

Domtar CORP
Form 8-K
June 23, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

June 23, 2011

(Date of Report/Date of earliest event reported)

DOMTAR CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction

of incorporation)

001-33164
(Commission File Number)

395 de Maisonneuve Blvd. West

20-5901152
(IRS Employer Identification No.)

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Montreal, Quebec

Canada H3A 1L6

(Address and zip code of principal executive offices)

(514) 848-5555

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01 Entry Into a Material Definitive Agreement

New Credit Facility

On June 23, 2011, Domtar Corporation (the "Company") entered into a new Credit Agreement (the "Credit Agreement"), among the Company and certain of its subsidiaries as borrowers (collectively, the "Borrowers") and the lenders and agents party thereto. The Credit Agreement replaced the Company's existing \$750 million revolving credit facility that was scheduled to mature March 12, 2012. The Company intends to use the new revolving Credit Agreement for general corporate purposes, including working capital, capital expenditures and acquisitions.

The Credit Agreement provides for a revolving credit facility (including a letter of credit subfacility and a swingline subfacility) that matures on June 23, 2015. The initial maximum aggregate amount of availability under the revolving Credit Agreement is \$600 million. Borrowings may be made by the Company, by its U.S. subsidiary Domtar Paper Company, LLC, and, subject to a limit of \$150 million, by its Canadian subsidiary Domtar Inc. The Company may increase the maximum aggregate amount of availability under the revolving Credit Agreement by up to \$400 million, and the Borrowers may extend the final maturity of the Credit Agreement by one year, if, in each case, certain conditions are satisfied, including (i) the absence of any event of default or default under the Credit Agreement, and (ii) the consent of the lenders participating in each such increase or extension, as applicable.

Borrowings under the Credit Agreement will bear interest at a rate dependent on the Company's credit ratings at the time of such borrowing and will be calculated at the Borrowers' option according to a base rate, prime rate, Eurocurrency rate or the Canadian bankers' acceptance rate plus an applicable margin, as the case may be. In addition, the Company must pay facility fees quarterly at rates dependent on the Company's credit ratings.

The Credit Agreement contains customary covenants for transactions of this type, including two financial covenants: (i) an interest coverage ratio, as defined in the Credit Agreement, that must be maintained at a level of not less than 3.0 to 1 and (ii) a leverage ratio, as defined in the Credit Agreement, that must be maintained at a level of not greater than 3.75 to 1.

All borrowings under the Credit Agreement are unsecured. However, certain domestic subsidiaries of the Company will unconditionally guarantee any obligations from time to time arising under the Credit Agreement, and certain Canadian subsidiaries of the Company will unconditionally guarantee any obligations of Domtar Inc., the Canadian subsidiary borrower, under the Credit Agreement.

If there is a change of control, as defined under the Credit Agreement, the Credit Agreement will be terminated and any outstanding obligations under the Credit Agreement will automatically become immediately due and payable. In addition, the

Credit Agreement also contains customary events of default. If an event of default under the Credit Agreement occurs and is continuing, then the administrative agent may declare any outstanding obligations under the Credit Agreement to be immediately due and payable. In addition, if the Company or any of its material subsidiaries becomes the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency or similar law, then any outstanding obligations under the Credit Agreement will automatically become immediately due and payable.

The above description of the Credit Agreement is not complete and is qualified in its entirety by reference to the full text of the Credit Agreement, a copy of which will be filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.

Fourth Supplemental Indenture

On June 23, 2011, the Company, The Bank of New York, as trustee (the Trustee), and Domtar Delaware Investments Inc. and Domtar Delaware Holdings, LLC (together, the New Subsidiary Guarantors), entered into a supplemental indenture (the Fourth Supplemental Indenture), supplementing the Indenture, dated as of November 18, 2007 (as amended, the Indenture), among the Company, the existing subsidiary guarantors party thereto and the Trustee, relating to the Company's 7 1/8% Notes due 2015, 5.375% Notes due 2013, 9/2% Notes due 2016 and 10.75% Notes due 2017 (collectively, the Notes). Pursuant to the Fourth Supplemental Indenture, the New Subsidiary Guarantors became guarantors of the Notes.

The above description of the Fourth Supplemental Indenture is not complete and is qualified in its entirety by reference to the full text of the Fourth Supplemental Indenture, a copy of which will be filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.

ITEM 1.02 Termination of a Material Definitive Agreement

Concurrently with the Company's entry into the Credit Agreement described in Item 1.01 above, the Company terminated its previous credit facility, dated as of March 7, 2007 (the 2007 Credit Agreement). On June 23, 2011, the letters of credit outstanding under the 2007 Credit Agreement became letters of credit under the Revolving Credit Facility, and all the liens on the assets of the Company and its subsidiaries securing obligations under the 2007 Credit Agreement were released. No early termination penalties were incurred by the Company in connection with the termination of the 2007 Credit Agreement.

ITEM 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information required by Item 2.03 contained in Item 1.01 above is incorporated by reference into this Item 2.03.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DOMTAR CORPORATION

(Registrant)

By: /s/ Razvan L. Theodoru

Name: Razvan L. Theodoru

Title: Vice-President, Corporate Law and Secretary

Date: June 23, 2011