

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,  
MANITOBA, ONTARIO, NEW BRUNSWICK,  
PRINCE EDWARD ISLAND, NOVA SCOTIA AND NEWFOUNDLAND

AND

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

AND

IN THE MATTER OF  
SMTC CORPORATION,  
SMTC MANUFACTURING CORPORATION OF CANADA  
AND SMTC NOVA SCOTIA COMPANY

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application from SMTC Corporation ("SMTC"), SMTC Manufacturing Corporation of Canada ("SMTC Canada") and SMTC Nova Scotia Company ("SMTC Nova Scotia") (collectively, the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

(a) the requirements contained in the Legislation to be registered to trade in a security and to file a preliminary prospectus and a prospectus and receive receipts therefor (the "Registration and Prospectus Requirements") shall not apply to certain trades or possible trades in securities to be made in connection with the distribution and exchange from time to time of non-voting exchangeable shares of SMTC Canada (the "Exchangeable Shares") having the attributes provided in the Exchangeable Share Provisions, the Voting and Exchange Trust Agreement and the Exchangeable Share Support Agreement (each as defined below);

(b) SMTC Canada be exempt from the requirements contained in the Legislation to issue a press release and report material changes, to file with the Decision Makers and deliver to shareholders interim and audited annual financial statements, to prepare and send to shareholders proxies and information circulars, to file an information circular or make an annual filing with the Decision Makers in lieu of filing an information circular, to file annual information forms and to file and deliver to shareholders management's discussion and analysis of the financial condition and results of operation of SMTC Canada (the "Continuous Disclosure Requirements");

(c) each "insider" (as such term is defined in the Legislation) of SMTC Canada be exempt from the insider reporting requirements contained in the Legislation (the "Insider Reporting Requirements"); and

(d) SMTC Canada be exempt from the requirement to file and obtain a receipt for a prospectus (the "Prospectus Requirement") in order to permit the use by SMTC Canada of the PREP Procedures as defined in National Policy Statement No. 44 - Rules for Shelf Prospectus Offerings and for Pricing Offerings after the Final Prospectus is Received ("NP 44") in connection with the proposed concurrent initial public offering of Exchangeable Shares by SMTC Canada and shares of common stock of SMTC ("SMTC Common Stock") by SMTC (the "Offering"), as more fully described below;

all subject to certain conditions, as described below;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

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

1. The SMTC group of companies is a leading provider of advanced electronics manufacturing services to electronics industry original equipment manufacturers worldwide. The business is focused on the communications, networking and computing sectors.
2. SMTC is a Delaware corporation and is not currently subject to the informational requirements of the United States *Securities Exchange Act of 1934*, as amended (the "1934 Act") and is not a reporting issuer or the equivalent under the Legislation. SMTC's principal executive office is located in Markham, Ontario.
3. The authorized capital of SMTC currently consists of 11,720,000 shares of Class A-1 voting common stock and 1,100,000 shares of Class A-2 voting common stock (together, the "Class A Common Stock"), 300,000 shares of Class L voting common stock, 125,000 shares of Class N voting common stock and 5,000 shares of Class S voting common stock. As at March 24, 2000, there were issued and outstanding 2,447,782 shares of Class A Common Stock, 154,168 shares of Class L voting common stock, 113,408 shares of Class N voting common stock and no shares of Class S voting common stock.
4. SMTC Canada was incorporated under the federal laws of Canada in 1985 and was amalgamated under the *Business Corporations Act* (Ontario) on August 31, 1994. SMTC Canada is an indirect subsidiary of SMTC and a direct subsidiary of SMTC Nova Scotia. SMTC Canada's registered and principal executive office is located in Markham, Ontario.
5. The authorized capital of SMTC Canada currently consists of an unlimited number of Class C preferred shares, Class L exchangeable shares (the "Class L Exchangeable Shares"), Class Y shares (the "Class Y Shares") and common shares. As at March 24, 2000, there were issued and outstanding 6,331,517 Class C preferred shares, 90,315 Class L Exchangeable Shares, 23,092

Class Y Shares and 9,477,847 common shares. All of the common shares and Class C preferred shares of SMTC Canada are, and will following completion of the Offering be, owned by SMTC Nova Scotia. The Class L Exchangeable Shares are held by Canadian-resident founders of SMTC and the Class Y Shares are held by a U.S.-resident founder of SMTC.

6. Each of SMTC, SMTC Canada and SMTC Nova Scotia is currently a "private company" as that term is defined in the Legislation. Prior to the completion of the Offering, the constating documents of SMTC and SMTC Canada will be amended to remove the private company restrictions. Upon obtaining a receipt for the final prospectus to be filed in connection with the Offering (the "Final Prospectus"), SMTC Canada will become a reporting issuer or the equivalent under the Legislation.

7. SMTC Nova Scotia is a direct wholly-owned subsidiary of SMTC. SMTC Nova Scotia was formed on July 23, 1999 as an unlimited liability company under the laws of Nova Scotia. SMTC Nova Scotia will hold the various call rights related to the Exchangeable Shares (described below).

8. The authorized capital of SMTC Nova Scotia consists of 20,000,000 common shares. As at March 24, 2000, there were issued and outstanding 10,398,379 common shares, all of which were held directly by SMTC.

9. Immediately prior to the completion of the Offering:

(a) SMTC Nova Scotia will purchase the outstanding Class Y Shares in exchange for shares of SMTC Class L voting common stock;

(b) SMTC will convert each of the outstanding shares of Class L voting common stock into one share of Class A Common Stock, plus an additional number of shares of Class A Common Stock determined by dividing the preference amount by the value of a share of Class A Common Stock based on the offering price of the SMTC Common Stock in the Offering;

(c) SMTC will convert each share of Class A Common Stock into a number of shares of SMTC Common Stock to be determined on pricing of the Offering;

(d) SMTC will repurchase all outstanding shares of Class N voting common stock and will create one share of special voting stock (the "Special Voting Share") that will be issued to CIBC Mellon Trust Company (the "Trustee") as trustee for the benefit of the holders from time to time of Exchangeable Shares in accordance with the voting and exchange trust agreement to be entered into by SMTC, SMTC Nova Scotia and the Trustee (the "Voting and Exchange Trust Agreement"); and

(e) SMTC Canada will convert each Class L Exchangeable Share into Exchangeable Shares in the same ratio as shares of SMTC Class L voting common stock are converted to shares of SMTC Common Stock.

The transactions described above are collectively referred to as the "Reclassification".

10. Immediately following completion of the Reclassification and the Offering, SMTC Canada will have issued and outstanding (i) common shares, held by SMTC Nova Scotia, (ii) Exchangeable Shares, held by the Canadian-resident founders of SMTC and the public investors in the Offering, (iii) Class C preferred shares, held by SMTC Nova Scotia, and (iv) Class Y Shares, held by SMTC Nova Scotia, and SMTC will have issued and outstanding (i) shares of SMTC Common Stock, held by certain founders of SMTC and the public investors in the Offering, and (ii) the Special Voting Share.

11. SMTC has determined that the Offering will be most successful if it comprises a concurrent offering of shares of SMTC Common Stock in the United States by SMTC and of Exchangeable Shares in Canada by SMTC Canada. SMTC believes that this structure will enable it to develop a public shareholder base in Canada while providing investors with an opportunity to participate in the performance and growth of the SMTC group of companies through the acquisition of RRSP-eligible Exchangeable Shares that are not "foreign property" for the purposes of the *Income Tax Act* (Canada) (the "Tax Act").

12. The Offering will be made through a single underwriting syndicate led by RBC Dominion Securities Inc. and Lehman Brothers Inc. The allocation of the Offering between the prospectus-qualified offering of Exchangeable Shares in Canada and the registered offering of SMTC Common Stock in the United States is expected to be approximately equal, although the final allocation, which will be disclosed in the Final Prospectus (or a pricing supplement), will depend on market demand for the relevant securities. The underwriting agreement between SMTC, SMTC Canada and the underwriters will allow underwriting syndicate members to sell either Exchangeable Shares or SMTC Common Stock directly or through affiliates that are appropriately registered with the applicable Decision Makers.

13. SMTC Canada and SMTC will grant to the underwriters an over-allotment option equal to 15% of the aggregate offering size. A combination of Exchangeable Shares and shares of SMTC Common Stock may be issued to the underwriters under this option, in proportions which may not necessarily approximate the final allocation of the Offering between Exchangeable Shares and shares of SMTC Common Stock.

14. On March 24, 2000, SMTC filed a Form S-1 registration statement (the "Registration Statement") with the United States Securities and Exchange Commission (the "SEC") to register the shares of SMTC Common Stock to be distributed in the Offering. SMTC will also file a registration statement with the SEC to register the shares of SMTC Common Stock issuable on the exercise of exchange rights attached to the Exchangeable Shares.

15. On March 29, 2000, SMTC Canada filed a preliminary prospectus with the securities regulatory authorities of each of the provinces of Canada (each, a "SRA" and, collectively, the "SRAs") to qualify for distribution in Canada the Exchangeable Shares to be distributed in the Offering and the Exchangeable Shares to be issued on the exchange of the outstanding Class L Exchangeable Shares in the Reclassification.

16. On May 23, 2000 and June 19, 2000, SMTC and SMTC Canada filed amendments to the Registration Statement with the SEC and amended and restated preliminary prospectuses with the SRAs. SMTC Canada anticipates filing the Final Prospectus with the SRAs on or about July 19, 2000 and filing a prospectus supplement (the "Supplemented Prospectus") on or about July 21, 2000.

17. The Final Prospectus will include the disclosure provided in the Registration Statement in respect of SMTC, supplemented by information prescribed by the Legislation, including a description of SMTC Canada and the Exchangeable Shares, the Canadian underwriting arrangements, purchasers' statutory rights under the Legislation and prescribed legends and certificates of SMTC Canada and the Canadian underwriters. The Final Prospectus will also include the audited consolidated financial statements of SMTC, presented in U.S. dollars and prepared in accordance with U.S. GAAP with a reconciliation to Canadian GAAP, and pro forma financial statements of SMTC with a compilation report of the auditors.

18. In connection with the distribution of shares of SMTC Common Stock in the United States, SMTC plans to use the procedures permitted by Rule 430A under the United States *Securities Act of 1933*, as amended, which will permit SMTC to omit certain pricing information from the Registration Statement, as amended by amendments filed with the SEC, until after it has been declared effective by the SEC.

19. There is presently no public market for the Exchangeable Shares and the shares of SMTC Common Stock; however, The Toronto Stock Exchange (the "TSE") has conditionally approved the listing of the Exchangeable Shares under the symbol "SMX" subject to SMTC Canada fulfilling all of the requirements of the TSE on or before August 30, 2000 and SMTC has applied to The Nasdaq Stock Market, Inc. to have the shares of SMTC Common Stock quoted on the Nasdaq National Market ("Nasdaq").

20. The Exchangeable Shares, together with the Voting and Exchange Trust Agreement, will provide holders thereof with a security that, by virtue of its voting rights and entitlements on exchanges and otherwise, is functionally and economically equivalent to the shares of SMTC Common Stock. The Exchangeable Shares will be exchangeable by a holder thereof for shares of SMTC Common Stock on a one-for-one basis at any time at the option of such holder and will be required to be exchanged upon the occurrence of certain events. The Exchangeable Shares are subject to adjustment or modification in the event of a stock split or other change to the capital structure of SMTC so as to maintain at all times the initial one-to-one relationship between the Exchangeable Shares and the shares of SMTC Common Stock.

21. Subject to applicable law and in accordance with the rights, privileges, restrictions and conditions attached to the Exchangeable Shares (the "Exchangeable Share Provisions"), dividends will be payable on the Exchangeable Shares by SMTC Canada, contemporaneously and in the equivalent amount of cash, Exchangeable Shares or other property per share as dividends on the shares of SMTC Common Stock.

22. The Exchangeable Shares will be non-voting (except as required by the Exchangeable Share Provisions or by applicable law) and will be retractable at the option of the holder at any time.

Subject to the overriding retraction call right of SMTC Nova Scotia, upon retraction the holder will be entitled to receive from SMTC Canada for each Exchangeable Share retracted an amount equal to the current market price of a share of SMTC Common Stock on the last business day prior to the retraction date, to be satisfied by the delivery of one share of SMTC Common Stock, together with, on the designated payment date therefor, all declared and unpaid dividends on such retracted Exchangeable Share held by the holder on any dividend record date prior to the date of retraction (such aggregate amount, the "Retraction Price"). Upon being notified by SMTC Canada of a proposed retraction of the Exchangeable Shares, SMTC Nova Scotia will have an overriding retraction call right to purchase from the holder all of the Exchangeable Shares that are the subject of the retraction notice for a price per share equal to the Retraction Price.

23. Subject to applicable law and the overriding redemption call right of SMTC Nova Scotia, SMTC Canada will redeem all of the then-outstanding Exchangeable Shares on a date no earlier than the fifteenth anniversary of the closing of the Offering (the "Redemption Date"). In certain circumstances, the board of directors of SMTC Canada may accelerate the Redemption Date. Upon such redemption, a holder will be entitled to receive from SMTC Canada for each Exchangeable Share redeemed an amount equal to the current market price of a share of SMTC Common Stock on the last business day prior to the Redemption Date, to be satisfied by the delivery of one share of SMTC Common Stock, together with, on the designated payment date therefor, all declared and unpaid dividends on each such redeemed Exchangeable Share held by the holder on any dividend record date prior to the Redemption Date (such aggregate amount, the "Redemption Price"). Upon being notified by SMTC Canada of a proposed redemption of the Exchangeable Shares, SMTC Nova Scotia will have an overriding redemption call right to purchase on the Redemption Date all of the then-outstanding Exchangeable Shares (other than Exchangeable Shares held by SMTC and its affiliates) for a price per share equal to the Redemption Price. Upon the exercise of the overriding redemption call right by SMTC Nova Scotia, holders will be obligated to sell their Exchangeable Shares to SMTC Nova Scotia. If SMTC Nova Scotia exercises its overriding redemption call right, SMTC Canada's right and obligation to redeem the Exchangeable Shares on the Redemption Date will terminate.

24. Subject to the overriding liquidation call right of SMTC Nova Scotia, in the event of the liquidation, dissolution or winding-up of SMTC Canada, holders of Exchangeable Shares will be entitled to put their shares to SMTC in exchange for shares of SMTC Common Stock pursuant to the Voting and Exchange Trust Agreement. Upon a proposed liquidation, dissolution or winding-up of SMTC Canada, SMTC Nova Scotia will have an overriding liquidation call right to purchase from all of the holders of the Exchangeable Shares (other than the Exchangeable Shares held by SMTC and its affiliates) on the effective date of such liquidation, dissolution or winding-up (the "Liquidation Date") all of the Exchangeable Shares held by each such holder for a price per share equal to the current market price of a share of SMTC Common Stock on the last business day prior to the Liquidation Date, to be satisfied by the delivery of one share of SMTC Common Stock, together with an additional amount equivalent to the full amount of all declared and unpaid dividends on each such Exchangeable Share held by each such holder on any dividend record date prior to the date of purchase by SMTC Nova Scotia.

25. The Special Voting Share will be authorized for issuance in connection with the Reclassification and will be issued to and held by the Trustee appointed under the Voting and

Exchange Trust Agreement. Except as otherwise required by applicable law or the SMTC constating documents, the Special Voting Share will be entitled to the number of votes, exercisable at any meeting of the holders of the shares to SMTC Common Stock, equal to the number of Exchangeable Shares outstanding from time to time not owned by SMTC and its affiliates. Each voting right attached to the Special Voting Share must be voted by the Trustee pursuant to the instructions of a holder of an Exchangeable Share. In the absence of any such instructions from a holder as to voting, the Trustee will not be entitled to exercise the related voting rights. Upon the exchange of all of a holder's Exchangeable Shares for shares of SMTC Common Stock, all rights of such holder of Exchangeable Shares to instruct the Trustee to exercise votes attached to the Special Voting Share will cease.

26. Under the Voting and Exchange Trust Agreement, SMTC will grant to the Trustee for the benefit of the holders of the Exchangeable Shares a right (the "Exchange Right"), exercisable upon the insolvency of SMTC Canada, to require SMTC to purchase from a holder of Exchangeable Shares all or any part of the Exchangeable Shares held by the holder. The purchase price for each Exchangeable Share purchased by SMTC under the Exchange Right will be an amount equal to the current market price of a share of SMTC Common Stock on the last business day prior to the day of closing the purchase and sale of such Exchangeable Share under the Exchange Right, to be satisfied by the delivery to the Trustee, on behalf of the holder, of one share of SMTC Common Stock, together with an additional amount equivalent to the full amount of all declared and unpaid dividends on such Exchangeable Share held by the holder on any dividend record date prior to the closing of the purchase and sale.

27. Upon the liquidation, dissolution or winding-up of SMTC, all Exchangeable Shares held by holders (other than Exchangeable Shares held by SMTC and its affiliates) will be automatically exchanged for shares of SMTC Common Stock pursuant to the Voting and Exchange Trust Agreement, in order that holders of the Exchangeable Shares will be able to participate in the dissolution of SMTC on a *pro rata* basis with the holders of the shares of SMTC Common Stock. SMTC will be required to purchase each outstanding Exchangeable Share, and each holder will be required to sell the Exchangeable Shares held by that holder (such purchase and sale obligations are hereafter referred to as the "Automatic Exchange Right"), for a purchase price per share equal to the current market price of a share of SMTC Common Stock on the fifth business day prior to the effective date of the liquidation, dissolution or winding-up of SMTC, to be satisfied by the delivery to the Trustee, on behalf of the holder, of one share of SMTC Common Stock, together with an additional amount equivalent to the full amount of all declared and unpaid dividends on each such Exchangeable Share held by the holder on any dividend record date prior to the date of the exchange.

28. Contemporaneously with the completion of the Offering, SMTC, SMTC Canada and SMTC Nova Scotia will enter into an exchangeable share support agreement (the "Exchangeable Share Support Agreement") which will provide that: (i) SMTC will not declare or pay any dividends on the shares of SMTC Common Stock unless SMTC Canada is able to declare and pay, and simultaneously declares and pays, as the case may be, an equivalent dividend on the Exchangeable Shares (provided that, in the case of a stock dividend declaration on the shares of SMTC Common Stock, SMTC Canada may effect an equivalent subdivision of each issued and unissued Exchangeable Share in lieu of declaring a corresponding stock dividend on the

Exchangeable Shares); (ii) SMTC will ensure that SMTC Canada and SMTC Nova Scotia will be able to honour the redemption and retraction rights and dissolution entitlements that are attributes of the Exchangeable Shares under the Exchangeable Share Provisions and the related redemption, retraction and liquidation call rights; and (iii) SMTC will cause SMTC Nova Scotia to exercise its overriding retraction call right if required to do so by a holder of the Exchangeable Shares in the event that SMTC becomes a "specified financial institution" (as such term is defined in the Tax Act) or does not deal at arm's length with such a person.

29. The attributes of the Exchangeable Shares contained in the Exchangeable Share Provisions, the Voting and Exchange Trust Agreement and the Exchangeable Share Support Agreement involve or may involve a number of trades or possible trades in securities, including trades related to the issuance of the Exchangeable Shares and upon the issuance of shares of SMTC Common Stock in exchange for Exchangeable Shares. These trades and possible trades are:

(i) the issuance and intra-group transfers of shares of SMTC Common Stock and related issuances of shares of SMTC affiliates in consideration therefor, all by and between SMTC and its affiliates, to enable SMTC Nova Scotia to deliver shares of SMTC Common Stock required in connection with the operation of the Exchangeable Share Provisions or the Voting and Exchange Trust Agreement;

(ii) the issuance by SMTC, pursuant to the Voting and Exchange Trust Agreement, of the Special Voting Share to the Trustee for the benefit of the holders of the Exchangeable Shares;

(iii) the grant by SMTC to the Trustee for the benefit of the holders of the Exchangeable Shares, pursuant to the Voting and Exchange Trust Agreement, of the Exchange Right, the Automatic Exchange Right and the voting rights pursuant to the Special Voting Share;

(iv) the creation of the redemption, retraction and liquidation call rights in favour of SMTC Nova Scotia referred to above;

(v) the issuance and intra-group transfers of shares of SMTC Common Stock and related issuances of shares of SMTC affiliates in consideration therefor, all by and between SMTC and its affiliates, to enable SMTC Canada to deliver shares of SMTC Common Stock to a holder of Exchangeable Shares upon a retraction of the Exchangeable Shares held by such holder, and the subsequent delivery thereof by SMTC Canada upon such retraction;

(vi) the transfer of the Exchangeable Shares by a holder to SMTC Canada upon the holder's retraction of the Exchangeable Shares;

(vii) the issuance and intra-group transfers of shares of SMTC Common Stock and related issuances of shares of SMTC affiliates in consideration therefor, all by and between SMTC and its affiliates, to enable SMTC Nova Scotia to deliver shares of SMTC Common Stock to a holder of Exchangeable Shares in connection with SMTC Nova Scotia's exercise of its overriding retraction call

right, and the subsequent delivery thereof by SMTC Nova Scotia upon the exercise of such overriding retraction call right;

(viii) the transfer of the Exchangeable Shares by a holder to SMTC Nova Scotia upon SMTC Nova Scotia exercising its overriding retraction call right;

(ix) the issuance and intra-group transfers of shares of SMTC Common Stock and related issuances of shares of SMTC affiliates in consideration therefor, all by and between SMTC and its affiliates, to enable SMTC Canada to deliver shares of SMTC Common Stock to holders of Exchangeable Shares upon the redemption of the Exchangeable Shares, and the subsequent delivery thereof by SMTC Canada upon such redemption;

(x) the transfer of Exchangeable Shares by holders to SMTC Canada upon the redemption of the Exchangeable Shares;

(xi) the issuance and intra-group transfers of shares of SMTC Common Stock and related issuances of shares of SMTC affiliates in consideration therefor, all by and between SMTC and its affiliates, to enable SMTC Nova Scotia to deliver shares of SMTC Common Stock to holders of Exchangeable Shares in connection with SMTC Nova Scotia's exercise of its overriding redemption call right, and the subsequent delivery thereof by SMTC Nova Scotia upon the exercise of such overriding redemption call right;

(xii) the transfer of Exchangeable Shares by holders to SMTC Nova Scotia upon SMTC Nova Scotia exercising its overriding redemption call right;

(xiii) the issuance and intra-group transfers of shares of SMTC Common Stock and related issuances of shares of SMTC affiliates in consideration therefor, all by and between SMTC and its affiliates, to enable SMTC Canada to deliver shares of SMTC Common Stock to holders of Exchangeable Shares on the liquidation, dissolution or winding-up of SMTC Canada and the subsequent delivery thereof by SMTC Canada upon such liquidation, dissolution or winding-up;

(xiv) the transfer of Exchangeable Shares by holders to SMTC Canada on the liquidation, dissolution or winding-up of SMTC Canada;

(xv) the issuance and intra-group transfers of shares of SMTC Common Stock and related issuances of shares of SMTC affiliates in consideration therefor, all by and between SMTC and its affiliates, to enable SMTC Nova Scotia to deliver shares of SMTC Common Stock to holders of Exchangeable Shares in connection with SMTC Nova Scotia's exercise of its overriding liquidation call right, and the subsequent delivery thereof by SMTC Nova Scotia upon the exercise of such overriding liquidation call right;

(xvi) the transfer of Exchangeable Shares by holders to SMTC Nova Scotia upon SMTC Nova Scotia exercising its overriding liquidation call right;

(xvii) the issuance and delivery of shares of SMTC Common Stock by SMTC to a holder of Exchangeable Shares upon the exercise of the Exchange Right by the Trustee on behalf of such holder;

(xviii) the transfer of Exchangeable Shares by a holder to SMTC upon the exercise of the Exchange Right by the Trustee on behalf of such holder;

(xix) the issuance and delivery of shares of SMTC Common Stock by SMTC to holders of Exchangeable Shares pursuant to the Automatic Exchange Right; and

(xx) the transfer of the Exchangeable Shares by a holder to SMTC pursuant to the Automatic Exchange Right;

(collectively, the "Trades").

30. The fundamental investment decision to be made by prospective holders of the Exchangeable Shares is made at the time of purchase of the Exchangeable Shares pursuant to the Final Prospectus. Relative to the SMTC Common Stock, the Exchangeable Shares will be advantageous investments, from a Canadian tax perspective, to Canadian holders but will otherwise be, as nearly as practicable, the economic and voting equivalent of the shares of SMTC Common Stock and, as such, all subsequent exchanges of Exchangeable Shares are in furtherance of the holder's initial investment decision.

31. As a result of the economic and voting equivalency between the Exchangeable Shares and the shares of SMTC Common Stock, holders of the Exchangeable Shares will have a participating interest determined by reference to SMTC, rather than SMTC Canada; dividend and dissolution entitlements will be determined by reference to the financial performance and condition of SMTC, not SMTC Canada. Only SMTC, as indirect sole holder of all of SMTC Canada's common shares, will have a participating interest determined by reference to SMTC Canada. Accordingly, it is the information relating to SMTC not SMTC Canada, that will be relevant to holders of both the shares of SMTC Common Stock and the Exchangeable Shares. Certain information required to be provided in respect of SMTC Canada as a reporting issuer under the Legislation or the equivalent under the Legislation would not be relevant to holders of the Exchangeable Shares.

32. SMTC will send concurrently to all holders of Exchangeable Shares and shares of SMTC Common Stock resident in the Jurisdictions all disclosure materials furnished to holders of shares of SMTC Common Stock resident in the United States including, without limitation, copies of its annual financial statements and all proxy solicitation materials.

33. The Final Prospectus will disclose that, in connection with the Offering, applications have been made for prospectus, registration and resale exemptions and exemptions from disclosure and insider reporting obligations. The Final Prospectus will specify the disclosure requirements

from which SMTC Canada has applied to be exempted and will identify the disclosure that will be made in substitution therefor if such exemptions are granted.

34. Neither SMTC Canada nor the Exchangeable Shares meet the eligibility criteria set forth in NP44 which would otherwise enable SMTC Canada to use the PREP Procedures in connection with the Offering.

35. Use of the PREP Procedures would permit SMTC Canada and its underwriters to better coordinate the pricing, prospectus delivery, confirmation of purchase, closing and settlement processes in Canada with those anticipated to be employed in the distribution of the shares of SMTC Common Stock in the United States.

AND WHEREAS pursuant to 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 under the Legislation is that:

1. the Registration and Prospectus Requirements shall not apply to any Trades made in connection with the Offering, the Exchangeable Share Provisions, the Voting and Exchange Trust Agreement and the Exchangeable Share Support Agreement;

2. the first trade in the Exchangeable Shares shall be deemed to be a distribution under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation") if it is a trade made from the holdings of any person, company or combination of persons or companies holding a sufficient number of any securities of SMTC Canada to affect materially the control of SMTC Canada (any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding voting securities of SMTC Canada or SMTC shall, in the absence of evidence to the contrary, be deemed to affect materially the control of SMTC Canada) but any such distribution shall not be subject to the prospectus requirements of the Applicable Legislation if:

(a) the distribution is exempted under the Applicable Legislation; or

(b) SMTC Canada is a reporting issuer or the equivalent under the Applicable Legislation, has been a reporting issuer or the equivalent for at least 18 months and is not in default of any requirement of the Applicable Legislation;

(i) the seller files with the applicable Decision Maker(s) and any other stock exchange recognized by such Decision Maker(s) for this purpose on which the Exchangeable Shares are listed at least seven days and not more than 14 days prior to the first trade made to carry out the distribution:

(A) a notice of intention to sell in the form prescribed by the Applicable Legislation for control block distributions (the "Control Block Rules") disclosing particulars of the control position known to the seller, the number of Exchangeable Shares to be sold and the method of distribution; and

(B) a declaration signed by the seller as at a date not more than 24 hours prior to its filing and prepared and executed in accordance with the Control Block Rules and certified as follows:

"the seller for whose account the securities to which this certificate relates are to be sold hereby represents that the seller has no knowledge of any material change which has occurred in the affairs of the issuer of the securities which has not been generally disclosed and reported to the [name of the securities regulatory authority in the jurisdiction where the trade takes place], nor has the seller any knowledge of any other material adverse information in regard to the current and prospective operations of the issuer which have not been generally disclosed";

provided that the notice required to be filed under paragraph (i)(A) and the declaration required to be filed under paragraph (i)(B) shall be renewed and filed at the end of 60 days after the original date of filing and thereafter at the end of each 28 day period so long as any of the Exchangeable Shares specified under the original notice have not been sold or until notice has been filed that the Exchangeable Shares so specified or any part thereof are no longer for sale;

(ii) the seller files with the applicable Decision Maker(s) within three days after the completion of any first such trade, a report of the trade in the form prescribed by the Applicable Legislation;

(iii) no unusual effort is made to prepare the market or to create a demand for the Exchangeable Shares and no extraordinary commission or other consideration is paid in respect of such first trade; and

(iv) the seller (or an affiliated entity) has held the Exchangeable Shares and/or the shares of Common Stock in the aggregate for a period of at least six months (or such longer period prescribed by the Control Block Rules of the Jurisdiction in which the trade takes place), provided that if:

(A) the Applicable Legislation provides that, upon a seller to whom the Control Block Rules apply acquiring additional securities of a class pursuant to certain prescribed exemptions from prospectus requirements under such legislation, all securities of such class are subject to a hold period commencing the date the last security of the class was acquired under such prescribed exemptions; and

(B) the seller acquires the Exchangeable Shares pursuant to any such prescribed exemptions;

all the Exchangeable Shares held by the seller will be subject to a six month (or longer as provided in this paragraph) hold period commencing on the date any such subsequent Exchangeable Shares are acquired;

3. the first trade in shares of SMTC Common Stock acquired by a holder of Exchangeable Shares upon the retraction or redemption of the Exchangeable Shares, in connection with the liquidation, dissolution or winding-up of SMTC Canada or the exercise of the various call rights by SMTC Nova Scotia, the Exchange Right of the Automatic Exchange Rights, as the case may be, shall be a distribution under the Legislation unless such trade is executed through the facilities of a stock exchange or market outside of Canada in accordance with all laws applicable to such stock exchange or market;

4. the Continuous Disclosure Requirements shall not apply to SMTC Canada, provided that, at the time that any such requirements would otherwise apply:

(a) SMTC has sent to all holders of the Exchangeable Shares resident in the Jurisdictions all disclosure material furnished, up to such time, to holders of shares of SMTC Common Stock resident in the United States and in Canada, including, without limitation, copies of its annual reports, annual financial statements and all proxy solicitation materials;

(b) SMTC has filed with the Decision Makers copies of all documents required to be filed, up to such time, by it with the United States Securities and Exchange Commission under the *United States Securities Exchange Act of 1934*, including, without limitation, copies of any Form 10-K, Form 10-Q, Form 8-K and proxy statements prepared in connection with SMTC stockholders' meetings;

(c) SMTC complies with the requirements of Nasdaq in respect of making public disclosure of material information on a timely basis and forthwith issues in Canada and files with the Decision Makers any press release that discloses a material change in SMTC's affairs and SMTC Canada complies with the requirements of the Legislation in respect of making public disclosure of material information on a timely basis in respect of material changes in the affairs of SMTC Canada that are not material changes in the affairs of SMTC;

(d) prior to or coincident with the distribution of the Exchangeable Shares, SMTC causes SMTC Canada to provide to each recipient or proposed recipient of the Exchangeable Shares resident in Canada a statement that, as a consequence of this Decision, SMTC Canada and certain of its insiders will be exempt from certain disclosure requirements in Canada applicable to reporting issuers and their insiders and specifying those requirements SMTC Canada and certain of its insiders have been exempted from and identifying the disclosure that will be made in substitution thereof (which may be satisfied by the inclusion of such a statement in the Final Prospectus);

(e) SMTC includes in all future mailings of proxy solicitation materials to holders of Exchangeable Shares a clear and concise statement explaining the reason for the mailed material being solely in relation to SMTC and not in relation to SMTC Canada, such statement to include a reference to the economic equivalency between the Exchangeable Shares and the shares of SMTC Common Stock and the right to direct voting at SMTC stockholders' meetings pursuant to the Voting and Exchange Trust Agreement;

(f) in the event that SMTC Canada delivers an information circular to holders of Exchangeable Shares in connection with an SMTC Canada shareholder meeting, SMTC Canada may omit from the information circular disclosure otherwise required by the Legislation in respect of SMTC Canada, as a reporting issuer, provided that comparable disclosure in respect of SMTC is included in the information circular;

(g) SMTC remains the direct or indirect beneficial owner of all the issued and outstanding voting securities of SMTC Canada; and

(h) SMTC Canada has not issued any securities, other than securities where, in connection with the issuance thereof, SMTC Canada has received relief from the Continuous Disclosure Requirements from the applicable Jurisdictions and other than the Exchangeable Shares and the shares of SMTC Canada held by SMTC Nova Scotia; and

5. the Insider Reporting Requirements shall not apply to any insider of SMTC Canada other than an insider who, if SMTC were a reporting issuer or the equivalent under the Legislation, would also be, under the Legislation, an insider of SMTC.

6. SMTC Canada be and is hereby exempted from the Prospectus Requirements of the Legislation in connection with the distribution of the Exchangeable Shares in the Offering effected in compliance with the PREP Procedures insofar as such requirements concern:

(a) the form and content of a prospectus, including the form of prospectus certificates, filed under the Legislation; and

(b) the filing of an amendment or supplement to a prospectus filed under the Legislation:

provided that:

(c) a prospectus complying with NP 44 is filed under the Legislation pursuant to and in accordance with the requirements and procedures set forth in NP 44, as if SMTC Canada was eligible to use the PREP Procedures; and

(d) such prospectus is supplemented and amended pursuant to and in accordance with the requirements and procedures set forth in NP 44, including the filing of amendments complying with the requirements of the Legislation.

DATED at Toronto this 20th day of July, 2000.

"Howard I. Wetston" "Morley P. Carscallen"

THE FURTHER DECISION of the Decision Makers under the Legislation is that, in connection with the relief granted in paragraph 6 of this Decision Document, such relief shall also be subject to the following conditions:

(a) the prospectus referred to in paragraph 6(c) of this Decision Document shall be permitted to omit, and the PREP Changes (as defined in NP 44) which will be made in the supplemented prospectus referred to in paragraph 6(d) of this Decision Document shall be permitted to include, the following information:

(i) the aggregate number of Exchangeable Shares included in the Offering;

(ii) the numerical basis on which the Reclassification will be effected;

(iii) the actual number of shares of SMTC Common Stock (including Exchangeable Shares that are assumed to be converted into shares of SMTC Common Stock) issued and outstanding immediately prior to the completion of the Offering as a result of the Reclassification;

(iv) the actual number of shares of SMTC Common Stock to be issued to current shareholders of Pensar Corporation in connection with the acquisition by SMTC of Pensar Corporation;

(v) information as to currency exchange rates between the Canadian dollar and the U.S. dollar; and

(vi) any information (including *pro forma* financial information based on actual offering price) that is dependent on the offering price for the Offering, the aggregate number of Exchangeable Shares included in the Offering, the numerical basis on which the Reclassification will be effected, the actual number of shares of SMTC Common Stock (including Exchangeable Shares that are assumed to be converted into shares of SMTC Common Stock) issued and outstanding immediately prior to the completion of the Offering as a result of the Reclassification, the actual number of shares of SMTC Common Stock to be issued to current shareholders of Pensar Corporation in connection with the Pensar Acquisition, or information as to currency exchange rates between the Canadian dollar and the U.S. dollar.

DATED at Toronto this 20th day of July, 2000.

"Iva Vranic"  
Iva Vranic, Manager

#### Headnote

Mutual Reliance Review System for Exemptive Relief Applications - prospectus and registration relief for trades in securities made in connection with distribution of exchangeable shares under a prospectus - exchangeable share issuer granted relief from certain continuous disclosure requirements provided U.S. parent filed its U.S. continuous disclosure documents in Canada - certain insiders of exchangeable share issuer granted relief from insider reporting requirements - exchangeable share issuer permitted to use PREP Procedures and certain information permitted to be treated as PREP information.

#### Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., s. 74(1)-s.25 & s. 53, 77, 78, 79, 80(b)(iii), 107, 121(2)(a)(ii), & 147 .

#### Relevant Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am.,

#### Relevant Policies

National Policy Statement No. 44.