

This is the 1st affidavit of
A. MacCallum in this case and was
made on July 10, 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, Alistair MacCallum, businessperson, of 2nd Floor, 3600 Lysander Lane, Richmond,
British Columbia, AFFIRM THAT:

1. I am the Vice President, Treasurer and Controller 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. The Company has a property insurance policy for various properties located in B.C. and the USA associated with its business (the “**Insurance Policy**”). The Insurance Policy was renewed on July 1, 2012 and payment is due to the insurer on August 1, 2012.

3. Aon Reed Stenhouse Inc. (“**Aon**”) is the Company’s insurance broker in relation to the Insurance Policy. For the past three years, Macquarie Premium Funding Inc. (“**Macquarie**”) has provided the Company with financing services in respect of the premiums for the Insurance Policy.

4. Pursuant to written agreements between the Company and Macquarie, Macquarie advanced funds to finance the premiums for the Insurance Policy. In exchange, the Company pays the amount of the financing combined with ancillary charges to Macquarie over the course of one down payment and nine monthly payments.

5. The Company has historically financed the premiums for the Insurance Policy in its ordinary course of business. Collectively, the agreements between CPC and Macquarie (the “**Old Financing Agreements**”) include the financing for the Insurance Policy.

6. Pursuant to the Old Financing Agreements, CPC had assigned to Macquarie the right to cancel the Insurance Policy in the event of a default by CPC under the agreement as well as CPC’s right to receive any unearned insurance premiums (the “**Unearned Premiums**”) in the event that the Insurance Policy are cancelled. The Old Financing Agreements also provide Macquarie with a security interest for the amounts outstanding and owing to Macquarie under the Old Financing Agreements over the Unearned Premiums.

7. Macquarie has changed its name to First Insurance Funding of Canada (“**First Insurance**”).

8. Because the Old Financing Agreements have expired, the Company and First Insurance intend on entering into new agreements that are substantially similar to the Old Financing Agreements (the “**New Agreements**”), financing the premiums of the renewed Insurance Policy. The amount to be financed pursuant to the New Agreements is

approximately \$4.6 million (mixed US and CDN currencies). The down payment and first payment in regard to the New Agreements is due no later than August 1, 2012. As with the Old Financing Agreements, the Company will repay First Insurance by way of a 25% deposit and nine monthly payments. The New Agreements shall have substantially the same terms and provisions respecting the Unearned Premiums and cancellation of the Insurance Policy that are contained in the Old Financing Agreements.

9. Pursuant to the terms of the New Agreements with First Insurance, First Insurance will have a first priority interest in the Unearned Premiums.

10. First Insurance has advised that it will not enter into the New Agreements unless the Company obtains a Court Order authorizing CPC to enter into the New Agreements and approving of First Insurance's right to cancel the Insurance Policy and have a first priority security interest over the Unearned Premiums, in order to protect First Insurance in respect of this new advance of credit.

11. It is in the best interests of CPC to continue with this business relationship with First Insurance in respect of the Insurance Policy and to relieve the Company from the requirement to fund the full premium amount at this time.

AFFIRMED BEFORE ME at Richmond,
British Columbia on July 10, 2012.

A Commissioner for taking Affidavits for
British Columbia

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



Alistair MacCallum

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