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### **Headnote**

Mutual Reliance Review System for Exemptive Relief Application - relief granted from the requirement to reconcile to Canadian GAAP, certain financial statements included in an information circular that were prepared in accordance with U.S. GAAP

### **Applicable British Columbia Provisions**

*Securities Act*, R.S.B.C.1996, c. 418, s. 119(2)(b)

### **IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO, QUEBEC AND NEWFOUNDLAND AND LABRADOR**

**AND**

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

**AND**

### **IN THE MATTER OF MOORE WALLACE INCORPORATED**

**AND**

### **IN THE MATTER OF R.R. DONNELLEY & SONS COMPANY**

### **MRRS DECISION DOCUMENT**

WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of British Columbia, Alberta, Saskatchewan, Ontario, Québec and Newfoundland and Labrador (the Jurisdictions) has received an application from Moore Wallace Incorporated (Moore Wallace) and R.R. Donnelley & Sons Company (Donnelley, and together, Moore Wallace and Donnelley are sometimes referred to as the Filer) for a decision under the securities legislation of the Jurisdictions (the Legislation) that:

the following requirements (collectively, the GAAP Reconciliation Requirements) shall not apply to the Filer with respect to disclosure in a joint management information circular and proxy statement (the Circular) of Moore Wallace and Donnelley to be sent to the securityholders of Moore Wallace in connection with a proposed combination (the Transaction) of Moore Wallace and Donnelley pursuant to a combination agreement (the Combination Agreement) dated November 8, 2003 between Moore Wallace and Donnelley:

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- (i) the requirement that historical financial statements of Donnelley and Wallace Computer Services (defined below), and *pro forma* financial statements of Donnelley, all prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) be accompanied by a supplementary note to explain and quantify the effect of material differences between Canadian generally accepted accounting principles (Canadian GAAP) and U.S. GAAP that relate to measurements, and provide disclosure consistent with Canadian GAAP requirements to the extent not already reflected in the financial statements, including a reconciliation of the financial statements to Canadian GAAP;
- (ii) the requirement that the Donnelley auditor's report and the Wallace Computer Services auditor's report disclose any material differences in the form and content of its respective auditor's reports as compared to a Canadian auditor's report, and confirming that the auditing standards applied are substantially equivalent to Canadian generally accepted auditing standards;
- (iii) the requirement that the management discussion and analysis (MD&A) prepared by Donnelley provide a restatement of those parts of the Donnelley MD&A that would read differently if the Donnelley MD&A were based on statements prepared in accordance with Canadian GAAP; and
- (iv) the requirement that the Donnelley MD&A provide a cross-reference to the notes in the financial statements that reconcile the differences between U.S. GAAP and Canadian GAAP;

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

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

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

1. Moore Wallace is a corporation continued under the *Canada Business Corporations Act* (the CBCA). Moore Wallace's registered office is located at 6100 Vipond Drive, Mississauga, Ontario, Canada, L5T 2X1. Moore

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Wallace's principal executive office is located at 1200 Lakeside Drive, Bannockburn, Illinois, U.S.A.

2. Moore Wallace is, and has been for the last twelve months, a reporting issuer (or equivalent) in each of the provinces and territories in Canada and is not on the list of reporting issuers in default in any of those jurisdictions. Moore Wallace is also subject to the reporting requirements of the United States *Securities Exchange Act of 1934*, as amended (the 1934 Act), and to the best of its knowledge, is not in default of any requirement of the federal securities laws of the United States.
3. The authorized capital of Moore Wallace consists of (i) an unlimited number of common shares (the Moore Wallace Common Shares), of which 158,037,148 are issued and outstanding, (ii) an unlimited number of preference shares, issuable in series, of which none are issued and outstanding, and (iii) an unlimited number of Series 1 Preference Shares, of which none are issued and outstanding, all as of the close of business on October 31, 2003.
4. The Moore Wallace Common Shares are listed and posted for trading on The Toronto Stock Exchange (the TSX) and the New York Stock Exchange (the NYSE) under the symbol "MWI".
5. On May 15, 2003, Moore Wallace announced the completion of its acquisition of Wallace Computer Services, Inc. (Wallace Computer Services) pursuant to an agreement and plan of merger dated as of January 16, 2003, as amended and restated as of April 14, 2003, between Moore Corporation Limited (the predecessor to Moore Wallace), Moore Holdings U.S.A. Inc., M-W Acquisition, Inc. and Wallace Computer Services. Following the acquisition of Wallace Computer Services, Moore Corporation Limited changed its name to Moore Wallace Incorporated.
6. Donnelley is a corporation incorporated under the laws of the State of Delaware. Its principal executive office is located at 77 West Wacker Drive, Chicago, Illinois, 60601-1696, U.S.A.
7. Donnelley is subject to the reporting requirements of the 1934 Act and is not a reporting issuer (or equivalent) under the securities legislation of any province or territory in Canada.
8. The authorized capital of Donnelley consists of (i) 500,000,000 shares of common stock (the Donnelley Common Stock), and (ii) 2,000,000 shares of preferred stock, of which 500,000 shares have been designated as Series A

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Junior Participating Stock. As of the close of business on October 31, 2003, 113,621,530 shares of Donnelley Common Stock were issued and outstanding.

9. The Donnelley Common Stock is listed and posted for trading on the NYSE, the Chicago Stock Exchange and the Pacific Stock Exchange under the symbol "DNY".
10. The Transaction is proposed to be effected by way of an arrangement (the "Arrangement") pursuant to section 192 of the Canada Business Corporations Act (the CBCA), involving Moore Wallace, Donnelley, a wholly-owned subsidiary of Donnelley, all of the holders of Moore Wallace Common Shares, all of the holders of options to purchase Moore Wallace Common Shares (the Moore Wallace Options) and all of the holders of restricted stock units with respect to the Moore Wallace Common Shares (the Moore Wallace RSUs).
11. As a result of the Arrangement, Moore Wallace will become an indirect wholly-owned subsidiary of Donnelley. Pursuant to the terms of the Arrangement, Donnelley will acquire all of the outstanding Moore Wallace Common Shares (other than those Moore Wallace Common Shares held by shareholders who properly exercise their dissent rights) and in exchange therefor, the holders of Moore Wallace Common Shares will receive 0.63 (the Exchange Ratio) of a share of Donnelley Common Stock for each Moore Wallace Common Share held, together with an associated right pursuant to a rights agreement dated as of April 25, 1996 between Donnelley and First Chicago Trust Company of New York.
12. Each Moore Wallace Option will be exchanged for, or converted into, an option (a Replacement Option) to purchase that number of shares of Donnelley Common Stock equal to the product of the Exchange Ratio multiplied by the number of Moore Wallace Common Shares subject to such Moore Wallace Option.
13. Each Moore Wallace RSU will be exchanged for, or converted into, a right (a Replacement RSU) to acquire or receive, as the case may be, that number of shares of Donnelley Common Stock equal to the product of the Exchange Ratio multiplied by the number of Moore Wallace Common Shares subject to such Moore Wallace RSU.
14. No fractional shares of Donnelley Common Stock will be delivered in exchange for Moore Wallace Common Shares pursuant to the Arrangement. Cash will be paid to holders of Moore Wallace Common Shares in lieu of fractional shares of Donnelley Common Stock.

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15. Donnelley has agreed to use its reasonable best efforts to obtain the listing on the TSX of all of the shares of Donnelley Common Stock, including those shares issuable pursuant to the Arrangement, and from time to time upon the exercise of Replacement Options and the vesting of Replacement RSUs. As a result of the listing of the Donnelley Common Stock on the TSX, Donnelley will become a reporting issuer in Ontario. As a result of the Transaction, Donnelley will become a reporting issuer in Alberta, British Columbia and Saskatchewan. The Moore Wallace Common Shares will be delisted from the TSX on or after the effective time of the Arrangement. Donnelley has also agreed to list on the NYSE the shares of Donnelley Common Stock issuable in exchange for Moore Wallace Common Shares pursuant to the Arrangement and issuable from time to time upon the exercise of Replacement Options and the vesting of Replacement RSUs.
16. Moore Wallace intends to apply to the Ontario Superior Court of Justice for an interim order (the Interim Order) providing for, among other things, that the Arrangement must be approved by 66 2/3% of the votes cast by holders of the Moore Wallace Common Shares, Moore Wallace Options and Moore Wallace RSUs, voting together as a class. The Interim Order is also expected to provide for the calling and holding of a special meeting of the holders of Moore Wallace Common Shares, Moore Wallace Options and Moore Wallace RSUs, voting together as a class, to consider the Arrangement.
17. In connection with the Transaction, Moore Wallace and Donnelley are in the process of preparing the Circular pursuant to which, among other things, the board of directors of Moore Wallace will recommend that securityholders of Moore Wallace approve the Arrangement and the board of directors of Donnelley will recommend that the stockholders of Donnelley approve the issuance of Donnelley Common Stock required to complete the Transaction. Moore Wallace anticipates that it will deliver the Circular to Moore Wallace securityholders in January or February of 2004.
18. Pursuant to the rules prescribed by the NYSE, Donnelley is also required to hold a special meeting of its stockholders to approve the issuance of Donnelley Common Stock to be issued in exchange for the outstanding Moore Wallace Common Shares, as well as upon the exercise of Replacement Options and the vesting of Replacement RSUs. In that connection, Donnelley and Moore Wallace are preparing the Circular to be delivered to Donnelley's stockholders and Moore Wallace's securityholders.
19. The Circular will contain disclosure of historical financial statements relating to Wallace Computer Services (in accordance with U.S. GAAP) in order to

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furnish Moore Wallace securityholders with complete and fulsome financial disclosure about Moore Wallace.

20. The Circular will contain prospectus-level disclosure (subject to such exemptive relief granted by the securities regulatory authorities of the Jurisdictions) of the business and affairs of Donnelley and Moore Wallace and of the particulars of the Transaction and the Arrangement.
21. In particular, the Circular will contain, or incorporate by reference (as applicable), the following financial statements:
  - (a) audited consolidated balance sheets as at December 31, 2002 and 2001 of Donnelley and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2002, together with the independent auditors' report thereon, all prepared in accordance with U.S. GAAP;
  - (b) audited consolidated balance sheets as at December 31, 2002 and 2001 of Moore Wallace and the related consolidated statements of operations, retained earnings and cash flows for each of the years in the three year period ended December 31, 2002, together with the auditors' report thereon, all prepared in accordance with Canadian GAAP and reconciled to U.S. GAAP;
  - (c) unaudited condensed consolidated interim statements of income and cash flows of Donnelley for each of the nine month periods ended September 30, 2003 and 2002, together with a consolidated balance sheet as at September 30, 2003, all prepared in accordance with U.S. GAAP;
  - (d) unaudited consolidated interim statements of operations, retained earnings and cash flows of Moore Wallace for each of the nine month periods ended September 30, 2003 and 2002, together with a consolidated balance sheet as at September 30, 2003, all prepared in accordance with Canadian GAAP and reconciled to U.S. GAAP;
  - (e) audited consolidated balance sheets as at July 31, 2002 and 2001 of Wallace Computer Services and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three year period ended July 31, 2002, together with the independent auditors' report thereon, all prepared in accordance with U.S. GAAP;
  - (f) unaudited condensed interim statements of operations and cash flows of Wallace Computer Services for the nine month periods ended April 30,

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2003 and 2002, together with a balance sheet as at April 30, 2003, all prepared in accordance with U.S. GAAP;

(g) unaudited *pro forma* consolidated balance sheet of Donnelley as at September 30, 2003 as if the Arrangement had taken place on that date, prepared in accordance with U.S. GAAP; and

(h) unaudited *pro forma* consolidated statements of income of Donnelley for the year ended December 31, 2002 and the nine-month period ended September 30, 2003, and the compilation reports thereon, as if both (i) the Arrangement and (ii) the acquisition of Wallace Computer Services had taken place on January 1, 2002, all prepared in accordance with U.S. GAAP.

22. Upon completion of the Arrangement, it is expected that former holders of Moore Wallace Common Shares resident in Canada will own approximately 14% of the then issued and outstanding shares of Donnelley Common Stock.

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 the GAAP Reconciliation Requirements shall not apply to the Filer in connection with the disclosure pertaining to Donnelley and Wallace Computer Services in the Circular.

DATED this 17<sup>th</sup> day of December, 2003.

Charlie MacCready  
Assistant Manager, Corporate Finance