

**IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUÉBEC, NOVA SCOTIA AND NEWFOUNDLAND**

AND

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

AND

**IN THE MATTER OF
INTERNATIONAL FOREST PRODUCTS LIMITED AND
PRIMEX FOREST PRODUCTS LIMITED**

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 (the "Jurisdictions") has received an application (the "Application") from International Forest Products Limited ("Interfor") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that, in connection with the offer (the "Offer") made by Interfor to acquire all of the issued and outstanding common shares (the "Primex Shares") of Primex Forest Products Limited ("Primex") not owned by Interfor or its affiliates, the following agreements are being made for reasons other than to increase the value of the consideration that may be paid to George L. Malpass ("Malpass"), John P. Sullivan ("Sullivan" and, collectively with Malpass, the "Key Executives") for the Primex Shares they hold and may be entered into despite the prohibition in the Legislation that prohibits an offeror who makes or intends to make a take-over bid or issuer bid and any person acting jointly or in concert with the offeror from entering into any agreement, commitment or understanding with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of greater value than that offered to other holders of the same class of securities (the "Prohibition on Collateral Benefits"):

- (i) certain employment agreements to be entered into with the Key Executives (collectively, the "Interfor Employment Agreements");
- (ii) the covenant by Interfor in favour of the Key Executives relating to their appointment or election as directors of Interfor (the "Interfor Covenant"); and
- (iii) an agreement by William L. Sauder ("Sauder") and Mountclair Investment Corporation ("Mountclair") to vote in favour of the election of the Key Executives as directors of Interfor (the "Mountclair Agreement" and, collectively with the Interfor Employment Agreements and the Interfor Covenant, the "Agreements");

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 Interfor has represented to the Decision Makers as follows:

1. Interfor is governed by the *Company Act* (British Columbia) (the "BCCA"), is a reporting issuer or the equivalent in each of the Jurisdictions and is not in default of any requirement of the Legislation in the Jurisdictions. Its head office is located in Vancouver, British Columbia.

2. Interfor is engaged in the business of logging and sawmilling and is a producer of wood products.

3. Interfor's authorized capital consists of 100,000,000 Class "A" Subordinate Voting Shares without par value (the "Interfor SVS"), 1,700,000 Class "B" Common Shares (the "Interfor MVS" and, collectively with the Interfor SVS, the "Interfor Shares") and 5,000,000 Preference Shares. The holders of the Interfor SVS have the exclusive right to elect one director of Interfor and the holders of the Interfor MVS have the exclusive right to elect all the remaining directors of Interfor.

4. As at December 31, 2000, there were 31,066,262 Interfor SVS and 1,015,779 Interfor MVS issued and outstanding. The Interfor SVS are listed and posted for trading on The Toronto Stock Exchange (the "TSE").

5. Primex is governed by the BCCA and is a reporting issuer in each of British Columbia and Ontario. Its head office is located in Delta, British Columbia.

6. Primex is engaged in the business of sawmilling and is a producer of wood products.

7. As of March 12, 2001, there were 16,439,028 Primex Shares issued and outstanding. The Primex Shares are listed and posted for trading on the TSE.

8. As of March 30, 2001, Interfor and its associates beneficially owned, directly or indirectly, or exercised control or direction over, 319,000 Primex Shares representing approximately 1.94% of the class.

9. Malpass is the Chief Executive Officer of Primex and Chairman of its board of directors (the "Primex Board"). As of March 30, 2001, he beneficially owned, directly or indirectly, or exercised control or direction over, 2,549,920 Primex Shares and options to acquire 200,000 Primex Shares (each, a "Primex Option") representing, in the aggregate, approximately 16.5% of the class (after giving effect to the exercise of Primex Options held by him).

10. Sullivan is the Vice President, Corporate Development, and a director of Primex. As of March 30, 2001, he beneficially owned, directly or indirectly, or exercised control or direction over, 1,027,280 Primex Shares and 120,000 Primex Options representing, in the aggregate,

approximately 6.92% of the class (after giving effect to the exercise of Primex Options held by him).

11. In February 2001, Interfor contacted Primex to hold informal discussions about the merits of a merger or strategic combination. On February 28, 2001, Primex entered into severance agreements (the "Primex Severance Agreements") with each of its senior officers, including the Key Executives. The Primex Severance Agreements provide, among other things, that if the officer's employment with Primex is terminated by Primex within 12 months after a change of control of Primex or by the officer within 12 months after a change of control of Primex following the occurrence of a "Triggering Event" within such 12 month period, Primex will pay to the officer an amount equal to the "Severance Factor" times the greater of:

(a) the monthly salary of the officer at the termination date; and

(b) one-twelfth of the aggregate of: (i) the salary of the officer for the last full fiscal year of Primex prior to the termination date; and (ii) an amount equal to one-third of the aggregate bonus payments paid or payable to the officer for the last three full fiscal years of Primex prior to the termination date. The term "Severance Factor" means, in effect, with respect to any officer, the lesser of: (x) 24, if the officer has been employed by Primex for fewer than 25 years, or the number of full years during which the officer has been employed by Primex if the officer has been employed by Primex for 25 years or more; and (y) the number of months from the termination date until the officer attains the age of 65 years. A "Triggering Event" with respect to an officer means, in general terms, any acts, omissions or circumstances that would amount to constructive dismissal of the officer.

12. On March 30, 2001, Interfor made the Offer. Pursuant to the Offer, any holder of Primex Shares (a "Primex Shareholder") who accepts the Offer will receive, at the Primex Shareholder's election, for each Primex Share validly tendered under the Offer, either \$6.65 in cash (the "Cash Alternative"), 1.5647 Interfor SVS (the "Share Alternative") or any combination of cash and Interfor SVS such that the total consideration to be received for each Primex Share is \$6.65, valuing each Interfor SVS at \$4.25 (the "Split Alternative"), except that:

(a) the maximum number of Interfor SVS to be issued under the Offer is limited to 15% of the total consideration to be paid by Interfor under the Offer; and

(b) Primex Shareholders who are U.S. residents and who accept the Offer will be deemed to have elected the Cash Alternative.

13. On March 28, 2001, Interfor entered into a support agreement (the "Support Agreement") with Primex. Pursuant to the Support Agreement, Primex represented, among other things, that:

(a) the Primex Board had determined that the Offer is fair to the Primex Shareholders and is in the best interests of Primex; and

(b) the Primex Shareholders and the Primex Board would recommend that the Primex Shareholders accept the Offer.

14. Under the Support Agreement:

(a) Primex agreed to use its best efforts to facilitate all persons holding Primex Options (collectively, the "Optionholders") to exercise the "Surrender Right", as that term is defined in Primex's stock option plan (the "Primex Stock Option Plan"), and surrender to Primex all of their Primex Options, at or prior to expiry time of the Offer, conditional upon Interfor being bound to take up and pay for Primex Shares under the Offer;

(b) Primex agreed to pay the "Cash Surrender Amount" payable under the Primex Stock Option Plan in respect of all Primex Options so surrendered, which Cash Surrender Amount equals the difference between the exercise price of a Primex Option and the market price of the Primex Shares on the TSE;

(c) Interfor agreed to permit Primex to seek the TSE's consent to amend the Primex Stock Option Plan so that the Optionholders exercising the Surrender Right could receive cash from Primex equal to the difference between the exercise price of a Primex Option and the value of the Cash Alternative; and

(d) Interfor agreed that, if the TSE's consent was not received, Primex could pay to each Optionholder an amount per Primex Option equal to the difference between the cash payable to such Optionholder pursuant to the Surrender Right and the cash amount that would have been received if the Primex Stock Option Plan had been amended as described above.

15. On the same date, Interfor entered into lock-up agreements (collectively, the "Lock-up Agreements") with each of the Key Executives, among others (collectively, the "Locked-up Shareholders"). Pursuant to the Lock-up Agreements, the Locked-up Shareholders agreed, among other things, to tender or cause to be tendered to the Offer and, except in certain circumstances, not withdraw, an aggregate of 4,555,280 Primex Shares representing approximately 28% of the class.

16. In addition, pursuant to the Lock-up Agreements, each of the Key Executives agreed to:

(a) enter into an Interfor Employment Agreement, conditional upon and effective from the date Interfor takes up and pays for the Primex Shares tendered to the Offer by him;

(b) exercise the Surrender Right and surrender all of his Primex Options to Primex for cash consideration per Primex Option as contemplated by the Primex Stock Option Plan and the Support Agreement, subject to the condition that such surrender would take effect only upon Interfor becoming bound to take up and pay for Primex Shares tendered under the Offer; and

(c) elect or cause to be elected the Share Alternative or the Split Alternative in respect of some or all of the Primex Shares beneficially owned or controlled by him, directly or indirectly, such that a minimum of 15% of the total consideration elected to be received by him under the Offer shall be in the form of Interfor SVS.

17. Interfor has been advised that all Primex Options have been unconditionally surrendered to Primex for cash consideration as provided for in the Primex Stock Option Plan, which has not been amended, and that no additional cash payment, as contemplated by the Support Agreement, will be made to Optionholders in respect of their Primex Options.

18. The principal terms of the existing, unwritten employment arrangements between Primex and each of the Key Executives are as follows:

(a) Malpass is employed as the President and Chief Executive Officer of Primex and Sullivan is employed as the Vice President, Corporate Development, of Primex. Each Key Executive is a director of Primex and Malpass ordinarily acts as Chair of the Primex Board.

(b) Malpass' current, annualized salary is \$199,440 and Sullivan's current, annualized salary is \$125,940.

(c) The Key Executives, together with ten other senior officers and managers of Primex, participate in a bonus plan (the "Primex Bonus Plan"), which provides for the payment to such participants of a performance bonus having an aggregate value of up to 5% of Primex's annual cash profit. The exact amount of the performance bonus is determined by the Primex Board's compensation committee, the amount of the bonus pool is accrued monthly and the payout, if any, to each participant in the bonus pool is determined at the end of the year based on a variety of criteria, including corporate, divisional and individual performance.

(d) Each of the Key Executives is entitled to participate in the Primex Stock Option Plan. No Primex Options were granted to any executive officers of Primex within the two fiscal years of Primex preceding the Offer.

(e) Each of the Key Executives receives certain other benefits, including the right to participate in Primex's defined contribution pension plan, vacation time, extended medical and dental coverage, short and long term disability insurance, group life insurance, a business expense account and related privileges.

(f) There are no provisions or covenants relating to non-competition or non-solicitation.

(g) Since the Key Executives are employees and officers of Primex, neither is entitled to receive directors' fees in respect of his service as a director of Primex.

19. In 2000, Malpass received an annual salary of \$188,270, a performance bonus of \$180,000 and other annual compensation of \$40,170 and Sullivan received an annual salary of \$124,505, a performance bonus of \$120,000 and other annual compensation of \$21,417.

20. The principal terms of the Interfor Employment Agreements will be as follows:

(a) Each Interfor Employment Agreement will be for an initial term of two years and may be extended upon mutual consent.

(b) Malpass will be employed as Vice-Chairman of Interfor's board of directors (the "Interfor Board") with the understanding that he will be acting as a senior executive and officer of Interfor. Sullivan will be employed as a Vice-President of Interfor. Unless prevented by ill health or injury, each Key Executive will devote the whole of his working time to Interfor's business.

(c) Each Key Executive will be entitled to receive an annual base salary equal to that paid by Primex to the Key Executive as at March 28, 2001.

(d) Each Key Executive will receive an annual bonus equal to the greater of the bonus he would have been entitled to receive under the Primex Bonus Plan (using the policies in place as at March 28, 2001) for that year had the Key Executive been employed by Primex and the bonus an executive of commensurate status and position at Interfor would receive in that year.

(e) Each Key Executive will be entitled to receive the same benefits he received at Primex.

(f) Each Key Executive will receive the same annual directors' fee payable to directors of Interfor who are also employees. In 2000, each Interfor director who was an employee of Interfor received a director's fee of \$6,000.

(g) Malpass will receive options to purchase 150,000 Interfor SVS (each, an "Interfor Option") and Sullivan will receive 100,000 Interfor Options. The Interfor Options to be granted pursuant to the Interfor Employment Agreements will be subject to the standard terms of Interfor's stock option plan (the "Interfor Stock Option Plan"), with 40% of the Interfor Options vesting on the date that is two years from the date of grant and an additional 20% of the Interfor Options vesting at the end of each year thereafter until all of the Interfor Options have vested. The exercise price for the Interfor Options granted to the Key Executives will be equal to the closing price of the Interfor SVS on the TSE on the day prior to the date of grant. The number of Interfor Options granted to each Key Executive is consistent with the aggregate number of Interfor Options held by Interfor executives with similar status and responsibilities.

(h) Interfor will acknowledge that the Primex Severance Agreement between Primex and each Key Executive shall remain in full force and effect and that

Interfor's acquisition of a majority of the Primex Shares constitutes a "Change of Control" within the meaning of such Primex Severance Agreements. Each Key Executive will acknowledge that none of the execution of the Interfor Employment Agreement, the change of his employer from Primex to Interfor or the implementation of Schedule A to the Interfor Employment Agreement (specifying, among other things, the Key Executive's salary, bonus entitlement, benefits and vacation entitlement) constitutes, in and of itself, a "Triggering Event" under his Primex Severance Agreement. As provided for in the Primex Severance Agreement with each Key Executive, if Interfor terminates a Key Executive's employment within twelve months of the effective date of his Interfor Employment Agreement or the Key Executive terminates his employment within twelve months of the effective date of his Interfor Employment Agreement following the occurrence of a Triggering Event, the Key Executive will be entitled to all payments and arrangements provided for in his Primex Severance Agreement.

(i) The Interfor Employment Agreements also will provide that each Key Executive is entitled to participate in Interfor's change of control arrangements (the "Interfor Change of Control Arrangements"). The Interfor Change of Control Arrangements as they apply to the Key Executives provide that, if within 24 months after a change of control with respect to Interfor, the Key Executive's employment is terminated without cause, such Key Executive will be entitled to compensation equal to his salary plus a profit-sharing bonus for a stipulated period not to exceed 36 months. Other employee benefits would be continued during this period.

(j) In addition, if Interfor terminates the Key Executive's employment any time after twelve months have expired from the date the Interfor Employment Agreement takes effect but prior to the expiry of its term, Interfor will pay the Key Executive a lump sum equal to the total compensation payable to him for the remainder of the term of such Interfor Employment Agreement and continue all benefits, perquisites and privileges referred to in such agreement for the remainder of its term.

(k) Without Interfor's prior consent, which shall not be unreasonably withheld, neither Key Executive will engage in any other business or become an officer, employee, agent, representative or contractor for service for any other enterprise where that engagement or position conflicts or interferes, or could reasonably conflict or interfere at some future date, with such Key Executive's performance of his obligations to Interfor, except that Malpass may continue as a director of the public corporation of which he is presently a director.

(l) Each Key Executive will enter into a non-solicitation covenant with respect to Interfor's customers, accounts and employees, which covenant shall apply during the term of the Key Executive's Interfor Employment Agreement and for a period of twelve months after its termination.

21. Pursuant to the Interfor Covenant, which is included in the Lock-up Agreements, Interfor covenanted, subject to certain conditions, to exercise its best efforts to cause each of the Key Executives to be elected or appointed as directors of Interfor and, thereafter, to nominate each of the Key Executives for election or appointment to the Interfor Board at each election for or appointment of directors of Interfor until, considering each Key Executive separately, the earliest of the date:

(a) that is five years from the date of the Lock-up Agreements;

(b) on which the Key Executive owns less than 50% of the Interfor SVS he acquired pursuant to the Offer; and

(c) that the Interfor Board, acting reasonably, determines that the Key Executive is acting in any capacity that is competitive with the business then conducted by Interfor.

22. Sauder is the Chairman of the Interfor Board and owns, directly or indirectly, or exercises control or direction over, 1,124,271 Interfor SVS (representing approximately 3.62% of the class) and 1,011,735 Interfor MVS (representing approximately 99.6% of the class). Some of the Interfor Shares that Sauder owns directly or indirectly or exercises control or direction over are registered in the name of Mountclair. On March 28, 2001, Sauder and Mountclair executed the Mountclair Agreement pursuant to which they committed, subject to certain restrictions, to vote their Interfor Shares in favour of any election or appointment of either of the Key Executives to the Interfor Board until, considering each Key Executive separately, the earliest of the date:

(a) that is five years from the date of the Lock-up Agreements;

(b) on which the Key Executive owns less than 50% of the Interfor SVS he acquired pursuant to the Offer; and

(c) that the Interfor Board, acting reasonably, determines that the Key Executive is acting in any capacity that is competitive with the business then conducted by Interfor.

23. Interfor's ability to retain the Key Executives was critical to its decision to make the Offer. Interfor believes that the Key Executives have played an integral role in the successful development of Primex's business and that they have substantial and valuable experience and expertise in the business of sawmilling and wood products. The Agreements were negotiated in order to ensure the Key Executives' participation in the development of Interfor and the integration of Primex with Interfor.

24. The Interfor Employment Agreements and the Interfor Covenant were negotiated between Interfor and the Key Executives on an arm's-length basis and reflect commercially reasonable terms. The consideration and other benefits to be received by the Key Executives under the

Agreements are reasonable in light of the services to be rendered by the Key Executives to Interfor following completion of the Offer.

25. A special committee of independent directors of Primex (the "Special Committee") established to, among other things, make recommendations to the Primex Board regarding the Offer, reviewed and considered, among other things: (i) Interfor's requirement that the Key Executives enter into employment agreements with Interfor; (ii) the Agreements; and (iii) the advantages and disadvantages to Shareholders, other than the Locked-up Shareholders, of accepting the Offer. The Special Committee concluded that the Offer is fair to the Shareholders and in the best interests of Primex and the Shareholders and recommended to the Primex Board that the Primex Board recommend acceptance of the Offer.

26. The Agreements have been or are being entered into for valid business reasons unrelated to the Key Executives' ownership of Primex Shares and not for the purpose of providing the Key Executives with greater consideration for their Primex Shares than the consideration that may be received by Primex Shareholders other than the Key Executives in connection with the Offer.

AND WHEREAS pursuant to 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 in the Jurisdictions under the Legislation, is that, in connection with the Offer, the Agreements are being entered into for reasons other than to increase the value of the consideration paid to the Key Executives in respect of their Primex Shares and may be entered into notwithstanding the Prohibition on Collateral Benefits.

DATED this 30th day of April, 2001.

"Paul M. Moore"

"R. Stephen Paddon"