

2004 BCSECCOM 353

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - novel relief granted to an issuer from requirement to file and deliver annual financial statements and first quarter interim financial statements - issuer is protected under the *Companies' Creditors Arrangement Act* and is in the process of liquidating all assets - no market for the securities - relief is subject to conditions, including that issuer is to file on SEDAR all reports filed with the court

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 91

Securities Rules, B.C. Reg 194/97, s. 144, 145, 149

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

AND

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

AND

IN THE MATTER OF SLATER STEEL INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authorities or regulator (the "Decision Maker") in each of Ontario, Alberta, British Columbia, Quebec, Saskatchewan, Nova Scotia and Newfoundland and Labrador (collectively, the "Jurisdictions") has received an application from Slater Steel Inc. (the "Issuer") for a decision (the "Decision") pursuant to applicable securities legislation in the Jurisdictions (the "Legislation") that the Issuer be granted an exemption from the requirements contained in the Legislation for the Issuer (i) to file its comparative financial statements for the financial year ending December 31, 2003, and to deliver such statements to its shareholders, within 140 days of its financial year end (ii) to file its interim financial statements for the period ended March 31, 2004, and to deliver such statements to its shareholders, within 45 days of its financial period end, (iii) file an annual information form for the financial year ending December 31, 2003, and (iv) file Management's Discussion and Analysis relating to the financial year ending December 31, 2003 and to deliver such Management's Discussion and Analysis to shareholders within 140 days of its financial year end;

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

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

AND WHEREAS it has been represented by the Issuer to the Decision Makers that:

1. The Issuer is a corporation amalgamated under the *Business Corporations Act* (Ontario) pursuant to articles of amalgamation effective April 1, 1980. The Issuer is a mini mill producer of specialty steel products. The Issuer has two remaining mini mills, namely Atlas Specialty Steels in Welland, Ontario (“Welland”); and Atlas Stainless Steels in Sorel-Tracy, Quebec (“Tracy”). The Issuer has substantially completed the sale of four of its facilities, namely its Lemont, Illinois facility, Sorel Forge in Sorel-Tracy, Quebec, Fort Wayne Specialty Alloys in Fort Wayne, Indiana and Hamilton Specialty Bar in Hamilton, Ontario.
2. The Issuer is a reporting issuer or the equivalent in each of the Jurisdictions. Effective March 19, 2004, the Issuer’s common shares (the “Common Shares”) were delisted from trading on the TSX.
3. The authorised share capital of the Issuer consists of an unlimited number of Common Shares of which in excess of 15 million Common Shares are issued and outstanding.
4. On June 2, 2003, the Issuer and certain of its Canadian subsidiaries filed for creditor protection under the *Companies’ Creditors Arrangement Act* (the “CCAA”). At the same time, certain U.S. subsidiaries of the Issuer sought protection under Chapter 11 of the U.S. Bankruptcy Code and the Issuer and certain Canadian subsidiaries thereof sought ancillary relief thereunder. The filings were undertaken to provide the Issuer and its subsidiaries with an opportunity to develop a restructuring plan to address their debt, capital and cost structures.
5. Orders of the Ontario Superior Court of Justice providing creditor protection under the CCAA were granted to the Canadian applicants on June 2, 2003 and similar protection was afforded to the U.S. applicants under the U.S. Bankruptcy Code on the same date.

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6. The stay of proceedings granted under the CCAA and applicable to the Issuer and certain of its Canadian subsidiaries currently extends until June 30, 2004. As well, all of the Issuer's U.S. subsidiaries are subject to proceedings under Chapter 11 of the U.S. Bankruptcy Code.
7. Pursuant to the Issuer's CCAA proceedings, the Monitor appointed in respect of such proceedings periodically files with the court a report detailing information regarding the Issuer's insolvency proceedings. Such report may include the cash flows of the Issuer as approved by its secured creditors, analysis of whether the Issuer has met its historic cash flows, updates regarding all material events relating to the Issuer since the date of the last report as well as other matters that are brought before the court by the Issuer, its creditors or other parties to the insolvency proceedings. All such reports are made publicly available on a website maintained by the Monitor and one maintained by the Issuer.
8. Commencing on or about January 9, 2004, the Issuer and its subsidiaries commenced the winding down and orderly realization of the current assets of the Tracy facility in order to maximize recoveries for creditors and in order to preserve the possibility of a sale of such facility. The Issuer is continuing with its orderly realization plan for its Tracy facility while seeking purchasers for such facility.
9. The Issuer recently entered into a definitive agreement to sell substantially all of the assets at its Welland facility on or about April 30, 2004.
10. At the conclusion of the insolvency proceedings, the Issuer does not expect to have any operating assets.
11. For the third quarter ended September 30, 2003, the Issuer reported a loss before unusual items, interest, income taxes and discontinued operations of \$74.1 million. The Issuer's net losses for the quarter were \$247.5 million (or \$16.37 per Common Share) and for the nine month period ended September 30, 2003 were \$300.8 million (or \$19.90 per Common Share). The Issuer continues to incur significant operating losses.
12. It is likely that the secured creditors of the Issuer and its subsidiaries will suffer a significant shortfall in recovery of amounts owing to them while the unsecured creditors will either recover nothing or, at best, suffer a very significant shortfall.

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13. The Issuer has publicly announced on several occasions via press releases that it does not expect that its shareholders will receive any value following the insolvency proceedings.
14. The Issuer is not in default of any of its obligations as a reporting issuer in any of the Jurisdictions.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker;

AND WHEREAS each of the Decision Makers is satisfied that granting this order would not be prejudicial to the public interest;

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 the Issuer be granted an exemption from the requirement contained in the Legislation for the Issuer to file its comparative financial statements for the financial year ending December 31, 2003, and to deliver such statements to its shareholders, within 140 days of its financial year end provided that:

- (i) the Issuer issues a press release disclosing the details of the granting of this relief;
- (ii) the Issuer files on SEDAR all reports that it or the Monitor appointed in respect of its insolvency proceedings files with the Ontario Superior Court of Justice as may be required by applicable legislation within 10 days of the date of any such filing; and
- (iii) this exemption shall no longer apply upon the Issuer emerging from creditor protection under the CCAA or upon implementing a proposal under the *Bankruptcy and Insolvency Act* (Canada).

DATED at Toronto, Ontario May 13, 2004.

Susan Wolburgh-Jenah

David A. Brown

THE DECISION of the Decision Makers in Ontario, Québec and Saskatchewan is that the Issuer be granted an exemption from the requirement contained in the Legislation for the Issuer (i) to file an annual information form for the financial year ending December 31, 2003, and (ii) to file Management's Discussion and

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Analysis relating to the financial year ending December 31, 2003 and to deliver such Management's Discussion and Analysis to shareholders within 140 days of its financial year end provided that:

- (i) the Issuer issues a press release disclosing the details of the granting of this relief;
- (ii) the Issuer file on SEDAR all reports that it or the Monitor appointed in respect of its insolvency proceedings files with the Ontario Superior Court of Justice as may be required by applicable legislation within 10 days of the date of any such filing; and
- (iii) this exemption shall no longer apply upon the Issuer emerging from creditor protection under the CCAA or upon implementing a proposal under the *Bankruptcy and Insolvency Act* (Canada).

DATED at Toronto, Ontario May 13, 2004.

Margo Paul

AND IT IS THE FURTHER THE DECISION of the Decision Makers pursuant to the Legislation is that the Issuer be granted an exemption from the requirement contained in the Legislation for the Issuer to file its interim financial statements for the period ended March 31, 2004, and to deliver such statements to its shareholders, within 45 days of its financial period end provided that:

- (i) the Issuer issues a press release disclosing the details of the granting of this relief;
- (ii) the Issuer files on SEDAR all reports that it or the Monitor appointed in respect of its insolvency proceedings files with the Ontario Superior Court of Justice as may be required by applicable legislation within 10 days of the date of any such filing; and
- (iii) this exemption shall no longer apply upon the Issuer emerging from creditor protection under the CCAA or upon implementing a proposal under the *Bankruptcy and Insolvency Act* (Canada).

DATED at Toronto, Ontario May 13, 2004.

Margo Paul