This is the 1st Affidavit
of Alice Knowlden in this case
and was made on 26/Jan/2012

No. S-120362
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, C. C-44, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING CATALYST PAPER CORPORATION AND ECHELON PAPER CORPORATION

CATALYST PAPER CORPORATION
ECHELON PAPER CORPORATION

PETITIONERS

AFFIDAVIT

I, **Alice Knowlden**, of Suite 2600, Three Bentall Centre, 595 Burrard Street, legal secretary, SWEAR THAT:

1. I am the legal secretary to Bill Kaplan, Q.C., a lawyer at Blake, Cassels & Graydon LLP, the solicitors for the Petitioners in this proceeding, 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. Attached hereto and marked as **Exhibit "A"** to this Affidavit is a copy of a letter dated January 26, 2012 sent by Perella Weinberg Partners LP to Brian Baarda of Catalyst Paper Corporation.

SWORN BEFORE ME at Vancouver, British Columbia on 26/Jan/2012.	)))))	
A Commissioner for taking Affidavits for British Columbia	)))))	**Alice Knowlden**

Anthony Purgas
Barrister & Solicitor
Blake, Cassels & Graydon LLP
Suite 2600, Three Bentall Centre
595 Burrard St., P.O. Box 49314
Vancouver, B.C. V7X 1L3
(604) 631-4280

This is **Exhibit "A"** referred to in the Affidavit #1 of Alice Knowlden made before me at Vancouver, British Columbia this 26th day of January 2012.

A Commissioner for taking Affidavits in British Columbia

PERELLA
WEINBERG
PARTNERS

PERELLA WEINBERG PARTNERS
767 FIFTH AVENUE
PHONE: 212-287-3200
FAX: 212-287-3201

January 26, 2012

Catalyst Paper Corporation
2nd Floor, 3600 Lysander Lane
Richmond, British Columbia
V7B 1C3

Attention: Brian Baarda, Chief Financial Officer

Re: Catalyst Paper Corporation ("Catalyst")

Further to Catalyst's request, and in the context of our engagement with Catalyst to provide certain services, we have considered whether Catalyst's current debt obligations exceed the current implied Total Enterprise Value of the business and whether there is any fundamental value for equity. In connection with this request we have considered three customary valuation methodologies which we deem appropriate in the circumstances, including:

- **Implied Value of Transaction:** This approach estimates Catalyst's current implied Total Enterprise Value based on the value implied by the debt-for-equity exchange (the "Restructuring") set out in the term sheet attached to the Restructuring and Support Agreement dated January 14, 2012 (the "Restructuring and Support Agreement").

  In considering this approach, we have taken into account that the proposed restructuring transaction, set out in the term sheet attached to the Restructuring and Support Agreement has been heavily negotiated by Ad Hoc Committees of sophisticated investors for 11% Senior Secured Notes due 2016 and the 7 3/8% Senior Notes due 2014 (and their respective legal and financial advisors).

- **Implied Market Value:** This approach estimates Catalyst's current implied Total Enterprise Value based on the levels at which investors are currently trading Catalyst's debt and equity securities.

- **Capitalization of EBITDA:** This approach estimates Catalyst's current implied Total Enterprise Value based on a comparison of Catalyst's financial statistics with the financial statistics of public companies that are similar to Catalyst.

  This methodology includes selecting reasonably comparable publicly traded companies and/or transactions and selecting a range of EBITDA multiples which we deem appropriate in the circumstances. Total Enterprise Value is determined by applying Catalyst's representative EBITDA to the range of selected multiples.

It is understood that this letter is for your information and assistance in connection with, and for the purposes of the evaluation of, the Restructuring and may not be reproduced, disseminated, quoted from or referred to, in whole or in part, without our consent. The views set forth in this letter are not intended to be and do not constitute a recommendation to any stakeholder of Catalyst as to how to vote or otherwise act with respect to the proposed Recapitalization or any other matter. In arriving at our views set forth in this letter, we have assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information supplied or otherwise made available to us (including information that is available from generally recognized public sources) for purposes of this letter and have further assumed, with your consent, that information furnished by Catalyst for purposes of our analysis does not contain any material omissions or misstatements of material fact. The views set forth in this letter are necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect the views set forth in this letter and the assumptions used in preparing it, and we do not have any obligation to update, revise, or reaffirm the matters set forth herein.

Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, and after consideration of the three financial methodologies, it is our view, from a financial standpoint, that Catalyst's current recourse debt obligations exceed Catalyst's current implied Total Enterprise Value, which, based on our analyses, does not exceed USD $640 million, which implies that there is currently no fundamental value for equityholders.

Yours truly,

Perella Weinberg Partners LP

PERELLA WEINBERG PARTNERS LP