

2006 BCSECCOM 640

October 5, 2006

Headnote

National Instrument 51-102, s. 13.1 - Continuous Disclosure Obligations - Information circular - An issuer wants relief from the requirement to include prospectus-level disclosure in an information circular to be circulated in connection with an arrangement, reorganization, acquisition or amalgamation. - The securities that are being issued will only be outstanding for a short period of time before they are redeemed for cash; the securities are being issued for tax reasons only, not so the shareholders continue to have an interest in the issuer; finances have been secured to fund the redemption of the securities.

Applicable Legislative Provisions

National Instrument 51-102, s. 13.1, Form 51-102F5, Items 8, 10 and 14.2 and *Securities Act*, ss. 117 and 119

**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 Bell Globemedia Acquisition Corporation
(the applicant) and Chum limited (chum)**

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 Applicant, an indirect wholly-owned subsidiary of Bell Globemedia Inc. (“**BGM**”), for a decision under the securities legislation of the Jurisdictions (the “**Legislation**”) exempting CHUM from the requirement to include prospectus-level disclosure, executive compensation disclosure and disclosure as to the indebtedness of directors and executive officers in a management proxy circular of CHUM

2006 BCSECCOM 640

relating to a special meeting of its shareholders to be held to approve the amalgamation (the “**Amalgamation**”) of CHUM and a wholly-owned subsidiary of BGM (“**Subco**”) in accordance with the Legislation (the “**Requested Relief**”).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- a) the Ontario Securities Commission 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 factual information below as provided by the Applicant and confirmed by CHUM where applicable.

1. CHUM, a corporation incorporated under the *Business Corporations Act* (Ontario) (the “**OBCA**”), is one of Canada’s leading media companies and content providers and owns and operates 33 radio stations, 12 local television stations and 21 specialty channels, as well as an environmental music distribution division. Through international format licenses and program sales, CHUM’s original content is seen in over 130 countries worldwide. CHUM content is also provided to online audiences on new media platforms, including interactive television, mobile and wireless services and exclusive CHUM branded internet properties.
2. The authorized capital of CHUM consists of an unlimited number of common shares (“**Common Shares**”) and an unlimited number of non-voting Class B shares (“**Class B Shares**”) and, together with the Common Shares, the “**Shares**”). As at the date hereof, there are issued and outstanding 6,748,030 Common Shares and 21,378,929 Class B Shares. The Common Shares and Class B Shares are listed on the Toronto Stock Exchange under the symbols “CHM” and “CHM.B”, respectively.
3. CHUM is a reporting issuer or the equivalent thereof in each of the Jurisdictions. CHUM is not, to its knowledge, in default of its reporting issuer obligations under the securities legislation of the Jurisdictions.

2006 BCSECCOM 640

4. Pursuant to its offer (the “**Offer**”) made July 26, 2006, the Applicant offered to purchase all of the issued and outstanding Common Shares at a price of \$52.50 per Common Share and any and all of the issued and outstanding Class B Shares at a price of \$47.25 per Class B Share. The Offer expired at 5:00 p.m. (Toronto time) on September 12, 2006.
5. The Applicant is incorporated under the OBCA and was incorporated solely for the purpose of making the Offer. The Applicant is an indirect wholly-owned subsidiary of BGM.
6. BGM, a corporation incorporated under the OBCA, is one of Canada’s leading multi-media companies with ownership interests in Canada’s leading media properties including CTV Inc. and *The Globe and Mail*, the leading national daily newspaper. CTV operates 21 conventional television stations across Canada, has interests, directly and indirectly, in 17 specialty channels and offers a wide-range of quality news, sports, information and entertainment programming.
7. Neither the Applicant nor BGM is a reporting issuer or equivalent in any of the Jurisdictions.
8. Pursuant to the Offer, the Applicant acquired 6,718,414 Common Shares, representing approximately 99.6% of the issued and outstanding Common Shares, and 21,072,438 Class B Shares, representing approximately 98.6% of the issued and outstanding Class B Shares. All of the Common Shares acquired by the Applicant pursuant to the Offer have been placed in the hands of an independent trustee pursuant to a voting trust agreement approved by the Canadian Radio-television and Telecommunications Commission (the “CRTC”). Pursuant to this voting trust agreement, such Common Shares will be voted by the trustee and control of CHUM will reside with the trustee pending consideration by the CRTC of BGM’s application for approval of its acquisition of control of CHUM.
9. The purpose of the Offer was to enable BGM to acquire all of the outstanding Common Shares and any and all of the outstanding Class B Shares. The Applicant intends to exercise its statutory rights under the OBCA to compulsorily acquire all of the remaining Common Shares that were not deposited to the Offer. The purpose of the proposed amalgamation (the “**Amalgamation**”) of CHUM and Subco is to permit the Applicant to acquire the remaining Class B Shares that were not deposited to the Offer.

2006 BCSECCOM 640

10. CHUM has called a special meeting (the “**Meeting**”) to be held on or about October 30, 2006 to approve the Amalgamation. At the Meeting, CHUM will seek the requisite approval of shareholders in respect of a special resolution to approve the Amalgamation upon the terms and conditions set forth in an amalgamation agreement between CHUM and Subco (the “**Amalgamation Agreement**”), the material terms of which will be described in the management proxy circular (the “**Circular**”) to be sent to all shareholders of CHUM.
11. In connection with the Meeting, CHUM expects to mail on or about October 6, 2006 to each holder of Common Shares and Class B Shares (i) a notice of the Meeting; (ii) a form of proxy; and (iii) the Circular, which will be prepared in accordance with the OBCA and applicable securities laws.
12. Pursuant to the Amalgamation:
 - (a) at the effective time of the Amalgamation, by virtue of the Amalgamation and without any further action on the part of CHUM, Subco or the holders of Class B Shares, (A) each Common Share will be cancelled and converted automatically into one validly issued, fully paid and non-assessable common share in the capital of Amalco, (B) each Class B Share (other than any Class B Share held by the Applicant or a shareholder who has not effectively withdrawn or otherwise ceased to be entitled to such dissent rights pursuant to Section 176 of the OBCA (each a “**Dissenting Class B Share**”)) will be cancelled and converted automatically into one validly issued, fully paid and non-assessable redeemable preferred share in the capital of Amalco (each a “**Redeemable Preference Share**”), (C) each Class B Share held by the Applicant will be cancelled and converted automatically into one validly issued, fully paid and non-assessable non-voting share in the capital of Amalco, and (D) each Dissenting Class B Share will be cancelled and converted automatically into the right to receive payment from Amalco with respect thereto in accordance with section 176 of the OBCA; and
 - (b) all holders of Class B Shares (other than the Applicant), including insiders of CHUM, will receive identical consideration for their Class B Shares in the Amalgamation.
13. Immediately following the effective time of the Amalgamation, each Redeemable Preference Share will be redeemed by Amalco (the

2006 BCSECCOM 640

“**Redemption**”) for a cash amount equal to \$47.25 per share (the “**Redemption Amount**”). No new certificates evidencing the Redeemable Preference Shares will be issued to the holders of Class B Shares who will continue to hold their Class B Share certificates until exchanged for the aggregate Redemption Amount represented by such certificates as provided for in the Amalgamation Agreement.

14. No action is to be taken at the Meeting on any matter involving executive compensation or the indebtedness of directors or executive officers of CHUM, and neither executive compensation disclosure nor disclosure as to the indebtedness of directors and executive officers of CHUM would reasonably be expected to affect a shareholder’s decision whether or not to vote in favour of the Amalgamation.
15. The consideration paid by Amalco on the Redemption will be funded directly or indirectly by the Applicant. The Applicant has advised CHUM that it intends to ensure that Amalco will have sufficient funds to pay in full the aggregate Redemption Amount on the Redemption.

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 CHUM complies with all other provisions of the Legislation applicable to the Circular.

John Hughes
Manager
Ontario Securities Commission