

Domtar CORP  
Form 425  
October 18, 2007

Investor Presentation  
October 2007

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Domtar Corporation has filed a registration statement (including a prospectus and consent solicitation statement and a debentureholder information circular/prospectus) with the SEC for the exchange offers and proxy solicitations to which this communication relates. Before you tender your securities proxy, you should read the prospectus and consent solicitation statement or the debentureholder information circular/prospectus, as applicable, in that registration

statement  
and  
the  
exhibits  
Domtar  
Corporation  
has  
filed  
with  
the  
SEC,  
because  
they  
contain  
important,  
more  
complete  
information  
about  
the  
issuer  
and  
the  
exchange  
offers or proxy solicitations. You may get these documents for free by visiting EDGAR on the SEC Web site at [www.sec.gov](http://www.sec.gov).  
arrange  
to  
send  
you  
the  
prospectus  
and  
consent  
solicitation  
statement  
and  
related  
documents  
if  
you  
request  
it  
by  
calling,  
in  
the  
U.S.  
(212)  
430-3774  
(banks

and  
brokers)  
or (866) 470-3700 (toll free), and in Canada (888) 605-8384.  
Filed by: Domtar Corporation  
Domtar Paper Company, LLC  
Pursuant to Rule 425 under the Securities Act of 1933  
Subject Companies: Domtar Corporation  
Domtar Paper Company, LLC  
Registration Statement File No.: 333-146322

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Forward-looking statements

This presentation may contain forward-looking statements relating to trends in, or representing management's beliefs about, D operations, performance and business prospects and opportunities. These forward-looking statements are generally denoted by

believe,

expect,

intend,

aim,

target,

plan,

continue,

estimate,

project,  
may,  
will,  
should

and similar expressions. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements are estimates and assumptions that, while considered reasonable by management, are inherently subject to known and unknown risks and uncertainties and other factors

that could cause actual results to differ materially from historical results or those anticipated. Accordingly, no assurances can be given that the forward-looking statements will occur, or if any occurs, what effect they will have on Domtar's results of operations or cash flow, but are not limited to:

- the effect of general economic conditions, particularly in the United States and Canada;
- market demand for the Company's products, which may be tied to the relative strength of various U.S. and/or Canadian business cycles;
- product selling prices;
- energy prices;
- raw material prices;
- chemical prices;
- performance of the Company's manufacturing operations including unexpected maintenance requirements;
- the successful integration of the Weyerhaeuser Fine Paper Business with Domtar Inc. and ability to realize anticipated cost savings;
- the level of competition from domestic and foreign producers;
- the effect of forestry, land use, environmental and other governmental regulations, and changes in accounting regulations;
- the effect of weather and the risk of loss from fires, floods, windstorms, hurricanes and other natural disasters;
- transportation costs;
- the loss of current customers or the inability to obtain new customers;
- legal proceedings;
- changes in asset valuations, including writedowns of property, plant and equipment, inventory, accounts receivable or other assets;
- changes in currency exchange rates, particularly the relative value of the U.S. dollar to the Canadian dollar;
- the effect of timing of retirements and changes in the market price of Company common stock on charges for stock-based compensation;
- performance of pension fund investments and related derivatives.

These factors should be considered carefully and undue reliance should not be placed on the forward-looking statements, which

evaluating the information presented in this document. Unless specifically required by law, Domtar Corporation assumes no obligation to update or revise its forward-looking statements to reflect new events or circumstances.

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Overview of new vs. existing Domtar debt securities

Note: Please refer to Form S-4 on file with the SEC for a full description and comparison of the existing and new Domtar debt

Existing

Domtar Inc.

U.S.

notes

Existing Domtar Inc. Canadian

debentures

New Domtar Corp. n

otes

Issuer:

Domtar Inc.

Domtar Inc.  
Domtar Corporation  
Issue:  
(unchanged)  
\$600mm 7.875%  
notes  
due 10/15/11  
\$350mm 5.375%  
notes  
due 12/1/13  
\$400mm 7  
1/8  
% notes due 8/15/15  
\$125mm 9  
1/2  
% debentures  
due 8/1/16  
CDN\$82mm 10.000%  
debentures  
due  
4/15/11  
CDN\$75mm 10.850%  
debentures  
due 8/  
5/17  
Up to \$600mm of  
7.875% notes due 10/15/11  
Up to \$350mm of  
5.375% notes due 12/1/13  
Up to \$400mm of  
7.125% notes due 8/15/  
15  
Up to \$125mm of  
9.5% notes due 8/1/16  
Up to  
CDN\$82mm of  
10% notes due  
4/  
15/11  
Up to  
CDN\$75mm of  
10.85% notes due  
8/5/17  
Ratings  
(Moody s / S&P / DBRS)  
:  
B2  
/  
B+  
/ BB(low)

B2  
/  
B+  
/ BB(low)  
B1  
/  
B+  
/ BB(low)  
Optional redemption:  
(unchanged)  
Higher of Pa  
r or:  
7.875% notes: T + 35 bps  
5.375% notes: T + 20 bps  
7  
1/8  
% notes: T + 50 bps  
9  
1/2  
% debentures  
: T + 62.5 bps  
Higher of Par or:  
10.000% debentures  
: Canada Yield + 50 bps  
10.850% debentures  
: Canada Yield + 50 bps  
Same as existing  
Change of control:  
Non  
e except for  
9  
1/2  
% debentures  
,  
which is tied to a ratings  
decline  
None  
Traditional 101% put  
option  
Subsidiary  
guarantee:  
None  
None  
Unsecured upstream guarantee  
from same  
U.S.  
subsidiary  
that guarantee  
s Domtar Corp. borrowings  
under the

credit facilities

Limitation on liens:

10% of CNTA

for all except 10% of

Consolidated

Net Assets for

the 9

1/2

%

debentures

10% of CNTA

10% of CNTA

plus carve

-out for existing

\$1.55 bn

of credit facilities

Debt incurrence test, limitations

on dividends and subsidiary debt

?

No

Yes

No

Consent fee:

\$2.50 per \$1,000 principal amount on

or prior to early consent date

(10/30)

CDN\$2.50 per

CDN

\$1,000 principal amount

on or prior to early

proxy

date

(10/30)

--

Dealer Managers and

Consent/Proxy Solicitation Agents:

JPMorgan and De

utsche

Bank

Securities

Scotia Capital

--

Information Agent

:

Global Bondholder Services

Georgeson

--

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(1)

Domtar Corp. and Domtar Paper Company, LLC may borrow up to \$750 million under our revolving credit facility. As of 7/1/

(2)

Domtar Corp. is a guarantor of borrowings by Domtar Paper Company, LLC and Domtar Inc. under our Credit Agreement.

(3)

Domtar Inc. s U.S. subsidiaries currently guarantee Domtar Inc. s obligations under the Credit Agreement. The U.S. subsidia securities.

In

the

event

that

more

than

50%

of

the

shares

of

the

capital  
stock  
of  
one  
or  
more  
of  
Domtar  
Inc. s  
U.S.  
subsidiaries  
is  
sold  
to  
Domtar  
Corp.  
or  
its  
subsidiaries,  
such  
U.S.  
subsidiaries  
of  
Domtar  
Inc.  
will  
continue  
to  
guarantee  
borrowings  
of  
Domtar  
Inc.  
under  
the  
Credit  
Agreement  
and  
will  
become  
guarantors  
of  
borrowings  
of  
Domtar  
Corp.  
and  
Domtar  
Paper  
Company,

LLC  
under  
the  
Credit  
Agreement  
and  
will  
also  
become guarantors of the newly issued Domtar Corp. debt securities.

(4)  
Domtar  
Paper  
Company,  
LLC  
is  
a  
guarantor  
of  
borrowings  
by  
Domtar  
Corp.  
and  
Domtar  
Inc.  
under  
our  
Credit  
Agreement  
and  
will  
be  
a  
guarantor  
of  
the  
newly  
issued  
Domtar  
Corp.  
debt  
securities.

(5)  
Domtar Inc. may borrow up to \$150 million of the \$750 million available under our revolving credit facility. As of 7/1/07, Dom

(6)  
Existing Domtar Inc. notes and debentures to be exchanged/acquired for new notes of Domtar Corp. Amounts listed represent

(7)  
Term Loan outstanding was reduced to \$645 million from \$720 million on 9/28/07, with a \$2 million mandatory amortization  
Note: Chart excludes \$48 million of capital lease obligations and \$12 million of other borrowings of Domtar Corp. and its subs  
Domtar Corporation

(2)

(NYSE/TSX: UFS)

Domtar Paper Company, LLC

(4)

(Predecessor Company U.S. assets)

Domtar Pacific Papers ULC

Domtar (Canada) Paper Inc.

Domtar Inc.

(Domtar Inc. Canadian assets)

Domtar U.S. subsidiaries

(3)

(Domtar Inc. U.S. assets)

Domtar U.S. subsidiaries

(3)

(Domtar Inc. U.S. assets)

Domtar Pulp and Paper Products Inc.

(Predecessor Company

Canadian assets)

\$750 million Revolver

(1),(5)

\$720 million Term Loan

(7)

Canadian Subsidiary Borrower under Revolver up to \$150mm

(5)

CDN\$82 million 10% debentures due 2011

\$600 million 7.875% notes due 2011

\$350 million 5.375% notes due 2013

\$400 million 7 1/8% notes due 2015

\$125 million 9½% debentures due 2016

CDN\$75 million 10.85% debentures due 2017

U.S. Subsidiary Borrower under Revolver

(1)

(6)

Summary organizational and debt structure

Guarantor under Credit Agreement and for the new

Domtar Corp. notes

4  
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The transaction is structured specifically to trigger a CDS succession event with the goal of leaving  
participating investors identically hedged in their positions  
Certain  
U.S.  
assets  
of  
Domtar  
Inc.  
will  
be  
transferred  
to  
Domtar  
Corporation  
to  
create

a  
succession  
event for the CDS

100% of U.S. subsidiaries to be transferred if all series (US and CDN) approve  
51% tendered for USD notes and 66  
2/3  
% vote for CDN debentures

Up to 49% of U.S. subsidiaries to be transferred if any series (US or CDN) does not approve  
With a succession event, treatment of CDS contracts on Domtar debt will ultimately depend on  
exchange participation

Exchange participation < 25%: CDS contracts remain at Domtar Inc.

25% >  
Exchange participation <  
75%: CDS contracts split 50/50 between Domtar Inc. and Domtar Corp.

Exchange participation > 75%: All CDS contracts will move with bonds to Domtar Corp.  
The exchange offer is structured with a 75% aggregate (US and CDN) minimum condition  
What are the possible outcomes for Domtar Inc. CDS?

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October 2007

November 2007

S  
M  
T  
W  
T  
F  
S  
S  
M  
T  
W

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F  
S  
1  
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3  
4  
5  
6  
1  
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21  
22  
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31  
25  
26  
27  
28  
29  
30

Transaction timetable

Denotes U.S. and/or Canadian bank holidays

U.S. Exchange Offers & Consent Solicitations

Canadian

Proxy Solicitations

Tuesday 10/16

Amended S-4 filed

Record date

Wednesday 10/17

E

xchange

offers and consent solicitations launched

P

roxy

solicitations

launched

Tuesday 10/30

Early consent date at 5:00 P.M. NY time

(deadline

to receive early consent fee)

Withdrawal rights expire

Early proxy

date at 5:00 P.M. Montreal time

(deadline

to receive early consent

fee)

Proxy revocation deadline

Monday 11/12

Veteran's Day (U.S. bank holiday)

Rememberance

Day (Canadian bank holiday)

Wednesday 11/14

Expiration date at 12:00 midnight NY time

Canadian debentureholders

meeting

Monday 11/19

Closing and settlement  
Closing and settlement

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FROM

DOMTAR S

PERSPECTIVE

FROM

BONDHOLDER S

PERSPECTIVE

Improved credit profile versus the existing Domtar Inc. notes and debentures

Significant reduction in leverage and improvement in interest and asset coverage

Benefit from combined cash flows of both entities, including full synergies  
Improved credit protection versus existing structure with the addition of a change of control provision and upstream subsidiary guarantee  
New Domtar Corp. bonds to be rated B1/B+/BB(low), versus B2/B+/BB(low) for existing Domtar Inc. notes  
Simplified debt structure  
Transaction structured to allow CDS to travel with the bonds  
Working toward a simplified capital structure and ongoing financial reporting requirements  
Increased flexibility to implement restructuring plans and achieve full synergies  
Unify covenants of existing bonds  
Why an exchange offer makes sense

7

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Financially stronger company with a larger asset and  
equity base supporting the notes

(  
1

)

See Appendix for a reconciliation to GAAP measure

(  
2

)

For  
purposes  
of  
calculating  
the  
ratio

of  
total  
debt  
to  
Adjusted  
EBITDA  
as  
of  
July  
1,  
2007  
(calculated  
on  
an  
annualized  
basis),  
Adjusted  
EBITDA  
for  
the  
26  
week  
period  
ended  
July  
1,  
2007 was doubled  
(  
3  
)

The amounts contributed by Domtar Inc. to the Company's Adjusted EBITDA, interest expense and total debt have been calculated and converted to U.S. dollars, using the foreign exchange rates in effect for the periods presented

(4)  
On 9/28/07, Domtar made a \$2mm mandatory amortization payment and a \$73mm optional prepayment on its Term Loan B, v  
Year ended  
December 31, 2006  
26 weeks ended July 1, 2007  
(US\$ in millions, US GAAP)  
Domtar Corp.  
(Pro forma)  
Contribution of  
Domtar Inc.  
(3)  
Domtar Corp.  
(pro forma)  
Contribution of  
Domtar Inc.  
(3)  
Revenue  
\$6,750

\$3,492  
 \$3,244  
 \$1,623  
 Adjusted EBITDA  
 (1)  
 803  
 333  
 407  
 142  
 Adjusted EBITDA Margin (%)  
 11.9%  
 9.5%  
 12.5%  
 8.7%  
 Interest expense  
 \$188  
 \$138  
 \$89  
 \$46  
 Total assets  
 --  
 --  
 7,889  
 4,551  
 Total debt  
 at 7/1/07  
 2,444  
 (4)  
 1,676  
 2,444  
 (  
 4  
 )  
 1,676  
 Total shareholder s equity  
 --  
 --  
 3,094  
 1,742  
 Key financial ratios  
 Adjusted EBITDA / Interest  
 expense  
 4.3x  
 2.4x  
 4.6x  
 3.1x  
 Total Debt / Adjusted EBITDA  
 3.0x  
 5.0x  
 3.0x

(2)  
5.9x  
(2)  
Total Assets / Total Debt  
--  
--  
3.2x  
2.7x  
Book Equity / Total Debt  
--  
--  
1.3x  
1.0x

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Overview of Domtar Inc. U.S. assets to be transferred

(1) Reflects the July 2007 announcement of two permanent paper machine closures: (i) one at Port Edwards with 34,000 tons of annual capacity and (ii) one at Port Edwards with 125,000 tons of annual capacity.

For the six months ended 6/30/07 and as of 6/30/07, the subsidiaries that would be sold to Domtar Corp. accounted for approximately:

43% of Domtar Inc.'s total assets

67% of Domtar Inc.'s sales

308% of operating income of Domtar Inc. (due to operating losses sustained by Domtar Inc. s

Canadian subsidiaries)

Ashdown, AK

Port Huron, MI

Port Edwards, WI

Nekoosa, WI

Assets

Paper machines

Principal paper grades

Paper capacity

(millions of tons)

Pulp capacity

(millions of tons)

Ashdown, Arkansas

4

Copy and offset

0.9

0.1

Port Edwards, Wisconsin

(1)

3

Value added

0.2

-

Nekoosa, Wisconsin

3

Value added

0.2

-

Port Hur

on, Michigan

4

Technical and specialty

0.1

-

Woodland, Maine

(1)

-

-

-

0.4

Totals

14

1.4

0.5

Plus: U.S. Paper Merchants Business

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Update on sale of Wood business to Conifex

In June 2007, Domtar Inc. entered into an agreement to sell substantially all of its Wood business for approximately CDN\$285 million (approximately US\$268 million) to Conifex

The transaction remains subject to government approvals for the forest license rights transfers, other regulatory approvals and customary closing conditions, including financing

On October 11th, Domtar Inc. received a notice from Conifex purporting to terminate the June 2007 agreement due to a notice it received from the Minister of Natural Resources and Wildlife for the Province of Québec purporting to revoke certain forest license rights for sawmills which

are closed

The Company believes that the Minister's action is unlawful and will vigorously defend Domtar Inc.'s rights and Domtar Inc. has filed formal proceedings before the Québec Superior Court to enforce its rights

The Company also believes that the purported unilateral termination of the agreement by Conifex is invalid because, while the consent to transfer these license rights are a condition to closing, Conifex would

only  
have  
the  
right  
to  
terminate  
the  
agreement  
on  
or  
after  
12/31/07,  
if  
consent  
to  
transfer  
has  
not  
been obtained by that time

While we intend to vigorously defend our rights and work diligently towards successfully closing the transaction, we are not reliant upon the proceeds from the sale to execute our business plan and continue to strengthen our balance sheet

For example, we recently prepaid \$75 million of our term loan, of which \$73 million was an optional prepayment, from free cash flow from operations

Management remains confident in the ability of the Company's operations to generate sufficient free cash flow to continue reduce debt and invest in the business

10

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Balance sheet approaching targeted ratios

3.0x

2.5x

Q2'07

Target

40%

44%

Q2'07

Target

Debt-to-Adj. EBITDA

(1)

Debt-to-Cap.

(2)

Target: < 2.5X

40%

Target: < 40%

(1)

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For Q2 07, Debt-to-Adj. EBITDA is calculated using debt as of 7/1/07 and doubling the Adjusted EBITDA for the 26 weeks ending

Note: A \$10 per ton change in average selling prices for papers impacts Debt-to-Adj. EBITDA by approximately 0.25x.

(2)

Excluding the amount drawn on the A/R facility (\$130 million).

2.5x

±

\$400mm

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Key transaction benefits

Improved credit profile versus the existing Domtar notes

Significant reduction in leverage and improvement in interest and asset coverage

Benefit from combined cash flows of both entities, including full synergies

Improved  
credit  
protection  
versus  
existing  
structure  
in  
the  
form  
of  
a  
change

of  
control provision and upstream guarantees  
An upgrade in ratings from Moody's from B2 to B1 for the new Domtar Corp.  
versus the existing Domtar Inc. notes  
Transaction  
structured  
to  
allow  
CDS  
to  
travel  
with  
the  
bonds  
Simplified debt structure benefits both bondholders and the Company

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APPENDIX: Reconciliation of Adjusted EBITDA

(1)

(1)

Adjusted EBITDA (referred to in the Credit Agreement as Consolidated EBITDA ) is a non-GAAP measure and is defined as EBITDA, less depreciation, amortization and other non-cash charges, interest and other financing expenses and income taxes and excludes: restructurings; integration in connection with the Acquisition Transactions not to exceed \$150 million; any cost of sales impact due to any write-downs with the Acquisition Transactions; non-cash derivative gains and losses; and non-cash gains and losses on disposals of property, plant and equipment.

The table above provides a reconciliation of the Company's Adjusted EBITDA to Net income

(loss)  
from  
continuing  
operations,  
the  
most  
directly  
comparable  
GAAP  
measure.

We  
reconcile  
Adjusted  
EBITDA  
to  
Net  
income

(loss) from continuing operations instead of to net income as the Credit Agreement excludes items included in discontinued operations as of December 2006.

(2)

The amounts contributed by Domtar Inc. to the Company's Adjusted EBITDA, interest expense and total debt have been calculated using the exchange rates in effect for the periods presented.

(3)

Domtar Inc.'s Net income (loss) from continuing operations for the 26 weeks ended July 1, 2007, represents the combination of Net income of \$1 million (period prior to the Weyerhaeuser Acquisition Transactions), and Net income of \$2 million from March 7, 2007 to July 1, 2007. The Net income for the 26 weeks ended July 1, 2007 is non-GAAP and is for illustrative purposes. This information is provided for the convenience of investors and is not intended to represent the result

of  
the  
application  
of  
purchase  
accounting  
that  
started  
on  
March  
7,  
2007,  
the  
results  
of  
operations  
and  
the  
financial  
position  
following  
that  
date

are  
not  
comparable  
to  
results  
for  
periods  
prior  
to  
that  
date.

The  
results  
of  
operations  
for  
the  
the  
period  
from  
January  
1,  
2007

to  
March  
6,  
2007,  
and  
the  
results  
of  
operations  
for  
the  
period  
from  
March  
7,  
2007

to  
July  
1,  
2007  
should  
not  
be  
viewed  
as  
a  
continuum  
since

they  
were  
prepared  
using  
different  
bases  
of  
accounting  
and  
different  
accounting  
policies  
and,  
therefore,  
are  
not  
comparable.

The  
other  
components  
of  
the  
reconciliation  
were  
derived  
by  
combining  
the  
related  
amounts  
for  
the  
periods  
January  
1,  
2007

to March 6, 2007 and March 7, 2007 to July 1, 2007, which are also non-GAAP amounts.

Year ended December 31, 2006

26 weeks ended July 1, 2007

U.S. GAAP/U.S. dollars

(Dollars in millions)

Domtar Corp.

(pro forma)

Contribution

of

Domtar

Inc.

Domtar Corp.

(pro forma)

Contribution of

Domtar Inc.

Net income (loss) from continuing operations

\$(574)

\$27

\$27

\$(29)

Interest expense

188

138

89

46

Depreciation and amortization

495

266

248

99

Income tax expense

89

(4)

15

10

Impairment of goodwill

749

Net gains on disposal of property, plant and equipment

(11)

(11)

Closure

and restructuring costs

46

31

3

3

Antidumping and countervailing duties refund

(210)

(145)

Derivative instrument (gain)

9

9

(13)

(13)

Transaction expenses

22

22

29

29

Inventory adjustment for transaction

(3)

(3)

Costs related to synergies  
and integration

12

Adjusted EBITDA

\$803

\$333

\$407

\$142

(2)

(2)(3)

**TRANSCRIPTION OF AUDIO**

**NETROADSHOW**

*Domtar Corporation*

*October 18, 2007*

T. Rothman: Good morning. This is Todd Rothman from JPMorgan and on behalf of the other dealer managers on this transaction, Deutsche Bank Securities and Scotia Capital, I'd like to welcome you to the Domtar investor call. Joining us today from the Company is Daniel Buron, the Senior Vice President and Chief Financial Officer. Before we get started, I'd like to remind you to take notice of the Safe Harbor language regarding forward-looking statements on Page 1 of this presentation.

Domtar formally launched on October 17th its exchange offers, consent solicitations and proxy solicitations seeking to exchange its existing Domtar notes and debentures for new notes of Domtar Corporation. The exchange offer is structured as a par-for-par change of obligor exchange. The offers are being made in the U.S. through a prospectus and consent solicitation statement, through an S-4 registration statement on file with the SEC.

The Canadian proxy solicitations are being made pursuant to a debenture holder information circular and prospectus, which is also included in the S-4 currently on file with the SEC.

The new Domtar Corp. notes will have the same principal amounts, coupons and maturities and optional redemption features as the existing notes. The prospectus on file with the SEC contains further detail on the new notes and comparing them to the existing notes, however, there are a few specific changes I'd like to point out to you, for the new Domtar Corp. notes.

The new notes will contain a traditional 101% change of control put option, which is different from all the existing notes, with the exception of the 9 1/2 % debentures, none of the existing notes contain that provision today. In addition, the new Domtar Corp. notes will receive the benefit of an upstream unsecured guarantee from the same subsidiary that guaranties the Domtar Corp. borrowings under the Company's credit facilities. Today, none of the Domtar Inc. notes or debentures contain any such subsidiary guarantees.

The limitation on liens in the new notes will be similar to the existing notes, which generally, again, except for a slight exception in the 9 1/2 % debentures, contain a carve out for 10% of consolidated net tangible assets. The new Domtar Corp. notes will have that same carve out and in addition, will carve out the Company's existing \$1.55 billion of credit facilities, which were incurred as part of the Company's transaction with Weyerhaeuser earlier this year.

I should also note that the two Canadian debentures currently contain covenants related to debt incurrence, limitation on dividends and subsidiary debt, which the U.S. notes do not have. None of the new Domtar Corp. notes will contain these provisions.

Finally, holders that agree to the exchange offer and consent solicitations and proxy solicitations by October 30th, which has been declared as the early consent date for the transaction, will receive a fee of \$2.50 for every \$1,000 principal amount bond that they have.

As you can see on the chart on this page, there are a few things happening in this transaction. I want to start by reminding you how the Company came to have this corporate structure. Recall that this organizational chart here is the direct result of the Company's merger transaction that closed in March of this year, whereby Domtar combined its business with the Fine Papers business of Weyerhaeuser. In this chart, the predecessor Weyerhaeuser business is referred to as the predecessor company. As I mentioned before, the Company entered into a \$1.55 billion credit agreement in which Domtar Corporation, the parent company, is the primary borrower. That's where the term loan resides and is also a borrower under the revolver. In addition, Domtar Inc. has access to \$150 million of the \$750 million revolver that the Company has. The existing Domtar Inc. bonds remained in place as part of the transaction. As you can see on the bottom right hand side of the chart, there are six series of Domtar Inc. notes that are in place today. The purpose of this transaction is to take those bonds and move them up to the Domtar Corporation level, which is the same box at which the Company's term loan resides.

The other main thing that is happening here as part of this transaction is that the Company is going to be moving all or a portion of the U.S. subsidiaries of Domtar Inc., Domtar Inc. being the heritage Canadian entity, up to Domtar Corp. The purpose of that is to create a succession event for the credit default swaps and allowing the CDS contracts, to move up to the parent Company along with the bonds.

There is a couple of potential scenarios as to what amount of the U.S. subsidiaries will be transferred to Domtar Corp. One hundred percent of the U.S. subsidiaries will be transferred if all series of bonds, both the U.S. and the Canadian, approve the exchange offers and consent solicitations. If that 100% transfer occurs, then these Domtar Inc. U.S. subsidiaries will become guarantors of the Domtar Corp. borrowings under the credit agreement and as well as the new Domtar Corp. notes. So, the Domtar Corp. notes, as I mentioned before, will have the same guarantees as the credit agreement has.

To the extent that there is any one series of existing Domtar Inc. debt securities, either in the U.S. or Canada, that does not approve the transaction, then the Company will only be transferring a portion of the U.S. subsidiaries of Domtar Inc. up to Domtar Corp. and that amount would be somewhere up to 49%. Because there would be a minority owned by Domtar Corp., they would not provide guarantees to the Domtar Corp. bank borrowings, nor these new notes. They would continue to provide guarantees however for the \$150 million revolver limit of Domtar Inc.

The subsidiaries being transferred to Domtar Corp. and Daniel will spend a moment discussing what these assets look like a little bit later on in the presentation include all the U.S., the Company's U.S.-based paper mills at Ashdown, Arkansas, Port Edwards and Nekoosa, Wisconsin, Port Huron, Michigan and Woodland, Maine. And in addition, the Company's U.S. paper merchants business will also be included in that transfer.

One of the primary questions that investors will certainly have is what the potential outcomes are for the Domtar Inc. credit default swap contracts that are in place today. This transaction has been structured specifically to trigger a CDS succession event with the goal of leaving participating investors identically hedged in their positions as they are today. Again, as I mentioned before, certain assets of Domtar Inc. will be transferred to Domtar Corp. and that will create the succession event necessary for the CDS to travel up to Domtar Corp. along with the existing Domtar Inc. debt securities. With the succession event, the treatment of CDS contracts on Domtar Inc. debt will ultimately depend on what the participation levels are in the transaction. As you can see on the page here, to the extent that less than 25% of holders participate in the transaction, all CDS contracts remain at Domtar Inc. To the extent participation is between 25% and less than or equal to 75%, the CDS

contracts will be split 50/50 between Domtar Inc. and Domtar Corp. And to the extent that participation is greater than 75%, all CDS contracts will move with the bonds to Domtar Corp. And again, those percentages are related to all six series of Domtar Inc.'s securities on an aggregate basis.

The exchange offer is structured with a 75% aggregate minimum condition. This is solely driven by the desire to create 100% CDS succession event from Domtar Inc. to Domtar Corp. for the benefit of CDS holders. This isn't driven by any other requirements of the Company or the transaction.

Turning to Page 5, spend a moment on the transaction timetable. As you saw earlier this week, the Company filed an amended S-4 registration statement on Tuesday, which was also set as the record date for the Canadian proxy solicitations. The exchange offers, consent solicitations and proxy solicitations, were formally launched on Wednesday, October 17th. Tuesday, October 30th has been set as the early consent date in the case of the U.S. notes and as the early proxy date in the case of the Canadian debentures. Again, that will be the deadline for holders to receive the early consent payment of \$2.50 per \$1,000 of principal amount of notes and debentures.

The expiration date for the exchange offers and consent solicitations will be Wednesday, November 14th. And then, we're looking forward to a closing and settlement on November 19th.

With that, I'd like to now turn the call over to Daniel Buron, Senior Vice President and Chief Financial Officer of Domtar, who will walk through the proposed transaction from the Company's point of view, as well as some of the other details of the asset transfer that I mentioned before. Daniel .

D. Buron:

Thank you, Todd. As you recall, we have supported the shareholders of Domtar Inc. through its merger with the Weyerhaeuser fine paper business, to create a stronger company. The proposed exchange offer provides now, to bondholders, an opportunity to improve their situation and to become bondholders in the new parent company, Domtar Corporation. Domtar has elected to undertake this transaction in order to, (a) work toward a simplified capital structure, as we intend to issue new debt at the Domtar Corporation level going forward, (b) work toward consolidating financial reporting at the company level, rather than having to maintain separate reporting obligations at the Company and at the Domtar Inc. level, (c) provide increased flexibility to implement restructuring plans and achieve full synergies, and (d) unify covenants of existing bonds.

I want to mention that this is not a transaction Domtar has to execute following the merger with Weyerhaeuser, nor to be able to achieve our synergy. To the contrary, we have proven that we can live with two sets of public reporting and that our synergies are well under way. We view this transaction as an investor-friendly or, if you prefer, as a win/win, and we will remain focused on applying our free cash flow toward debt reduction at the Domtar Corporation level.

In addition to the 25 basis point consent fee, we believe this transaction provides several value and enhancing benefits to bond holders, including improved credit profiles to the existing Domtar Inc. notes, improved credit protection to the existing structure in the form of a change of control provision and the same upstream subsidiary guarantee provided in our credit facility.

The ratings agencies have recognized the benefits of this transaction for bondholders by affirming the rating in the case of S&P and DBRS and in the case of Moody's, they will upgrade for the new notes from the current B2 level to B1.

Finally, in order to execute a bondholder-friendly transaction, the exchange offer has been structured with the intention to allow the CDS to travel with the bond.

As I mentioned on the prior slide, the proposed transaction results in significantly improved credit profile for the new Domtar Corporation notes versus the existing Domtar Inc. notes.

Domtar Corporation provides improved EBITDA margin and a greater insulation from the impact of the continued strengthening of the Canadian Dollar. There is a reduction in leverage by half, from 5.9x to 3x for the first half of 2007 annualized. There is improvement in interest coverage from 3.1x to 4.6x. And, as you can see, there is increased asset in equity value coverage of the debt as well.

By participating in the transaction, bondholders will now benefit from the combined cash flows of both Domtar Inc. and the merged Weyerhaeuser asset, including access to full synergy. As Todd explained before, as part of the transaction, we will be transferring all or a portion of the stock of Domtar Inc.'s U.S. subsidiary to Domtar Corporation. The asset transfer should create a succession event which will allow all or a portion of the CDS to travel with the bonds.

The asset transfer includes five U.S. paper and pulp mills, including our world class Ashdown, Arkansas mill, along with our U.S. paper merchant. This business represents 43% of the assets of Domtar Inc. and 67% of sales and 308% of operating profit for the first half of 2007. This outsized number is a result of operating losses sustained by Domtar Inc.'s Canadian operations driven primarily by the rising Canadian Dollar, which is now at parity with the U.S. Dollar.

As you know, we have an agreement to sell our wood business for CDN\$285 million. The buyer wants to terminate this transaction. Whatever the outcome, we are not reliant upon the proceeds from the sale to properly run our business or continue to strengthen our balance sheet. For example, we recently repaid \$75 million of our term loan. Management remains confident in the ability of the Company's operations to generate sufficient free cash flow to continue to reduce debt and properly invest in the business.

So, what does this translate to in terms of where we want to get to? We have set a goal of maximizing our free cash flow to reduce debt and improve our balance sheet. As I just mentioned, in the third quarter, we prepaid \$75 million of our Term Loan resulting from strong free cash flow generation. We are targeting a leverage of 2.5x and a debt-to-cap ratio of 40% through the cycle. We believe that achieving these credit metrics will provide us with the necessary flexibility to operate the Company effectively through various economic, industry and foreign exchange environments.

I just want to conclude by stating that the proposed exchange is a positive transaction that benefits both the bondholders, as well as the Company. Thank you.

**[End of Recording]**