

MEMBER REGULATION



INVESTMENT DEALERS
ASSOCIATION OF CANADA

notice



ASSOCIATION CANADIENNE DES
COURTIERS EN VALEURS MOBILIÈRES

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MR0298

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ATTENTION:
Ultimate Designated Persons
Chief Financial Officers
Panel Auditors

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Nexfor Inc.

“If As and When Issued” Markets

This notice is being issued as a reminder to Member firms of the capital and margin requirements for positions in and offsets involving when issued securities and how these requirements apply to a proposed plan of arrangement involving Nexfor Inc.

On June 21, 2004, the TSX announced through the issuance of Listed Company Bulletin No. 2004-0689, that pursuant to a proposed plan of arrangement (the “Arrangement”) announced by Nexfor Inc. (TSX stock symbol “NF”), the common shares of the following companies will commence trading on an “if as and when issued” (collectively referred to as “when issued”) basis on June 22, 2004:

Common shares of Norbord Inc.
[TSX stock symbol “NBD”]

Common shares of Fraser Papers Inc.
[TSX stock symbol “FPS”]

PER SHARE RATIOS TO BE USED FOR DISTRIBUTION

If the Arrangement is made effective on June 30, 2004, holders of Nexfor common shares of record at the close of business on July 7, 2004 (the “Record Date”) will receive on or about July 8, 2004 the following securities and cheque in exchange for every Nexfor common share held on the Record Date:

1 common share of Norbord Inc. (“Norbord”);

0.20 of common share of Fraser Papers Inc. (“Fraser Papers”); and

a cheque for any fractional interest in shares of Fraser Papers.

CAPITAL AND MARGIN REQUIREMENTS FOR UNHEDGED POSITIONS

As a result, upon the commencement of when issued trading, unhedged positions in these securities will be subject to the following margin rate requirements:

Securities	Margin Rate
Nexfor Inc. (NF)	25% for Member firm positions 30% for customer positions [Note: This is unchanged from the current requirements]
Norbord Inc. (NBD ¹)	25% for Member firm positions 30% for customer positions
Fraser Papers Inc. (FPS)	50% for Member firm positions 50% for customer positions

Pursuant to IDA regulations:

- A sale transaction [IDA Regulation 100.19(a)(i)] relating to a security trading on a when issued basis shall be subject to margin, using the above rates, three business days after the trade date of the transaction.
- A purchase transaction [IDA Regulation 100.19(b)] relating to a security trading on a when issued basis shall be subject to margin, using the above rates, on the date which is the later of three business days after the trade date of the transaction and the date of issuance or distribution of the security.

CAPITAL AND MARGIN REQUIREMENTS FOR OFFSET STRATEGIES

Further, upon the commencement of when issued trading and until a further notice is issued, the following offset strategies in these securities will be subject to the following margin rate requirements:

1. Long Position in NF and Short when issued positions in equivalent quantities² of NBD and FPS

- Unless all requirements, regulatory, competition bureau or court approval or otherwise, have been met regarding the proposed spin-off reorganization, the margin requirement for the offset will be the normal margin required on the long position in the shares of the existing company.
- When all approval requirements have been met, the margin requirement will be any excess of market value of the long position in NF over the combined market value of the short positions in NBD and FPS [IDA Regulation 100.4H(e)].

¹ Based on the Arrangement, Norbord Inc. (NBD) qualifies for inclusion on the List of Securities Eligible for Reduced Margin (the "LSERM"), because it meets the LSERM's "Other Inclusion Requirements" of a new security listing resulting from a issuer reorganization that is substantially the same as a previous listing, has a combined calculated price volatility margin interval for the old and the new listing of lesser than or equal to 25%; and meets all the other "General Inclusion Requirements" for ongoing listings. Where for the purposes of the "Other Inclusion Requirements", the term "substantially the same" means a new security listing that represents between 80% and 120% of the public float of a previous security listing.

² Equivalent quantities is to be determined using the per share distribution ratios as set out in NF plan of arrangement and reported on page 1 of this notice.

2. Short Position in NF and Long when issued positions in equivalent quantities of NBD and FPS

- When all approval requirements have been met, the margin requirement will be the sum of the conversion loss, if any and 40% of the normal capital required (margin required in the case of customer positions) on the NBD and FPS long positions [IDA Regulation 100.4H(d)].

3. Long when issued position in NBD and Short when issued position in NBD

- Margin shall be calculated on the market value of the long when issued position as required by the relevant provisions for long positions in Regulation 100.2(f) and shall be posted on the third settlement day after the sale [IDA Regulation 100.19(a)(ii)].

4. Long when issued position in FPS and Short when issued position in FPS

- Margin treatment for this offset is the same as for the NBD offset as described in 3. above.