Court File No. 49426CP

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N:

McLAY & COMPANY INC. in its capacity as Trustee in Bankruptcy for 799376 Ontario Inc. operating as Lonsdale Printing Services

Plaintiff

-and-

CASCADES FINE PAPERS GROUP INC. / CASCADES GROUPE PAPIERS FINS INC. and COAST PAPER LIMITED / PAPIER COAST LIMITEE and DOMTAR INC. and UNISOURCE CANADA, Inc.

Defendants

Proceeding Under the *Class Proceedings Act*, 1992.

AMENDED
STATEMENT OF CLAIM

TO THE DEFENDANT(S)

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service, in this court office, **WITHIN TWENTY DAYS** after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. If you wish to defend this proceeding but are unable to pay legal fees, legal aid may be available to you by contacting a local legal aid office.

Date: FEB 03 2006

Issued by: M. LONGO
Local Registrar
80 Dundas Street
Ground Floor, Unit "A"
London, ON N6A 6A3

AMENDED this 17th day of MARCH 2006

TO:

CASCADES FINE PAPERS GROUP INC./ CASCADES GROUPE PAPIERS FINS INC.
772 RUE SHERBROOKE OUEST BUREAU 100
MONTRÉAL
Quebec
H3A1G1
Canada

COAST PAPER LIMITED / PAPIER COAST LIMITEE
777 DUNSMUIR STREET #1300 P.O. BOX 10424
VANCOUVER
British Columbia
V7Y1K2
Canada

DOMTAR INC.
395 DE MAISONNEUVE BOULEVARD WEST
MONTREAL
Quebec
H3A1L6
Canada

UNISOURCE CANADA, INC.
50 EAST WILMOT ST.
RICHMOND HILL
Ontario
L4B3Z3
Canada

CLAIM

1. **THE PLAINTIFF** claims:

   a. An Order pursuant to the *Class Proceedings Act* certifying this action as a class proceeding and appointing the Plaintiff as the representative Plaintiff on behalf of the class;

   b. General damages for conspiracy, intentional interference with economic relations, and conduct which is contrary to Part VI of *Competition Act*, R.S.C. 1985, c.C-34, in the amount of $20,000,000.00 or alternatively in an amount sufficient to compensate the Plaintiff and the class members for the losses caused to them as a result of the Defendants' illegal anticompetitive conduct;

   c. An Order against the Defendants directing the disgorgement of their illegal overcharge;

   d. Aggravated, exemplary and punitive damages in the amount of $5,000,000.00;

   e. Costs of investigation pursuant to Part VI of the *Competition Act*;

   f. Costs of administration for a plan of distribution of any relief obtained for the class in this action;

   g. An equitable rate of interest on all sums found due and owing to the Plaintiff and the class members or in the alternative, interest calculated pursuant to the *Courts of Justice Act*.

   h. Costs of this action on a substantial indemnity basis; and

i. Such further and other relief as this Honourable Court deems just.

The Nature of the Action:

2. This class action concerns an anti-competitive conspiracy among the Defendants to manipulate the market in which carbonless paper sheets were sold in Ontario between at least October 1999 and at least September 2000, and in Quebec between at least January, 2000 and at least December 2000, the exact dates being unknown to the Plaintiff. It is alleged that through secretive communications, the Defendants and their senior executives, employees and agents struck agreements in respect of carbonless paper sheets relating to the preservation of market share divisions, the co-ordination of a common response to a new market entrant, the implementation of a common discount program, the maintenance of price discipline in order to avoid a price war, and the sharing of sales and pricing data.

Carbonless Paper Sheets

3. Carbonless paper sheets – which are also known as self-copying paper - are intended for the multiple duplication of documents. These sheets are made from a paper base to which layers of chemical products are applied. The principle behind carbonless paper involves obtaining a copy by reaction between two complementary layers under pressure of handwriting or the impact of a computer printer or typewriter. Business forms, delivery slips and bank transfer forms are the most widespread application for carbonless paper, accounting for over 90% of total consumption. There are no practical substitutes for carbonless paper.

4. The Defendants primarily sell carbonless paper sheets directly to printing companies for modification and/or resale to other entities or individuals which consume the product for their own uses.

5. Together, at the relevant time, the Defendants possessed in excess of 90% of the market share for carbonless sheets in the relevant markets of Ontario and Quebec.

6. During the period from October 1999 to December 2000, the total sales of carbonless paper in Ontario and Quebec by the Defendants were in excess of $40,000,000.00.

The Plaintiff and The Class

7. 799376 Ontario Inc. operating as Lonsdale Printing Services ("Lonsdale") was established in or about 1988 and carried on business as a commercial printing company from a business premises in the City of London, Ontario.

8. Lonsdale was a direct purchaser of carbonless paper sheets from one or more of the Defendants in or about 1999 and 2000.

9. Lonsdale is represented by its Trustee in Bankruptcy, McLay & Company Inc. in its capacity as the Trustee for the Estate.

10. The Plaintiff seeks to represent a class consisting of all direct and indirect purchasers of carbonless paper sheets in Ontario between at least October 1999 and at least September 2000 and in Quebec between at least January and December, 2000.

The Defendants

11. The Defendant Unisource Canada, Inc. ("Unisource) is a Canadian Federal Corporation with its head office in Richmond Hill, Ontario. At all relevant times, Unisource directly and through the control of its predecessors, subsidiaries and affiliates, manufactured, marketed, sold and/or distributed carbonless paper in Canada

12. The Defendant, Cascades Fine Papers Group Inc. / Cascades Groupe Papiers Fins inc. ("Cascades") is a Canadian Federal Corporation with its head office in Montreal, Quebec. At all relevant times, Cascades directly and through the control of its predecessors, subsidiaries and affiliates, marketed, sold and/or distributed carbonless paper in Canada.

13. The Defendant Coast Paper Limited / Papier Coast Limitée ("Coast") is a Canadian Federal Corporation with its head office in Vancouver, British Columbia. At all relevant times, Coast directly and through the control of its predecessors, subsidiaries and affiliates, marketed, sold and/or distributed carbonless paper in Canada.

14. The Defendant, Domtar Inc. ("Domtar") is a Canadian Federal Corporation with its head office in Montreal, Quebec. At all relevant times, Domtar directly and through the control of its predecessors, subsidiaries and affiliates, marketed, sold and/or distributed carbonless paper in Canada.

15. The business and operations of each of the Defendants and their respective predecessors, subsidiaries, merchants and affiliates in respect of carbonless paper sheets are inextricably interwoven such that each is the agent of the other.

The Conspiracy and Tortious Interference with Economic Interests

16. Beginning in Ontario in at least October 1999 and in Quebec in at least January, 2000, the exact dates being unknown to the Plaintiff, each of the Defendants, and their senior executives, employees and agents conspired and agreed together to wrongfully, unlawfully, maliciously and without good faith:

    a. to eliminate competition in the sale of carbonless paper in Ontario and Quebec by allocating amongst themselves the market shares of carbonless paper in Ontario and Quebec;

    b. to prevent or lessen, unduly, competition in the manufacture, sale and distribution of carbonless paper in Ontario and Quebec by implementing a common discount program;

    c. to devise a common strategy in order to respond to the presence of a new market entrant to the carbonless paper markets in Ontario and Quebec;

    d. to eliminate the threat of a price war in the markets for carbonless paper in Ontario and Quebec by maintaining a common price discipline;

    e. to prevent or lessen, unduly, competition in the manufacture, sale and distribution of carbonless paper in Ontario and Quebec by sharing sales and pricing data relating to the markets for carbonless paper in Ontario and Quebec.

17. The anti-competitive conduct of the Defendants was motivated by the predominant purpose of harming the Plaintiff and the class members by

requiring them to pay artificially high prices for carbonless paper and to illegally increase the Defendants' profits on the sale of carbonless paper.

18. In furtherance of the anti-competitive agreements to conspire in Ontario between at least October 1999 and at least September 2000, and in Quebec between at least January, 2000 and at least December 2000, the exact dates being unknown to the Plaintiff, the following acts were done by the Defendants, and their senior executives, employees and agents:

    a. They executed an anti-competitive allocation of market share in order to stabilize the price of carbonless paper in Ontario and Quebec;

    b. They co-ordinated an illegal, anti-competitive response to a new market entrant which unlawfully denied the new market entrant access to the markets in Ontario and Quebec;

    c. They implemented an illegal and anti-competitive common discount program in dealings with their customers;

    d. They unlawfully maintained price discipline in order to avoid a price war;

    e. They exchanged information regarding the prices and volumes of sales of carbonless paper for the purpose of monitoring and enforcing adherence to the agreed upon division of markets, price discipline and common discounts;

    f. They instructed the members of the conspiracy not to divulge the existence of the conspiracy; and

g. They disciplined any corporation, entity or person which failed to comply with the agreement as particularized in paragraph 10 herein.

19. The acts particularized in paragraphs 16 to 18 herein ("the anti-competitive conduct) were in breach of Part VI of the *Competition Act* and render the Defendants liable to pay damages to the Plaintiff and the class members.

20. Further, or alternatively, the anti-competitive conduct was directed towards the Plaintiff and other purchasers of carbonless paper sheets in Ontario and Quebec which conduct the Defendants knew would cause injury to the Plaintiff and the class members. The Defendants are therefore liable to the Plaintiff and the class members for the tort of civil conspiracy.

21. Further, the anti-competitive conduct was intended to cause the Plaintiff and the class members' economic loss and constituted tortious interference with the economic interests of the Plaintiff and the class members, all of which renders the Defendants liable for any resulting damages.

22. The anti-competitive conduct was carried out by the officers, directors, agents, employees, servants or representatives of each Defendant in the management, direction, control or transaction of each of their business affairs.

The Competition Bureau Investigations

23. In April 2003, the precise date being unknown to the Plaintiff, the Canadian Competition Bureau confirmed that 4 paper companies were

being investigated on allegations of conspiring to lessen competition in the carbonless paper markets in Ontario and Quebec.

24. The allegations made by the Competition Bureau related to agreements relating to the respecting of market share, co-ordinating a response to a new market entrant, implementing a common discount program, maintaining price discipline, sharing sales and pricing data, and the monitoring and implementation of the arrangements as between the Defendant acting as a cartel.

25. On January 9, 2006, the Competition Bureau issued fines against the Defendants Cascades, Domtar and Unisource in the amount of $12,500,000.00 each, the largest fines imposed to date against domestic corporations for conspiracy to lessen competition.

26. At all material times, the Defendant, Coast, conducted itself in the same manner as the Defendants Cascades, Domtar and Unisource as particularised in paragraphs 16 to 22 herein.

The Resulting Damages to the Plaintiff and the Class Members:

27. Lonsdale and the class members have suffered damages as a result of the anti-competitive conduct of the Defendants particularized herein.

28. During the class period, Lonsdale and the class members directly and/or indirectly purchased millions of dollars of carbonless paper manufactured and distributed by the Defendants. By reason of the alleged violations of the *Competition Act* and the common law, Lonsdale and the class members paid more for carbonless paper sheets than they would have paid in the absence of the illegal conduct particularized herein. As a result,

Lonsdale and the class members have suffered injury which results in damages in an amount presently undetermined.

29. The combined damages of Lonsdale and those of the other class members are capable of being, and should be, quantified on an aggregate basis reflecting the difference between the prices actually obtained by the Defendants for carbonless paper sheets and the prices which would have been obtained in the absence of the illegal acts particularized herein during the period in Ontario between at least October 1999 and at least September 2000, and in Quebec between at least January, 2000 and at least December 2000, the exact dates being unknown to the Plaintiff,.

Punitive, Aggravated and Exemplary Damages

30. The Plaintiff states that conduct of the Defendants, as particularized herein was reckless, high-handed, wilful and in complete disregard of the rights and interests of the Plaintiff and the class members. Further, the Defendants concealed their unlawful conduct particularized herein through deception and secrecy so as to avoid the detection of their conduct by their customers and the competition authorities.

31. The Defendants therefore are liable to pay aggravated, exemplary and punitive damages to the Plaintiff and the class members.

The Relevant Statutes

32. The Plaintiff pleads and relies upon the *Class Proceedings Act*, 1992, S.O. 1992, c.6 as amended and the *Competition Act,* R.S.C. 1985, c.19 as amended.

Service Outside of Ontario:

33. This originating process may be served without Court order outside of Ontario in that the claim is:

a. in respect of a tort committed in Ontario (Rule 17.02 (g));

b. in respect of damages sustained in Ontario arising from a tort or a breach of contract wherever committed (Rule 17.02 (h));

c. against a person outside Ontario who is a necessary and proper party to this proceeding properly brought against another person served in Ontario (Rule 17.02(o)); and

d. against a person carrying on business in Ontario (Rule 17.02 (p)).

THE PLAINTIFF STATES THAT THIS MATTER SHOULD BE TRIED AT LONDON, ONTARIO.

February 3, 2006

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Solicitors for the Plaintiffs.

McLAY & COMPANY -and- **CASCADES FINE PAPERS, et al.**

Plaintiff(s) Defendant(s) Court File No. **49426CP**

ONTARIO
SUPERIOR COUR T OF JUSTICE
Proceeding commenced at **LONDON**

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