

## **Headnote**

Mutual Reliance Review System for Exemptive Relief Applications -- issuer proposing securities exchange offer to holders of its common shares and to holders of shares exchangeable into common shares -- issuer not eligible to utilize multijurisdictional disclosure system (MJDS) because of technical issue relating to exchangeable share structure -- issuer also not eligible to utilize MJDS because securities being distributed will not be seasoned within terms of section 12.3 of National Instrument 71-101 -- decision waiving eligibility requirements for MJDS despite technical issue and seasoning issue, subject to conditions -- issuer exempt from requirement to file compliance certificate with MJDS offer documents -- issuer unable to rely upon valuation exemption in local implementing rule because of exchangeable share structure -- issuer exempt from valuation requirements, subject to conditions -- issuer unable to rely upon exemption from formal Canadian bid requirements in local implementing rule as offer made in compliance with decision and not Part 12 of NI 71-101 -- issuer exempt from formal bid requirements, subject to conditions.

## **Applicable Ontario Statutory Provisions**

Securities Act, R.S.O. 1990, c. S.5, as am, ss. 94 to 100, 104(2)(c).

National Instrument 71-101 The Multijurisdictional Disclosure System, 21 O.S.C.B. 5104, s. 21.1.

OSC Rule 71-810 Implementing the Multijurisdictional Disclosure System, 21 O.S.C.B. 6919.

OSC Rule 61-501 Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions, 23 O.S.C.B. 971, as am., s. 9.1.

**January 30, 2007**

**IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,  
MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK,  
NOVA SCOTIA, AND NEWFOUNDLAND AND  
LABRADOR (the "Jurisdictions")**

**AND**

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

**AND**

**IN THE MATTER OF  
WEYERHAEUSER COMPANY  
(the "Filer")**

**MRRS DECISION DOCUMENT**

**Background**

The local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions has received an application from the Filer for:

(a) a decision under the securities legislation (the "Legislation") of each of the Jurisdictions (i) for a waiver of the eligibility criteria set forth in subsection 12.1(1) and section 12.3 of National Instrument 71-101 *The Multijurisdictional Disclosure System* ("NI 71-101") to permit the Filer to make a securities exchange bid (the "Offer") in Canada under Part 12 of NI 71-101, and (ii) that the Filer is exempt from the requirement in paragraph 12.10(1)(c) of NI 71-101 to file a certificate that the eligibility criteria set forth therein are satisfied (the "MJDS Relief");

(b) a decision under the Legislation of each of British Columbia, Alberta, Saskatchewan, Ontario, and Québec that the Offer is exempt from the provisions of the Legislation that require a valuation of the offeree (the "Valuation Relief"); and

(c) a decision under the Legislation of each of British Columbia, Alberta, Saskatchewan, Ontario, and New Brunswick to provide an exemption from the formal bid requirements contained in the Legislation, including the provisions relating to restrictions and requirements regarding acquisitions made prior to, during and after a bid, the delivery of an offer and bid circular and any notices of change or variation thereto, delivery of a directors' circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, take-up of and payment for securities tendered to a bid, disclosure, financing, restrictions upon purchases of securities, identical consideration and collateral benefits but excluding the provisions requiring a valuation of the offeree (the "Formal Bid Relief").

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

**Interpretation**

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

## **Representations**

### *The Filer and Weyerhaeuser Company Limited*

1. The Filer, a corporation organized under the laws of the State of Washington, has its head office in Federal Way, Washington, U.S.A. The Applicant is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States nor is it a commodity pool issuer as that term is defined in NI 71-101. The Applicant is principally engaged in the growing and harvesting of timber; the manufacture, distribution and sale of forest products; and real estate development and related activities. The Filer generated revenues of US\$22.6 billion during 2005 and US\$16.2 billion during the nine months ended September 24, 2006.

2. The shares of common stock of the Filer (the "Weyerhaeuser Common Shares") are registered under section 12(b) of the *Securities Exchange Act of 1934* of the United States (the "1934 Act"), and the Filer has filed with the U.S. Securities and Exchange Commission (the "SEC") all filings required to be made with the SEC under sections 13, 14 and 15(d) of the 1934 Act. The Filer is a reporting issuer in Québec and it is not in default of any requirement of the Legislation of Québec. The Filer is not a reporting issuer in any of the other Jurisdictions.

3. The Weyerhaeuser Common Shares are listed on the New York and Chicago stock exchanges. They have been listed on the New York Stock Exchange (the "NYSE") for a period longer than 12 calendar months and the Filer is in compliance with the obligations arising from the listing on the NYSE. The Weyerhaeuser Common Shares are widely held. As of November 28, 2006, 235,790,603 Weyerhaeuser Common Shares were issued and outstanding and they had a public float, as defined in NI 71-101, of approximately US\$15,185,000,000 as of that date.

4. Weyerhaeuser Company Limited ("Weyerhaeuser Canada") is a corporation organized under the laws of Canada. The Filer indirectly owns all the common shares of Weyerhaeuser Canada.

5. Weyerhaeuser Canada is a reporting issuer in each of the Jurisdictions and it is not in default of any requirement of the Legislation of any of the Jurisdictions. Its exchangeable shares (the "Weyerhaeuser Exchangeable Shares") are listed on the Toronto Stock Exchange (the "TSX"). Weyerhaeuser Canada issued the Weyerhaeuser Exchangeable Shares in connection with the acquisition by Weyerhaeuser Canada of all the issued and outstanding shares of MacMillan

Bloedel Limited on November 1, 1999 in order to provide certain Canadian tax benefits to certain Canadian shareholders of MacMillan Bloedel Limited.

6. The economic and voting attributes of the Weyerhaeuser Exchangeable Shares are substantially equivalent in all material respects to the economic and voting attributes of the Weyerhaeuser Common Shares. For example:

(a) In the case of a cash dividend declared on the Weyerhaeuser Common Shares, a holder of Weyerhaeuser Exchangeable Shares is entitled to receive an amount in cash for each such share in U.S. dollars, or the Canadian dollar equivalent, corresponding to the cash dividend declared on each Weyerhaeuser Common Share on the same date. A holder of Weyerhaeuser Exchangeable Shares similarly is entitled to receive the same or economically equivalent property in the case of a dividend declared on the Weyerhaeuser Common Shares in a form other than cash.

(b) Copies of the materials sent to holders of Weyerhaeuser Common Shares in connection with shareholder meetings of the Filer are also sent to holders of Weyerhaeuser Exchangeable Shares. Holders of Weyerhaeuser Exchangeable Shares have voting interests that entitle them to instruct CIBC Mellon Trust Company, as trustee under a trust agreement and the holder of a special voting share of the Filer, how to vote their voting interests at the Filer's shareholder meetings. The trustee casts votes equal to the number of outstanding Weyerhaeuser Exchangeable Shares as to which it has timely received voting instructions from the holders, in accordance with those instructions. The holders of the Weyerhaeuser Common Shares and the trustee, as holder of the special voting share acting for the holders of the Weyerhaeuser Exchangeable Shares, vote together as a single class on all matters. Holders of Weyerhaeuser Exchangeable Shares do not ordinarily have voting rights at shareholder meetings of Weyerhaeuser Canada.

(c) In the event of an issuer bid or take-over bid with respect to Weyerhaeuser Common Shares proposed by the Filer or proposed to the Filer or its shareholders and recommended by the Filer's board of directors, the Filer is required to use its reasonable efforts expeditiously and in good faith to take all such actions and do all such things as are necessary or desirable to enable and permit holders of Weyerhaeuser Exchangeable Shares to participate in the bid to the same extent and on an economically equivalent basis as the holders of Weyerhaeuser Common Shares.

(d) Holders of Weyerhaeuser Exchangeable Shares may elect at any time to retract their Weyerhaeuser Exchangeable Shares and receive one Weyerhaeuser Common Share for each retracted Weyerhaeuser Exchangeable Share plus an amount on account of unpaid dividends.

(e) In the event of the insolvency, liquidation or winding-up of Weyerhaeuser Canada or the Filer or the inability of Weyerhaeuser Canada to honour a retraction request due to solvency limitations, holders of Weyerhaeuser Exchangeable Shares will receive from the Filer one Weyerhaeuser Common Share for each Weyerhaeuser Exchangeable Share held.

7. As of November 28, 2006, 235,790,603 Weyerhaeuser Common Shares were issued and outstanding, including 49,667 held by shareholders whose last address as shown on the books of the Filer is in Canada. As of the same date, 2,017,770 Weyerhaeuser Exchangeable Shares were issued and outstanding, of which 2,017,366 shares were held by shareholders whose last address as shown on the books of Weyerhaeuser Canada is in Canada. Accordingly, registered holders with Canadian addresses account for approximately 0.87% of the equity participation in the Filer.

#### *Other Entities*

8. Domtar Corporation (the "Company") is a corporation organized under the laws of the State of Delaware. It is currently a wholly owned subsidiary of the Filer. The Company was incorporated in August 2006 to facilitate the combination between the Filer and Domtar Inc. ("Domtar").

9. Domtar Paper Company, LLC ("Newco") is a limited liability company organized under the laws of the State of Delaware. It is currently a wholly owned subsidiary of the Filer.

10. Domtar (Canada) Paper Inc. ("Newco Canada Exchangeco") is a corporation organized under the laws of Canada and a wholly owned subsidiary of Newco. Newco Canada Exchangeco is being continued to British Columbia to facilitate the combination between the Filer and Domtar.

11. Weyerhaeuser Saskatchewan Ltd. is a corporation organized under the laws of Saskatchewan and a wholly owned subsidiary of Weyerhaeuser Canada.

12. Domtar is a corporation organized under the laws of Canada. Domtar is a reporting issuer in each of the Jurisdictions. Its head office is in Montréal, Québec. Domtar's common shares are listed on the TSX and the NYSE.

13. An additional direct wholly owned subsidiary of Newco Canada Exchangeco ("Offerco") has been incorporated under the laws of Canada for the purpose of implementing the Arrangement. Offerco is currently a wholly owned subsidiary of the Filer.

#### *The Transactions*

14. On August 22, 2006, the Filer agreed to combine its fine paper business and related assets with Domtar. The Filer will effect its part of the combination through the following series of transactions: (i) a transfer by the Canadian subsidiaries of the relevant Canadian assets (the "Canadian Asset Transfer") to a subsidiary of Newco Canada Exchangeco; (ii) a contribution of specified U.S. assets (the "Contribution") for which it will receive, among other things, common shares of the Company (the "Company Shares"); (iii) the distribution of all of the issued and outstanding Company Shares (the "Distribution") to holders of Weyerhaeuser Common Shares and Weyerhaeuser Exchangeable Shares; and (iv) a plan of arrangement (the "Arrangement") between the Company and Domtar.

15. The Canadian Asset Transfer will consist of the transfer by Weyerhaeuser Canada and Weyerhaeuser Saskatchewan Ltd. of certain of their fine paper and related assets to a subsidiary of Newco Canada Exchangeco and which will assume certain of Weyerhaeuser Canada's and Weyerhaeuser Saskatchewan Ltd.'s fine paper and related liabilities.

16. The first step of the Contribution will be a transfer by the Filer to Newco of certain of the Filer's U.S. fine paper business assets and related assets in exchange for the issuance of additional limited liability company interests of Newco to the Filer and the assumption by Newco of certain of the Filer's fine paper business liabilities and related liabilities.

17. The Filer will then transfer to the Company all of the issued and outstanding limited liability interests of Newco in exchange for US\$1.35 billion in cash and a specified number of Company Shares. As a result of this transaction, the Company will indirectly hold and operate the fine paper and related businesses of the Filer through Newco, which will have become a wholly owned subsidiary of the Company.

18. On completion of the Contribution and before the Arrangement, based on production capacity, the Company will be the second largest integrated manufacturer of uncoated free sheet paper in North America and the third largest in the world. On a *pro forma* basis the Company generated revenues of US\$3.3 billion during 2005 and US\$2.4 billion during the 39 weeks ended September 24, 2006.

19. The Filer is contemplating effecting the Distribution through the Offer. One of the factors in determining whether the Distribution will be done in this manner is the availability of relief from requirements that would otherwise apply.

20. If the Distribution is made by means of the Offer, it is contemplated that holders of Weyerhaeuser Common Shares and Weyerhaeuser Exchangeable Shares would be permitted to elect to exchange some or all of their shares on a specified exchange ratio, which would be the same for both classes of shares. The exchange ratio and the maximum aggregate number of Weyerhaeuser Common Shares and Weyerhaeuser Exchangeable Shares sought to be acquired have not yet been determined.

21. The Offer would constitute an "offer for sale" under the *Securities Act of 1933* of the United States (the "1933 Act"). The Offer would also be subject to section 13(e) of the 1934 Act and would not be exempt from the 1934 Act. The Company would file with the SEC (i) a registration statement on Form S-4 registering under the 1933 Act the distribution of the Company Shares to holders of Weyerhaeuser Company Shares and Weyerhaeuser Exchangeable Shares (the "1933 Act Registration Statement"), and (ii) a registration statement on Form 10 registering under the 1934 Act the Company Shares. The Filer would file with the SEC a Schedule TO pursuant to Rule 13e-4 promulgated under the 1934 Act.

22. The prospectus?offer to exchange forming part of the Form S-4 (the "Circular") would be sent to all holders of Weyerhaeuser Common Shares and Weyerhaeuser Exchangeable Shares in the United States and Canada. All holders of Weyerhaeuser Exchangeable Shares and holders of Weyerhaeuser Common Shares with addresses in Canada would receive the additional disclosure prescribed by NI 71-101.

23. If the Offer is fully subscribed, all of the Company Shares would be distributed to holders of Weyerhaeuser Common Shares and Weyerhaeuser Exchangeable Shares. If the Offer is oversubscribed, the allocation of Company Shares would be prorated. If the Offer is undersubscribed, the remaining Company Shares would be distributed pro rata to the holders of Weyerhaeuser Common Shares by the Filer and to the holders of Weyerhaeuser Exchangeable Shares by Weyerhaeuser Canada by means of a dividend in specie.

24. Once the Filer has distributed the Company Shares, the Arrangement will be consummated under section 192 of the *Canada Business Corporations Act*, which will result in the Company indirectly owning all of the outstanding common shares of Domtar. Under the Arrangement all common shares of Domtar, other than shares held by a holder exercising rights of dissent, will be exchanged, on a one-for-one basis, for Class B voting common shares of Offerco (the "Class B Common Shares").

25. Following the exchange of common shares of Domtar for Class B Common Shares, each Class B Common Share will be exchanged for one Company Share. However, certain Canadian holders of Class B Common Shares will have the option of electing to receive, instead of a Company Share, an exchangeable share of Newco Canada Exchangeco (the "Newco Exchangeable Shares"), which will be exchangeable at any time at the option of the holder for a Company Share. In addition, a Class B Common Share held by a former holder of common shares of Domtar with an address in Canada who does not make an election or whose election is not effective will receive a Newco Exchangeable Share instead of a Company Share.

26. The NYSE has authorized the listing of the Company Shares on the NYSE. Application is also being made to list the Company Shares on the TSX. Application is being made to list the Newco Exchangeable Shares and Class B Common Shares on the TSX.

27. Immediately following the completion of the Arrangement, approximately 55% of the outstanding Company Shares on a fully diluted basis (i.e., including the Newco Exchangeable Shares and Company equity awards) will have been received by shareholders or former shareholders of the Filer or Weyerhaeuser Canada and approximately 45% of the outstanding Company Shares on a fully diluted basis will have been received by former shareholders of Domtar.

## **Decisions**

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 decisions has been met.

The decision of the Decision Makers is that the MJDS Relief is granted, provided that:

- (a) the Offer is subject to section 13(e) of the 1934 Act and is not exempt from the 1934 Act;
- (b) the Offer is made to all holders of Weyerhaeuser Common Shares and Weyerhaeuser Exchangeable Shares in Canada and the United States of America;
- (c) the Offer is made to residents of Canada on the same terms and conditions as it is made to residents of the United States of America;
- (d) less than 40% of the Weyerhaeuser Common Shares and Weyerhaeuser Exchangeable Shares, on a combined basis, is held by persons or companies whose last address as shown on the books of the Filer or Weyerhaeuser Canada is in Canada, as determined in accordance with subsections 12.1(2) through (4) of NI 71-101;



(e) the Filer meets the eligibility criteria set out in subparagraphs 3.1(a)(i), (ii), (iv) and (v) of NI 71-101 and has filed with the SEC all filings required to be made with the SEC under sections 13, 14 and 15(d) of the 1934 Act for a period of 36 calendar months immediately before the filing of the 1933 Act Registration Statement with the SEC;

(f) the Filer has had a class of its securities listed on the NYSE for a period of at least 12 calendar months immediately before the filing of the 1933 Act Registration Statement with the SEC and is in compliance with the obligations arising from the listing;

(g) the equity shares of the Filer have a public float of not less than U.S.\$75,000,000, determined as of a date within 60 days before the filing of the 1933 Act Registration Statement with the SEC; and

(h) the Circular has been prepared in accordance with applicable U.S. federal securities law.

The further decision of the Decision Makers in British Columbia, Alberta, Saskatchewan, Ontario, and Québec is that the Valuation Relief is granted, provided that less than 20% of Weyerhaeuser Common Shares and Weyerhaeuser Exchangeable Shares, on a combined basis, is held by persons or companies whose last address as shown on the books of the Filer or Weyerhaeuser Canada is in Canada, as determined in accordance with subsections 12.1(2) through (4) of NI 71-101.

"Erez Blumberger"  
Manager  
Ontario Securities Commission

The further decision of the Decision Makers in British Columbia, Alberta, Saskatchewan, Ontario, and New Brunswick is that the Formal Bid Relief is granted, provided that the Offer is made in compliance with Part 12 of NI 71-101 (other than sections 12.1, 12.3 and 12.10) and conditions (a) through (h) to the MJDS Relief are satisfied.

"Robert L. Shirriff"  
Commissioner  
Ontario Securities Commission

"Carol S. Perry"  
Commissioner  
Ontario Securities Commission