

PROPOSALS IN SUPPORT OF IMASCO'S APPLICATION

FOR A FAVOURABLE FIRA STATUS OPINION

1. The Senior Shareholder would oblige itself (by a voting trust or other legally binding arrangement) to give the right to the outside (non-executive) eligible Canadian directors of Imasco to vote its shares at their discretion.

This right would exist without qualification from the date of the favourable FIRA status opinion so long as Imasco remains an eligible person but could be immediately withdrawn by the Senior Shareholder (with notice to the Minister) in the event of developments which might, in the opinion of the Senior Shareholder, adversely affect the Senior Shareholder's interests.

In the event of withdrawal of these arrangements Imasco would immediately cease to regard itself as an eligible person and would submit all future acquisitions of Canadian companies and new business ventures to the Minister for approval. Any acquisitions made during the period of two years prior to withdrawal would also become subject to review by the Minister in that event, unless the cause was the loss of eligible status by Imasco in circumstances where there had been no material change in the facts on the basis of which eligible status had been granted.

2. The Senior Shareholder is willing to contemplate these arrangements because it has every confidence in the Canadian management of Imasco but it remains a long-term investor in Imasco and does not wish to see its investment reduced below 40%. It is proposed, therefore, that at the next convenient General Meeting the Board of Imasco will arrange for the amendment of the Charter to provide for a

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maximum limit to the number of Ordinary and Preference shares which may be issued by the directors without further approval in General Meeting. The maximum will be calculated so that the Senior Shareholder's interest will not fall below 40%.

3. The relationship between the Senior Shareholder and Imasco will continue to be one where Imasco provides appropriate information to and has consultation with the Senior Shareholder so that Imasco can receive the benefit of the advice and experience of the Senior Shareholder. It would be agreed, however, that the ultimate decision making authority in Imasco, including decisions as to the selection of directors, would be with the Board of Directors of Imasco.
4. A procedure will be established providing for minimum numbers of outside directors, the method of their selection and the procedure for exercising their proxy votes.
5. The following further points are understood between the Senior Shareholder and Imasco:
 - a. the Board of Directors of Imasco would be made up of not less than 80% eligible persons under the FIR Act. The Chief Executive Officer would be an eligible person under the FIR Act.
 - b. The Senior Shareholder would not have any nominees on the Board of Directors of Imasco.
 - c. Imasco's head office (and executive office, if different) would at all times be located in Canada.

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- d. Not less than three quarters of all meetings of the Board of Directors and of the Executive Committee of the Board of Imasco would be held in Canada.
- e. Every reasonable effort would be made by Imasco (in line with earlier undertakings to FIRA) to reduce the Senior Shareholder's vote to 40% by the end of 1983.

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