

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA,
ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO AND QUÉBEC

AND

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

AND

IN THE MATTER OF ALGOMA STEEL INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec (the "Jurisdictions") has received an application from Algoma Steel Inc. ("Algoma") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement 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 in connection with a plan of arrangement and reorganization (the "Reorganization") under the *Companies' Creditors Arrangement Act* (the "CCAA") and section 186 of the *Business Corporations Act* (Ontario) ("BCA");

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

AND WHEREAS Algoma has represented to the Decision Makers that:

1. Algoma is organized under the laws of Ontario and is a vertically integrated steel producer located in Sault Ste. Marie, Ontario;
2. Algoma is and has been a reporting issuer (or equivalent) in the Jurisdictions for over 12 months, and is not in default of its requirements under the Legislation;
3. Algoma has a current annual information form for the purposes of National Instrument 44-101 *Short Form Prospectus Distributions*;
4. the authorized capital of Algoma consists of an unlimited number of common shares (the "Old Common Shares") and 20,000 employee voting shares, issuable in series of which 53,647,656 Old Common Shares and 20,000 employee voting shares were issued and outstanding as at November 27, 2001;
5. the Old Common Shares are listed on The Toronto Stock Exchange but are currently suspended from trading;

6. Algoma is not currently a qualified issuer as defined under Multilateral Instrument 45-102 *Resale of Securities* ("45-102"), but is an electronic filer under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*;

7. on April 23, 2001, Algoma obtained an initial order under the CCAA in respect of the Reorganization, which granted protection from its creditors;

8. the plan relating to the Reorganization was filed with the Ontario Superior Court of Justice on November 9, 2001 and was amended and restated on November 30, 2001, December 5, 2001 and December 10, 2001;

9. the holders (the "Noteholders") of Algoma's 12 3/8% First Mortgage Notes due 2005 (the "Algoma Notes") and Algoma's unsecured creditors (the "Unsecured Creditors"), among others, approved the Reorganization and the amended and restated plan;

10. an information circular, containing prospectus level disclosure relating to Algoma and the particulars of the Reorganization, was provided to the Noteholders and a summary version of the information circular was provided to the Unsecured Creditors along with instructions on how to obtain a complete version if desired;

11. notice was provided to creditors by way of advertisements in the *Globe and Mail* (National Edition), *Algoma News*, *Sault Star* and the *Wall Street Journal*;

12. shareholder approval of the Reorganization is not required under the CCAA or the BCA;

13. under the Reorganization, the following trades (the "Trades") will occur:

(a) the Old Common Shares and employee voting shares of Algoma will be cancelled and a new class of common shares of Algoma (the "New Common Shares") will be created;

(b) existing holders of Old Common Shares will not be entitled to receive New Common Shares;

(c) the Algoma Notes will be cancelled and the Noteholders will receive a pro rata share of U.S. \$125 million in aggregate principal amount of 11% Notes due 2009 (the "11% Notes") and U.S. \$62.5 million in aggregate principal amount of 1% Notes due 2030 (the "1% Notes") and 15,000,000 New Common Shares;

(d) the 1% Notes will be convertible at the option of Algoma or the holder into New Common Shares;

(e) Unsecured Creditors (except those with Claims aggregating \$2,500 or less or that value their Claims at \$2,500) will receive a pro rata share of 1,000,000 New Common Shares;

(e) Algoma employees will receive either an aggregate of 4,000,000 New Common Shares or options to acquire, in the aggregate, 4,000,000 New Common Shares, for nominal consideration, which securities will either be provided to a trustee or to the employees directly (collectively, the "Employees");

14. in certain Jurisdictions, not all of the Trades are exempt from the Registration Requirement and the Prospectus Requirement;

15. Algoma has received conditional listing approval for the New Common Shares from the TSE, subject to certain conditions;

16. based on holdings of Algoma Notes prior to the completion of the Reorganization, it is likely that one or more parties will be control persons (as defined in the Legislation) of Algoma after completion of the Reorganization; and

17. Algoma has been advised that the Reorganization is necessary for it to continue as a going concern and to provide a more favourable result for creditors than liquidation under bankruptcy legislation.

AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (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:

1. the Registration Requirement and the Prospectus Requirement shall not apply to the Trades provided that the first trade in any New Common Shares, the 11% Notes or the 1% Notes acquired under this Decision in a Jurisdiction is deemed to be a distribution or a primary distribution to the public under the Legislation of such Jurisdiction unless:

(a) except in Québec, the conditions in subsections (3) or (4) of section 2.6 of 45-102 are satisfied; and

(b) in Québec,

(i) the issuer is and has been a reporting issuer in Québec for the 12 months immediately preceding the trade,

(ii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade,

(iii) no extraordinary commission or consideration is paid to a

person or company in respect of the trade, and

(iv) if the selling shareholder is an insider or officer of the issuer, the selling shareholder has no reasonable grounds to believe that the issuer is in default of securities legislation;

2. except in Quebec, the Prospectus Requirement shall not apply to a distribution by a control person (as defined in the Legislation) provided that the conditions in section 2.8 of 45-102 are met, except that the hold periods in section 2.8(2)(2) and 2.8(3)(2) of 45-102 for the New Common Shares, the 11% Notes or the 1% Notes acquired under this Decision may be satisfied by including the period of time that the control person held the Algoma Notes.

DATED January 21, 2002

Brenda Leong
Director

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from the registration and prospectus requirements in connection with a distribution of securities to creditors under a *Companies' Creditors Arrangement Act* plan of arrangement and reorganization – first trade relief granted, subject to certain conditions – relief from the prospectus requirement for control persons, subject to certain conditions

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 34(1)(a), 48, 61, 76
Multilateral Instrument 45-102 – Resale of Securities