

BLAKE, CASSELS & GRAYDON LLP

BARRISTERS & SOLICITORS | PATENT & TRADE-MARK AGENTS

Box 25, Commerce Court West
199 Bay Street
Toronto, Ontario, Canada
M5L 1A9

Deliveries: 28th Floor
Telephone: 416.863.2400
Facsimile: 416.863.2653
www.blakes.com

December 12, 2005
Amended as of December 14, 2005

VIA E-MAIL, DELIVERY AND FACSIMILE

Neil Finkelstein
Direct Dial: (416) 863-2266
E-Mail: neil.finkelstein@blakes.com

Ontario Securities Commission
20 Queen Street, Suite 1903
Toronto, Ontario
M5H 3S8

Reference: 47369/98

Attention: John Stevenson
Secretary of the Commission

Dear Sirs:

**Re: Response to Application by Torys LLP under sections 104 and 127
of the *Securities Act* (Ontario)**

This letter replaces and supersedes our letter to you dated December 12, 2005. The amendments contained herein are a result of the Notice of Extension and Variation of Agrium (as defined below) dated and filed December 13, 2005, a copy of which is attached.

We are counsel to Agrium Inc. and its wholly-owned subsidiary, Agrium Acquisitions Inc. (together with Agrium Inc., "**Agrium**"). On November 8, 2005, Agrium filed an offer and circular (the "**Agrium Circular**") in respect of an offer to purchase (the "**Offer**") all of the outstanding Income Deposit Securities ("**IDSs**") of Royster-Clark Ltd. ("**RC Ltd.**") and Royster-Clark ULC ("**RC ULC**"). This letter is in response to the application by Torys LLP, counsel to RC Ltd. and RC ULC, dated December 8, 2005 (the "**RC Application**") in which they submit that the Offer and the Agrium Circular do not comply with Ontario securities laws and that such non-compliance has coercive and prejudicial effects on the holders of IDSs and is contrary to the public interest. We submit that the Offer is made in full compliance with Ontario securities laws, does not have such effects and is not contrary to the public interest, and have addressed the specific submissions in the RC Application below, using the same headings used in the RC Application for your convenience.

A. ILLEGAL TAKE-OVER BID

We submit that the Offer is a take-over bid that complies with all applicable laws and that Agrium has made an offer for all of the securities of the class that are subject to the bid in accordance with sections 95(1) and 97(1) of the *Securities Act* (Ontario) (the "**Act**").

Nature of an Income Deposit Security

An IDS evidences ownership of two separate underlying securities, being one common share in the capital of RC Ltd. ("**Common Shares**") and \$6.08 principal amount of 14.0% subordinated notes due July 15, 2020 of RC ULC ("**Subordinated Notes**"). However, contrary to the submissions in the RC Application, an IDS is also a "security" in its own right, as the definition of "security" in section 1(1)(d) of the Act includes "any document constituting evidence of an option, subscription or other interest in or to a security". Indeed, despite their protestations now, RC Ltd. and RC ULC themselves treated the IDSs as a single security in the initial public offering of 32,500,000 IDSs (the "**IPO**") pursuant to a final prospectus dated July 13, 2005 (the "**IPO Prospectus**"). That IPO was conducted, and the securities were sold to the public, only in the form of IDSs. No separate Common Shares or Subordinated Notes were sold to the public under the IPO.

Tax laws in the United States do not allow creation of income or similar trust structures. The income deposit security structure was created to mirror an income trust unit for assets or companies with businesses in the United States. Several other companies have also utilized this structure in the Canadian capital markets, all of which are comprised of a common share and a high yielding note or debenture. Income deposit securities are designed to provide a blended yield to investors through a combination of dividends and interest on the note. Although the dividends and interest received through the income deposit securities structure differ somewhat in terms of tax treatment, the focus of investors is only on the blended yield provided by the IDS units as a whole.

At no time since completion of the IPO, up to and including the present, have the Common Shares and Subordinated Notes that comprised the IDSs in the IPO traded separately. Only the IDSs have traded on the Toronto Stock Exchange (the "**TSX**"). While it is true that the Common Shares are formally "listed" on the TSX, RC Ltd. and RC ULC only listed the Common Shares in the IPO process because, as a practical matter, the Subordinated Notes will mature or may be redeemed in the future (being 2020 and 2012, respectively). As a result, the remaining outstanding Common Shares will require a market on which they may be traded at such time.

It is also true that holders of IDSs have the right at any time to "separate" their IDSs and receive the underlying Common Shares and Subordinated Notes. However, that has not occurred in this case according to the securityholder and financial intermediary searches conducted on each of the IDSs, Common Shares and Subordinated Notes, both at the date of the Offer for the purpose of mailing to beneficial holders of IDSs and on December 9, 2005.

Agrium's Failure to Offer for All RC Ltd. Common Shares

The Offer is for IDSs only, the very same form of securities sold to the public under the IPO Prospectus five months ago in July 2005. As here, purchasers in the IPO were not permitted to

purchase only Common Shares or only Subordinated Notes, but were required to purchase IDSs as a "stapled" security.

Section 95(1) of the Act states that a take-over bid for equity or voting securities shall be made to "all holders of securities of the class that is subject to the bid who are in Ontario": see also section 97(1) of the Act. Agrium's Offer complies with these requirements in relation to the IDSs. As well, since 100% of the Common Shares are part of an IDS, the Offer is also indirectly for all of the Common Shares. Indeed, at this point, based on our securityholder and financial intermediary searches conducted at the date of the Offer and as of December 9, 2005, all Common Shares at such times were outstanding as part of the IDSs. No separate Common Shares were outstanding. Accordingly, every holder of Common Shares holds such shares as part of an IDS, and they were in a position to accept the Offer at the date of the Offer and are currently in a position to accept the Offer. It is noteworthy that even if the IDSs do separate into Common Shares and Subordinated Notes, they can be re-combined into IDSs and tendered to the Offer by re-acquiring the missing component from what should be a readily identifiable third party as there is no active market for the separate components.

In the matter at hand, the bid is made for all of the Common Shares, together with all the associated \$6.08 principal amount of Subordinated Notes, which were together sold to the public under the IPO as IDSs and trade on the TSX as IDSs. This is similar to a take-over bid for common shares with rights attached under a shareholder rights plan, such as the one adopted by RC Ltd. In these situations, the bid is made for the common shares together with the associated rights.

The RC Application argues on page 3 that if Agrium bids separately for the Common Shares and the Subordinated Notes, the holders of IDSs would be better off as they could decide to separately deposit into the separate bids and institutional holders would be able to negotiate better prices for the Subordinated Notes that form part of the IDSs. That is irrelevant. Agrium has made a \$10.00 offer for the IDSs, and not separate offers for the Common Shares and Subordinated Notes. Further, even if Agrium did make separate offers, those offers would be cross-conditional upon a 90% deposit in each offer. Agrium would have no interest in separately negotiating higher prices with holders of Common Shares or holders of Subordinated Notes, because the \$10.00 bid price for all of the IDSs is a bid for the whole company. The package, however its component parts are divided (and Agrium values such components as \$2.00 and \$8.00 for the Common Shares and Subordinated Notes, respectively), is \$10.00 per IDS. The RC Application should deal with the bid Agrium has made, and not speculate on what could happen if Agrium makes a different bid that RC Ltd. and RC ULC would prefer.

With respect to the submission in the RC Application that this approach was taken "in an effort to obscure the separate values of the Common Shares and Subordinated Notes" and does not "permit the development of a public price discovery process in relation to each of the Common Shares and the Subordinated Notes", that is a peculiar criticism from RC Ltd. and RC ULC. The Offer is made for the same form of securities (i.e., an IDS) as were sold to the public in the IPO

in July 2005. The Offer is not designed to obscure separate values, but to acquire the underlying business of the Royster-Clark group of companies ("**Royster-Clark**") at a price that represents the aggregate value of the publicly-held portion of that business. Income deposit securities are comprised of separate Common Shares and Subordinated Notes only for technical tax purposes. What RC Ltd. and RC ULC sold to the public was a "stapled security" that represented, in a tax-efficient manner, the underlying value of Royster-Clark's business, not two separate securities intended to have separate trading and market values. It should also be noted that the source of cash to pay the 14.0% interest on the Subordinated Notes is a 14.0% preferred share dividend paid to RC ULC by Royster-Clark Holdings, Inc., the primary holding/operating entity within Royster-Clark. Therefore the Subordinated Notes themselves are merely a tax-efficient vehicle to provide holders of IDSs with a portion of the underlying value of Royster-Clark's business.

The IDSs trade on the TSX at a price that is determined strictly by market forces. The day prior to the announcement of the Offer, the IDSs were ascribed a value by the market of only \$7.85 per IDS. The IDSs traded as low as \$7.21 in the days leading up to the Offer. There have never been market forces in effect that determine separate values for the Common Shares and the Subordinated Notes. The value of the Subordinated Notes that comprise part of the IDSs is fully reflected in the trading price for the IDSs as a whole.

It may be true that institutional investors understand the level of premium required to buy a separate debt instrument. However, the IDSs were also sold to public investors who are generally represented by brokers and advisors. These people are sophisticated and have access to analyst reports that would provide them with equally sophisticated information as that available to institutional investors. If that is not the case, the disclosure by RC Ltd. and RC ULC in the IPO Prospectus must have been misleading for similar reasons to those articulated by RC Ltd. and RC ULC in this matter.

B. INADEQUATE DISCLOSURE

Consideration under the Offer and Consequences of Acceptance

The Agrium Circular is clear that the consideration under the Offer is \$10.00 for each IDS. That is the same price that subscribers paid for the IDSs in the IPO in July 2005, and well in excess of the \$7.85 closing price of the IDSs on the TSX the day before the Offer was made. Furthermore, just as the IPO price of \$10.00 per IDS allocated a price of \$3.92 to each Common Share forming part of the IDS and \$6.08 principal amount of Subordinated Notes forming part of the IDS, the Agrium Offer has allocated a price of \$2.00 per Common Share forming part of the IDS and \$8.00 for each \$6.08 principal amount of Subordinated Notes forming part of the IDS. Agrium made its allocation based on what it believes to be an appropriate valuation of the Common Shares and Subordinated Notes which form the IDSs. There is, of course, no obligation under the take-over bid disclosure rules for a bidder to disclose how it arrived at the prices and values of which it is bidding. However, for the purposes of this response letter to the Ontario Securities Commission (the "**Commission**"), an explanation is set forth below.

The aggregate Offer price of \$10.00 per IDS is based on Agrium's assessment of the value of Royster-Clark's underlying business. In determining the allocation of \$2.00 for the Common Share and \$8.00 for the \$6.08 principal amount of the Subordinated Notes, Agrium and its financial advisors focused first on the Subordinated Notes as this is the component security that can be more easily valued given the specified principal and prescribed rate of interest and the terms set forth under the Subordinated Note Indenture. In their view, the Subordinated Notes will trade at a yield in the range of approximately 8% (lower than the 14% rate of interest on the face of the Subordinated Notes, but higher than 5.5%, which is the yield at which Agrium Inc.'s current debt trades and the yield implied in the R-C Application based on their assumed premium of 150% of principal amount). While it is true that there will be some perceived credit enhancement to any Subordinated Notes that remain outstanding after the successful conclusion of the Offer (given Agrium's ownership of Royster-Clark), it is important to remember that the Subordinated Notes will not become a direct debt obligation of Agrium Inc., but will remain a debt of RC ULC, which will be an Agrium subsidiary, and such debt will not be guaranteed by Agrium Inc. itself. The estimated 8% yield is six percentage points below the yield established by Royster-Clark and its advisors and reflects this perceived credit enhancement. Assuming that the Subordinated Notes trade in the range of an 8% yield, this translates into a value of \$8.00 per each \$6.08 principal amount of Subordinated Notes. Once the price for the Subordinated Notes portion of the IDS has been determined, the Common Share allocation is simply the IDS value less the Subordinated Note portion. See also " – Effect of Agrium's Offer on the Subordinated Notes" below.

In any event, as stated above, the value of the publicly-held portion of the Royster-Clark organization and business operations is fully reflected in the trading price of the IDSs as a whole on the TSX, and not by separate valuations attached to the Common Shares and the Subordinated Notes. While there will be some perceived credit enhancement for the Subordinated Notes for the reasons discussed above, this credit enhancement does not increase the enterprise value nor the price that anyone would pay to acquire RC Ltd. and Royster-Clark.

The RC Application alleges that the Agrium Circular does not calculate the tax consequences for original purchasers of IDSs in the IPO. These tax consequences are wholly neutral, as the price being paid by Agrium for each IDS is exactly what the original IPO purchaser paid, and accordingly the original purchasers realize no gain or loss. Acceptance of the Offer will result in an investor who purchased IDSs at the time of the IPO and tendered his or her IDSs to the Offer realizing a capital gain of \$1.92 in respect of each \$6.08 principal amount of Subordinated Notes and a capital loss of \$1.92 in respect of each Common Share. Obviously, this equates to a zero balance in terms of capital taxes. It is neither required nor customary to provide specific examples of numerical capital losses and gains in the tax disclosure in a take-over bid circular as there are a large number of prices at which different investors have purchased the IDSs.

More importantly, approximately 37.3 million IDSs (114.8% of the issued and outstanding IDSs) have traded since the IPO (including approximately 24.6 million IDSs, or 76%, since the announcement of Agrium's Offer) and those purchasers would generally have different adjusted

cost bases for their IDSs and are not necessarily bound by any allocation that was disclosed in the IPO Prospectus. Accordingly, the only disclosure of relevance to them is Agrium's allocation, which is prominently disclosed in the Offer. Therefore, a comparison to the IPO allocation is artificial as the overall group of securityholders who accepts the Offer will bear little if any resemblance to the investors under the IPO. In any event, the ability for virtually all investors who purchased IDSs subsequent to the IPO and prior to the Offer to realize an overall capital gain on the sale of the IDSs (and in particular a capital gain in excess of \$2.00 per IDS as compared to the trading prices of the IDSs on the TSX prior to the date of the Offer in the \$7.21 to \$7.85 range) cannot be considered problematic.

With respect to the submission in the RC Application that the Agrium Circular fails to disclose the impact of the structure of Agrium's Offer on RC Ltd. and RC ULC investors who do not tender to Offer, the Agrium Circular clearly and accurately states that there is no Compulsory Acquisition (as defined in the Agrium Circular) mechanism available at law to acquire any remaining outstanding Subordinated Notes that previously formed part of an IDS to which the "squeeze out" provisions of the *Business Corporations Act* (Ontario) (the "**OBCA**") were applied to the Common Shares forming part of that IDS.

Furthermore, as disclosed in section 13 of the Offer portion of the Agrium Circular, "Acquisition of Securities Not Deposited" and under the heading "Acquisition of Securities Not Deposited" in the Agrium Circular, under the provisions of the Subordinated Notes Indenture (as defined in the Agrium Circular) and applicable laws, a Subsequent Acquisition Transaction (as defined in the Agrium Circular) is not currently permitted with respect to the Subordinated Notes. The inability to conduct such a transaction is not due to any act or omission by Agrium but is solely the result of applicable laws failing to apply to non-convertible debt securities such as the Subordinated Notes. It is further complicated by the provisions in the Subordinated Notes Indenture which require the approval of all (instead of a simple majority or 66 2/3%) of the holders of Subordinated Notes to make material amendments to the terms of the Subordinated Notes and the Subordinated Notes Indenture (see " – Effect of Agrium's Offer on the Subordinated Notes" below).

In any event, in order to facilitate the disposal of any Subordinated Notes that previously formed part of an IDS where the Common Shares have been acquired by Agrium pursuant to a Compulsory Acquisition or Subsequent Acquisition Transaction, Agrium announced on December 13, 2005 that if it undertook a Compulsory Acquisition or Subsequent Acquisition Transaction in respect of the Common Shares following completion of the Offer, it would make a "standing offer" for a period of time following completion of the Offer to acquire any Subordinated Notes which were separated from the Common Shares as a result of the Compulsory Acquisition or Subsequent Acquisition Transaction. The standing offer would be to pay the same price for those Subordinated Notes as that allocated to the Subordinated Notes under the Offer, being \$8.00 cash per \$6.08 principal amount of Subordinated Notes. This "standing offer" is discussed in Agrium's Notice of Extension and Variation of its Offer to Purchase dated December 13, 2005 (attached).

Furthermore, obviously, holders of Subordinated Notes who do not tender to the Offer would not be prejudiced following completion of the Offer, as they will still hold a 14.0% per annum interest-bearing note with the benefits and protections of the Subordinated Notes Indenture, as discussed below.

Effect of Agrium's Offer on the Subordinated Notes

If the 90% minimum tender condition is met in the Offer as currently structured, and a Compulsory Acquisition right is exercised in respect of the Common Shares, there would remain outstanding both "Separate Subordinated Notes" (as defined on page 2 of the RC Application) and "Non-Tendered Notes" (as defined on page 5 of the RC Application). Furthermore, upon a change of control of RC ULC, RC ULC is required to make an offer to purchase all Subordinated Notes at 101% of their principal amount. Agrium has stated in the Agrium Circular that it intends to cause such an offer to be made in respect of both the Separate Subordinated Notes and the Non-Tendered Notes.

Agrium's financial advisors have advised Agrium that, following completion of the Offer, there will be an available market for any "orphan" Subordinated Notes. Holders could elect to sell their Subordinated Notes on the "over-the-counter" ("OTC") bond market. Virtually all bonds in Canada trade on the OTC market. This simply means the bonds are not listed on an exchange such as the TSX. The OTC market is easy for all investors (retail and institutional) to access. Trades are executed as follows: using the example of a Subordinated Note, a holder will call their broker and ask to buy or sell a Subordinated Note; the broker will contact the retail bond desk and ask for a price quote; the retail bond desk will quote a price based on the Subordinated Notes that they hold or wish to hold in their inventory. If the retail bond desk has no Subordinated Notes, and/or does not want to buy, they will call the corporate bond desk; if the corporate desk cannot fill the order it will need to be executed on an agency basis, which means the bond desk would seek another brokerage firm to purchase the order. With respect to the Subordinated Notes, Agrium's financial advisors believe that these would not be "orphan" notes. Based on discussions with investors, Agrium's financial advisors believe that there would be significant interest in the Non-Tendered Notes after the completion of the Offer. Moreover, given the turnover in the ownership in the IDSs since the announcement of the Offer, Agrium's financial advisors believe that the profile of the holders of any Non-Tendered Notes will be similar to the holders of the Separate Subordinated Notes (i.e. sophisticated investors).

Furthermore, contrary to the submissions in the RC Application, Agrium's financial advisors believe that if Agrium is successful in the Offer, the Subordinated Notes will trade at an implied market yield of approximately 8% and not 5.5% as implied in the premium of 150% of principal amount stated in the RC Application, as the Subordinated Notes will continue to be subordinated notes of RC ULC, a subsidiary of Agrium Inc., and will not be direct debt obligations of or guaranteed by Agrium Inc. Based on the approximate 8% projected yield, the estimated value of the Subordinated Notes following completion of the Offer would be \$8.00, which is the price

allocated to and paid for the Subordinated Notes under the Offer. See " - Consideration Under the Offer and Consequences of Acceptance" above.

The RC Application implies that small holders of Subordinated Notes will be harmed by the Agrium Offer. The RC Application states that "it is possible that, following the completion of a successful Agrium Offer as currently structured, Agrium will seek to purchase some or all of the separate Subordinated Notes and the Non-Tendered Notes but for different prices than the allocation indicated in the Offer". The RC Application then goes on to argue that Agrium will purchase from institutional purchasers at higher prices, attempting to imply that small holders will be disadvantaged. It is of course possible that Agrium would do this. It is also possible that Agrium would pay a lower price than that allocated to the Subordinated Notes in the Offer and it is even more possible that Agrium will not make any purchases of Subordinated Notes. Royster-Clark's argument in this regard is based on their assertion of possibilities, not on any legal or factual matter relating to Agrium's Offer.

The RC Application then indicates that the Subordinated Notes, after successful completion of Agrium's Offer and the squeeze-out of the Common Shares, would trade at approximately 150% of the principal amount (i.e. the Subordinated Note would have a value of \$9.12 for every \$6.08 of principal amount). As stated above, Agrium and its financial advisors believe this analysis is simply incorrect. The RC Application then asserts without basis that only sophisticated institutional purchasers would be able to bargain for such an increased premium and that Agrium would pay no premium to minority holders. This assertion is again both unwarranted and inaccurate. Subject to its commitment to acquire the Subordinated Notes left outstanding after any Compulsory Acquisition of the Common Shares, Agrium is under no obligation, and has no compelling economic need, to acquire additional Subordinated Notes beyond those which form part of IDSs. That being said, if Agrium were to buy additional Subordinated Notes, it is indifferent as to whether those Subordinated Notes are acquired from "sophisticated institutional investors" or "ordinary holders".

The RC Application asserts that the above circumstances would be coercive to holders of Subordinated Notes and would force them to deposit under the Offer at an unfair price. This assertion is wrong, and should be closely reviewed.

1. The Offer is not a partial bid. It is an offer for 100% of the IDSs, and in turn for 100% of the Common Shares. As stated by the Commission in *Re Chapters Inc.* (2001), 24 O.S.C.B. 1064 (OSC) in relation to partial bids: "This coercion is caused by the fact that not all of the shares will be taken up under the Offer B. To succeed on this basis, Chapters would have had to demonstrate that illiquidity would result from a successful bid B". The Commission went on to say that "one cannot conclude from [*Ivanhoe*] that the inherently coercive nature of partial bids is a matter of settled law or Commission policy." In this case, this is not a partial bid at all. There is no danger that any investor will be left with stranded Common Shares or Subordinated Notes except as a matter of personal choice not to tender to a bid for 100% of the IDSs.

2. No holder of IDSs is compelled to deposit in the Agrium Offer. In fact, given Agrium's 90% "minimum condition", the Offer will only be successful if a significant number of holders find the Offer to be attractive.
3. If a particular holder does not find Agrium's Offer to be attractive, there is no coercion that forces the holder to deposit.
4. If Agrium's Offer is successful and 90% of the IDSs are taken-up, Agrium may exercise its statutory right to acquire the Common Share. As this is a procedure authorized by the OBCA, it is hardly coercive.
5. It is true that the Subordinated Notes will not be listed on a organized exchange. However, this is due to the failure of RC to make arrangements for that at the time of the IPO, not a consequence of any of Agrium's actions. In any event, as discussed above (see " – Consideration Under the Offer and Consequences of Acceptance"), Agrium has stated that it will offer to acquire the Non-Tendered Notes post-closing at the same \$8.00 price as that allocated to the \$6.08 principal amount of Subordinated Notes in the Offer. Moreover, as outlined above, Agrium and its financial advisors believe that there will be a market for any remaining Subordinated Notes following completion of the Offer. The Subordinated Notes will trade in the OTC Canadian bond market like any other unlisted debt security of a Canadian corporation. While the Canadian bond market is primarily an institutional market, it is not "coercive" simply because a bond ends up trading in that market. Brokers will advise their clients, including clients who hold only Subordinated Notes, to ensure that clients wishing to trade in that market receive the best price available.
6. Both Royster-Clark ULC and Agrium Inc. would continue to be reporting issuers so that full information would available to investors with respect to the economic prospects of the two entities.

The RC Application submits that if Agrium acquired more than 50% of the Subordinated Notes, it would "strip" many of the protective covenants out of the Subordinated Notes Indenture. Agrium has reviewed the Subordinated Notes Indenture and, under that indenture, the approval of all, and not just greater than 50% or 66 2/3%, of the holders of Subordinated Notes is required to make any material amendments to the provisions of the Subordinated Notes Indenture or any amendments that could be materially detrimental to noteholders, such as amending the maturity date, interest rate or redemption rights. In particular, among other things, Section 9.02(b) of the Note Indenture states that, without the consent of each Holder of the [Subordinated Notes] affected, an amendment or waiver may not:

- (i) reduce the amount of [Subordinated Notes] whose Holders must consent to an amendment; ...

- (iii) reduce the principal of or reduce or extend the stated maturity of any [Subordinated Notes];
- (iv) reduce the premium (if any) payable upon the redemption of any [Subordinated Notes] or change the time at which any [Subordinated Notes] may be redeemed; ...
- (vi) make any changes to Article 11 [Subordination] or Article 12 [Subordination of the Guarantees] that adversely affects the rights of any Holder; [or]
- (vii) modify the Guarantees or any other security in any manner adverse to the Holders; ...

The statement that Agrium, at 50% ownership of the Subordinated Notes, could "strip" protective covenants is a false statement by Royster-Clark.

C. OTHER PUBLIC INTEREST PROBLEMS

Bid for Subordinated Notes Should be Subject to the Act

The RC Application alleges that it is contrary to the public interest that the treatment of Subordinated Notes under the Offer is outside of the scope of the take-over bid provisions of the Act. That is a matter for the legislature, not the Commission. Further, holders of Subordinated Notes, through the holding of IDSs, are being treated the same as holders of an equity or voting security must be treated under the Act. By agreeing to make a "standing offer" for Non-Tendered Notes following completion of the Offer at the Offer price of \$8.00 per \$6.08 principal amount of Subordinated Notes (see Part B, "Inadequate Disclosure – Consideration Under the Offer and Consequences of Acceptance" above), Agrium has gone beyond what is strictly required at law.

Improper Use of Compulsory Acquisition

The submission in the RC Application that Agrium cannot use the compulsory acquisition procedures in the OBCA is wrong at law. The Offer is a "take-over bid" within the definition of section 187(2) of the OBCA. Agrium may exercise the Compulsory Acquisition rights under Part XV of the OBCA if it acquires 90% of all of the outstanding Common Shares under the Offer.

With respect to the contention in the RC Application that a true "price" for the Common Shares has not been designated under the Offer, Agrium's Offer is quite clear that of the \$10.00 to be paid to depositing IDS holders pursuant to the Offer, \$2.00 will be paid in respect of the Common Shares with the remaining \$8.00 paid in respect of the \$6.08 amount of Subordinated Notes forming the IDS. These prices are specifically identified in the Agrium Circular, in the same manner as the price of \$3.92 per Common Share was stated in the IPO Prospectus as the price for a Common Share forming part of an IDS under the IPO.

D. RELIEF REQUESTED

For the reasons described above, we submit that Agrium's current offer is in compliance with all applicable laws and provides a full and fair mechanism for holders of IDSs to realize the significant premium offered by Agrium for the IDSs in relation to their trading price prior to the Offer.

Accordingly, Agrium requests that the relief requested by RC Ltd. and RC ULC in paragraphs 1, 2, 3 and 4 be summarily dismissed, and the Offer be allowed to proceed in a manner which allows the holders of IDSs issued by RC Ltd. and RC ULC to make their own determination as to whether to tender to the Agrium Offer.

Further, Agrium submits that no order or relief along the lines suggested in the RC Application should be made or approved without a full hearing.

Please note that a separate application for a cease trade order under section 127 of the Act in respect of RC Ltd.'s shareholder rights plan, together with the accompanying affidavit of Jamie Anderson of RBC Capital Markets and supporting materials, will be delivered to the Commission in the morning of Monday, December 12, 2005.

Should you have any questions or require any additional information, please do not hesitate to contact me, or contact Jeff Galway at (416) 863-3859, Pat Finnerty at (403) 260-9608 or Chad Schneider at (403) 260-9660.

Yours truly,

“Neil Finkelstein”

Neil Finkelstein

NRF/cw

cc: M. Brown (Ontario Securities Commission)
M. Wilson (Agrium Inc.)
L. O'Donoghue (Agrium Inc.)
K. Heath (Agrium Inc.)
P. Finnerty (Blake, Cassels & Graydon LLP)
J. Galway (Blake, Cassels & Graydon LLP)
C. Schneider (Blake, Cassels & Graydon LLP)
K. Morris (Torys LLP)
J. Scarlett (Torys LLP)
M. Amm (Torys LLP)
J. Singer (Stikeman Elliot LLP)