

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"

**PETITIONERS**

**APPLICATION RESPONSE**

**Application response of:** Western Forest Products Inc. and International Forest Products Limited (the "application respondents")

THIS IS A RESPONSE TO the notice of application of the Petitioners dated 18/May/2012.

**Part 1: ORDER CONSENTED TO**

N/A

**Part 2: ORDERS OPPOSED**

N/A

**Part 3: ORDERS ON WHICH NO POSITION IS TAKEN**

The application respondents take no position with respect to the form of the Order sought, but seek to have the funds released as a result of the Order (\$8.262 million) held by the Monitor pending the filing of an updated cash flow to address the liquidation sale scenario and further order of this Court.

**Part 4: FACTUAL BASIS**

1. The application respondents have both been designated Critical Suppliers to Catalyst Paper Corporation ("Catalyst").
2. The Applicants seek to amend the Initial Order to reflect an agreement reached with the Catalyst Salaried Employees and Pensioners Group ("CSEP") in respect of the CSEP's leave to appeal motion. One of the results of the resolution of the leave to appeal motion is that certain L/C's previously held in support of the KERP charge are now available to be released to the Applicant. This will improve Catalyst's liquidity going forward.
3. Previously in these proceedings, Catalyst reached a settlement with its Critical Suppliers to secure the Critical Suppliers Charge with cash security. Catalyst did not provide funds for this settlement due to issues arising from a professed lack of liquidity, and has resisted the removal of the Critical Supplier Order on the basis of the same lack of liquidity.
4. Until such time as an amended cash flow is made available by the Monitor, the application respondents seek an order that the funds of \$8.2 million be held by the Monitor pending further order of this Court.

**Part 5: LEGAL BASIS**

1. Supreme Court Civil Rules, Rule 8-1, 13-1
2. *Companies' Creditors Arrangement Act*, RSC 1985 c. C-36, as amended, particularly s. 11; and
3. The inherent and equitable jurisdiction of this Court.

**Part 6: MATERIAL TO BE RELIED ON**

1. N/A.

The application respondents estimate that the application will take 5 minutes.

The application respondents have filed in this proceeding a document that contains the application respondents' 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: .

Bull, Housser & Tupper LLP

per:



Signature of  application respondent  
 lawyer for application respondents

E. Jane Milton, Q.C.

Date: 24/May/2012

**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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#### APPLICATION RESPONSE

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**BULL, HOUSER & TUPPER LLP**  
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EJM/cef

Matter# 08-2506