

**IN THE MATTER OF THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUEBEC, NOVA SCOTIA AND NEWFOUNDLAND**

AND

**IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF
ALLIANCE FOREST PRODUCTS INC.**

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba Ontario, Quebec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from Alliance Forest Products Inc. (the "Corporation") for a decision pursuant to the securities legislation (the "Legislation") that, in connection with the proposed purchase by the Corporation of a portion of its outstanding common shares ("Shares") pursuant to an issuer bid (the "Offer"), the Corporation be exempt from the requirements in the Legislation to: (i) take up and pay for securities proportionately according to the number of securities deposited by each securityholder (the "Proportionate Take-up and Payment Requirement"); (ii) provide disclosure in the issuer bid circular (the "Circular") as to the number of securities sought and of the proportionate take-up and payment (the "Associated Disclosure Requirements"); and (iii) obtain a valuation of the Shares and provide disclosure in the Circular of such valuation, or a summary thereof, and of prior valuations (the "Valuation Requirement").

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Commission des valeurs mobilières du Québec is the Principal Regulator for this application;

AND WHEREAS the Corporation has represented to the Decision Maker as follows:

1. The Corporation is a reporting issuer or the equivalent in each of the Jurisdictions.
2. The Principal office of the Corporation is located in Montreal, Québec.
3. The Corporation is not in default of any securities legislation in the jurisdictions.
4. The authorized capital of the Corporation includes an unlimited number of Shares, of which approximately 35,212,286 Shares were outstanding as of January 31, 2000.

5. The Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE"), and the New York Stock Exchange. On January 31, 2000, the closing price of the Shares on the TSE was \$17.20 per Share. Based upon such closing price, the Shares had an aggregate market value of approximately \$605,651,319.20 as at that date.

6. The Corporation has made up to a maximum of \$100,000,000 available to purchase Shares under the Offer.

7. The Offer has been made pursuant to the following procedure:

(a) the Circular specifies the range of prices (the "Range") within which the Corporation is prepared to purchase Shares under the Offer;

(b) the maximum aggregate amount that the Corporation will expend to purchase Shares pursuant to the Offer is \$100,000,000;

(c) any holder of Shares (a "Shareholder") wishing to tender to the Offer will have the right to tender a specified number of Shares, representing all or a portion of the Shareholder's Shares at the Shareholder's discretion;

(d) a Shareholder wishing to tender to the Offer will have the right either to: (i) specify the lowest price within the Range at which he, she or it is willing to sell the tendered Shares (an "Auction Tender"); or (ii) elect to be deemed to have tendered the Shares subject to his, her or its Specified Tender Election at the Purchase Price determined in accordance with subparagraph 7(e) below (a "Purchase Price Tender");

(e) the purchase price (the "Purchase Price") of the Shares tendered to the offer will be the lowest price within the Range that will enable the Corporation to purchase tendered Shares having an aggregate Purchase Price not exceeding \$100,000,000 with each Purchase Price Tender being considered a tender at the lowest price in the Range for the purpose of calculating the Purchase Price;

(f) any Shareholder who owns less than 100 Shares and tenders all of his her or its Shares pursuant to a Specified Tender Election either pursuant to an Auction Tender at or below the Purchase Price or pursuant to a Purchase Price Tender will be considered to have made;

(g) if the aggregate Purchase Price for Shares validly tendered to the offer and not withdrawn is less than or equal to \$100,000,000, the Corporation will purchase all Shares so deposited pursuant to the Offer;

(h) the Corporation will take up and pay at the Purchase Price all Shares tendered below the Purchase Price;

(i) if more Shares are tendered for purchase at the Purchase Price than can be purchased for \$100,000,000, the Corporation will take up and pay for tendered Shares at the Purchase Price on a *pro rata* basis according to the number of Shares tendered by Shareholders, except that Shares tendered pursuant to Odd-Lot Tenders shall not be subject to pro ration;

(j) all Shares tendered at prices above the Purchase Price will be returned to the appropriate Shareholders; and

(k) all Shares tendered by Shareholders who specify a tender price for such tendered Shares that fall outside the Range will be considered to have improperly tendered, will be excluded from the determination of the Purchase Price, will not be purchased by the Corporation and will be returned to the tendering Shareholders.

8. Prior to the expiry of the Offer, all information regarding the number of Shares tendered and the prices at which such Shares are tendered will be kept confidential, and the depository will be directed by the Corporation to maintain such confidentiality until the Purchase Price is determined.

9. Since the Offer is for less than all the Shares, if the number of Shares tendered to the Offer at or below the Purchase Price exceeds the maximum number of Shares that can be purchased for \$100,000,000, the Legislation would require the Corporation to take up and pay for deposited Shares proportionately, according to the number of Shares deposited by each Shareholder. In addition, the Legislation would require disclosure in the Circular that the Corporation would, if Shares tendered to the Offer exceeded that number of Shares that can be purchased under the Offer, take up such Shares proportionately according to the number of Shares tendered by each Shareholder.

10. The Circular:

(a)discloses the mechanics for the take-up of and payment for, or the return of, Shares as described in paragraph 7 above;

(b)explains that, by tendering Shares at the lowest price in the Range, a Shareholder can reasonably expect that the Shares so tendered will be purchased at the Purchase Price, subject to pro ration as described in paragraph 7 above; and

(c)will contain an opinion from Nesbitt Burns Inc. that there is a liquid market in the Shares.

11. The Corporation received an opinion (the "Liquidity Opinion") from Nesbitt Burns Inc., an independent registered dealer, that there is a liquid market in the Shares for minority Shareholders before the making of the Offer and, following the Offer, minority Shareholders who decline the Offer will have available a market that is not materially less liquid than the market that existed prior to the making of the Offer.

12. The TSE, which is the principal Canadian stock exchange on which the Shares are listed and traded, has stated that it concurs with the Liquidity Opinion.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION, of the Decision Makers in the Jurisdictions pursuant to the Legislation is that, in connection with the Offer, the Corporation is exempt from the Proportionate Take-up and Payment Requirement, the Associated Disclosure Requirements and the Valuation Requirement, provided that Shares tendered to the Offer are taken up and paid for, or returned to the Shareholders, in the manner and circumstances described in paragraph 7 above.

Dated on March 6th, 2000

Viateur Gagnon Guy Lemoine