

**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:** Canada Revenue Agency (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. The charges in paragraph 55 of the Amended and Restated Initial Order, as amended, rank below in priority to the Permitted Priority Claims, whose priority is set out in paragraphs 53 and 54 of the Amended and Restated Initial Order, as amended.
3. The Permitted Priority Claims include deemed trusts under subsections 227(4) or (4.1) of the *Income Tax Act*, subsections 23(3) or (4) of the *Canada Pension Plan*, and subsection 86(2) of the *Employment Insurance Act*.

**Part 5: LEGAL BASIS**

1. The Application Respondent takes no position on whether an actual or a deemed trust exists in this case. However, if such a trust exists, there is no statutory basis for RSEA's claim for a deemed trust to rank ahead of deemed trusts under subsections 227(4) or (4.1) of the *Income Tax Act*, subsections 23(3) or (4) of the *Canada Pension Plan*, and subsection 86(2) of the *Employment Insurance 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 the Permitted Priorities Claims. Yet the order requested would provide the actual or deemed trust with priority over the Permitted Priorities Claims.

The Application Respondent also intends to rely on the following:

- i) *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended
- ii) *Income Tax Act*, R.S.C. 1985, c. 1(5<sup>th</sup> Supp), as amended
- iii) *Canada Pension Plan*, R.S.C. 1985, c. C-8, as amended
- iv) *Employment Insurance Act*, R.S.C. 1985, c.C-8, 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



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Signature of

application respondent

lawyer for application respondent

**Jasvinder S. Basran,**

Regional Director General

**Per: Neva Beckie**

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) 666-5443, Facsimile: (604) 666-1462, Attention: Neva Beckie.