

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

AND

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

AND

IN THE MATTER OF  
MAGNA INTERNATIONAL INC., MAGNA ENTERTAINMENT CORP.  
AND MEC HOLDINGS (CANADA) INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland, the Yukon Territory, the Northwest Territories and Nunavut (collectively, the "Jurisdictions") has received an application from Magna International Inc. ("Magna"), Magna Entertainment Corp. ("MEC") and MEC Holdings (Canada) Inc. ("Exchangeco") (collectively, the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

- (a) the trades of securities involved in connection with the distribution by Magna to holders of its Class A Subordinate Voting Shares and Class B Shares (collectively, "Magna Shares"), MEC Class A Subordinate Voting Shares (the "MEC Class A Shares") and exchangeable shares of Exchangeco ("Exchangeable Shares") as a dividend-in-kind (the "Spin-off") and all related trades shall be exempt from the registration and prospectus requirements of the Legislation;
- (b) Exchangeco be exempt from the requirements of the Legislation to report material changes, to deliver and file interim and comparative financial statements, and to file annual forms in lieu of filing information circulars and to file and deliver annual information forms (including management's discussion and analysis of the financial condition and results of operation of Exchangeco), subject to certain conditions; and
- (c) each "insider" (as such term is defined in the Legislation) of Exchangeco be exempt from the insider reporting requirements of the Legislation, subject to certain conditions, as described below.

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

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

*Magna International Inc. (Magna)*

1. Magna is the largest Canadian, and one of the largest global, independent suppliers of technologically advanced automotive systems, components and complete modules. Magna has over 54,000 employees in 164 manufacturing facilities (including 14 joint venture facilities) of which 97 are located in North America, 62 in Europe, two in South America and three in Asia, as well as 30 product development, testing and engineering facilities. These facilities are located in 19 countries.
2. Magna is a company incorporated under the laws of the Province of Ontario and is a reporting issuer or the equivalent in every province in Canada which recognizes the concept of reporting issuer status. The head office of Magna is located in Ontario.
3. As of December 31, 1999, Magna had a total of 77,438,465 Class A Subordinate Voting Shares issued and outstanding and 1,097,909 Class B Shares issued and outstanding. The Class A Subordinate Voting Shares are listed on the New York Stock Exchange (the "NYSE") and The Toronto Stock Exchange (the "TSE"). The Class B Shares are listed on the TSE.

*Magna Entertainment Corp. (MEC)*

4. MEC is a Delaware corporation, all of the outstanding shares of which were held by Magna as of December 29, 1999, except for: (i) 650,695 MEC Class A Shares held by The Edward J. DeBartolo Corporation, which represented approximately 0.8114% of the total equity of MEC on such date; and (ii) 1,012,195 MEC Class A Shares held by Ladbroke Racing Corporation, which represented approximately 1.2621% of the total equity of MEC on such date.
5. MEC was established to hold, and does currently hold directly or indirectly, all the non-automotive-related assets (including non-automotive real estate) previously owned by Magna.
6. MEC acquires, develops and operates horse racetracks and related pari-mutuel wagering operations. In addition, MEC owns a real estate portfolio which includes a "gated" residential community currently under development, one operational golf course and related recreational facilities, a golf course under development and undeveloped land.
7. The capital stock of MEC consists of two classes — the MEC Class A Shares and Class B Stock of MEC (the "MEC Class B Shares"). Holders of MEC Class A Shares are entitled to one vote per share, holders of the MEC Class B Shares are entitled to 20 votes per share and all holders vote together as a single class, except where separate class votes are required by law. MEC Class B Shares are convertible into MEC Class A Shares at any time on a one-for-one basis.

*MEC Holdings (Canada) Inc. (Exchangeco)*

8. Exchangeco is a company incorporated under the laws of the Province of Ontario. The authorized share capital of Exchangeco consists of two classes: Common Shares and Exchangeable Shares. All of the Common Shares are held by MEC, and all of the Exchangeable Shares are held by Magna. The Exchangeable Shares are exchangeable for shares of MEC at anytime. The Articles of Exchangeco currently contain private company restrictions, which will be deleted by amendment to be made prior to the Spin-off.

***The Spin-off***

9. Magna intends to distribute MEC Class A Shares (by first convening certain of the MEC Class B Shares held by it into MEC Class A Shares) and Exchangeable Shares representing approximately 20% of Magna's combined total equity interest in MEC and Exchangeco as a dividend-in-kind to each holder of Magna Shares ("Magna Shareholders").

10. Upon completion of the Spin-off, Magna will own MEC Class B Shares representing approximately 80% of the combined total equity of MEC and Exchangeco and approximately 99% of the total voting interests attaching to all of the outstanding voting shares of MEC.

11. One-fifth of one MEC Class A Share or Exchangeable Share will be distributed in respect of each Magna Share held by a particular holder. A total of approximately 15.7 million MEC Class A Shares and Exchangeable Shares will be distributed pursuant to the Spin-off.

12. Holders of Magna Shares will not be required to pay for the MEC Class A Shares or Exchangeable Shares received by them in the Spin-off or surrender any Magna Shares in order to receive the MEC Class A Shares or Exchangeable Shares.

13. A holder of a number of Magna Shares not evenly divisible by five will not be entitled to receive a fractional interest in an MEC Class A Share or Exchangeable Share, but will be entitled to a cash payment instead. The amount of the cash payment will be the fair market value of the fractional interest, based upon Magna's determination of the fair market value of the MEC Class A Shares and Exchangeable Shares on the date of the Spin-off. The payment of cash by Magna instead of delivering any fractional interests in MEC Class A Shares is referred to as the "Fractional Interest Monetization".

14. In order to satisfy withholding tax obligations applicable in respect of holders of Magna Shares who are not residents of Canada, Magna may, in addition to withholding some or all of a cash dividend expected to be paid concurrently with the Spin-off withhold up to 25% of the MEC Class A Shares that would otherwise be distributed to each such non-Canadian resident holder (the "Withheld Shares"). The actual number of Withheld Shares will be that number having a fair market value on the date of the Spin-off as determined by Magna, equal to any shortfall in the amount that Magna is required to remit to Revenue Canada in respect of its withholding tax obligations relating to the Spin-off after taking into account the amount of the cash dividend withheld. Magna will remit to Revenue Canada, in addition to the relevant portion of the cash dividend, an amount of cash equal to the value of the Withheld Shares so determined,

and will hold the Withheld Shares for its own benefit. The payment of cash to Revenue Canada by Magna in an amount equal to the value of the Withheld Shares is referred to as the "Withheld Share Monetization". There will be no withholding of MEC Class A Shares, and in consequence no Withheld Share Monetization, if the amount of the concurrent cash dividend is by itself sufficient to satisfy the amount that Magna is required to remit to Revenue Canada (i.e., Magna will withhold the full amount of the concurrent cash dividend in respect of a particular shareholder before withholding any MEC Class A Shares).

15. As of December 31, 1999, there were 290,400 options to purchase Class A Subordinate Voting Shares of Magna outstanding under Magna's stock option plan (the "Option Plan"), with varying exercise prices and expiry dates ranging from May 13, 2006 to October 31, 2009 (collectively, the "Outstanding Options"). Each Outstanding Option entitles the holder to obtain one Magna Class A Subordinate Voting Share upon payment of the applicable exercise price. Magna is considering the possibility that, subject to the approval of the TSE and, if required, the NYSE, on the Spin-off Date it will cancel all of its currently outstanding stock options, and issue new options (the "Replacement Options") to the current option holders. If Magna determines to do so, the Replacement Options would have the same expiry date, vesting conditions and other terms and conditions as the existing options, except that the exercise price of the Replacement Options may be adjusted to give effect to the Spin-off. In addition to this adjustment to the exercise price or instead of it, Magna may provide for each Replacement Option to entitle the holder to obtain, from Magna, one Magna Class A Share together with one-fifth of one MEC Class A Share upon exercise. In such case, if a Replacement Option holder were to exercise a number of Replacement Options not evenly divisible by five, that holder would receive a fractional interest in an MEC Class A Share. Instead of cancelling the outstanding options and issuing Replacement Options, subject to the approval of the TSE and, if required, the NYSE, Magna may issue a new option (an "Additional Option") to each holder of an Outstanding Option in respect of each Outstanding Option held. Each Additional Option would entitle the holder to acquire, from Magna, one-fifth of an MEC Class A Share for a nominal exercise price. A holder of an Additional Option could only exercise such option concurrently with the exercise of an Outstanding Option.

16. MEC is currently not a reporting issuer or the equivalent in any province of Canada. However, it has filed a preliminary non-offering prospectus dated November 8, 1999 (the "Non-Offering Prospectus") in the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Newfoundland and Nova Scotia and will file the final Non-Offering Prospectus to enable it to become a reporting issuer pursuant to applicable securities legislation in such provinces, notwithstanding that no sale of its securities is contemplated in such Non-Offering Prospectus. The Non-Offering Prospectus will be amended to serve as a non-offering prospectus for Exchangeco as well as MEC, so that Exchangeco will also become a reporting issuer.

17. The final Non-Offering Prospectus will be sent to all Magna Shareholders who are shareholders of record on the record date for the Spin-off. The final Non-Offering Prospectus will contain full, true and plain disclosure of all material facts relating to MEC, Exchangeco and the Spin-off. The Non-Offering Prospectus will not contain financial statements for Exchangeco as a separate entity, although it will include financial statements for MEC on a consolidated basis which will give effect to the assets and liabilities of Exchangeco.

18. The Non-Offering Prospectus and certain accompanying explanatory materials will state that Canadian resident shareholders of Magna may elect to receive Exchangeable Shares in satisfaction of Magna's obligation to deliver the MEC Class A Shares declared as a dividend in kind, and that Canadian shareholders will be deemed to have elected to receive Exchangeable Shares in lieu of MEC Class A Shares unless they notify Magna to the contrary by a specified date.

19. Subject to all requisite consents and approvals, the final Non-Offering Prospectus will contain representations regarding the quotation and trading of the MEC Class A Shares on the Nasdaq National Market ("NASDAQ") and the listing of such shares and the Exchangeable Shares on the TSE (the "Listing Representations").

### ***Exchangeable Shares***

20. The Exchangeable Shares, together with the Voting and Exchange Agreement described below and the Exchangeable Share Support Agreement also described below, will provide holders thereof with a security of a Canadian issuer having economic and voting rights which are, as nearly as practicable, equivalent to those of an MEC Class A Share. Provided that the Exchangeable Shares are listed on a prescribed stock exchange in Canada (which includes the TSE) and certain other conditions are met, it is expected that they will be "qualified investments" for certain investors and that they will not constitute "foreign property", in each case under the *Income Tax Act* (Canada). The Exchangeable Shares will be exchangeable by a holder thereof for MEC Class A Shares on a share-for-share basis at any time at the option of such holder and will be required to be exchanged upon the occurrence of certain events, as more fully described below. Dividends will be payable on the Exchangeable Shares contemporaneously and in the equivalent amount per share as dividends on the MEC Class A Shares, although currently no dividends are anticipated to be paid on the MEC Class A Shares. The Exchangeable Shares are subject to adjustment or modification in the event of a stock split or other changes to the MEC Class A Shares so as to maintain at all times a one-to-one relationship between the Exchangeable Shares and MEC Class A Shares.

21. The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares (the "Exchangeable Share Provisions") will provide that the Exchangeable Shares will rank prior to the common shares of Exchangeco with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Exchangeco.

22. The Exchangeable Shares will be non-voting with respect to Exchangeco (except as required by the Exchangeable Share Provisions or by applicable law) and will be retractable at the option of the holder at anytime. Subject to the overriding call right of MEC referred to below in this paragraph, upon retraction the holder will be entitled to receive from Exchangeco for each Exchangeable Share retracted an amount equal to the current market price of an MEC Class A Share, to be satisfied by delivery of one MEC Class A Share, together with, on the designated payment date therefor, all declared and unpaid dividends on each 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 Exchangeco of a proposed retraction of Exchangeable Shares, MEC will have an overriding 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 the overriding call right of MEC referred to below in this paragraph, Exchangeco may redeem all but not less than all (other than those held by MEC or its subsidiaries) Exchangeable Shares then outstanding at any time on or after October 1, 2001, or such other date thereafter but prior to April 1, 2003 that the board of directors of Exchangeco may determine (the "Redemption Date"). In certain circumstances the board of directors of Exchangeco may accelerate the Redemption Date. Upon such redemption, a holder will be entitled to receive from Exchangeco for each Exchangeable Share redeemed an amount equal to the current market price of an MEC Class A Share, to be satisfied by the delivery of one MEC Class A Share, together with all declared and unpaid dividends on each such redeemed Exchangeable Share held by the holder on any dividend record date prior to the date of redemption (such aggregate amount, the "Redemption Price"). Upon being notified by Exchangeco of a proposed redemption of Exchangeable Shares, MEC will have an overriding call right to purchase from the holders all (but not less than all) of the outstanding Exchangeable Shares (other than MEC or its subsidiaries) for a price per share equal to the Redemption Price.

#### *Voting and Exchange Agreement*

24. Subject to the overriding call right of MEC referred to below in this paragraph, on the liquidation, dissolution or winding-up of Exchangeco, holders of Exchangeable Shares will be entitled to put their shares to MEC in exchange for MEC Class A Shares pursuant to the Voting and Exchange Agreement. Upon a proposed liquidation, dissolution or winding-up of Exchangeco, MEC will have an overriding call right to purchase all of the outstanding Exchangeable Shares from the holders thereof (other than MEC or its subsidiaries) for a price per share equal to the current market price of an MEC Class A Share, to be satisfied by the delivery of one MEC Class A Share, together with all declared and unpaid dividends on each such Exchangeable Share held by the holder on any dividend record date prior to the date of liquidation, dissolution or winding-up of Exchangeco.

25. Upon the liquidation, dissolution or winding-up of MEC, all Exchangeable Shares held by holders (other than MEC or its subsidiaries) will be automatically exchanged for MEC Class A Shares pursuant to the Voting and Exchange Agreement, in order that holders of Exchangeable Shares may participate in the dissolution of MEC on the same basis as holders of MEC Class A Shares.

26. Pursuant to a Voting and Exchange Agreement dated as of December 30, 1999 (as the same may be amended and restated from time to time) among Magna, MEC and Exchangeco, Magna will exercise voting rights attaching to certain MEC Class A Shares or MEC Class B Shares held by it in accordance with directions received from holders of Exchangeable Shares (the "Voting Rights"). As a result, holders of Exchangeable Shares will be entitled to exercise substantially the same voting rights in respect of MEC as they would have been entitled to exercise if they held MEC Class A Shares instead of Exchangeable Shares.

27. Under the Voting and Exchange Agreement, upon the insolvency of Exchangeco, a holder of Exchangeable Shares has the right (the "Exchange Right") to require MEC to purchase from the holder all or any part of his or her Exchangeable Shares. The purchase price for each Exchangeable Share purchased by MEC will be an amount equal to the current market price of an MEC Class A Share, to be satisfied by the delivery by MEC of one MEC Class A Share, together with an additional amount equivalent to the full amount of all declared and unpaid dividends on such Exchangeable Share held by such holder on any dividend record date prior to the closing of the purchase and sale.

28. Under the Voting and Exchange Agreement, upon the liquidation, dissolution or winding-up of MEC, MEC will automatically be deemed to purchase each outstanding Exchangeable Share held by a holder other than those held by MEC or a subsidiary of MEC, and each such holder will be required to sell all of his or her Exchangeable Shares (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 an MEC Class A Share, to be satisfied by the delivery by MEC to the holder of one MEC Class A Share, together with an additional amount equivalent to the full amount of all declared and unpaid dividends on each such Exchangeable Share held by such holder on any dividend record date prior to the date of the exchange.

#### *Exchangeable Share Support Agreement*

29. Under the terms of an Exchangeable Share Support Agreement dated as of December 30, 1999 (as the same may be amended or restated from time to time) between MEC and Exchangeco, MEC will not declare or pay any dividends on the MEC Class A Shares unless Exchangeco simultaneously declares and pays an equivalent dividend on the Exchangeable Shares, and MEC will ensure that it and Exchangeco 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 described above.

30. Under the terms of the Exchangeable Share Support Agreement, without the prior approval of the holders of the Exchangeable Shares, actions such as distributions of stock dividends, options, rights and warrants for the purchase of securities or other assets, subdivisions, reclassifications, reorganizations and other changes cannot be taken in respect of MEC Class A Shares generally without the same or an economically equivalent action being taken in respect of the Exchangeable Shares.

#### *Exemptions in Respect of Trades and Distributions of Securities and First Trades Thereafter*

31. The steps involved in the Spin-off and the attributes of the Exchangeable Shares contained in the Exchangeable Share Provisions, the Voting and Exchange Agreement and the Exchangeable Share Support Agreement involve or may involve a number of trades and distributions of securities (collectively, the "Trades"), including trades related to the delivery by Magna of Exchangeable Shares and MEC Class A Shares pursuant to the Spin-off or upon the issuance of MEC Class A Shares in exchange for Exchangeable Shares, trades or distributions that may be considered to occur in connection with the Withheld Shares Monetization, and trades in

Exchangeable Shares and MEC Class A Shares pursuant to the exercise of the various rights attached to the Exchangeable Shares or under the Voting and Exchange Agreement.

32. None of the trades or possible trades described above involve an investment decision. The initial Spin-off of MEC Class A Shares or Exchangeable Shares to a Magna Shareholder will effectively constitute a dividend in kind to the shareholders, who will not pay any consideration therefor. Although Canadian shareholders will be able to elect (and, in the absence of a request to the contrary, will be deemed to elect) to receive Exchangeable Shares in satisfaction of their right to obtain MEC Class A Shares pursuant to the Spin-off the Exchangeable Shares will provide certain Canadian tax benefits to certain Canadian holders but will otherwise be, as nearly as practicable, the economic and voting equivalent of the MEC Class A Shares.

33. The information respecting Exchangeco that would be required to be disseminated through compliance with the continuous disclosure and reporting issuer requirements and the requirement to file an annual information form is not relevant (and is arguably misleading) to the holders of Exchangeable Shares. The option in favour of certain holders of MEC Class A Shares to receive Exchangeable Shares under the Spin-off will permit certain holders to hold property that is not "foreign property" under the *Income Tax Act* (Canada). As a result of the economic and voting equivalency between the Exchangeable Shares and the MEC Class A Shares, holders of Exchangeable Shares will have a participating interest determined by reference to MEC, rather than Exchangeco, and dividend and dissolution entitlements will be determined by reference to the financial performance and condition of MEC, not Exchangeco. By the same token, only MEC, as the sole holder of all of Exchangeco's common shares, will have a participating interest determined by reference to Exchangeco. Accordingly, it is the information relating to MEC, not Exchangeco, that will be relevant to holders of both the MEC Class A Shares and the Exchangeable Shares. In light of the fact that the value of the Exchangeable Shares, in terms of dividend and dissolution entitlements and capital appreciation, is determined by reference to the consolidated financial performance and condition of MEC, and in light of the fact that all material information regarding MEC will be publicly available, information respecting the financial condition of Exchangeco (otherwise than as included in MEC's consolidated financial statements) is not material (and is arguably misleading) to holders of Exchangeable Shares.

**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 pursuant to the Legislation is:

1. that the prospectus requirements and registration requirements shall not apply to any of the Trades made in connection with or pursuant to the Spin-off, the Voting and Exchange Trust Agreement and the Exchangeable Share Support Agreement provided that the first trade in Exchangeable Shares received by holders of Magna Shares pursuant to the Spin-off and the first trade of MEC Class A Shares received by holders of Magna Shares pursuant to the Spin-off or



received by holders of Exchangeable Shares who obtain MEC Class A Shares in respect thereof, or received by holders of Replacement Options or Additional Options who obtain MEC Class A Shares upon the exercise thereof, shall be a distribution under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation"), unless otherwise exempt thereunder or unless either:

(i) such first trade is made in the following circumstances:

(a) Exchangeco or MEC, as the case may be, is a reporting issuer or the equivalent under the Applicable Legislation;

(b) if the seller is in a special relationship with Exchangeco or MEC, as the case may be, (as defined in the Applicable Legislation) the seller has reasonable grounds to believe that Exchangeco or MEC, as the case may be, is not in default of any requirement of the Applicable Legislation;

(c) no unusual effort is made to prepare the market or to create a demand for the Exchangeable Shares or the MEC Class A Shares, as the case may be, and no extraordinary commission or consideration is paid in respect of such first trade; and

(d) disclosure of the exempt trade is made to the Decision Maker(s) (the Decision Makers hereby confirming that the filing of the application with the Decision Makers for the relief granted in this Decision constitutes disclosure to the Decision Makers of the exempt trade);

then such first trade is a distribution only 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 Exchangeco or MEC to affect materially the control of Exchangeco or MEC, as the case may be, (any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding voting securities of Exchangeco or MEC shall, in the absence of evidence to the contrary, be deemed to affect materially the control of Exchangeco or MEC, respectively) but any such distribution shall not be subject to the prospectus requirements of the Legislation of the Jurisdiction in which such trade takes place (the "Pertinent Legislation") if:

(i) Exchangeco or MEC, as the case may be, is a reporting issuer or the equivalent under the Pertinent Legislation and is not in default of any requirement of the Pertinent Legislation;

(ii) 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 or the MEC Class A Shares, as the case may be, are listed at least seven days and not more than fourteen 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 Pertinent Legislation for control block distributions (the "Control Block Rules") disclosing particulars of the control position known to the seller, the number of Exchangeable Shares or MEC Class A Shares to be sold and the method of distribution; and

(B) a declaration signed by the seller as at a date not more than twenty-four 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 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 section (ii)(A) and the declaration required to be filed under section (ii)(B) shall be renewed and filed at the end of sixty days after the original date of filing and thereafter at the end of each twenty-eight day period so long as any of the Exchangeable Shares or MEC Class A Shares specified under the original notice have not been sold or until notice has been filed that the Exchangeable Shares or MEC Class A Shares so specified or any part thereof are no longer for sale;

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

(iv) no unusual effort is made to prepare the market or to create a demand for the Exchangeable Shares or MEC Class A Shares, as the case may be, and no extraordinary commission or other consideration is paid in respect of such first trade; and

(v) the seller (or an affiliated entity) has held the Exchangeable Shares or MEC Class A Shares, as the case may be, and/or the Magna Shares in respect of which the Exchangeable Shares or the MEC Class A Shares, as the case may be, were issued, in the aggregate for a period of at least six months provided that if:

(A) the Pertinent 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 Exchangeable Shares or MEC Class A Shares, as the case may be, pursuant to any such prescribed exemptions, all Exchangeable Shares or MEC Class A Shares, as the case may be, held by the seller will be subject to the hold period prescribed by the Pertinent Legislation, which shall run from the date any such subsequent Exchangeable Shares or MEC Class A Shares, as the case may be, are acquired; or

(ii) such first trade is executed through the facilities of a stock exchange or market outside of Canada and such first trade is made in accordance with the rules of the stock exchange or market upon which the trade is made in accordance with all laws applicable to such stock exchange or market; and

2. that the requirements contained in the Legislation to issue a press release and file a report with the Decision Makers upon the occurrence of a material change, file interim financial statements and audited annual financial statements with the Decision Makers and deliver such statements to the security holders of Exchangeco, make an annual filing with the Decision Makers in lieu of filing an information circular and comply with insider reporting requirements shall not apply to Exchangeco or any insider of Exchangeco who is not otherwise an insider of MEC, provided that, at the time that any such requirement would otherwise apply:

(a) MEC sends to all holders of Exchangeable Shares resident in each province except Quebec and in each territory of Canada all disclosure material that it is required to send to its shareholders pursuant to its Canadian continuous disclosure obligations, including, without limitation, copies of its annual report and all proxy solicitation materials;

(b) MEC files with the Decision Makers copies of all documents required to be filed by it pursuant to its Canadian continuous disclosure obligations;

(c) MEC complies with the requirements of the Canadian securities regulatory authorities and the TSIS 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 such press release that discloses a material change in MEC's affairs;

(d) prior to or coincident with the distribution of the Exchangeable Shares, Exchangeco provides to each recipient or proposed recipient of Exchangeable Shares resident in Canada (other than a resident of Quebec) a statement that, as a consequence of this Decision Document, Exchangeco and its insiders will be exempt from certain disclosure requirements applicable to reporting issuers and its insiders in Canada, and specifying those requirements Exchangeco and its insiders have been exempted from and identifying the disclosure that will be made in substitution therefor (which may be satisfied by the inclusion of such a statement in the Non-Offering Prospectus);

(e) Exchangeco complies with the requirements of the Legislation in respect of material changes in the affairs of Exchangeco that would be material to holders of Exchangeable Shares but would not be material to holders of MEC Class A Shares;

(f) MEC 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 MEC and not in relation to Exchangeco, such statement to include reference to the economic equivalency between the Exchangeable Shares and the MEC Class A Shares and the right to direct voting at meetings of stockholders of MEC pursuant to the Voting and Exchange Agreement;

(g) MEC remains the direct or indirect beneficial owner of all the issued and outstanding voting securities of Exchangeco other than the Exchangeable Shares; and

(h) Exchangeco has not issued any securities to the public other than the Exchangeable Shares.

DATED February "14", 2000.

**THE FURTHER DECISION** of the Decision Makers is:

3. that permission or consent to make the listing representation in the prospectus contained in the registration statement on Form S-1 and the Non-Offering Prospectus is hereby granted.

DATED February "14", 2000.

**THE FURTHER DECISION** of the Decision Makers in Ontario and Saskatchewan is:

4. that the requirement of the Legislation to file and deliver annual information forms (including management's discussion and analysis of the financial condition and results of operations) shall not apply to Exchangeco, provided that, at the time that any such requirement would otherwise apply, the conditions set out in paragraph 2 of this Decision have been complied with.

DATED February "14", 2000.

#### Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from registration and prospectus requirements in respect or certain trades made in connection with spin-off of subsidiary of reporting issuer using option exchangeable share structure, subject to first trade restrictions - relief from continuous disclosure requirements granted to Exchangeco and relief from insider reporting obligations granted to Exchangeco insiders, provided that issuer of underlying securities delivers all applicable disclosure to holders of exchangeable shares, and other conditions - waiver of requirement to file annual information forms and management discussion and analysis of financial condition and results of operations granted to Exchangeco - permission granted to include representations as to listing and quoting of securities on The TSE and NASDAQ in non-offering prospectus provided to shareholders of reporting issuer.

#### Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 35(1)13, 38(3), 53, 72(l)(g), 72(5), 74(1), 75, 77, 78, 79, 80(b)(iii), 81, 85, 86, 88(2), 107, 108, 109 and 121(2).

#### Applicable Ontario Rules

Rule 45-50 1 - Exempt Distributions

#### Applicable Ontario Policies

OSC Policy Statement No. 5.10 - *Annual Information Form and Management's Discussion and Analysis of Financial Condition and Results of Operations*