



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" TO THE PETITION FILED
JANUARY 31, 2012

APPLICATION RESPONSE

Application response of: Her Majesty the Queen in Right of Canada as represented by the Attorney General of Canada on behalf of Human Resources Skills Development Canada (the "application respondent")

THIS IS A RESPONSE TO the notice of application of Catalyst TimberWest Retired Salaried Employees Association ("RSEA"), as representative of former members of the Catalyst Paper Corporation Retirement Plan for Salaried Employees, B.C. Reg. No. 85400-1 (the "Salaried Plan"), persons entitled to or in receipt of survivor benefits from the Salaried Plan, and designated beneficiaries of former members of the Salaried Plan dated June 1, 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 on the following terms:

Not applicable.

Part 2: ORDERS OPPOSED

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

Paragraphs 1(b), 1(d), 2(b), and 3(b).

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:

Paragraphs 1(a), 1(c), 2(a), 2(c), 3(a), 4(a), and 4(b).

Part 4: FACTUAL BASIS

1. The orders sought seek priority to the claims of creditors subject only to the charges in paragraph 55 of the Amended and Restated Initial Order, as amended.
2. Section 81.3 and 81.4 claims take priority over the charges set out in paragraph 55 of the Amended and Restated Initial Order, as amended.

Part 5: LEGAL BASIS

1. Canada takes no position on whether an actual or deemed trust exists in this case. However, if such a trust does exist, there is no statutory basis for a deemed trust to rank ahead of claims under ss. 81.3 and 81.4 of the *Bankruptcy and Insolvency Act*.
2. Furthermore, providing such priority to either an actual or a deemed trust would set up a circle of priorities with the charges set out in paragraph 55 of the Amended and Restated Initial Order taking priority over any actual or deemed trust but not over ss.81.3 and 81.4 claims. Yet the order requested would provide the actual or deemed trust with priority over any ss.81.3 and 81.4 claims.
3. Canada also intends to rely on the following:
Wage Earner Protection Program Act, S.C. 2005, c. 47, s. 1.

Bankruptcy and Insolvency Act, R.S.C., 1985, c. B-3, as amended.

Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended.

Part 6: MATERIAL TO BE RELIED ON

1. The Amended and Restated Initial Order pronounced February 3, 2012, as amended; and
2. Such materials as counsel may advise and this Honourable Court may allow.

The applicant respondent estimates that the application will take 2-3 days.

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

Dated: June 15, 2012



Signature of

application respondent
 lawyer for application respondent

Jasvinder S. Basran,
Regional Director General

Per: Donnaree Nygard

Department of Justice

British Columbia Regional Office

THIS APPLICATION RESPONSE is prepared and served by Jasvinder S. Basran, Regional Director General, British Columbia Regional Office, Department of Justice (Canada), whose place of business and address for service is the Department of Justice, 900 - 840 Howe Street, Vancouver, British Columbia, V6Z 2S9, Telephone: (604) 666-3049, Facsimile: (604) 775-5942, Attention: Donnaree Nygard.