

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

AND

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

AND

IN THE MATTER OF  
TEMBEC INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia, Newfoundland and Ontario (the "Jurisdictions") has received an application from Tembec Inc. (the "Filer") for a decision pursuant to the securities legislation and securities directions or policy statements of the Jurisdictions (the "Legislation") that, subject to certain conditions, the insider reporting requirements contained in the Legislation shall not apply to directors and senior officers of the Filer or of any of its subsidiaries (the "Plan Participants") participating in the Filer's employee share purchase plan (the "Plan");

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

AND WHEREAS the Filer has represented to the Decision Makers that:

1. The Filer was incorporated by Letter Patent delivered on July 12, 1972 under Part I of the *Companies Act* (Qu<sub>é</sub>b<sub>e</sub>c) and was continued under Part IA of the *Companies Act* (Qu<sub>é</sub>b<sub>e</sub>c) by Certificate of Continuance dated March 18, 1983.
2. The head office of the Filer is located in Montreal, Qu<sub>é</sub>b<sub>e</sub>c.
3. The Filer is a reporting issuer or its equivalent under the Legislation of all of the Jurisdictions and is not in default of the requirements contained in the Legislation.
4. The financial year-end of the Filer is September 30th.
5. The authorized capital of the Filer consists of an unlimited number of Class A voting shares without par value (the "Common Shares") and an unlimited number of non-voting Class B preferred shares issuable in series without par value, of which 73,881,392 Common Shares and

1,250,000 Series 3 Class B preferred shares are outstanding. The Common Shares are listed and posted for trading on The Toronto Stock Exchange.

6. The Filer is a paper and forest products company with operations throughout Canada and Europe. The growth of the Filer was realized primarily as a result of acquiring its now existing subsidiaries. Agreements entered into for the acquisition of some of its subsidiaries currently restrict the Filer's ability to wind-up of some of its subsidiaries.

7. The Plan is an automatic securities purchase plan established by the Filer to facilitate the acquisition of an ownership interest in the Filer by each Plan Participant. The acquisitions of the Common Shares pursuant to the Plan are made by a trustee on the open market without any direction from Plan Participants. Other than the Lump Sum Option (as defined below), the Plan constitutes an "automatic securities purchase plan" as such term is defined in proposed National Instrument 55-101 - Exemption From Certain Insider Reporting Requirements (1999), 22 OSCB 5161.

8. Under the Plan, a Plan Participant may elect, on the first business day of any month, to contribute a set amount of his or her salary or wages for each regular payroll period. Once the Plan Participant has elected to participate, he or she must contribute the set amount until the termination of his or her participation. At least 30 days prior to the first business day of January and June, a Plan Participant may change the amount of his or her subscription, provided that the aggregate amount of all contributions by a Plan Participant in any given fiscal year does not exceed 10% of such Plan Participant's Annual Base Earnings (as defined in the Plan).

9. Directors of the Filer receive retainer and attendance fees (the "Fees") twice a year. At the time of receipt of the Fees, directors may direct the Trustee to apply up to 100% of the Fees to purchase Common Shares under the Plan.

10. Pursuant to a lump sum payment option (the "Lump Sum Option"), a Plan Participant is permitted to direct the Trustee to use a lump sum cash payment to purchase Common Shares under the Plan. The timing of an investment through the Lump Sum Option will be at the discretion of the Plan Participant.

11. Under the Plan, the Trustee can purchase Common Shares throughout each month, as soon as possible after receipt of funds from Plan Participants. Insiders of the Filer may not direct the Trustee as to when, where or from whom purchases may be made under the Plan, nor will such insiders know when Plan Participants give instructions to sell Common Shares under the Plan.

12. The number of Common Shares that may be acquired under the Plan will be *de minimis* in relation to the number of Common Shares that are issued and outstanding at the time of acquisition under the Plan.

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 pursuant to the Legislation is that, in connection with Common Shares acquired under the Plan, the insider reporting requirements shall not apply to any person who is subject to the insider reporting requirements due to the fact that he or she is a director or senior officer of the Filer or of any subsidiary of the Filer, provided that, in each case:

A. the director or senior officer participating in the Plan (a "Participating Insider") files with the Decision Maker in each Jurisdiction, by the last day of December of each year a report (a "Yearly Report"), in the form required by the insider reporting requirements disclosing any change in his or her direct or indirect beneficial ownership of or control or direction over securities of the Filer resulting from his or her participation in the Plan during the 12-month period ending the preceding September 30<sup>th</sup> (the "Reporting Period") which were not previously reported in the holdings of the Participating Insider;

B. if in any month during a Reporting Period there are one or more changes, including but not limited to, as a result of a Lump Sum Option pursuant to the Plan (other than an acquisition of beneficial ownership that arises solely as a result of regular payroll contributions under the Plan) in the Participating Insider's direct or indirect beneficial ownership of or control or direction over securities of the Filer, the Participating Insider shall file a report in accordance with the provisions contemplated by the insider reporting requirements contained in the Legislation disclosing all such acquisitions, dispositions and transfers of securities of the Filer;

C. if a Plan Participant becomes subject to the insider reporting requirements due to the fact that he or she becomes a director or senior officer of the Filer or of any subsidiary of the Filer during a Reporting Period, then for the purposes of the first Yearly Report contemplated by paragraph above, the "Reporting Period" for that Plan Participant shall be calculated as the period of time commencing on the date the participant became a Participating Insider through to September 30<sup>th</sup> of that year;

D. if, at any time during a Reporting Period other than at the commencement of such period, a Participating Insider decides to adopt the use of a Yearly Report to report changes in direct or indirect beneficial ownership of or control or direction over securities of the Filer under the Plan, then for the purposes of the first Yearly Report contemplated by paragraph above, the "Reporting Period" for that Participating Insider shall be calculated as the period of time commencing on the date on which such determination is made through to September 30<sup>th</sup> of that year; and

E. the Participating Insider does not own, directly or indirectly, or exercise control or direction over voting securities of the Filer, or a combination of both, that carry more than 10 percent of the voting rights attaching to all outstanding securities of the Filer.

DATED at Toronto this 12<sup>th</sup> day of June, 2000.

"Iva Vranic"

#### Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief for officers and directors of reporting issuer and its subsidiaries from the insiders reporting requirements with respect to the acquisition of securities under an automatic share purchase plan, subject to certain conditions including annual reporting.

#### Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am. ss.1(1), 107, 108, 121(2)(a)(iii)

#### Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am. Part VIII.

#### Policies Cited

Ontario Securities Commission Policy Statement No. 10.1.

#### Instruments Cited

Proposed National Instrument 55-101 - Exemption From Certain Insider Reporting Requirements (1999), 22 OSCB 5161.