

PUBLIC VERSION

CT-2006-004

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

AND IN THE MATTER OF the proposed direct or indirect acquisition by PaperlinX Canada Limited ("PaperlinX") of substantially all of the assets of the Cascades Resources fine paper merchant and distribution division ("CRD") of Cascades Fine Papers Group Inc. ("Cascades");

AND IN THE MATTER OF the filing and registration of a consent agreement pursuant to section 105 of the *Competition Act*.

BETWEEN:

THE COMMISSIONER OF COMPETITION

Applicant

- and -

PAPERLINX CANADA LIMITED

Respondent

CONSENT AGREEMENT

WHEREAS PaperlinX proposes to acquire, directly or indirectly, substantially all of the assets of CRD (the "Proposed Transaction" as hereinafter defined);

AND WHEREAS the Commissioner, having completed her review of the Proposed Transaction, has concluded that the Proposed Transaction is likely to result in a

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substantial lessening and/or prevention of competition in the fine paper merchant industry in British Columbia, Alberta and Saskatchewan;

AND WHEREAS the Respondent does not admit to any substantial lessening and/or prevention of competition, it has decided, for the purpose of this Agreement and any proceedings related hereto, other than any proceeding pursuant to paragraph 55 of this Agreement, not to contest the Commissioner's conclusions;

AND WHEREAS the Commissioner declares herself satisfied that the actions required to be taken pursuant to this Agreement will be sufficient to ensure that no substantial lessening and/or prevention of competition in the relevant markets in British Columbia, Alberta and Saskatchewan will result from the completion of the Proposed Transaction;

AND WHEREAS the Divested Business currently purchases and resells the fine paper brands listed at Schedule "A";

AND WHEREAS the Cascades Fine Papers Group Inc. has agreed to supply its fine paper brands to the Divested Business before and after Divestiture;

AND WHEREAS on the basis of the implementation of the remedies provided for in this Agreement, the Commissioner will not oppose the Proposed Transaction, in whole or in part, pursuant to sections 92, 100 or 104 of the Act;

AND WHEREAS the Respondent will not contest the jurisdiction of the Tribunal for the purposes of this Agreement and any proceeding initiated by the Commissioner relating to this Agreement, including an application to vary or rescind this Agreement under section 106 of the Act;

AND WHEREAS the Commissioner and the Respondent agree that upon the closing of the Proposed Transaction, the Commissioner shall file this Agreement with the Tribunal for registration;

NOW THEREFORE the Respondent and the Commissioner have agreed to the terms of this Agreement as follows:

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I. DEFINITIONS

1. For the purposes of this Agreement, the following definitions shall apply:

- (a) "**Act**" means the *Competition Act*, R.S.C. 1985, c. C-34 as amended;
- (b) "**Agreement**" means this consent agreement entered into by the Respondent and the Commissioner pursuant to section 105 of the Act, together with all Schedules attached hereto;
- (c) "**Assets**" means PaperlinX's right, title, and interest in and to all assets, tangible or intangible, relating primarily to the fine paper merchant business in British Columbia and Alberta as acquired in the Asset Purchase Agreement dated 16 November, 2005, executed between Cascades Fine Papers Group Inc., Cascades Inc. and Coast Paper Ltd. ("APA"), as they may change or be replaced in the normal course of business, excluding the assets of the Graphic Arts Supplies Business and the Packaging and Shipping Materials Business, and including, but not limited to:
 - (i) all personal property owned, leased or otherwise held by PaperlinX with respect to the Assets;
 - (ii) all inventories, stores, and supplies held by, or under the control of PaperlinX with respect to the Assets;
 - (iii) any Intellectual Property relating primarily to the fine paper merchant business in British Columbia and Alberta owned by or licensed to PaperlinX. For greater certainty, the transfer of any necessary Intellectual Property may occur through assignment or license;
 - (iv) all rights of PaperlinX under any contract, including but not limited to licenses, leases, customer contracts, supply agreements, and procurement contracts with respect to the Assets;

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- (v) all pending and issued governmental approvals, registrations, consents, licenses, permits, waivers, or other authorizations held by PaperlinX, including foreign equivalents with respect to the Assets;
 - (vi) all rights of PaperlinX under any warranty and guarantee, express or implied, with respect to the Assets, to the extent assignable;
 - (vii) all items of prepaid expense owned by PaperlinX with respect to the Assets, to the extent assignable; and
 - (viii) all separately maintained, and if not separately maintained, portions, of all relevant, books, records, and files held by, or under the control of, PaperlinX with respect to the Assets.
- (d) **"Closing Date"** means the date on which the Proposed Transaction is substantially completed;
- (e) **"Commissioner"** means the Commissioner of Competition appointed pursuant to section 7 of the Act;
- (f) **"Confidential Information"** means competitively sensitive or proprietary information not independently known to a Person from sources other than the entity to which the information pertains, including, without limiting the generality of the foregoing, any and all competitively sensitive or proprietary information pertaining to the operation of the Divested Business;
- (g) **"Divest"** means to implement a Divestiture;
- (h) **"Divested Business"** means the fine paper merchant business carried on with the Assets, and including personnel currently employed in British Columbia and Alberta, excluding those primarily employed in the Graphics Arts Supplies Business and the Packaging and Shipping Materials Business;

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(i) **"Divestiture"** means the sale, transfer, assignment, or other disposition necessary to ensure that the Respondent does not retain, directly or indirectly, except as permitted herein or upon the consent of the Commissioner and the Respondent, any right, title, control, interest, liability or obligation in respect of any of the Assets, other than obligations in respect of any representations, warranties and covenants required to implement a Divestiture Agreement, or under the APA, or as otherwise set forth in a Divestiture Agreement;

(j) **"Divestiture Agreement"** means any agreement between the Respondent and a Purchaser or, if necessary, between the Divestiture Trustee and a Purchaser to accomplish the Divestiture contemplated by this Agreement;

(k) **"Divestiture Trustee"** means the Person appointed pursuant to paragraph 35 of this Agreement and, if necessary, any employees, agents, or other persons acting for or on behalf of the Divestiture Trustee;

(l) **"Divestiture Trustee Sale"** means the Divestiture to be conducted by the Divestiture Trustee, if necessary, in accordance with the procedure set out in this Agreement;

(m) **"Graphic Arts Supplies Business"** means the CRD business of supplying pre-press equipment and supplies, including, but not limited to, printing plates and chemicals;

(n) **"Independent Manager"** means the Person appointed pursuant to paragraph 3 of this Agreement, and any employees, agents or other persons acting for or on behalf of the Independent Manager;

(o) **"Initial Sale Period"** means the period as defined in Confidential Schedule "B";

(p) **"Intellectual Property"** means all of the following primarily related to the Assets, but excluding all "Cascades" trade names and trademarks:

(i) patents;

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- (ii) copyrights;
 - (iii) software;
 - (iv) trademarks;
 - (v) trade secrets, know-how, techniques, data, inventions, practices, methods and other confidential or proprietary technical business, research, development and other information, and all rights in any jurisdiction to limit the use or disclosure thereof; and
 - (vi) rights to obtain and file for patents and registrations thereof;
- (q) **"Monitor"** means the Person appointed pursuant to paragraph 21 of this Agreement, and any employees, agents or other persons acting for or on behalf of the Monitor;
- (r) **"Packaging and Shipping Materials Business"** means the CRD business of supplying packaging and shipping supplies, including, but not limited to, shipping cartons and bags, plastic films, and protective packaging;
- (s) **"PaperlinX"** means PaperlinX Canada Limited, which is an indirect, wholly-owned subsidiary of PaperlinX Limited, an international paper merchant and distributor based in Australia;
- (t) **"Person"** means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, whether acting alone or in concert with another Person;
- (u) **"Proposed Transaction"** means the direct or indirect purchase of substantially all of the assets of CRD by the Respondent;
- (v) **"Purchaser"** means any Person who purchases the Divested Business;
- (w) **"Respondent"** means PaperlinX;

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(x) "**Tribunal**" means the Competition Tribunal established pursuant to the *Competition Tribunal Act*, R.S.C. 1985, c. 19 (2nd Supp.), as amended; and

(y) "**Trustee Sale Period**" means the period as defined in Confidential Schedule "C".

II. APPLICATION

2. The provisions of this Agreement shall apply to:

(a) the Respondent;

(b) each officer, director, employee, agent or other Person acting for or on behalf of the Respondent with respect to any of the matters referred to in this Agreement, and any successors and assigns of the Respondent;

(c) the Commissioner;

(d) the Independent Manager;

(e) the Monitor;

(f) the Divestiture Trustee; and

(g) the Purchaser and the Purchaser's successors and assigns.

III. HOLD SEPARATE

3. Effective immediately following the completion of the Proposed Transaction, the Commissioner shall appoint John Barry Ronan, or some other Person, subject to the approval of PaperlinX (such approval not to be unreasonably withheld), an Independent Manager for the Divested Business to manage and operate the Divested Business independently of the Respondent as specified herein, pending the Divestiture of the Divested Business.

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4. The Respondent shall be responsible for all reasonable fees and expenses properly charged or incurred by the Independent Manager in the course of carrying out his or her duties and responsibilities under this Agreement.

5. The Respondent shall:
 - (a) immediately following the completion of the Proposed Transaction, take all reasonable steps to ensure that the Divested Business is independent of PaperlinX, including transferring to the Independent Manager all rights, powers and authorities necessary to perform his or her duties and responsibilities under this Agreement;

 - (b) not exercise any direction or control, direct or indirect, over the management or operations of the Divested Business except to the extent that the Respondent must exercise such direction and control to assure compliance with this Agreement and except as otherwise provided in this Agreement; and

 - (c) cause the operational manager(s) of the Divested Business to follow the reasonable instructions and directions of the Independent Manager given pursuant to the provisions of this Agreement.

6. The Independent Manager shall be responsible for management of the Divested Business, shall report directly to the Monitor, and shall provide monthly reports concerning the operation of the Divested Business to the Commissioner, or as requested. The Independent Manager will not have any access to Confidential Information of PaperlinX other than that relating to the Divested Business. During the term of this Agreement, the Independent Manager shall not be involved, in any way, in the operations of the other businesses of PaperlinX.

7. The Independent Manager shall have no financial interests affected by the Respondent's revenues, profits, or profit margins, except that the Independent Manager's compensation for managing the Divested Business shall, at minimum, include the same terms, with regard to rate of remuneration, frequency of payment, and economic incentives, including any additional incentives that may

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be provided for in this Agreement, as the terms of the former western regional manager of the Divested Business.

8. Notwithstanding any other provision of this Agreement, the Independent Manager is permitted to use the external auditors of PaperlinX to maintain, in accordance with Canadian generally accepted accounting principles, separate and adequate financial ledger books and records of material financial information with respect to the Divested Business. Such external auditors shall be bound by the confidentiality provisions of paragraph 15.

8A. The Independent Manager is also permitted to use the managerial, administrative and operational (including maintenance) resources of the Respondent as reasonably necessary for the following purposes:

- (a) human resources and payroll;
- (b) accounts payable systems;
- (c) occupational health and safety;
- (d) environmental permitting and liability issues;
- (e) insurance, including notification of claims for which coverage is sought;
- and
- (f) financial services, including banking;

except that, in using such resources the Independent Manager shall not, other than as permitted herein, disclose any Confidential Information.

9. The Independent Manager will have the responsibility and resources to implement existing sales, marketing, research and development, and product development plans relating to the Divested Business and to modify existing plans consistent with previously approved goals and objectives, to the extent that they are

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commercially viable, with the approval of the Monitor. The Independent Manager will not have access to any of PaperlinX's confidential marketing materials.

- 9A. The Independent Manager shall not be permitted to spend more than \$100,000, in the aggregate, on new capital expenditures, without the approval of the Respondent (such approval not to be unreasonably withheld). Such approval is not required where the capital expenditure: a) is for the replacement or repair of aging capital equipment; or b) was previously approved by CRD, Cascades or the Respondent. The Monitor must receive a copy of any communications between the Independent Manager and the Respondent.
10. The Commissioner or the Monitor, with the approval of the Commissioner, may remove the Independent Manager. In the event the Independent Manager ceases to act in his or her role, the Commissioner shall select a substitute Independent Manager, after consultation with PaperlinX and the Monitor, and transfer to the substitute Independent Manager all rights, powers and authorities necessary to permit such substitute Independent Manager to perform his or her duties and responsibilities, pursuant to this Agreement.
11. Pending the completion of the Divestiture contemplated by this Agreement, the Independent Manager shall take all necessary steps to preserve the independence and competitive viability of, and prudently manage, the Divested Business, including but not limited to giving all necessary instructions to cause the Divested Business under his or her management, and any employees or agents of such Divested Business, to:
- (a) operate such Divested Business independently of the Respondent;
 - (b) operate such Divested Business in compliance with all applicable laws;
 - (c) maintain all material registrations, permits and approvals necessary for the operation of such Divested Business;

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- (d) use commercially reasonable efforts to maintain and enhance the competitiveness and the customer base of such Divested Business and in particular, continue to solicit business;
- (e) maintain and hold the assets of the Divested Business in good condition and repair, normal wear and tear excepted, and to standards at least equal to those maintained prior to the date of this Agreement;
- (f) establish all prices, deductions, discounts, credits or allowances with respect to the goods and services provided by such Divested Business;
- (g) take all commercially reasonable steps to honour all customer contracts and to maintain quality and service standards for customers of such Divested Business at the level that existed prior to the date of this Agreement, save as required by prudent management of such Divested Business;
- (h) ensure that such Divested Business does not engage in any type of business other than the type of business conducted by the Divested Business as of the date of this Agreement;
- (i) not communicate any Confidential Information related to the Divested Business to any Person other than the Monitor, the Commissioner, or as otherwise permitted herein;
- (j) not knowingly take or allow to be taken any action that materially and adversely affects the competitiveness, operations or financial status of such Divested Business;
- (k) not materially curtail marketing, sales, promotional or other activities of such Divested Business in connection with the solicitation of existing or prospective customers, save as required by prudent management of such Divested Business;
- (l) not, to any material extent, alter, or cause to be altered, the management of such Divested Business as it existed prior to the date of this Agreement, except as

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may be necessary to comply with the terms of this Agreement or to replace employees that may resign, save as required by prudent management of such Divested Business;

(m) not terminate or alter any current employment, salary or benefit agreements for any employees working in the Divested Business, to any material extent, save as prudently required to retain employees of the Divested Business;

(n) to maintain, in accordance with Canadian generally accepted accounting principles, separate and adequate financial ledger books and records of material financial information with respect to the Divested Business; and

(o) to maintain inventory levels and payment terms materially consistent with the practice of the Divested Business as of the Closing Date.

11A. Following the Closing Date of the Proposed Transaction, the Respondent shall not, as a condition of selling graphic arts supplies to customers of the Divested Business, also require such customers to buy fine paper from the Respondent.

12. The Respondent shall provide the Divested Business with sufficient financial resources:

(a) as are appropriate in the judgment of the Independent Manager, with the concurrence of the Monitor, to operate the Divested Business at least at current rates of operation, including payroll and payables, and to carry on, at least at their scheduled pace, all capital projects, research and development plans, business plans and promotional activities found in the Divested Business' most recent budgets, and any additional expenditures authorized prior to the date of the Proposed Transaction;

(b) to perform all maintenance to the Divested Business; and

(c) to maintain the viability, competitive vigour, and marketability of the Divested Business.

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Subject to the other provisions of this Agreement, such financial resources to be provided to the Divested Business shall include, but shall not be limited to, (i) general funds, (ii) funding for capital expenditures, (iii) working capital, and (iv) funding any operating losses, capital losses, or other losses.

13. The Respondent shall indemnify the Independent Manager and hold him or her harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the duties of the Independent Manager, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defence of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from misfeasance, gross negligence, bad faith, or wilful breach of this Agreement by the Independent Manager.
14. The Independent Manager, and any employee of the Divested Business, shall not communicate any Confidential Information acquired in the performance of their duties to any Person, except to the extent required or permitted by this Agreement. The Independent Manager and the officers of the Divested Business will each execute a customary confidentiality agreement in this respect.
- 14A. Information regarding the purchasing of fine paper for sale by the Divested Business shall be treated as Confidential Information by those Persons directly responsible for such at PaperlinX including, but not limited to, the national purchasing director, his or her staff, and all other Persons responsible for procuring fine paper on behalf of the Divested Business. Pursuant to paragraph 16, and with the exception of those Persons specified above, the Respondent shall not receive or have access to, or use or continue to use, any such Confidential Information.
- 14B. The Respondent shall not charge any mark-up on fine paper products that it purchases for the Divested Business prior to Divestiture.

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15. The Independent Manager may provide Confidential Information to the following persons:
- (a) any Person employed by the external auditors of PaperlinX as the case may be; and
 - (b) senior accountants employed by PaperlinX or their affiliates, to be designated
- (the "Permitted Persons"), only for the purposes of preparing all necessary financial and regulatory reports, tax returns, benefits administration, and to comply with applicable law and governmental authorities in Canada, Australia, and the United States provided that:
- (i) prior to disclosure of any Confidential Information, each Permitted Person shall execute a confidentiality agreement; and
 - (ii) the Permitted Persons shall use the Confidential Information only for the purposes permitted by this Agreement and shall not disclose such information to any other Person, whether or not an employee of PaperlinX.
16. The Respondent shall not directly or indirectly receive or have access to, or use or continue to use any Confidential Information relating to the Divested Business, except as may be necessary to comply with the terms of this Agreement or as permitted by this Agreement, and except to the extent that necessary information is exchanged in the course of consummating the Transaction, defending investigations, defending or prosecuting litigation, obtaining legal advice, negotiating and meeting obligations under agreements to divest businesses or grant licences pursuant to the Agreement, and as to the extent otherwise required by law.
17. Notwithstanding the above, this Agreement does not preclude disclosure to, or receipt by, PaperlinX of summaries in aggregate form such as revenue summaries,

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cash receipt summaries and volume sales summaries, provided that no Confidential Information, other than the foregoing, is disclosed.

18. The Divested Business shall be staffed with sufficient employees or contractors to maintain the viability and competitiveness of the Divested Business. Employees or contractors of the Divested Business shall include (i) all personnel performing responsibilities primarily in connection with the Divested Business as of the date of the Proposed Transaction; and (ii) any persons hired from other sources. To the extent that any employees of the Divested Business leave or have left employment with respect to the Divested Business prior to the termination of the Initial Sales Period, the Independent Manager, may replace departing or departed employees with persons who have similar experience and expertise or determine not to replace such departing or departed employees.
19. PaperlinX shall not, during the Initial Sale Period or the Trustee Sale Period, and subject to any other provisions in this Agreement, offer employees of the Divested Business positions with PaperlinX outside of the Divested Business. PaperlinX shall not interfere with the employment, by the Purchaser, of such employees; shall not offer any incentive to such employees to decline employment with the Purchaser or to accept other employment with PaperlinX; and shall remove any impediments that may deter such employees from accepting employment with the Purchaser including, but not limited to, any non-compete or confidentiality provisions of employment or other contracts that would affect the ability of such employees to be employed by the Purchaser, and the payment, or the transfer for the account of the employee, of all current and accrued bonuses, pensions and other current and accrued benefits to which such employees would otherwise have been entitled had they remained in the employment of PaperlinX.
20. For a period of one (1) year, commencing on the date of the completion of the Divestiture contemplated by this Agreement, the Respondent shall not knowingly employ or make offers of employment to employees of the Divested Business

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who have accepted offers of employment with the Purchaser of such business, unless the individual employee has been terminated by the Purchaser.

IV. MONITOR

21. The Commissioner may appoint, subject to the Respondent's consent (which shall not be unreasonably withheld), an independent Person to act as Monitor. The Monitor will be responsible for monitoring the Independent Manager and the Respondent as necessary to ensure that the Respondent and the Independent Manager are in compliance with the terms of this Agreement. If the Monitor ceases to act or fails to act diligently and consistently with the purposes of this Agreement, the Commissioner may appoint a substitute Monitor, consistent with the terms of this paragraph. If the Respondent is opposed to the Commissioner's selection, it may provide the name of an alternate Person as Monitor, whose selection shall be subject to the consent of the Commissioner (which shall not be unreasonably withheld). This Agreement shall apply to any substitute Monitor appointed pursuant to this paragraph.
22. The Respondent shall be responsible for all reasonable fees and expenses properly charged or incurred by the Monitor in the course of carrying out his or her duties and responsibilities under this Agreement.
23. The Monitor shall discharge his or her responsibilities on the following terms:
 - (a) the Monitor shall serve on such reasonable and customary terms and conditions as the Commissioner may set, but in any case all invoices submitted by the Monitor shall be paid on a monthly basis, and any outstanding monies owed to the Monitor shall be paid out of the proceeds of the sale of the Divested Business;
 - (b) the Respondent and the Monitor shall execute an agreement, subject to the approval of the Commissioner, reflecting the terms and conditions of this Agreement;

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(c) the Monitor shall execute a customary confidentiality agreement in which the Monitor will undertake not to disclose any Confidential Information acquired in the performance of his or her duties to any Person, except to the extent required under this Agreement;

(d) the Monitor shall, subject to any valid claim to a legally recognized privilege, have full and complete access to all personnel, books, records, documents and facilities of the Divested Business or to any other information relevant to the terms of the Agreement as the Monitor may reasonably request. The Respondent shall cooperate with any reasonable request of the Monitor. The Respondent shall take no action to interfere with or impede the Monitor's ability to monitor the Respondent's compliance with this Agreement;

(e) the Monitor shall have the authority to retain, at the cost and expense of the Respondent, such industry consultants, accountants, attorneys and other representatives and assistants as are reasonably necessary to carry out the Monitor's duties and responsibilities under this Agreement. The Monitor shall account for all expenses incurred, including fees for his or her services;

(f) the Monitor shall report, in writing, to the Commissioner (i) no later than sixty (60) days after the Closing Date and every thirty (30) days thereafter until the Divestiture contemplated by this Agreement is completed pursuant to this Agreement, (ii) no later than thirty (30) days from the date all obligations in this Agreement are satisfied, and (iii) at any other time as requested by the Commissioner or her staff, concerning the Respondent's compliance with this Agreement;

(g) in the event that the Monitor considers, in his or her reasonable opinion, that the Respondent is in default of any of the terms of this Agreement, the Monitor shall immediately notify the Commissioner and the Respondent of the alleged breach and set out the particulars of such default;

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(h) if the Commissioner is advised of the Monitor's reasonable belief that the Respondent is in default of any of the terms of this Agreement, or if the Commissioner otherwise reasonably believes such to be the case, then for the purposes of determining or securing compliance with this Agreement, and subject to any valid claim to a legally recognized privilege, and upon written request, the Respondent shall permit any duly authorized representative of the Commissioner:

(i) upon a minimum of two (2) business days notice to the Respondent, access during office hours of the Respondent, to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of the Respondent relating to compliance with this Agreement; and

(ii) upon a minimum of five (5) business days notice to the Respondent, and without restraint or interference from the Respondent, to interview directors, officers or employees of the Respondent on matters in the possession or control of the Respondent relating to compliance with this Agreement. Such directors, officers or employees of the Respondent may have counsel present during these interviews;

(i) the Monitor shall not be subject to liability for any breach by him or her or by the Respondent of any of the terms of this Agreement, except to the extent that such liability results from misfeasance, gross negligence, bad faith or wilful breach of this Agreement by the Monitor; and

(j) the Respondent shall not exert or attempt to exert any influence, direction or control over the Monitor which may adversely affect the discharge of the Monitor's duties and responsibilities under the terms of this Agreement.

V. DIVESTITURE

24. The Respondent shall Divest, or cause the Divestiture of, the Divested Business within the Initial Sale Period to a Purchaser in accordance with the procedure set out in this Agreement. The Respondent shall promptly commence this process

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immediately following the Closing Date and shall use all reasonable commercial efforts to effect same, including taking all necessary steps to obtain third-party consents necessary to effect the Divestiture.

25. If, prior to the end of the Initial Sale Period, the Respondent has entered into a binding letter of intent or similar agreement with a Prospective Purchaser to purchase the Divested Business, the Initial Sale Period with respect to the Divested Business shall be extended by a period that is reasonable in the circumstances within which time the Divestiture of the Divested Business must be completed, such period not to exceed sixty (60) days.
26. If the Respondent is unable to Divest the Divested Business in the Initial Sale Period, any Divestiture shall thereafter be carried out by the Divestiture Trustee in accordance with the procedure set out in this Agreement.

VI. ACCESS TO SUPPLY

27. The Respondent shall not object to nor obstruct the supply of fine paper by any mill to the Purchaser for resale in British Columbia, Alberta, or Saskatchewan.

VII. DIVESTITURE PROCEDURE

28. Divestiture of the Divested Business, whether by the Respondent or the Divestiture Trustee, shall be completed on the following terms:
 - (a) by sale, transfer, assignment, or other disposition necessary to ensure that, upon completion of the Divestiture, the Respondent has, except as permitted herein or upon the consent of the Commissioner and the Respondent, directly or indirectly, no remaining title, right, control, liability or interest in the Divested Business;
 - (b) by way of disposition of the Divested Business for intended use as a going concern;

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- (c) to a single Purchaser who is at arm's length to the Respondent and who meets the following criteria:
- (i) the Purchaser shall effect the purchase with the expressed intention of carrying on the fine paper merchant business;
 - (ii) the Purchaser shall have the managerial, operational and financial capability to compete effectively in the fine paper merchant business;
 - (iii) the Divestiture to that Purchaser would not give the Commissioner reason to believe that grounds exist for the making of an order under section 92 of the Act;
 - (iv) by way of a commercially reasonable procedure instituted in a manner to allow a fair opportunity for one or more *bona fide* prospective Purchasers to obtain notice of the prospective Divestiture and to make an offer to acquire the Divested Business pursuant to this Agreement; and
- (d) in accordance with Confidential Schedule "B" and Confidential Schedule "C", as appropriate.
29. The Respondent shall not, without the consent of the Commissioner, provide financing for all or any part of any Divestiture under this Agreement.
30. Any Person making a *bona fide* inquiry of the Respondent, or the Divestiture Trustee if applicable, regarding the possible purchase by that Person of the Divested Business, shall be notified that the sale is being made pursuant to this Agreement and shall be provided with a copy of this Agreement, with the exception of the provisions hereof that are confidential and any attached confidential Schedules.
31. Subject to paragraph 32 below, any prospective Purchaser that demonstrates its *bona fide* interest in purchasing the Divested Business shall, on request:

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(a) be furnished with all relevant information of the Divested Business within fourteen (14) days of a request therefor;

(b) be permitted to make such reasonable inspection of the Divested Business, and of all financial, operational or other non-privileged documents and information which are relevant to the Divested Business; and

(c) be given, as is reasonable in the circumstances, full and complete access to the management personnel relating to the Divested Business,

except, in each case, for any information or documents which shall at the time of request for the furnishing of such information or the inspection of such documents have been made the subject of an order of confidentiality made by the Tribunal.

32. Access by a prospective Purchaser to the information identified in paragraph 31 of this Agreement shall be conditional on the execution of a customary confidentiality agreement between the prospective Purchaser and the Respondent containing, among other things, non-solicitation terms relating to personnel.
33. The Respondent shall, within seven (7) days following receipt of a written request of the Commissioner or her representative, file a report with the Commissioner describing the progress of its efforts to accomplish the Divestiture required pursuant to this Agreement. The report shall include a description of contacts, negotiations and offers regarding the Divested Business and the identity of all parties contacted and prospective Purchasers who have come forward, all with reasonable detail. Notwithstanding the foregoing, the Respondent will promptly notify the Commissioner in writing of any negotiations with a prospective Purchaser that may, in the reasonable opinion of the Respondent, lead to a sale and the Respondent shall forward copies to the Commissioner of any legal agreement which it signs with a prospective Purchaser.
34. The Respondent shall not, during the Initial Sale Period and, if applicable, the Trustee Sale Period, knowingly solicit for employment, directly or indirectly, any

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employee employed by any Purchaser, unless such person's employment has been terminated by the Purchaser without the consent of the person.

VIII. DIVESTITURE TRUSTEE SALE

35. If the Respondent is unable to Divest the Divested Business within the Initial Sale Period, the Commissioner shall appoint a Divestiture Trustee. The Commissioner shall select a Divestiture Trustee, subject to the consent of PaperlinX (which shall not be unreasonably withheld), at least sixty (60) days before the expiry of the Initial Sale Period, and the Divestiture Trustee shall, upon the expiry of the Initial Sale Period, be appointed to be solely responsible, except as hereinafter set out, during the Trustee Sale Period to effect the Divestiture in accordance with the procedure set out in this Agreement, including Confidential Schedules "B" and "C". Upon selection, the Divestiture Trustee shall execute the confidentiality agreement referred to in paragraph 37(c) and shall have, subject to any valid claim to a legally recognized privilege, full and complete access, as is reasonable in the circumstances, to the personnel, books, records and facilities relating to the Divested Business, or to any other information relevant to the Divested Business as the Divestiture Trustee may reasonably request.
36. If the Divestiture Trustee ceases to act or fails to act diligently and consistently with the purposes of this Agreement, the Commissioner may appoint a substitute Divestiture Trustee, subject to the consent of the Respondent (which shall not be unreasonably withheld), consistent with the terms of this paragraph. The Respondent shall reasonably assist the Divestiture Trustee in accomplishing the Divestiture Trustee Sale. The Respondent shall take no action to interfere with or impede the Divestiture Trustee's ability to effect the Divestiture Trustee Sale.
37. The Respondent consents to the following terms and conditions regarding the Divestiture Trustee's powers, duties, authority and responsibilities:

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- (a) the Divestiture Trustee shall be a Person with experience and expertise in acquisitions and divestitures, and may be the same Person as the Monitor appointed pursuant to this Agreement;
- (b) subject to the prior approval of the Commissioner, and in a manner and pursuant to an agreement that receives the prior approval of the Commissioner, the Divestiture Trustee shall have the exclusive power and authority to accomplish the Divestiture Trustee Sale pursuant to the terms of this Agreement, and to enter into a Divestiture Agreement with any Purchaser;
- (c) the Divestiture Trustee shall execute a confidentiality agreement satisfactory to the Respondent and the Commissioner, and shall not communicate any Confidential Information to anyone except to the extent reasonably required to effect the Divestiture Trustee Sale;
- (d) the Divestiture Trustee shall have the authority to retain, on usual and reasonable commercial terms, such consultants, accountants, attorneys, investment bankers, business brokers, appraisers and other representatives and assistants as are reasonably necessary to carry out the Divestiture Trustee's duties and responsibilities;
- (e) the Divestiture Trustee shall serve on such reasonable and customary terms and conditions as the Commissioner may set, but in any case all invoices submitted by the Divestiture Trustee shall be paid on a monthly basis, and any outstanding monies owed to the Divestiture Trustee shall be paid out of the proceeds of the sale of the Divested Business;
- (f) the Respondent shall be responsible for all reasonable fees and expenses properly charged or incurred by the Divestiture Trustee in the course of carrying out his or her duties and responsibilities under this Agreement;
- (g) the Respondent shall indemnify the Divestiture Trustee and hold him or her harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the duties of the Divestiture

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Trustee, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defence of any claim, whether or not resulting in any liability, except to the extent that such liabilities, damages, claims, or expenses result from misfeasance, gross negligence, bad faith, or wilful breach of this Agreement by the Divestiture Trustee;

(h) the proceeds of any Divestiture Trustee Sale shall be paid to the Respondent or as the Respondent may direct;

(i) the Divestiture Trustee shall have no obligation or authority to operate or maintain the Divested Business; and

(j) the Divestiture Trustee shall report in writing to the Commissioner and the Respondent every thirty (30) days concerning the Divestiture Trustee's efforts to accomplish the Divestiture Trustee Sale. Such reports shall contain reasonable detail on the steps being taken by the Divestiture Trustee to effect the Divestiture Trustee Sale, including, but not limited to, the identity of prospective Purchasers and the status of negotiations with such prospective Purchasers.

38. The Respondent shall provide all reasonably necessary representations and warranties with regard to the condition of the Divested Business, within its actual knowledge and control, taking into account the requirements of this Agreement.

39. The Respondent may not object to a Divestiture proposed by the Divestiture Trustee on any grounds other than the Divestiture Trustee's misfeasance, gross negligence, bad faith or breach of this Agreement.

40. If the Divested Business is not Divested at the end of the Trustee Sale Period, the Commissioner or the Respondent may apply to the Tribunal for such further and other relief as may be necessary to accomplish the Divestiture.

IX. NOTIFICATION AND APPROVAL

41. The Respondent or the Divestiture Trustee, whichever is then responsible for effecting the Divestiture required herein, shall notify the Commissioner in writing

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of any proposed Divestiture. If the Divestiture Trustee is responsible, it shall similarly notify the Respondent. Such notice shall be given at least ten (10) days before the time a binding offer is accepted by the Respondent or the Divestiture Trustee, as the case may be, and the notice shall include:

- (a) the identity of the proposed Purchaser;
- (b) the details of the proposed transaction;
- (c) information concerning whether the proposed Purchaser would satisfy the terms of paragraph 28(c) of this Agreement;
- (d) an update of the last report provided pursuant to paragraph 33 or paragraph 37(j) of this Agreement, as the case may be; and
- (e) the agreement of the proposed Purchaser that it will respond as soon as possible to a request by the Commissioner for additional information regarding the proposed Divestiture.

42. Within ten (10) days after receipt of the notice referred to in paragraph 41 above, the Commissioner and, where the notice has been provided by the Divestiture Trustee, the Respondent, may request additional information concerning the proposed Divestiture, the proposed Purchaser and any other potential Purchaser. Where the Commissioner requests additional information, the Respondent, the Divestiture Trustee or the proposed Purchaser, as the case may be, shall, subject to any valid claim to a legally recognized privilege, provide the additional information within ten (10) days of the receipt of the request, unless the Commissioner agrees in writing to extend the time. Where the Respondent requests additional information, the Divestiture Trustee or the proposed Purchaser, as the case may be, shall, subject to any valid claim to a legally recognized privilege, provide the additional information within ten (10) days of the receipt of the request, unless the Respondent agrees in writing to extend the time.

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43. Within fifteen (15) days after receipt of the notice pursuant to paragraph 41 of this Agreement or, if the Commissioner and/or the Respondents have requested additional information pursuant to paragraph 42 above, within fifteen (15) days after receipt of the said information:
- (a) the Commissioner shall notify, in writing, the Respondent and, where appropriate, the Divestiture Trustee, if the Commissioner objects to the proposed Divestiture on one or more of the grounds set out in paragraph 28(c) of this Agreement; and
 - (b) in the case of a Divestiture proposed by the Divestiture Trustee, the Respondents shall notify, in writing, the Commissioner and the Divestiture Trustee if the Respondent objects to the proposed Divestiture on one or more of the grounds set out in paragraph 39 of this Agreement.
44. If:
- (a) the Commissioner fails to object as contemplated by paragraph 43(a) of this Agreement or if the Commissioner notifies, in writing, the Respondent and, where appropriate, the Divestiture Trustee, that the Commissioner does not object; and
 - (b) the Respondent fails to object as contemplated by paragraph 43(b) of this Agreement or if the Respondent notifies, in writing, the Commissioner and, where appropriate, the Divestiture Trustee, that the Respondent does not object,
- then the Divestiture may be completed.
45. Where the Commissioner has objected to a proposed Divestiture pursuant to paragraph 43(a) or the Respondent has objected to a proposed Divestiture pursuant to paragraph 43(b), that Divestiture shall not be completed without the approval of the Tribunal.

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46. The Respondent or the Divestiture Trustee, as the case may be, shall notify the Commissioner forthwith after a Divestiture required by this Agreement has been completed.

X. NOTICE OF FUTURE ACQUISITIONS

47. The Respondent shall, for a period of five (5) years from the date of this Agreement, provide the Commissioner with prior written notice of any acquisition by it of a fine paper distribution operation in British Columbia, Alberta, or Saskatchewan.
48. The Respondent shall not, for a period of five (5) years from the date of this Agreement, reacquire, directly or indirectly, any interest in all or any part of the Divested Business that has been Divested pursuant to this Agreement without the prior approval of the Commissioner.

XI. NOTICES

49. The Respondent shall provide a copy of this Agreement, without the Confidential Schedules, to each of its officers, employees or agents having managerial responsibility for any obligations under this Agreement, no later than ten (10) days from the date this Agreement is registered with the Tribunal.
50. Notices, reports, requests, and other communications required or permitted pursuant to any of the terms of this Agreement shall be in writing and shall be considered to be given if dispatched by personal delivery, registered mail, email or facsimile transmission to the street address, email address or facsimile number below:

- (a) If to the Commissioner:

Competition Bureau
Industry Canada
Place du Portage, 21st Floor
50 Victoria Street, Phase I
Gatineau, Quebec

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K1A 0C9
Attention: Senior Deputy Commissioner (Mergers)
Fax: (819) 954-0998

With a copy to:

Competition Law Division
Department of Justice
Place du Portage, 22nd floor
50 Victoria Street, Phase I
Gatineau, Quebec K1A 0C9
Attention: Director of Competition Law Division
Fax: (819) 953-9267

(b) If to the Respondent:

PaperlinX Canada Limited
12310 E. Slauson Ave.
Santa Fe Springs, CA 90670
USA
Attention: Anthony J. Kennedy
Corporate Secretary and Director
Fax: (562) 945-3898

With a copy to:

Stikeman Elliott LLP
5300 Commerce Court W.
199 Bay St.
Toronto, ON M5L 1B9

Attention: Shawn C.D. Neylan
Fax: (416) 947-0866
Email: sneylan@stikeman.com

XII. TERM OF CONSENT AGREEMENT

51. Paragraphs 47 and 48 of this Agreement shall remain in effect for a period of five (5) years from the date of this Agreement. The balance of the Agreement shall remain in effect until the earlier of (a) such time as the Commissioner notifies the Tribunal that the Divestiture contemplated herein has been completed; (b) thirty (30) days after the Divestiture contemplated herein has been completed; or (c) the Agreement is varied or terminated by order of the Tribunal.

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52. The Divestiture of the Divested Business contemplated by this Agreement shall be considered to have been completed when all right, title and interest in the Assets has been conveyed to a Purchaser in accordance with the terms of this Agreement.

XIII. GENERAL

53. The Commissioner may reasonably extend any of the time periods applicable to the Divestiture contemplated by this Agreement provided that any such extension is for the purpose of fulfilling the objects of this Agreement. The Respondent and the Commissioner may mutually agree to amend this Agreement in any manner pursuant to paragraph 106(1)(b) of the Act.
54. Copies of all confidentiality agreements executed by the Respondent pursuant to this Agreement shall be provided to the Commissioner, pursuant to paragraph 50.
55. Should this Agreement be terminated upon any grounds other than the completion of the sale of the Divested Business, the Commissioner retains the discretion to make application to the Tribunal in respect of the Divested Business pursuant to subparagraph 92 (1)(e)(ii) or (iii) of the Act.
56. This Agreement constitutes the entire agreement between the Commissioner and the Respondent with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral.
57. In the event the Proposed Transaction does not substantially complete for any reason, this Agreement shall be null and void *ab initio*.
58. The Tribunal shall retain jurisdiction for the purpose of any application by the Commissioner or the Respondent to rescind or vary any of the provisions of this Agreement in the event of a change of circumstances or otherwise, or with respect to any issue concerning this Agreement.
59. In the event of a dispute as to the interpretation or application of this Agreement, and after mutual consultation, the Commissioner or the Respondent shall be at

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liberty to apply to the Tribunal for a further order interpreting any of the provisions of this Agreement.

60. Upon expiry of the Initial Sale Period, the Confidential Schedule "B" shall be made public. Upon completion of the Divestiture, or as the Tribunal may direct pursuant to paragraph 40, Confidential Schedule "C" shall be made public.
61. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument. In the event of any discrepancy between the English and French versions of this Agreement, the English version shall prevail.

DATED this 28th day of February, 2006.

PAPERLINX CANADA LIMITED

"Gaston Jorré"

"Anthony J. Kennedy"

Gaston Jorré
Acting Commissioner of Competition

Anthony J. Kennedy
Corporate Secretary and Director

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SCHEDULE "A"

Fine Paper Brands in Vancouver, Edmonton & Calgary

Type	Brand	Vancouver	Edmonton	Calgary
Copy & Bond Paper	Colonial Bond	•	•	•
	Earncliffe Linen Bond	•	•	•
	Exact Multipurpose	•	•	•
	Exact Colour Copy	•	•	•
	Great White Multiuse	•	•	•
	Hammermill Color Copy	•	•	•
	Hammermill Fore MP	•	•	•
	Hammermill Hi-Brite	•	•	•
	Hammermill Jet Print	•	•	•
	Hammermill Laser Print	•	•	•
	Hammermill Relay MP	•	•	•
	Hammermill Tidal MP	•	•	•
	IBM Ink Jet			•
	IBM Multi-Purpose	•	•	•
	iprint!92	•	•	•
	iprint!92R	•	•	•
	Mohawk Color Copy	•	•	•
	MultiCopy	•	•	•
	MultiLaser	•	•	•
	New Life DP 100/Envirocopy 100	•	•	•

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Type	Brand	Vancouver	Edmonton	Calgary
	New Life Opaque Repro	•	•	•
	Rockland Multipurpose Bond	•	•	•
	Rolland Hi-Tech	•	•	•
Bristols, Tags & Blanks	Belkote Kraft Back	•	•	•
	Boise Tag-X	•	•	•
	Exact Index Bristol	•	•	•
	Exact Tag	•	•	•
	Exact Vellum Bristol	•	•	•
	Springhill Tag	•	•	•
Coated Papers	Bindakote Cast Coated	•	•	•
	Capro	•	•	•
	Carolina Coated Blanks	•	•	•
	Carolina Coated Cover	•	•	•
	Centura	•	•	•
	Consoweb	•	•	•
	Fortune Reply	•	•	•
	Futura Laser	•	•	•
	Gusto	•	•	•
	Mohawk 50/10 Plus	•	•	•
	Multiweb	•	•	•
	Orion	•	•	•
	Productolith	•	•	•
	Reincarnation	•	•	•

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Type	Brand	Vancouver	Edmonton	Calgary
	Titan	•	•	•
Envelopes	Air Mail Envelopes	•	•	•
	Booklet Envelopes	•	•	•
	Business Open End	•	•	•
	Business Window Envelopes	•	•	•
	Catalogue Envelopes	•	•	•
	Clasp and Button Envelopes	•	•	•
	Coin Envelopes	•	•	•
	Document Envelopes	•	•	•
	Gusset Envelope	•	•	•
	Inter Department Mail Envelopes	•	•	•
	Invitation and Octavo Envelopes	•	•	•
	Jewellery Repair Envelopes	•	•	•
	Press to Seal Envelopes	•	•	•
Wallet Flap Envelopes	•	•	•	
Pressure Sensitive & Specialty Papers	Appleton Masking Paper	•	•	•
	Hop-syn Synthetic Paper	•	•	•
	Pro Stat Static Cling Vinyl	•	•	•
	Pro Tac Repositionable Vinyl	•	•	•
	Uni-Mate Astrobrights	•	•	•
	Uni-Mate Fluorescents	•	•	•
	Uni-Mate Laminated Foils	•	•	•
	Uni-Mate Specialty Products	•	•	•

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Type	Brand	Vancouver	Edmonton	Calgary
	Uni-Mate Vinyls and Polyesters	•	•	•
	Uni-Mate White Papers	•	•	•
	Wausau Coated Cast-Coated	•	•	•
	Wausau Coated Semi Gloss	•	•	•
	Wausau Coated Uncoated Offset	•	•	•
Uncoated Papers	Accent Opaque	•	•	•
	Astrobrights	•	•	•
	Boise Offset	•	•	•
	Boise Opaque	•	•	•
	Boise Recycled	•	•	•
	Exact Offset Opaque Colours	•	•	•
	New Life Opaque	•	•	•
	Rockland Cover	•	•	•
	Rolland Enviro 100	•	•	•
	Rolland Opaque	•	•	•
	Strathmore Premium Opaque	•	•	•
Summit Forms Bond	•	•	•	
Writing, Text & Cover Papers	Astroparche	•	•	•
	Chartham Transluents	•	•	•
	Mohawk Navajo	•	•	•
	Mohawk Options	•	•	•
	Mohawk Satin	•	•	•
	Mohawk Superfine	•	•	•

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Type	Brand	Vancouver	Edmonton	Calgary
	Mohawk Vellum	•	•	•
	Royal Compliments	•	•	•
	Royal Fiber	•	•	•
	Royal Laid	•	•	•
	Royal Linen	•	•	•
	Royal Marble	•	•	•
	Royal Silk	•	•	•
	Shine	•	•	•
	Tomahawk	•	•	•
Carbonless Papers	NCR Ledger	•	•	•
	NCR MICR 26#	•	•	•
	NCR Premium	•	•	•
	NCR Recover	•	•	•
	NCR Self Contained	•	•	•
	NCR Superior	•	•	•
	NCR Tag	•	•	•
	NCR Xero/Form	•	•	•