

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

AND

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

AND

IN THE MATTER OF RONA INC.

MRRS Decision Document

WHEREAS the local securities regulatory authority or regulator (the **“Decision Maker”**) in each of the Provinces of Saskatchewan, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (the **“Jurisdictions”**) has received an application from RONA inc. (the **“Filer”** or **“RONA”**) for a decision under the securities legislation of the Jurisdictions (the **“Legislation”**) that the requirements contained in the Legislation to prepare a prospectus and to be registered in accordance with the Legislation (the **“Prospectus and Registration Requirements”**) shall not apply to the Filer for the issuance of common shares to Dealer-Owners (as defined below), as well as to further trades of such common shares;

AND WHEREAS under 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 Filer has represented and submitted to the Decision Makers that:

1. The Filer is a validly subsisting company which results from the amalgamation of Marchands Ro-Na Inc. and Le Groupe Ro-Na Inc. through articles of amalgamation dated January 2, 1984 under Part 1A of the *Companies Act* (Quebec). The Filer’s head office is located at 220 chemin du Tremblay, Boucherville, Quebec J4B 8H7.
2. The Filer is a reporting issuer in the Province of Quebec. It became a reporting issuer when its class A preferred shares, series 1 and 2 were offered to the public in the Province of Quebec by prospectus dated [October 24, 1984](#). As such, RONA is subject to the continuous disclosure requirements of the *Securities Act* (Quebec) (the **“Act”**) and RONA shareholders receive quarterly and annual financial statements of RONA as well as proxy related materials and annual information forms, all of which are filed with the *Commission des valeurs mobilières du Québec* (the **“Commission”**) in accordance with the Act.

3. The Filer is an electronic filer within the meaning given to such term under National Instrument 13-101 – System for Electronic Document Analysis and Retrieval (SEDAR).
4. The Filer’s authorized share capital consists of an unlimited number of Class A preferred shares, issuable in series of which one series, designated as an unlimited number of Class A preferred shares, series 5 (the “**Class A Preferred Shares**”) is currently authorized, an unlimited number of Class B preferred shares (the “**Class B Preferred Shares**”), an unlimited number of Class C preferred shares, issuable in series of which one series, designated as an unlimited number of Class C preferred shares, series 1 (the “**Class C Preferred Shares**”) is currently authorized, an unlimited number of Class D preferred shares (the “**Class D Preferred Shares**”), an unlimited number of Class E preferred shares (the “**Class E Preferred Shares**”), an unlimited number of Class A common shares (the “**Class A Shares**”), an unlimited number of Class C common shares (the “**Class C Shares**”), an unlimited number of Class D common shares (the “**Class D Shares**”) and an unlimited number of Class E common shares (the “**Class E Shares**”), all of which are without par value (except for the Class B Preferred Shares which have a par value of \$1.00).
5. As at June 30, 2002, the only shares of RONA issued and outstanding were the following: 4,085,053 Class A Preferred Shares, 1,306 Class C Preferred Shares, 10,000,000 Class D Preferred Shares, 5,752,826 Class A Shares, 1,346,296 Class C Shares, 1,802,450 Class D Shares and 360,490 Class E Shares. No Class B Preferred Shares and no Class E Preferred Shares are currently outstanding and no shares of RONA are currently listed on any stock exchange. It is expected that effective upon the filing of a final base PREP prospectus for RONA’s public offering of Common Shares (as defined below) (the “**Offering**”), the Class A Shares, Class C Shares, Class D Shares and Class E Shares will be subdivided on an expected four to one basis.
6. The articles of the Filer, as amended (the “**Articles**”), provide that immediately before but conditionally upon the closing of the Offering, each outstanding Class C Share, Class D Share and Class E Share will be automatically converted into a Class A Share and that the classes of Class C Shares, Class D Shares, Class E Shares and Class E Preferred Shares will be cancelled. In addition, the Articles provide that the Class A Shares will automatically be renamed “**Common Shares**” (collectively, the “**Capital Reorganisation**”).
7. The Filer also has the intention to list the Common Shares on The Toronto Stock Exchange.
8. RONA stores are operated under various collective trade-marks known as “banners” and they are either owned by RONA or by dealers (the “**Dealer-Owners**”).
9. Upon joining RONA, each Dealer-Owner is required to execute a commercial license agreement (the “**License Agreement**”) pursuant to which it undertakes to comply with RONA’s standards, including the operating conditions of the banner under which it operates. In addition, Dealer-Owners, pursuant to their License Agreement, are typically required to purchase a minimum number of Class A Shares when they begin operating a store under a RONA banner and contribute on an annual basis thereafter a percentage of their purchases from RONA to a subscription fund created and maintained by RONA (the

“Fund”). The contributions so made to the Fund in a given year are used to purchase additional Class A Shares that are issued to the Dealer-Owners the following year. Each Dealer-Owner is also required to grant in favour of RONA a security interest in all the shares of RONA held by it as continuing security for the performance of its obligations towards RONA.

10. In the event of the termination of the License Agreement between a Dealer-Owner and RONA, the Class A Shares held by such Dealer-Owner may be either (i) with the consent of RONA, transferred to another Dealer-Owner or to a purchaser qualified to become a Dealer-Owner, or (ii) purchased for cancellation by RONA. If a Dealer-Owner’s Class A Shares are purchased for cancellation by RONA, RONA may either pay the Dealer-Owner the cash value of those Class A Shares or issue the Dealer-Owner Class C Preferred Shares, Class B Preferred Shares or Class A Preferred Shares depending on the date at which such Class A Shares were purchased by RONA. The Filer intends to cease purchasing such shares after the closing of the Offering and the listing of the Common Shares on The Toronto Stock Exchange considering that former Dealer-Owners will have a market on which to sell their Common Shares.
11. Prior to February 14, 1994, the Filer issued Class A Shares and Class B Preferred Shares to Dealer-Owners in the Province of Quebec pursuant to a series of discretionary rulings granted by the Commission. These rulings provided exemptive relief from prospectus and registration requirements and, in some cases, also provided certain conditions for the resale of the securities thereby distributed (although RONA currently satisfies all of these conditions). On February 14, 1994, the Commission granted RONA a perpetual ruling providing exemptive relief from prospectus and registration requirements for all Class A Shares and Class B Preferred Shares to be issued by RONA to its Dealer-Owners if such issue was made in accordance with the representations made by RONA in its application to the Commission. On February 8, 1999, a similar ruling was granted with regards to the issuance by RONA of Class A Preferred Shares to the Dealer-Owners.
12. On July 23, 1993, the *Ontario Securities Commission* (the “OSC”) ruled that the issuance of Class A Shares and Class B Preferred Shares by RONA to Dealer-Owners was not subject to the prospectus and registration requirements of the *Securities Act* (Ontario), provided that :
 - (a) Each purchaser of Class A Shares or Class B Preferred Shares has been approved by RONA as an Ontario Dealer-Owner and has purchased the Class A Shares or Class B Preferred Shares pursuant to the License Agreement,
 - (b) Prior to the first issuance or transfer of any Class A Shares or Class B Preferred Shares to an Ontario Dealer-Owner, RONA has to provide such Ontario Dealer-Owner with:
 - (i) a copy of the OSC’s ruling, and
 - (ii) a statement that, as a consequence of such ruling, certain protections, rights and remedies provided by the *Securities Act* (Ontario), including statutory rights of recession or damages, will not be available to Ontario Dealer-Owners,

- (c) all continuous disclosure materials relating to RONA, including its audited annual reports and its unaudited quarterly reports, furnished to RONA's Dealer-Owners residing in the Province of Quebec be concurrently sent to Ontario Dealer-Owners, and
- (d) the first trade in the Class A Shares or Class B Preferred Shares, other than to other Dealer-Owners, a purchaser qualified to become a Dealer-Owner or RONA, is a distribution in accordance with the *Securities Act* (Ontario).

This ruling was revoked and replaced on November 5, 1999 by a similar ruling which also covered the issuance of Class A Preferred Shares.

- 13. Similar orders have been obtained by RONA for the issuance of Class A Shares and Class B Preferred Shares in the Provinces of Nova Scotia, Prince Edward Island and Newfoundland on September 15, 1999, January 28, 1998 and January 5, 1998 respectively. On January 6, 1998, the Administrator of Securities, New Brunswick also rendered a similar ruling except for the fact that this ruling did not contain any resale restrictions.
- 14. As a result of the Capital Reorganisation, the Class A Shares held by Dealer-Owners will be redesignated "Common Shares" immediately before the closing of the Offering.
- 15. As of the closing of the Offering, the License Agreements and most of the applicable commercial regulations between RONA and the Dealer-Owners will be the same as they currently are, except that certain amendments will be made to modify, among other things, the applicable contribution maximums and, subject to certain conditions, permit the release of a certain number of the Dealer-Owners' Common Shares from the pledge granted to RONA.

Following these amendments, new Dealer-Owners will be required to purchase, upon their adhesion to RONA's network, Common Shares from RONA's treasury in an aggregate amount of \$10,000 (which amount shall be reduced to \$5,000 for stores with estimated annual purchases from RONA equal or inferior to \$1 million), for a price per share based on their market value at such time.

Subject to the limitations set out below, Dealer-Owners will continue to be required to make annual contributions to the Fund in an amount equal to 2% of their purchases from RONA of the previous calendar year, except in the case of Dealer-Owners operating under the RONA L'entrepôt and RONA Le Régional banners who will have the obligation to contribute a fixed amount annually.

All Dealer-Owners' contributions to the Fund will now be capped at three levels:

- ? the annual maximum: in any given year a Dealer-Owner may not contribute an amount greater than the annual maximum applicable to its store category.
- ? the cumulative subscription maximum: subject to the terms of the pledge maximum set out below, a Dealer-Owner's contributions will cease when its total contributions to the Fund, from time to time, reach a level equal to the lesser of the

applicable percentage of its annual purchases for the previous calendar year or the fixed maximum threshold applicable to its store category, except in the case of Dealer-Owners operating under the RONA L'entrepôt and RONA Le Régional banners who will have the obligation to contribute a fixed amount.

- ? the pledge maximum: a Dealer-Owner's contributions will be suspended for a given year if the aggregate value of the Common Shares held by the Dealer-Owner, as determined each year on a date set by the board of directors of RONA (the "**Adjustment Date**"), is greater than the pledge maximum applicable to its store category. Notwithstanding the foregoing, in the first calendar year that includes the closing date of the Offering, the first Adjustment Date will be the date of the preliminary base PREP prospectus filed in respect of the Offering and the second Adjustment Date will be the closing date of the Offering. The total value of the Common Shares held by a Dealer-Owner on an Adjustment Date will correspond to the amount obtained by multiplying the number of such shares by 75% of (i) in the case of the first Adjustment Date, \$15.00 (following subdivision), (ii) in the case of the second Adjustment Date, the price per Common Share under the Offering, or (iii) in the case of any other Adjustment Date, the market value of a Common Share.

16. The annual maximum, the cumulative subscription maximum and the pledge maximum will vary with the different store categories in the manner set out below:

Store Category	Annual Maximum	Cumulative Subscription Maximum (lesser of)		Pledge Maximum (lesser of)	
		Annual Purchase Percentage	Maximum Threshold	Annual Purchase Percentage	Maximum Threshold
Stores with annual purchases of:					
- Between \$0 and \$1,000,000	\$10,000	12%	\$100,000	20%	\$200,000
- Between \$1,000,001 and \$2,500,000	\$20,000	12%	\$150,000	20%	\$400,000
- Between \$2,500,001 and \$5,000,000	\$25,000	12%	\$175,000	20%	\$600,000
- Between \$5,000,001 and \$10,000,000	\$30,000	12%	\$200,000	20%	\$800,000
- More than \$10,000,000	\$35,000	12%	\$225,000	20%	\$1,000,000
RONA Le Régional	\$35,000	-	\$225,000	-	\$1,000,000
RONA L'entrepôt	\$75,000	-	\$450,000	-	\$1,200,000

If, on any Adjustment Date, the value of the Common Shares held by a Dealer-Owner is greater than its pledge maximum on that date, RONA will have to, at the Dealer-Owner's request and subject to the following conditions, refund such Dealer-Owner the balance of its contributions made to the Fund and release from the pledge and return to the Dealer-

Owner the portion of its Common Shares in excess of the pledge maximum (the “**Excess Common Shares**”). The release of such Excess Common Shares is conditional, among other things, on the Dealer-Owner (i) complying with certain of its undertakings toward RONA pursuant to its License Agreement and the related commercial arrangements, and (ii) not receiving any direct or indirect financial assistance from RONA except for the amount customarily extended by RONA to such category of Dealer-Owner by way of line of credit or advance. A Dealer-Owner whose aggregate value of Common Shares (calculated as set forth above) held by it falls below its pledge maximum at any given subsequent Adjustment Date will have to resume its contributions to the Fund if its cumulative subscription maximum has not yet been reached.

17. In connection with the amendments described in the foregoing paragraph, RONA and National Bank Trust (the “**Transfer Agent**”) have entered into escrow agreements with over 92% of the Dealer-Owners. Under the terms of the said escrow agreements, any Dealer-Owner who holds Excess Common Shares has undertaken to place the said shares in escrow with the Transfer Agent. Except for any such shares sold as part of a secondary offering made concurrently with the Offering, such shares are to be released from escrow, subject to certain conditions, as follows: 15% of the balance of the escrowed shares on the 180th day following the closing date of the Offering (the “**First Release Date**”), 30% of the balance of the escrowed shares on the first anniversary of the First Release Date, 50% of the balance of the escrowed shares on the second anniversary of the First Release Date and the balance of the escrowed shares on the third anniversary of the First Release Date. If the License Agreement entered into by a Dealer-Owner terminates before the end of the escrow period, the escrow agreement also provides that the Common Shares released from RONA’s pledge as a result of such termination will be escrowed and released pursuant to the remaining time frame set out above. The release of any escrowed shares is subject to certain conditions which relate, among other things, to the Dealer-Owner complying with certain of its undertakings toward RONA under its commercial license agreement.
18. RONA currently plans to expand its business operations in all provinces of Canada by entering into License Agreements with individuals or businesses that meet RONA requirements.
19. RONA is a reporting issuer in the Province of Quebec and an electronic filer on SEDAR. After the Offering, RONA will be subject to continuous disclosure requirements in all Jurisdictions. As a result, Dealer-Owners will have access to continuous disclosure materials relating to RONA, including its audited annual reports and unaudited quarterly reports.
20. The underlying commercial objective in offering Common Shares to Dealer-Owners is to provide RONA with capital and to encourage Dealer-Owners by virtue of their position as shareholders of RONA to utilize the volume purchasing services of RONA, thereby furthering economies of scale in RONA’s purchasing activities and benefiting Dealer-Owners through the use of a collective purchasing power that would otherwise be unavailable to them.

21. The contractual arrangements and the terms of the License Agreements between RONA and its Dealer-Owners will be, following the Offering, essentially the same as before the Offering, with the exception of the amendments described herein.
22. Based on the foregoing, the Filer submits that it would not be prejudicial to the public interest to grant the relief sought.

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

AND WHEREAS each Decision Maker is satisfied that to do so would not be prejudicial to the public interest;

IT IS THE DECISION of the Decision Makers under the Legislation that the Prospectus and Registration Requirements shall not apply to the issuance by RONA of Common Shares to Dealer-Owners in the Jurisdictions, provided that:

- (a) each purchaser of Common Shares has been approved by RONA as a Dealer-Owner;
- (b) prior to the first issuance of any Common Shares to a Dealer-Owner, RONA provided such Dealer-Owner with:
 - (i) a copy of the Decision, and
 - (ii) a statement that, as a consequence of the Decision, certain protections, rights and remedies provided under the Legislation, including statutory rights of rescission or damages, would not be available to Dealer-Owners;
- (c) except in Québec, the first trade in Common Shares acquired by the Dealer-Owner in a Jurisdiction shall be deemed to be a distribution under the Legislation of such Jurisdiction unless the conditions in subsection (3) or (4) of Section 2.6 of Multilateral Instrument 45-102 – Resale of Securities are satisfied.

DATED at Montreal, this __7th__ day of __November____, 2002.

“Jean-François Bernier”
Director, Capital Market