

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

AND

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

AND

IN THE MATTER OF
HARTCO ENTERPRISES INC.,
MULTIMICRO INC.
AND HARTCO CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Makers") in each of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, Newfoundland, Prince Edward Island and New Brunswick (the "Jurisdictions") have received an application from Hartco Enterprises Inc., ("Hartco"), Multimicro Inc. ("Multimicro") and Hartco Corporation (hereinafter collectively referred to as the "Filers") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

1. The registration and prospectus requirements of the Legislation shall not apply to certain trades made in connection with or subsequent to a proposed arrangement (the "Arrangement") pursuant to the *Canada Business Corporations Act* (the "CBCA") involving Hartco, Multimicro and Hartco Corporation;
2. In those Jurisdictions in which the Legislation contains the concept of a reporting issuer and provides the authority to deem an issuer a reporting issuer, Hartco Corporation shall be deemed to be a reporting issuer as of the effective time of the Arrangement; and
3. In those Jurisdictions in which the Legislation contains the concept of a reporting issuer but does not provide the authority to deem an issuer a reporting issuer, Hartco Corporation shall be made subject to the reporting requirements of such Legislation;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the *Commission des valeurs mobilières du Québec* is the principal regulator for this application;

AND WHEREAS the Filers have represented to the Decision Makers that

1. All Filers' registered offices are located in the province of Québec.

Hartco

2. Hartco was constituted by certificate of amalgamation issued pursuant to the provisions of the CBCA on October 25, 1984.

3. Hartco is a corporation governed by the CBCA, and its registered office is in the province of Québec. It is a reporting issuer, or the equivalent, in each province of Canada, except in Newfoundland, and is not in default of any requirements of the Legislation. Its common shares are listed on the Toronto Stock Exchange since December 1984.

4. Hartco's authorized capital consists of an unlimited number of authorized common shares and an unlimited number of class A preferred shares. As of April 22, 2000, there were 12,976,864 issued and outstanding common shares.

5. Hartco operates three (3) business divisions: the department stores division, the computer division and the communications division. Hartco is a key player in the Québec and Maritimes "Junior Department Store" market. As of January 29, 2000, there were 56 department stores operating under the banners of Hart and Bargain Giant in Newfoundland, Nova Scotia, New Brunswick and Québec.

6. Upon completion of the Arrangement, Hartco will be renamed *Hart Stores Inc.*, and will be operating Hartco's department store division.

Multimicro

7. Multimicro is a wholly-owned subsidiary of Hartco. It was incorporated under the CBCA on December 30, 1996.

8. Multimicro's authorized capital consists of an unlimited number of class A common shares and an unlimited number of class B, C, D and E redeemable preferred shares. Hartco is the holder of all outstanding shares of Multimicro.

9. Multimicro is the largest franchisor of computer solution integrators and computer retailers in Canada with three (3) networks comprising 168 locations situated across Canada. Multimicro provides its franchise networks with distribution and support on brand name information technology products, such as microcomputer systems, networking equipment, software and related products and services. Multimicro's network of computer resellers operates under the names MicroAge, Northwest Digital and CTI Solutions in the corporate and government markets and Compusmart and Compucentre in the retail market.

10. Multimicro also owns and operates The Telephone Booth, a specialty retailer of telephones and accessories with 28 stores in Québec, Ontario and Alberta through its wholly-owned subsidiary Cabtel Corporation. Multimicro is also the franchisor of TeleSolutions which is a communications solutions reseller network for the corporate and small business market.

TeleSolutions franchise locations are presently open in Toronto and Québec and a corporate location is operational in Montreal.

Hartco Corporation ("Newco")

11. Hartco Corporation was incorporated on April 5, 2000 under the CBCA specifically for the sole purpose of carrying out the Arrangement. It will be the corporation resulting from the amalgamation of Hartco Corporation and Multimicro (the resulting entity being referred hereinafter as "Hartco Corporation").

12. Upon completion of the Arrangement, Hartco Corporation will be operating Hartco's computer and communication divisions.

Description of the Arrangement

13. The Arrangement provides for the pro rata spin-off distribution to the shareholders of Hartco of its interest in Multimicro, which will thereby effect the separation of Hartco's businesses into two distinct publicly traded companies. As a result, holders of common shares of Hartco will hold directly, on the effective date of the Arrangement, common shares of Hartco, renamed Hart Stores Inc. ("Hart Stores"), which will carry on Hartco's Department Store Division, and common shares of Hartco Corporation, which will carry on Hartco's Computer and Communications Divisions.

14. The board of directors of Hartco reviewed the proposed arrangement at its last meeting held on April 6, 2000 and recommended that the Arrangement be submitted to the approval of the shareholders at a meeting held on June 15, 2000 (the "Meeting").

15. At the Meeting, shareholders of Hartco approved the Arrangement in a proportion of 75.2% of the total 12,976,864 issued and outstanding common shares of Hartco.

16. Pursuant to the Arrangement, the steps set forth below will occur in the following order:

(a) The articles of Hartco Corporation ("NewCo") shall be amended to create an unlimited number of preferred shares of NewCo (the "NewCo Preferred Shares");

(b) The articles of Hartco shall be amended to (i) create an unlimited number of reorganization shares of Hartco (the "Hartco Reorganization Shares") and an unlimited number of common shares of New Hartco (the "New Hartco Common Shares"); and (ii) to change the name of Hartco to *Hart Stores Inc.* and *Magasins Hart Inc.*, in its French version;

(c) Each of the Hartco Reorganization Shares shall be transferred by the holder thereof to NewCo in exchange for the issuance to the holder of one common share of NewCo (the "NewCo Common Share") for every Hartco Reorganization Share;

(d) Pursuant to a share transfer agreement entered into by and among Hartco and Hartco Corporation, Hartco shall be deemed to have transferred each of the issued and outstanding common shares of Multimicro to NewCo in exchange for the issuance by NewCo of one Preferred Share;

(e) Hartco shall redeem all of the issued and outstanding Hartco Reorganization Shares and issue to NewCo in consideration therefor a promissory note payable on demand (the "Hartco Redemption Note"). NewCo shall also redeem the sole issued and outstanding NewCo Preferred Share and issue to Hartco in consideration therefor a promissory note payable on demand (the "NewCo Redemption Note"). Both notes shall then be set off against each other and cancelled;

(f) NewCo and Multimicro will then amalgamate to form Amalco which, in turn, shall continue as one corporation under the CBCA under the name *Hartco Corporation*, which and will operate the computer and communications divisions of Hartco.

17. Certificates representing common shares of Hartco shall be deemed for all purposes to be certificates representing common shares of Hart Stores following the implementation of the Arrangement and no new certificates shall be issued in connection therewith.

18. Subject to satisfying all closing conditions and obtaining all applicable regulatory approvals as provided in the Arrangement Agreement, it is anticipated that the Arrangement will be completed on or about July 3, 2000.

19. An application has been made to have New Hartco Common Shares as well as Amalco Common Shares listed on the TSE. Both listings have been conditionally approved. It is anticipated that Amalco will also be a reporting issuer in all applicable Canadian Jurisdictions where Hartco was a reporting issuer.

20. On May 3, 2000, an interim order (the "Interim Order") was granted the by Québec Superior Court (the "Court").

21. As ordered in the Interim Order, Hartco presented the Arrangement for Final Order on June 16, 2000 at the Montreal Courthouse, since the Arrangement has been approved by at least 662/3% of the votes cast at the Meeting.

22. On June 16, 2000, a final order (the "Final Order") was granted by the Court, approving the Arrangement.

23. Hartco sent the Circular to shareholders of Hartco on May 12, 2000. The Circular contained prospectus-level disclosure of the business and affairs of each of Hartco, Multimicro and Hartco Corporation, the particulars of the Arrangement as well as the consolidated financial information for Hartco and *pro forma* financial statements for Hart Stores and *pro forma* financial statements for Hartco Corporation for the financial years ended January 29, 2000.

24. The steps under the Arrangement, involve or may involve a number of trades and/or distributions of securities including, but no limited to, the following:

(a) the creation and issuance by Hartco of Hartco Reorganization Shares and New Hartco Common Shares on the basis of one Hartco Reorganization Share and one New Hartco Common Share for each Hartco Common Share held;

(b) the transfer of each of the Hartco Reorganization Shares by the holder thereof to NewCo in exchange for the issuance to the holder of one NewCo Common Share for every Hartco Reorganization Share;

(c) the redemption by Hartco of all the issued and outstanding Hartco Reorganization Shares and the issuance to NewCo in consideration therefor of the Hartco Redemption Note;

(d) the redemption by NewCo of the sole issued and outstanding NewCo Preferred Share and the issuance to Hartco in consideration therefor of the NewCo Redemption Note;

25. The assets of Hartco Corporation have been the subject of continuous disclosure on an ongoing basis for more than 12 months pursuant to Hartco's responsibilities as a reporting issuer.

26. It is a condition of the Arrangement that the Amalco Common Shares and the New Hartco Common Shares, to be issued pursuant to the Arrangement, may be resold in Canada without restriction at the effective time of the Arrangement, and it is considered essential by the parties to the Arrangement that the shareholders of Hartco do not lose the ability to liquidate their holdings as a result of the Arrangement.

27. The shareholders will have the right to dissent from the Arrangement under Section 190 of the CBCA and the Circular contained full disclosure of this right.

28. Exemptions from registration and prospectus requirements of the Legislation in respect of trades made in connection with the Arrangement, and exemptions from prospectus requirements of the Legislation in respect of the first trades in Amalco Common Shares and New Hartco Common Shares following the Arrangement, are not otherwise available in all Jurisdictions.

29. Hartco Corporation may not fit within the definitions of reporting issuer of all of the applicable Jurisdictions at the effective time of the Arrangement.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively the "Decision");

AND WHEREAS the Decision Makers are of the opinion that it would not be prejudicial to the public interest to grant this 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:

(a) all trades or distributions made in connection with the Arrangement shall not be subject to the registration and prospectus requirements of the Legislation;

(b) the resale or the first trades of Amalco Common Shares and New Hartco Common Shares acquired by shareholders and option holders in connection with the Arrangement in a Jurisdiction shall be deemed distributions under the Legislation of such Jurisdiction except that where:

(i) if the seller is in a special relationship (where such expression is defined in the Legislation) with New Hartco or Amalco, as the case may be, the seller has reasonable grounds to believe that New Hartco or Amalco, as the case may be, is not in default of any requirements of the Legislation;

(ii) no unusual effort is made to prepare the market or to create a demand for the securities and no extraordinary commission or consideration is paid in respect of the first trades;

(iii) New Hartco or Amalco, as the case may be, is a reporting issuer at the time of such first trades; and

(iv) such first trades are not from the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of New Hartco or Amalco, as the case may be, to affect materially in the control of New Hartco or Amalco, but any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding voting securities of New Hartco or Amalco shall, in the absence of evidence to the contrary, be deemed to affect materially the control of New Hartco or Amalco;

(c) in those Jurisdictions, where applicable, the shares acquired pursuant to the Arrangement shall not be subject to a hold period immediately preceding the alienation of such shares;

(d) in those Jurisdictions in which an issuer can be deemed to be a reporting issuer under the Legislation, Amalco shall be deemed to be a reporting issuer as of the effective time of the Arrangement;

(e) in those Jurisdictions in which an issuer cannot be deemed to be a reporting issuer under the Legislation, Amalco shall be made subject to the reporting requirements of the Legislation of such Jurisdictions as of the effective time of the Arrangement.

DATED at Montreal, Québec, this "11th" day of July, 2000.