

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  
TRILON FINANCIAL CORPORATION

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 (collectively, the "Jurisdictions") has received an application (the "Application") from Trilon Financial Corporation ("Trilon") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that, in connection with the proposed purchase by Trilon of a portion of its outstanding Class A shares ("Shares") pursuant to an issuer bid (the "Offer"), Trilon be exempt from the requirements 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 class and number of securities sought under the Offer (the "Number of Securities Requirement"); and
4. obtain a valuation of the Shares and provide disclosure in the Circular of such valuation, or a summary thereof (the "Valuation Requirement").

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for the Application;

AND WHEREAS Trilon has represented to the Decision Makers that:

1. Trilon is a reporting issuer in each of the Jurisdictions. It is not in default of any requirement of the Legislation and is not on the list of defaulting reporting issuers maintained pursuant to such Legislation, where applicable.
2. The authorized capital of Trilon includes an unlimited number of Shares, of which approximately 115,326,680 Shares were issued and outstanding as at November 28, 2000.
3. The Shares are listed and posted for trading on The Toronto Stock Exchange. On November 28, 2000, the closing price of the Shares on The Toronto Stock Exchange was \$10.70 and on such date the Shares had an aggregate market value of approximately \$1.234 billion, based on such closing price.
4. No person or company holds more than 10% of the Shares other than Brascan Corporation ("Brascan"), which owns 58,254,553 Shares, representing approximately 50.5% of the outstanding Shares. Brascan also owns 47,914,450 Class B shares of the Company, representing 99.9% of the issued and outstanding Class B shares of the Company. The Class B shares of the Company are non-voting and convertible into Shares at any time at the option of the holder. Trilon has been advised by Brascan that Brascan does not intend to tender any Shares to the Offer.
5. Trilon proposes to purchase approximately 25,000,000 Shares, representing approximately 21.7% of the outstanding Shares, through an issuer bid (the "Issuer Bid") by way of the Circular.
6. The Issuer Bid will be made pursuant to a modified Dutch auction procedure as follows:
  - a. the Circular will specify that the aggregate number of Shares (the "Specified Number") that Trilon intends to purchase under the Issuer Bid will be 25,000,000, excluding any Shares that Trilon intends to purchase in accordance with the procedures described in subparagraph 6) below;
  - b. the Circular will also specify the range of prices (the "Range") within which Trilon is prepared to purchase Shares under the Issuer Bid;
  - c. holders of Shares (the "Shareholders") wishing to tender to the Issuer Bid will be able to specify the lowest price within the Range at which they are willing to sell their Shares (an "Auction Tender");
  - d. Shareholders wishing to tender to the Issuer Bid but who do not wish to make an Auction Tender may elect to be deemed to have tendered at the Clearing Price determined in accordance with subparagraph 6(e) below (a "Purchase Price Tender");
  - e. the purchase price (the "Clearing Price") of the Shares tendered to the Issuer Bid and not withdrawn will be the lowest price that will enable Trilon to purchase the Specified Number of Shares and will be determined based upon the number of Shares tendered and not withdrawn pursuant to an Auction Tender at each price

within the Range and the number of Shares tendered and not withdrawn pursuant to a Purchase Price Tender, with each Purchase Price Tender being considered a tender at the lowest price in the Range for the purpose of calculating the Clearing Price;

f. the aggregate amount that Trilon will expend pursuant to the Issuer Bid will not be ascertained until the Clearing Price is determined;

g. all Shares tendered and not withdrawn at or below the Clearing Price pursuant to an Auction Tender and all Shares tendered and not withdrawn pursuant to a Purchase Price Tender will be taken up and paid for at the Clearing Price, subject to pro ration if the aggregate number of Shares tendered and not withdrawn at or below the Clearing Price pursuant to Auction Tenders and the number of Shares tendered and not withdrawn pursuant to Purchase Price Tenders exceeds the Specified Number;

h. all Shares tendered and not withdrawn at prices above the Clearing Price will be returned to the appropriate Shareholders;

i. in the event more than 25,000,000 Shares are tendered at or below the Clearing Price (an "Over-Subscription"), the Shares to be purchased will be pro rated from the Shares so tendered;

j. in the event of an Over-Subscription, in order to avoid the creation of "odd lots" as a result of proration, the number of Shares to be purchased from each shareholder who tenders at or below the Purchase Price will be increased as follows: in addition to the Specified Number, Trilon will purchase an additional number of Shares at the Purchase Price from each tendering shareholder equal to the minimum number of Shares necessary such that the number of Shares not purchased from and returned to such Shareholder as a result of prorationing (the "Return Number") will be a whole multiple of 100, except that, if the Return Number for any such shareholder is less than 100, Trilon will purchase from each such shareholder that number of Shares equal to the Return Number. Multiple tenders by the same shareholder will be aggregated for this purpose;

k. in the event the bid is under-subscribed by the initial expiration date but all the terms and conditions thereof have been complied with except those waived by Trilon, Trilon may wish to extend the bid for at least 10 days, in which case Trilon must first take up and pay for all Shares deposited thereunder and not withdrawn. In the event the bid is under-subscribed at the expiration date there would be no pro-rationing among the tenders taken up and paid for at such time, however, by the time any extension is over, the bid may be oversubscribed, in which case Trilon intends to only pro-rate among tenders received during the extension and after the original expiration date;

l. all Shares tendered and not withdrawn by Shareholders who specify a tender price for such tendered Shares that falls outside the Range will be considered to have been improperly tendered, will be excluded from the determination of the Clearing Price, will not be purchased by Trilon and will be returned to the tendering Shareholders; and

m. all Shares tendered and not withdrawn by Shareholders who fail to specify any tender price for such tendered Shares and fail to indicate that they have tendered their Shares pursuant to a Purchase Price Tender will be considered to have been tendered pursuant to a Purchase Price Tender and will be dealt with as described in paragraph (h) above.

7. Prior to the expiry of the Issuer Bid, 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 Trilon to maintain such confidentiality until the Clearing Price is determined.

8. Since the Issuer Bid is for less than all the Shares, if the number of Shares tendered to the Issuer Bid at or below the Clearing Price and not withdrawn exceeds the Specified Number, the Legislation would require Trilon 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 Trilon would, if Shares tendered to the Issuer Bid and not withdrawn exceeded the Specified Number, take up such Shares proportionately according to the number of Shares tendered and not withdrawn by each Shareholder.

9. During the 12 months ended October 31, 2000:

a. the number of outstanding Shares was at all times at least 5,000,000, excluding Shares that either were beneficially owned, directly or indirectly, or over which control or direction was exercised, by related parties with respect to Trilon or were not freely tradeable;

b. the aggregate trading volume of the Shares on the TSE was at least 1,000,000 Shares;

c. there were at least 1,000 trades in Shares on the TSE; and

d. the aggregate trading value based on the price of the trades referred to in paragraph (c) was at least \$15,000,000.

10. The market value of the Shares on the TSE was at least \$75,000,000 for the month of October 2000.

11. Provided that the information contained in paragraphs 9 and 10 above remains accurate as of the date of the announcement of the Offer, and because it is reasonable to conclude that, following completion of the Offer, there will be a market for the beneficial owners of Shares who do not tender to the Offer that is not materially less liquid than the market that exists at the

time the Offer is made, Trilon intends 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").

12. The Circular will:

- a. disclose the mechanics for the take-up of and payment for, or the return of, Shares as described in paragraph 6 above;
- b. explain that, by tendering Shares at the lowest price in the Range or pursuant to a Purchase Price Tender, a Shareholder can reasonably expect that the Shares so tendered will be purchased at the Clearing Price, subject to pro ration as described in paragraph 6 above;
- c. include a description of the effect that Trilon anticipates the Offer, if successful, will have on the direct or indirect voting interest of Brascan; and
- d. disclose the facts supporting Trilon's reliance on the Presumption of Liquid Market Exemption, calculated with reference to the date of the announcement of the Issuer Bid.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each of the Decision Makers (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 and is of the opinion that it would not be prejudicial to the public interest to grant this decision;

THE DECISION of the Decision Makers in the Jurisdictions pursuant to the Legislation is that, in connection with the Offer, Trilon 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 Shares tendered to the Offer and not withdrawn are taken up and paid for, or returned to the Shareholders, in the manner and circumstances described in paragraph 6 above, and provided that the facts supporting Trilon's reliance on the Presumption of Liquid Market Exemption calculated with reference to the date of the announcement of the Issuer Bid meet or exceed the thresholds set out in paragraph 9 above.

January 5, 2001.

"J.A. Geller"

"Howard I. Wetston"

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, as well as additional purchases from certain shareholders in order to prevent the creation of odd lots - 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, the requirement to disclose the exact number of shares it intends to purchase, and from the valuation requirement on the basis that there is a liquid market for the securities.

#### Ontario Statutes Cited

*Securities Act*, R.S.O. 1990, c. 5.5, as am, ss. 95(7) and 104(2)(c)

#### Ontario Regulations Cited

*Regulation made under the Securities Act*, R.R.O. 1990, Reg. 1015, as am., s. 189(b) and Items 2 and 9 of Form 33