

# 2005 BCSECCOM 588

September 8, 2005

## **Headnote**

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 114(2) Issuer Bids - Exemption from the formal issuer bid requirements in Part 13 of the Act - An issuer conducting an issuer bid under a modified Dutch auction procedure requires relief from the requirement to disclose in its bid circular that it will take up and pay for shares on a pro rata basis and from the requirement to disclose the exact number of shares it intends to purchase under the bid. - The issuer is making an issuer bid under a modified Dutch auction; it cannot disclose that it will take up and pay for shares deposited on a pro rata basis or the total number of shares it will acquire under the bid; the issuer is disclosing the maximum amount it will spend under the bid, and the minimum and maximum amount it will pay for shares tendered; as a result, the potential for confusion is minimal

## **Applicable British Columbia Provisions**

*Securities Act*, R.S.B.C. 1996, c. 418, s. 114

In the Matter of  
the Securities Legislation of  
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New  
Brunswick, Nova Scotia and Newfoundland and Labrador (the “Jurisdictions”)

and

In the Matter of  
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of  
Emergis Inc. (the “Filer”)

## MRRS Decision Document

## **Background**

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that, in connection with the proposed purchase by the Filer of a portion of its outstanding common shares without nominal value (the Shares) by way of an issuer bid (the Offer), the Filer be exempt from the following requirements in the Legislation (the Requested Relief) to:

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- (a) take up and pay for Shares on a pro rata basis according to the number of securities deposited by each shareholder (the Proportionate Take-Up and Payment Requirement),
- (b) provide disclosure in the issuer bid circular (the Circular) of the proportionate take up and payment (the Associated Disclosure Requirement), and
- (c) state the number of securities sought under the Offer (the Number of Securities Requirement).

### Under the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the Autorité des marchés financiers is the principal regulator for this application, and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

### **Interpretation**

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are defined in this decision.

### **Representations**

This decision is based on the following facts presented by the Filer:

1. The Filer is a reporting issuer or the equivalent in each of the Jurisdictions.
2. The Filer is not in default of any requirement of the Legislation and is not on the list of defaulting reporting issuers maintained pursuant to such Legislation, where applicable.
3. The authorized capital of the Filer consists of an unlimited number of Shares without nominal value, and an unlimited number of preferred shares, issuable in series (the Preferred Shares). As at August 2, 2005, there were 99,420,167 Shares and no Preferred Shares issued and outstanding.
4. The Shares are listed and posted for trading on the TSX under the symbol "EME". On August 2, 2005, the closing price of the Shares on the TSX was \$3.21 per Share. Based upon such closing prices, the Shares had an aggregate market value of approximately \$319 million on such date.

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5. To the knowledge of the directors and officers of the Corporation, the only persons who beneficially own or exercise control or direction over more than 10% of the Shares are: (i) Crescendo Partners II L.P. Series M (Crescendo Partners); and (ii) Letko, Brosseau & Associates (Letko). The Corporation has been informed by Crescendo Partners that, as of August 2, 2005, it owned 13,649,300 Shares, representing 13.7% of all issued and outstanding Shares. Based on publicly available information and to the Corporation's knowledge, Letko owned, as of August 2, 2005, 13,757,025 Shares, representing 13.8% of all issued and outstanding Shares.
6. Pursuant to the Offer, the Filer proposes to acquire Shares in accordance with the following modified Dutch auction procedure (the Procedure):
  - (a) the Circular will specify that the maximum amount that the Filer will expend pursuant to the Offer is \$30,000,000 (the Specified Amount);
  - (b) the Circular will specify the range of prices (the Range) within which the Filer is prepared to purchase Shares under the Offer;
  - (c) any Shareholder wishing to tender to the Offer will have the right either to:
    - (i) specify the lowest price within the Range at which he, she or it is willing to sell the tendered Shares (an Auction Tender); or
    - (ii) elect to be deemed to have tendered the Shares at the Purchase Price determined in accordance with subparagraph 6(e) below (a Purchase Price Tender);
  - (d) all Shares tendered and not withdrawn by Shareholders who fail to specify any tender price for such tendered Shares and fail to indicate that they have tendered their Shares pursuant to a Purchase Price Tender will be considered to have been tendered pursuant to a Purchase Price Tender;
  - (e) the purchase price (the Purchase Price) of the Shares tendered to the Offer and not withdrawn will be the lowest price that will enable the Filer to purchase the maximum number of Shares that may be purchased with the Specified Amount, and it will be determined based upon the number of Shares tendered and not withdrawn pursuant to an Auction Tender at each price within the Range and tendered and not withdrawn pursuant to a Purchase Price Tender, with each Purchase Price Tender being considered a tender at the lowest price within the Range for the purpose of calculating the Purchase Price;
  - (f) all Shares tendered at prices above the Purchase Price will be returned to the appropriate Shareholders;

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- (g) all Shares tendered and not withdrawn by Shareholders who specify a tender price for such tendered Shares that falls outside the Range will be considered to have been improperly tendered, will be excluded from the determination of the Purchase Price, will not be purchased by the Filer and will be returned to the appropriate Shareholders;
  - (h) if the aggregate Purchase Price for Shares validly tendered to the Offer and not withdrawn is less than or equal to the Specified Amount, the Filer will purchase all Shares so deposited; and
  - (i) if the aggregate Purchase Price for Shares validly tendered to the Offer and not withdrawn exceeds the Specified Amount, the Filer will take up and pay for tendered Shares on a *pro rata* basis according to the number of Shares tendered by each Shareholder, except that “Odd Lot” deposits (Odd Lots) will not be subject to proration. For the purposes of the foregoing, an Odd Lot deposit is a deposit by a Shareholder who (x) owns in the aggregate less than 100 Shares as of the close of business on the expiration date of the Offer (the Expiration Date) (y) deposits all such Shares pursuant to an Auction Tender at or below the Purchase Price or pursuant to a Purchase Price Tender prior to the Expiration Date and (z) checks the Odd Lots box in either the letter of transmittal or the notice of guaranteed delivery accompanying the Circular. Odd Lot deposits will be accepted for purchase before any pro ration; any Shares tendered but not taken up and paid for by the Filer in accordance with this procedure will be returned to the appropriate tendering Shareholders.
  - (j) in the event that the Offer is under-subscribed by the Expiration Date but all of the terms and conditions thereof have been complied with, with the exception of those waived by the Filer, the Filer may wish to extend the Offer for at least 10 days, in which case the Filer must first take up and pay for all Shares deposited thereunder and not withdrawn in accordance with the Legislation. In the event that the Offer is under-subscribed at the original Expiration Date, there would be no proration among the tendered Shares taken up at such time. However, by the time any extension is over, the Offer may be over-subscribed, in which case the Filer intends to pro-rate only among the tendered Shares received during the extension and after the original Expiration Date (and subject to the exception relating to “Odd Lots” described in (i) above).
7. Prior to the expiry of the Offer, all information regarding the number of Shares deposited and the prices at which such Shares are deposited will be kept confidential, and the selected depositary under the Offer will be directed by

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the Filer to maintain such confidentiality until the Purchase Price is determined.

8. The Circular will:

- (a) disclose the mechanics for the take-up and payment for, or return of, Shares as described in representation 6 above;
- (b) explain that, by depositing Shares at the lowest price in the Range or pursuant to a Purchase Price Tender, a Shareholder can reasonably expect that Shares so deposited will be purchased at the Purchase Price, subject to pro ration as described in representation 6 above;
- (c) describe the effect that the Offer, if successful, will have on the direct or indirect voting and equity interests of Crescendo Partners and Letko in the Filer; and
- (d) except to the extent exemptive relief is granted by this decision, contain the disclosure prescribed by the Legislation for issuer bids.

### **Decision**

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 Requested Relief is granted provided that Shares deposited under the Offer and not withdrawn are taken up and paid for, or returned to Shareholders, in the manner described in representation 6.

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