



NO. S-120712
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

APPLICATION RESPONSE

Application response of: **Edward C. Kress, Harry A. Goldgut and Richard Legault, Trustees of Powell River Energy Trust**
(collectively the "application respondent")

THIS IS A RESPONSE TO the notice of application of Catalyst Paper Corporation and the other Petitioners listed in Schedule "A" dated March 23, 2012.

Part 1: ORDERS CONSENTED TO

The application respondent consents to the granting of the orders set out in the following paragraphs of Part 1 of the notice of application:

None.

Part 2: ORDERS OPPOSED

The application respondent opposes the granting of the orders set out in Part 1 of the notice of application.

Part 3: ORDERS ON WHICH NO POSITION IS TAKEN

The application respondent takes no position on the granting of the orders set out in the following paragraphs of Part 1 of the notice of application:

None.

Part 4: FACTUAL BASIS

1. In early 2001, Powell River Energy Trust (“PRET”) and Pacifica Papers Inc. (“Pacifica”), and each a “**Limited Partner**”) formed the Powell River Limited Partnership (the “**Limited Partnership**”) pursuant to a limited partnership agreement dated January 31, 2001 (the “**Limited Partnership Agreement**”).
2. The General Partner of the Limited Partnership is 3795659 Canada Limited, which is owned by Powell River Energy Inc. (“PREI”). PREI was originally owned by PRET and Pacifica.
3. PREI is subject to a unanimous shareholders agreement dated January 31, 2001 (the “**USA**”).
4. On or about March 5, 2010, Catalyst Paper Corporation (the successor name of Pacifica), transferred its interest in the Limited Partnership and PREI to its wholly owned subsidiary Catalyst Paper Energy Holdings Inc. (“CPEH”) pursuant to the terms of the Limited Partnership Agreement and the USA.
5. Both the Limited Partnership Agreement and the USA provide a right of first refusal (“**ROFR**”) to the remaining Limited Partner if a Limited Partner wishes to sell its interest in the Limited Partnership or PREI.
6. CPEH is included as a Seller in the Stalking Horse Purchase Agreement. However, it is unclear whether the assets being sold include the interest of CPEH in the Limited Partnership or PREI. To the extent they do, this would be subject to the ROFR, and the Stalking Horse Purchase Agreement and any other agreement purporting to sell the interest of CPEH in the Limited Partnership or PREI must be subject to the ROFR.

Part 5: LEGAL BASIS

1. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;
2. *Supreme Court Civil Rules*, B.C. Reg. 241/2010, as amended, including Rules 8-1 thereof; and
3. the inherent jurisdiction of this Honourable Court.

Part 6: MATERIAL TO BE RELIED ON

1. Affidavit #2 of A. Crabtree, made March 23, 2012;
2. Affidavit #1 of Susan Danielisz, made March 29, 2012;
3. the pleadings, reports and other materials filed herein; and
4. such further and other materials as counsel may allow and this Honourable Court may permit.

The application respondent estimates that the application will take 45 minutes.

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

March 29, 2012

Dated



Signature of lawyer for application respondent
Davis LLP (Mary I.A. Buttery / H. Lance Williams)

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

APPLICATION RESPONSE

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