

Catalyst's current situation.

Catalyst has suffered financial losses for five consecutive years, and challenges are expected to intensify as the worldwide economic recession affects us all. Currently, we carry over \$900 million in debt. In the past 18 months, our workforce has been reduced by over 1100 people. Several machine closures have taken place including the permanent shutdown of one machine at our Port Alberni mill. Today, Catalyst is simply not in a position to borrow more money to pay unreasonable and unjustifiable property taxes.

What is at stake?

Every resident of Port Alberni needs to understand the seriousness of this issue. Failure by Port Alberni Council to adopt a new, reasonable property tax policy will affect the future of Catalyst and the community. With an industrial tax rate that is over 10 times that of residents, no new industry can afford to come to Port Alberni, and existing ones are in danger of moving away or closing with certain job losses.

Our plan is to maintain operations at our Port Alberni mill, however if we are forced to close, the consequences will be felt by everyone, not only the 276 men and women who work here, but every business and family in the area. Under these circumstances, property taxes paid by the average homeowner would increase far more than under the proposed 'cost of service' approach, and housing values would decrease. What the City and other stakeholders do next will influence what the future holds for the Alberni Valley Region, our mill, and the Community.

Action is needed now. Please voice your concerns.

If this issue is important to you, please contact Port Alberni Council members.

For more information or to voice your support:

Please contact us at 604-247-4400 or visit www.catalystpaper.com/propertytaxsolutions.

Contact your Port Alberni Council Members:

Ken McRae, Mayor

Hira Chopra

John Douglas

Jack McLeman

Ike Patterson

Cindy Solda

Ken Whiteman

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Now is the time for reason.

The industrial tax burden in our community is not viable. A fair and equitable solution must be reached.



An unsustainable situation.

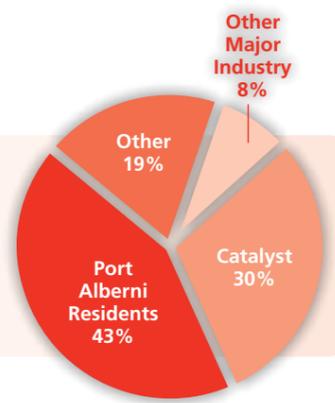
Catalyst Paper, owner of the Port Alberni mill, currently pays \$5.2 million in major industry property taxes to the municipality of Port Alberni. This amount is disproportionate compared with the value of municipal services provided to the mill, estimated to be less than \$1.5 million.

This huge discrepancy between the cost of services received and the tax levied is not reasonable, and most critically, cannot be sustained, particularly in these difficult economic times. The consequences of not reaching a fair and equitable solution with the municipality of Port Alberni would be harmful to the community, and the mill. We need your support to help reach a solution that works for everyone.

Consider what's reasonable.

Examples that illustrate the inequity:

- » The Port Alberni tax rate for industry is more than 10 times that of residents.
- » If you, as a resident, owned a home with an assessment of \$181,000, and were being charged property taxes at the same rate as our Port Alberni mill, you would owe about \$10,500 in property taxes every year.
- » In 2008, the residential property tax rate in Port Alberni was \$5.54 per \$1000 of assessment; the rate paid by the mill was \$58.98 per \$1000 of assessment.



Tax Revenue in Port Alberni

Reasonable solutions are on the table.

There are 9 property-use classifications in this region – Residential, Utilities, Supportive Housing, Major Industry, Light Industry, Business and Other, Managed Forest, Recreational Property/Non-Profit Organization, and Farm. The Municipality sets a different tax rate for each class, as is common practice.

With this in mind, Catalyst has tabled an innovative proposal with each of the four BC communities in which we operate mills. The proposal is based on a 'cost of service' model for major industry taxpayers based on paying for the consumption of services used.



Our proposal is fair and puts affordability at the top of the list of considerations. From this year forward, Catalyst would pay for the municipal services its mills use, plus 30%. This approach makes efficiency and competitiveness an ongoing commitment for all of us in Port Alberni.

Under our proposal, you will still enjoy one of the lowest residential tax rates in BC.

It is true that if our proposal is adopted, residential taxes could increase. However, if residents were to be taxed as heavily as industry is being taxed, you'd be asking yourself if you can afford to remain in the area. The reality is, there is a community cost in a mill closure so what is unfair to business will eventually be unfair to you, especially if the mill can no longer afford to operate in your community.

Working together with municipalities.

To date, Port Alberni Council has been working with us and has acknowledged the need to find an equitable and sustainable solution. However, progress needs to be accelerated and Catalyst believes the solution must be based on everyone paying taxes reflecting municipal services consumed.

Catalyst wants to keep all of its mills operating through this very difficult time, but we must have community support to succeed.

The global economic crisis has hit our industry hard.

This is not a good time for the forest products industry. There is a worldwide decline in paper demand, and a worldwide credit crunch severely affecting businesses. To survive, Catalyst needs a fair municipal tax system that gives our mills the ability to compete with other jurisdictions in Canada, the United States, Latin America and Asia. As recent announcements have shown, uncompetitive mills face closure.