SUREWEST COMMUNICATIONS
Form S-4/A
March 20, 2013

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As filed with the Securities and Exchange Commission on March 20, 2013

Registration No. 333-187202

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form S-4

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.		**CONSOLIDATED COMMUNICATIONS, INC.**
(Exact name of Registrant as specified in its charter)		(Exact name of Registrant as specified in its charter)
Delaware		**Illinois**
(State or other jurisdiction of incorporation or organization)		(State or other jurisdiction of incorporation or organization)
02-0636095	**4813**	**02-0636475**
(I.R.S. Employer Identification No.)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

**121 South 17th Street
Mattoon, Illinois 61938-3987
(217) 235-3311**
(Address, including zip code, and telephone number, including area code, of Registrants' principal executive offices)

See Table of Additional Registrants Below

**Steven L. Childers
Senior Vice President and Chief Financial Officer
Consolidated Communications Holdings, Inc.
121 South 17th Street
Mattoon, Illinois 61938-3987
(217) 235-3311**
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

**David McCarthy
Schiff Hardin LLP
233 S. Wacker Drive, Suite 6600
Chicago, Illinois 60606
(312) 258-5500**

Approximate date of commencement of proposed sale of the securities to the public:
As soon as practicable after the effective date of this registration statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

If applicable, place an ý in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issue Tender Offer) o

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) o

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Table of Additional Registrants(1)(2)(3)

Exact Name of Registrant as Specified in its Charter	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
Consolidated Communications Enterprise Services, Inc.	Delaware	02-0636464
Consolidated Communications Services Company	Texas	75-2797369
Consolidated Communications of Fort Bend Company	Texas	74-0629710
Consolidated Communications of Texas Company	Texas	75-2073931
SureWest Communications	California	45-5230481
SureWest Long Distance	California	91-1761135
SureWest Communications, Inc.	Delaware	46-2205773
SureWest Broadband	California	91-1762555
SureWest TeleVideo	California	30-0088182
SureWest Kansas, Inc.	Delaware	20-4467074
SureWest Telephone	California	94-0817190
SureWest Kansas Holdings, Inc.	Delaware	20-4467655
Consolidated Communications of Pennsylvania Company, LLC	Delaware	26-3872130
SureWest Kansas Connections, LLC	Delaware	22-3866785
SureWest Kansas Licenses, LLC	Delaware	43-1901973
SureWest Kansas Operations, LLC	Delaware	43-1896045
SureWest Kansas Purchasing, LLC	Delaware	43-1900927
SureWest Fiber Ventures, LLC	Delaware	46-0596477

(1) The address and telephone number for the principal executive offices of each of the Additional Registrants organized in the U.S. is 121 South 17th Street, Mattoon, Illinois 61938-3987, (217) 235-3311.

(2) The name, address, including zip code, and telephone number, including area code, of agent for service for each of the Additional Registrants is Steven L. Childers, Senior Vice President and Chief Financial Officer, Consolidated Communications Holdings, Inc., 121 South 17th Street, Mattoon, Illinois 61938-3987, (217) 235-3311.

(3) Copies of communications to any Additional Registrant should be sent to David McCarthy, Schiff Hardin LLP, 233 S. Wacker Drive, Suite 6600, Chicago, Illinois 60606, (312) 258-5500.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED MARCH 20, 2013

PROSPECTUS

CONSOLIDATED COMMUNICATIONS, INC.

OFFER TO EXCHANGE
$300,000,000 OF 10.875% SENIOR NOTES DUE 2020
FOR
$300,000,000 OF 10.875% SENIOR NOTES DUE 2020
WHICH HAVE BEEN REGISTERED
UNDER THE SECURITIES ACT OF 1933, AS AMENDED

UNCONDITIONALLY GUARANTEED BY
CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.
AND CERTAIN SUBSIDIARIES OF CONSOLIDATED COMMUNICATIONS, INC.

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT
5:00 P.M., NEW YORK CITY TIME, ON , 2013, UNLESS EXTENDED.

Terms of the exchange offer:

The notes being offered hereby (the "Exchange Notes") are being registered with the Securities and Exchange Commission and are being offered in exchange for all of outstanding 10.875% Senior Notes due 2020 (the "Original Notes") of Consolidated Communications, Inc. (the "Company") that were previously issued in an offering exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The terms of the exchange offer are summarized below and are more fully described in this prospectus.

The Company will exchange all Original Notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer.

You may withdraw tenders of Original Notes at any time prior to the expiration of the exchange offer.

The Company believes that the exchange of Original Notes will not be a taxable event for U.S. federal income tax purposes, but you should see "The Exchange Offer Tax Consequences of the Exchange Offer" on page 40 of this prospectus for more information.

The Company will not receive any proceeds from the exchange offer.

The terms of the Exchange Notes are substantially identical to the Original Notes, except that the Exchange Notes are registered under the Securities Act and the transfer restrictions and registration rights applicable to the Original Notes do not apply to the Exchange Notes.

The Exchange Notes will be guaranteed on a senior unsecured basis by the Company's parent, Consolidated Communications Holdings, Inc., and by certain subsidiaries of Consolidated Communications, Inc.

The Company does not intend to list the Exchange Notes on any securities exchange or to have them approved for any automated quotation system.

See the section entitled "Description of the Notes" that begins on page 43 for more information about the Exchange Notes to be issued in this exchange offer.

Each broker-dealer that receives Exchange Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The letter of transmittal states that by so acknowledging and delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for outstanding Original Notes where such outstanding Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after consummation of this exchange offer (or such shorter period until the date on which all broker-dealers have disposed of their registrable securities), it will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

This investment involves risks. See the section entitled "Risk Factors" that begins on page 11 for a discussion of the risks that you should consider prior to tendering your Original Notes in the exchange.

Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2013.
This prospectus and the letter of transmittal are first being mailed to all holders of the Original Notes on , 2013.

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NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY CONSOLIDATED COMMUNICATIONS HOLDINGS, INC., CONSOLIDATED COMMUNICATIONS, INC. OR ITS SUBSIDIARY GUARANTORS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL CREATE UNDER ANY CIRCUMSTANCES AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF CONSOLIDATED COMMUNICATIONS HOLDINGS, INC., CONSOLIDATED COMMUNICATIONS, INC. OR ITS SUBSIDIARY GUARANTORS SINCE THE DATE HEREOF. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES OTHER THAN THOSE SPECIFICALLY OFFERED HEREBY OR AN OFFER TO SELL ANY SECURITIES OFFERED HEREBY IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION CONTAINED IN THIS PROSPECTUS SPEAKS ONLY AS OF THE DATE OF THIS PROSPECTUS UNLESS THE INFORMATION SPECIFICALLY INDICATES THAT ANOTHER DATE APPLIES.

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IMPORTANT TERMS USED IN THIS PROSPECTUS

In this prospectus, unless the context indicates otherwise, the terms the "Company" and the "Issuer" refer to Consolidated Communications, Inc. and not to its parent, subsidiaries or affiliates, and "Consolidated," "we," "us" and "our" refer to Consolidated Communications Holdings, Inc. and its consolidated subsidiaries.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

This prospectus incorporates important business and financial information about Consolidated that is not included in or delivered with this prospectus. We incorporate by reference the following documents filed with the Securities and Exchange Commission (the "SEC"):

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2012;
- our Current Report on Form 8-K filed on February 21, 2013; and
- the audited consolidated financial statements contained in pages 59 through 100 of SureWest Communications' Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

We also incorporate by reference any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to the extent such documents are deemed "filed" for purposes of the Exchange Act, until we complete the offering of the Exchange Notes.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You can obtain any of the documents incorporated by reference through us, the SEC or the SEC's website, http://www.sec.gov. Documents we have incorporated by reference are available from us without charge, excluding exhibits to those documents unless we have specifically incorporated by reference such exhibits in this prospectus. Any person, including any beneficial owner, to whom this prospectus is delivered, may obtain the documents we have incorporated by reference in, but not delivered with, this prospectus by requesting them by telephone or in writing at the following address:

Consolidated Communications Holdings, Inc.
121 South 17th Street
Mattoon, Illinois 61938
(217) 235-3311
Attn: Investor Relations

To obtain timely delivery you must request this information no later than five (5) business days before the date you must make your investment decision. Such date is , 2013.

WHERE YOU CAN FIND MORE INFORMATION

Consolidated files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain additional information about the public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a site on the Internet (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including Consolidated.

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We maintain an Internet site at www.consolidated.com which contains information concerning Consolidated and its subsidiaries. The information contained at our Internet site is not incorporated by reference in this prospectus, and you should not consider it a part of this prospectus.

This prospectus forms part of the registration statement on Form S-4 filed by the Company and the other registrants named therein with the SEC under the Securities Act. This prospectus does not contain all the information set forth in the registration statement. Any statement made in this prospectus concerning the contents of any contract, agreement or other document is only a summary of the actual document. If we have filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

You should rely only on the information incorporated by reference or provided in this prospectus or any supplement to this prospectus. We have not authorized anyone else to provide you with different information. This prospectus is used to offer and sell the Exchange Notes referred to in this prospectus, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of the date of this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus includes "forward-looking statements." Any statements contained in this prospectus that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements and should be evaluated as such.

Forward-looking statements may be identified by the use of words such as "anticipate," "believe," "expect," "intend," "plan," "may," "estimate," "target," "project," "should," "will," "can," "likely," or other similar expressions and any other statements that predict or indicate future events or trends or that are not statements of historical facts. These forward-looking statements are subject to numerous risks and uncertainties. Such forward-looking statements reflect, among other things, our current expectations, plans, strategies and anticipated financial results and involve a number of known and unknown risks, uncertainties and factors that may cause our actual results to differ materially from those expressed or implied by these forward-looking statements. These risks, uncertainties and factors include, but are not limited to, the following:

- the substantial amount of our debt and our ability to incur additional debt in the future;
- our need for a significant amount of cash to service and repay our debt and to pay dividends on our common stock;
- restrictions contained in our debt agreements that limit the discretion of management in operating the business;
- our ability to refinance our existing debt as necessary;
- rapid development and introduction of new technologies in the telecommunications industry;
- intense competition in the telecommunications industry;
- unanticipated higher capital spending for, or delays in, the deployment of new technologies, and the pricing and availability of equipment, materials and inventories;
- risks associated with the SureWest acquisition, including risks associated with the integration of SureWest;

benefits of the SureWest acquisition;

risks associated with our possible pursuit of further acquisitions;

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- economic conditions in our service areas;
- system failures;
- losses of large customers or government contracts;
- losses of large numbers of other customers, or an inability to secure new customers at the pace and cost at which they have previously been secured;
- risks associated with the rights-of-way for the network;
- disruptions in the relationships with third party vendors;
- losses of key management personnel and the inability to attract and retain highly qualified management and personnel in the future;
- changes in the extensive governmental legislation and regulations governing telecommunications providers and the provision of telecommunications services;
- telecommunications carriers disputing and/or avoiding their obligations to pay network access charges for use of our network;
- high costs of regulatory compliance;
- the cost and competitive impact of legislation and regulatory changes in the telecommunications industry;
- liability and compliance costs regarding environmental regulations; and
- risks related to litigation in which we are or may become involved.

These and other uncertainties related to our business and the business of SureWest are described in greater detail in the section entitled "Risk Factors." Many of these risks are beyond our management's ability to control or predict. All forward-looking statements attributable to us or persons acting on behalf of us are expressly qualified in their entirety by the cautionary statements contained, and risk factors identified, in this prospectus. Because of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. Furthermore, forward-looking statements speak only as of the date they are made. Except as required under the federal securities laws or the rules and regulations of the SEC, we undertake no obligation to update or review any forward-looking information, whether as a result of new information, future events or otherwise.

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PROSPECTUS SUMMARY

The following summary highlights some of the information from this prospectus and does not contain all the information that is important to you. Before deciding to participate in the exchange offer, you should read the entire prospectus, including the section entitled "Risk Factors" and our consolidated financial statements and the related notes and other information incorporated by reference herein. Some statements in this Prospectus Summary are forward-looking statements. See "Forward-Looking Statements."

Consolidated Communications Holdings, Inc.

Consolidated is a Delaware holding company with operating subsidiaries providing a wide range of communications services to residential and business customers in Illinois, Texas, Pennsylvania, California, Kansas and Missouri. We were founded in 1894 as the Mattoon Telephone Company by the great-grandfather of our current Chairman, Richard A. Lumpkin. After several acquisitions, the Mattoon Telephone Company was incorporated as the Illinois Consolidated Telephone Company ("ICTC") on April 10, 1924. We were incorporated under the laws of Delaware in 2002, and through our predecessors we have provided telecommunications services for more than a century. Through strategic acquisitions over the last eight years, we have grown our business, diversified our revenue and cash flow streams and created a strong platform for future growth. Our acquisitions strategy includes creating operating synergies associated with each acquisition. These operating synergies are created through the use of consistent platforms, convergence of processes and functional management of the combined entities. We measure our synergies during the first two years following an acquisition. For example, the acquisition of our Texas properties in 2004 tripled the size of our business and gave us the requisite scale to make systems and platform decisions that would facilitate future acquisitions. For the acquisition of our Pennsylvania properties, we achieved synergies in excess of $12.0 million in annualized savings, which at the time, represented about 20% of their operating expense. We have positioned our business to provide services in both rural and suburban markets with service territories spanning the country.

We offer a wide range of telecommunications services, including local and long-distance service, high-speed broadband Internet access, video services, digital telephone service ("VOIP"), custom calling features, private line services, carrier grade access services, network capacity services over our regional fiber optic networks, directory publishing and Competitive Local Exchange Carrier ("CLEC") services. We also operate two non-core complementary businesses, prison services and equipment sales. We classify our operations into two reportable business segments: Telephone Operations and Other Operations.

SureWest Merger

On July 2, 2012, we completed the merger with SureWest Communications ("SureWest"), which resulted in the acquisition of 100% of all the outstanding shares of SureWest for $23.00 per share in a cash and stock transaction. The acquisition of SureWest provides additional diversification of our revenues and cash flows both geographically and by service type, which offers a platform for future growth and is expected to generate operational and capital cost synergies. SureWest provides a wide range of telecommunications, digital video, Internet, data and other facilities-based communications services in Northern California, primarily in the greater Sacramento region, and in the greater Kansas City, Kansas and Missouri areas. For the year ended December 31, 2011, SureWest reported $248.1 million in total operating revenues. For the six months ended June 30, 2012, SureWest generated $127.9 million in operating revenues. The total purchase price of $550.8 million, consisted of cash and assumed debt of $402.4 million and 9,965,983 shares of the our common stock valued at the opening stock price on July 2, 2012 of $14.89, which totaled $148.4 million. The cash portion of the merger consideration and the funds required to repay SureWest outstanding debt was financed with the sale of $300.0 million in aggregate principal amount of the Original Notes. We also used cash on hand and

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approximately $35.0 million in borrowings from our revolving credit facility. Because the acquisition closed on July 2, 2012, our financial information does not include any of the results of operations from SureWest prior to the acquisition date. The financial results of SureWest are included in the Telephone Operations segment as of the date of the acquisition.

As part of the acquisition of SureWest, we expect to generate annual operating synergies of approximately $25.0 million, which will be phased in over the first two years after the closing as integration projects are completed.

Prison Services Contract

We currently provide telephone service to inmates incarcerated at facilities operated by the Illinois Department of Corrections through our Prison Services business. On June 27, 2012, the Illinois Department of Central Management Services announced its intent to replace us as the provider of those services with a competitor. We have challenged our competitor's bid and the State's decision to accept that bid in a variety of different forums. Although we will continue to seek legal recourse to the State's decision, we anticipate that our contract with the State of Illinois will end during 2013. During 2012, the prison services contract comprised 82% of the operating revenues in our Other Operations segment, 5% of consolidated operating revenues and approximately 2% of consolidated operating income, excluding financing and other transaction fees. For a more detailed discussion regarding the legal actions we have taken with regards to the prison services contract, see Part I, Item 3 "Legal Proceedings" in our 2012 Annual Report on Form 10-K incorporated herein.

Consolidated Communications, Inc.

The Company, which is the Issuer of the Notes, is a wholly-owned subsidiary of Consolidated and is the parent of all of Consolidated's operating subsidiaries. The principal executive offices of the Company are located at 121 South 17th Street, Mattoon, Illinois 61938.

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The Exchange Offer

On May 30, 2012, Consolidated Communications Finance Co. ("Finance Co."), a wholly-owned subsidiary of the Company, completed the offering of $300.0 million aggregate principal amount of the Original Notes. On July 2, 2012, Finance Co. merged with and into the Company, and the Company succeeded Finance Co. as the obligor under the Original Notes. The Original Notes were sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States only to non-U.S. persons in accordance with Regulation S under the Securities Act. In addition, some Original Notes were sold to "accredited investors" (as defined in Rule 501 under the Securities Act). As part of the offering, we entered into a registration rights agreement with the initial purchaser of the Original Notes in which we agreed, among other things, to deliver this prospectus and to complete an exchange offer for the Original Notes. The summary below describes the principal terms of the exchange offer. The section of this prospectus entitled "The Exchange Offer" contains a more detailed description of the terms and conditions of the exchange offer.

Securities Offered	Up to $300.0 million aggregate principal amount of 10.875% Senior Notes due 2020 which have been registered under the Securities Act, which we refer to as the "Exchange Notes". The form and terms of the Exchange Notes are identical in all material respects to those of the Original Notes. The Exchange Notes, however, will not contain transfer restrictions and registration rights applicable to the Original Notes.
The Exchange Offer	The Company is offering to exchange $1,000 principal amount of the Exchange Notes for each $1,000 principal amount of outstanding Original Notes. In order to be exchanged, an Original Note must be properly tendered and accepted. All Original Notes that are validly tendered and not validly withdrawn will be exchanged. As of the date of this prospectus, there are $300.0 million in aggregate principal amount of the Original Notes outstanding. The Company will issue Exchange Notes promptly after the expiration of the exchange offer.
Resales	We are registering the exchange offer in reliance on the position enunciated by the staff of the SEC in Exxon Capital Holdings Corp., SEC No-Action Letter (April 13, 1988), Morgan Stanley & Co, Inc., SEC No-Action Letter (June 5, 1991), and Shearman & Sterling, SEC No-Action Letter (July 2, 1993). Based on interpretations by the staff of the SEC, as set forth in these no-action letters issued to third parties not related to us, we believe that the Exchange Notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act as long as: you are acquiring the Exchange Notes in the ordinary course of your business; you are not engaged in, and do not intend to engage in, and have no arrangement or understanding with any person to participate in, the distribution of the Exchange Notes; and

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	you are not our affiliate. Rule 405 under the Securities Act defines "affiliate" as a person that, directly or indirectly, controls or is controlled by, or is under common control with, a specified person. In the absence of an exemption, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale of the Exchange Notes. If you fail to comply with these requirements, you may incur liabilities under the Securities Act, and we will not indemnify you for such liabilities. Each broker or dealer that receives Exchange Notes for its own account in exchange for Original Notes that were acquired as a result of market-making or other trading activities is deemed to acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any offer to resell, resale, or other transfer of the Exchange Notes issued in the exchange offer.
Commencement Date	We are delivering this prospectus and the related offer documents to the registered holders of the Original Notes on , 2013.
Expiration Date	5:00 p.m., New York City time, on , 2013, unless we extend the expiration date.
Withdrawal Rights	You may withdraw tenders of the Original Notes at any time prior to 5:00 p.m., New York City time, on the expiration date. For more information, see the section entitled "The Exchange Offer Withdrawal of Tenders."
Conditions to the Exchange Offer	The exchange offer is subject to certain customary conditions, which we may waive in our sole discretion. For more information, see the section entitled "The Exchange Offer Conditions to the Exchange Offer." The exchange offer is not conditioned upon the exchange of any minimum principal amount of Original Notes.

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Procedures for Tendering Original Notes	Substantially all of the Original Notes are held in book-entry form through The Depository Trust Company ("DTC"). If you are a broker, dealer, commercial bank, trust company or other owner that holds Original Notes in book-entry form through DTC for your own account and you wish to accept the exchange offer, you must tender such Original Notes through DTC's automated tender offer program. If you are an owner of Original Notes that are held in book-entry form by a broker, dealer, commercial bank, trust company or other nominee on your behalf and you wish to accept the exchange offer, you must contact the broker, dealer, commercial bank, trust company or other nominee through which you own your Original Notes and instruct such nominee to tender on your behalf through DTC's automated tender offer program. By tendering your Original Notes, you will be deemed to represent to us, among other things, (1) that you are, or the person or entity receiving the Exchange Notes is, acquiring the Exchange Notes in the ordinary course of business, (2) that neither you nor any such other person or entity are engaged in, or intend to engage in, or has any arrangement or understanding with any person to participate in, the distribution of the Exchange Notes within the meaning of the Securities Act and (3) that neither you nor any such other person or entity is our affiliate within the meaning of Rule 405 under the Securities Act.
No Guaranteed Delivery Procedures	Because substantially all of the Original Notes are held in book-entry form, we have not provided guaranteed delivery procedures.
Registration Rights Agreement	Contemporaneously with the initial sale of the Original Notes, we entered into a registration rights agreement with the initial purchaser pursuant to which we agreed, among other things, (1) to consummate an exchange offer and (2) if required, to have a shelf registration statement declared effective with respect to resales of the Original Notes. This exchange offer is intended to satisfy our obligations set forth in the registration rights agreement. After the exchange offer is complete, except in limited circumstances with respect to specific types of holders of Original Notes, we will have no further obligation to provide for the registration under the Securities Act of such Original Notes. See the section entitled "The Exchange Offer."
Federal Income Tax Considerations	The exchange pursuant to the exchange offer will generally not be a taxable event for U.S. federal income tax purposes. For more details, see the section entitled "The Exchange Offer Tax Consequences of the Exchange Offer."

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Consequences of Failure to Exchange	If you do not exchange the Original Notes, they will remain entitled to all the rights and preferences and will continue to be subject to the limitations contained in the indenture governing the Original Notes. However, following the exchange offer, except in limited circumstances with respect to specific types of holders of Original Notes, we will have no further obligation to provide for the registration under the Securities Act of such Original Notes.
Absence of an Established Market for the Notes	The Exchange Notes will be a new class of securities for which there is currently no market. We do not intend to apply for listing of the Exchange Notes on any securities exchange or for quotation of such notes. Although we understand that the initial purchaser of the Original Notes intends to make a market in the Exchange Notes, they are not obligated to do so, and may discontinue market-making activities at any time without notice. Accordingly, we cannot assure you that a liquid market for the Exchange Notes will develop or be maintained.
Use of Proceeds	We will not receive any proceeds from the exchange offer. For more details, see the "Use of Proceeds" section.
Exchange Agent	Wells Fargo Bank, National Association is serving as the exchange agent in connection with the exchange offer. The address, telephone number and facsimile number of the exchange agent are listed under the heading "The Exchange Offer Exchange Agent."

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The Exchange Notes

The form and terms of the Exchange Notes are the same as the form and terms of the Original Notes for which they are being exchanged, except that the Exchange Notes will be registered under the Securities Act. As a result, the Exchange Notes will not bear legends restricting their transfer and will not have provisions providing for the benefit of the registration rights or the obligation to pay additional interest because of our failure to register the Exchange Notes and complete this exchange offer as required. The Exchange Notes represent the same debt as the Original Notes for which they are being exchanged. Both the Original Notes and the Exchange Notes are governed by the same indenture. The summary below describes the principal terms of the Exchange Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this prospectus contains a more detailed description of the terms and conditions of the Exchange Notes. We use the term "Notes" in this prospectus to collectively refer to the Original Notes and the Exchange Notes.

Issuer	Consolidated Communications, Inc.
Notes Offered	$300.0 million aggregate principal amount of 10.875% senior notes due 2020.
Maturity	June 1, 2020.
Interest Payment Dates	June 1 and December 1 of each year, beginning on June 1, 2013. Interest will accrue from December 1, 2012.
Guarantees	The Exchange Notes will be jointly and severally unconditionally guaranteed on a senior unsecured basis by the Company's parent, Consolidated Communications Holdings, Inc., and by the Company's subsidiaries that are guarantors under its credit agreement. However, the guarantee by Consolidated will only be a guarantee of the due and punctual payment of the principal of, premium, if any, and interest, and additional interest, if any, on the Notes, whether at maturity, by acceleration, redemption or otherwise. Consolidated will not be subject to any of the covenants in the indenture that restrict the guarantors. See "Description of the Notes Guarantees."
Ranking	The Exchange Notes will be the Company's general unsecured obligations and will be:
	general unsecured obligations of the Company;
	effectively subordinated to all existing and future secured indebtedness of the Company (including indebtedness under its credit agreement) to the extent of the value of the assets securing such indebtedness;
	structurally subordinated to any existing and future indebtedness and other liabilities of the Company's subsidiaries that are not guarantors;
	equal in right of payment with all existing and future senior indebtedness of the Company (including indebtedness under its credit agreement);

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- senior in right of payment to any future subordinated indebtedness of the Company; and
- guaranteed on a senior unsecured basis by each guarantor.

As of December 31, 2012, the Company had approximately $1,217.8 million of indebtedness outstanding, net of discounts, approximately $914.9 million of secured indebtedness outstanding, net of discounts, under its credit agreement, and approximately $50.0 million of secured borrowing capacity available under its credit agreement.

Each guarantee will be:

- a general unsecured obligation of the guarantor;
- effectively subordinated to all existing and future secured indebtedness of the guarantor (including guarantees under the credit agreement) to the extent of the value of the assets securing such indebtedness;
- equal in right of payment with all existing and future senior indebtedness of the guarantor (including guarantees under the credit agreement); and
- senior in right of payment to any future subordinated indebtedness of the guarantor.

As of December 31, 2012, the guarantors had approximately $1,216.9 million of consolidated indebtedness, net of discounts. For the year ended December 31, 2012, on a pro forma basis giving effect to the acquisition of SureWest as if it occurred on January 1, 2012, the Company's non-guarantor subsidiaries would have represented 10.9% of our revenues and 14.8% of our EBITDA. At December 31, 2012, the Company's non-guarantor subsidiaries represented 7.8% of our total assets and 1.8% of our total liabilities. Please see page 21 for a reconciliation of EBITDA, which is a non-GAAP financial measure, to net income.

Use of Proceeds

We will not receive any proceeds from the issuance of the Exchange Notes.

Optional Redemption

The Issuer will have the option to redeem the Exchange Notes, in whole or in part, at any time prior to June 1, 2016, in each case at the redemption prices plus an applicable "make-whole" premium described in this prospectus under the heading "Description of the Notes Optional Redemption," together with any accrued and unpaid interest to the date of such redemption.

At any time on or after June 1, 2016, the Issuer may redeem the Exchange Notes, in whole or in part, at a redemption prices described under the heading "Description of the Notes Optional Redemption," together with any accrued and unpaid interest to the date of such redemption.

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	At any time prior to June 1, 2015, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes at the redemption price described in this prospectus under the heading "Description of the Notes Optional Redemption," together with any accrued and unpaid interest to the date of such redemption, with the net cash proceeds of one or more equity offerings, provided that at least 65% of the Notes remain outstanding after any redemption and the redemption must occur within 90 days of the closing of such equity offering.
Change of Control; Certain Asset Sales	Upon the occurrence of a change of control (as defined in the indenture for the Notes), holders of the Exchange Notes will have the right to require the Issuer to repurchase all or a portion of the Exchange Notes at a price equal to 101% of the aggregate principal amount of the Exchange Notes repurchased, together with any accrued and unpaid interest to the date of purchase. In connection with certain asset sales, the Issuer will be required to use the net cash proceeds of the asset sale to make an offer to purchase the Exchange Notes at 100% of the principal amount, together with any accrued and unpaid interest to the date of purchase.
Certain Covenants	The indenture limits the Issuer's and its restricted subsidiaries' ability to:

incur additional indebtedness or issue certain preferred stock;

Shipments[1]:

	Containerboard (000 ST)	**78**	93	**161**	172
	Corrugated containers (millions of square feet)	**1,737**	1,703	**3,287**	3,166
Benchmark nominal prices[2]:					
	Unbleached kraft linerboard, 42lb East (US$/ton)	**425**	415	**427**	416
Selling price index Packaging segment (%)		**103**	100	**103**	100

Sales and operating profit

Our 50% share of Norampac s net sales amounted to $148 million in the second quarter of 2003, a decrease of $13 million or 8% over the same quarter of 2002. This decrease was mainly due to lower selling prices for both corrugated products and containerboard attributable to the negative impact of a stronger Canadian dollar, as well as to lower shipments for containerboard and corrugated products when not taking into account the recently acquired facilities. On a year-to-date basis, our 50% share of Norampac s net sales amounted to $292 million compared to $296 million in the same period of 2002, representing a decrease of $4 million or 1%. This decrease can be attributable to the same factors as mentioned above, although to a lesser extent on a year-to-date over year-to-date basis.

Our 50% share of Norampac s operating profit amounted to $13 million, a $5 million or 28% decrease from the $18 million operating profit reported in the second quarter of 2002. This decline was explained by lower selling prices for corrugated containers and containerboard due to the negative impact of a stronger Canadian dollar, lower shipments when not taking into account the recently acquired facilities and higher fiber and energy costs. Our share of Norampac s operating profit was $24 million for the first half of 2003, compared to $35 million for the same period of 2002. This decrease of $11 million can be explained by lower selling prices for both corrugated containers and containerboard due to the negative impact of a stronger Canadian dollar, as well as by higher fiber and energy costs.

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1 Represents 50% of Norampac s trade shipments.

2 Source: Pulp & Paper Week.

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Packaging (continued)

Pricing environment

Benchmark nominal prices for kraft linerboard increased by US$10/ton in the second quarter of 2003 compared to the second quarter of 2002, while Norampac s average net selling prices for containerboard products decreased by CND$19/ton during the same period. This inconsistency (an increase in benchmark nominal prices compared to a decrease in average net selling prices) arises from the fact that Norampac s average net selling prices in Canada, where the majority of Norampac s sales take place, were negatively affected by the strengthening Canadian currency, while benchmark nominal prices are stated in US dollars and hence, are not affected by fluctuations in foreign currencies. On a year-to-date basis, the decrease in Norampac s average net selling prices versus the corresponding period of 2002 was also inconsistent with the increase in benchmark nominal prices for the same reasons as mentioned above. Norampac s average net selling prices for containerboard prices decreased by CND$10/ton in the first six months of 2003 compared to the same period of 2002, while benchmark nominal prices for kraft linerboard increased by US$11/ton during the same period. Net selling prices for corrugated boxes in the second quarter of 2003 decreased by 9% compared to the corresponding period of 2002 and by 7% in the first six months of 2003 compared to the corresponding period of 2002.

Operations

During the second quarter of 2003, Norampac took market-related downtime at its containerboard mills for a total of 36,000 tons, compared to 24,000 tons in the corresponding period of 2002. This reflects Norampac s commitment to adjust production to customers needs. On a year-to-date basis, Norampac has curtailed production by 64,000 tons in 2003 compared to 56,000 tons in the corresponding period of 2002.

Financing expenses and income taxes

Financing expenses

During the second quarter of 2003, financing expenses amounted to $48 million, a $5 million increase over the corresponding period of 2002. This increase was attributable to a $10 million charge related to our share of the premium paid on debt redemption and the write-off of related financing costs pertaining to refinancing substantially all of Norampac s outstanding credit facilities and senior notes during the second quarter of 2003. This increase in financing fees was partially offset by a general decrease in Domtar s remaining financing expense reflecting the impacts of lower interest rates, of foreign exchange rates, as well as lower debt levels. On a year-to-date basis, financing expenses totaled $89 million in 2003, or $79 million when excluding the impact of Norampac s refinancing, compared to $95 million for the first six months of 2002. This $16 million decrease was due to lower debt levels, lower interest rates and the impact of a stronger Canadian dollar.

Income taxes

Our income tax expense for the second quarter of 2003 was $1 million, reflecting an effective tax rate of 11.1%, compared to an income tax expense of $21 million in the second quarter of 2002, reflecting an effective tax rate of 27.6%. The reduction in the effective tax rate for 2003 results from lower overall income and differences in tax rates applicable to our foreign subsidiaries. On a year-to-date basis, our income tax expense represented $12 million, reflecting an effective tax rate of 25.5%, compared to an income tax expense of $13 million, reflecting an effective tax rate of 22.8% for the same period of 2002.

Balance sheet

Our total consolidated assets were $6,329 million as at June 30, 2003 compared to $6,847 million as at December 31, 2002. Receivables amounted to $333 million as at June 30, 2003, an increase of $29 million when compared to $304 million as at December 31, 2002. This increase reflects seasonal impacts in the latter part of the fourth quarter of 2002, partially offset by the effect of a stronger Canadian dollar on our U.S. dollar denominated retained interest in receivables sold through our securitization program and U.S. dollar denominated receivables. Total inventories as at June 30, 2003 were $695 million, a decrease of $41 million when compared to $736 million as at December 31, 2002. This decrease reflects the cyclical nature of our forest operations, market-related downtime in our Papers business taken during the first half of 2003 in order to adjust our production to meet customers needs, as well as the impact of inventory revaluations and the impact of a stronger Canadian dollar. Property, plant and equipment as at June 30, 2003 totaled $4,904 million compared to $5,387 million as at December 31, 2002. This $483 million decrease was mainly due to the effect of a stronger Canadian dollar and a lower level of capital expenditures as compared to amortization expense. Other assets stood at $189 million as at June 30, 2003 compared to $205 million as at December 31, 2002. This

$16 million decrease was mainly due to an $11 million reclassification of share purchases loans receivable to common shares.

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Trade and other payables were $639 million as at June 30, 2003 compared to $749 million as at December 31, 2002, reflecting a decrease of $110 million. This decrease was mainly due to lower employee profit sharing accruals, the effect of the timing of purchases and payments, the effect of a stronger Canadian dollar on our U.S. dollar denominated trade and other payables, as well as lower interest accruals on our long-term debt. Long-term debt (including the portion due within one year) as at June 30, 2003 decreased to $2,182 million compared to $2,514 million as at December 31, 2002, mainly reflecting a decrease in the Canadian value of our U.S. dollar denominated debt due to the impact of a rising Canadian dollar as well as repayments made throughout the period. Accumulated foreign currency translation adjustments were negative $105 million as at June 30, 2003, decreasing by $107 million from the balance as at December 31, 2002. This decrease mainly reflected the net impact of a stronger Canadian dollar on the net assets of our self-sustaining U.S. subsidiaries, or $305 million, net of the impact of a stronger Canadian dollar on the long-term debt designated as a hedge of the above-mentioned net assets, or $220 million, and its corresponding income tax effect of $22 million. Had we not designated certain long term debts as a hedge of our net investments in self-sustaining foreign subsidiaries, the net unrealized foreign exchange gain of $198 million, currently recorded in the Accumulated foreign currency translation adjustments account, would have been reflected in our results of operations for the six-month period ended June 30, 2003. The corresponding amount for the three-month period ended June 30, 2003 was $94 million.

Liquidity and capital resources

	Three months ended June 30		Six months ended June 30	
Selected information (in millions of Canadian dollars, unless otherwise noted)	**2003**	**2002**	**2003**	**2002**
Cash flows provided from operating activities before changes in working capital and other items	**112**	172	**245**	290
Changes in working capital and other items	**33**	85	**(124)**	(32)
Cash flows provided from operating activities	**145**	257	**121**	258
Net additions to property, plant and equipment	**(43)**	(44)	**(84)**	(82)
Free cash flow[1]	**102**	213	**37**	176
			June 30 2003	**Dec 31 2002**
Net debt-to-total-capitalization ratio (in %)			**47**	49

Our principal liquidity requirements are for working capital, capital expenditures, and principal and interest payments on our debt. We expect to fund our liquidity needs primarily with internally generated funds from our operations and, to the extent necessary, through borrowings under our revolving credit facility. We also have the ability to fund liquidity requirements through the issuance of debt and/or equity.

1 Free cash flow is a non-GAAP measure that we define as the amount by which cash flows from operating activities, as determined in accordance with GAAP, exceeds net additions to property, plant and equipment, as determined in accordance with GAAP. Our definition may not be comparable to free cash flow reported by other companies. We believe that free cash flow is frequently used by investors in evaluating the ability of a company to service its debt.

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Liquidity and capital resources (continued)

Operating activities

Cash flows provided from operating activities in the second quarter of 2003 amounted to $145 million compared to $257 million in the corresponding quarter of 2002. This decrease in cash flows from operations is attributable to a decrease in net earnings as well as increased requirements for working capital compared to the second quarter of 2002. Cash flows provided from operating activities in the first six months of 2003 amounted to $121 million compared to $258 million in the same period of 2002. The first half of the year is typically impacted by seasonally high requirements for working capital. As at June 30, 2003, the off balance sheet impact of the accounts receivable securitization program represented $227 million compared to $263 million as at December 31, 2002. We expect to continue to sell receivables in the future on an ongoing basis, given the attractive discount rates. Should we decide to discontinue these programs, our working capital and bank debt requirements would increase. Such sales of receivables are contingent upon Domtar retaining specified credit ratings.

Investing activities

Cash flows used for investing activities in the second quarter of 2003 totaled $53 million compared to $42 million in the corresponding quarter of 2002. Investing activities in the second quarter of 2003 included our share of Norampac s business acquisitions. On a year-to-date basis, cash flows used for investing activities amounted to $94 million for 2003 compared to $106 million for the first six months of 2002. Norampac s business acquisitions were greater in the first half of 2002 than in the first half of 2003.

Net additions to property, plant and equipment amounted to $43 million in the second quarter of 2003 and $84 million for the first six months of 2003. These net additions have remained essentially unchanged in 2003 when compared to 2002, both on a quarterly and year-to-date basis. We intend to limit our annual capital expenditures over a business cycle to 75% of amortization, or approximately $290 million in 2003, including approximately $140 million for capital expenditures relating to the long-term sustainability of our equipment.

Free cash flow (cash flows from operating activities less net additions to property, plant and equipment) for the second quarter of 2003 amounted to $102 million compared to $213 million in the corresponding period of 2002. This decrease in free cash flow on a quarter-over-quarter basis is attributable to reduced operating cash flow given that the level of capital expenditures has remained relatively stable from period to period. On a year-to-date basis, free cash flow for 2003 totaled $37 million compared to $176 million in 2002 due to the same factors as explained above.

Financing activities

Cash flows used for financing activities totaled $106 million in the second quarter of 2003, compared to $216 million in the second quarter of 2002. Cash flows used for financing activities in the first six months of 2003 amounted to $26 million compared to $124 million in the corresponding period of 2002. For both of the above comparative periods, the decreases in cash flows used for financing activities were due to fewer net repayments of long-term debt in 2003 compared to 2002.

As at June 30, 2003, our net debt-to-total-capitalization ratio was 47%, down from 49% as at December 31, 2002. Net indebtedness, including $210 million representing our 50% share of the net indebtedness of Norampac, was $2,172 million as at June 30, 2003. This compares to $2,496 million as at December 31, 2002, including $191 million for our 50% share of the net indebtedness of Norampac. The $324 million decrease in net indebtedness was largely due to the positive impact of a stronger Canadian dollar on our U.S. dollar denominated debt. The Corporation s debt repayments for the six-month period ended June 30, 2003 were substantially offset by Norampac s refinancing of its long-term debt. We have a stated objective of a net debt-to-total-capitalization ratio of 45% by December 31, 2003, absent the impact of any growth-related initiatives.

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As at June 30, 2003, the balance of the US$1 billion bank term loan, initially entered into to finance our 2001 acquisition, was US$442 million ($599 million), compared to US$480 million ($758 million) as at December 31, 2002. The term loan bears interest based on the U.S. dollar LIBOR rate or the U.S. prime rate, plus a margin that varies with Domtar s credit rating.

As at June 30, 2003, of the US$500 million revolving credit facility, US$11 million ($15 million) was drawn and US$8 million ($10 million) of letters of credit were outstanding, resulting in US$481 million ($652 million) of availability under this facility. As at December 31, 2002, US$5 million ($8 million) was drawn in the form of overdraft and US$6 million ($9 million) of letters of credit were outstanding. Borrowings under this revolving credit facility bear interest at a rate based on the Canadian dollar bankers acceptance or the U.S. dollar LIBOR rate or the prime rate, plus a margin that varies with Domtar s credit rating. This bank facility also requires commitment fees in accordance with standard banking practices.

Our borrowing agreements contain restrictive covenants. In particular, our unsecured bank credit facility contains covenants that require compliance with certain financial ratios on a quarterly basis. Also, the indentures related to the 10% and 10.85% debentures limit the amount of dividends that we may pay, the amount of shares that we may repurchase for cancellation and the amount of new debt we may incur.

In the second quarter of 2003, common shares amounting to $2 million ($6 million on a year-to-date basis), versus $3 million for the corresponding period of 2002 ($10 million on a year-to-date basis), were issued pursuant to our stock option and share purchase plans. We did not purchase for cancellation any of our common shares in both of the six-month periods ended June 30, 2003 and June 30, 2002.

On May 1, 2003, we announced an increase of our annual common share dividend to 24 cents per share (or 6 cents per quarter) from 14 cents per share (or 3.5 cents per quarter). Without compromising our firm desire to continue our profitable growth and maintain a strong balance sheet, this increase is the first step towards achieving our goal of paying a dividend of approximately 20% of normalized net earnings over a business cycle. The first payment of our new 6 cents quarterly dividend was paid on July 2, 2003 to shareholders of record on June 2, 2003 for the quarter ended June 30, 2003.

As at July 31, 2003, we had 228,426,245 common shares, 69,576 Series A Preferred Shares and 1,650,000 Series B Preferred Shares, which were issued and outstanding.

Accounting change

Share purchase financing

On January 1, 2003, we adopted prospectively the new Canadian Institute of Chartered Accountants (CICA) recommendations relating to share purchase loans receivable. Accordingly, share purchase loans amounting to $14 million were reclassified from Other assets to Common shares and interest revenue was treated as a reduction of dividends. The common shares purchased with these loans are held in trust as security for the share purchase loans (the loans). The loans are interest bearing at the dividend rate and have defined repayment terms not exceeding 10 years. As at June 30, 2003, there were 1,012,118 common shares (December 31, 2002 1,000,333 common shares) held in trust with respect to employee loans for which the market value was $14.80 (December 31, 2002 $15.70) per share. As well, these common shares were not considered as being outstanding for the calculation of the basic earnings per share. The adoption of these recommendations has no significant impact on the basic earnings per share for the three months and six months ended June 30, 2003.

Risks and uncertainties

Product prices

Our financial performance is sensitive to the selling prices of our products. The markets for most paper, pulp, lumber and packaging products are cyclical and are influenced by a variety of factors beyond our control. These factors include periods of excess product supply due to industry capacity additions, periods of decreased demand due to weak general economic activity in North America or international markets, inventory de-stocking by customers and fluctuations in currency exchange rates. During periods of low prices, we have experienced in the past, and could experience in the future, reduced revenues and margins, resulting in substantial declines in profitability and sometimes net losses. (See Sensitivity Analysis .)

Operational risks

The activities conducted by our businesses are subject to a number of operational risks including competition, performance of key suppliers and distributors, renewal of collective agreements, regulatory risks, successful integration of new acquisitions, retention of key personnel and reliability of information systems. In addition, operating costs for our businesses can be affected by changes in energy and other raw material prices as a result of changing economic or political conditions or due to particular supply and demand considerations.

The Corporation has commodity swap agreements to manage a portion of our price risk associated with sales of NBSK pulp covering periods ranging from July 2003 to April 2006. These agreements fix the sales price of NBSK pulp for 3,000 tonnes per month. The fair value of these instruments, as at June 30, 2003, represented a net unrealized gain of $1 million.

The Corporation also has energy commodity swap agreements to manage a portion of our price risk associated with purchases of bunker oil covering a period starting January 2004 and ending December 2005. These agreements fix the purchase price of bunker oil for a commitment of 15,000 barrels per month for 24 months. The fair value of these instruments, as at June 30, 2003, represented a net unrealized gain of nil.

Foreign exchange

Our revenues for many of our products are affected by fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar. Any decrease in the value of the U.S. dollar relative to the Canadian dollar reduces our profitability. The prices for many of our products, including those we sell in Canada, are generally driven by U.S. prices of similar products. We convert approximately US$1 billion annually. Exchange rate fluctuations are beyond our control and the U.S. dollar may depreciate against the Canadian dollar in the future, which would result in lower revenues and margins. The Corporation has currency options sold totaling US$118 million, which limit it from benefiting from a U.S. dollar trading above an average exchange rate of 1.55. In order to reduce the potential negative effect of a weakening U.S. dollar, we may hedge the value of a portion of our future U.S. dollar net cash inflows for periods of up to three years. The Corporation s hedging arrangements as at June 30, 2003, included forward contracts totaling US$40 million that commit it to selling U.S. dollars at an average exchange rate of 1.49 as well as currency options purchased totaling US$20 million that give the Corporation the option to sell U.S. dollars at 1.43 in 2003.

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Environmental regulations

We are subject to United States and Canadian environmental regulations relating to, among other matters, effluent and air emissions, harvesting, sylviculture activities, waste management and groundwater quality. These regulations require us to obtain and comply with the conditions of permits and authorizations from the appropriate governmental authorities. Regulatory authorities exercise considerable discretion in whether or not to issue permits and the timing of permit issuances. In addition, changes in environmental laws and regulations or their application could require us to make further significant expenditures.

Failure to comply with applicable environmental laws, regulations or permit requirements may result in fines or penalties or enforcement actions by the regulators, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of environmental control equipment or remedial actions, any of which could entail significant expenditures and could negatively impact our financial results and financial condition.

Lumber export duties

Our sales of Wood represented approximately 8% of our consolidated net sales in 2002 and we exported approximately 57% of our softwood lumber products to the United States.

The United States Department of Commerce announced that it had assessed the Canadian softwood lumber industry with final aggregate countervailing and antidumping duties at an average rate of 27.22%, that is 18.79% for countervailing duties and 8.43% for antidumping duties. Since May 22, 2002, based upon a final decision of the United States International Trade Commission, we have made the required cash deposits on our exports of softwood lumber to the United States. The Canadian government has challenged both duties with the World Trade Organization (WTO) and under the North American Free Trade Agreement (NAFTA).

With respect to countervailing duties, a WTO panel issued a preliminary decision on May 27, 2003, which supports Canada s claim that the U.S. used improper methodology in calculating the countervailing duties. The WTO panel is expected to issue its final report in late August 2003. A separate NAFTA ruling is due in mid-August 2003 on this issue.

With respect to antidumping duties, a NAFTA panel has upheld U.S. antidumping tariffs on lumber imports from Canada on July 17, 2003, however holding that the calculations used in establishing the antidumping duties were improper. The U.S. was given 60 days to recalculate its tariffs against some specific Canadian companies and answer several questions. The WTO is expected to issue its report in late August 2003 on this issue.

We are currently experiencing, and may continue to experience, reduced revenues and margins in our Wood business as a result of countervailing and antidumping duty applications or as a result of any new arrangement between the United States and Canada.

Legal proceedings

In the normal course of our operations, we become involved in various legal actions. While the final outcome with respect to actions outstanding or pending as at June 30, 2003 cannot be predicted with certainty, it is our opinion that their resolution will not have a material adverse effect on our financial position, earnings or cash flows.

In April 2003, the Canadian Competition Bureau began an investigation of Canada s major distributors of carbonless paper and other fine paper products, including Domtar. Since the investigation is still at an early stage, we have no information which would allow us to predict the outcome of this investigation or the impact, if any, it may have on us.

Sensitivity analysis

Our operating profit, net earnings and earnings per share can be impacted by the following sensitivities:

(in millions of Canadian dollars, except per share amounts)	Annual impact on[1]		
	Operating profit	Net earnings	Earnings per share
Each US$10/unit change in price of:[2]			
Papers			
Copy and offset grades	21	14	0.06
Uncoated commercial printing & publication and premium imaging grades	9	6	0.03
Coated commercial printing & publication grades	5	3	0.01
Technical & specialty grades	6	4	0.02
Pulp net position	8	5	0.02
Wood			
Lumber	14	9	0.04
Packaging			
Containerboard	5	3	0.01
Foreign exchange (direct impact of US$ sold, net of purchases, excluding Norampac)			
CND$0.01 change in relative value to the US dollar before hedging	10	7	0.03
Interest rate			
1% change in interest rates on our floating rate debt (excluding Norampac)	N/A	5	0.02
Energy[3]			
Natural gas: US$0.25/MMBtu change in price before hedging	6	4	0.02
Crude oil: US$1/barrel change in price before hedging	2	1	0.01

1 Based on an exchange rate of 1.515 and a marginal tax rate of 35%.

2 Based on budgeted 2003 capacity (in tons, tonnes or MFBM).

3 Based on budgeted 2003 consumption levels. The allocation between energy sources may vary during the year in order to take advantage of market conditions.

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Benchmark nominal prices[1]	1995	1996	1997	1998	1999	2000	2001	2002	Q2 2002	Q2 2003	Trend[2]
Papers											
Copy 20 lb sheets (US$/ton)	1,123	848	769	780	778	877	815	776	780	**787**	831
Offset 50 lb rolls (US$/ton)	983	736	756	666	659	757	719	692	690	**653**	751
Coated publication, no. 3, 60 lb rolls (US$/ton)	1,200	943	941	909	851	948	853	767	740	**815**	984
Pulp NBSK (US$/ADMT)	874	586	588	544	541	685	558	491	482	**580**	595
Wood											
Lumber 2x4x8 (US$/MFBM)	335	403	383	376	390	316	345	334	366	**318**	360
Packaging											
Unbleached kraft linerboard, 42 lb East (US$/ton)	511	371	336	373	400	468	445	427	415	**425**	414
Selling price index before acquisition of four US mills	120%	100%	99%	94%	93%	102%					
Selling price index before impact of lumber duties							98%	93%	94%	**94%**	100%
Average Canadian dollar exchange rate	1,372	1,364	1,385	1,484	1,486	1,485	1,549	1,570	1,554	**1,397**	
	0.729	0.733	0.722	0.674	0.673	0.672	0.646	0.637	0.644	**0.716**	

1 Source: Pulp & Paper Week et Random Lengths.
The term ton refers to a short ton, an imperial unit of measurement which equals 0.9072 metric tonnes.

2 Source: Consensus of analysts of normalized pricing as at November 30, 2002.

Outlook

Our current business environment is impacted by factors beyond our control, such as soft economic conditions, currency fluctuations and high energy costs. Within this context, we will maintain our efforts to reduce costs and improve efficiency. We will also continue to monitor inventory closely and curtail production in order to match supply with customer demand, even if this leads to market-related downtime and affects our improvement programs.

Nonetheless, we will continue to pursue our objectives of providing shareholders with superior returns in difficult market conditions as well as positioning ourselves to take full advantage of any improvement in the economy.

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Consolidated earnings

(In millions of Canadian dollars, unless otherwise noted)	Three months ended June 30			Six months ended June 30		
	2003	2003	2002	2003	2003	2002
		(Unaudited)			(Unaudited)	
	US$	$	$	US$	$	$
	(Note 3)			(Note 3)		
Net sales	915	**1,240**	1,416	1,871	**2,536**	2,744
Operating expenses						
Cost of sales	747	**1,012**	1,114	1,518	**2,058**	2,188
Selling, general and administrative	56	**76**	85	111	**150**	166
Amortization	71	**96**	99	143	**194**	195
Closure costs (Note 8)						45
	874	**1,184**	1,298	1,772	**2,402**	2,594
Operating profit	41	**56**	118	99	**134**	150
Financing expenses (Note 6)	35	**48**	43	66	**89**	95
Amortization of deferred gain		**(1)**	(1)	(1)	**(2)**	(2)
Earnings before income taxes	6	**9**	76	34	**47**	57
Income tax expense		**1**	21	8	**12**	13
Net earnings	6	**8**	55	26	**35**	44
Per common share (Note 7)						
Net earnings						
Basic	0.02	**0.03**	0.24	0.11	**0.15**	0.19
Diluted	0.02	**0.03**	0.24	0.11	**0.15**	0.19
Weighted average number of common shares outstanding (millions)						
Basic	227.2	**227.2**	227.3	227.0	**227.0**	226.9
Diluted	229.0	**229.0**	228.3	228.9	**228.9**	227.9

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated retained earnings

(In millions of Canadian dollars, unless otherwise noted)	Three months ended June 30			Six months ended June 30		
	2003	2003	2002	2003	2003	2002
		(Unaudited)			(Unaudited)	
	US$	$	$	US$	$	$

	(Note 3)			(Note 3)		
Retained earnings at beginning of period	569	**771**	626	556	**753**	645
Net earnings	6	**8**	55	26	**35**	44
Dividends on common shares	(10)	**(13)**	(8)	(17)	**(22)**	(16)
Dividends on preferred shares	(1)	**(1)**	(1)	(1)	**(1)**	(1)
Retained earnings at end of period	564	**765**	672	564	**765**	672

The accompanying notes are an integral part of the consolidated financial statements.

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Consolidated balance sheets

(In millions of Canadian dollars, unless otherwise noted)	June 30 2003 (Unaudited)	June 30 2003 (Unaudited)	December 31 2002
	US$	$	$
	(Note 3)		
Assets			
Current assets			
Cash and cash equivalents	26	**35**	38
Receivables	246	**333**	304
Inventories	513	**695**	736
Prepaid expenses	19	**26**	22
Future income taxes	51	**70**	76
	855	**1,159**	1,176
Property, plant and equipment	3,618	**4,904**	5,387
Goodwill	57	**77**	79
Other assets	140	**189**	205
	4,670	**6,329**	6,847
Liabilities and shareholders equity			
Current liabilities			
Bank indebtedness	18	**25**	20
Trade and other payables	472	**639**	749
Income and other taxes payable	16	**22**	15
Long-term debt due within one year	28	**38**	70
	534	**724**	854
Long-term debt	1,582	**2,144**	2,444
Future income taxes	471	**638**	625
Other liabilities and deferred credits	272	**368**	370
Shareholders equity			
Preferred shares	32	**43**	44
Common shares	1,290	**1,748**	1,752
Contributed surplus	3	**4**	3
Retained earnings	564	**765**	753
Accumulated foreign currency translation adjustments (Note 9)	(78)	**(105)**	2
	1,811	**2,455**	2,554
	4,670	**6,329**	6,847

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated cash flows

	Three months ended June 30			Six months ended June 30		
(In millions of Canadian dollars, unless otherwise noted)	2003	2003	2002	2003	2003	2002
		(Unaudited)			(Unaudited)	
	US$	$	$	US$	$	$
	(Note 3)			(Note 3)		
Operating activities						
Net earnings	6	**8**	55	26	**35**	44
Non-cash items:						
Amortization (Note 8)	71	**96**	99	143	**194**	209
Future income taxes			15	4	**6**	1
Amortization of deferred gain		**(1)**	(1)	(1)	**(2)**	(2)
Closure costs excluding write down of property, plant and equipment (Note 8)						31
Refinancing costs (Note 6)	7	**10**		7	**10**	
Other	(1)	**(1)**	4	1	**2**	7
	83	**112**	172	180	**245**	290
Changes in working capital and other items						
Receivables	(4)	**(6)**	29	(37)	**(50)**	(33)
Inventories	26	**36**	70	(3)	**(4)**	59
Prepaid expenses	3	**5**	(1)	(3)	**(4)**	(2)
Trade and other payables	(10)	**(13)**	(18)	(49)	**(66)**	(62)
Income and other taxes payable	7	**9**	1	6	**8**	
Other	4	**5**	4	(1)	**(2)**	6
Payments of closure costs	(2)	**(3)**		(4)	**(6)**	
	24	**33**	85	(91)	**(124)**	(32)
Cash flows provided from operating activities	107	**145**	257	89	**121**	258
Investing activities						
Net additions to property, plant and equipment	(32)	**(43)**	(44)	(62)	**(84)**	(82)
Business acquisition (Note 4)	(7)	**(10)**	(1)	(7)	**(10)**	(27)
Other			3			3
Cash flows used for investing activities	(39)	**(53)**	(42)	(69)	**(94)**	(106)
Financing activities						
Dividend payments	(6)	**(8)**	(9)	(12)	**(17)**	(17)
Change in bank indebtedness	(3)	**(5)**	(10)	1	**2**	(10)
Change in revolving bank credit, net of expenses	(47)	**(63)**	(58)	24	**33**	36
Issuance of long-term debt, net of expenses	125	**169**		125	**169**	
Repayment of long-term debt	(143)	**(194)**	(142)	(155)	**(211)**	(142)
Premium on redemption of long-term debt (Note 6)	(5)	**(7)**		(5)	**(7)**	
Common shares issued, net of expenses	1	**2**	3	4	**6**	10
Redemptions of preferred shares				(1)	**(1)**	(1)

Cash flows used for financing activities	(78)	**(106)**	(216)	(19)	**(26)**	(124)
Net increase (decrease) in cash and cash equivalents	(10)	**(14)**	(1)	1	**1**	28
Translation adjustments related to cash and cash equivalents	(1)	**(1)**		(3)	**(4)**	
Cash and cash equivalents at beginning of period	37	**50**	65	28	**38**	36
Cash and cash equivalents at end of period	26	**35**	64	26	**35**	64

The accompanying notes are an integral part of the consolidated financial statements.

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Notes

Note 1

Basis of presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, contain all adjustments necessary to present fairly Domtar Inc. s (Domtar) financial position as at June 30, 2003 and December 31, 2002, as well as its results of operations and its cash flows for the three months and six months ended June 30, 2003 and 2002.

While management believes that the disclosures presented are adequate, these unaudited interim consolidated financial statements and notes should be read in conjunction with Domtar s annual consolidated financial statements.

These unaudited interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements, except as described in Note 2.

Note 2

Accounting change

Share purchase financing

On January 1, 2003, Domtar adopted prospectively the new Canadian Institute of Chartered Accountants (CICA) recommendations relating to share purchase loans receivable. Accordingly, share purchase loans amounting to $14 million were reclassified from Other assets to Common shares and interest revenue was treated as a reduction of dividends. The common shares purchased with these loans are held in trust as security for the share purchase loans (the loans). The loans are interest bearing at the dividend rate and have defined repayment terms not exceeding 10 years. As at June 30, 2003, there were 1,012,118 common shares (December 31, 2002 1,000,333 common shares) held in trust with respect to employee loans for which the market value was $14.80 (December 31, 2002 $15.70) per share. As well, these common shares were not considered as being outstanding for the calculation of the basic earnings per share. The adoption of these recommendations has no significant impact on the basic earnings per share for the three months and six months ended June 30, 2003.

Note 3

United States dollar amounts

The unaudited interim consolidated financial statements are expressed in Canadian dollars and, solely for the convenience of the reader, the 2003 unaudited interim consolidated financial statements and the tables of certain related notes have been translated into U.S. dollars at the June 2003 month-end rate of CAN$1.3553 = US$1.00. This translation should not be construed as an application of the recommendations relating to the accounting for foreign currency translation, but rather as supplemental information for the reader.

Note 4

Business acquisition

On April 14, 2003, Norampac (a 50-50 joint venture with Cascades Inc.) acquired the assets of Georgia-Pacific s corrugated products converting plant located in Schenectady, New York. The aggregate purchase price, subject to certain adjustments, is approximately $31 million (US$21 million) (the Corporation s proportionate share being $15 million (US$11 million)) and is comprised of $20 million (US$14 million) in cash and all of the operating assets of the Norampac s Dallas Forth-Worth, Texas plant valued at approximately $11 million (US$7 million).

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Note 5

Joint venture

On June 19, 2003, Domtar announced that an agreement-in-principle was reached with Tembec Inc. (Tembec) to merge together their timber and softwood (spruce, pine and fir (SPF)) lumber operations in the provinces of Québec (except for the Lebel-sur-Quévillon sawmill) and Ontario into a 50-50 joint venture. The resulting joint venture will also market the softwood lumber manufactured by Tembec at its SPF sawmills operations in British Columbia and by Domtar at its Lebel-sur-Quévillon sawmill, as well as manage the operations of the latter.

The transaction is subject to certain conditions, including completion of due diligence, negotiation of definitive agreements, approval of the respective boards of directors, as well as government and other required approvals. It is expected to close on or about September 30, 2003.

Note 6

Refinancing of long-term debt

On May 28, 2003, Norampac completed a series of financial transactions to substantially refinance all of its existing credit facilities, except those of its joint venture. Norampac secured a new five-year revolving credit facility of $350 million. The new revolving credit facility is secured by all the inventories and receivables of Norampac Inc. and its North American subsidiaries and by property, plant and equipment of two of its containerboard mills and three of its converting facilities. As at June 30, 2003, the Corporation s proportionate share amount secured under the new revolving credit facility relating to inventories, receivables and property, plant and equipment amounted to $77 million, $37 million and $200 million, respectively.

In addition, Norampac issued new Senior unsecured notes for an aggregate amount of US$250 million. The notes bear a 6.75% coupon and will mature in 2013. The aggregate proceeds of these two transactions were used to repay the existing credit facilities for an amount of approximately $67 million at the time of the refinancing and were used to redeem both the 9.5% US$150 million and the 9.375% $100 million notes due in 2008.

Norampac recorded a charge of $20 million ($14 million for a call premium paid to redeem both the 9.5% US$150 million notes and 9.375% $100 million notes, $5 million related to the write-off of debt issue costs and a $1 million foreign exchange loss) related to the refinancing. An amount of $10 million ($7 million net of income taxes, or $0.03 per common share) representing the Corporation s proportionate share of Norampac s debt refinancing costs is recorded under Financing expenses .

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Note 7

Earnings per share

The following table provides the reconciliation between basic and diluted earnings per share.

	Three months ended June 30			Six months ended June 30		
	2003	**2003**	**2002**	**2003**	**2003**	**2002**
		(Unaudited)			**(Unaudited)**	
	US$	**$**	**$**	**US$**	**$**	**$**
	(Note 3)			**(Note 3)**		
Net earnings	6	**8**	55	26	**35**	44
Dividend requirements of preferred shares	1	**1**	1	1	**1**	1
Net earnings applicable to common shares	5	**7**	54	25	**34**	43
Weighted average number of common shares outstanding (millions)	227.2	**227.2**	227.3	227.0	**227.0**	226.9
Effect of dilutive stock options (millions)	1.8	**1.8**	1.0	1.9	**1.9**	1.0
Weighted average number of diluted common shares outstanding (millions)	229.0	**229.0**	228.3	228.9	**228.9**	227.9
Basic earnings per share	0.02	**0.03**	0.24	0.11	**0.15**	0.19
Diluted earnings per share	0.02	**0.03**	0.24	0.11	**0.15**	0.19

Note 8

Closure costs

On March 27, 2002, Domtar announced plans to permanently shutdown the St. Catharines, Ontario, paper mill. This shutdown, which occurred at the end of September 2002, resulted in a charge to first quarter 2002 earnings of $45 million ($30 million net of income taxes, or $0.13 per common share), including $14 million related to the write-down to the estimated net realizable value of property, plant and equipment as well as a provision of $31 million for other commitments and contingencies related to this paper mill. As at June 30, 2003, the balance of the provision was $19 million.

On November 29, 2002, Domtar announced plans to permanently shutdown the Daveluyville, Québec, wood products remanufacturing facility and the Sault Ste. Marie, Ontario, hardwood lumber operations. These shutdowns, which occurred at the end of January 2003, resulted in a charge to fourth quarter 2002 earnings of $18 million ($12 million net of income taxes, or $0.05 per common share), including $13 million related to the write-down to the estimated net realizable value of property, plant and equipment as well as a provision of $5 million for other commitments and contingencies related to these locations. As at June 30, 2003, the balance of the provision was $1 million. Domtar sold the Sault Ste. Marie and Daveluyville facilities, on March 14 and April 8, 2003, respectively, for a total of $3 million.

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Note 9

Accumulated foreign currency translation adjustments

	June 30 2003 (Unaudited)	June 30 2003 (Unaudited)	December 31 2002
	US$	$	$
	(Note 3)		
Balance at beginning of period	1	**2**	2
Effect of changes in exchange rates during the period:			
On the net investment in self-sustaining foreign subsidiaries	(225)	**(305)**	(18)
On certain long-term debt denominated in foreign currencies designated as a hedge of the net investment in self-sustaining foreign subsidiaries	163	**220**	18
Income tax expense	(17)	**(22)**	
Balance at end of period	(78)	**(105)**	2

Note 10

Segmented disclosures

Domtar operates in the four reportable segments described below. Each reportable segment offers different products and services and requires different technology and marketing strategies. The following summary briefly describes the operations included in each of Domtar s reportable segments:

Papers represents the aggregation of the manufacturing and distribution of business, commercial printing and publication, and technical and specialty papers, as well as pulp.

Paper Merchants involves the purchasing, warehousing, sale and distribution of various products made by Domtar as well as by other manufacturers. These products include business and printing papers, graphic arts supplies and certain industrial products.

Wood comprises the manufacturing and marketing of lumber and wood-based value-added products as well as the management of forest resources.

Packaging comprises the Corporation s 50% ownership interest in Norampac, a company that manufactures and distributes containerboard and corrugated products.

Domtar evaluates performance based on operating profit, which represents sales, reflecting transfer prices between segments at fair value, less allocable expenses before financing expenses and income taxes.

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Segmented data	Three months ended June 30			Six months ended June 30		
	2003	2003	2002	2003	2003	2002
	(Unaudited)			(Unaudited)		
	US$	$	$	US$	$	$
	(Note 3)			(Note 3)		
Net sales						
Papers	597	**809**	873	1,226	**1,662**	1,753
Paper Merchants	195	**265**	298	417	**565**	597
Wood[(b)]	89	**120**	187	168	**227**	306
Packaging	110	**150**	163	218	**296**	300
Total for reportable segments	991	**1,344**	1,521	2,029	**2,750**	2,956
Intersegment sales Papers	(50)	**(68)**	(83)	(110)	**(149)**	(173)
Intersegment sales Wood	(25)	**(34)**	(20)	(45)	**(61)**	(35)
Intersegment sales Packaging	(1)	**(2)**	(2)	(3)	**(4)**	(4)
Consolidated net sales	915	**1,240**	1,416	1,871	**2,536**	2,744
Operating profit (loss)						
Papers[(a)]	43	**58**	60	102	**139**	78
Paper Merchants	4	**5**	7	9	**12**	14
Wood[(b)]	(16)	**(20)**	33	(30)	**(41)**	23
Packaging	10	**13**	18	18	**24**	35
Consolidated operating profit	41	**56**	118	99	**134**	150

(a) The 2002 year-to-date operating profit reflects a $45 million charge, including $14 million related to the write-down of property, plant and equipment, relating to the permanent shutdown of the St. Catharines, Ontario, paper mill.

(b) The net sales and the operating profit for the three months and six months ended June 30, 2002 reflect a reversal of a $28 million provision ($20 million recorded in the second half of 2001 and $8 million recorded in the first quarter of 2002) for countervailing and antidumping duties on exports of softwood lumber to the United States.

Note 11

Comparative figures

To conform with the basis of presentation adopted in the current year, certain figures previously reported have been reclassified.

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Percentages are based on net sales for the six-month period ended June 30, 2003.

1 Including sales through our own Paper Merchants business.

2 Excluding sales of Domtar paper of annual net sales.

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Domtar Inc. Second quarter 2003

Selected financial data

(In millions of Canadian dollars, unless otherwise noted)	Three months ended			Year ended	
	June 30	March 31	June 30	December 31	December 31
	(Unaudited)				
	2003	2003	2002	2002	2001[2]
	$	$	$	$	$
Operating results					
Net sales	**1,240**	1,296	1,416	5,490	4,377
EBITDA[1]	**152**	176	217	809	607
Operating profit	**56**	78	118	384	313
Financing expenses	**48**	41	43	192	167
Net earnings	**8**	27	55	141	140
Net earnings per common share	**0.03**	0.12	0.24	0.62	0.72
Cash flows provided from (used for) operating activities per common share	**0.64**	(0.11)	1.13	2.98	3.80
Weighted average number of common shares outstanding (millions)	**227.2**	226.9	227.3	227.2	191.2
Balance sheet data					
Total assets	**6,329**			6,847	7,055
Long-term debt	**2,144**			2,444	2,883
Shareholders equity	**2,455**			2,554	2,426
Net debt-to-total-capitalization	**47%**			49%	55%
Book value per common share	**10.61**			11.02	10.51
Others					
Cash flows provided from operating activities	**145**			677	727
Free cash flow	**102**			454	447
Annualized return on equity (ROE)	**1%**			6%	7%

1 Earnings before interest expense, income taxes and amortization

2 Figures have been restated to reflect the application of amended accounting recommendations.

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