

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief from the requirement to provide in an information circular 'prospectus-level' disclosure and disclosure regarding executive compensation and indebtedness of directors and executive officers in connection with a second-step transaction - Disclosure not relevant to decision whether to approve amalgamation transaction -- Redeemable preferred shares to be issued pursuant to the amalgamation - Redeemable preferred shares will be redeemed immediately after the completion of the amalgamation - Amalgamation, in substance, a cash transaction.

Applicable Legislative Provisions

National Instrument 51-102 - Continuous Disclosure Obligations, Part 9 and s. 13.1, and Form 51-102F5 - Information Circular, items 8, 10 and 14.2.

March 14, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK,
NOVA SCOTIA AND
NEWFOUNDLAND AND LABRADOR
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
HUDSON'S BAY COMPANY (the Filter)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Applicant for a decision under the securities legislation of the Jurisdictions (the **Legislation**) exempting the Applicant from the requirement to include prospectus-level disclosure, executive compensation disclosure and disclosure as to the indebtedness of directors and executive officers in a management proxy circular of the Applicant (the **Circular**) relating to a special meeting of its shareholders to be held to approve

the amalgamation of the Applicant with another company in accordance with the Legislation (the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 - *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Applicant:

1. The Applicant is a corporation amalgamated under the *Canada Business Corporations Act* (the **CBCA**). The authorized capital of the Applicant consists of an unlimited number of common shares (**Common Shares**) and an unlimited number of preferred shares, issuable in series. As at the date hereof, there are issued and outstanding 69,581,956 Common Shares and there are no other shares of any class or series outstanding. The Common Shares are listed on the Toronto Stock Exchange under the symbol "HBC".

2. The Applicant is a reporting issuer or the equivalent thereof in each of the Jurisdictions. The Applicant is not, to its knowledge, in default of its reporting issuer obligations under the Legislation.

3. Pursuant to offers (the **Offers**) made November 10, 2005, as amended by a notice of extension and variation dated December 23, 2005, a notice of extension and variation dated February 10, 2006, a notice of variation dated February 14, 2006 and a notice of extension dated February 27, 2006, Maple Leaf Heritage Investments Acquisition Corporation (Heritage) has offered to purchase all of the issued and outstanding Common Shares at a price of \$15.25 per Common Share and all the outstanding debentures (the **Debentures**) at a price of \$1,020 per \$1,000 principal amount of Debentures, plus accrued and unpaid interest to the date the Debentures are taken up under the Offer therefor.

4. Heritage is incorporated under the CBCA. The principal office of Heritage is located at 4388 Jenkins Avenue, North Charleston, South Carolina, 29405. Heritage was incorporated solely for the purpose of making the Offers and is not a reporting issuer in any Jurisdiction.

5. On February 27, 2006, Heritage acquired, pursuant to the Offers, approximately 43,802,574 Common Shares, representing approximately 63% of the issued and outstanding Common Shares, and approximately \$124,590,000 aggregate principal amount of Debentures, representing

approximately 62% of the aggregate principal amount of the outstanding Debentures. After giving effect to the above acquisition of Common Shares and Debentures by Heritage, Heritage beneficially owned approximately 82% of the Common Shares and 62% of the Debentures.

6. Heritage has requested that the Applicant call a special meeting of shareholders (the **Meeting**) to approve the proposed amalgamation of the Applicant and Heritage (the **Amalgamation**). At the Meeting, the Applicant will seek the requisite approval of shareholders in respect of a special resolution to approve the Amalgamation upon the terms and conditions set forth in an amalgamation agreement between HBC and Heritage (the **Amalgamation Agreement**), the material terms of which will be described in the Circular.

7. In connection with the Meeting, the Applicant expects to mail on or about March 14, 2005 to each holder of Common Shares (i) a notice of the Meeting; (ii) a form of proxy; and (iii) the Circular, which will be prepared in accordance with the CBCA and applicable securities laws.

8. Pursuant to the Amalgamation:

(a) at the effective time of the Amalgamation, by virtue of the Amalgamation and without any further action on the part of Heritage, the Applicant or the holders of Common Shares, (A) each Common Share (other than any Common Share held by a shareholder who has not effectively withdrawn or otherwise ceased to be entitled to such dissent rights pursuant to Section 183 of the CBCA (each a **Dissenting Share**)) will be cancelled and converted automatically into one validly issued, fully paid and non-assessable redeemable preferred share in the capital of Amalco (each a **Redeemable Preference Share**) and (B) each Dissenting Common Share will be cancelled and be converted automatically into the right to receive payment from Amalco with respect thereto in accordance with section 183 of the CBCA; and

(b) all holders of Common Shares, including insiders of the Applicant, will receive identical consideration for their Common Shares in the Amalgamation.

9. Immediately following the effective time of the Amalgamation, each Redeemable Preference Share will be redeemed by Amalco (the Redemption) for a cash amount equal to \$15.25 per share (the **Redemption Amount**). No new certificates evidencing the Redeemable Preference Shares will be issued to the holders of Common Shares who will continue to hold their Common Share certificates until exchanged for the aggregate Redemption Amount represented by such certificates as provided for in the Amalgamation Agreement.

10. The Legislation in the Jurisdictions requires that, subject to the Requested Relief being granted, the Circular include the prospectus-level disclosure, executive compensation disclosure and disclosure as to the indebtedness of directors and executive officers.

11. No action is to be taken at the Meeting on any matter involving executive compensation or the indebtedness of directors or executive officers, and neither executive compensation disclosure nor disclosure as to the indebtedness of directors and executive officers would

reasonably be expected to affect a shareholder's decision whether or not to vote in favour of the Amalgamation.

12. The consideration paid by Amalco on the Redemption will be funded directly or indirectly by Heritage. Heritage has advised the Applicant that it intends to ensure that Amalco will have sufficient funds to pay in full the aggregate Redemption Amount on the Redemption.

Decision

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 the Requested Relief is granted provided that the Applicant complies with all other provisions of the Legislation applicable to the Circular.

"Iva Vranic"
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Ontario Securities Commission