

This is the 1st affidavit
of Lawrence R. Karr in this case
and was made on 21/Mar/2012

No. S120712
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, Lawrence R. Karr, of the Town of Randolph in the State of New Jersey in the United States,
SWEAR THAT:

1. I am Senior Counsel, Global Beverage, Industrial and North America Sweetener Solutions for Corn Products International, Inc. ("**Corn Products International**"), which wholly owns Casco, Inc. ("**Casco**"). As such, I have personal knowledge of the facts and

matters hereinafter deposed to except where stated to be based on information and belief and, where so stated, I verily believe those facts to be true.

2. By my swearing this affidavit, neither Casco nor Corn Products intends to waive, and neither waives, any solicitor-client or other privilege over communications between it and me, Stikeman Elliott LLP or any other internal or external counsel.

3. Casco is a supplier of, amongst other things, tapioca starch, which is used in wet end paper making applications.

4. I am advised by Jean Perreault, Director, Corrugating and Allied Trades Markets - US/Canada, and Alain Bergeron, Business Manager Canada - Paper, of Casco that, as the successor to Nacan Products Limited, Casco previously supplied Catalyst Paper ("Catalyst") with tapioca starch pursuant to a 2007 Supply Agreement (Supply Contract CPC07-0112). However, the Supply Agreement expired pursuant to its terms on December 31, 2011 and was neither renewed nor extended. Following the expiry of the Supply Agreement, Casco continued to supply Catalyst with tapioca starch on a purchase order by purchase order basis. For accepted purchase orders, Catalyst agreed on January 10th to payment terms of net 15 days.

5. On January 17, 2012, Catalyst Paper Corporation and Echelon Paper Corporation obtained an order from 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* (the "Interim Order").

6. Following the granting of the Interim Order on January 17th, I am advised by Mr. Bergeron that he contacted Catalyst on or about January 19th to discuss the continued supply of tapioca starch. Mr. Bergeron further informs me that he was advised by Hamish Doughty, Catalyst's Procurement Director, that there was a stay of proceedings in place and that Casco was not entitled to seek any change in payment terms. I am advised by Messrs. Perreault and Bergeron that, based on Mr. Doughty's statement, Casco continued to supply tapioca starch on the same credit terms.

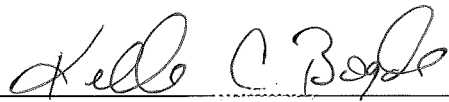
7. I am advised by Clarence Mazerolle, Senior Manager, Credit - US/Canadian Region, of Corn Products International that Catalyst currently owes Casco almost US\$250,000 for goods ordered during the period between January 17, 2012 and January 30, 2012, as follows:

Inv. Ref.	DC Amount	Date
1600006200 (Port Alberni)	US\$41,755.06	01/23/2012
1600006201 (Port Alberni)	US\$41,829.45	01/26/2012
1600006202 (Powell River)	US\$99,802.92	01/23/2012
1600013160 (Snowflake)	US\$11,340.00	01/23/2012
1600013161 (Snowflake)	US\$18,370.80	01/25/2012
1600013164 (Snowflake)	US\$18,370.80	01/27/2012
1600013163 (Snowflake)	US\$18,370.80	01/27/2012
Total as at Jan 30	US\$249,839.83	

8. On January 31, 2012, Corn Products International and Casco learned that the Crofton Pulp, Paper and Woodworkers Union of Canada had voted against Catalyst's proposed restructuring Plan contemplated in the Interim Order. Mr. Bergeron advises me that he again contacted Catalyst to discuss the provision of tapioca starch. Mr. Doughty again asserted that a stay of proceedings was in place.

9. Since learning of the Initial Order of January 31, 2012 under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, Casco has continued to supply goods to Catalyst on credit.

SWORN BEFORE ME at Bridgewater, New Jersey in the United States on 21/Mar/2012:



KELLIE A. BOGDA
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 2/15/2017



LAWRENCE R. KARR