paras. 49-50.
Affidavit #3 of Gary McCaig at Ex. H.

13. A sale of Catalyst's assets under the sale and investor solicitation process is likely to have drastic adverse consequences for pensioners. Under the SHPA, the Stalking Horse Purchaser does not intend to assume liability for the Salaried Plan. As such, if a sale proceeds in accordance with the terms of the SHPA, or in accordance with any other sale agreement in which the purchaser does not assume liability for the Salaried Plan, it is all but certain that Salaried Plan will be terminated and wound up following the sale. To make matters worse, it is very likely that retirees' medical benefits will also be terminated following a sale of Catalyst's assets.

Affidavit #3 of Gary McCaig at Ex. H (see, e.g., ss. 2.1(d) and 2.1(c)(iii)).
Affidavit #1 of William A. Sharkey, at paras. 52.

14. If the Court permits the Company to sell its assets to the Stalking Horse Purchaser or any other purchaser before the solvency deficiency is paid into the Salaried Plan, there will be insufficient assets remaining in the Company after the sale for the Company to pay the solvency deficiency. As such, the Salaried Plan will be wound up in its underfunded state.

Affidavit #1 of William A. Sharkey, at paras. 55, 58.

C. **A Wind-Up of the Salaried Plan in its Underfunded State Will Be Highly Prejudicial to Pensioners and their Beneficiaries**

15. If the Salaried Plan is wound up in its underfunded state, retirees and other beneficiaries of the Salaried Plan will be facing devastating losses to their pension benefits—current estimates are that each retiree or beneficiary will lose 30 to 35% of their monthly benefit.

Affidavit #1 of William A. Sharkey at para. 58.

16. Such losses will severely prejudice the almost 1500 individuals who have entitlement under the defined benefit segment of the Salaried Plan. These individuals consist, for the most part, of retirees who worked for the Company for many years and in some cases

decades in an expectation that the Company would pay them the pension benefits upon their retirement that were promised to them as part of their compensation packages. Having already provided their services to the Company for many years, their hard-earned pension benefits are now in jeopardy.

Affidavit #1 of William A. Sharkey at paras. 6-8, 18, 59 & Ex. B.

17. The imminent loss of pension benefits is not just a matter of unfairness to retirees—it is also a matter of financial security. Catalyst encouraged its employees to base their financial planning on an assumption that when they retired, they would receive the pension benefits that Catalyst promised to them. The average pension received by a retired member or beneficiary under the Salaried Plan is a mere \$18,545.00. Reducing such a pension by one third at this point in time, after financial plans have been built, decisions have been made, and lives have been lived in reliance on Catalyst's promises, will cause great financial hardship to many retirees.

Affidavit #1 of Clifford LeRoy (Lee) Best, at paras. 12-33.
Affidavit #1 of William A. Sharkey, at paras. 55-63 & Ex. N.

PART III – ARGUMENT

D. Background: Applicable Law

1. The PBSA

18. In British Columbia, the administration of pension plans is governed by the *PBSA* and the *Pension Benefits Standards Regulation*, B.C. Reg. 443/93 (the "Regulations"). The *PBSA* is valid provincial legislation that is a legitimate exercise of the province's power over property and civil rights under s. 92(13) of the *Constitution Act, 1867*.

19. The purpose of the *PBSA*, like the Ontario *Pension Benefits Act*, RSO 1990, c P.8 ("*PBA*") and similar legislation in other jurisdictions, is to protect members and former members of pension plans. As the Supreme Court of Canada stated in *Monsanto Canada Inc. v. Ontario (Superintendent of Financial Services)*, in the context of discussing the purposes of the *PBA*:

The Act is public policy legislation that recognizes the vital importance of long-term income security. As a legislative intervention in the administration of voluntary pension plans, its purpose is to establish minimum standards and regulatory supervision in order to protect and safeguard the pension benefits and rights of members, former members and others entitled to receive benefits under private pension plans (see *GenCorp*, supra; *Firestone Canada Inc. v. Ontario (Pension Commission)*, (1990), 1 O.R. (3d) 122 (C.A.), at p. 127). This is especially important when, as recognized by this Court in *Schmidt v. Air Products Canada Ltd.*, [1994] 2 S.C.R. 611, at p. 646, it is remembered that pensions are now generally given for consideration rather than being merely gratuitous rewards. . .

Monsanto Canada Inc. v. Ontario (Superintendent of Financial Services), [2004] 3 S.C.R. 152, at para. 38.

20. Similarly, in *Indalex Limited, Re*, the Ontario Court of Appeal stated:

Further, this interpretation is consistent with the overall purpose of the *PBA*, which is to establish minimum standards, safeguard the rights of pension plan beneficiaries, and ensure the solvency of pension plans so that pension promises will be fulfilled.

Indalex Limited (Re), 2011 ONCA 265, at para. 104.

21. These statements of legislative purpose apply equally to the British Columbia *PBSA*, which is similar in substance to the Ontario *PBA* and has the same objectives.

22. The *PBSA* and the Regulations create the framework for the monitoring of the financial condition of pension plans, prescribe certain tests for the solvency of pensions that registered pension plans must satisfy, and also prescribe the contributions that the an employer must make to a pension plan in order to meet the required solvency tests (among other things).

23. The essential elements of the regime created by the *PBSA* for monitoring the financial condition of a pension plan are as follows: pursuant to sections 8(4) and 9(3) of the *PBSA* and section 6(2) of the Regulations, at minimum every three years (or sooner if Superintendent requires otherwise, the plan is terminated, or the plan is amended), a plan administrator must prepare an actuarial valuation report ("AVR") and file it with the Superintendent. Pursuant to the definitions in section 1 of the Regulations, date of the AVR is known as a "review date". More importantly, "solvency deficiency" in the Regulations is defined in reference to the "review date":

"solvency deficiency" means an amount, if any, by which the liabilities of a plan, determined on a plan termination basis as of the latest review date, exceed the sum of the solvency assets and the solvency asset adjustment, both determined as of the latest review date;

[emphasis added]

24. In addition to requiring employers to prepare and file periodic AVRs, the *PBSA* and the Regulations also prescribe the contributions that an employer must make to a defined benefit plan. Section 41 of the *PBSA* creates a general requirement that an employer make sufficient contributions to a pension plan to pay for the promised benefits, in accordance with the prescribe solvency tests:

Funding and solvency requirements

41 (1) This section applies only to pension plans that contain defined benefit provisions.

(1.1) An employer must make contributions to a pension plan that are sufficient to pay for all the benefits in accordance with the prescribed solvency tests.

(1.2) An employer may, as prescribed, take a contribution holiday if the pension plan has surplus assets and provides for a contribution holiday.

(2) In accordance with the prescribed tests for the solvency of pension plans and any other provisions of the regulations, a pension plan must provide for funding that is adequate to provide for payment of all benefits.

(3) The plan must be funded in accordance with the actuarial valuation reports referred to in section 9 (3) (b), as amended by any direction of the superintendent under section 9 (4).

...

25. Regulation 35 prescribes the specific contributions that an employer must make in order to meet the general funding and solvency requirements identified in Section 41 of the *PBSA*. In particular, subsections (3) and (4) of Regulation 35 provide that:

(3) Subject to subsection (4) and section 35.1, every employer must pay into a plan,

(a) in respect of current employment, employer contributions made at least quarterly in an amount that is equal to the normal actuarial cost allocated to the employer as stated in the most recent actuarial valuation report filed,

(b) if the plan has an unfunded liability, equal payments made at least quarterly in an amount that is sufficient to amortize the unfunded liability over a period not exceeding 15 years from the review date that established the unfunded liability, and

(c) if the plan has a solvency deficiency, equal payments made at least quarterly in an amount that is sufficient to amortize the solvency deficiency as follows:

(i) with respect to a solvency deficiency determined on or after January 1, 1993 and before January 1, 1998, payments must be made over a period from the review date that established the solvency deficiency and ending no later than January 1, 2003;

(ii) with respect to a solvency deficiency determined on or after January 1, 1998, payments must be made over a period not exceeding 5 years from the review date that established the solvency deficiency.

(4) Notwithstanding the special payments referred to in subsection (3) (b) and (c), the employer may elect instead to make payments at least quarterly, such that

(a) each payment is a constant percentage of the future payroll of the members projected as of the date of the original establishment of the unfunded liability or solvency deficiency, and

(b) the actuarial present value of all the payments over the period selected for the purposes of this section is equal to that liability or solvency deficiency.

26. The contributions referred to in Section 35(3)(a) of the Regulations are often referred to as "normal cost contributions" or "current service costs". The additional

contributions referred to in Sections 35(3)(b) and 35(3)(c) are often referred to as "special payments". As the language above reflects, the Regulations permit an employer to amortize unfunded liabilities and solvency deficiencies in installments over a multi-year time period, rather than paying the entire unfunded liability and/or solvency deficiency into the plan as soon as the liability and/or deficiency is identified through an AVR.

27. The time period for remitting the contributions is set forth in Section 37 of the Regulations. As applicable to this case, subsection 1(d) of Section 37 provides that normal cost contributions and special payments in respect of defined benefit plans that are payable on at least a quarterly basis must be remitted within 30 days of the end of each period in which such payments are payable.

28. Section 43.1 of the *PBSA* creates a deemed trust in favour of pension beneficiaries in relation to, *inter alia*, all contributions that are "due or owing" to the Salaried Plan:

Deemed trust

43.1 (1) An employer must, with respect to a pension plan to which the employer is required to make contributions, keep separate and apart from the employer's own assets

(a) all contributions that are due or owing to the pension plan by the employer,

(b) all amounts that have been deducted by the employer from a member's remuneration and not yet remitted to the fund holder, and

(c) all contributions that have been received by the employer with respect to a member and not yet remitted to the fund holder.

(2) The amounts referred to in subsection (1) are deemed to be held in trust for members of the pension plan, former members, and any other persons entitled to pension benefits, refunds or other payments under the plan in accordance with their interests under the plan.

(3) If there is, in respect of an employer, a proceeding

(a) under the Companies Creditors Arrangement Act (Canada),

(b) under the Winding-up and Restructuring Act (Canada) or similar provincial legislation,

(c) in relation to liquidation, receivership or secured creditor enforcement, or

(d) in relation to insolvency other than under the Bankruptcy and Insolvency Act (Canada),

an amount equal to the amounts deemed to be held in trust under subsection (2) is deemed to be separate and apart and form no part of the estate of the employer, whether or not that amount has in fact been kept separate and apart from the employer's own assets or from the assets of the estate.

29. The *PBSA* and the Regulations also address what happens when a pension plan is terminated. Section 48 of the *PBSA* outlines the types of events that constitute a "termination" of a pension plan. Of particular relevance, sections 48(2) and 48 (3) provide that a pension plan is terminated when an employer suspends or ceases to make contributions to the plan, including if an employer fails to remit contributions within the time specified in section 43(3) and the Superintendent notifies the employer that the Superintendent considers that the employer does not intend to make the contributions. In addition, Section 49 of the *PBSA* authorizes the Superintendent to declare termination of a pension plan "[i]f an employer has discontinued or is in the process of discontinuing all or an identifiable part of the employer's business operations".

30. Section 51 of the *PBSA* outlines the contributions that an employer must make to a pension plan when it is terminated:

Payments to meet solvency requirements

51 (1) Within 30 days after the termination of a pension plan, the employer must

(a) pay into the plan all amounts for which payment is required by the terms of the plan or this Act, and

(b) without limiting the generality of paragraph (a), make all payments that, by the terms of the plan or this Act,

(i) are due from the employer to the plan but have not been made at the date of the termination, and

(ii) have accrued to the date of termination but that are not yet due.

(2) If a pension plan, other than a negotiated cost plan, is terminated with a solvency deficiency and the employer is not insolvent,

(a) the employer must fund the remaining solvency deficiency as prescribed,

(b) the administrator must continue to file information returns and actuarial valuation reports as required by section 9 (3) (a) and (b) until the solvency deficiency has been retired, and

(c) subject to section 55, the assets of the plan must be distributed in the manner and to the extent prescribed.

31. Under the *PBSA*, “winding up” refers to the process of distributing the assets of a plan that has been terminated. Sections 54 through 57 of the *PBSA* contain a detailed statutory scheme that must be followed when a pension plan is to be wound up. This scheme imposes obligations on the employer and the plan administrator, including (among others):

- The winding up of a pension plan must begin immediately after the termination of the plan unless the Superintendent approves postponement of the winding up;
- Within a designated time period, the administrator must file with the Superintendent an actuarial report setting out, among other things, the nature of the benefits to be provided, the assets and liabilities of the plan, and the allocation and distribution of the assets of the plan and the priorities for determining the benefits of persons entitled to those assets;
- No payments can be made out of the pension fund without the prior written consent of the Superintendent unless the Superintendent has approved the wind up report; and
- The Superintendent may direct the administrator to allocate and distribute plan assets.

2. The Contractual Terms of the Salaried Plan

32. It is well established that a pension plan is a contract between an employer and its employees (and former employees) and that the parties' rights under a pension plan can, therefore, be determined in accordance with basic contract and employment law principles.

Boucher v. Stelco Inc., 2005 SCC 64, at paras. 21-22.
Kusleika v. Walker, 2010 BCSC 1807, at para. 40.
PBSA, *supra*, at ss. 8(2), 41(4).

33. An employee's consideration for the contractual rights set forth in a pension plan is the promise and performance of work. An employer's consideration is the promise to contribute towards future income, deferred to retirement, in accordance with the terms of the pension plan. As the Court explained in *Retirement Income Plan for Salaried Employees of Weavexx Corp. v. Ontario (Superintendent of Pensions)*:

[25] I start with this observation: pension plans are for the benefit of the employees, not the companies which create them. They are a particularly important component of the compensation employees receive in return for their labour. They are not a gift from the employer; they are earned by the employees. Indeed, in addition to their labour, employees usually agree to other trade-offs in order to obtain a pension. As explained by Cory J. in *Schmidt v. Air Products Canada Ltd.*, [1994] 2 S.C.R. 611 at 646:

In the case of pension plans, employees not only contribute to the fund, in addition they almost invariably agree to accept lower wages and fewer employment benefits in exchange for the employer's agreeing to set up the pension trust in their favour.

Retirement Income Plan for Salaried Employees of Weavexx Corp. v. Ontario (Superintendent of Pensions), (2002) 58 O.R. (3d) 380 (sub nom *Huus v. Ontario*) at para. 25.
 See also *Monsanto Canada Inc. v. Ontario (Superintendent of Financial Services)*, [2004] 3 S.C.R. 152, at para. 38.

34. Thus, the terms of the Salaried Plan also impose contractual obligations on the Company, above and beyond the requirements of the *PBSA*, which apply here. In this case, the

terms of the Salaried Plan outline the contributions that the Company is required to make to the defined benefit segment of the plan:

1.9.1. Company Contributions

Subject to any agreement between the Company and another Participating Company, each Participating Company will contribute to the Fund each Plan Year such amounts, if any, which, when added to the amounts which have been accumulated in the Fund, are estimated by the Actuary to be adequate to provide for the Plan benefits accruing in that Plan Year and to fund, in accordance with Applicable Pension Laws, any unfunded actuarial liability which may exist under the Plan. Such amounts will be determined in accordance with and paid at such times as are required under Applicable Pension Laws as amended from time to time. The liability of any Participating Company under the Plan will at any time be limited to such contributions as should have theretofore been made by it, subject to Applicable Pension Laws. If, 60 days following the prescribed period allowed for remitting contributions, the Participating Company has failed to remit contributions, the Retirement Plan Committee must notify the superintendent, in writing and within 30 days, respecting the failure to remit contributions, whether or not the contributions are subsequently remitted. . .

1.12.5 Solvency Deficiency Contributions

In the event the Plan shall be discontinued at any time either in whole, or in part with respect to a specified group of Members only, **the Company shall contribute, subject to section 1.9.1, such amounts that would otherwise have been required to meet the tests and standards for solvency, as prescribed by the Applicable Pension Laws, to fund the benefits that have accrued to the date of such discontinuance** or partial discontinuance.

[emphasis added].

35. Section 1.9.2 of the Salaried Plan further provides:

1.9.2. Deemed Trust

The Company and every other Participating Company must keep separate and apart from its own assets all contributions due or owing to the Plan. These contributions are deemed to be held in trust for Members and any other persons entitled to pension benefits, refunds or other payments under the Plan. Where a proceeding exists in respect of the Company or a Participating Company under the *Companies' Creditors Arrangements Act* (Canada), *Winding-up and Restructuring Act* (Canada) or similar provincial legislation or in relation to liquidation, receivership or secured creditor enforcement, or insolvency other than under the *Bankruptcy and Insolvency Act* (Canada), these amounts are deemed to be separate and apart and form no part of the estate of the Company or other Participating Company.

E. **Argument #1: Section 1.9.2 of the Salaried Plan Created a True Trust In Favour of Plan Beneficiaries Over Assets of Catalyst Equal to the Solvency Deficiency**

36. Section 1.9.2 of the Salaried Plan created a true trust at common law in favour of beneficiaries of the Salaried Plan over assets of Catalyst equal to the total solvency deficiency. Accordingly, assets in an amount equal to the total solvency deficiency in the Salaried Plan are held in trust for beneficiaries of the Salaried Plan, form no part of Catalyst's estate, and are not available for sale and/or distribution to creditors of Catalyst.

1. **Creation of a True Trust Requires Three Certainties**

37. At common law, the creation of a true trust¹ requires the presence of three certainties: intention, subject matter, and object. As stated by Professor Waters in *The Law of Trusts in Canada* (3rd. ed., 2005):

For a trust to come into existence, it must have three essential characteristics. As Lord Langdale M.R. remarked in *Knight v. Knight*, in words adopted by Barker J. in *Renehan v. Malone* and considered fundamental in common law Canada, (1) the language of the alleged settlor must be imperative; (2) the subject-matter or trust property must be certain; (3) the objects of the trust must be certain. This means that the alleged settlor, whether he is giving the property on the terms of a trust or is transferring property on trust in exchange for consideration, must employ language which clearly shows his intention that the recipient should hold on trust. No trust exists if the recipient is to take absolutely, but he is merely put under a moral obligation as to what is to be done with the property. If such imperative language exists, it must, second, be shown that the settlor has so clearly described the property which is to be subject to the trust that it can be definitely ascertained. Third, the objects of the trust must be equally and clearly delineated. There must be no uncertainty as to whether a person is, in fact, a beneficiary. If any one of these three certainties does not exist, the trust fails to come into existence or, to put it differently, is void.

Donovan W.M. Waters, *The Law of Trusts in Canada* (3rd. ed., 2005) at p. 132.
See also *Ted Leroy Trucking [Century Services] Ltd., Re.*, [2010] 3 S.C.R. 379 (S.C.C.), at para. 83 ("Century Services").

¹ True trusts are also sometimes referred to as "express trusts", "actual trusts" or "common law" trusts, to distinguish them from statutory "deemed trusts".

38. Professor Waters elaborated upon the nature of the requirement of certainty of subject matter at p. 149 of his treatise:

For a trust to be validly created, it must also be possible to identify clearly the property which is to be subject to the trust. Moreover, even if the trust property is thus clearly defined, the shares in that property which the beneficiaries are each to receive must also be clearly defined. Certainty of subject-matter as a term refers to both of these required certainties.

And further at p. 153:

When the courts say that there must be certainty of subject-matter, they mean that the property must either be described in the trust instrument, or there must be a 'formula or method given for identifying it.' This latter form of certainty more often occurs with fixing the quantum of beneficiaries' interests, but it can occur with the whole trust property. For example, the testator may leave all his property to trustees and then require them to hold 'a sufficient sum of money to produce \$500 per annum' for the X hospital. Such a gift would not fail for uncertainty because, though it may be difficult against the backdrop of varying interest rates from year to year what sum will produce \$500 per annum, the size of the annuity is quite clear and the capital required 'can be approximately and easily ascertained.'

The point is that if the court on a request by the trustees can determine the quantum of the trust property, then the trust will not fail, but the court must have objective standards by which to determine the quantum. . .

[emphasis added]

39. At common law, a true trust may arise in respect of contributions that are owed by an employer to a pension plan but have not been remitted to the plan if the employer and employee have entered into a contract to create a trust that satisfies the three certainties. For example, in *Edmonton Pipe Industry Pension Plan Trust Fund v. 350914 Alberta Ltd* ("*Edmonton Pipe Industry*"), the Alberta Court of Appeal found that, by virtue of the terms of a collective agreement (and related documents) between employer and the employees, a true trust arose at common law over assets of the employer equal to the contributions that were *owing* to a pension fund even though these contributions had not been remitted by the employer to the trust fund and had not been kept separate and apart from the employer's other assets.

Edmonton Pipe Industry Pension Plan Trust Fund v. 350914 Alberta Ltd.,
2000 ABCA 146.

40. The *Edmonton Pipe Industry* case warrants close examination, as the facts of that case bear some similarity to the facts of this case. In *Edmonton Pipe Industry*, members of a union had bargained with their employer that the employer would make contributions to various trust funds for the payment of pensions upon the employees' retirement. This bargain was reflected in the collective agreement between the employer and the employees. Pursuant to the terms of the collective agreement, the employer was required, *inter alia*, to make certain contributions to various trust funds and to keep separate and apart from its own monies in an amount "equal to the amount that is owed to the applicable Trust Fund by the employer on whose behalf the Employees have performed work. . . ." Contrary to the terms of the agreement, however, the employer failed to maintain separate trust bank accounts and instead maintained only one general bank account. Moreover, the employer failed to remit all of the required contributions on time.

41. The employer then went bankrupt. The members of the union brought a motion arguing that any monies held by the employer as of the date of bankruptcy that ought to have been remitted to the trust funds but that had not been so remitted were trust monies not distributable in bankruptcy pursuant to section 67(1)(a) of the *BIA*, which excludes "property held by the bankrupt in trust for any other person" from the estate of the bankrupt. The union members relied on a statutory trust created by Alberta's *Employment Pension Plans Act* ("*EPPA*") (which was similar in nature of the deemed trust created by section 43.1 of the British Columbia *PBSA*), but they also argued that an express trust had arisen at common law with respect to the unpaid contributions by virtue of the terms of the collective agreement and an

associated trust agreement. At the time of the bankruptcy filing, the unremitted contributions totaled approximately \$182,000.

42. The Alberta Court of Appeal acknowledged that under *British Columbia v. Henfrey Samson Belair Ltd.*, [1989] 2 S.C.R. 24 (S.C.C.) and its progeny, a deemed statutory trust such as the trust created by the *EPPA* would not qualify as a "trust" for the purposes of section 67(1)(a) of the *BIA* unless it satisfied the requisite elements of a common law trust. However, that was not fatal to the union members' claim, as the Court found that a common law trust had been created with respect to the amounts owing to the trust funds as a result of the terms of the contractual agreements between the employer and the employees.

Edmonton Pipe Industry, supra, at paras 41-42.

43. The Collective Agreement at issue in *Edmonton Pipe Industry* provided that:

14.02 Where an employee performs work that would require the Employer to contribute hourly contributions, at such an hourly contribution rate as may from time to time be applicable in this Collective Agreement, then the Employer shall and shall be deemed to have kept such an amount separate and apart from his own monies and shall be deemed to hold the sum so deducted in trust for the trustees of the applicable Trust Fund. Further, in the event of any liquidation, assignment or bankruptcy of such an Employer, an amount equal to the amount that is owed to the applicable Trust Fund by the Employer on whose behalf the Employees have performed work entitling them to receive contributions to the fund as is hereinbefore provided for, is deemed to be held in trust for the trustees of this fund and such a fund shall be deemed to be separate from and form no part of the estate in liquidation, assignment of bankruptcy, whether or not that amount has in fact been kept separate and apart from the Employer's own money or from the assets of the estate.

[emphasis in original]

Edmonton Pipe Industry, supra, at para. 7.

44. The Court found that this language was sufficient to create a valid trust, reasoning that the use of the word 'deemed' was superfluous to the proper creation of the trust. It stated:

... the three certainties are present in the agreements creating the Trusts. The use of the word "deemed" in the Collective Agreement and in the Trust Agreement is superfluous to the proper creation of the trust. In almost every instance quoted from these agreements, there is a statement that the employer [Noralta] "shall and shall be deemed". The deeming provisions are unnecessary to the creation of the trust. Construing the agreements absent reliance on the deeming provisions leads to the conclusion that a valid trust was created.

Edmonton Pipe Industry, supra, at para. 26.

45. The more difficult issue was whether the element of certainty of subject matter was satisfied. Relying on statements from Professor Waters that this element could be satisfied if there was "formula or method" for identifying the trust property, the Court found that the requirement of certainty of subject matter was satisfied with respect of pension contributions that the employer had failed to contribute to the trust fund, which remained part of the employer's general funds, as it was possible to identify and quantify the amount of the contributions that were outstanding based on the terms of the Collective Agreement (which prescribed the contributions that the employer ought to have made) and related documents. The Court stated at para. 31 that:

We conclude that here the amounts are ascertainable by formula. The learned chambers judge erred in his application of the law to the facts by finding that the commingling of the monies destroyed the trust. ...

Edmonton Pipe Industry, supra, at para. 31.

46. Thus, the court declared that the amount of the unpaid contributions constituted trust property within the meaning of s. 67(1)(a) of the *BIA*:

Having found that a common law trust was created and maintained and that the amounts in dispute are ascertainable, earmarked and identifiable, we declare the sum of \$182,802.31 to be trust property within the meaning of s. 67(1)(a) of the *BIA*.

Edmonton Pipe Industry, supra, at para. 42.

47. *Edmonton Pipe Industry* makes clear that a true trust may arise at common law in respect of *contributions that are owing to a pension fund* where the employer has obligated itself by contract to make such contributions and to keep them separate and apart from its own estate, and has deemed such contributions to be held in trust for pension beneficiaries and to form no part of its estate in an insolvency or a bankruptcy proceeding. A true trust can arise in these circumstances even if the contributions have not yet been made to the pension fund and the employer has not kept such funds separate from its other assets, provided that it is possible to quantify the amount of the contributions that are owing.

See also *Citadel General Assurance Co. v. Lloyds Bank Canada*, [1997] 3 SCR 805 (lack of separation between trust funds and other assets did not undermine the trust relationship between insurance agent and insurer).

2. Section 1.9.2 of the Salaried Plan Satisfies the Three Certainties

48. In this case, as a true trust arose over an amount of Catalyst assets equal to the solvency deficiency by virtue of Section 1.9.2 of the Salaried Plan, which is very similar to the language of the collective agreement in *Edmonton Pipe Industry* and satisfies the three certainties.

a. Certainty of Intention

49. Section 1.9.2 of the Salaried Plan evinces a clear intent to create a trust in respect of "all contributions due or owing" to the Salaried Plan. Like section 14.02 of the collective agreement in *Edmonton Pipe Industry*, Section 1.9.2 of the Salaried Plan begins with a promise by the Company to "keep separate and apart from its own assets all contributions due or owing to the Plan".

50. However, as in *Edmonton Pipe Industry*, the language in the next sentence goes further and makes clear that the Company's promise to keep such contributions separate and

apart from the Company's assets was not intended to be a mere contractual obligation, enforceable through an action for breach of contract, but was intended to create trust obligations that would come into existence whenever there were any contributions that were "due or owing" to the Salaried Plan. Thus, the second sentence states that "These contributions are deemed to be held *in trust* for Members and any other persons entitled to pension benefits, refunds or other payments under the Plan" (emphasis added). The import of this sentence is clear: an amount of Catalyst's assets equal to any contributions that are due or owing to the Salaried Plan was intended to be held in trust for members and any other persons entitled to pension benefits, refunds or other payments under the Salaried Plan.

51. The final sentence of section 1.9.2 is also similar to the final sentence of the collective agreement in *Edmonton Pipe Industry*. It clarifies that the trust obligations created in the preceding sentence were intended to continue to operate in the event of a proceeding under the *CCAA* (and various other statutes), and confirms the parties' intent that the event of a *CCAA* proceeding, any contributions that were due or owing to the Salaried Plan would form no part of the Company's estate.

Where a proceeding exists in respect of the Company or a Participating Company under the *Companies' Creditors Arrangements Act* (Canada), *Winding-up and Restructuring Act* (Canada) or similar provincial legislation or in relation to liquidation, receivership or secured creditor enforcement, or insolvency other than under the *Bankruptcy and Insolvency Act* (Canada), these amounts are deemed to be separate and apart and form no part of the estate of the Company or other Participating Company.

[emphasis added]

52. Section 1.9.2, when read as a whole, operates as a declaration of trust: from that point forward, Catalyst divested itself of title in equity to an amount of its assets equal to the

amounts that are “due or owing” to the Salaried Plan. As Professor Waters explained at p. 172 of his treatise:

Alternatively, the owner may decide to declare himself a trustee of the property. In this case title remains in his hands; no conveyance, delivery, assignment, or statutory transfer is required, but thereafter the owner is divested of title in equity in favour of his beneficiary. The owner has changed his hats, so to speak; he takes off the hat of owner, and puts on the hat of trustee, and Equity holds him to that change of hats. He can no longer claim to have a beneficial interest in that to which he still retains title.

[internal citations omitted]

Waters, *The Law of Trusts in Canada*, *supra*, at p. 172.

53. The trust created by Section 1.9.2 of the Salaried Plan, of course, would not extend to any assets of Catalyst that were already subject to a fixed charge in favour of another creditor at the time the trust came into existence, as such assets are considered at law to be property of the creditor rather than property of Catalyst. Thus, it cannot have been the parties' intent through Section 1.9.2 that property that was already encumbered in this manner would be put into trust for beneficiaries of the Salaried Plan.

See *Royal Bank of Canada v. Sparrow Electric Corp.*, [1997] 1 S.C.R. 411, at para. 98.

54. However, the language used in Section 1.9.2 suggests that the parties intended to put an amount of Catalyst's *unencumbered* assets equal to amount of the contributions that were due or owing to the Salaried Plan in trust for beneficiaries of the Salaried Plan. Once such assets were put in trust for beneficiaries of the Salaried Plan, they would not thereafter be available to be pledged as security for any obligations that arose after the trust came into existence, and in particular, such trust assets would not form any part of Catalyst's estate in the event of a *CCAA* proceeding. Section 1.9.2 of the Salaried Plan therefore satisfies the element of certainty of intention.

b. Certainty of Object

55. The requirement of certainty of object is also satisfied in this case. As set forth in Section 1.9.2 of the Salaried Plan, the trust is for the benefit of "Members and any other persons entitled to pension benefits, refunds or other payments under the Plan". This class of beneficiaries can be definitively ascertained and is free from uncertainty.

c. Certainty of Subject Matter

56. Finally, the requirement of certainty of subject matter is satisfied because section 1.9.2 provides a clear formula for establishing the trust property. That formula is simple: as of any given date, the trust property consists of "all contributions *due or owing* to the Plan". Determining the quantum of the trust property is simply a matter of determining the amount that was "due or owing" to the Salaried Plan on a particular date.

57. The Salaried Plan does not itself contain any definition of the words "due" or "owing". However, the meaning of the phrase "contributions that are due or owing" can be ascertained by considering these words in their entire context, in their grammatical and ordinary sense, and in light of the other provisions of the Salaried Plan.

58. One of the provisions of the Salaried Plan that is of particular relevance to the interpretation of Section 1.9.2 is Section 1.9.1 of the Salaried Plan, which outlines the "contributions" the Company is required to make to the Salaried Plan:

Company Contributions

Subject to any agreement between the Company and another Participating Company, each Participating Company will contribute to the Fund each Plan Year such amounts, if any, which, when added to the amounts which have been accumulated in the Fund, are estimated by the Actuary to be adequate to provide for the Plan benefits accruing in that Plan Year and to fund, in accordance with Applicable Pension Laws, any unfunded actuarial liability which may exist under the Plan. Such amounts will be determined in accordance with and paid at such times as are

required under Applicable Pension Laws as amended from time to time. The liability of any Participating Company under the Plan will at any time be limited to such contributions as should have theretofore been made by it, subject to Applicable Pension Laws. If, 60 days following the prescribed period allowed for remitting contributions, the Participating Company has failed to remit contributions, the Retirement Plan Committee must notify the superintendent, in writing and within 30 days, respecting the failure to remit contributions, whether or not the contributions are subsequently remitted. . .

59. This provision makes clear that the “contributions” that the Company is required to make to the Salaried Plan include not only normal cost contributions (*i.e.*, “such amounts, if any, which when added to the amounts which have been accumulated in the Fund, are estimated by the Actuary to be adequate to provide for the Plan benefits in that Plan Year”), but also “such amounts . . . which are estimated by the Actuary to be adequate . . . to fund, in accordance with Applicable Pension Laws, *any unfunded actuarial liability which may exist under the Plan*”, a phrase that clearly includes any solvency deficiency that may exist under the Plan. The Company is permitted to fund such liability “in accordance with Applicable Pension Laws”—that is, in accordance with the schemes set forth in the *PBSA* and the Regulations, which permit going concern and solvency deficiencies to be amortized in quarterly installments over a multi-year period rather than in one lump sum payment when the deficiency is first identified—but it is clear that the Company’s ultimate liability to the Salaried Plan includes an obligation to fund the entire going concern and solvency deficiency, which is an actuarial liability that exists under the Salaried Plan.

60. The next question to be answered is: when are the contributions referred to in Section 1.9.1 of the Salaried Plan considered to be “due or owing”? In this context, we submit that the Company’s contributions to the Salaried Plan can be said to be “due” on the date that the contributions were required to be made pursuant to the terms of the *PBSA* and the Regulations,

an interpretation that is consistent with the Ontario Court of Appeal's interpretation of the word "due" in the context of the Ontario *PBA*.

Indalex, supra, at para. 98 (citing *Hydro-Electric Power Commission (Ontario) v. Albright* (1922), 64 S.C.R. 306, at para. 23)

61. The word "owing", on the other hand, is a broader term, which is ordinarily used to connote the fact that a liability exists and is "unpaid". A debt, for example, is often said to be "owing" once the obligation to pay the debt has arisen and the debt remains unpaid, whether it is "due" or not. By way of a simple illustration, a debt of \$100,000, which by its terms is to be repaid in ten equal monthly installments, is considered to be "owing" from the date the money is borrowed because it is at that point that the liability to repay the funds comes into existence even though, at that time, there is no amount "due" to be repaid via a monthly installment payment.

Bank of Montreal v. Stephen (1990), 81 D.L.R. 4th 422 (N.B.C.A.) at 432.
Alberta Wheat Pool v. O'Donnell, [1985] A.J. No. 1006, at paras 16-17.

62. In this case, an "unfunded actuarial liability . . . exist[ed] under the Plan" from the date that the solvency deficiency was first identified —*i.e.*, December 31, 2003 (the "review date" of the 2003 AVR). At that point, the Company became legally obligated pursuant to the terms of Section 1.9.1 (and also by virtue of the *PBSA* and the Regulations, in particular sections 41(1.1) of the *PBSA* and Section 35(3)(c) of the Regulations), to make additional contributions to the Salaried Plan to amortize the solvency deficiency until the point at which such deficiency ceased to exist.

63. The fact that Section 1.9.1 of the Salaried Plan permitted the Company fund this deficiency "in accordance with Applicable Pension Laws", which in turn permitted the Company to make the additional contributions necessary to eliminate the solvency deficiency in

installments over a five year period, does not alter the underlying fact that from the review date that first established the existence of the solvency deficiency (December 31, 2003) the total amount of the solvency deficiency was "owing" by the Company to the Salaried Plan. Indeed, the very notion of amortizing a solvency deficiency over a five year period presupposes that the total amount of the deficiency is an amount that the Company has become obligated to contribute (*i.e.*, owes) to the pension plan.

64. A solvency deficiency is determined based on an actuarial calculation of plan assets and liabilities. As of the review date of the latest Actuarial Valuation Report, the actual amount of the solvency deficiency is a contribution that is "owing" by an employer to a pension plan. As was described in *Butler Brothers v. B.C. Superintendent of Pensions et. al*:

One of the duties imposed on the petitioner [employer], by the Regulation, is to keep the plan "solvent". Solvency must be determined periodically, by actuarial valuation reports, prepared by a fellow of the Canadian Institute of Actuaries, pursuant to the prescribed conditions

Butler Brothers v. B.C. Superintendent of Pensions et. al, 2005 BCSC 1004 at para. 3.

65. In *Butler*, the Superintendent of Pensions took the position that the obligation on the employer to make payments to the pension plan occurred with the amortization of the solvency deficiency as of the review date of the Actuarial Valuation Report.

Butler Brothers, supra, at para. 10.

66. Thus, the total amount of the solvency deficiency as reported on the review date of the AVRs filed by the Company with the Superintendent are considered to be the contributions that were "owing" to the Salaried Plan within the meaning of Section 1.9.2 of the Salaried Plan and section 43.1 of the *PBSA*, and which form the subject matter of the true trust in favour of beneficiaries of the Salaried Plan over the assets of Catalyst.

67. For the reasons outlined above, the phrase “contributions that are due or owing”, as used in section 1.9.2 of the Salaried Plan captures any contributions that have become “due” to the pension fund (in the sense that the thirty day period to make the quarterly normal cost contributions or quarterly special payment has expired), as well any contributions that are “owing” to the Salaried Plan including the total amount of the solvency deficiency on any given date, even though the additional contributions required to amortize such deficiency may not yet be “due” under the terms of the Salaried Plan.

68. Returning to the question of certainty of subject matter, as noted above, under the language of section 1.9.2 of the Salaried Plan, the subject matter of the trust created by that section consisted of assets of Catalyst in an amount equal to the total amount of money that was “due or owing” to the Salaried Plan. Consequently, the subject matter of the trust consists of the total solvency deficiency as it existed as of review date of the latest AVR. From the review date upon which the solvency deficiency was first reported to the Superintendent (*i.e.*, December 31, 2003) through the next review date (in this case, December 31, 2006), the contributions “owing” to the Salaried Plan totalled \$48,012,056. On the next review date, which was December 31, 2006, the solvency deficiency was re-calculated to be \$39,326,277. Thus, from December 31, 2006 through the next review date (which in this case was December 31, 2007), the contributions that were “owing” to the Salaried Plan within the meaning of Section 1.9.2 of the Salaried Plan and section 43.1 of the *PBSA* totalled \$39,326,277. Following this logic through to the present, the contributions that were “owing” to the Salaried Plan from December 31, 2007 to December 30, 2010 totalled \$44,651,428 (as reflected in the 2007 AVR), the contributions that were owing from December 31, 2010 to December 30, 2011 totalled \$73,484,585 (as reflected in the 2010

AVR), and the contributions that have been "owing" since December 31, 2011 totalled \$114,853,000 (as reflected in the 2011 AVR).

69. This is an objective, readily ascertainable amount that can be determined through a standard actuarial calculation. There is, therefore, sufficient certainty of subject matter to satisfy the third certainty required for the creation of a valid express trust.

70. In conclusion, we submit that all of the requirements for the creation of a true trust have been satisfied here. The terms of the Salaried Plan created an express trust over an amount of Catalyst's assets that at all times was equal to the amount necessary to fund the entire solvency deficiency as it existed on that date. As set forth above, this trust arose on the review date that first identified the solvency deficiency (December 31, 2003), continues in existence to this date, and applies to an amount of Catalyst's assets as is equal to the amount of the solvency deficiency as of the review date of the latest AVR.

3. Assets Equal to the Solvency Deficiency Form No Part of Catalyst's Estate, Subject to the Charges in Paragraph 55 of the Amended and Restated Initial Order

71. The effect of the true trust created by Section 1.9.2 of the Salaried Plan is as follows: first, assets in an amount equal to the solvency deficiency have been held in trust for pension beneficiaries since the review date when the solvency deficiency was first identified (*i.e.*, December 31, 2003), to the extent that Catalyst had sufficient unencumbered assets at the applicable time to put into trust for beneficiaries of the Salaried Plan. Thus, any secured creditors whose security interest attached after December 31, 2003 could only take a security interest in assets of Catalyst that were not already in trust for beneficiaries of the Salaried Plan.

72. From the time that the solvency deficiency was identified (*i.e.*, December 31, 2003), Catalyst had sufficient, net unencumbered assets for the true trust created by Section 1.9.2 to attach. That is, during the relevant time, the value of the true trust (*i.e.* solvency deficiency) never exceeded the amount of the Company's unencumbered assets. A review of the consolidated financial statements of the Company from year-end 2003 – 2011, and the Actuarial Valuation Reports (AVRs) prepared and filed from December 2003 to December 2011, as well as the Company's periodic estimates of the solvency deficiency, can be summarized as follows:

YEAR	Assets (in millions)	Liabilities (in millions)	NET – assets less liabilities	Value of Solvency Deficiency as of record date of AVR
2003	2 816.2	1 747.0	1 069.2	48,012,516
2004	2 745.9	1 703.1	1 042.8	
2005	2 695.9	1 676.2	1 019.7	
2006	2 637.7	1 631.9	1 005.8	39,326,277
2007	2 457.1	1 468.5	988.6	44,651,428
2008	2 423.4	1 553.4	870.0	87,759,000 (company estimate)
2009	2 090.8	1 295.2	795.6	81,417,000 (company estimate)
2010	1 696.2	1 292.8	403.4	73,482,585
2011	736.6	1 354.9	(617.3)	114,853,400

Affidavit #3 of William Sharkey, at Ex. A, page 4.

Affidavit #3 of William Sharkey, at Ex. B, page 49.

Affidavit #3 of Deborah Hamman-Trou, at Ex. A at pg. 6; Ex. B at p 56; Ex. C at p. 121.

Affidavit #1 of William Sharkey, at Ex. E – J.

Affidavit #3 of Deborah Hamman-Trou, at Ex. G.

73. Further, in this case, the 2016 Notes were issued on or about March 10, 2010—long after the solvency deficiency arose and, therefore, long after the trust in favour of pension beneficiaries came into existence pursuant to the terms of the Salaried Plan. A registration statement was filed in the Personal Property Security Registry in respect of the 2016 Notes on or about March 8, 2010. Assuming without conceding that the 2016 Notes were perfected on or about March 8, 2010, then it is apparent that at the time the 2016 Notes were perfected, the trust in favour of Salaried Plan beneficiaries in respect of the solvency deficiency was already in existence. Therefore, the 2016 Notes took their security *subject to* the Applicants' trust over an amount of Catalyst's assets equal to the amount of the solvency deficiency at the time the 2016 Notes were perfected. Again, assuming without conceding that the 2016 Notes were perfected on or about March 8, 2010, the trust reflected a solvency deficiency in the amount of \$44,651,428 (based on the review date of the latest AVR, being 2007); the 2016 Notes are subject to a true trust in that amount.

74. Further, as of the review date of the next AVR in 2010, the trust reflected a solvency deficiency in the amount of 73,482,585. The trust as of that date (December 31, 2010) would take priority over all unencumbered assets of the company subject to the security perfected by the 2016 Notes. However, the balance sheet would reflect the debt created by the 2016 Notes and accordingly Catalyst had net assets in the amount of 403.4 million, sufficient to cover a trust in favour of the beneficiaries of the Salaried Plan for the \$73,482,585 calculated in the 2010 AVR.

Affidavit #3 of Brian Baarda, at Ex. B.
Affidavit #1 of Jyotika Reddy, at Ex. A.

75. Moreover, holders of the 2016 Notes were aware, or ought through due diligence to have been aware, of the existence of a substantial solvency deficiency in the Salaried Plan at the time they perfected their security interest, as the solvency deficiency had been reported to the Superintendent and were reflected in Catalyst's public filings.

76. For example, each of Catalyst's Annual Reports from (at least) year-end 2007 to 2010 included consolidated financial statements with balance sheets that identified "Employees Future Benefits" as being a "Current Liability" of the Company. The following table summarizes the "Employees Future Benefits" balance sheet line-item, including the value of such "current liability":

Catalyst Financial Statement (Year-End)	Current Liabilities – "Employees future benefits" (in millions)
2007	211.7
2008	226.6
2009	294.6
2010	269.1

Affidavit #3 of William Sharkey, at Ex. B, page 49.

Affidavit #3 of Deborah Hamman-Trou, at Ex. A at pg. 6; Ex. B at p. 56;
Ex. C at p. 121.

77. Each of the above referenced financial statements also included a "Notes" section which more fully described the liabilities of the Company with respect to employee benefits, including the pension benefits extended under the Salaried Plan. For example, page 61 of

Catalyst's Annual Report for the year ended December 31, 2008, notes that "the underfunded liability relating to the defined benefit pension plans was \$113.7". Similarly, page 92 of Catalyst's 2007 Annual Report identifies "a total funding deficit of \$99.4 million (2006 - \$93.0 million) in the Company's various defined benefit pension plans". These annual reports certainly would have put a potential creditor on notice that it ought to make further inquiries regarding such unfunded current liabilities.

Affidavit #3 of Deborah Hamman-Trou, Ex. A.
Affidavit #3 of William Sharkey, Ex. B.

78. In addition, the Actuarial Valuation Reports filed with the Superintendent for the years 2003, 2006, 2007 reported solvency deficiencies of \$48,012,056, \$39,326,277, and \$44,651,428, respectively. Similarly, the Company's own estimates, which would have been available as part of the due diligence surrounding the 2016 Notes, reported solvency deficiencies of \$87,759,000 and \$81,417,000 for the years ended December 31, 2008 and December 31, 2009, respectively.

Affidavit #1 of William A. Sharkey, at paras. 31, 34-37.

79. Under these circumstances, holders of the 2016 Notes took their security *subject* to the fact that there was a true trust in favour of Salaried Plan beneficiaries over assets of Catalyst's equal to the solvency deficiency in the Salaried Plan. Their security interest thus could not attach to any of the trust assets.

80. There is no unfairness to holders of the 2016 Notes in reaching such a conclusion. Holders of the 2016 Notes are sophisticated parties with the ability to perform due diligence regarding the Company's outstanding financial obligations, including its obligation to keep separate and apart from the Company's assets an amount equal to the total amount owing to the

Salaried Plan (*i.e.*, the solvency deficiency) and to hold such amounts in trust for beneficiaries of the Salaried Plan. As sophisticated investors, holders of the 2016 Notes were perfectly capable of evaluating the risks that ranking behind the Applicants' trust claim presented and determining whether, and on what terms, to lend to the Company based on such risk assessments.

81. In ordinary circumstances, the second consequence of the existence of a true trust in favour of beneficiaries of the Salaried Plan is that assets equal to the amount of the solvency deficiency as of the date of the *CCAA* proceedings (at which point the stay came into effect) would form no part of Catalyst's estate in these *CCAA* proceedings and would therefore not be available for distribution to any other parties except for the trustee or beneficiaries of the Salaried Plan.

82. However, in this case, as part of the negotiations to obtain the Debtor-in-Possession financing near the beginning of the *CCAA* proceedings, the trust claim of beneficiaries of the Salaried Plan was subordinated upon consent of the Applicants, Catalyst, the Superintendent, holders of the 2016 Notes to certain creditors, such as the Debtor-in-Possession lender (the "DIP lender"), by virtue of paragraph 55 of the Amended and Restated Initial Order (as amended). As a consequence, the Applicants' claim to the funds held in trust ranks below the Charges listed in paragraph 55 of the Amended and Restated Initial Order (as amended). There can be no doubt, however, that except to the extent that the rights of the Applicants have been contractually subordinated to the Charges listed in paragraph 55, the Applicants have a true trust over assets of Catalyst equal to the amount of the solvency deficiency and that such assets form no part of Catalyst's estate in this proceeding and are not available for distribution to any parties other than the holders of the Charges listed in paragraph 55.

83. Accordingly, and for the reasons set out at paragraphs 37 to 83 above, the

Applicant seeks a declaration, *inter alia*, that:

- (a) the solvency deficiency in the amount of \$73,482,585 as identified on the record date of the (2010) Actuarial Valuation Report, or such other amount as this Court may determine constitutes the solvency deficiency, is owing by the Petitioners and/or any related party of the Petitioners (collectively, "Catalyst" or the "Company") to the Salaried Plan, and is subject to an actual or a deemed trust for the benefit of the beneficiaries of the Salaried Plan pursuant to the terms of the Salaried Plan; and
- (b) an amount equal to the solvency deficiency forms no part of Catalyst's estate and/or the claim of beneficiaries to an amount equal to the solvency deficiency ranks in priority to the claims of any unsecured or secured creditors of Catalyst, subject to the charges in paragraph 55 of the Amended and Restated Initial Order (as amended); and
- (c) in the event that the Stalking Horse Purchase Agreement ("SHPA") is approved, and amount equal to the solvency deficiency must be paid by the purchaser (the "Stalking Horse Purchaser") into the fund for the Salaried Plan in cash upon closing pursuant to Section 2.2(a) of the SHPA; and/or
- (d) in the event that Catalyst's assets are sold to a third party other than the Stalking Horse Purchaser, an amount equal to the solvency deficiency must be paid into the fund of the Salaried Plan by Catalyst, or from the assets of Catalyst, or by the

purchaser, as the case may be, in priority to the claims of any unsecured or secured creditors of Catalyst.

F. **Argument #2: In the Alternative, Assets of Catalyst Equal to Solvency Deficiency Were Deemed to be Held in Trust for Pension Beneficiaries Pursuant to the PBSA From the Review Date That First Established the Solvency Deficiency**

84. In the alternative, if the Court concludes that Section 1.9.2 did not create a true trust, assets of Catalyst in the amount of the entire solvency deficiency were deemed to be held in trust for pension beneficiaries pursuant so section 43.1 of the *PBSA* from the review date when the solvency deficiency was first identified (December 31, 2003). The *PBSA* deemed trust operated like a floating charge until the *CCAA* filing on January 31, 2012, at which point it crystallized and attached to all of the assets owned by Catalyst on that date, in priority to the claims of all unsecured creditors of Catalyst, and secured creditors whose security interest attached to Catalyst's assets after the deemed trust first came into existence.

1. **The PBSA Deemed Trust is Valid in CCAA Proceedings**

85. Section 43.1(1) of the *PBSA* provides that an employer must keep separate and apart from the employer's own assets, *inter alia*, "all contributions that are due or owing to the pension plan by the employer". Section 43.1(2) goes further and provides that "the amounts referred to in subsection (1) are *deemed to be held in trust* for members of the pension plan, former members, and any other persons entitled to pension benefits, refunds or other payments under the plan . . ."

86. Section 43.1(3) addresses the operation of the deemed trust in the context of a *CCAA* proceeding. It provides, *inter alia*, that "if there is, in respect of an employer, a proceeding (a) under the Companies Creditors Arrangement Act (Canada) . . . an amount equal

to the amounts deemed to be held in trust under subsection (2) is deemed to be separate and apart and form no part of the estate of the employer, whether or not that amount has in fact been kept separate and apart from the employer's own assets or from the assets of the estate."

87. The statutory deemed trust created by s. 43.1 of the *PBSA* is a legitimate exercise of the provincial power over property and civil rights, and is similar in nature to a statutory deemed trusts created by many other provincial statutes. As Cory, J. (dissenting, but not on this point), explained in *British Columbia v. Henfrey Samson Belair* ("*Henfrey Samson*"):

37 There are a number of provincial statutory provisions which create trusts. This type of legislation is common to a wide range of statutes that may benefit employees, purchasers of insurance, payers of health and insurance and many others who lack the organization or bargaining power to establish a trust for themselves. See for example, Pension Benefits Act, S.O. 1987, c. 35, s. 58; Insurance Act, R.S.O. 1980, c. 218, s. 359; Health Insurance Act, R.S.O. 1980, c. 197, s. 18; Builders' Lien Act, R.S.A. 1980, c. B-12, s. 16.1; Construction Lien Act, S.O. 1983, c. 6, s. 7; Business Corporations Act, S.A. 1981, c. B-15, s. 191(1); Employment Standards Act, R.S.A. 1980, c. E-10.1, s. 113; Insurance Act, R.S.A. 1980, c. I-5, s. 123(1); Real Estate Agents' Licensing Act, R.S.A. 1980, c. R-5, s. 14, and Health Insurance Premiums Regulation, Alta. Reg. 217/81.

38 This Court has held that a province may, to further and protect a principle of social policy, create a statutory trust. In *John M. M. Troup Ltd. v. Royal Bank of Canada*, [1962] S.C.R. 487, at p. 494, the trust provisions of The Mechanics' Lien Act, R.S.O. 1950, c. 227, (now the Construction Lien Act) were found to be validly enacted. The statutory trusts referred to above provide needed protection for their beneficiaries and forward salutary social objectives which the provinces have jurisdiction to pursue.

British Columbia v. Henfrey Samson Belair Ltd., [1989] 2 S.C.R. 24, at paras. 37-38.

88. There can be no doubt that provincial statutory provisions that create trusts are valid and effective to create trusts in the ordinary course of business, outside of the bankruptcy and insolvency context. Provincial statutory deemed trusts such as the *PBSA* also continue to apply in federally regulated bankruptcy and insolvency proceedings, absent an express finding

that it is impossible to comply with both the provincial legislation and the applicable federal laws, or that applying the provincial law would frustrate the purpose of the federal law(s).

See, e.g., *Ward-Price v. Mariners Haven Inc.*, (2001), 57 O.R. (3d) 410 (Ont. C.A.).

Indalex, supra, at para. 177.

89. There is nothing in the *CCAA* that excludes the operation of the *PBSA* deemed trust. Section 37(1) of the *CCAA* (formerly section 18.3(1)) explicitly addresses the interaction between the *CCAA* and statutory deemed trusts. It provides that:

37. (1) Subject to subsection (2), despite any provision in federal or provincial legislation that has the effect of deeming property to be held in trust for Her Majesty, property of a debtor company shall not be regarded as being held in trust for Her Majesty unless it would be so regarded in the absence of that statutory provision.

[emphasis added]

90. By its express terms, Section 37(1) only overrides deemed trusts in favour of Her Majesty. This provision does not mention provincial deemed trusts for unpaid pension contributions—indeed, there is no mention of such deemed trusts anywhere in the *CCAA*. The fact that section 37(1) is expressly limited in application to deemed trusts in favour of Her Majesty provides clear evidence that Parliament did not intend to limit the authority of a *CCAA* judge to order that property of the debtor is held in trust for pension beneficiaries pursuant to provincial deemed trust legislation such as section 43.1 of the *PBSA*.

91. Moreover, as the Supreme Court of Canada acknowledged in *Century Services, supra*, the *CCAA* “underwent a substantial review in 2005” and Parliament amended many provisions of the *CCAA*. Despite that review and the numerous amendments subsequently made to the *CCAA*, there was no amendment made to exclude a deemed trust for unpaid pension contributions from applying in *CCAA* proceedings. If Parliament had intended to nullify the

application of provincial deemed trusts for unpaid pension contributions in *CCAA* proceedings, it would have done so with the package of amendments to the *CCAA* in 2005.

Century Services, supra, at para. 54.

92. Absent evidence that it would be impossible to comply with both the *CCAA* and the *PBSA* or that enforcement of the *PBSA* deemed trust would frustrate the purposes of the *CCAA*, of which there is none in this case, the *PBSA* deemed trust is valid and operative in the context of these *CCAA* proceedings.

2. Pursuant to Section 43.1 of PBSA, the Solvency Deficiency Was “Owing” and Was Deemed to Be Held in Trust for Beneficiaries of the Salaried Plan From the Review Date That First Established the Solvency Deficiency.

93. As noted above, the *PBSA* deemed trust applies to “all contributions that are *due* or *owing* to the pension plan by the employer”. The interpretation of this provision is an issue of first impression for the courts. As such, the ordinary principles of statutory interpretation apply:

Today there is only one principle or approach, namely, the words of an Act are to be read in their entire context and in their grammatical and ordinary sense harmoniously with the scheme of the Act, the object of the Act, and the intention of Parliament.

ATCO Gas & Pipelines Ltd. v. Alberta (Energy & Utilities Board), 2006 SCC 4 (citing Driedger, Elmer A., *Construction of Statutes*, 2nd ed. (Toronto:1983), at p. 87).

94. Neither the *PBSA* nor the Regulations thereto define the terms “due” or “owing”, as used in section 43.1(1) of the Act. As was noted above, however, money is generally considered to be “due” at the time the payment is required to be made, and money is generally considered to be “owing” after the liability to pay the money has come into existence and the money remains unpaid, whether it is due or not.

95. Further noted above, the *PBSA* and the Regulations require an employer to prepare AVRs every three years to determine whether there is an unfunded liability, including a solvency deficiency, in a pension plan. If a solvency deficiency is found, the employer is obligated to make quarterly payments to amortize such deficiency over a five year period. The five year amortization period is, in effect, a grace period: the entire solvency deficiency is in effect a debt that is owing from the employer to the pension plan from the moment it is identified, but the employer need not pay it in a single installment up front but may instead spread the payments over five years. Thus, we submit that the most reasonable construction of the phrase “contributions that are due or owing” is that this phrase was intended to capture any contributions that have become “due” to the pension fund (*i.e.*, normal cost contributions and quarterly special payments whose due date for payment has arrived), as well as any amounts that the Company has become legally obligated to contribute to the Salaried Plan in order to ensure that it is capable of providing the promised benefits, whether or not the due date for making such a contributions has arrived. The latter category of payments would include the entire solvency deficiency. Accordingly, the solvency deficiency was “owing” to the Salaried Plan from the review date upon which it was first identified (*i.e.*, December 31, 2003).

3. The PBSA Deemed Trust Operated Like a Floating Charge

96. The fact that the trust is deemed to have been in existence since the review date when it was first identified (December 31, 2003) does not mean that Catalyst could not thereafter deal with its property in the ordinary course unless it had set aside assets in an amount equal to the amount deemed to be held in trust. Rather, as the Supreme Court of Canada explained in *First Vancouver Finance v. M.N.R.* (“*First Vancouver Finance*”), in the context of discussing the statutory deemed trust under s. 227(4.1.) of the federal *Income Tax Act*, which is similar in

concept to the statutory deemed trust under the *PBSA*, a statutory deemed trust is similar in principal to a floating charge over all of the debtor's assets in favour of the beneficiary of the trust:

In my view, the scheme envisioned by Parliament in enacting ss. 227(4) and 227(4.1) is that the deemed trust is in principle similar to a floating charge over all the assets of the tax debtor in the amount of the default. As noted above, the trust has priority from the time the source deductions are made, and remains in existence as long as the default continues. However, the trust does not attach specifically to any particular assets of the tax debtor so as to prevent their sale. As such, the debtor is free to alienate its property in the ordinary course, in which case the trust property is replaced by the proceeds of sale of such property.

First Vancouver Finance, [2002] 2 S.C.R. 720, at para 40.

97. Prior to the occurrence of an event that triggers the attachment of the deemed trust, the deemed trust operates like a floating charge and does not attach specifically to any particular assets of the debtor to prevent their sale. Rather, the debtor is free to alienate its property in the ordinary course, in which case the trust property is replaced by the proceeds of sale.

Ibid.

See also *Royal Bank of Canada v. Sparrow Electric Corp.*, [1997] 1 S.C.R. 411 (Gonthier, J., dissenting but not on this issue), at paras. 28-37 ("*Sparrow*").

98. The Supreme Court of Canada discussed the concept of attachment or crystallization of a deemed trust, as well as the effect that crystallization has upon priorities between beneficiaries of the trust and other creditors, in *Sparrow*, *supra*. In *Sparrow*, the Court was interpreting the former ss. 227(4) and 227(5) of the *Income Tax Act* ("*ITA*")². Those sections provided that:

² This provision has since been amended.

227(4) Every person who deducts or withholds any amount under this Act shall be deemed to hold the amount so deducted or withheld in trust for Her Majesty.

227(5) Notwithstanding any provision of the Bankruptcy and Insolvency Act, in the event of any liquidation, assignment, receivership or bankruptcy of or by a person, an amount equal to any amount

(a) deemed by subsection (4) to be held in trust for Her Majesty . . .

shall be deemed to be separate and apart from and form no part of the estate in liquidation, assignment, receivership or bankruptcy, whether or not that amount has in fact been kept separate and apart from the person's own moneys or from the assets of the estate.

99. In *Sparrow*, Gonthier J. (in dissenting reasons, but not on this issue) explained the effect of the former s. 227(5), as follows:

31 In my view, this section is designed to, upon liquidation, assignment, receivership or bankruptcy, seek out and attach Her Majesty's beneficial interest to property of the debtor which at that time is in existence. The trust is not in truth a real one, as the subject matter of the trust cannot be identified from the date of creation of the trust: D. W. M. Waters, *The Law of Trusts in Canada* (2nd ed. 1984), at p. 117. However, s. 227(5) has the effect of revitalizing the trust whose subject matter has lost all identity. This identification of the subject matter of the trust therefore occurs *ex post facto*. In this respect, I agree with the conclusion of Twaddle J.A. in *Roynat, supra*, where he states the effect of s. 227(5) as follows, at p. 647: "Her Majesty has a statutory right of access to whatever assets the employer then has, out of which to realize the original trust debt due to Her".

...

34 It is to be observed that in addition to attaching Her Majesty's interest to the debtor's property upon the triggering of any of the events mentioned in s. 227(5), the deemed trust operates to the benefit of Her Majesty in a secondary manner. Namely, s. 227(5) permits Her Majesty's interest to attach to collateral which is subject to a fixed charge if the deductions giving rise to Her Majesty's claim arose before that charge attached to that collateral. This proposition flows from the decision of this Court in *Dauphin Plains, supra*. *Dauphin Plains* involved a determination as to priority in respect of the proceeds of a liquidation sale of a receiver-manager. In that case, the claims of Her Majesty (*inter alia*) arose by virtue of the non-remittance of payroll deductions in regard to payments under the *Canada Pension Plan*, R.S.C. 1970, c. C-5, and the *Unemployment Insurance Act*, 1971, S.C. 1970-71-72, c. 48. Those Acts provided Her Majesty with claims pursuant to deemed trusts whose language is substantially similar to the version of s. 227(4) and (5) at issue in this appeal. In finding that these claims took precedence over a floating charge which had crystallized after the deductions at issue were actually made, Pigeon J. stated at p. 1199:

It should first be observed that, for reasons similar to those on which the decision in the *Avco* case, *supra*, was based, the claim for Pension Plan and Unemployment Insurance deductions cannot affect the proceeds of

realization of property subject to a fixed and specific charge. From the moment such charge was created, the assets subject thereto, were no longer the property of the debtor except subject to that charge. *The claim for the deductions arose subsequently* and thus cannot affect this charge in the absence of a statute specifically so providing. However, the floating charge did not crystallize prior to the issue of the writ and the appointment of the receiver. In the present case it makes no difference which of the two dates is selected, *both are subsequent to the deductions.* [Emphasis added.]

Thus, s. 227(5) alternatively permits Her Majesty's interest to attach retroactively to the disputed collateral if the competing security interest has attached *after* the deductions giving rise to Her Majesty's claim in fact occurred. Conceptually, the s. 227(5) deemed trust allows Her Majesty's claim to go back in time and attach its outstanding s. 227(4) interest to the collateral before that collateral became subject to a fixed charge. . .

...

36 . . . Similarly, Parliament has clearly sought to protect the collection of unremitted payroll deductions through the device of the statutory deemed trust. Accordingly, s. 227(5) must be interpreted in light of this purpose. To summarize, it operates in a twofold manner: upon the triggering of an event specified in s. 227(5), Her Majesty's beneficial interest (i) attaches to the tax debtor's property then in existence; or (ii) attaches to collateral subject either to a fixed charge, or a crystallized floating charge, if the actual deductions giving rise to Her Majesty's claim occurred before the fixed charge attached, or the floating charge crystallized, respectively.

38 In conclusion, s. 227(5) is a provision designed to minimize the adverse effect upon Her Majesty from the misappropriation of trust funds held by tax debtors on account of their employees' tax payable. The provision contemplates an intermingling of Her Majesty's property with that of a tax debtor's, such that the subject matter of the trust cannot be (or indeed never was) identifiable. To address this conceptual problem, s. 227(5) allows Her Majesty to attach its interest to any property which lawfully belongs to the debtor at the time of liquidation, assignment, receivership or bankruptcy; this property is then deemed to exist "separate" and apart from the tax debtor's estate. The *ITA* thus permits Her Majesty to transfer title in the property from the tax debtor to Herself in order to satisfy the tax debtor's outstanding unremitted payroll obligations.

[Bold and underlining added, italics in original]

Sparrow, supra, at paras. 31, 34, 36, and 38 (Gonthier, J., dissenting but not on this issue).

100. As Gonthier J. explained in this passage, the *ITA* deemed trust crystallized or attached to the debtor's property upon the happening of one of the triggering events specifically identified in section 227(5) of the *ITA*—namely, any liquidation, assignment, receivership or

bankruptcy of the company. The mechanism for crystallization or attachment of the *PBSA* deemed trust is similar. Like section 227(5) of the *ITA*, section 43.1(3) of the *PBSA* identifies certain specific events that trigger the attachment of the deemed trust in respect of unpaid pension contributions. It provides that:

(3) If there is, in respect of an employer, a proceeding

- (a) under the Companies Creditors Arrangement Act (Canada),
- (b) under the Winding-up and Restructuring Act (Canada) or similar provincial legislation,
- (c) in relation to liquidation, receivership or secured creditor enforcement, or
- (d) in relation to insolvency other than under the Bankruptcy and Insolvency Act (Canada),

an amount equal to the amounts deemed to be held in trust under subsection (2) is deemed to be separate and apart and form no part of the estate of the employer, whether or not that amount has in fact been kept separate and apart from the employer's own assets or from the assets of the estate.

[emphasis added]

101. Thus, when Catalyst initiated the present proceedings under the *CCAA*, the deemed trust in respect of all amounts “due or owing” to the Salaried Plan crystallized. From that point forward, the interest of members and beneficiaries of the Salaried Plan in assets in the amount of the solvency deficiency attached to all property of Catalyst then in existence.

4. The Deemed Trust Claim to the Solvency Deficiency Takes Priority Over the 2016 Notes and All Unsecured Creditors

102. The above-quoted passages from *Sparrow* provide guidance regarding the effect of the statutory deemed trust upon priorities as between beneficiaries of the *PBSA* deemed trust and other creditors. In these passages, Gonthier J. made clear that upon the occurrence of a triggering event, Her Majesty’s beneficial interest in the trust would attach to the debtor’s

property then in existence, and also would also attach *retroactively* to collateral that is subject to a fixed charge if the deductions giving rise to Her Majesty's deemed trust claim occurred before the fixed charge attached.

Sparrow, supra, at paras 34, 36 (Gonthier, J., dissenting but not on this issue).

103. The *PBSA* deemed trust operates in a similar manner. That is, upon the occurrence of a triggering event (which, as noted above, was the *CCAA* filing), the pension beneficiaries' interest in the trust attached to Catalyst's property then in existence, and also attached retroactively to collateral that is subject to a fixed charge *if the event giving rise to the deemed trust claim occurred before the fixed charge attached to the collateral*.

104. In *Sparrow*, pursuant to s. 227(4) of the *ITA*, the event that gave rise to the Crown's deemed trust claim was the company's act of deducting income taxes from its employees' paycheques. The *PBSA*, of course, works somewhat differently than the *ITA*. Under the *PBSA* provision that would correspond in effect to s. 227(4) of the *ITA*, section 43.1(1) of the *PBSA*, the event giving rise to the pension beneficiaries' deemed trust claim is the existence of contributions that have become "due or owing" to the Salaried Plan. As discussed above, this event "occurred" (or more accurately, this state of being came into existence) no later than the review date that established a solvency deficiency in the Salaried Plan for the first time—namely, December 31, 2003. From that point forward, as discussed above, the solvency deficiency was "owing" to the Salaried Plan and beneficiaries of the Salaried Plan therefore had a deemed trust claim against Catalyst's assets, in the nature of a floating charge, in the amount of the solvency deficiency, as reflected in the Actuarial Valuation Reports from December 31, 2003 - 2011.

105. Under the logic of *Sparrow*, there can be no doubt that when Catalyst filed for CCAA protection on January 31, 2012, this floating charge attached to Catalyst's assets and thereby became a fixed charge over all such assets then in existence. As a consequence, the Applicants' have a fixed charge over an amount of Catalyst's assets equal to the entire solvency deficiency as of the date of the CCAA filing, which ranks in priority to the claims of any unsecured creditors of Catalyst.

106. Moreover, *Sparrow* makes clear that upon the CCAA filing, this floating charge in respect of the solvency deficiency also attached retroactively to collateral of Catalyst's that as of the date of the CCAA filing was subject to a fixed charge if such fixed charges attached to Catalyst's assets after deemed trust came into existence.

See *Sparrow*, *supra*, at paras. 34, 36 (Gonthier, J., dissenting but not on this issue).

107. In this case, as noted above, the deemed trust arose, at the latest, when the solvency deficiency was first reported to the Superintendent in the 2003 AVR, and the 2016 Notes were perfected (if at all) no earlier than March 2010. Consequently, the 2016 Notes took their security *subject to the Applicants' deemed trust* over an amount of Catalyst's assets equal to the amount of the solvency deficiency in the Salaried Plan, as set out in the 2007 AVR, and rank behind the Applicants' claim to an amount of assets equal to the solvency deficiency as of the date of the CCAA filing, which is the date that the charge crystallized. Further, as of the review date of the next AVR in 2010, the trust reflected a solvency deficiency in the amount of \$73,482,585. The trust as of that date (December 31, 2010) would take priority over all unencumbered assets of the company subject to the security perfected by the 2016 Notes. As the value of the 2016 Notes is already reflected in the balance sheet for 2010, Catalyst had net assets

in the amount of 403.4 million, in order to satisfy a trust in favour of the beneficiaries of the Salaried Plan for the \$73,482,585.00.

108. As noted previously, the SHPA provides (at section 2.2(a)) that the purchase price for Catalyst's assets in the form of a credit bid of an amount of the obligations outstanding under the Senior Secured Notes, *plus* payment in full, in cash or through the assumption of liabilities, by the Stalking Horse Purchaser of various amounts, *including an amount at least equal to "any claims ranking senior in priority the Senior Secured Notes that are or would be payable in the CCAA Cases . . ."*

109. Since it has been established above that the Applicants' claim in respect of the deemed trust ranks in priority to the 2016 Notes (*a.k.a.* the Senior Secured Notes), the Applicants seek an Order from this Court that, in the event that Catalyst's assets are sold to the Stalking Horse Purchaser, the Stalking Horse Purchaser must pay in full, in cash, the total amount of the solvency deficiency in the Salaried Plan as of the date of the CCAA filing (which is the date the Applicants' deemed trust crystallized and attached to Catalyst's assets).

110. Accordingly, and for the reasons set out at paragraphs 84 to 109 above, the Applicant seeks a declaration, *inter alia*, that:

- (a) the solvency deficiency in the amount of \$114,853,400 as identified on the record date of the latest Actuarial Valuation Report (2011), or such other amount as this Court may determine constitutes the solvency deficiency, is subject to a deemed trust for the benefit of the beneficiaries of the Salaried Plan pursuant to section 43.1 of the *Pension Benefits Standards Act*, R.S.B.C. 1996 ("*PBSA*"); and

- (b) an amount equal to the solvency deficiency forms no part of Catalyst's estate and/or the claim of beneficiaries to an amount equal to the solvency deficiency ranks in priority to the claims of any unsecured or secured creditors of Catalyst, subject to the charges in paragraph 55 of the Amended and Restated Initial Order (as amended); and
- (c) in the event that the Stalking Horse Purchase Agreement ("SHPA") is approved, and amount equal to the solvency deficiency must be paid by the purchaser (the "Stalking Horse Purchaser") into the fund for the Salaried Plan in cash upon closing pursuant to Section 2.2(a) of the SHPA; and/or
- (d) in the event that Catalyst's assets are sold to a third party other than the Stalking Horse Purchaser, an amount equal to the solvency deficiency must be paid into the fund of the Salaried Plan by Catalyst, or from the assets of Catalyst, or by the purchaser, as the case may be, in priority to the claims of any unsecured or secured creditors of Catalyst.

G. Argument #3: In the Further Alternative, Assets of Catalyst Equal to Solvency Deficiency Will Be Deemed to be Held in Trust for Pension Beneficiaries Pursuant to the PBSA Upon Termination of the Salaried Plan

111. In the further alternative, if the Court concludes that the entire solvency deficiency is not currently "owing", it will become "due or owing" within 30 days of the termination of the Salaried Plan pursuant to section 51(1) of the *PBSA*. It follows that pursuant to section 43.1 of the *PBSA*, a deemed trust will arise upon termination of the Salaried Plan with respect to the solvency deficiency, and the Applicants' deemed trust claim to the solvency deficiency will take priority over all unsecured creditors. In the present circumstances, in which

it is all but certain that the Salaried Plan will be terminated promptly following any sale of Catalyst's assets but no formal termination has occurred to date, the Court ought not to permit any assets or proceeds of such sale to be distributed to such unsecured creditors as this would unfairly deprive pensioners of the protections that the *PBSA* was designed to afford.

1. The Entire Solvency Deficiency Will Become "Due or Owing" and Subject to a Deemed Trust in Favour of Pension Beneficiaries Upon Termination of the Salaried Plan

112. Section 51(1) of the *PBSA* requires an employer to make certain contributions to a pension plan upon termination of the plan, as follows:

Payments to meet solvency requirements

51 (1) Within 30 days after the termination of a pension plan, the employer must

(a) pay into the plan all amounts for which payment is required by the terms of the plan or this Act, and

(b) without limiting the generality of paragraph (a), make all payments that, by the terms of the plan or this Act,

(i) are due from the employer to the plan but have not been made at the date of the termination, and

(ii) have accrued to the date of termination but that are not yet due.

[emphasis added]

113. The interpretation of this provision is matter of first impression for this Court. We submit that when section 51(1) is read in its entire context and in its grammatical and ordinary sense harmoniously with the scheme and object of the *PBSA* and the intention of the legislature, it is clear that it requires a debtor who is insolvent to pay into a pension plan the entire solvency deficiency within 30 days after the termination of the pension plan.

114. Under subsection 51(1)(a), the employer is required to pay into the plan "all amounts for which payment is required by the terms of the plan or this Act." Section 1.12.5 of

the Salaried Plan, as noted above, requires the employer to make the following solvency deficiency contributions in the event the Salaried Plan is discontinued:

1.12.5 Solvency Deficiency Contributions

In the event the Plan shall be discontinued at any time either in whole, or in part with respect to a specified group of Members only, the Company shall contribute, subject to section 1.9.1, such amounts that would otherwise have been required to meet the tests and standards for solvency, as prescribed by the Applicable Pension Laws, to fund the benefits that have accrued to the date of such discontinuance or partial discontinuance.

[emphasis added]

115. Section 1.12.5 of the Salaried Plan imposes a clear obligation on the Company to contribute such amounts necessary to fund the benefits that have “accrued to the date of such discontinuance”. In this case, the Applicants are all retired Catalyst employees, persons entitled to or in receipt of survivor benefits from the Salaried Plan, and designated beneficiaries of formers members of the Salaried Plan—in other words, none of the Applicants are current employees of Catalyst. Thus, there can be no doubt that all of the benefits that are owed to the Applicants have already “accrued”. This is also consistent with the Ontario Court of Appeal’s decision in *Indalex*, in which the court observed that all plan liabilities (*i.e.*, benefits owed to plan beneficiaries), must be understood to have “accrued” as of the date of discontinuance:

Because the plan liabilities relate to service that was provided up to the wind up date and not beyond, it is clear that all plan liabilities are accrued as of the wind up date. Put another way, no additional liability can accrue following the wind up because all events crystallize on the windup date – all pension benefit accruals by members cease and all amounts that an employer is required to pay into the pension plan are calculated as of the wind up date.

Indalex, supra, at para. 97.

116. Because the solvency deficiency represents the amount by which the liabilities of the plan (*i.e.*, the benefits owed to plan beneficiaries) exceed its assets if it assumed that the plan

is terminated and wound up, it follows that pursuant to Section 1.12.5 of the Salaried Plan, Catalyst was therefore obligated upon discontinuance (*i.e.*, termination) of the Salaried Plan to contribute an amount equal to the entire solvency deficiency calculated as of the date of termination, as that is the amount required to ensure that the plan can pay the promised benefits to all beneficiaries.

117. In addition, or in the alternative, the Company's obligation pursuant to subsection 51(1)(b) to make all payments that are "due . . . but have not been made", and all amounts that have "accrued to the date of termination but that are not yet due" must be construed as including an obligation to pay the entire solvency deficiency because, as noted in *Indalex*, all liabilities are accrued as of the date of termination of the plan and no additional liability can accrue thereafter.

118. Thus, pursuant to section 51(1), Catalyst will be required to pay the entire solvency deficiency into the Salaried Plan within 30 days of termination of the Salaried Plan. This payment is "due" 30 days after the termination date. During the 30 day period between the termination date and the due date for the payment, the payment will be "owing" within the meaning of section 43.1(1) of the *PBSA* because the obligation to make the payment will have come into existence by that point, notwithstanding the fact that the payment is not due for another 30 days. Accordingly, pursuant to section 43.1, a deemed trust will arise with respect to the entire solvency deficiency immediately upon termination of the Salaried Plan.

2. The Deemed Trust Arising Upon Termination of the Salaried Plan Will Give Salaried Plan Beneficiaries Priority Over All Unsecured Creditors

119. The deemed trust that will arise upon termination of the Salaried Plan will crystallize immediately and attach to all assets of Catalyst then in existence, creating a fixed

charge over such assets that ranks in priority to the interests of any unsecured creditors as of that date.

See *Sparrow*, *supra*, at para. 34.

3. The Purposes of the *PBSA* Will Be Defeated If the Court Permits Proceeds of Any Sale of Catalyst's Assets to Be Distributed To Unsecured Creditors Prior To Formal Termination of the Salaried Plan

120. As set forth above, it is clear that upon termination of the Salaried Plan, pension beneficiaries will have a deemed trust claim to the solvency deficiency that would defeat all unsecured creditors. Under the unique circumstances of this case, however, the protections that the statutory deemed trust was intended to provide to pensioners are at risk of becoming illusory as a result of the Company's choice to delay termination of the Salaried Plan until after the sale of substantially all of its assets to a third party.

121. It is all but certain that promptly following any sale of Catalyst's assets, the Salaried Plan will be terminated, thereby triggering Catalyst's obligation to pay the solvency deficiency into the Salaried Plan and the *PBSA* deemed trust. Under the form of the SHPA that was approved by this Court, the Stalking Horse Purchaser does not intend to assume liability for the Salaried Plan. Furthermore, there is no basis to believe that any other purchaser will make superior offer to acquire Catalyst's assets that will include assumption of the liability for the Salaried Plan, given that a purchaser is under no obligation to assume such liability.

122. Although termination of the Salaried Plan appears to be an almost inevitable result of the current sales process, Catalyst has not yet taken any steps to formally terminate the Salaried Plan. Absent Court intervention, a sale of Catalyst's assets may therefore proceed before the Salaried Plan is terminated, such that a pool of money may become available for

distribution to Catalyst's unsecured creditors before the Salaried Plan is terminated (and therefore before the *PBSA* deemed trust crystallizes). If these proceeds are distributed to Catalyst's unsecured creditors before the Salaried Plan is terminated, and therefore before the Applicants' deemed trust claim crystallizes, there will be no funds or assets remaining in Catalyst after such distribution to put towards the solvency deficiency. In short, pensioners will be left with nothing to satisfy the shortfall in the Plan. Thus, the effect of Catalyst's present delay in terminating the Salaried Plan is to elevate the claims of unsecured creditors above those of pensioners, which eviscerates the protections that the *PBSA* deemed trust was intended to provide in *CCAA* proceedings³.

123. One of the purposes of the statutory deemed trust is to protect the rights of pension beneficiaries. Moreover, it is apparent from section 43.1(3) of the *PBSA* that this protection was specifically intended to apply in *CCAA* proceedings. Under the circumstances, the Court in its role as the steward of the present *CCAA* proceedings ought to exercise its discretion to order that no assets or proceeds may be distributed to unsecured creditors prior to formal termination of the Salaried Plan and crystallization of this deemed trust claim (unless there has been a material change in circumstances and a purchaser of Catalyst's assets has committed to maintaining the Salaried Plan such that the imminent termination of the Salaried Plan is no longer a likely result).

124. The Court has the jurisdiction to make the requested orders pursuant to Section 11 of *CCAA*, which provides that:

(11) Despite anything in the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act*, if an application is made under this Act in respect of a debtor

³ This argument assumes that the Court has rejected our primary argument

company, the court, on the application of any person interested in the matter, may, subject to the restrictions set out in this Act, on notice to any other person or without notice as it may see fit, make any order that it considers appropriate in the circumstances.

[emphasis added]

125. It is well established that the grant of discretion afforded by the *CCAA* is to be interpreted expansively, to enable courts to address problems in a flexible manner. Furthermore, the case law makes clear that in exercising such discretion, the Court must be cognizant of the various interests at stake in the reorganization process, which can extend beyond those of the debtor and creditors to include employees, directors, shareholders, and various other parties including pensioners.

Century Services Inc., supra, at paras. 57-70.

Canadian Airlines Corp, Re, 2000 ABQB 441, at para. 144.

Air Canada, Re., 28 C.B.R. (5th) 52 (Ont. S.C.J.) at para. 13.

126. In this case, the *PBSA* deemed trust is valid and enforceable in a *CCAA* proceedings, and nothing in the *CCAA* restricts the Court's ability to make the orders sought here. Moreover, the *Indalex* case lays a strong foundation for the Court to exercise its s. 11 discretion in the manner requested. In *Indalex*, the Court was similarly faced with a situation where the deemed trust arising upon wind up of a pension plan had not yet crystallized because one of the pension plans at issue had not been wound up at the relevant time due to *Indalex*'s own inaction, even though it was clear that the plan would be wound up. In that context, the Ontario Court of Appeal acknowledged the unfairness that would result if the deemed trust claim of pensioners was not protected:

[110] Are the unpaid liability payments owing to the Executive Plan also subject to the s. 57(4) deemed trust? The Former Executives, Superintendent and Morneau all contend that they are. On the plain wording of s. 57(4), I find it difficult to accept this argument – the introductory words of the provision speak to “where a pension plan is wound up”. In other words, wind up of the pension plan appears to be a

requirement for s. 57(4) to apply. If that is so, no deemed trust could arise unless and until a plan wind up occurred. As has been noted, the Executive Plan had not been wound up at the relevant time.

[111] Having said this, I am troubled by the notion that Indalex can rely on its own inaction to avoid the consequences that flow from wind up. In its letter of July 13, 2009, counsel for the Monitor confirmed that the Executive Plan would be wound up. Indeed, the CCAA judge acknowledged that the material filed with the court showed an intention on the part of the Applicants to wind up the plan. If the deemed trust does not extend to the Executive Plan, in the circumstances of this case, it appears that the result would be a triumph of form over substance.

127. In the end, the Court in *Indalex* found it was unnecessary to decide whether the deemed trust applied to the wind-up deficiency in the plan that had not been formally terminated as liability was found on another basis, but the Court's discussion above suggests that it would have been inclined to so hold in order to avoid an unjust outcome for pensioners.

128. Here, too, to rely on the fact that the Salaried Plan has not yet been terminated to defeat the Applicants' deemed trust claim even though the imminent termination of the Salaried Plan is all but certain would be a triumph of form over substance and would undermine the purposes of the *PBSA*. The Court, as the steward of these *CCAA* proceedings, ought not to countenance such a result.

129. For these reasons, the Court ought to issue an Order that the deemed trust arising upon termination of the Salaried Plan ranks in priority to all unsecured creditors of Catalyst, and that no assets or sale proceeds may be distributed to unsecured creditors until after Catalyst has paid the entire solvency deficiency into the Salaried Plan (unless there is a material change in circumstances whereby a purchaser commits not to terminate the Salaried Plan, such that a termination of the Salaried Plan and the corresponding crystallization of the *PBSA* deemed trust claim to the entire solvency deficiency is no longer imminent).

130. Accordingly, and for the reasons set out at paragraphs 112 to 130 above, the Applicant seeks a declaration, *inter alia*, that:

- (a) upon failure of the Plan of Arrangement, or in the alternative upon termination of the Salaried Plan, the solvency deficiency became or will become owing by Catalyst to the Salaried Plan within the meaning of section 43.1 of the *PBSA* and thereby became or will become subject to a deemed trust for the benefit of beneficiaries of the Salaried Plan; and
- (b) an amount equal to the solvency deficiency forms no part of Catalyst's estate and/or the claim of beneficiaries of the Salaried Plan to an amount equal to the solvency deficiency ranks in priority to the claims of any unsecured creditors of Catalyst and any secured creditors (if any) whose security interests were perfected after the failure of the Plan of Arrangement, subject to the charges in paragraph 55 of the Amended and Restated Initial Order.

H. **Alternative Argument #4: In the Further Alternative, Section 51(1) of the PBSA At Minimum Creates a Debt In the Amount of the Solvency Deficiency Which Ranks Equally to All Unsecured Creditors**

131. If the Court rejects all of the above arguments, we submit in the further alternative that at the very least, Section 51(1) of the *PBSA* requires the Company to pay the entire solvency deficiency into the Salaried Plan within 30 days of termination of the Salaried Plan and that this creates a debt claim that is provable in these *CCAA* proceedings and would be provable in any future bankruptcy proceedings under the *BIA*. Although the obligation to pay the entire solvency deficiency is contingent in that it will be triggered only upon termination of the Salaried Plan,

such a contingent future liability is a provable "claim" within the meaning of the *CCAA* and the *BIA*.

CCAA, s. 2(1)
BIA, .S.C. 1985, c. B-3, ss. 2(1) and 121(1)
 Lloyd W. Houlden, Geoffrey B. Morawetz & Janis P. Sarra, *The 2012 Annotated Bankruptcy and Insolvency Act* (Thomson Reuters, Toronto: 2011) at G§36-37.

132. At minimum, therefore, the Applicants have an unsecured debt claim against Catalyst for the entire solvency deficiency, which would rank *pari passu* with all other unsecured claims with respect to any distributions of assets or proceeds in these *CCAA* proceedings or any future bankruptcy proceedings (although no bankruptcy proceedings have been initiated to date).

133. Accordingly, and for the reasons set out at paragraphs 132 to 133 above, the Applicant seeks a declaration, *inter alia*, that:

- (a) upon failure of the Plan of Arrangement, or in the alternative, termination of the Salaried Plan, the solvency deficiency became or will become a debt of Catalyst pursuant to section 51(1) of the *PBSA*; and
- (b) beneficiaries of the Salaried Plan have an unsecured claim against Catalyst in the amount of the solvency deficiency.

PART IV – ORDERS REQUESTED

134. The Applicant seeks a declaration, *inter alia*, that:

- (a) the solvency deficiency in the amount of \$73,482,585 as identified on the record date of the 2010 Actuarial Valuation Report, or such other amount as this Court may determine constitutes the solvency deficiency, is owing by the Petitioners

and/or any related party of the Petitioners (collectively, "Catalyst" or the "Company") to the Salaried Plan, and is subject to an actual or a deemed trust for the benefit of the beneficiaries of the Salaried Plan pursuant to the terms of the Salaried Plan; and

- (b) an amount equal to the solvency deficiency forms no part of Catalyst's estate and/or the claim of beneficiaries to an amount equal to the solvency deficiency ranks in priority to the claims of any unsecured or secured creditors of Catalyst, subject to the charges in paragraph 55 of the Amended and Restated Initial Order (as amended); and
- (c) in the event that the Stalking Horse Purchase Agreement ("SHPA") is approved, and amount equal to the solvency deficiency must be paid by the purchaser (the "Stalking Horse Purchaser") into the fund for the Salaried Plan in cash upon closing pursuant to Section 2.2(a) of the SHPA; and/or
- (d) in the event that Catalyst's assets are sold to a third party other than the Stalking Horse Purchaser, an amount equal to the solvency deficiency must be paid into the fund of the Salaried Plan by Catalyst, or from the assets of Catalyst, or by the purchaser, as the case may be, in priority to the claims of any unsecured or secured creditors of Catalyst.

135. In the alternative, a declaration that:

- (a) the solvency deficiency in the amount of \$114,853,400 as identified on the record date of the latest Actuarial Valuation Report (2011), or such other amount as this Court may determine constitutes the solvency deficiency, is subject to a deemed

trust for the benefit of the beneficiaries of the Salaried Plan pursuant to section 43.1 of the *Pension Benefits Standards Act*, R.S.B.C. 1996 ("*PBSA*"); and

- (b) an amount equal to the solvency deficiency forms no part of Catalyst's estate and/or the claim of beneficiaries to an amount equal to the solvency deficiency ranks in priority to the claims of any unsecured or secured creditors of Catalyst, subject to the charges in paragraph 55 of the Amended and Restated Initial Order (as amended); and
- (c) in the event that the Stalking Horse Purchase Agreement ("SHPA") is approved, an amount equal to the solvency deficiency must be paid by the purchaser (the "Stalking Horse Purchaser") into the fund for the Salaried Plan in cash upon closing pursuant to Section 2.2(a) of the SHPA; and/or
- (d) in the event that Catalyst's assets are sold to a third party other than the Stalking Horse Purchaser, an amount equal to the solvency deficiency must be paid into the fund of the Salaried Plan by Catalyst, or from the assets of Catalyst, or by the purchaser, as the case may be, in priority to the claims of any unsecured or secured creditors of Catalyst.

136. In the further alternative, a declaration that:

- (a) upon failure of the Plan of Arrangement, or in the alternative upon termination of the Salaried Plan, the solvency deficiency became or will become owing by Catalyst to the Salaried Plan within the meaning of section 43.1 of the *PBSA* and thereby became or will become subject to a deemed trust for the benefit of beneficiaries of the Salaried Plan; and

- (b) an amount equal to the solvency deficiency forms no part of Catalyst's estate and/or the claim of beneficiaries of the Salaried Plan to an amount equal to the solvency deficiency ranks in priority to the claims of any unsecured creditors of Catalyst and any secured creditors (if any) whose security interests were perfected after the failure of the Plan of Arrangement, subject to the charges in paragraph 55 of the Amended and Restated Initial Order.

137. In the further alternative, a declaration that:

- (a) upon failure of the Plan of Arrangement, or in the alternative, termination of the Salaried Plan, the solvency deficiency became or will become a debt of Catalyst pursuant to section 51(1) of the *PBSA*; and
- (b) beneficiaries of the Salaried Plan have an unsecured claim against Catalyst in the amount of the solvency deficiency.

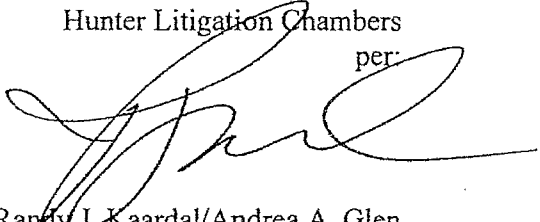
138. If necessary, an Order amending the Amended and Restated Initial Order dated February 3, 2012, as amended, to provide for the relief in paragraphs 135 to 138 herein.

139. Such further relief as counsel may advise and this Honourable Court may grant.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 20th day of June, 2012.

Hunter Litigation Chambers

per:



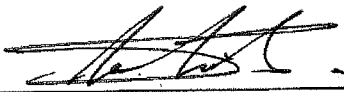
Randy L. Kaardal/Andrea A. Glen

This is **Exhibit "V"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

A Commissioner for the taking Affidavits for
British Columbia

PROVINCE OF BRITISH COLUMBIA
ORDER OF LIEUTENANT GOVERNOR IN COUNCIL

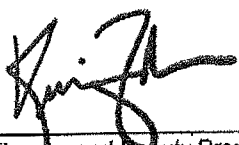
Order in Council No. **458**, Approved and Ordered **JUN 22 2012**



Lieutenant Governor

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that, effective September 1, 2012, the Pension Benefits Standards Regulation, B.C. Reg. 433/93, is amended as set out in the attached Appendix.



Minister of Finance and Deputy Premier



Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: Pension Benefits Standards Act, R.S.B.C. 1996, c. 352, s. 74 (2) and (4.2)

Other: OIC 1716/93

June 19, 2012

APPENDIX

1 Section 3 of the Pension Benefits Standards Regulation, B.C. Reg. 433/93, is amended by adding the following subsection:

(15) The following are exempt from the provisions of the Act and this regulation as set out in Schedule 1.2 in respect of a defined benefit provision of the Catalyst Paper Corporation Retirement Plan for Salaried Employees, with the registration number P085400-1, to the extent and on the conditions specified in that Schedule:

- (a) the Catalyst Paper Corporation Retirement Plan for Salaried Employees, with the registration number P085400-1;
- (b) the employer who, under the Act, is required to make contributions to the plan referred to in paragraph (a);
- (c) members and former members of the plan referred to in paragraph (a).

2 The following Schedule is added:

SCHEDULE 1.2

(section 3 (15))

Definitions

1 In this Schedule:

- "2012 actuarial valuation report"** means the actuarial valuation report referred to in section 6 (a);
- "employer"** means the employer who, under the Act, is required to make contributions to the plan;
- "former member"** means a former member under a defined benefit provision of the plan;
- "member"** means a member under a defined benefit provision of the plan;
- "plan"** means the Catalyst Paper Corporation Retirement Plan for Salaried Employees, with the registration number P085400-1;
- "special portability election"** means an election contemplated by section 6 (b) (i) or (iii), as applicable;
- "transfer"** means a transfer in respect of a person who makes a special portability election, in the amount of the product of the commuted value of that person's benefits under a defined benefit provision of the plan as at December 31, 2012 and the solvency ratio of the plan as identified in the 2012 actuarial valuation report.

Application of exemptions

2 The exemptions made under sections 3 to 5

- (a) are made on all of the conditions set out in section 6, and

- (b) apply only to the extent to which they are necessary for a member, former member or a surviving spouse of a deceased former member to make, and for the plan to give effect to, a special portability election.

Exemption of employer

- 3 The employer is exempt from section 59 (1) (a) of the Act.

Exemption of members and former members

- 4 Members and former members who make a special portability election are exempt from the following:
 - (a) section 30 (1) (b) of the Act;
 - (b) the prohibition in section 63 (1) (a) of the Act against assigning, charging, alienating or anticipating benefits;
 - (c) section 63 (2) of the Act to the extent that it would render an assignment, charge, alienation or anticipation of benefits void;
 - (d) section 63 (4) and (5) of the Act.

Exemption of plan

- 5 The plan is exempt from the following:
 - (a) sections 30 (1) (b) and (3), 32 (1), (2) and (3) and 63 (4) and (5) of the Act;
 - (b) sections 12 (1) (t), 15 (1) (f.1) and 25 (7) and (9) of this regulation.

Conditions of exemptions

- 6 The conditions on which the exemptions in sections 3 to 5 are made are as follows:
 - (a) the administrator files with the superintendent, on or before April 30, 2013, an actuarial valuation report concerning the plan with a review date of December 31, 2012;
 - (b) the employer amends the plan to provide for the following:
 - (i) a former member or a surviving spouse of a deceased former member who has a present or future entitlement to benefits under a defined benefit provision of the plan may elect in writing for the plan to make a transfer, as a full and final settlement of those benefits, in an amount equal to the product of
 - (A) the commuted value of the benefits as at December 31, 2012, and
 - (B) the solvency ratio of the plan as identified in the 2012 actuarial valuation report;
 - (ii) the amount received by a former member or a surviving spouse of a deceased former member under subparagraph (i) must be transferred in accordance with section 33 (2) and (2.1) of the Act in the manner and to the extent prescribed under section 33 (1) of the Act, as if section 33 (1) (a) and (b) of the Act applied;
 - (iii) a member who is entitled to benefits under a defined benefit provision of the plan may elect in writing for the plan to make a transfer, as a full and final settlement of those benefits, to the credit

of the member under the defined contribution provision of the plan, in an amount equal to the product of

- (A) the commuted value of the benefits under a defined benefit provision of the plan as at December 31, 2012, and
 - (B) the solvency ratio of the plan as identified in the 2012 actuarial valuation report;
- (iv) a person who makes a special portability election as contemplated by subparagraph (i) or (iii) may, within 30 days of receiving the information set out in section 8, rescind the election in writing and on the receipt of the rescission by the administrator, the person continues to be entitled to benefits under a defined benefit provision of the plan;
 - (v) if a member or a former member has a spouse or former spouse who is entitled to a benefit that would be affected by a special portability election by the member or former member, the member or former member must obtain the written consent of the spouse or former spouse, in Form 7 of Schedule 2 of this regulation, before the employer may give effect to the special portability election;
 - (vi) if a former member dies after making a special portability election but before the transfer in respect of that person is made, the transfer must instead be made to the surviving spouse of the former member or, if there is no surviving spouse, to the designated beneficiary of the former member or to the personal representative of the estate of the former member in his or her representative capacity if there is no valid designation of beneficiary;
 - (vii) if the surviving spouse of a deceased former member dies after making a special portability election but before the transfer in respect of that person is made, the transfer must instead be made to the spouse's designated beneficiary or, if there is no beneficiary living, to the spouse's estate;
- (c) that a member, former member or a surviving spouse of a deceased former member who makes an election referred to in paragraph (b) (i) or (iii) includes in the election an acknowledgement in writing that the election is made as a full and final settlement of his or her benefits;
 - (d) the employer enters into a contract with every member, former member or surviving spouse of a deceased former member who makes a special portability election, on or before the date a transfer is made in respect of that person, to pay to that person, or, if the member or former member dies after entering into the contract, to pay to the surviving spouse, if any, of the member or former member, an aggregate amount equal to 8% of the commuted value of the person's benefits, determined as at December 31, 2012, in equal payments made at least quarterly, beginning July 1, 2013 and ending on April 1, 2017;
 - (e) on or before October 31, 2012, the administrator provides to members, former members and surviving spouses of deceased former members the information set out in section 7;

- (f) within 30 days of filing the 2012 actuarial valuation report, the administrator provides to members, former members and surviving spouses of deceased former members who have made a special portability election the information set out in section 8;
- (g) within 30 days of receiving the information set out in section 8, a member or former member who has a spouse or former spouse who is entitled to a benefit that would be affected by a special portability election by the member or former member, the member or former member obtains, and the administrator receives, the written consent of the spouse or former spouse, in Form 7 of Schedule 2 of this regulation;
- (h) the employer pays for advice to a person who is eligible to make a special portability election by a Fellow of the Canadian Institute of Actuaries or a Certified Financial Planner selected by the administrator in consultation with the Catalyst-TimberWest Retired Salaried Employees Association.

Information administrator must provide by October 31, 2012

- 7 The administrator must provide the following information to members, former members and surviving spouses of deceased former members on or before October 31, 2012:
 - (a) an estimate, as of December 31, 2012, of the information referred to in section 12 (1) (o) (i) and (ii), (p) and (t) (ii) of this regulation;
 - (b) the information referred to in section 12 (1) (l), (m), (r), (s) and (u) of this regulation;
 - (c) the date on which the transfer is expected to be made;
 - (d) a statement that
 - (i) if the person does not make a special portability election, the person's entitlement to benefits under the plan are not reduced,
 - (ii) a person who makes a special portability election does so as a full and final settlement of the person's entitlements to benefits under a defined benefit provision of the plan,
 - (iii) a person who makes a special portability election is not entitled to any further benefits under a defined benefit provision of the plan,
 - (iv) that the information provided as an estimate of the information required by section 12 (1) (o) (i) and (ii), (p) and (t) (ii) of this regulation is only an estimate and that the amount of the transfer will be determined based on the 2012 actuarial valuation report, and
 - (v) the person may rescind the special portability election as set out in the amendment to the plan contemplated by section 6 (b) (iv);
 - (e) any other information that, in the administrator's opinion, is required to provide the person with full, true and plain disclosure in relation to making an election;
 - (f) any other information required by the superintendent.

Information administrator must provide after actuarial valuation report

- 8 The administrator must provide, within 30 days of filing the 2012 actuarial valuation report, to members, former members and surviving spouses of deceased former

members who have made a special portability election

(a) the data referred to in section 10 (1) (g) of the Act, and

(b) a statement, as of December 31, 2012, of the information referred to in section 12 (1) (l), (m), (o) (i) and (ii), (p) and (t) (ii) of this regulation.

3 The following form is added to Schedule 2:

Form 7

(section 6 (b) (v) and (h) of Schedule 1.2)

**Spouse's or Former Spouse's Consent To a Reduction of Locked-in Pension Funds from
the Catalyst Paper Corporation Retirement Plan for Salaried Employees, with the
registration number of P085400-1 ("the Plan")**

- 1 I, ..., am the "spouse" or "former spouse" of (full name), who is a member or former member of a pension plan regulated by the *Pension Benefits Standards Act* of British Columbia.
- 2 Being the member or former member's "spouse" means that (check one)
 - ☐ I am married to the member or former member, and have not been living separate and apart from that person for the preceding two years.
 - ☐ I have been living with the member or former member, in a marriage-like relationship, for the preceding 2 years. [Note: This includes being in a marriage-like relationship between persons of the same gender.]
- 3 Being the member or former member's "former spouse" means that
 - ☐ I was previously the member or former member's "spouse" under paragraph 2, and I am entitled to a benefit from the Plan that is affected by a special portability election by the member or former member of the Plan.
 - ☐ I am a person designated as a limited member of a local plan under section 72 (1) of the *Family Relations Act* whose entitlement to a benefit from the Plan is affected by a special portability election by the member or former member of the Plan.
- 4 I understand that my spouse or former spouse wishes to make a special portability election under the Catalyst Paper Corporation Retirement Plan for Salaried Employees, with the registration number P085400-1, or to a renamed plan with the same registration number, in accordance with Schedule 1.2 of this regulation, and that my written consent is required to enable my spouse to do so.
- 5 I understand that
 - (a) the amount transferred and the corresponding contractual payments referred to in section 6 (b) (i) and (iii) of Schedule 1.2 are less than the benefits promised under the terms of the Plan,
 - (b) the amount transferred and the corresponding contractual payments referred to in section 6 (b) (i) and (iii) of Schedule 1.2 are made as a full and final settlement of my spouse's or former spouse's claims under the Plan,
 - (c) if my spouse or former spouse wishes to make this transfer to a Life Income Fund, my written consent in Form 3 of Schedule 2 of this regulation is also required to enable my spouse or former spouse to do so.
- 6 Nevertheless, I consent to the special portability election, and certify that
 - (a) I have read this form and understand it,
 - (b) neither my spouse or former spouse nor anyone else has put any pressure on me to sign this form,
 - (c) my spouse or former spouse is not present while I am signing this form,
 - (d) I realize that

- (i) this form only gives a general description of the legal rights I have under the *Pension Benefits Standards Act* and the regulations, and
- (ii) if I wish to understand exactly what my legal rights are I must read the *Pension Benefits Standards Act* and regulations, and/or seek legal advice, and
- (e) I realize that I am entitled to a copy of this consent form.

7 To consent to the transfer, I sign this consent form at[city],
 [province], on[date]

.....
 Signature of Spouse or Former Spouse

Address of Spouse or Former Spouse
 (home telephone number):
 (work telephone number):

STATEMENT OF WITNESS

I certify that

- (a) My full name is
- (b) My address is

- (c) I witnessed this spouse or former spouse sign this consent in the absence of his/her spouse or former spouse.

.....[date]
 Signature of Witness
 (home telephone number):
 (work telephone number):

COMMENTS AND INSTRUCTIONS

This form must be completed where a member or former member is eligible and wishes to make a special portability election under the Catalyst Paper Corporation Retirement Plan for Salaried Employees, with the registration number P085400-1, or to a renamed plan with the same registration number in accordance with Schedule 1.3 of the regulations under the *Pension Benefits Standards Act* of British Columbia.

The form must be

- completed in its entirety,
- signed by the spouse or former spouse outside of the immediate presence of the member or former member and witnessed independently prior to the transfer, and
- filed with the pension plan administrator.

This is **Exhibit "W"** referred to in the Affidavit #7 of Kimberly Grierson made before me at Vancouver, British Columbia this 26th day of September 2012.

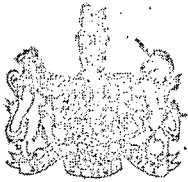
A Commissioner for the taking Affidavits for
British Columbia

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY

SUPREME COURT
OF BRITISH COLUMBIA

SEAL

VANCOUVER
REGISTRY



FEB 07 2012

ENTERED

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

)
)
)

6/February/2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 6th day of February, 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter Rubin and Anthony Purgas, counsel for the Petitioners, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in Schedule "B" hereto; AND UPON READING the material filed;

Schedule "B"

Name of Counsel	Party
John Sandrelli	A Representative Group of 2016 Noteholders
Mary Buttery Lance Williams	Powell River Energy Inc. TimberWestForest Corp. Quadrant Investments Ltd.
Jane Milton, Q.C.	International Forest Products Limited Western Forest Products Inc. Seaspan Marine Corporation
Kendall Andersen	Tolko Industries Ltd.
David Gruber John Uhren (by telephone)	Certain holders of 2014 Notes and certain holders of 2016 Notes
Jonathan McLean Elizabeth Pillon (by telephone)	Canexus Chemicals Canada LP Casco, Inc.
Benjamin La Borie	Wilmington Trust FSB
Peter Reardon	JPMorgan Chase Bank, N.A.
Don Bobert	CEP Locals - 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Allison Tremblay	United Steelworkers International, Local 2688
David McKinnon	Ad hoc group of Noteholders
James Harnum	Robert McCaig

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY

FEB 14 2012

ENTERED



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

)
)
)

7/February/2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 7th day of February, 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter Rubin and Anthony Purgas, counsel for the Petitioners, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

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Jane Milton, Q.C.	International Forest Products Limited Western Forest Products Inc. Seaspan Marine Corporation
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Allison Tremblay	United Steelworkers International, Local 2688
David McKinnon	Ad hoc group of Noteholders
James Harnum	Robert McCaig
Sandra Wilkinson	HMTQ as represented by the Superintendent of Pensions
Randal Kaardal	Catalyst TimberWest Retired Salaried Employees Association

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY

FEB 24 2012

ENTERED



IN THE SUPREME COURT OF BRITISH COLUMBIA

No. S120712

Vancouver Registry

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

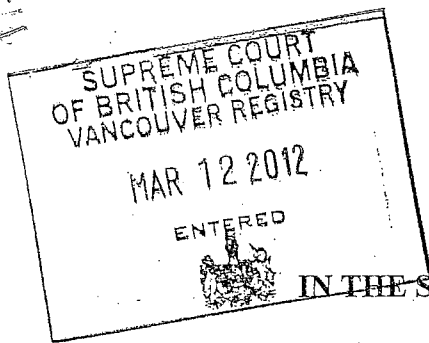
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14/February/2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 14th day of February, 2012; AND ON HEARING, Bill Kaplan, Q.C. and Peter Rubin, counsel for the Petitioners, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

Schedule "B"

Name of Counsel	Party
Shane Kukulowicz Chris Ramsay Ryan Jacobs Michael Wunder (by telephone)	A Representative Group of 2016 Noteholders
Sebastien Anderson Stefanie Quelch	United Steel, Paper and Forestry, Rubber, Manufactring, Energy, Allied Industrial and Service Workers International Union, Local 2688
Don Bobert	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
David Gruber Melaney Wagner Rob Chadwick (by telephone)	Certain 2014 Unsecured Noteholders and certain 2016 Noteholders
Randy Kaardal	Catalyst Timberwood Retired Salaried Employees Association
Harvey Chaiton Benjamin La Borie	Wilmington Trust FSB
Ari Kaplan James Baugh Demetrios Yiokaris (by telephone)	Ronald Gary McCaig and Certain Other Non-Union Employees and Retirees
Donnaree Nygard	Her Majesty the Queen in Right of Canada
Wael Rostom Jennifer Cockbill	JPMorgan Chase Bank, N.A.
Vasuda Sinha (by telephone)	Wells Fargo Bank NA
Heather Ferris Marc Wasserman (by telephone)	Board of Directors of Catalyst
Sandra Wilkinson	Superintendent of Pensions
Ken Lenz (by telephone)	Ad Hoc Committee of 2014 Noteholders
Mary Buttery	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.



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

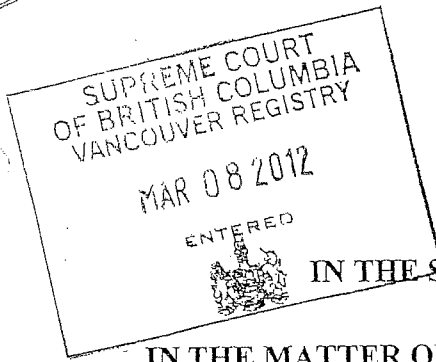
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23/February/2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 23rd day of February, 2012; AND ON HEARING, Peter Rubin, Ken Burns, and Anthony Purgas, counsel for the Petitioners, Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

Schedule "B"

Name of Counsel	Party
Ari Kaplan Michael Prokosh Demetrios Yiokaris James Harnum (by telephone)	Ronald Gary McCaig and Certain Other Non-Union Employees and Retirees
Randy Kaardal Andrea Glen	Catalyst TimberWest Retired Salaried Employees Association
Jennifer Cockbill	JPMorgan Chase Bank, N.A.
John Sandrelli Shane Kukulowicz Ryan Jacobs	A Representative Group of 2016 Noteholders
Tim Louman-Gardiner Melaney Wagner (by telephone)	Certain 2014 Unsecured Noteholders and certain 2016 Noteholders
David McKinnon (by telephone)	Ad Hoc Committee of 2014 Noteholders
Vasuda Sinha (by telephone)	Wells Fargo Bank NA
Ryan Patryluk George Benchetrit (by telephone)	Wilmington Trust FSB
Heather Ferris	Board of Directors of Catalyst
Sandra Wilkinson	HMTQ as represented by the Superintendent of Pensions
Adele Adamic	Director of Employment Standards, Ministry of Labour
Mary Buttery	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.
Kentigern Rowan, Q.C. (by telephone)	Wajax Industries
Kathryn Esaw (by telephone)	Canexus Corp. and Casco Inc.
Stefanie Quelch	United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 2688
Don Bobert	CEP Locals – 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2



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

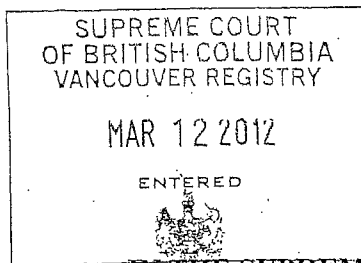
ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL) 8/March/2012
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 8th day of March, 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter Rubin, and Anthony Purgas, counsel for the Petitioners, Ari Kaplan, counsel for the Catalyst Salaried Employees and Pensioners Steering Committee ("CSE&P"), and those other counsel listed in Schedule "B" hereto;

Schedule "B"

Name of Counsel	Party
Peter Reardon	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
John Sandrelli Shayne Kukulowicz (by telephone)	A Representative Group of 2016 Noteholders
Stefanie Quelch	United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 2688
Vasuda Sinha (by telephone)	Wells Fargo Bank NA
Benjamin La Borie George Benchetrit (by telephone)	Wilmington Trust, National Association
David McKinnon (by telephone)	Ad Hoc Committee of 2014 Noteholders
Ari Kaplan Michael Prokosh	Catalyst Salaried Employees & Pensioner Committee
Randal Kaardal	Catalyst TimberWest Retired Salaried Employees Association
Don Bobert	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
Sandra Wilkinson	Superintendent of Pensions
Kathryn Esaw (by telephone)	Canexus Corp and Casco Inc.
Heather Ferris	Board of Directors of Catalyst
Mary BATTERY	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.
Kevin McElcheran (by telephone)	Perella Weinberg Partners LP



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

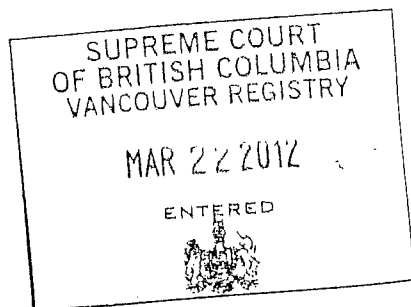
ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL) 8/March/2012
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 8th day of March, 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter Rubin, and Anthony Purgas, counsel for the Petitioners, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in Schedule "B" hereto; AND UPON READING the material filed;

Schedule "B"

Name of Counsel	Party
Peter Reardon	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
John Sandrelli Shayne Kukulowicz (by telephone)	A Representative Group of 2016 Noteholders
Stefanie Quelch	United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 2688
Vasuda Sinha (by telephone)	Wells Fargo Bank NA
Benjamin La Borie George Benchetrit (by telephone)	Wilmington Trust, National Association
David McKinnon (by telephone)	Ad Hoc Committee of 2014 Noteholders
Ari Kaplan Michael Prokosh	Catalyst Salaried Employees & Pensioner Committee
Randal Kaardal	Catalyst TimberWest Retired Salaried Employees Association
Don Bobert	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
Sandra Wilkinson	Superintendent of Pensions
Kathryn Esaw (by telephone)	Canexus Corp and Casco Inc.
Heather Ferris	Board of Directors of Catalyst
Mary Buttery	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.
Kevin McElcheran (by telephone)	Perella Weinberg Partners LP



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

R MEETINGS ORDER

BEFORE THE HONOURABLE
MR. JUSTICE SEWELL

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)
)

March 22, 2012

ON THE APPLICATION of the Petitioner Parties coming on for hearing at Vancouver, British Columbia, on the 21st day of March, 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter Rubin and Andrew Crabtree, counsel for the Petitioner Parties, John Grieve and Kibben Jackson, counsel for the Monitor, PricewaterhouseCoopers Inc. (the "**Monitor**"), and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

Schedule "B"

Counsel Name	Name of Party
Lance Williams	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.
Peter Reardon	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner Rob Chadwick	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
John Sandrelli Chris Ramsay	A Representative Group of 2016 Noteholders
William Skelly George Benchetrit (by telephone)	Wilmington Trust, National Association
Chris Simard	Ad Hoc Committee of 2014 Noteholders
Ari Kaplan	Catalyst Salaried Employees & Pensioner Committee
Dan Rogers	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
Sandra Wilkinson	Superintendent of Pensions
Heather Ferris Marc Wasserman	Board of Directors of Catalyst
Orestes Pasparakis (by telephone)	Wells Fargo Bank NA
Brent Johnston Andrea Glen	Catalyst TimberWest Retired Salaried Employees Association
Elizabeth Pillon (by telephone) Lisa Hiebert	Canexus Corp and Casco Inc.
Kendall Andersen	Tolko Industries Ltd. and BC Hydro
Tim Timberg	HMTQ in Right of Canada
David Hatter Elizabeth Rowbotham	HMTQ in Right of the Province of British Columbia
Sebastien Anderson	United Steelworkers International and USW Local 2688



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

Je

~~CLAIMS PROCEDURE ORDER~~

BEFORE THE HONOURABLE
MR. JUSTICE SEWELL

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)
)

March 22, 2012

ON THE APPLICATION of the Petitioner Parties coming on for hearing at Vancouver, British Columbia, on the 21st day of March, 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter Rubin and Andrew Crabtree, counsel for the Petitioner Parties, John Grieve

Schedule "B"

Counsel Name	Name of Party
Lance Williams	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.
Peter Reardon	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner Rob Chadwick	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
John Sandrelli Chris Ramsay	A Representative Group of 2016 Noteholders
William Skelly George Benchetrit (by telephone)	Wilmington Trust, National Association
Chris Simard	Ad Hoc Committee of 2014 Noteholders
Ari Kaplan	Catalyst Salaried Employees & Pensioner Committee
Dan Rogers	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
Sandra Wilkinson	Superintendent of Pensions
Heather Ferris Marc Wasserman	Board of Directors of Catalyst
Orestes Pasparakis (by telephone)	Wells Fargo Bank NA
Brent Johnston Andrea Glen	Catalyst TimberWest Retired Salaried Employees Association
Elizabeth Pillion (by telephone) Lisa Hiebert	Canexus Corp and Casco Inc.
Kendall Andersen	Tolko Industries Ltd. and BC Hydro
Tim Timberg	HMTQ in Right of Canada
David Hatter Elizabeth Rowbotham	HMTQ in Right of the Province of British Columbia
Sebastien Anderson	United Steelworkers International and USW Local 2688

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY

APR 04 2012

ENTERED



IN THE SUPREME COURT OF BRITISH COLUMBIA

No. S120712

Vancouver Registry

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 STALKING HORSE PURCHASE AGREEMENT

BEFORE THE HONOURABLE
MR. JUSTICE SEWELL

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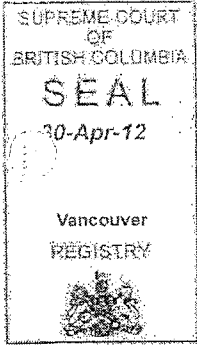
April 4, 2012

ON THE APPLICATION of the Petitioner Parties coming on for hearing at Vancouver, British Columbia, on the 2nd day of April, 2012; AND ON HEARING, Bill Kaplan, Q.C. and Andrew Crabtree, counsel for the Petitioner Parties, John Grieve and Vicki Tickle, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in Schedule "B" hereto; AND UPON READING the material filed;

Schedule "B"

Party	Name of Party	Counsel Name
Interested Parties	Powell River Energy Inc., Quadrant Investments Ltd., TimberWest Forest Corp. and Edward C. Kress, Harry A. Goldgut and Richard Legault, Trustees of Powell River Energy Trust	Lance Williams Mary Buttery
Interested Party	JPMorgan Chase Bank, N.A.	Peter Reardon
Interested Parties	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders	David Gruber Melaney Wagner (by telephone)
Interested Parties	A Representative Group of 2016 Noteholders	John Sandrelli Chris Ramsay Ryan Jacobs (by telephone)
Interested Party	Wilmington Trust, National Association	William Skelly George Benchetrit (by telephone)
Interested Parties	Ad Hoc Committee of 2014 Noteholders	Chris Simard Raj Sahni (by telephone)
Interested Parties	Catalyst Salaried Employees & Pensioner Committee	Ari Kaplan James Harnum (by telephone)
Interested Parties	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)	Dan Rogers
Interested Party	PPWC Local 2	Charles Gordon
Interested Party	Superintendent of Pensions	Sandra Wilkinson
Interested Party	Board of Directors of Catalyst	Heather Ferris Patrick Riesterer (by telephone)
Interested Parties	Western Forest Products, International Forest Products and Seaspan Marine Corporation	Steven Dvorak

Party	Name of Party	Counsel Name
Interested Party	Wells Fargo Bank NA	Orestes Pasparakis Vasuda Sinha (by telephone)
Interested Parties	Catalyst TimberWest Retired Salaried Employees Association	Andrea Glen
Interested Party	Canexus Corporation	Elizabeth Pillon
Interested Party	HMTQ in Right of the Province of British Columbia	Elizabeth Rowbotham
Interested Parties	United Steelworkers International and USW Local 2688	Stefanie Quelch



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 AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*
S.B.C., 2002, CHAPTER 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) APRIL 17, 2012
))

ON THE APPLICATION of PricewaterhouseCoopers Inc. (the "**Monitor**"), coming on for hearing at Vancouver, British Columbia on this date, AND on hearing John Grieve and Kibben Jackson, counsel for the Monitor, and those other counsel listed in Schedule "B" hereto, AND UPON READING the material filed;

THIS COURT ORDERS THAT:

1. The Monitor's Ninth Report, dated April 10, 2012 (the "**Ninth Report**"), including all appendices and schedules thereto, be sealed in the court file in these proceedings and be segregated from, and not form part of, the public record.
2. Notwithstanding the foregoing:
 - (a) the Ninth Report, other than the schedules attached to Appendix B thereto (collectively, the "**Confidential Schedules**"), be made available to all stakeholders, and the Monitor be authorized and directed to post the Ninth Report

SCHEDULE "B"
LIST OF COUNSEL

Name of Party	Counsel Name
The Petitioners	Peter Rubin Anthony Purgas
Powell River Energy Inc., Quadrant Investments Ltd., TimberWest Forest Corp. and Edward C. Kress, Harry A. Goldgut and Richard Legault, Trustees of Powell River Energy Trust	Mary Buttery
A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders	David Gruber Robert Chadwick (by telephone)
A Representative Group of 2016 Noteholders	John Sandrelli Ryan Jacobs Meredith Lahaie (by telephone)
Wilmington Trust, National Association	William Skelly
Ad Hoc Committee of 2014 Noteholders	Chris Simard (by telephone)
Catalyst Salaried Employees & Pensioner Committee	Ari Kaplan (by telephone)
CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)	Don Bobert
Superintendent of Pensions	Sandra Wilkinson
Board of Directors of Catalyst	Ben Heller, articled student Patrick Riesterer (by telephone)
Western Forest Products, International Forest Products and Seaspan Marine Corporation	Kieran Siddall
Wells Fargo Bank NA	Vasuda Sinha (by telephone)
Catalyst TimberWest Retired Salaried Employees Association	Randy Kaardal
Canexus Corporation	Kathryn Esaw (by telephone)
United Steelworkers International and USW Local 2688	Stefanie Quelch
HMTQ in Right of Canada	Melissa Nicolls

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY

MAY 07 2012

ENTERED



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 (RONEY PROPERTY)

BEFORE THE HONOURABLE
MR. JUSTICE SEWELL

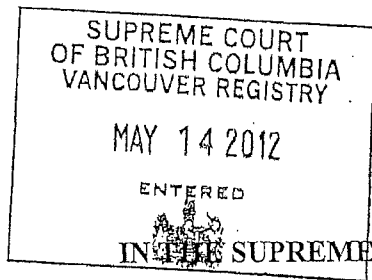
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May 7, 2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 7th day of May 2012; AND ON HEARING, Peter L. Rubin and Anthony Purgas, 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;

Schedule "B"

Name of Party	Counsel Name
Powell River Energy Inc., TimberWest Forest Corp.	Mary Buttery
A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders	Tim Louman-Gardiner John Uhren (by telephone)
Wilmington Trust, National Association	William Skelly
Ad Hoc Committee of 2014 Noteholders	Chris Simard
CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)	Dan Rogers
Board of Directors of Catalyst	Ben Heller
Western Forest Products, International Forest Products and Seaspam Marine Corporation	E. Jane Milton, Q.C.
JPMorgan Chase Bank, N.A.	Peter Reardon
United Steelworkers International and USW Local 2688	Stefanie Quelch
A Representative Group of 2016 Noteholders	John Sandrelli Chris Ramsay
Superintendent of Pensions	Sandra Wilkinson
PPWC Local 2	Jodie Ganthier
Catalyst TimberWest Retired Salaried Employees Association	Brent Johnston
Catalyst Salaried Employees & Pensioners Group	James Harnum (by telephone)
Wells Fargo Bank NA	Vasuda Sinha (by telephone)
Canexus Corporation	Kathryn Esaw (by telephone)



No. S120712
Vancouver Registry

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

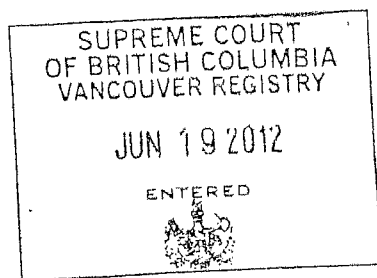
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May 10, 2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 10th day of May 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter L. Rubin and Anthony Purgas, counsel for the Petitioners, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

Schedule "B"

Name of Party	Counsel Name
TimberWest Forest Corp.	Mary Buttery Lance Williams
A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders	David Gruber Melaney Wagner (by telephone)
Wilmington Trust, National Association	Benjamin La Borie
Ad Hoc Committee of 2014 Noteholders	Chris Simard (by telephone)
CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)	Don Bobert
Board of Directors of Catalyst	Heather Ferris
Western Forest Products and Seaspan Marine Corporation	E. Jane Milton, Q.C.
JPMorgan Chase Bank, N.A.	Peter Reardon
United Steelworkers International and USW Local 2688	Stefanie Quelch
A Representative Group of 2016 Noteholders	John Sandrelli Chris Ramsay
PPWC Local 2	Charles Gordon
Catalyst TimberWest Retired Salaried Employees Association	Andrea Glen
Catalyst Salaried Employees & Pensioner Group	James Harnum (by telephone)
Wells Fargo Bank NA	Vasuda Sinha (by telephone)
Canexus Corporation	Elizabeth Pillon
Canadian National Railway Company	Stephen Ross
Tolko Industries Ltd.	Ken Andersen
City of Powell River	Paul Hildebrand
Superintendent of Pensions	Sandra Wilkinson



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

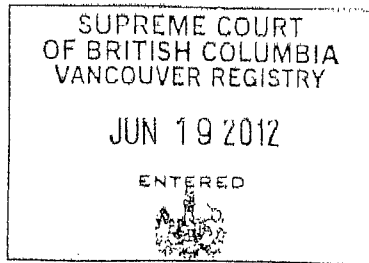
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BEFORE	)	THE HONOURABLE JUSTICE	)
	)	SEWELL	)
	)		)
	)		)

May 11, 2012

OC
ON THE APPLICATION of Western Forest Products Inc., Seaspan Marine Corporation and *MS*
AY ~~International Forest Products~~ (the "**Applicants**") dated March 29, 2012 for an order setting aside
or terminating, without prejudice to the Applicants' rights under the Critical Supplier Charge, the
Critical Suppliers Order pronounced by this Honourable Court on February 6, 2012 (the
"**Application**") coming on for hearing at 800 Smithe Street, Vancouver, BC V6Z 2E1 on May
10, 2012, and on hearing Jane Milton, Q.C., for Western Forest Products Inc. and Seaspan
Marine Corporation, William Kaplan, Q.C., and Anthony Purgas for the Petitioners, John Grieve
and Kibben Jackson for PricewaterhouseCoopers Inc., the court-appointed monitor, Mary I.A.
Buttery and H. Lance Williams for TimberWest Forest Corp., Elizabeth Pillon for Canexus

Schedule "B"

A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders	David Gruber Melaney Wagner (by telephone)
Wilmington Trust, National Association	Benjamin La Borie
Ad Hoc Committee of 2014 Noteholders	Chris Simard (by telephone)
CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)	Don Bobert
Board of Directors of Catalyst	Heather Ferris
JPMorgan Chase Bank, N.A.	Peter Reardon
United Steelworkers International and USW Local 2688	Stefanie Quelch
A Representative Group of 2016 Noteholders	John Sandrelli Chris Ramsay
PPWC Local 2	Charles Gordon
Catalyst TimberWest Retired Salaried Employees Association	Andrea Glen
Catalyst Salaried Employees & Pensioner Group	James Harnum (by telephone)
Wells Fargo Bank NA	Vasuda Sinha (by telephone)
Tolko Industries Ltd.	Ken Andersen
City of Powell River	Paul Hildebrand
Superintendent of Pensions	Sandra Wilkinson



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 JUSTICE	)
	)	SEWELL	)
	)		)

May 11, 2012

ON THE APPLICATION of TimberWest Forest Corp. dated March 28, 2012 coming on for hearing at 800 Smithe Street, Vancouver, BC V6Z 2E1 on May 10, 2012 (the "**Application**"), and on hearing Mary I.A. Buttery and H. Lance Williams for TimberWest Forest Corp., William Kaplan, Q.C., and Anthony Purgas for the Petitioners, John Grieve and Kibben Jackson for PricewaterhouseCoopers Inc., the court-appointed monitor, Elizabeth Pillon for Canexus Corporation, Jane Milton, Q.C., for Western Forest Products Inc. and Seaspan Marine Corporation, Stephen Ross for the Canadian National Railway Company and those other counsel listed in **Schedule "B"** hereto, AND ON JUDGMENT BEING RESERVED TO THIS DATE;

THIS COURT ORDERS that:

1. The Application is dismissed.

Schedule "B"

A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders	David Gruber Melaney Wagner (by telephone)
Wilmington Trust, National Association	Benjamin La Borie
Ad Hoc Committee of 2014 Noteholders	Chris Simard (by telephone)
CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)	Don Bobert
Board of Directors of Catalyst	Heather Ferris
JPMorgan Chase Bank, N.A.	Peter Reardon
United Steelworkers International and USW Local 2688	Stefanie Quelch
A Representative Group of 2016 Noteholders	John Sandrelli Chris Ramsay
PPWC Local 2	Charles Gordon
Catalyst TimberWest Retired Salaried Employees Association	Andrea Glen
Catalyst Salaried Employees & Pensioner Group	James Harnum (by telephone)
Wells Fargo Bank NA	Vasuda Sinha (by telephone)
Tolko Industries Ltd.	Ken Andersen
City of Powell River	Paul Hildebrand
Superintendent of Pensions	Sandra Wilkinson

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY

MAY 25 2012



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

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IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
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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

)
)
)

May 25, 2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 25th day of May 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter J. Rubin and Anthony Purgas, counsel for the Petitioners, John Grieve and ~~Kibben Jackson~~, 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. Paragraph 55 of the Amended and Restated Initial Order of the Court dated February 3, 2012, as amended by Order of the Court dated February 14, 2012, shall be amended by:

(a) adding the word "and" after "PBSA"; and

Schedule "B"

Name of Party	Counsel Name
A Representative Group of 2014 Unsecured Noteholders and Certain 2016 Noteholders	T. Lounan-Gardiner; M. Wagner (telephone)
Wilmington Trust, National Association	W. Skelly
Ad Hoc Committee of 2014 Noteholders	C. Simand (telephone)
Board of Directors of Catalyst	H. Ferris
JPMorgan Chase Bank, N.A.	P. Beardon
Powell River Energy Inc.; TimberWest Forest Corp.	M. Buttery; L. Williams
Western Forest Products Ltd.; International Forest Products Ltd.; Seaspan Marine Corporation	J. Milton, Q.C.
CEP Unions - Locals 1, 76, 592, 686, 1132, 630, 1123	D. Rogers
A Representative Group of 2016 Noteholders	J. Sandrelli; C. Ramsay
PPWC Local 2	C. Gordon
United Steelworkers International and USW Local 2600	S. Quelch
Catalyst Timber-West Retired Salaried Employees Association	R. Kaandal
Wells Fargo Bank, N.A.	O. Pasparakis
Superintendent of Pensions	S. Wilkinson
Canexus Corporation	L. Pilon (telephone)
Catalyst Salaried Employees & Pensioner Committee	A. Kaplan; A. Hatnang; J. Harnum (telephone)

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY

JUN 13 2012

ENTERED



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

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R.S.C., 1985, c. C-44

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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

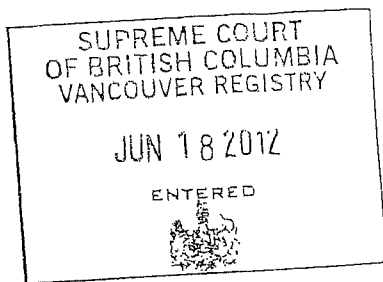
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13/June/2012

ON THE APPLICATION of the Ad Hoc 2016 Noteholder Group coming on for hearing at Vancouver, British Columbia on this day; AND UPON READING the material filed including the Notice of Application of the Ad Hoc 2016 Noteholder Group, dated June 12, 2012 and the Affidavit of Deborah Hamann-Trou, dated June 12, 2012; and UPON HEARING Christopher J. Ramsay, counsel for the Ad Hoc 2016 Noteholder Group and those other counsel listed on Schedule "B" hereto;

SCHEDULE "B"

NAME OF PARTY	NAME OF COUNSEL
Ad hoc 2016 Noteholders group	Chris Ramsay
Catalyst Petitioners	Peter Rubin
Cross Over 2014 Group	David Gruber
Wells Fargo	V. Sinha
Monitor	Vicki Tickle
Superintendent of Pensions	Sandra Wilkinson
PPWC Local 2	Chris Misura
Catalyst Salaried Employees and Pensioners Group	James Harnum
Ad hoc Group 2014 Noteholders	David McKinnon



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

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IN THE MATTER OF CATALYST PAPER CORPORATION
AND THE PETITIONERS LISTED IN SCHEDULE "A"

PETITIONERS

ORDER MADE AFTER APPLICATION

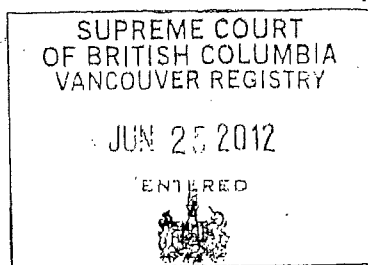
SUPPLEMENTAL MEETINGS ORDER

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL) June 18, 2012
)

ON THE APPLICATION of the Petitioner Parties coming on for hearing at Vancouver, British Columbia, on the 18th day of June, 2012; AND ON HEARING, Peter Rubin and Jeff Langlois, counsel for the Petitioner Parties, John Grieve and Kibben Jackson, counsel for the Monitor, PricewaterhouseCoopers Inc. (the "**Monitor**"), and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

SCHEDULE "B" TO SUPPLEMENTAL MEETINGS ORDER

Name of Counsel	Name of Party
Lance Williams Mary Buttery	Powell River Energy Inc., Quadrant Investments Ltd., TimberWest Forest Corp., Western Forest Products and Edward C. Kress, Harry A. Goldgut and Richard Legault, Trustees of Powell River Energy Trust
John Sandrelli Jordan Schultz Ryan Jacobs (by telephone)	A Representative Group of 2016 Noteholders
Benjamin La Borie	Wilmington Trust, National Association
Ken Lenz	Ad Hoc Committee of 2014 Noteholders
Dan Rogers	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Heather Ferris Marc Wasserman Patrick Riesterer (by telephone)	Board of Directors of Catalyst
Kieran Siddall	International Forest Products and Seaspan Marine Corporation
Peter Reardon	JPMorgan Chase Bank, N.A.
Stefanie Quelch	United Steelworkers International and USW Local 2688
David Gruber Melaney Wagner (by telephone)	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders.
Randal Kaardal Caily DiPuma	Catalyst TimberWest Retired Salaried Employees Association
Ari Kaplan Andrew Hatnay	Catalyst Salaried Employees & Pensioner Committee
Orestes Pasparakis Vasuda Sinha (by telephone)	Wells Fargo Bank NA
Elizabeth Pillon (by telephone)	Canexus Corporation
Sandra Wilkinson	Superintendent of Pensions
Chris Misura	PPWC Local 2
Richard Butler Elizabeth Rowbotham	HMTQ in Right of the Province of British Columbia



No. S120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
R.S.C. 1985, c. C-44

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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

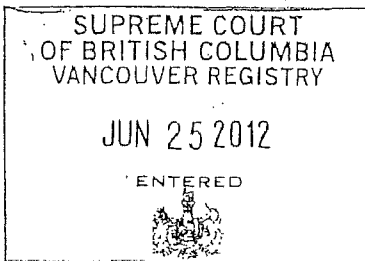
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June 25, 2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 25th day of June, 2012; AND ON HEARING Bill Kaplan, Q.C., Jeff Langlois and Andrew Crabtree, counsel for the Petitioners, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in Schedule "B" hereto; AND UPON READING the material filed;

Schedule "B"

Name of Counsel	Name of Party
Vicki Tickle	The Monitor
Mary Buttery	Powell River Energy Inc., Quadrant Investments Ltd., TimberWest Forest Corp., Western Forest Products and Edward C. Kress, Harry A. Goldgut and Richard Legault, Trustees of Powell River Energy Trust
John Sandrelli Jordan Schultz	A Representative Group of 2016 Noteholders
Benjamin La Borie	Wilmington Trust, National Association
David McKinnon	Ad Hoc Committee of 2014 Noteholders
Dan Rogers	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Patrick Riesterer (by telephone)	Board of Directors of Catalyst
Jane Milton	International Forest Products and Seaspan Marine Corporation
Jennifer Cockbill	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner (by telephone)	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
Randal Kaardal Caily DiPuma	Catalyst TimberWest Retired Salaried Employees Association
Ari Kaplan Andrew Hatnay	Catalyst Salaried Employees & Pensioner Committee
Vasuda Sinha (by telephone)	Wells Fargo Bank NA
Kathryn Esaw (by telephone)	Canexus Corporation
Sandra Wilkinson	Superintendent of Pensions
Richard Butler Elizabeth Rowbotham	HMTQ in Right of the Province of British Columbia
Neva Beckie	Canada Revenue Agency
Ken Andersen	BC Hydro
Will Clements	Pulp, Paper and Woodworkers of Canada, Local 2
Steven Rogers	United Steelworkers International and USW Local 2688



No. S120712
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IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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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

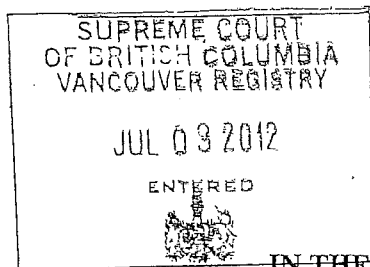
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June 25, 2012

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 25th day of June, 2012; AND ON HEARING, Bill Kaplan Q.C. Jeff Langlois and Andrew Crabtree counsel for the Petitioners, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in Schedule "B" hereto; AND UPON READING the material filed;

Schedule "B"

Name of Counsel	Name of Party
Vicki Tickle	The Monitor
Mary Buttery	Powell River Energy Inc., Quadrant Investments Ltd., TimberWest Forest Corp., Western Forest Products and Edward C. Kress, Harry A. Goldgut and Richard Legault, Trustees of Powell River Energy Trust
John Sandrelli Jordan Schultz	A Representative Group of 2016 Noteholders
Benjamin La Borie	Wilmington Trust, National Association
David McKinnon	Ad Hoc Committee of 2014 Noteholders
Dan Rogers	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Patrick Riesterer (by telephone)	Board of Directors of Catalyst
Jane Milton	International Forest Products and Seaspan Marine Corporation
Jennifer Cockbill	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner (by telephone)	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
Randal Kaardal Caily DiPuma	Catalyst TimberWest Retired Salaried Employees Association
Ari Kaplan Andrew Hatnay	Catalyst Salaried Employees & Pensioner Committee
Vasuda Sinha (by telephone)	Wells Fargo Bank NA
Kathryn Esaw (by telephone)	Canexus Corporation
Sandra Wilkinson	Superintendent of Pensions
Richard Butler Elizabeth Rowbotham	HMTQ in Right of the Province of British Columbia
Neva Beckie	Canada Revenue Agency
Ken Andersen	BC Hydro
Will Clements	Pulp, Paper and Woodworkers of Canada, Local 2
Steven Rogers	United Steelworkers International and USW Local 2688



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IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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IN THE MATTER OF CATALYST PAPER CORPORATION
AND THE PETITIONERS LISTED IN SCHEDULE "A"

PETITIONERS

ORDER MADE AFTER APPLICATION

SANCTION ORDER

BEFORE THE HONOURABLE
MR. JUSTICE SEWELL

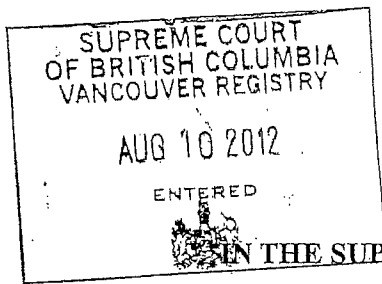
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JS/June/2012

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 28 day of June, 2012; AND ON HEARING, Bill Kaplan, Q.C., Jeff Langlois, and Andrew Crabtree, counsel for the Petitioner Parties, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

Schedule "B"

Name of Counsel	Name of Party
Mary Buttery	Powell River Energy Inc., Quadrant Investments Ltd., TimberWest Forest Corp., Western Forest Products and Edward C. Kress, Harry A. Goldgut and Richard Legault, Trustees of Powell River Energy Trust
John Sandrelli Jordan Schultz	A Representative Group of 2016 Noteholders
Benjamin La Borie	Wilmington Trust, National Association
David McKinnon (by telephone)	Ad Hoc Committee of 2014 Noteholders
Dan Rogers	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Patrick Riesterer (by telephone)	Board of Directors of Catalyst
Jennifer Cockbill	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner (by telephone)	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
Randal Kaardal Caily DiPuma	Catalyst TimberWest Retired Salaried Employees Association
Ari Kaplan Andrew Hatnay	Catalyst Salaried Employees & Pensioner Committee
Evan Cobb Mario Forte (by telephone)	Wells Fargo Bank NA
Sandra Wilkinson	Superintendent of Pensions
Richard Butler (by telephone) Elizabeth Rowbotham	HMTQ in Right of the Province of British Columbia
Heather Ferris	Board of Directors of Catalyst
Elizabeth Pillon (by telephone)	Canexus Chemicals Canada LP
Stefanie Quelch	United Steelworkers International and USW Local 2688
Chris Misura	PPWC Local 2



No. S-120712
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IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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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 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, Peter Rubin, counsel for the Petitioner Parties, John Grieve (by telephone), counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

Schedule "B"

Name of Counsel	Party
J. Schultz	A Representative Group of 2016 Noteholders
S. Quelch	United Steelworkers International and USW Local 2688
T. Louman-Gardner M. Wagner (by telephone)	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
A. Kaplan / A. Guindon (by telephone)	Catalyst Salaried Employees & Pensioner Committee
D. Rogers (by telephone)	CEP Unions -- Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
E. Cobb (by telephone)	Wells Fargo Bank NA