

JULY 5, 2012

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF AN AMENDED AND RESTATED PLAN OF
COMPROMISE OR ARRANGEMENT OF CATALYST PAPER
CORPORATION, CATALYST PAPER GENERAL PARTNERSHIP AND THE
PETITIONERS LISTED IN SCHEDULE "A" TO THE MEETINGS ORDER

EQUITY ELECTION NOTICE AND INSTRUCTIONS

CATALYST PAPER CORPORATION ("Catalyst")
7 3/8% SENIOR NOTES DUE 2014 (the "Unsecured Notes")
CUSIP: 65653RAG8

ELECTION DEADLINE: JULY 19, 2012 BEFORE 5:00 P.M. EASTERN TIME (2:00 P.M. PACIFIC TIME)

This notice contains important information that is of interest to the registered and beneficial owners of the Unsecured Notes. If you receive this notice and are acting for a beneficial owner of Unsecured Notes, please send this notice to the beneficial owner immediately.

APPROVAL OF PLAN OF ARRANGEMENT

On June 25, 2012, Catalyst received the necessary creditor approval for its second amended plan of arrangement (the "**Plan**") under the *Companies' Creditors Arrangement Act* in Canada.

On June 28, 2012, Catalyst received approval of the Plan from the Supreme Court of British Columbia. A confirmation hearing under the Chapter 15 process of the United States Bankruptcy Court for the District of Delaware (the "**US Court Approval**") is expected to occur in mid-July.

Implementation of the Plan remains subject to a number of conditions, including the US Court Approval. Catalyst expects that the Plan will be implemented on or about August 13, 2012 (the "**Effective Date**").

Copies of the Plan may be obtained from the Monitor's website at www.pwc.com/car-catalystpaper or by contacting Globic Advisors at the address below.

TREATMENT OF UNSECURED NOTES UNDER THE PLAN

On the Effective Date, the Unsecured Notes will be cancelled and, in full and final satisfaction of and in exchange for all Allowed claims in respect thereof, each Unsecured Noteholder as of the Effective Date will receive its pro rata share, together with all other unsecured creditors, calculated in accordance with the Plan, of the PREI Proceeds Pool (as defined in the Plan); provided, however, that any Unsecured Noteholder, in lieu of receiving its pro rata share of the PREI Proceeds Pool, may elect (an "**Equity Election**") to receive its pro rata share, together with all other unsecured creditors, calculated in accordance with the Plan, of 600,000 common shares of Catalyst by following the procedures set forth below under "Instructions for Equity Election".

Unsecured Noteholders who make an Equity Election will receive the same number of common shares of Catalyst (their pro rata share of the 600,000 common shares) regardless of how many other unsecured creditors make an Equity Election. By way of example only, assuming that all disputed claims are

accepted in the amounts anticipated by Catalyst, a claim of approximately US\$716 would entitle an unsecured creditor to one common share of Catalyst.

INSTRUCTIONS FOR EQUITY ELECTION

All of the Unsecured Notes are issued in book-entry form, and all of the Unsecured Notes are currently represented by one or more global certificates held for the account of The Depository Trust Company (“**DTC**”). Unsecured Noteholders may make an Equity Election by instructing their bank or broker, who is a DTC participant, to submit their Notes to DTC. An Unsecured Noteholder’s Instruction Form is included with this Election Notice for use by Unsecured Noteholders if their bank or broker requires written instructions. DTC participants may electronically transmit an Equity Election by using the Automated Tender Offer Program (“**ATOP**”) procedures instituted by DTC.

Globic Advisors, the Equity Election Agent, will establish an ATOP account (the “**ATOP Account**”) with DTC for the purposes of this Equity Election. For an Equity Election to be valid, the Agent’s Message must be received by Globic Advisors prior to the Election Deadline. The confirmation of a book-entry transfer into the ATOP Account as described above is referred to herein as a “**Book-Entry Confirmation.**” The term “**Agent’s Message**” means a message transmitted by DTC to, and received by, Globic Advisors and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgment from the DTC participant submitting the Unsecured Notes and that the participant agrees to be bound by the terms of this Election Notice.

If an Unsecured Noteholder desires to tender its Unsecured Notes using the ATOP procedures on the day on which the Election Deadline occurs, sufficient time should be allotted for completion of the ATOP procedures during the normal business hours of DTC on such date.

Should a DTC participant not make submission of the Unsecured Notes through DTC’s ATOP system, their Unsecured Notes will be subject to a mandatory exchange for a portion of the PREI Proceeds Pool, as set forth in the Plan.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any Equity Election pursuant to the procedures described above will be determined by Catalyst, in its sole discretion (which determination shall be final and binding). Catalyst expressly reserves the absolute right in its sole discretion, subject to applicable law, to reject any or all Equity Elections determined by it not to be in proper form. Catalyst also reserves the absolute right, in its sole discretion, to waive any defect or irregularity in any Equity Election of any particular Unsecured Noteholder, whether or not similar defects or irregularities are waived in the case of other Unsecured Noteholders. No Equity Election will be deemed to have been validly made until all defects or irregularities have been cured or expressly waived. Neither Catalyst nor any other person will be under any duty to give notification of any defects or irregularities in any Equity Election nor will any such person incur any liability for failure to give any such notification.

Any questions from Unsecured Noteholders regarding the ATOP procedures or other matters discussed herein should be directed to:

Robert A. Stevens
Globic Advisors
Telephone: 212-227-9699
Email: rstevens@globic.com