

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, Québec,
NOVA SCOTIA, NEW BRUNSWICK AND NEWFOUNDLAND AND LABRADOR

AND

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

AND

IN THE MATTER OF
CANADIAN BANK NOTE COMPANY, LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick and Newfoundland and Labrador (the Jurisdictions) has received an application from Canadian Bank Note Company, Limited (the Filer) for a decision, pursuant to the securities legislation of the Jurisdictions (the Legislation), that the prospectus level disclosure requirements (Prospectus Level Disclosure Requirements) contained in the Legislation shall not apply to a management proxy circular (the Circular) to be sent to all shareholders of the Filer in connection with the proposed amalgamation (the Amalgamation) of the Filer and a corporation (Newco) to be incorporated under the *Business Corporations Act* (Ontario) (the OBCA), pursuant to sections 173 and 174 of the OBCA (the amalgamated company to be formed by the Amalgamation being referred to as Amalco).

AND WHEREAS under the Mutual Reliance Review System 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;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. The Filer is a corporation continued under the OBCA. The common shares of the Filer (the Common Shares) are listed on the Toronto Stock Exchange. The Filer is a reporting issuer or the equivalent thereof in each province and territory of Canada.
2. Arends Holdings Inc. (Arendesco), a corporation incorporated under the laws of Ontario, holds approximately 73% of the issued and outstanding Common Shares.

3. Newco will be incorporated under the OBCA and will be a wholly-owned subsidiary of Arendsco. Newco is not a reporting issuer in any province or territory of Canada. Newco will be incorporated for the sole purpose of effecting the Amalgamation.

4. The board of directors of the Filer decided on May 31, 2004 to proceed with a going private transaction by way of the Amalgamation. The going private transaction was announced on June 1, 2004.

5. The Filer and Newco will Amalgamate on or about July 9, 2004 pursuant to an amalgamation agreement to be dated on or about July 9, 2004 between the Filer and Newco.

6. The Amalgamation will result in each holder of Common Shares (other than Arendsco and any holders of Common Shares who exercise dissent rights under section 185 of the OBCA) receiving one redeemable preferred share in the capital of Amalco (the Amalco Redeemable Shares) for each Common Share. Pursuant to the Amalgamation, Arendsco will receive common shares in the capital of Amalco in exchange for its Common Shares and its shares of Newco. On or about the day of filing of a certificate of amalgamation under the OBCA in respect of the Amalgamation, each Amalco Redeemable Share will be redeemed for \$3.50 in cash (the Redemption). Upon completion of the Redemption, Arendsco will own all of the shares of Amalco. No new certificates evidencing the Amalco Redeemable Shares will be issued to the holders of Common Shares who will continue to hold their Common Share certificates until the Redemption.

7. The transaction has been structured so that rollovers provided for under the *Income Tax Act* (Canada) will be available to holders of Common Shares. The Filer is of the view that the Circular is subject to the Prospectus Level Disclosure Requirements only due to the issuance of the Amalco Redeemable Shares.

8. Loan facilities have been arranged with a Canadian chartered bank to fund the redemption proceeds payable upon the redemption of the Amalco Redeemable Shares following the Amalgamation.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the Decision);

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 Prospectus Level Disclosure Requirement shall not apply to the Circular.

June 14, 2004.

"Erez Blumberger"

Headnote

Mutual Reliance Review System for Exemptive Relief Applications -- Exemption granted from requirement to include prospectus level disclosure in an information circular where redeemable preferred shares to be issued under an amalgamation -- redeemable preferred shares used for tax purposes only and will be redeemed on or about the day of filing of the certificate of amalgamation, and issuer has arranged loan facilities to fund the redemption -- amalgamation, in substance, a cash transaction.

Applicable National Instruments

National Instrument 51-102 -- Continuous Disclosure Obligations, Form 51-102 F5 -- Information Circular, Item 14.2.