

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
RSC 1985, c. C -36, AS AMENDED

AND:

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,
RSC 1985, c. C-44

AND:

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
SBC 2002, c.-57

AND:

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

PETITIONERS

APPLICATION RESPONSE

Application response of: The various locals of the Communications, Energy and Paperworkers Union (the "CEP") and the Pulp, Paper and Woodworkers of Canada Local 2 (the "PPWC") (collectively, the "Unions").

THIS IS A RESPONSE TO the Notices of Application of the Petitioners, dated March 23, 2012 to be heard on April 2, 2012 (the "Petitioners' Application").

Part 1: ORDERS CONSENTED TO

1. None

Part 2: ORDERS OPPOSED

The Union opposes the "Stalking Horse Purchase Agreement" to the following extent:

1. The Order does not provide for a "final approval" of the Stalking Horse Purchase Agreement when all of the appropriate information is known.
2. The Stalking Horse Purchase Agreement does not provide for all of the commitments and obligations from the current collective bargaining between the Unions and the Petitioner, and in particular does not provide for obligations to retirees, pensioners and other employees who have entitlements from the Petitioners.

Part 3: ORDERS ON WHICH NO POSITION IS TAKEN

1. The Unions take no position on the granting of the Order, to the extent it is not objected to above.

Part 4: FACTUAL BASIS

1. Both the CEP and the PPWC have approved New Labour Contracts with the Petitioners. Both contracts are subject to cancellation should the "Plan of Arrangement" not be approved by the Court or not be approved by creditors.
2. Negotiations towards the New Labour Contracts were undertaken by the Unions in light of the Petitioners' financial troubles, on the understanding that concessions were required by the Unions in order for the Petitioners to have any likelihood of a viable restructuring. The CEP and the PPWC separately concluded negotiations and ratified New Labour Contracts with the Petitioners after proceedings under the CCAA had been commenced in respect of the Petitioners.
3. On March 10, 2012, the New Labour Contract was concluded by the CEP. It included significant wage and benefit concessions that would not have been contemplated, let alone approved in the ordinary course of bargaining for a renewal collective agreement. In exchange for the CEP granting significant concessions, the CEP and the Petitioners executed additional agreements with the Petitioners, which are evidenced in Exhibit "A" of the Boucher Affidavit, that were intended to preserve the obligations of the Petitioners to current and former members of the CEP, so that they would continue to exist and apply after the Plan became effective and not be extinguished by the Plan (referred to above as the "CEP Agreements"). The CEP Agreements form part of its New Labour Contract. These agreements have now been ratified by the various Locals of the CEP.

4. On March 16, 2012, the New Labour Contract was ratified by the PPWC. For the same reasons as the CEP, the PPWC approved major concessions to wages and benefits in the New Labour Contract. The concessions were granted solely in order to help the Petitioners successfully restructure and continue its operations. The PPWC and the Petitioners entered into additional agreements (as defined in Exhibits "A" and "B" of the Affidavit of Christopher Misura), which are substantially similar to those entered into by the CEP, regarding the preservation of the obligations of the Petitioners to current and former employees of the PPWC (referred to above as the "PPWC Agreements"). The PPWC Agreements were a condition of agreement to the New Labour Contract and form part of the New Labour Contract between the PPWC and the Petitioners.
5. Under both the CEP and PPWC Agreements, the Petitioners are bound to:
 - a. ensure that all obligations and amounts owing to current and former members of the PPWC and the CEP pursuant to various current and former collective agreements, Letters of Understanding or other retirement or severance arrangements to the extent applicable as of the CCAA filing date will continue after any Plan is placed before the Court and other Creditors and those obligations and amounts will survive any final "discharge order" pursuant to the CCAA proceedings and be continuing obligations of the Petitioners; and
 - b. subject to their compromise in the New Labour Contracts, take steps to ensure its obligations with respect to the following amounts continue to apply in any Plan regardless if the amount owing to individual members or former members of the PPWC or CEP was accrued prior to the CCAA filing date, namely:
 - i. all pension "top-up" payments due and owing under various early retirement agreements between the parties;
 - ii. all pension "bridging" payments due and owing for "early retirees" under the various collective agreements including "pop-up" payments;
 - iii. all benefits payable pursuant to agreements between the parties for retirees and their beneficiaries to the extent that such benefits were being paid by the Petitioner prior to the CCAA filing date; and
 - iv. all vacation or other "earned time" benefits owed to current employees including banked time, supplementary vacation, lieu time or other accumulated benefits under the various collective agreements.

6. Many of the obligations set out above are funded through a pension plan referred to as the Catalyst Corporation Retirement Plan "A"
7. Both the CEP and PPWC Agreements set out that if they are nullified in any way the New Labour Contracts shall also be nullified, and the parties shall immediately return to the pre-concessionary collective agreements that were in force prior to the New Labour Contracts.
8. The Sale Agreement currently being proposed by the Petitioners does not reflect the Petitioners' contractual obligations under the CEP or the PPWC Agreements. In particular, the definition of "Transferred Employee Plan" at page 15 and the provisions of 2.1(d) in relation to excluded liabilities clearly contemplate that these obligations will not be met.
9. On the other hand, provision 7.1(g) appears to contemplate that the Collective Agreement will continue.
10. Without the agreement related to the debts for current and former employees related to retirement and pension benefits, etc., the Collective Agreement is null and void and the obligations of the Petitioners are not being met.
11. It is submitted that the Purchaser has clearly acknowledged that they are the successor employer, but this Honourable Court is being asked to approve the plan despite that it would appear to violate the CEP and PPWC Agreements. As such, it would effectively undo everything that has been done to date since the Plan, the Sale, and a workable restructuring is contingent upon the New Labour Contracts.
12. It is notable that many of the obligations and details of the sale are contingent upon matters contained in the "Purchaser's Disclosure Letter", however, that information has not been provided and is not currently available. As a result, the Court is being asked to approve a sale without all of the information. We submit that it would be appropriate for the Court to reserve final judgment related to the appropriateness of the Sales Order until all of the information is known.
13. Such further and other factual grounds as counsel may advise at the hearing of the application.

Part 5: LEGAL BASIS

1. *Supreme Court Civil Rules* 8-1 and 13-1.
2. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.
3. *Labour Relations Code*, R.S.B.C 1996, c. 244.

4. Such inherent and equitable jurisdiction of this Honourable Court.
5. Such further and other legal bases as counsel may advise.

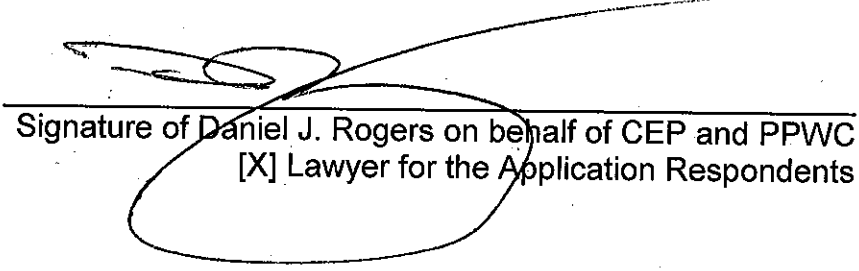
Part 6: MATERIAL TO BE RELIED ON

1. The pleadings and proceedings filed to date.
2. The Affidavit of Christopher Misura, sworn March 20, 2012.
3. The Affidavit of Donald Boucher, sworn March 20, 2012.
4. Such further and other material as counsel may advise and this Honourable Court may permit.

The Application Respondents estimate that the application will take: 30 minutes.

- [x] 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. The application respondent's ADDRESS FOR SERVICE is:

Date: March 29, 2012



Signature of Daniel J. Rogers on behalf of CEP and PPWC
[X] Lawyer for the Application Respondents