

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

AND

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

AND

IN THE MATTER OF MOFFAT COMMUNICATIONS LIMITED AND VIDEON  
CABLESYSTEMS INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island and Newfoundland (the "Jurisdictions") has received an application from Moffat Communications Limited ("Moffat") and Videon CableSystems Inc. (the "Issuer", and collectively with Moffat, the "Filer") for a decision under the securities legislation (collectively the "Legislation") of each of the Jurisdictions that

**A.** the Issuer be granted a waiver pursuant to section 4.5 of National Policy Statement No. 47 ("NP 47"), from the provisions of subparagraph 4.3(1)(b)(ii)(B) of NP 47 and an exemption pursuant to section 263 of the Securities Act (Quebec) so as to permit the Issuer to participate in the prompt offering qualification system pursuant to NP 47 and pursuant to the applicable securities legislation of Quebec, including but not limited to, Title II and Title III of the *Securities Act* (Quebec) and the *Regulation respecting securities* (Quebec) (the "POP System");

**B.** the Issuer be exempted from the requirements to file and/or deliver to security holders Interim financial statements, Annual financial statements, Material change reports and press releases, Information circulars and Annual information forms or reports (collectively the "Reporting Requirements"); and

**C.** Moffat, Moffat's direct or indirect subsidiaries and Moffat's affiliates (the "Moffat Group") be exempted from the requirement contained in the Legislation for an insider of a reporting issuer or equivalent to file reports disclosing the insider's direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer or equivalent (the "Insider Reporting Requirement")

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Manitoba Securities Commission is the principal jurisdiction for this application;

AND UPON the Issuer having represented to the Decision Makers as follows:

1. Moffat is a corporation amalgamated under the *Canada Business Corporations Act* on August 31, 1979.
2. Moffat, directly and through its wholly-owned subsidiaries, provides broadcast television, cable, Internet and telecommunications services in Canada, and cable and Internet services in the United States. Cable and Internet Services are offered in Canada through Videon, which owns and operates cable television systems in Manitoba, Alberta and Northwestern Ontario. High-speed business telecom services are offered through Videon FiberLink™ in the Canadian cities of Edmonton, Alberta and Winnipeg, Manitoba. In addition, Moffat owns a seventy-seven percent (77%) interest in Lifestyle Television (1994) Limited (also known as WTN), a nationally distributed Canada specialty programming service. Further, Moffat owns and operates CKY-TV, the CTV Television Network affiliate in the province of Manitoba.
3. Moffat is a reporting issuer or equivalent in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, and has been so for at least three years. Moffat has been deemed to be a reporting issuer in Nova Scotia since January 5, 1999. On February 8, 2000, Moffat filed in the provinces of Nova Scotia, Newfoundland, New Brunswick and Prince Edward Island all Continuous Disclosure Materials that it had previously filed in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec since February 1, 1999. Moffat is not in default of any of the requirements of the Legislation in the Jurisdictions.
4. Common shares issued by Moffat are listed on The Toronto Stock Exchange. The market value of the public float of these common shares is in excess of \$500 million. This amount excludes all common shares held by persons who hold ten percent (10%) or more of the issued and outstanding common shares of Moffat.
5. Moffat has filed with the Decision Makers in all the Jurisdictions an Initial Annual Information Form ("AIF") pursuant to National Policy 47 ("NP 47") and the requirements of the Quebec Legislation. The AIF was accepted by the Decision Makers on March 24, 2000.
6. Moffat is eligible to issue securities under the POP System and therefore is eligible to file a "simplified prospectus" (to be referred to as a "short form" prospectus herein).
7. The Issuer is a corporation continued under the laws of the Province of Manitoba on August 31, 1979, and is a wholly-owned subsidiary of Moffat.
8. The Issuer markets basic cable service and discretionary services such as specialty channels, pay-TV, pay-per-view, digital TV and high-speed Internet services. Further the Issuer provides high-speed, high-capacity fibre optic telecom service for business. The Issuer, directly and indirectly through its wholly-owned subsidiary Videon CableSystems Alberta Inc., operates cable television systems in Winnipeg, Manitoba and Edmonton, Alberta and forty-seven regional communities in the provinces of Alberta, Manitoba and Ontario. The Issuer, directly and indirectly through its wholly-owned subsidiary Videon CableSystems Alberta Inc., also provides high-speed, high-capacity fibre optic telecom service for business in Winnipeg, Manitoba and

Edmonton, Alberta. The Issuer's United States cable operations include Kingwood Cablevision, Inc. near Houston, Texas; FSN Cable, Inc. near Tampa, Florida; and Palm Coast Cablevision, Ltd., just south of Jacksonville, Florida. High-speed Internet access and security monitoring services are also provided through Kingwood Cablevision.

9. The Issuer is not a reporting issuer or the equivalent in any province or territory of Canada.

10. The Issuer proposes to offer (the "Offering") to the public, in each of the Jurisdictions, non-convertible senior secured debentures (the "Debentures") by way of a short form prospectus pursuant to the POP System. The disclosure in the short form prospectus will relate to Moffat on a consolidated basis. Financial information with respect to the Issuer is included in the consolidated financial information of Moffat and has been included in such consolidation since at least 1972.

11. The Debentures will be fully and unconditionally guaranteed by Moffat as to the payments required to be made by the Issuer to holders of the Debentures, which guarantee will provide for the right of the holders of the Debentures to receive payment from Moffat within 15 days of any failure by the Issuer to make a payment as required. At the request of a syndicate of banks (the "Bank Syndicate"), Moffat currently guarantees a \$400 million credit facility (the "Credit Facility") provided by the Bank Syndicate to the Issuer.

12. TD Securities Inc. and RBC Dominion Securities Inc., the co-lead underwriters in respect of the Offering (the "Underwriters"), have advised Moffat that they view the guarantee by Moffat as the principal investment consideration in respect of the Debentures. Further, Moffat understands that the Underwriters will be relying on the guarantee from Moffat and the credit rating of the Issuer (which they expect will largely be based on the operations of Moffat) in soliciting prospective purchasers of the Debentures. In particular, all discussions with prospective investors, including "road shows", investor presentations and any meetings with management, will focus on the operations of Moffat as a whole and the strength of its guarantee, as opposed to the Issuer in isolation.

13. The Issuer will not proceed with the Offering if it cannot obtain a rating of at least B++(low) from Canada Bond Rating Service and BBB(low) from Dominion Bond Rating Service Limited.

14. Moffat itself would be eligible to issue debt using a short form prospectus pursuant to the POP System. The Issuer, however, is not eligible to qualify the Debentures pursuant to the alternative eligibility criteria set out in section 4.3 of NP 47 and section 166 of the Regulation under the Securities Act (Quebec) because Moffat does not have issued and outstanding debt with an Approved Rating.

15. As a result of the Offering, the Issuer will become a reporting issuer or equivalent in the Jurisdictions whose Legislation contains such status, and will be required to comply with the obligations imposed upon reporting issuers or the equivalent under the Legislation.

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

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that

1. the requirements contained in subparagraph 4.3(1)(b)(ii)(B) of NP 47 be waived pursuant to Section 4.5 of NP 47 and those contained under section 18 of the Securities Act (Quebec) and section 166 of the Regulation respecting securities (Quebec) pursuant to section 263 of the Securities Act (Quebec) to enable the Issuer to issue non-convertible debt securities under the POP System provided that

(a) the aggregate market value of Moffat's equity securities listed and posted for trading on The Toronto Stock Exchange or on some other stock exchange in Canada is \$75,000,000 or more on a date within 60 days before the date of the filing of the issuer's preliminary short form prospectus, other than those equity securities that are held by persons who control 10% or more of the outstanding equity securities of Moffat; and

(b) the Issuer complies with all of the filing requirements and procedures and each of the other eligibility requirements of the POP System;

2. the Issuer be exempted from the Reporting Requirements and the Moffat Group be exempted from the Insider Reporting Requirement with respect to the Issuer, subject to the following conditions being met:

(a) Moffat remains a reporting issuer or the equivalent in the Jurisdictions;

(b) the Issuer remains a wholly owned direct or indirect subsidiary of Moffat;

(c) Moffat continues to comply with all timely and continuous disclosure filing requirements of the Legislation;

(d) if there is a material change in respect of the business, operations or capital of the Issuer that is not a material change in respect of Moffat, Moffat will file, on behalf of the Issuer, a material change report notwithstanding that the change may not be a material change in respect of Moffat;

(e) the Issuer does not issue additional securities other than the Debentures (or any other series of the Debentures which hereinafter may be issued), debt securities ranking pari passu to the Debentures, any debentures issued in connection with the security granted by the Issuer to the holders of Debentures or debt ranking pari passu with the Debentures, and those securities currently issued and outstanding, other than to Moffat or to wholly owned subsidiaries of Moffat.

(f) Moffat continues to fully and unconditionally guarantee the Debentures as to the payments required to be made by the Issuer to holders of the Debentures;

(g) if Debentures of another series or debt securities ranking pari passu with the Debentures are hereinafter issued by the Issuer, Moffat shall fully and unconditionally guarantee such Debentures or debt securities as to the payments required to be made by the Issuer to holders of such Debentures or debt securities;

(h) the Issuer files Moffat's annual comparative audited consolidated financial statements and an annual audited comparative summary of the Issuer's consolidated financial results for the most recently completed financial year and the financial year immediately preceding such financial year. The Issuer's annual audited consolidated comparative summary shall include the following line items:

- (i) revenues;
- (ii) operating income before other expenses;
- (iii) income from continuing operations;
- (iv) net income;
- (v) current assets;
- (vi) non current assets;
- (vii) current liabilities; and
- (viii) non current liabilities;

(i) the Issuer files Moffat's interim comparative consolidated financial statements and an interim comparative summary of the Issuer's consolidated financial results for the most recently completed interim period and the corresponding interim period in the previous financial year. The Issuer's interim consolidated comparative summary shall include the following line items:

- (i) revenues;
- (ii) operating income before other expenses;
- (iii) income from continuing operations;
- (iv) net income;

(j) if in the future the Decision Makers require by rule or Legislation that interim financial statements must include a balance sheet, the disclosure included in clause (i) above would also be required to include a summary of the following line items:

- (i) current assets;
- (ii) non current assets;
- (iii) current liabilities; and
- (iv) non current liabilities;

(k) such filings as are referred to in (h), (i) and (j) above are to be made within the time limits required by the Act provided that the first filing to be made by the

Issuer under clause (i) shall be in respect of the third quarter ending May 31, 2000 and the first filing to be made by the Issuer under clause (h) shall be in respect of the financial year ended August 31, 2000.

DATED the "29<sup>th</sup>" day of "March", 2000

**"Douglas R. Brown"**  
**Director Legal**