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January 14, 2008

## Headnote

Mutual Reliance Review System for Exemptive Relief Applications - *Securities Act*, s. 114(2) Takeover Bids- Exemption from the formal take over bid requirements in Part 13 of the Act - Issuer requires relief from prohibition against certain collateral agreements in s. 107(2) of the Act - The offeror issuer has entered into a collateral agreement with a shareholder of the offeree issuer; the agreement is entered into for valid business reasons, and not for the purpose of providing the shareholder with a benefit beyond what other shareholders of the offeree issuer will receive under the offer

## Applicable British Columbia Provisions

*Securities Act*, R.S.B.C. 1996, c. 418, ss. 107(2), 114(2)(a)

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

and

In the Matter of  
the Mutual Reliance Review System for Relief Applications  
(“MRRS”)

and

In the Matter of  
6886116 Canada Ltd. (the “Filer”),  
Telus Corporation (“Telus”) and  
Emergis Inc. (the “Offeree”)

## MRRS Document Decision

## 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 the Offer Letters (as defined hereinafter) and the Retention Agreement (as defined

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hereinafter) may be entered into notwithstanding the requirement contained in the Legislation which prohibits, in the context of a take-over bid, the entering into of any collateral agreement, commitment or understanding with any holder of the Offeree that has the effect of providing to the holder a consideration of greater value than that offered to the other holders of the same class of securities (the “Requested Relief”).

Under the MRRS:

- (a) l’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 representations by the Filer:

1. The Filer was incorporated under the *Canada Business Corporations Act* (the “CBCA”) on December 7, 2007 for the purpose of making the Offer (as defined hereinafter) and is an indirect wholly-owned subsidiary of TELUS. The registered office of the Filer is located at 1000 De La Gauchetière Street West, Suite 2100, Montréal, Québec, H3B 4W5.
2. TELUS is a corporation governed by the Business Corporations Act (British Columbia). TELUS maintains its registered office at Floor 21, 3777 Kingsway, Burnaby, British Columbia. TELUS’ common shares and non-voting shares are listed on the Toronto Stock Exchange (the “TSX”) under “T” and “T.A” respectively and TELUS’ non-voting shares are listed on the New York Stock Exchange under “TU”.
3. TELUS is a reporting issuer or the equivalent in all jurisdictions of Canada. The Filer is not a reporting issuer in any jurisdiction of Canada and no securities of the Filer are listed or posted for trading on any stock exchange.
4. The Offeree was incorporated under the CBCA on December 11, 1986. The Offeree’s articles have since been amended several times to effect changes to its capital and corporate name and other provisions. The Offeree’s head office and registered office are located at 1000 de Seigney, Longueuil, Québec.

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5. The Offeree is a reporting issuer or the equivalent in all jurisdictions of Canada.
6. The authorized share capital of the Offeree consists of an unlimited number of common share (the “Share”) and an unlimited number of preferred shares.
7. As at December 5, 2007, 90,102,601 Shares and no preferred shares were issued and outstanding and, on that same date, the Offeree had granted options providing for the issuance of an aggregate of 2,365,487 Shares upon the exercise thereof (the “Options”) and had granted share rights providing for the issuance of an aggregate of 521,671 Shares (the “SRs”). The Shares are listed and posted for trading on the TSX under the symbol “EME”.
8. On November 28, 2007, the Offeree entered into a support agreement (the “Support Agreement”) with TELUS. The Support Agreement sets forth the terms and conditions upon which the Offer (as defined hereinafter) is to be made by TELUS, either directly or through a wholly-owned subsidiary. TELUS has assigned all of its rights under the Support Agreement to the Filer, but remains jointly and severally liable with the Filer for its obligations thereunder.
9. On November 28, 2007, TELUS entered into lock-up agreements (the “Lock-Up Agreements”) with each of Crescendo Partners II L.P. Series M and Eric Rosenfeld, Libermont Inc. (a corporation controlled by Jean C. Monty), Pierre Ducros, François Côté, J. Spencer Lanthier, Peter C. Maurice, Carlos Carreiro, Robert Comeau, Marc Fillion, François Gratton, Mark Groper, Monique Mercier, Keith Nugara and Yogendra Appalraju (collectively, the “Supporting Shareholders”). Pursuant to the Lock-Up Agreements, the Supporting Shareholders have agreed to accept the Offer and validly tender, or cause to be validly tendered to the Offer, and not withdraw, except in certain circumstances, all of the Shares owned by them, directly or beneficially, or over which they exercise direction or control, and all Shares which may be issuable to them on the exercise of any Options, namely, in the aggregate, 20,427,674 Shares representing approximately 22% of the currently issued and outstanding Shares (calculated on a fully-diluted basis).
10. On November 28, 2007, the board of directors of TELUS approved the Support Agreement and the Lock-Up Agreements. On November 28, 2007, the board of directors of the Offeree having received from Desjardins Securities Inc. and Genuity Capital Markets Inc. the fairness opinions regarding the consideration payable under the Offer, approved the Support

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Agreement and the making of a recommendation that Shareholders accept and deposit their Shares to the Offer (as defined hereinafter).

11. On November 29, 2007, TELUS announced that the Filer has offered to purchase for cash (the "Offer") all of the issued and outstanding Shares in the capital of the Offeree, including Shares issuable upon the exercise or surrender of outstanding Options.
12. The Offer documents, including the take-over bid circular (the "Circular"), were mailed to the shareholders of the Offeree (the "Shareholders") on December 11, 2007. The Offer is open for acceptance until 5:00 p.m. (Eastern Standard Time) on January 16 2008, unless extended or withdrawn by the Filer.
13. It is Filer's current intention that if it takes up and pays for Shares deposited pursuant to the Offer, it will enter into one or more transactions to enable the Filer to acquire all Shares not acquired pursuant to the Offer.
14. The Filer has entered into employment agreements by way of offer letters (the "Offer Letters") with eight management employees (the "Management Employees") of the Offeree, being François Côté, Carlos Carreiro, Marc Filion, François Gratton, Mark Groper, Monique Mercier, Keith Nugara and Yogendra Appalraju, all of whom are Supporting Shareholders. The Offer Letters, which are conditional on the completion of the Offer, set out the terms and conditions of the Management Employees' continued employment with TELUS (or one of its subsidiaries, affiliates or related companies) for an indefinite term and will replace the Management Employees' entitlements under their existing contracts of employment and severance agreements with the Offeree.
15. Pursuant to the Offer Letters, the Management Employees will have senior management responsibilities substantially similar within the business to those presently carried on at the Offeree. The reason for making such an offer of employment was that each of the Management Employees' particular skill set is needed by the Filer to continue the business of the Offeree as a going concern within the Filer's business. TELUS views the continued participation of the Management Employees as very important to the business of the Offeree given that each of the Management Employees has made a significant contribution to the Offeree's current business products and services. The Management Employees' contributions to the Offeree were a material factor in TELUS' decision to make the Offer.

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16. Under the terms of the Offer Letters, one Management Employee's salary will remain unchanged from that under his existing employment contract with the Offeree, six of the Management Employees' salaries will increase modestly to reflect increases that the Offeree had previously announced to the six Management Employees and one Management Employee's salary will have an increased bonus target. Under the terms of the Offer Letters, the Management Employees will receive cash payments for the value of their SRs and their vested and unvested Options.
17. The Management Employees will be entitled to participate in TELUS' employee stock purchase plan and to receive long-term incentive and annual bonus payments in accordance with TELUS' applicable plans. To ensure that the Management Employees would remain with the Filer, it was agreed that the Management Employees would receive a one-time incentive grant of restricted share units and options which cliff vest in approximately three years in accordance with the terms of the relevant plans. The Management Employees' entitlement to benefits and perquisites will remain largely unchanged from their existing employment contracts with the Offeree, however, as of January 1, 2009, these entitlements may be replaced, at TELUS' option, with entitlements under TELUS' benefit and perquisite plans.
18. Under the terms of the Offer Letters, in the event of termination without cause, five Management Employees will receive a severance payment equal to twelve months of total compensation (i.e. base salary and bonus, and continuation or payment in lieu of certain benefits and perquisites). In addition, in recognition of their continued employment, these five Management Employees will also receive one-time grants principally in the form of restricted share units which, in the case of four Management Employees, cliff vest in approximately three years and in the case of one Management Employee will vest over a three-year period. Vesting accelerates in the event a Management Employee is terminated without cause. These grants were agreed to in recognition of the fact that the five Management Employees will lose the benefit of the severance provisions under their existing contracts of employment and severance arrangements. Accordingly, in exchange for foregoing their severance entitlements under their current arrangements, the five Management Employees are to receive the aforementioned one-time severance grant to provide an incentive to the five Management Employees to contribute to the long-term success of TELUS. For the remaining three Management Employees, in the event of termination without cause, each will be entitled to twelve months of base salary and bonus, plus one additional month for every year of service, to a maximum of eighteen months. The Filer has represented that the terms described above are commercially reasonable.

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19. In consideration for the various entitlements provided for in the Offer Letters and subject to the completion of the Offer, the Management Employees have agreed to be bound by restrictive covenant agreements which impose confidentiality and intellectual property requirements on the Management Employees, as well as post-employment non-competition and non-solicitation restrictions. These non-competition and non-solicitation restrictions apply across Canada and extend for one year after the termination of the executive's employment.
20. TELUS has also entered into a retention agreement (the "Retention Agreement") with Robert Comeau, the Offeree's chief financial officer (the "CFO"), which is conditional on the completion of the Offer. The Retention Agreement imposes confidentiality requirements on the CFO and provides for the continuation of the CFO's existing employment arrangements under his current employment contract with the Offeree until the earlier of the date on which the Offeree ceases to become a reporting issuer and April 30, 2008 (the "Termination Date"). On the Termination Date, the CFO will resign from his employment, receive a severance payment equal to the amount which he would have received under his current arrangements with the Offeree, and begin work for TELUS as an independent contractor for a term of three months, which is extendable on a month-to-month basis by mutual consent of the CFO and TELUS. Under the terms of the Retention Agreement, the CFO will receive a cash payment for the value of his SRs and his vested and unvested Options.
21. TELUS entered into the Retention Agreement in order to ensure an orderly transition of financial management and reporting and maintain the continuity of senior management during the initial integration following completion of the Offer. It is important to TELUS that the CFO be motivated to stay on following the successful completion of the Offer in order to facilitate the integration of the Offeree with the Filer's operations. TELUS believes that it is a prudent and commercially reasonable business decision to enter into the Retention Agreement.
22. The Offer Letters and Retention Agreement were negotiated at arm's length and are on terms and conditions that are commercially reasonable.
23. The conferring of the benefits under each of the Offer Letters and the Retention Agreement are not conditional on the Management Employees or the CFO supporting the Offer in any manner. Notwithstanding the execution of the Lock-Up Agreements by each of the Supporting Shareholders, such agreements confer no benefits on any party thereto other than the Filer.

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24. Full particulars of each benefit are disclosed in the Circular and the Offeree director's circular.
25. The Offer Letters and Retention Agreement were entered into for valid business reasons unrelated to the Management Employee and CFO's holdings of Shares, and were not entered into for the purpose of conferring an economic or collateral benefit that the other Shareholders do not enjoy or to increase the value of the consideration paid to the Management Employees or the CFO for their Shares tendered under the Offer.
26. Each of the Management Employees and the CFO together with their associated entities, beneficially own or exercise control or direction over, less than 1% of the Shares as the case may be on a fully-diluted basis.

### **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.

Louis Morisset  
Surintendant aux marchés des valeurs  
Autorité des marchés financiers