

2006 BCSECCOM 539

September 12, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – *Securities Rules*, Section 162(3) Exemption from the requirement to include a formal valuation of the offeree issuer in an insider bid circular - An issuer wants relief from the requirement to obtain a formal valuation in connection with its insider bid for the outstanding common shares of a target company - The offeror has not had any board or management representation with the target company in the last 12 months; the offeror does not have access to any material information concerning the target company or its securities that have not been publicly disclosed; the offeror can rely on exemptions from the requirement to obtain a valuation and disclose prior valuations in OSC Rule 61-501 or Québec Policy Q-27

Applicable British Columbia Provisions

Securities Rules, B.C. Reg. 194/97, s. 162(3)

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, 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 CTOE LLC
(the Filer)

MRRS Decision Document

Background

- ¶ 1 The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that the Filer be exempt from the requirement to include a summary of a valuation (the Valuation Requirement) in a take-over bid circular in connection with the Filer's proposed take-over bid for Catalyst Paper Corporation (Catalyst) (the Requested Relief).

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Under the Mutual Reliance Review System for Exemptive Relief Applications (the MRRS):

- (a) the British Columbia Securities Commission is the principal regulator for this application, and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretations

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

Representations

- ¶ 3 This decision is based on the following facts represented by the Filer:
- 1. the Filer is a limited liability company formed under the laws of the State of Delaware and created at the request of Third Avenue Management LLC (TAM) solely for the purpose of making the Offer. The Filer has not otherwise carried on, and will not otherwise carry on, any material business or activity and has no assets;
 - 2. on July 25, 2006, the Filer announced its intention to make the offer (the Offer) to purchase up to 39,000,000 of the issued and outstanding common shares (Shares) of Catalyst;
 - 3. on August 11, 2006, the Filer mailed the Offer and a take-over bid circular (the Circular) relating to the Offer and filed them on SEDAR with the applicable securities regulatory authorities;
 - 4. Mark Friedman is the sole member and manager of the Filer and owns all of the equity interests of the Filer;
 - 5. TAM is a U.S. registered investment advisor that provides investment advisory services to mutual funds and private and institutional clients;
 - 6. because TAM is treated as acting jointly or in concert with the Filer and TAM exercises control or direction over more than 10% of the outstanding Shares, the Offer is technically an “insider bid” for purposes of the Legislation;
 - 7. the Offer is an unsolicited offer and the Filer and TAM lack access to relevant information that would enable the Filer to satisfy the Valuation Requirement;

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8. neither the Filer, TAM nor any joint actor with the Filer has, or has had within the past 12 months, any board or management representation in respect of Catalyst, or has knowledge of any material information concerning Catalyst or its securities that has not been generally disclosed;
9. based on the facts represented in paragraphs 7 and 8, the Filer intends to rely on available exemptions in Ontario and Québec in Ontario Securities Commission Rule 61-501 *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions* (Rule 61-501) and Québec Regulation Q-27 *Respecting Protection of Minority Securityholders in the Course of Certain Transactions* (Q-27) from a requirement comparable to the Valuation Requirement.
10. the Filer has provided relevant disclosure in the Circular in order to enable the Filer to rely of the exemptions in Rule 61-501 and Q-27.
11. in accordance with Section 6.8 of Rule 61-501, the Filer has disclosed in the Offer and Circular that, after reasonable inquiry, it is not aware of any prior valuation (as such term is defined in Rule 61-501).

Decision

- ¶ 4 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 the Requested Relief is granted provided that the Filer complies with the other requirements in the Legislation applicable to formal take-over bids made by insiders.

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission