

Headnote

Subsection 98(2) – An issuer is granted relief from the issuer bid requirements in the Securities Act and Multilateral Instrument 62-104 for the acquisition by it of its common shares from a related party – The acquisition by the issuer of its common shares amounts to a private agreement issuer bid for which there is no existing exemption – The issuer bid is an incidental part of an asset sale that is part of a reorganization negotiated by sophisticated parties with intimate knowledge of the assets – The reorganization will require approval of a majority of the common shares held by parties not related to the issuer based on full information provided to the shareholders of the issuer.

Applicable Legislative Provisions

Securities Act, R.S.N.S. 1989, Chapter 418, as amended, Sections 96 and 98(2)

Multilateral Instrument 62-104 Take-Over Bids and Issuer Bids

IN THE MATTER OF: The Securities Act, R.S.N.S. 1989, c. 418, as amended (the "**Act**")

- and -

IN THE MATTER OF: Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids*
("MI 62-104")

- and -

IN THE MATTER OF : Atlantic Industrial Minerals Inc. and Municipal Capital
Incorporated

O R D E R (Subsection 98(2))

UPON the application of Atlantic Industrial Minerals Inc. ("**AIM**") and Municipal Capital Incorporated ("**MCI**") to the Nova Scotia Securities Commission (the "**Commission**") for an order pursuant to subsection 98(2) of the Act exempting AIM from Section 96 of the Act and the issuer bid requirements of MI 62-104 (the "**Issuer Bid Requirements**") for the acquisition by AIM of the Target Shares (as defined below) from MCI pursuant to the Reorganization (as defined below);

AND UPON the Commission considering the application and the recommendation of the staff of the Commission;

AND UPON AIM and MCI having represented to the Commission that:

1. AIM is a company continued under the *Companies Act* (Nova Scotia). AIM's head office is located in Sydney, Nova Scotia.
2. AIM is a reporting issuer in Alberta, British Columbia and Nova Scotia and is not in default of any requirement of the securities legislation of such jurisdictions, including the Act.
3. The authorized capital of AIM consists of an unlimited number of common shares without nominal or par value (the "**Common Shares**"), of which 14,385,988 were issued and outstanding at November 21, 2008.
4. The Common Shares are listed and posted for trading on the TSX Venture Exchange (the "**TSXV**") under the symbol "ANL". The closing price of the Common Shares on the TSXV on November 21, 2008 was \$0.11. The "market price" (as calculated in accordance with Section 1.11(1) of MI 62-104) of the Common Shares was \$0.1525 as of November 21, 2008.
5. MCI owns approximately 50.3% of the issued and outstanding Common Shares and the other 49.7% of the issued and outstanding Common Shares are owned by the public. MCI, a company incorporated under and governed by the laws of Nova Scotia, is controlled by David MacKenna, a director and the President of AIM.
6. AIM, in turn, owns of all of the issued and outstanding common shares of Kelly Rock Limited (the "**Kelly Rock Common Shares**"), a company amalgamated under and governed by the laws of Nova Scotia ("**Kelly Rock**"). Kelly Rock's business consists of the operation of a limestone quarry owned by Nova Scotia Power Inc. ("**NSP**") under a contract from NSP. Kelly Rock is indebted to AIM in the amount of \$872,527 as of August 31, 2008. AIM's other assets consist primarily of mineral rights for certain properties of undetermined value.
7. AIM is indebted to MCI in the amount of approximately \$771,632 as of August 31, 2008. MCI owns all of the issued and outstanding preferred shares of Kelly Rock (the "**Kelly Rock Preferred Shares**") which, based on their redemption value of \$675,000 and dividends accrued thereon of \$1,113,750 as of August 31, 2008, were worth approximately \$1,788,750.
8. AIM is entitled to receive royalty payments from Kelly Rock (the "**Royalty**") equal to \$1.00 per ton of limestone produced and sold by Kelly Rock under the contract with NSP.
9. Kelly Rock is indebted to MCI and its affiliates in the amount of approximately \$264,000 plus trade payables that vary from time to time but were approximately \$11,920 as of August 31, 2008. MCI and its affiliates were indebted to Kelly Rock for a trade payable of approximately \$50,113 as of August 31, 2008.

10. Grant Thornton LLP prepared an estimate valuation report dated July 25, 2007 (the “**Grant Thornton Report**”) which states that the en bloc fair market value of the Kelly Rock Common Shares owned by AIM is nil after giving effect to the debt of Kelly Rock and the value of the Kelly Rock Preferred Shares.
11. AIM, MCI and Kelly Rock propose to undertake a reorganization (the “**Reorganization**”) pursuant to which:
 - (a) MCI will advance to Kelly Rock an amount sufficient to allow Kelly Rock to repay in full its debt to AIM, being approximately \$872,527 as of August 31, 2008; and AIM will use the funds it receives from Kelly Rock to repay all or a portion of the amounts it owes to MCI and its affiliates, being approximately \$771,632 as of August 31, 2008; and
 - (b) AIM will then transfer the Kelly Rock Common Shares, together with its right to receive the Royalty, to MCI in return for:
 - (i) the acquisition by AIM for cancellation (the “**Share Transfer**”) of 50% of the Common Shares held by MCI (the “**Target Shares**”); and
 - (ii) cash payments from Kelly Rock to AIM of \$100,000, \$75,000 and \$50,000, respectively, in respect of the first, second and third years commencing March 1, 2007.
12. The aggregate value of the Target Shares to be transferred to AIM for cancellation in the Reorganization is \$397,745.92, based on the most recent trade price for the Common Shares on the TSXV of \$0.11 per share, or \$551,420.48 based on the “market price” of \$0.1525 per share calculated in accordance with Section 1.11(1) of MI 62-104.
13. The Reorganization constitutes a “related party transaction” under the policies of the TSXV, and consequently, AIM will submit the Reorganization to its shareholders for approval, and will only proceed with the Reorganization if it obtains the approval of a majority of shares held by parties other than MCI, David MacKenna and their respective related parties. The shareholders of AIM will be provided with full disclosure of the Reorganization. The TSXV has confirmed that no formal valuation will be required in connection with the Reorganization in reliance upon the Grant Thornton Report.
14. The Target Shares are being acquired for cancellation by AIM. The Share Transfer is an integral part of the Reorganization, which has been negotiated by sophisticated parties with intimate knowledge of the assets. David MacKenna has extensive knowledge of the business of AIM and Kelly Rock as a result of his role as President and director of AIM. MCI has determined that the Share Transfer is fair consideration for the assets to be acquired by MCI. MCI is fully aware of the value of the assets that it will be receiving for the Target Shares under the Reorganization and has determined that it is fair value for the Target Shares.
15. The independent directors of AIM (the “**Directors**”), who collectively hold nearly 5% of the outstanding Common Shares, have determined that the Reorganization is in the best

interests of AIM and its shareholders and the shareholders of AIM will have the opportunity to approve the Reorganization. None of the Directors has any interest in MCI or is a director or officer of MCI. Based upon the financial performance of Kelly Rock and the estimate of the en bloc fair market value of the Kelly Rock Common Shares in the Grant Thornton Report, the Directors are of the opinion that the value of the assets being transferred to MCI is not greater than the aggregate value of the Target Shares being acquired by AIM, the debt forgiveness received by AIM from MCI and the cash payments to AIM from Kelly Rock pursuant to the Reorganization.

16. Neither AIM nor MCI have knowledge of any material information concerning AIM or the Common Shares that has not been generally disclosed.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS ORDERED pursuant to subsection 98(2) of the Act that AIM is exempt from the Issuer Bid Requirements for the acquisition by AIM of the Target Shares from MCI pursuant to the Reorganization provided that the Reorganization is approved by the shareholders of AIM.

SIGNED at Halifax, Nova Scotia, this 4 day of December, 2008.

“H. Leslie O’Brien”

H. Leslie O’Brien

“R. Daren Baxter”

R. Daren Baxter