

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 TIMBERWEST FOREST CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland (collectively, the "Jurisdictions") has received an application from TimberWest Forest Corp. ("TimberWest") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that, in connection with the proposed purchase by TimberWest of a portion of its outstanding stapled units (the "Units") under an issuer bid (the "Offer"), TimberWest is exempt from the requirements contained in the Legislation to:

1. take up and pay for securities proportionately according to the number of securities deposited by each securityholder (the "Proportionate Take-up and Payment Requirement");
2. provide disclosure in the issuer bid circular (the "Circular") of such proportionate take-up and payment (the "Associated Disclosure Requirement");
3. state the number of securities sought under the Offer (the "Number of Securities Requirement"); and
4. obtain a valuation of the Units and provide disclosure in the Circular of such valuation, or a summary thereof (the "Valuation Requirement");

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

AND WHEREAS TimberWest has represented to the Decision Makers that:

1. TimberWest has its head office in Vancouver, British Columbia, is a reporting issuer or the equivalent in each of the Jurisdictions and is not in default of any requirement of the Legislation;
2. the authorized capital of TimberWest consists of 10,069,608,359 common shares without par value (the "Common Shares"), 10,000,000,000 preferred shares with a par value and redemption

amount of \$0.24456 per share (the "Preferred Shares"), 1,600,000 Class A preferred shares and 5,000,000,000 Class B preferred shares; each Unit consists of one Common Share, 100 Preferred Shares and a subordinate note receipt which represents a unit of the Subordinate Notes of TimberWest having an aggregate face amount of approximately \$8.98;

3. the Units are listed and posted for trading on The Toronto Stock Exchange (the "TSE"); on April 14, 2000, the last full trading day prior to the announcement of the Offer, the closing price of the Units on the TSE was \$9.75;

4. during the 12 months ended April 14, 2000:

(a) the number of outstanding Units was at all times at least 43,700,000, excluding Units that either were beneficially owned, directly or indirectly, or over which control or direction was exercised, by related parties of TimberWest or were not freely tradeable;

(b) the aggregate trading volume of the Units on the TSE was approximately 24,800,000 Units;

(c) there were approximately 8,900 trades in Units on the TSE; and

(d) the aggregate trading value based on the price of the trades referred to in section 4(c) above was approximately \$249,700,000;

5. the market value of the Units described in section 4(a) above was approximately \$421,800,000 for the month of March 2000;

6. under the proposed Offer, TimberWest proposes to acquire Units in accordance with the following modified Dutch auction procedure (the "Procedure"), as disclosed in the Circular sent by TimberWest to each holder of Units (collectively, the "Unitholders") on April 19, 2000:

(a) the Circular specifies that the maximum amount that TimberWest will expend under the Offer is \$75,000,000 (the "Specified Amount"), excluding the amount that TimberWest will spend to purchase Units in accordance with the procedures described in section 6(j) below;

(b) the Circular specifies the range of prices (the "Range") within which TimberWest is prepared to purchase Units under the Offer;

(c) any Unitholder wishing to tender to the Offer will have the right to either:
(i) specify the lowest price within the Range at which he, she or it is willing to sell the tendered Units (an "Auction Tender"); or (ii) elect to be deemed to have tendered the Units at the Purchase Price determined in accordance with section 6(e) below (a "Purchase Price Tender");

(d) all Units tendered by Unitholders who fail to specify any tender price for such tendered Units and fail to indicate that they have tendered their Units under a Purchase Price Tender will be considered to have been tendered under a Purchase Price Tender;

(e) the purchase price (the "Purchase Price") of the Units tendered to the Offer will be the lowest price within the Range that will enable TimberWest to purchase the largest number of Units having an aggregate purchase price not exceeding the Specified Amount, and will be determined based upon the number of Units tendered under an Auction Tender at each price within the Range and tendered under a Purchase Price Tender, with each Purchase Price Tender being considered a tender at the lowest price within the range for the purpose of calculating the Purchase Price;

(f) all Units tendered at prices above the Purchase Price will be returned to the appropriate Unitholders;

(g) all Units tendered by Unitholders who specify a tender price for such tendered Units that falls outside the Range will be considered to have been improperly tendered, will be excluded from the determination of the Purchase Price, will not be purchased by TimberWest and will be returned to the appropriate Unitholders;

(h) if the aggregate Purchase Price for Units validly tendered to the Offer and not withdrawn is less than or equal to the Specified Amount, TimberWest will purchase all Units so deposited;

(i) if the aggregate Purchase Price for Units validly tendered to the Offer and not withdrawn exceeds the Specified Amount (an "Over-Subscription"), TimberWest will take up and pay for tendered Units on a *pro rata* basis according to the number of Units tendered by each Unitholder; subject to section 6(j) below, any Units tendered but not taken up and paid for by TimberWest in accordance with this procedure will be returned to the appropriate tendering Unitholders;

(j) if, after giving effect to TimberWest's purchase of Units in accordance with procedure described in section 6(i) above, a Unitholder who had properly tendered all of his, her or its Units to the Offer at or below the Purchase Price were to hold fewer than 100 Units (an "Odd Lot"), TimberWest also will purchase any such Odd Lot at the Purchase Price; in determining whether a Unitholder would hold an Odd Lot, all of the Units held by the Unitholder under separate certificates or in different accounts or tendered by the Unitholder under separate Auction Tenders or Purchase Price Tenders and that otherwise would be retained by the Unitholder after giving effect to the purchase of Units in accordance with the procedure described in section 6(i) above will be aggregated;

(k) the aggregate amount that TimberWest will expend under the Offer will not be determined until the number of Units, if any, to be purchased in accordance with the procedure described in section 6(j) is determined;

7. prior to the Offer's expiry, all information regarding the number of Units tendered and the prices at which such Units are tendered will be kept confidential, and the depositary will be directed by TimberWest to maintain such confidentiality until the Purchase Price is determined;

8. since the Offer is for fewer than all the Units, if the number of Units tendered to the Offer at or below the Purchase Price exceeds the maximum number of Units that could be purchased for the Specified Amount, the Legislation would require TimberWest to take up and pay for deposited Units proportionately, according to the number of Units deposited by each Unitholder; in addition, the Legislation would require disclosure in the Circular that TimberWest would, if Units tendered to the Offer exceeded the maximum number of Units that could be purchased for the Specified Amount, take up such Units proportionately according to the number of Units tendered by each Unitholder;

9. taking into account the information contained in section 4 above, and because it is reasonable to conclude that, following completion of the Offer, there will be a market for the beneficial owners of Units who do not tender to the Offer that is not materially less liquid than the market that existed at the time the Offer was made, TimberWest is able to rely upon the exemption from the Valuation Requirement in Ontario contained section 3.4(3) of Ontario Securities Commission Rule 61-501 (the "Presumption of Liquid Market Exemption");

10. to TimberWest's knowledge, no person or company other than SouthEastern Asset Management, Inc. ("SouthEastern") holds more than 10% of the issued and outstanding Units;

11. SouthEastern beneficially owns or exercises control or direction over 15,030,000 Units, representing approximately 21.6% of the outstanding Units; SouthEastern has advised TimberWest that it has not determined yet whether it will tender any Units to the Offer;

12. the Circular:

(a) discloses the mechanics for the take-up of and payment for, or the return of, Units as described in section 6 above;

(b) explains that, by tendering Units at the lowest price in the Range, a Unitholder reasonably can expect that the Units so tendered will be purchased at the Purchase Price, subject to pro ration as described in section 6 above;

(c) describes the background to the Offer;

(d) discloses every prior valuation of TimberWest that has been made in the 24 months before the date of the Offer and the existence of which is known after reasonable enquiry to TimberWest or any of its directors or senior officers, if any;

(e) discloses any *bona fide* prior offer that relates to the Units or is otherwise relevant to the Offer, if any, where such prior offer was received by TimberWest in the 24 month period preceding the date the Offer was publicly announced, together with a description of such prior offer and the background to it;

(f) describes the review and approval process adopted by the board of directors of TimberWest (the "Board") for the Offer, including any materially contrary view or abstention by a director;

(g) includes a statement of the intention, if known to TimberWest after reasonable enquiry, of every person or company, other than a *bona fide* lender, that, whether alone or in combination with others, holds or would reasonably be expected to hold, upon successful completion of the Offer, securities of TimberWest sufficient to affect materially its control (an "Interested Party") to accept or not accept the Offer;

(h) includes a description of the effect that TimberWest anticipates the Offer, if successful, will have on the direct or indirect voting interest of every Interested Party; and

(i) discloses the facts supporting TimberWest's reliance on the Presumption of Liquid Market Exemption;

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, in connection with the Offer, TimberWest is exempt from the Proportionate Take-up and Payment Requirement, the Associated Disclosure Requirement, the Number of Securities Requirement and the Valuation Requirement, provided that Units tendered to the Offer are taken up and paid for, or returned to the Unitholders, in the accordance with the Procedure.

DATED May 9, 2000.

"Brenda Leong"

Brenda Leong
Acting Director

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Dutch auction issuer bid -
With respect to securities tendered at or below the clearing price, offer providing for full take-up

of and payment for shares tendered by odd lot holders - Offeror exempt from the requirement in the legislation to take up and pay for securities proportionately according to the number of securities deposited by each securityholder and the associated disclosure requirement - Offeror also exempt from the requirement to disclose the exact number of shares it intends to purchase - Offeror also exempt from the valuation requirement on the basis that there is a liquid market for the securities

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 105(g), 108(7), 114(2)(c)

Securities Rules, B.C. Reg. 194/97, s. 162(2)

Form 33, items 2 and 9