

**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**

**APPLICATION RESPONSE**

**Application Response of: Wells Fargo Bank, National Association**, in its capacity as the trustee under a trust indenture for the 7 <sup>3</sup>/<sub>8</sub>% senior notes issued by Norske Skog Canada Limited (n/k/a Catalyst Paper Corporation) ("**Catalyst**" or the "**Company**") to noteholders, which are due March 1, 2014.

**To: The Service List.**

THIS IS A RESPONSE TO the Notice of Application filed by Catalyst Paper Corporation ("**Catalyst**" or the "**Company**") and the other petitioners listed in Schedule "A".

**PART 1: ORDERS CONSENTED TO**

1. None.

**PART 2: ORDERS OPPOSED**

1. Certain terms of the Sanction Order on the grounds as identified below.

### **PART 3: FACTUAL BASIS.**

#### *Background*

1. Wells Fargo Bank, National Association (“**Wells Fargo**”) is the trustee (the “**2014 Indenture Trustee**”) under a trust indenture (the “**2014 Trust Indenture**”) for the 7<sup>3/8</sup>% senior notes issued by the Company to noteholders (the “**2014 Noteholders**”), which are due March 1, 2014 (the “**2014 Notes**”).
2. On January 31, 2012, Catalyst obtained an order for the commencement of proceedings (the “**CCAA Proceedings**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).
3. On March 22, 2012, this Court granted, among other orders, an Order accepting the filing of the Petitioners’ plan of compromise and arrangement (the “**Original Plan**”).
4. On May 23, 2012, an amended and restated version of the Original Plan, dated May 15, 2012, (the “**Amended Plan**”) was filed with the Court. Also on May 23, 2012, the Amended Plan was put to two votes of the Petitioners’ creditors. The Amended Plan did not receive the required support of creditors.
5. On June 18, 2012, a second amended and restated Plan (the “**Second Amended Plan**”) was filed with the Court. The filing of the Second Amended Plan was approved by this Court and by the required majorities of creditors on June 25, 2012.
6. In fulfilling its role under the 2014 Trust Indenture, the 2014 Indenture Trustee has incurred costs both internally and through the retention of Canadian and US legal counsel in the CCAA Proceedings.

#### *The 2014 Trust Indenture*

7. The 2014 Trust Indenture provides the 2014 Indenture Trustee with a variety of protections aimed at ensuring that its costs and expenses are recovered before funds are distributed to 2014 Noteholders.

8. The 2014 Indenture Trustee entered into the 2014 Trust Indenture and satisfied its roles and functions thereunder in reliance upon these protections.

#### **PART 4: LEGAL BASIS**

9. The Second Amended Plan provides that distributions to the 2014 Noteholders will be made to 2014 Noteholders through the facilities of The Depository Trust Company or through its nominee company Cede & Co. This means that the 2014 Indenture Trustee does not have a role in effecting distributions to the 2014 Noteholders.
10. The Second Amended Plan does not provide a mechanism for ensuring that the 2014 Indenture Trustee can make use of the protections provided in the 2014 Trust Indenture.
11. The Second Amended Plan effectively compromises rights and obligations between the 2014 Noteholders and the 2014 Indenture Trustee in a manner that is not permitted by the CCAA.
12. The concerns of the 2014 Indenture Trustee can be adequately addressed by way of minor modifications to the proposed Sanction Order that would not materially prejudice the Company or any other stakeholders.

#### **PART 5: MATERIAL TO BE RELIED ON**

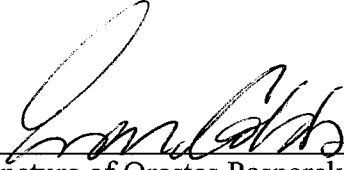
1. The 3<sup>rd</sup> Affidavit of Brian Baarda, sworn January 31, 2012.
2. The 12<sup>th</sup> Affidavit of Brian Baarda, sworn June 26, 2012.
13. Nineteenth Report of Pricewaterhouse Coopers Inc., in its capacity as court-appointed Monitor of the Petitioners, dated June 26, 2012.

The Application Respondent estimates that the response application will take: 15 minutes.

☒ The application respondent has filed in this proceeding a document that contains the application respondent's address for service.

☐ The application respondent has not filed in this proceeding a document that contains an address for service.

Date: June 27, 2012

  
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FAR Signature of Orestes Pasparakis

☐ Applicant ☒ Lawyer for Wells Fargo  
Bank, National Association

**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

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PETITIONERS

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APPLICATION RESPONSE

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