

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

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EQUITY ELECTION NOTICE AND INSTRUCTIONS

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CATALYST PAPER CORPORATION ("Catalyst")

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

This notice contains important information that is of interest to the holders of General Unsecured Claims (as such term is defined in Catalyst Paper Corporation's Second Amended and Restated Plan of Compromise and Arrangement dated June 14, 2012 under the *Companies' Creditors Arrangement Act* (the "Plan")).

APPROVAL OF PLAN OF ARRANGEMENT

On June 25, 2012, Catalyst received the necessary creditor approval for the Plan.

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](http://www.pwc.com/car-catalystpaper) or by contacting the Monitor at the address below.

TREATMENT OF GENERAL UNSECURED CLAIMS UNDER THE PLAN

On the Effective Date, the General Unsecured Claims will be released and, in full and final satisfaction of and in exchange for all claims in respect thereof, each holder of an Allowed General Unsecured Claim 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 holder of General Unsecured Claims, 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".

Holders of General Unsecured Claims 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.

Holders of General Unsecured Claims who have made a Cash Election (as defined in the Plan) to reduce their claim to C\$10,000 and receive cash in an amount equal to 50% of their claim are not able to make an Equity Election.

In all cases any payments will be made subject to any applicable withholding taxes.

### **INSTRUCTIONS FOR EQUITY ELECTION**

Holders of General Unsecured Claims may make an Equity Election by completing the enclosed Equity Election Form and delivering the completed Equity Election Form to PricewaterhouseCoopers Inc. (the “**Monitor**”) (Attention: Patricia Marshall). Forms may be delivered by mail to 250 Howe Street, Suite 700, Vancouver, British Columbia, V6C 3S7, by facsimile to 604-806-7806 or by email to catalystclaims@ca.pwc.com.

For an Equity Election to be valid, the Equity Election Form must be received by the Monitor prior to the Election Deadline.

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 holder of General Unsecured Claims, whether or not similar defects or irregularities are waived in the case of other holders of General Unsecured Claims. 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 holders of General Unsecured Claims regarding the Equity Election procedures or other matters discussed herein should be directed to the Monitor:

**Patricia Marshall**  
PricewaterhouseCoopers Inc.  
250 Howe Street, Suite 700  
Vancouver, British Columbia, V6C 3S7  
Telephone: **604-806-7070**  
Email: **catalystclaims@ca.pwc.com**  
Fax: **604-806-7806**