

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 AS AMENDED**

**AND**

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*  
S.B.C., 2002, CHAPTER 57**

**AND**

**IN THE MATTER OF CATALYST PAPER CORPORATION AND THE  
PETITIONERS INCLUDED IN APPENDIX "A"**

**MONITOR'S THIRTEENTH REPORT TO COURT**

**MAY 9, 2012**



**CATALYST PAPER CORPORATION, ET AL  
MONITOR'S THIRTEENTH REPORT TO COURT**

**MAY 9, 2012**

**TABLE OF CONTENTS**

<b>1.</b>	<b>INTRODUCTION .....</b>	<b>1</b>
<b>2.</b>	<b>BACKGROUND.....</b>	<b>1</b>
<b>3.</b>	<b>CASH FLOW TO APRIL 30, 2012 .....</b>	<b>2</b>
<b>4.</b>	<b>CASH FLOW FORECAST FOR THE PERIOD MAY 1 TO JUNE 30, 2012.....</b>	<b>4</b>
<b>5.</b>	<b>CRITICAL SUPPLIERS .....</b>	<b>5</b>
<b>6.</b>	<b>RECOMMENDATIONS .....</b>	<b>6</b>

**APPENDICES**

- A. Petitioner Parties Organization Chart**
- B. Statement of Cash Flow for the Period January 31, 2012 to April 30, 2012**
- C. Revised Cash Flow Forecast for the Period May 1, 2012 to June 30, 2012**

# **CATALYST PAPER CORPORATION, ET AL MONITOR'S THIRTEENTH REPORT TO COURT**

**MAY 9, 2012**

## **1. INTRODUCTION**

- 1.1 On January 31, 2012, on the application of Catalyst Paper Corporation and the entities included in Appendix A (collectively referred to as “**Catalyst**” or the “**Company**”), the Supreme Court of British Columbia (the “**Court**”) made an order (the “**Initial Order**”) granting Catalyst protection from its creditors pursuant to the *Companies’ Creditors Arrangement Act* (the “**CCAA**”). Under the Initial Order, PricewaterhouseCoopers Inc. was appointed Monitor of the Company (the “**Monitor**”).
- 1.2 Currently, there is a stay of proceedings under the CCAA that continues until June 30, 2012.
- 1.3 This is the Monitor’s Thirteenth Report to Court. The purpose of this report is to advise the Court of the following:
  - 1.3.1 The Company’s actual cash flow for the period April 1 to April 30 in comparison to the Restated Revised Forecast (“**RF1**”) provided in the Monitor’s Tenth Report to Court dated April 18, 2012;
  - 1.3.2 The Company’s updated cash flow forecast for the period May 1, 2012 to June 30, 2012 (“**RF2**”); and
  - 1.3.3 The Monitor’s comments on the application by certain Critical Suppliers (the “**Applicant Suppliers**”) to rescind or vary the Critical Suppliers Order.
- 1.4 Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein are as defined in the application materials in the CCAA proceedings and the Monitor’s previous reports.

## **2. BACKGROUND**

- 2.1 The facts surrounding the Company’s application for the Initial Order were set out in the Petition filed by Catalyst on January 31, 2012, a copy of which can be found on the Monitor’s website at:

[www.pwc.com/car-catalystpaper](http://www.pwc.com/car-catalystpaper)

**CATALYST PAPER CORPORATION, ET AL  
MONITOR'S THIRTEENTH REPORT TO COURT**

**MAY 9, 2012**

- 2.2 All prescribed materials filed by Catalyst and the Monitor relating to this CCAA proceeding are available to creditors and other interested parties in electronic format on the Monitor's website. The Monitor will continue to post regular updates to the website and will add prescribed and other materials as required.
- 2.3 The United States Bankruptcy Court for the District of Delaware (the "US Court") has recognized these proceedings as foreign main proceedings pursuant to Chapter 15 of the US Bankruptcy Code. The Monitor's website also contains materials relating to the Chapter 15 proceedings in the US Court.

**3. CASH FLOW TO APRIL 30, 2012**

- 3.1 The Company's statement of actual cash flows for the period April 1 to April 30, 2012, as compared to RF1 is set out in Appendix B and summarized below:

	January 31 to March 31  (CAD\$ millions)	April 1 to April 30			January 31 to April 30  Actual
		Actual	Forecast	Variance	
<b>Total Receipts</b>	<b>209.9</b>	<b>108.8</b>	<b>112.8</b>	<b>(4.0)</b>	<b>318.7</b>
Total Disbursements - Operating	(203.9)	(107.8)	(95.4)	(12.4)	(311.7)
Total Disbursements - Non Operating	(15.5)	(3.7)	(4.4)	0.7	(19.2)
<b>Total Disbursements</b>	<b>(219.4)</b>	<b>(111.5)</b>	<b>(99.8)</b>	<b>(11.7)</b>	<b>(330.9)</b>
<b>Net Cash Flow</b>	<b>(9.5)</b>	<b>(2.7)</b>	<b>13.0</b>	<b>(15.7)</b>	<b>(12.2)</b>
Calculated Available Liquidity	20.2	29.1	53.3	(27.1)	29.1
Adjusted Available Liquidity	5.6	15.5	41.4	(27.8)	15.5

- 3.2 The Monitor has the following comments with respect to the Company's cash flow to April 30, 2012:

- 3.2.1 The Company's net cash flow for the month of April 2012 was negative \$2.7 million, which was \$15.7 million lower than forecast in RF1. The variance from RF1 was primarily due to the following:

- 3.2.1.1 Total Receipts were approximately \$4.0 million lower than forecast. Receipts from trade accounts receivable were \$5.7 million less than forecast partially as a result of typical timing variances for the receipt of

**CATALYST PAPER CORPORATION, ET AL  
MONITOR'S THIRTEENTH REPORT TO COURT**

**MAY 9, 2012**

customer payments outstanding at month-end totalling \$3.1 million which have been subsequently collected. The Company is completing its April 2012 financial statements and analysis, and it expects that the balance of the variance will be a result of foreign exchange and the Crofton pulp mill maintenance shutdown which occurred in mid-April 2012. Receipts from other accounts receivable were \$1.8 million higher than forecast primarily due to the receipt of the January 2012 HST receivable of \$3.6 million being received several months ahead of forecast, partially offset by other delayed receipts which are expected to be collected in the middle of May 2012.

- 3.2.1.2 Total operating disbursements were \$12.4 million higher than forecast. The majority of this negative variance is due to the tighter than forecast credit terms that are being imposed by the Company's trade suppliers.
- 3.2.1.3 Non-operating disbursements were \$700,000 less than forecast and were strictly related to timing differences that are expected to reverse by the third week of May 2012.
- 3.2.2 The Company's cash flow from operations for the period January 31 to April 30, 2012 (i.e. the full period of the CCAA proceedings) was \$7.0 million. This was offset by non-operating disbursements of \$19.2 million, which consisted primarily of professional fees and CCAA Restructuring Costs and resulted in an overall negative cash flow of \$12.2 million.
- 3.3 As at end of April 2012, the Company had borrowed \$82.7 million under its DIP Facility. The Company continues to post cash of \$12.8 million to collateralize letters of credit drawn against the ABL Facility, which have not been transferred to the DIP Facility.
- 3.4 As at April 30, 2012, the Company's Available Liquidity (calculated as Available Cash plus unused DIP Facility) totalled \$29.1 million, which was \$27.1 million less than forecast. This is prior to any adjustment for unspent or undesignated CCAA Restructuring Costs, which were discussed in the Monitor's Tenth and Eleventh Reports. If the unspent CCAA Restructuring Costs of \$13.6 million (of which \$2.9 million is either committed or anticipated to be paid) are excluded from Available Liquidity, the Company's Adjusted Available Liquidity was \$15.5 million.

**CATALYST PAPER CORPORATION, ET AL  
MONITOR'S THIRTEENTH REPORT TO COURT**

**MAY 9, 2012**

3.5 Generally, the reduced Available Liquidity is a result of the reduced trade credit being extended to the Company during the CCAA proceedings. As the Company's operations are consistent with its business plan, the Monitor is not aware of any operational concerns that would cause a trade supplier to take steps to reduce credit that it otherwise would extend to the Company. Accordingly, the Monitor attributes the contracted trade credit terms solely to the uncertainty surrounding the Company's restructuring.

**4. CASH FLOW FORECAST FOR THE PERIOD MAY 1 TO JUNE 30, 2012**

4.1 A copy of RF2 is attached as Appendix C.

4.2 The Company has not amended its forecast operating results to any significant degree and RF2 primarily reflects changes in the timing of disbursements to trade suppliers to reflect the Company's experience during the past six to eight weeks. The operations of the Company have remained consistent with its plan and therefore, the operational aspects of this forecast have generally remained the same.

4.3 A broad spectrum of trade creditors have tightened trade credit and the Monitor is aware that certain trade creditors have adjusted their invoicing practices to further speed payments from Catalyst. Currently, Catalyst estimates that it is receiving an average of seven days trade credit, which is significantly less than assumed in RF1. As a result, Catalyst has modified its trade credit assumption in RF2 to reflect the reduced trade credit terms available to it.

4.4 The trade credit contraction reflected in RF2 during May and June 2012 is forecast to be in the range of \$25 – 30 million compared to RF1. After factoring in the contraction of credit experienced in April, the Company's forecast Available Liquidity at June 30, 2012 is \$42 million less than forecast in RF1.

4.5 Although RF2 reflects a positive Available Liquidity balance during the forecast period, the Monitor notes that the Available Liquidity is forecast to decline to a low of \$5.3 million by the end of May 2012, and recover somewhat by the end of June. The Monitor is concerned that these forecast levels of Available Liquidity provide the Company with very little ability to absorb an unexpected liquidity event.

**CATALYST PAPER CORPORATION, ET AL  
MONITOR'S THIRTEENTH REPORT TO COURT**

**MAY 9, 2012**

**5. CRITICAL SUPPLIERS**

- 5.1 The Monitor understands that the Applicant Suppliers have asked the Court to hear their previously adjourned applications to vary or set aside the Critical Suppliers Order on May 10, 2012.
- 5.2 In its Seventh and Eighth Reports, the Monitor informed the Court of its views on these applications. At that time, the Monitor noted the following:
  - 5.2.1 The termination of the Critical Suppliers Order and reversion to cash on delivery/cash in advance terms by the Critical Suppliers would cause an estimated short-term reduction in liquidity for the Company in a range of \$17 million to \$24 million;
  - 5.2.2 Based on the Company's cash flow forecast at the time, the Monitor was concerned that this reduction in liquidity would provide an insufficient cushion for other cash flow variances that may occur in the intervening period; and
  - 5.2.3 Over the period to May 31, 2012, the Available Liquidity of the Company was sufficiently limited such that it would be prudent to maintain the status quo with respect to the Critical Suppliers for at least another 30 to 45 days (i.e. to the end of April 2012) to allow for greater visibility into the expected liquidity situation towards the end of May 2012.
- 5.3 In its Seventh Report, the Monitor indicated that a review of the need for the Critical Suppliers Order should be made after the Company had prepared an updated cash flow forecast, which was expected to be completed by the end of April 2012. RF2 has now been prepared and is discussed above. The delays in finalizing RF2 and preparing this report were attributed to trying to understand the full impact of the trade credit contraction to properly forecast the timing of payments.
- 5.4 If the Company was to lose any or all of the credit provided pursuant to the Critical Suppliers Order, the Monitor understands that most, if not all, of the Critical Suppliers would insist on cash-in-advance ("CIA") payment terms in the future, which would have a significant negative impact on the Company's liquidity.

**CATALYST PAPER CORPORATION, ET AL  
MONITOR'S THIRTEENTH REPORT TO COURT**

**MAY 9, 2012**

- 5.5 As of May 4, 2012, the total credit extended to the Company by the Critical Suppliers under their Individual Credit Extension Amounts was approximately \$10.6 million. Based on this level of credit exposure, the Monitor remains of the view that the estimated short-term liquidity impact of \$17 million to \$24 million in the event of the termination of the Critical Suppliers Order remains appropriate.
- 5.6 This range assumes that the Company would be required to both repay the post-filing credit extended to date, as well as commence making cash-on-delivery or CIA payments for future shipments. The full amount of the liquidity impact noted above would be realized over 4-6 weeks, with the majority of the impact experienced immediately following the termination of the Critical Suppliers Order.
- 5.7 Based on the Available Liquidity shown in RF2, it appears that over the period to June 30, 2012, the Company could not absorb the anticipated impact on liquidity of terminating the Critical Suppliers Order without exceeding its Available Liquidity. As such, the Monitor cannot recommend that the Critical Suppliers Order be terminated.
- 5.8 The Company will continue to monitor and update its cash flow forecasts over the coming weeks, and the Monitor will report further on any changes in those cash flow forecasts that materially impact the Critical Suppliers.

**6. RECOMMENDATIONS**

- 6.1 The Monitor recommends that the Critical Suppliers Order remain in place and not be varied at this time.

**CATALYST PAPER CORPORATION, ET AL  
MONITOR'S THIRTEENTH REPORT TO COURT**

**MAY 9, 2012**

This report is respectfully submitted this 9<sup>th</sup> day of May, 2012.

**PricewaterhouseCoopers Inc.  
Court Appointed Monitor of  
Catalyst Paper Corporation, et al**



**Michael J. Vermette, CA, CIRP  
Senior Vice President**



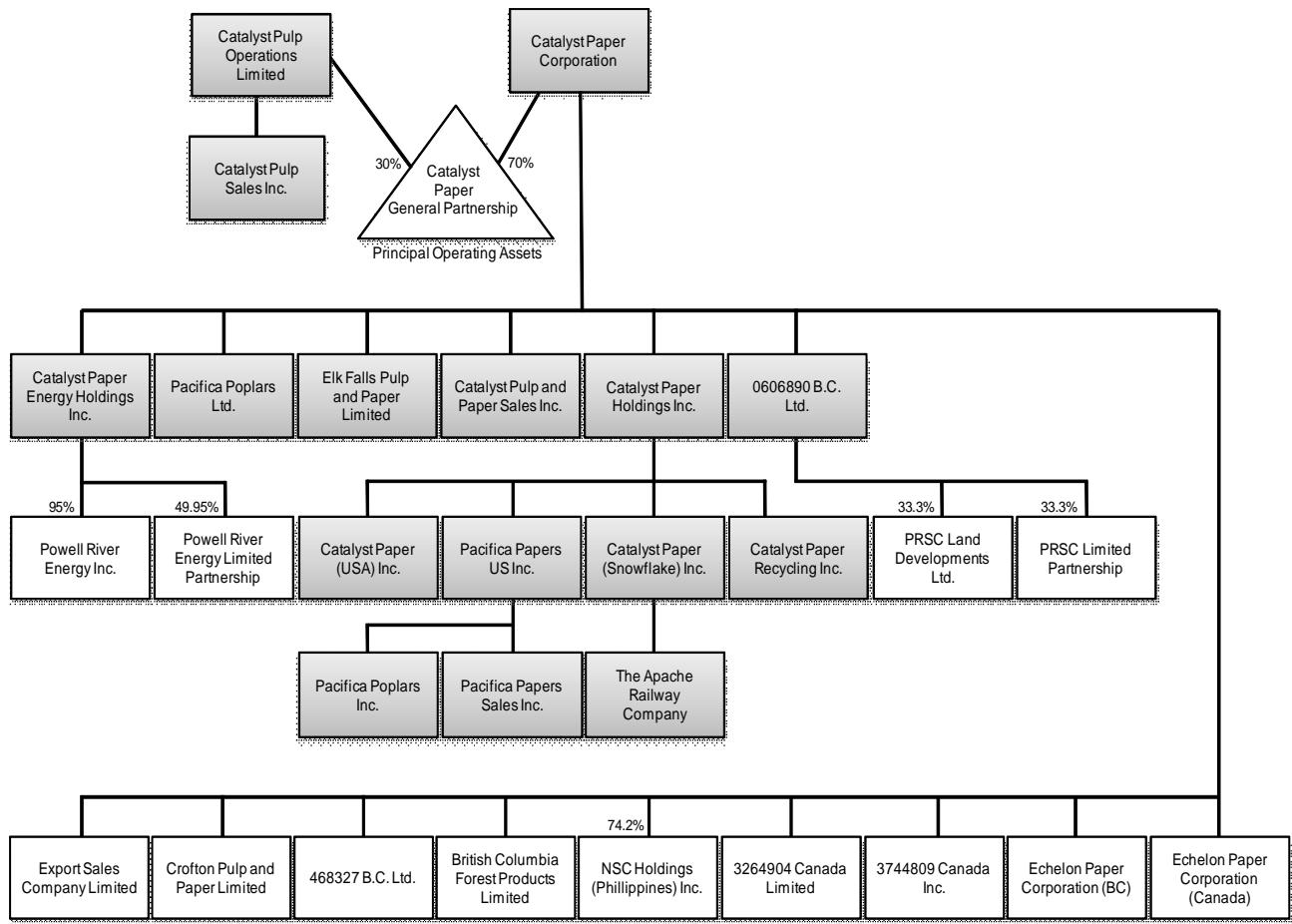
**Neil Bunker, CA, CIRP  
Vice President**

## **APPENDIX A**

### **Petitioner Parties Organization Chart**

## Catalyst Paper Corporation Organizational Chart

## APPENDIX A



### Notes

1. Unless otherwise noted, Common share ownership is 100%. Preferred share ownership is not identified in this chart.
2. Shaded entities represent the Petitioners in the CCAA proceedings.
3. Catalyst Paper General Partnership is also subject to the CCAA proceedings.

## **APPENDIX B**

### **Statement of Actual Cash Flow for the Period January 31, 2012 to April 30, 2012**

**Catalyst Paper Corporation**  
**Statement of Cash Flows - Actual vs. Forecast**  
**For the period of January 31, 2012 to April 30, 2012**

CAD\$ millions	January 31 to March 31	April 1 to April 30	January 31 to April 30	
	Actual <sup>1</sup>	Actual	Forecast <sup>2</sup>	Variance
	\$	\$	\$	\$
<b>Receipts</b>				
Collection of Trade Accounts Receivable	199.0	102.4	108.1	(5.7)
Collection of Other Accounts Receivable	10.9	6.5	4.7	1.8
<b>Total Receipts</b>	<b>209.9</b>	<b>108.9</b>	<b>112.8</b>	<b>(4.0)</b>
<b>Disbursements - Operating</b>				
Total Raw Material and Freight	(88.5)	(44.9)	(35.7)	(9.2)
Total Production and Operating Costs	(80.9)	(41.3)	(37.2)	(4.1)
Total Employee Costs	(33.4)	(19.9)	(22.1)	2.2
Total Property Tax/Insurance/Other Taxes	(1.1)	(1.7)	(0.4)	(1.3)
<b>Total Disbursements - Operating</b>	<b>(204.0)</b>	<b>(107.8)</b>	<b>(95.4)</b>	<b>(12.4)</b>
<b>Disbursements - Non Operating</b>				
Restructuring Professional Fees	(4.8)	(2.7)	(4.2)	1.5
CCAA Restructuring Costs	(8.4)	(1.0)	0.0	(1.0)
DIP/Revolver Interest and Commitment Fees	(2.3)	(0.0)	(0.2)	0.2
<b>Total Non Operating Disbursements</b>	<b>(15.5)</b>	<b>(3.7)</b>	<b>(4.4)</b>	<b>0.7</b>
<b>Total Disbursements</b>	<b>(219.4)</b>	<b>(111.6)</b>	<b>(99.8)</b>	<b>(11.7)</b>
<b>Net Cash Flow</b>	<b>(9.5)</b>	<b>(2.7)</b>	<b>13.0</b>	<b>(15.7)</b>
<b>Ending Cash</b>	<b>35.2</b>	<b>29.2</b>	<b>16.9</b>	<b>12.3</b>
Less: Cash Collateral held for LCs	(13.1)	(12.8)	(11.9)	(1.0)
<b>Available Cash</b>	<b>22.1</b>	<b>16.4</b>	<b>5.0</b>	<b>11.4</b>
<b>DIP Revolver Balance End of the Period</b>	<b>86.0</b>	<b>82.7</b>	<b>52.2</b>	<b>(30.5)</b>
<b>Available Liquidity <sup>3</sup></b>	<b>20.2</b>	<b>29.1</b>	<b>53.3</b>	<b>(24.2)</b>
Provision for Unspent CCAA Restructuring Costs <sup>4</sup>	(14.6)	(13.6)	(11.9)	(1.7)
<b>Adjusted Available Liquidity</b>	<b>5.6</b>	<b>15.5</b>	<b>41.4</b>	<b>(25.9)</b>

<sup>1</sup> The actual receipts and disbursements from January 31, 2012 to March 31, 2012 have been restated to account for reclassified transactions.

<sup>2</sup> The Forecast figures reflect the Restated Revised Forecast as included in the Monitor's 10<sup>th</sup> Report dated April 18, 2012.

<sup>3</sup> Available Liquidity is equal to Borrowing Base Availability >\$26.3 million plus Available Cash less the DIP Revolver Balance at the end of the period.

<sup>4</sup> The Company had previously forecasted to pay \$17.4 million for CCAA Restructuring Costs in March 2012; however, only \$2.7 million was paid. In April 2012, the Company spent an additional \$1.0 million of those forecasted amounts leaving the unspent balance at \$13.6 million. The Company and the Monitor both anticipate that the unspent amount will be paid in future periods and accordingly, a provision was made for the unspent balance against the Company's Available Liquidity.

## **APPENDIX C**

### **Revised Cash Flow Forecast for the Period May 1, 2012 to June 30, 2012**

**Catalyst Paper Corporation**  
**Weekly Cash Flow Forecast Summary for the period of May 1, 2012 to June 30, 2012**  
In CAD\$ millions

## Appendix C

	Actual		Forecast										Total	
	Jan 31 to Apr 30		May-12				Jun-12				May 1 to Jun 30		Total	
	64	91	4	5	5	8	22	31	6	5	5	5	21	43
Business Days in the Period	64	91	6	7	7	11	22	31	10	7	7	6	30	61
Calendar Days in the Period														
Period Ended	Total		May-12				Jun-12				May 1 to Jun 30		Total	
Receipts - Operating	301.4		6-May	13-May	20-May	31-May	Total	10-Jun	17-Jun	24-Jun	30-Jun	Total	Total	Jan 31 to Jun 30
Collection of Trade AR	17.4		15.1	24.0	24.0	42.4	105.4	30.9	25.8	25.8	25.8	108.3	213.7	107
Collection of Other AR	0.2		0.2	2.2	2.2	5.0	9.6	2.7	2.3	2.3	2.3	9.6	19.2	152
Total Receipts - Operating	318.8		15.3	26.1	26.1	47.5	115.0	33.7	28.1	28.1	28.1	117.9	232.9	Total
Disbursements - Operating	(133.4)		(7.2)	(13.4)	(13.4)	(25.0)	(59.1)	(15.5)	(12.9)	(12.9)	(12.9)	(54.1)	(113.2)	(246.6)
Raw Material and Freight Costs	(122.2)		(11.9)	(12.2)	(9.5)	(16.5)	(50.1)	(13.0)	(11.7)	(11.2)	(10.3)	(46.3)	(96.4)	(218.6)
Production and Operating Costs	(53.3)		(0.9)	(6.8)	(5.0)	(7.2)	(19.9)	(4.0)	(2.8)	(4.0)	(3.4)	(14.2)	(34.1)	(87.4)
Employee Costs	(2.9)		(0.0)	(0.1)	(0.1)	(0.3)	(0.6)	(0.1)	(0.0)	(0.0)	(0.0)	(0.2)	(0.8)	(3.7)
Total Disbursements - Operating	(311.8)		(20.0)	(32.5)	(28.1)	(49.0)	(129.6)	(32.5)	(27.5)	(28.2)	(26.7)	(114.8)	(244.5)	(556.3)
Net Operating Cash Flows	7.0		(4.8)	(6.4)	(1.9)	(1.5)	(14.6)	1.2	0.6	(0.1)	1.4	3.0	(11.6)	(4.6)
Disbursements - Non-Operating	(7.5)		(0.5)	(0.5)	(2.0)	(1.2)	(4.2)	-	(1.5)	-	(1.5)	(3.0)	(7.2)	(14.7)
Restructuring Professional Fees	(9.4)		-	(1.1)	(0.3)	(1.6)	(2.9)	-	-	-	-	-	(2.9)	(12.3)
CCAA Restructuring Costs	(2.3)		(0.1)	(0.1)	(0.1)	(0.2)	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)	(0.7)	(3.0)
DIP Loan Fees and Interest	-		-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements - Non-Operating	(19.2)		(0.6)	(1.7)	(2.4)	(3.0)	(7.6)	(0.1)	(1.6)	(0.1)	(1.6)	(3.3)	(10.9)	(30.1)
Net Receipts (Disbursements)	(12.2)		(5.3)	(8.1)	(4.3)	(4.5)	(22.2)	1.1	(1.0)	(0.2)	(0.2)	(0.3)	(22.5)	(34.7)
Ending Book Cash Balance	29.2		26.9	18.8	17.8	17.8	17.8	17.7	17.7	17.7	17.7	17.7	17.7	
Less: Cash Collateral Held for LCs	(12.8)		(12.8)	(12.8)	(12.8)	(12.8)	(12.8)	(12.7)	(12.7)	(12.7)	(12.7)	(12.7)	(12.7)	
Available Ending Cash Book Balance	16.4		14.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	
DIP Revolver Balance at End of Period	82.7		85.7	85.7	89.0	93.5	93.5	92.3	93.3	93.5	93.7	93.7	93.7	
Available Liquidity <sup>1</sup>	29.1		23.3	15.3	9.8	5.3	5.3	6.4	5.5	11.8	11.6	11.6	11.6	

<sup>1</sup> Available Liquidity is equal to Borrowing Base Availability >\$26.3MM plus Ending Book Cash less DIP Revolver at End of Period.