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UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

VERSO PAPER CORP., and NEWPAGE HOLDINGS INC.,

Defendants.

Case No. 1:14-cv-2216

AFFIDAVIT OF JOSEPH NEMETH

I, Joseph Nemeth, of Catalyst Paper Corporation ("Catalyst"), upon my own knowledge, information or belief, state under penalty of perjury under the laws of the United States of America as follows:

1. My name is Joseph Nemeth. I am President and Chief Executive Officer of Catalyst. I have served in that role since October 2013. I bring thirty years of pulp and paper experience, including line management positions in sales, marketing and operations. Prior to joining Catalyst, I served as president and chief executive officer of Canfor Pulp Products, Inc. I hold a Masters of Business Administration degree from Western University and a Bachelor of Forestry degree from the University of British Columbia.

2. During the Fall of 2014 and January 2015, I oversaw Catalyst's purchase of the Biron paper mill in Wisconsin, the Rumford paper mill in Maine, and related assets from NewPage Corporation and its affiliates (together "NewPage"). That transaction (the "Acquisition") was designed to enable Catalyst to operate as a vigorous and independent

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competitor in the production and sale of coated groundwood paper ("CGW"), coated freesheet paper ("CFS"), and coated label paper ("CLP") in the United States. By placing Catalyst in that role, NewPage addressed concerns expressed by the U.S. Department of Justice about the competitive effects of the acquisition of NewPage Holdings Inc. by Verso Paper Corp.

3. The Acquisition closed on January 7, 2015. In the months since, I have supervised the integration of the Biron and Rumford facilities into Catalyst, and I have overseen the strategy and operation of Catalyst's business, including the Biron and Rumford facilities and Catalyst's previously-held facilities.

4. In undertaking the Acquisition, Catalyst believed that we could make additional investment in the Biron and Rumford facilities and could restructure their operations so as to reduce their operating costs and to make the facilities more competitive. The economic structure of the North American paper industry is extremely challenging, and reduction in operating costs and enhancement of competitiveness are essential if a paper producer is to survive. As a reflection of that challenging economic environment, published statistics indicate that industry-wide North American demand and total shipments of both CGW and CFS were substantially lower in the first six months of 2015 than the first six months of 2014. The trend in the paper industry, particularly in the segment that includes CGW, CFS, and CLP, is driven by technological change as electronic images displace paper in many applications.

5. Although Catalyst has owned the Biron and Rumford facilities since only January, we have already begun to take significant steps to make additional investments so as to enhance the facilities' competitiveness. For example, consistent with the plans that Catalyst developed while contemplating the Acquisition, we invested approximately \$16 million in the Rumford mill during the Second Quarter of 2015. Of that total, the largest project was the upgrade of a

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recovery boiler so as to achieve greater reliability, increase energy efficiency, and reduce energy costs. Catalyst expects to made additional investments in the Biron and Rumford mills in subsequent quarters. Since acquiring the Biron and Rumford facilities, Catalyst has vigorously competed to make sales of the coated paper products produced by those two facilities.

6. Another critical step has been to reconfigure production operations at Biron and Rumford so as to optimize the use of individual machines and achieve greater output through fewer resources. The equipment at Rumford includes three primary paper-making lines, known as R10, R12, and R15. Each machine is best for certain uses, but they vary in their capabilities and efficiency, with R12 being the least efficient for most grades of paper. By shifting product mix, consolidating operations on R10 and R15, and shifting production of certain grades from Rumford to Biron, Catalyst has been able to reduce cost while simultaneously increasing output. We currently project that the Rumford facility under Catalyst control will produce more tonnage in 2015 on R10 and R15 alone, with R12 sitting idle for now, than it did on all three machines in 2014. That is, the idling of R12 is actually the first step in a potential capacity expansion. As R10 and R15 hit their capacity limits, we will consider bringing R12 back online, so long as its cost of operation is less than the revenue that the additional tonnage will yield at paper prices that can be realized at that time in the marketplace. Similarly, if market demand for CFS and CLP rebounds from the currently depressed level, we are optimistic that R12 could again become profitably operational. According to diligence materials provided prior to the Acquisition, the rated capacity of R12 is 115,000 tons per year.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on August 18, 2015.

Joseph Nemeth

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