This is the 9th affidavit of
B. Baarda in this case and was
made on May 9, 2012

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

AFFIDAVIT

I, Brian Baarda, businessperson, of 2nd Floor, 3600 Lysander Lane, Richmond, British Columbia, AFFIRM THAT:

1. I am the Vice President, Finance and Chief Financial Officer of Catalyst Paper Corporation ("**CPC**"), a Petitioner in this proceeding (along with the other Petitioners and Catalyst Paper General Partnership, the "**Company**"), and as such I have personal

knowledge of the matters deposed to in this Affidavit except where I depose to a matter based on information from an informant I identify, in which case I believe that both the information from the informant and the resulting statement are true.

2. All capitalized terms used in this Affidavit and not defined below shall have the same meaning as that ascribed to them in my Affidavit #1 in this proceeding, made January 31, 2012 (the "**First Affidavit**").

Previous Cash Flows and Trade Constriction

3. Throughout these proceedings, the Company has worked with the Monitor to prepare several cash flow forecasts that have been presented to the Court. The most recent cash flow forecast was attached as an appendix to the Monitor's Tenth Report to the Court dated April 18, 2012 (the "**April Cash Flow**").

4. In the First Affidavit, I described the increased trade pressure felt by the Company before the Company entered the CCAA proceedings. In developing each of the cash flow forecasts filed with this Court, including the April Cash Flow, the Company and the Monitor assumed that, as the CCAA proceedings progressed and the Company continued to operate, the Company's trade suppliers would eventually agree to relaxed trade terms. Both the Company and the Monitor assumed that, as the trade suppliers became accustomed to operations under the CCAA over time, the trade suppliers who insisted on constricted trade terms early on in the CCAA proceedings would agree to more relaxed terms.

5. At the outset of the CCAA proceedings, the overall average of the terms of payment with the Company's trade suppliers was approximately seven days. Some trade suppliers insisted on payment in advance or cash on delivery. Other trade suppliers agreed to terms of payment longer than seven days. The cash flow forecasts filed to date in this CCAA proceeding assumed that those suppliers who required less than seven days would agree to relax those terms and the overall average of payment terms would move from seven days to fourteen days.

6. That assumption has not been borne out as the CCAA proceedings have progressed.

7. Although some trade suppliers have extended their credit terms from seven day terms, other trade suppliers have demanded a further constriction in trade terms to cash on delivery or payment in advance.

8. The Company has not had sufficient relaxation of terms by trade suppliers to justify the assumption of fourteen day terms in the earlier cash flow forecasts.

The Revised Cash Flow

9. As of today, the trade suppliers' overall average is still seven days rather than transitioning to fourteen days as was the basis for the previous cash flow forecasts. The Company has worked with the Monitor to prepare a further revised cash flow forecast reflecting the continuation of the overall average of a seven day term, which is attached to the Monitor's Thirteenth Report to the Court (the "**Revised Cash Flow**").

10. The Revised Cash Flow reflects the effect that trade constriction and the failure of the trade suppliers and the Company to agree to better trade terms has had on the Company's cash flow. The Company's trade payments are in the range of $3-3.5 million per day. Trade credit at seven day terms as opposed to trade credit at fourteen day terms has an approximate impact of $22-25 million in liquidity at any given time.

11. Under the DIP Credit Agreement, if the availability under the DIP Facility is less than 15% of $175 million, or $26.3 million for a certain period, then all incoming funds to the Company shall be held in trust for the DIP Agent and/or directed to the DIP Agent for its use in accordance with the DIP Credit Agreement ("**Cash Dominion**"). Cash Dominion results in the Company losing control of its cash to the DIP Agent. The amount before the Company enters Cash Dominion is known as "**Excess Availability**".

12. The April Cash Flow estimated that the Company would have Excess Availability of $24.2 million as of May 31, 2012 before entering Cash Dominion. The Revised Cash Flow estimates that the Company will have Excess Availability of $5.3 million as of May

31, 2012. The difference in the cash flow between an assumed fourteen day term and an assumed seven day term is $18.9 million.

13. In my view the Excess Availability of $5.3 million set out in the Revised Cash Flow will make it difficult for the Company to absorb an unforeseen liquidity event, given the Company's expected receipts of $117.9 million and expected disbursements of $114.8 million in June 2012.

Ongoing Discussions with Critical Suppliers

14. The Company is concerned about its relationship with all of its suppliers including the Critical Suppliers. Commencing in late March 2012, the Company pursued discussions with the Critical Suppliers to come to terms by which all parties could agree to move forward without further Court applications. The parties had come close to an agreement, subject to certain approvals, that a trust would be created in favour of the Critical Suppliers. This trust would have resulted in a reduction of the Company's available liquidity before entering Cash Dominion.

15. The Company's cash flow forecast assumed certain customer payments to be received by the Company at the end of the week of April 13, 2012. Those receipts were significant and were not received at the end of that week. As a result, at the end of that week, the Company's liquidity dropped to a very low unforeseen level. As it turned out, the expected customer receipts were received on the Monday and Tuesday of the following week and the issue was resolved. However, that event caused both the DIP Agent and the Company to reassess the cash flows and particularly to focus upon the overall average fourteen day trade credit term assumption embedded therein.

16. Based upon that reassessment, the Company came to the conclusion that it could not then fund the proposed critical supplier settlement. I attended a telephone conference with the Critical Suppliers on Tuesday, April 24, 2012 where I explained the situation to the Critical Suppliers and entertained questions concerning the Company's financial situation that led to DIP Agent's concern with the arrangement and the Company's

changed position with respect to the Company's ability to implement the proposed arrangement at that point in time.

17. I am concerned that a termination of the Critical Suppliers' Charge would seriously impair the Company's liquidity going forward and create risk in respect of its ability to make future payments to all trade suppliers, not simply the Critical Suppliers.

18. Since January 31, 2012, the Company has made payments in the amount of $65.0 million to the sixteen Critical Suppliers who are covered by the Critical Supplier Order.

Payments to Western Forest Products Ltd.

19. I have reviewed the Affidavit of Neil Stevens made on May 8, 2012. I am aware of the delayed payment referred to therein. Once I was made aware of it, I personally investigated the matter.

20. Upon my investigations, I learned that two payments were missed to Western Forest Products Ltd. totalling approximately $86,000. I understand that, at that time, Western Forest Products Ltd. was below their individual credit extension amount by approximately $500,000.

21. A clerk was away on holidays and the request for payment was missed. Under our usual payment system, payments processed on Monday, May 7, 2012 would not arrive at the payee until Wednesday, May 9, 2012. In order to remedy the missed payments as quickly as possible, I provided for Western Forest Products Ltd. to receive a wire transfer for the outstanding amounts on May 7 and telephoned Mr. Stevens to advise him that the wire transfer was coming as soon as possible. The earliest the wire transfer was able to get through was on May 8, 2012. Our usual payment, in the approximate amount of $1.0 million, which was processed on May 7, 2012, included the additional outstanding amounts. As such, the Company has paid Western Forest Products Ltd. approximately $86,000 in excess of what was owed, which shall be addressed in subsequent dealings.

Canadian National Railway Company ("CN")

22. I am informed by Robert H. Lindstrom, Vice President, Supply Chain, Energy and Information Technology of CPC, and believe it to be true that, contrary to the statement of Pierre-Louis Piotte at paragraph 12 of his affidavit dated April 3, 2012, there are certain destinations that require the Company to use CN, for which alternate arrangements are not readily available. Further, a significant change in logistics could risk customer deliveries and create disruption for the Company and financial risk for the Company. In particular, changing the mode of transportation that is particular for individual customers would create risk on a customer basis that could detrimentally affect the accounts receivable of the Company.

AFFIRMED BEFORE ME at Richmond, British Columbia on May 9, 2012.	)	
	)	Brian Baarda
A Commissioner for taking Affidavits for British Columbia	)	

DAVID L. ADDERLEY
Barrister & Solicitor
2nd Floor, 3600 Lysander Lane
Richmond, B.C. V7B 1C3

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