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November 16, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 51-102 *Continuous Disclosure Obligations* - s. 13.1 - A person requires relief from the requirement to send an information circular to each securityholder whose proxy is solicited - The person would not be “soliciting” within the meaning of the term in the *Canada Business Corporations Act*; the person will limit its activities to those permitted under the *Canada Business Corporations Act*

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 117 and 119

National Instrument 51-102 ss. 9.1 and 13.1

In the Matter of
the Securities Legislation of
Ontario (the “Principal Jurisdiction”) Alberta, British Columbia, Saskatchewan,
Manitoba, Québec, New Brunswick, Nova Scotia, and Newfoundland & Labrador
(Collectively, the “Participating Jurisdictions”)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of Paulson & Co. Inc. (the “Filer”)

MRRS Decision Document

Background

1. The local securities regulatory authority or regulator (collectively, the “Decision Makers”) in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, and Newfoundland & Labrador (the “Jurisdictions”) has received an application from the Filer for a decision under the securities legislation of

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the Jurisdictions (the “Legislation”) and, in Ontario only, a decision under the *Business Corporations Act* (Ontario) (the “OBCA”) that:

1.1 the requirement in the Legislation to send an information circular to each shareholder (“Shareholders”) of Algoma Steel Inc. (the “Corporation”) whose proxy is solicited (the “Information Circular Requirement”) does not apply to certain solicitations made by the Filer in respect of the Corporation which consist solely of a public announcement describing how Paulson intends to vote in respect of any item of business to be considered at a meeting of the shareholders of Algoma and the reasons for that decision, where such public announcement is made by:

- (i) a speech in a public forum; or
- (ii) a press release, an opinion, a statement or an advertisement provided through a broadcast medium or by a telephonic, electronic or other communication facility, or appearing in a newspaper, a magazine or other publication generally available to the public.

(the “Public Announcement Relief”)

1.2 in Ontario only, the requirement in the OBCA to send an information circular to each Shareholder of the Corporation whose proxy is solicited (the “OBCA Information Circular Requirement”) does not apply

- (a) in the circumstances described in paragraph 1.1; and
- (b) in connection with the solicitation of proxies from not more than fifteen Shareholders.

(the “OBCA Relief”)

2. Under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”),

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

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Interpretation

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

Representations

4. The decision is based on the following facts represented by the Filers:
 - 4.1 The Filer is an investment management firm based in New York City, USA and is a Shareholder of the Corporation. The Filer holds approximately 19% of the issued and outstanding common shares of the Corporation.
 - 4.2 The Corporation is a TSX-listed issuer governed by the OBCA.
 - 4.3 The Filer has had a number of discussions over the last several months with management of the Corporation to encourage management of the Corporation to maximize value for all Shareholders.
 - 4.4 On October 21, 2005, the Filer sent a letter to the Board of Directors (the "Board") of the Corporation asking the Board to consider a proposed corporate reorganization pursuant to which Algoma would exchange 40% of its shares for \$26 per share in cash and the remaining 60% of its shares for shares in a new company that would continue the business, subject to shareholder elections and *pro rationing*.
 - 4.5 On October 25, 2005, the Corporation issued a press release indicating that the Board rejected the Filer's proposal.
 - 4.6 On October 26, 2005, the Filer issued a press release stating that it has begun the process to issue a legal requisition to the Corporation's board to call a special shareholder's meeting before the end of the year to replace a majority of the Board and consider the proposed corporate reorganization.
 - 4.7 On November 1, 2005, the Filer sent a requisition to the Corporation for a special meeting and, on November 2, 2005 issued a press release announcing the requisition. The requisition asks the Corporation to forthwith call a special meeting of Shareholders to consider the following business:

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- (a) a resolution removing certain directors from the Board, setting the number of directors at nine and electing directors to fill the vacancies created thereby such that the Corporation has nine directors;
 - (b) a resolution directing the Board to consider, and if thought appropriate, to refinance the currently outstanding 11% secured notes issued pursuant to an Indenture dated as of January 29, 2002 and due December 31, 2009 (the "Notes") by redeeming the Notes at the earliest opportunity and issuing \$200 million of new notes that are not subject to mandatory payment in respect of the outstanding principal amount until a date no earlier than 2010; and
 - (c) a resolution directing the Board to consider and, if thought appropriate, to place before the Shareholders for their approval, a transaction to distribute cash retained by the Corporation to Shareholders on a tax efficient basis whereby Shareholders may elect to receive, subject to *pro rationing*, (i) cash at a price per common share that represents a premium to the market price for the common shares, for a portion of their common shares or (ii) common shares in the Corporation or its successor, provided that such cash component shall not be less than \$400 million or the maximum amount permitted by law if less than \$400 million.
- 4.8 The Filer also submitted to the Corporation a statement in support of its proposal for inclusion in the management proxy circular to be mailed in connection with the requisitioned meeting
- 4.9 The Corporation expressed its opposition to the Filer's proposal as evidenced by the Corporation's October 25, 2005 press releases and its conference call held on November 3, 2005.
- 4.10 The Filer wishes to express its views as a Shareholder so that other Shareholders understand the business raised by the Filer's requisition and how the Filer intends to vote. The Filer also wishes to hear and discuss the views of other Shareholders on the matter. The Filer wishes to be able to publicly state its views and reasons for the requisition, either in a news release or by way of advertisements.

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- 4.11 Paulson expects that the Corporation will have Shareholders in each of the Jurisdictions.

Decision

5. 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.
6. The decision of the Decision Makers under the Legislation is that the Public Announcement Relief is granted.

Ralph Shay

Director, Take Over Bids, Mergers & Acquisitions

7. In Ontario only, the OBCA Relief is granted.

Paul Moore
Commissioner
Ontario Securities Commission

Suresh Thakrar
Commissioner
Ontario Securities Commission