

Schedule “D”

FORM OF INSTRUCTION LETTER

INSTRUCTION LETTER FOR THE CLAIMS PROCEDURE FOR CREDITORS OF CATALYST PAPER CORPORATION AND THE OTHER ENTITIES LISTED BELOW (hereinafter referred to collectively as the “Petitioner Parties”)

Catalyst Paper General Partnership
Catalyst Pulp Sales Inc.
Catalyst Pulp and Paper Sales Inc.
Catalyst Paper Energy Holdings Inc.
Catalyst Paper Recycling Inc.
Catalyst Paper Holdings Inc.
Pacifica Poplars Inc.
Catalyst Paper (USA) Inc.

Catalyst Pulp Operations Limited
Pacifica Poplars Ltd.
Elk Falls Pulp and Paper Limited
0606890 B.C. Ltd.
Catalyst Paper (Snowflake) Inc.
Pacifica Papers U.S. Inc.
Pacifica Papers Sales Inc.
The Apache Railway Company

1. Claims Procedure

By order of the Supreme Court of British Columbia (the “**Court**”) dated March 22, 2012 (as may be amended, restated or supplement from time to time, the “**Claims Procedure Order**”), in the proceeding commenced by the Petitioner Parties under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), the Petitioner Parties have been authorized to conduct a claims procedure (the “**Claims Procedure**”). A copy of the Claims Procedure Order, with all schedules, may be found on the Monitor’s Website at: www.pwc.com/car-catalystpaper. Capitalized terms used in this letter, which are not defined in this letter shall have the meaning ascribed to them in the Claims Procedure Order.

This letter provides instructions for completing the Proof of Claim. A blank Proof of Claim form is included with this letter.

The Claims Procedure is intended for any Person asserting a Claim (other than an Unaffected Claim) of any kind or nature whatsoever against any of the Petitioner Parties and/or any of their Directors and/or Officers arising before the Commencement Date, and/or any Restructuring Claim arising on or after the Commencement Date as a result of a restructuring, disclaimer, resiliation, termination or breach by any of the Petitioner Parties on or after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral, and whether such restructuring, disclaimer, resiliation, termination or breach took place or takes place before or after the date of the Claims Procedure Order.

Noteholders are **not** required to submit a Proof of Claim in respect of any Claim pertaining to principal or accrued interest owing under the Notes. Any Noteholders who wish to assert a Claim other than for principal or accrued interest owing under the Notes must file a Proof of Claim (as referenced in paragraph 2 below) to avoid the barring and

extinguishment of any Claim which you may have against any of the Petitioner Parties and/or any of their Directors and/or Officers.

Current employees of the Petitioner Parties are **not** required to submit a Proof of Claim in respect of any Claim pertaining to wages, including vacation pay and banked time due to them.

If a notice setting out the amount which the Petitioner Parties have determined to be the amount of your Claim (a “**Claim Amount Notice**”) is enclosed with this letter, and you do **not** dispute the nature or amount of such Claim as set out in the Claim Amount Notice, you are **not** required to file a Proof of Claim. If a Claim Amount Notice is enclosed and you dispute the nature or amount of your Claim as set out in the Claim Amount Notice, you must file a Proof of Claim (as referenced in paragraph 2 below) to avoid the barring and extinguishment of that portion of your Claim that exceeds the amount set out in the Claim Amount Notice. Any Creditor who receives a Claim Amount Notice and who does not file a Proof of Claim by the Claims Bar Date in accordance with paragraph 2 below is deemed to have accepted the nature and amount of such Claim, as set out in the applicable Claim Amount Notice.

If a Claim Amount Notice is **not** enclosed with this letter and you wish to file a Claim, you must file a Proof of Claim (as referenced in paragraph 2 below) to avoid the barring and extinguishment of any Claim which you may have against any of the Petitioner Parties and/or any of their Directors and/or Officers.

If you have any questions regarding the Claims Procedure, please contact the Court-appointed Monitor at the address provided below.

All enquiries with respect to the Claims Procedure should be addressed to:

PricewaterhouseCoopers Inc.
Court-appointed Monitor of Catalyst Paper Corporation et al.
250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7
Attention: Patricia Marshall
Telephone: 604 806 7070
Fax: 604 806 7806
Email: catalystclaims@ca.pwc.com

2. For Creditors Submitting a Proof of Claim

If you have not received a Claim Amount Notice, or you have received a Claim Amount Notice and you dispute the nature or amount of the Claim as set out in such Claim Amount Notice, you are required to file a Proof of Claim, in the form enclosed herewith, and ensure **that it is received by the Monitor by 5:00 p.m. (Prevailing Pacific time) on April 18, 2012** (the “**Claims Bar Date**”), to avoid the barring and extinguishment of any Claim (other than a Restructuring Claim) you may have against any of the Petitioner Parties and/or any of their Directors and/or Officers in excess of any amount set out in the Claim Amount Notice enclosed herewith, if any.

To avoid the barring and extinguishment of any Restructuring Claim you may have against any of the Petitioner Parties and/or any of their Directors and/or Officers, you are required to file a Proof of Claim, in the form enclosed herewith, and ensure **that it is received by the Monitor by the later of: (a) the Claims Bar Date, and (b) 5:00 p.m. (prevailing Pacific time) on the day which is ten (10) days after the date of the Notice of Disclaimer or Resiliation** sent to you (the “Restructuring Claims Bar Date”).

For the avoidance of doubt, any Claim or Restructuring Claim you may have against any of the Petitioner Parties must be filed in accordance with the procedures set forth herein. Proofs of Claim filed solely with the United States Bankruptcy Court, District of Delaware, are invalid, and failure to file an additional Proof of Claim with the Monitor pursuant to these procedures will lead to the consequences detailed below.

Additional Proof of Claim forms can be found on the Monitor’s website at www.pwc.com/car-catalystpaper or obtained by contacting the Monitor at the address indicated above and providing particulars as to your name, address, facsimile number and e-mail address. Once the Monitor has this information, you will receive, as soon as practicable, additional Proof of Claim forms.

If you are submitting your Proof of Claim electronically, please submit it in one PDF file and ensure the name of the file is [legal name of creditor]poc.pdf.

UNLESS YOU ARE A HOLDER OF A CLAIM (1) ONLY FOR PRINCIPAL AND ACCRUED INTEREST OWING UNDER THE NOTES, OR (2) FOR WHICH YOU HAVE RECEIVED A CLAIM AMOUNT NOTICE THAT YOU DO NOT DISPUTE; **IF A PROOF OF CLAIM IN RESPECT OF YOUR CLAIM IS NOT RECEIVED BY THE MONITOR BY THE CLAIMS BAR DATE OR RESTRUCTURING CLAIMS BAR DATE, AS APPLICABLE:**

(A) YOUR CLAIM SHALL BE FOREVER **BARRED** AND **EXTINGUISHED** AND YOU WILL BE PROHIBITED FROM MAKING OR ENFORCING A CLAIM AGAINST ANY OF THE PETITIONER PARTIES AND/OR ANY OF THEIR DIRECTORS AND/OR OFFICERS;

(B) YOU SHALL NOT BE PERMITTED TO VOTE ON THE PLAN OR ENTITLED TO ANY FURTHER NOTICE OR DISTRIBUTION UNDER THE PLAN, IF ANY;

(C) YOU SHALL NOT BE ENTITLED TO ANY PROCEEDS OF SALE OF ANY OF THE PETITIONER PARTIES’ ASSETS; AND

(D) YOU SHALL NOT BE ENTITLED TO PARTICIPATE AS A CREDITOR IN THE CCAA PROCEEDINGS OF THE PETITIONER PARTIES.