

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA,
SASKATCHEWAN, MANITOBA, Qu顛c, NEW BRUNSWICK, NOVA SCOTIA,
NEWFOUNDLAND, THE NORTHWEST TERRITORIES AND THE YUKON TERRITORY

AND

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

AND

IN THE MATTER OF SCAFFOLD CONNECTION CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Saskatchewan, Manitoba, Qu顛c, New Brunswick, Nova Scotia, Newfoundland, the Northwest Territories and the Yukon Territory (the "Jurisdictions") has received an application from Scaffold Connection Corporation ("Scaffold") 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 prospectus in respect of such security (the "Prospectus Requirement") shall not apply to intended trades in securities to be made in connection with a statutory plan of arrangement involving Scaffold's creditors (the "Creditors");

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 Scaffold has represented to the Decision Makers that:

1. Scaffold is a corporation continued under the laws of the Province of Alberta on October 5, 1995, and is a reporting issuer, or the equivalent thereof, under the Legislation in each of the Jurisdictions except New Brunswick, Northwest Territories and the Yukon Territory;
2. the authorized capital of Scaffold consists of an unlimited number of common shares (the "Common Shares"), an unlimited number of non-voting common shares, an unlimited number of first preferred shares, issuable in series, and an unlimited number of second preferred shares, issuable in series, of which 22,498,058 Common Shares were issued and outstanding as at July 20, 2000;
3. the Common Shares are listed and posted for trading on The Toronto Stock Exchange;
4. on December 23, 1999, the Alberta Court of Queen's Bench (the "Court") granted an order pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") respecting, among other things, a stay of all actions, suits and proceedings (such order being amended from

time to time) pending the filing of a formal plan of arrangement and compromise (the "Plan"), and appointing KPMG Inc. as monitor (the "Monitor");

5. the Court subsequently granted orders extending the date for filing of the Plan with the Court to March 27, 2000 and extending the stay of all actions, suits and proceedings until the earlier of the date that the Plan is implemented and January 31, 2001;

6. the Plan was filed with the Court on March 24, 2000 and was amended and restated on April 18, 2000 and June 16, 2000, and was further amended by amendments dated August 4, 2000, August 11, 2000, August 15, 2000, September 15, 2000, and December 7, 2000;

7. the purpose of the Plan is to permit Scaffold to settle its liabilities by the issuance of Common Shares to certain of its Creditors, which have been divided into two classes, secured creditors (the "Secured Creditors") and unsecured creditors (the "Unsecured Creditors"). The Plan sets out specific repayment terms to the Secured Creditors and contemplates the issuance of approximately 35,400,000 Common Shares to Creditors in order to extinguish approximately \$20 million of debt;

8. the Monitor conducted a liquidation analysis, pursuant to which it concluded that, in the event the Plan is not implemented, Scaffold will face liquidation. In such a scenario, the Secured Creditors will realize less than the full amount of their claims against Scaffold and all of the Unsecured Creditors will almost certainly receive no compensation in respect of their claims against Scaffold;

9. an information circular and proxy statement relating to meetings of the Creditors, and a management proxy circular relating to a meeting of the shareholders of Scaffold, (collectively, the "Information Circulars") were prepared in accordance with the requirements of the CCAA and contained all material disclosure regarding the Plan, and were mailed to Scaffold's shareholders and the Creditors;

10. the Plan of Arrangement was approved by Scaffold's shareholders on August 18, 2000, by the Unsecured Creditors on August 14, 2000 and by the Secured Creditors August 15, 2000, and the Court has ordered that those amendments dated August 15, 2000, September 15, 2000, and December 7, 2000 are not prejudicial to and do not materially affect the Creditors or shareholders of Scaffold;

11. the TSE has conditionally approved the listing of the Common Shares upon the implementation of the Plan, subject to certain conditions; and

12. the trades under the Plan in Common Shares to the Creditors are not within any of the registration and prospectus exemptions under the Legislation;

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 under the Legislation is that:

1. the Registration Requirement and the Prospectus Requirement shall not apply to the distribution of Common Shares to the Creditors in connection with the completion of the Plan; and

2. the first trade in the Common Shares acquired by the Creditors 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 (the "Applicable Legislation") unless:

(a) at the time of the first trade, Scaffold is and has been a reporting issuer or the equivalent under the Applicable Legislation for the 12 months immediately preceding the trade or, in the case of New Brunswick, Northwest Territories and Yukon Territory, Scaffold has filed with such Jurisdiction the continuous disclosure documents filed by it with the other Jurisdictions;

(b) if the seller is an insider or officer of Scaffold, the seller has no reasonable grounds to believe that Scaffold is in default of any requirement of the Applicable Legislation;

(c) no unusual effort is made to prepare the market or to create a demand for the securities;

(d) except in Québec, the first trade is not a distribution from the holdings of a person or company who holds a sufficient number of the voting rights attaching to all outstanding voting securities of Scaffold to affect materially the control of Scaffold, or each person or company in a combination of persons and companies, acting in concert by virtue of an agreement, arrangement, commitment or understanding, which holds in total a sufficient number of the voting rights attached to all outstanding voting securities of Scaffold to affect materially the control of Scaffold, and, if a person or company or combination of persons or companies holds more than 20% of the voting rights attached to all outstanding voting securities of Scaffold, the person or company or combination of persons or companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of Scaffold; and

(e) no extraordinary commission or consideration is paid in respect of the trade.

DATED January 8, 2001.

"Brenda Leong"
Brenda Leong
Director

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from prospectus and registration requirements with respect to a distribution of securities to certain creditors in connection with a plan of arrangement under the Companies' Creditors Arrangement Act - relief for any subsequent trades of the securities subject to certain conditions.

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 34(1)(a), 48, 61 and 76