

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
MANITOBA, NEW BRUNSWICK, THE NORTHWEST TERRITORIES,
YUKON TERRITORY AND NUNAVUT**

AND

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

AND

IN THE MATTER OF DOMAN INDUSTRIES LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Manitoba, New Brunswick, the Northwest Territories, Yukon Territory and Nunavut (collectively, the "Jurisdictions") has received an application from Doman Industries Limited (the "Filer" or "Doman") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirement") shall not apply to certain trades of securities proposed to be undertaken in connection with a plan of compromise and arrangement (the "Plan") pursuant to the Companies' Creditors Arrangement Act (Canada) (the "CCAA") and reorganization pursuant to the Canada Business Corporations Act (the "CBCA") in respect of Doman and certain of its related entities (collectively, the "Doman Entities");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Manitoba Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

AND WHEREAS the Filer has represented to the Decision Makers that:

Doman Industries Limited

1. Doman is a corporation continued under the CBCA. Its head office is located in Duncan, British Columbia.
2. Doman is a major integrated forest products company operating in the solid wood and pulp businesses.

3. The authorized share capital of Doman consists of: (i) an unlimited number of common shares designated as Class A Common Shares (the "Class A Common Shares"); (ii) an unlimited number of non-voting shares, issuable in series, designated as Class B Non-Voting Shares, of which an unlimited number are designated as Class B Non-Voting Shares, Series 2 (the "Non-Voting Shares"); (iii) 5,000,000 class A preferred shares with 1,000,000 designated as 7% Class A Cumulative Redeemable Convertible Preferred Shares, Series 2, 1,000,000 as Class A Cumulative Redeemable Convertible Preferred Shares, Series 3 and 1,500,000 as Class A Cumulative Redeemable Preferred Shares, Series 4 (the "Class A Preferred Shares, Series 4" and, together with the Class A Common Shares and the Non-Voting Shares, the "Doman Shares"); and (iv) 100,000 class B cumulative redeemable preferred shares. Of these, there are currently 4,774,971 Class A Common Shares, 37,706,012 Non-Voting Shares and 1,281,526 Class A Preferred Shares, Series 4 issued and outstanding.

4. Doman also has outstanding: (i) approximately US\$388,000,000 aggregate principal amount of 8.75% Senior Notes due 2004 and US\$125,000,000 aggregate principal amount of 9.25% Series A and Series B Senior Notes due 2007 (collectively, the "Unsecured Notes"); and (ii) US\$160,000,000 of 12% Series A and Series B Senior Secured Notes (the "Secured Notes").

5. Doman is, and has been for longer than 12 months, a reporting issuer or the equivalent under the securities legislation of each province of Canada.

6. To the best of its knowledge, Doman is not in default of its obligations under the Legislation.

7. The Class A Common Shares and the Non-Voting Shares are listed on the Toronto Stock Exchange (the "TSX").

Western Forest Products Inc. (Lumberco)

8. Western Forest Products Inc. (formerly 4204247 Canada Inc.) ("Lumberco") was incorporated under the CBCA on April 27, 2004.

9. The authorized share capital of Lumberco consists of an unlimited number of common shares (the "Lumberco Shares") and an unlimited number of preferred shares issuable in series, of which one Lumberco Share is issued and outstanding and held by Doman.

10. Lumberco is not a reporting issuer or the equivalent under the securities legislation of any province or territory of Canada.

11. Lumberco was formed solely for the purpose of implementing the Plan. Following implementation of the Plan, Lumberco will hold the Lumber Assets (as defined in the Plan) of the Doman Entities and will also hold all of the issued and outstanding shares of Western Pulp Limited (formerly 4204255 Canada Inc.) ("Pulpc"), which will itself hold the Pulp Assets (as defined in the Plan). Following the implementation of the Plan, Lumberco and its wholly owned subsidiaries will carry on substantially the same business as that carried on by the Doman Entities.

12. Lumberco (or Doman on its behalf) has made application to the TSX for the listing of the Lumberco Shares on the TSX, with the intention that conditional listing approval be effective on or prior to the implementation of the Plan.

The Plan – General

13. On November 7, 2002, the Supreme Court of British Columbia (the "Court") granted an initial order under the CCAA in respect of the Doman Entities. The CCAA proceedings have allowed the Doman Entities to continue their business under the protection of a general stay of proceedings pending the filing of a restructuring plan. The stay has been extended on a number of occasions. On April 30, 2004, the Court authorized and directed that the Plan be filed with the Court and circulated to Affected Creditors (as defined below) and further directed that a meeting of Affected Creditors be held on June 7, 2004 to consider and vote on the Plan.

14. The purposes of the Plan are to, among other things: (i) segregate the principal operating assets of the Doman Entities by transferring them into two separate corporations, Lumberco and Pulpeco; (ii) compromise claims of creditors so as to enable the lumber and pulp businesses of the Doman Entities to be carried on, with relief from the debt servicing and repayment obligations to which the Doman Entities are currently subject; and (iii) facilitate a refinancing of the outstanding Secured Notes.

15. Doman's issued and outstanding shares are not dealt with in any way under the Plan, and shareholder approval of the Plan is not required under the CCAA or applicable corporate legislation.

16. For purposes of considering and voting on the Plan and receiving distributions under it, there is a single class of creditors (the "Affected Creditors"). The Affected Creditors are comprised of holders of the Unsecured Notes and of certain trade creditors of the Doman Entities.

17. In connection with the meeting of the Affected Creditors held June 7, 2004, the Affected Creditors were provided with an information circular (the "Information Circular") containing detailed disclosure respecting Lumberco and the Plan, and a copy of the Plan. The Affected Creditors approved the Plan at the June 7, 2004 meeting. The Court sanctioned the Plan on June 11, 2004.

Steps in Implementing the Plan

18. Under the Plan, claims of Affected Creditors will be satisfied by the distribution to them of a pro rata share of 75% of the total number of outstanding Lumberco Shares as at the implementation date of the Plan (the "Plan Implementation Date") and transferable Class A warrants (the "Class A Warrants") or non-transferable Class B warrants of Lumberco (collectively, the "Warrants"), in accordance with the terms of the Plan and orders of the Court. The Warrants entitle the Affected Creditors to acquire units ("Units"), each Unit consisting of US\$1,000 aggregate principal amount of secured bonds of Lumberco ("Lumberco Secured Bonds") and a pro rata share of approximately 12.5% of the total number of outstanding Lumberco Shares (as at the Plan Implementation Date), at an exercise price of US\$950 per Unit.

The distribution of the Warrants to Affected Creditors (the "Past Warrant Distribution") took place as at June 28, 2004. The remaining distributions to Affected Creditors under the Plan are expected to take place on the Plan Implementation Date.

19. On the Plan Implementation Date, a number of steps will occur, including:

(a) Affected Creditors (other than Affected Creditors who are entitled to and have elected to receive cash) will receive: (i) Lumberco Shares, and (ii) for those Affected Creditors (or, in the case of Affected Creditors who have transferred Class A Warrants, their transferees) who have elected to exercise their Warrants, Units consisting of Lumberco Secured Bonds and Lumberco Shares as described above;

(b) Any Units not purchased by Affected Creditors pursuant to the exercise of Warrants will, pursuant to a standby commitment (the "Standby Commitment"), be purchased by Tricap Restructuring Fund, certain Merrill Lynch investment funds as described in the Plan, certain investment funds of Quadrangle Group LLC and Amaranth LLC (collectively, the "Standby Purchasers"), none of which is resident in the Jurisdictions, in the proportions set out in the Plan;

(c) Upon payment of US\$105 million by the Standby Purchasers, Lumberco will issue to the Standby Purchasers the remaining 12.5% of the total number of outstanding Lumberco Shares (as at the Plan Implementation Date) and an additional US\$110.5 million principal amount of Lumberco Secured Bonds in the proportions set out in the Plan (the "Private Placement"); and

(d) Lumberco will issue to the registered holders of the outstanding Doman Shares (the "Doman Shareholders"), in the proportions set out in the Plan, non-transferable Class C warrants of Lumberco (the "Class C Warrants"), which Class C Warrants will entitle the holders thereof to acquire Lumberco Shares at the exercise price and subject to the terms and conditions set out in the Class C Warrants Term Sheet attached as Schedule "C" to the Plan.

20. The certificates for the Class C Warrants being delivered to the Doman Shareholders will be accompanied by a communication setting forth:

(a) an overview of the CCAA proceedings which places the distribution of the Class C Warrants in context;

(b) the basic terms of the Class C Warrants, including the number of Lumberco Shares for which each Class C Warrant is exercisable, the exercise price, and the expiry date;

(c) the opening trading price of the Lumberco Shares on the TSX or, if such price is not yet available, the approximate or requested opening price;

(d) the manner of exercise; and

(e) the fact that the Doman Shareholders will, at their request, be provided with a copy of the warrant indenture containing all of the terms and conditions of the Class C Warrants and a copy of the Information Circular.

21. The proceeds to be received pursuant to the exercise of Warrants and the Standby Commitment and the Private Placement will be used primarily to repay in full the principal and interest owing on the Secured Notes and to cover the Doman Entities' CCAA exit costs.

22. After the Plan Implementation Date, Doman will no longer hold the Lumber Assets or the Pulp Assets (each as defined in the Plan) and will no longer be an affiliate of Lumberco or Pulpco.

23. The Plan involves or may involve a number of trades of securities in the Jurisdictions, including those trades under the Plan described in paragraph 19 above and trades consisting of the distribution by Lumberco of Lumberco Shares to holders of Class C Warrants upon the exercise of outstanding Class C Warrants in connection with the Plan (all such trades under or in connection with the Plan in the Jurisdictions, other than the Past Warrant Distribution, the "Trades"). There may be no exemptions from the Registration Requirement and/or the Prospectus Requirement in the Legislation of the Jurisdictions in respect of certain of the Trades.

24. There may be no exemptions from the Registration Requirement and the Prospectus Requirement in the Legislation of the Yukon Territory and New Brunswick for trades by holders of Class A Warrants of Class A Warrants to a person or company resident in or otherwise subject to the laws of the Yukon Territory or New Brunswick (such trades in the Yukon Territory or New Brunswick, the "Class A Warrant Resales"), since the securities regulatory authorities of those Jurisdictions have not yet adopted Multilateral Instrument 45-103 Capital Raising Exemptions ("MI 45-103").

25. The Doman Entities currently have outstanding indebtedness of over \$1 billion, are continuing to experience financial difficulties and are unable to repay outstanding debt. The implementation of the Plan is necessary for the business of the Doman group of companies to continue as a going concern.

AND WHEREAS under 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 under the Legislation is that:

(a) the Registration Requirement and the Prospectus Requirement shall not apply to the Trades, provided that the first trade in Lumberco Shares or Lumberco

Secured Bonds acquired under this Decision shall be a distribution or primary distribution to the public under the Legislation of the Jurisdictions unless the conditions in section 2.6(3) of Multilateral Instrument 45-102 Resale of Securities ("MI 45-102") are satisfied, and, for the purposes of determining the amount of time Lumberco has been a reporting issuer under section 2.6(3) of MI 45-102, the period of time that Doman was a reporting issuer in a jurisdiction of Canada immediately prior to the Plan Implementation Date may be included; and

(b) in the Yukon Territory and New Brunswick, the Registration Requirement and the Prospectus Requirement shall not apply to the Class A Warrant Resales, provided the purchaser of the Class A Warrants is an "accredited investor" as defined in MI 45-103.

DATED this 23rd day of July, 2004.

"Doug Brown"
Director - Legal