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Headnote

Mutual Reliance Review System for Exemptive Relief Application – employment agreement between offeror and CEO of target company – decision that agreement has been entered into for reasons other than to increase the value of the consideration paid to the shareholder and may be entered into despite the prohibition against collateral benefits

Applicable British Columbia Provisions

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

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NOVA SCOTIA, NEWFOUNDLAND & LABRADOR

AND

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

AND

IN THE MATTER OF REEBOK INTERNATIONAL LTD. AND REEBOK ACQUISITION INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland and Labrador (the “Jurisdictions”) has received an application (the “Application”) from Reebok International Ltd. (“Reebok”) and its wholly-owned subsidiary Reebok Acquisition Inc. (“Acquisitionco”) (Reebok and Acquisitionco are collectively referred to herein as the “Applicant”), for a decision under the securities legislation of the Jurisdictions (the “Legislation”), in connection with a take-over bid announced on April 8, 2004 pursuant to which Acquisitionco will make an offer to acquire (the “Offer”) all of the issued and outstanding common shares of The Hockey Company Holdings Inc. (“THCH”), including common shares issuable pursuant to (i) the exercise of options or other rights to acquire common shares or (ii) the conversion or exchange of securities convertible into or exchangeable for Common Shares (the “Common Shares”), that the employment agreement entered into on April 7, 2004 between Reebok and Mr. Matthew H. O’Toole, President and Chief Executive Officer of THCH and a holder of

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Common Shares (the “Employment Agreement”), was entered into for reasons other than to increase the value of the consideration paid to Mr. O’Toole for his Common Shares and may be entered into notwithstanding the provisions in the Legislation that an offeror making or intending to make a take-over bid shall not enter into any collateral agreement with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of greater value than that offered to holders of the same class of securities (the “Prohibition on Collateral Agreements”);

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the *Agence nationale d’encadrement du secteur financier* (also known as “Autorité des marchés financiers”) is the Principal Regulator for the Application;

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Notice 14-101 of the *Agence nationale d’encadrement du secteur financier*;

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

1. Reebok is a corporation incorporated under and governed by the laws of the Commonwealth of Massachusetts. Shares of its common stock are listed for trading on the New York Stock Exchange. It is a registrant under the federal securities laws of the United States of America and is not, and has no intention of becoming, a reporting issuer in Canada. Reebok is a global company that designs and markets sports and fitness products, including footwear, apparel and accessories. It also designs and markets casual footwear, apparel and accessories for non-athletic use.
2. Acquisitionco is a wholly-owned subsidiary of Reebok and is incorporated under and governed by the *Canada Business Corporations Act*. Acquisitionco was incorporated for the sole purpose of making the Offer and is not, and has no current intention of becoming, a reporting issuer in Canada.
3. THCH is a reporting issuer in each of the provinces and territories of Canada in which the concept of “reporting issuer” exists. Its Common Shares are listed for trading on the Toronto Stock Exchange under the stock symbol “HCY”. It was incorporated under and is governed by the *Canada Business Corporations Act*.
4. THCH is one of the world’s largest designer, manufacturer and marketer of hockey equipment and related apparel under three of the world’s most recognized hockey brand names: CCM, JOFA and KOHO. It is also a leader

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in the design and innovation of skates, sticks, helmets, protective equipment products and related apparel and as being the exclusive licensee of the National Hockey League for authentic and replica jerseys.

5. The authorized share capital of THCH consists of an unlimited number of Common Shares, without par value, an unlimited number of preferred shares, without par value and issuable in series, and an unlimited number of special voting shares, without par value. As of the close of business on April 20, 2004, 5,476,202 Common Shares were issued and outstanding, 90,000 Common Shares are reserved for issuance under THCH's stock option plan and 7,930,858 Common Shares are issuable upon the conversion or exchange of exchangeable securities of a subsidiary of THCH. THCH also has 6,499,509 issued and outstanding special voting shares, but all such shares are expected to be cancelled in accordance with their terms concurrently with, or shortly after, the closing of the Offer.
6. On April 8, 2004, Reebok and THCH jointly announced that they had entered into an agreement pursuant to which Reebok agreed to make an offer, directly or through a wholly-owned subsidiary, to acquire all of the issued and outstanding Common Shares at a price of \$21.25 in cash per Common Share.
7. The Offer was made by way of a take-over bid circular prepared in accordance with applicable securities laws and mailed to all shareholders of THCH on or about April 22, 2004. The Offer will be conditional upon, among other things, there being validly deposited under the Offer and not withdrawn at the expiry time at least 66 ⅔% of the issued and outstanding Common Shares (calculated on a fully-diluted basis).
8. On April 7, 2004, Reebok entered into a support agreement with THCH (the "Support Agreement") pursuant to which Reebok has agreed to make (directly or through a wholly-owned subsidiary), and THCH has agreed to support, the Offer, subject to, among other things, the right of THCH to terminate the Support Agreement upon the occurrence of certain events.
9. Also on April 7, 2004, Reebok entered into an agreement with WS Acquisition LLC, The Equitable Life Assurance Company, Phoenix Life Insurance Company, Robert Desrosiers (the Chief Financial Officer of THCH) and Mr. O'Toole (the "Lock-up Agreement") pursuant to which such shareholders have irrevocably agreed to deposit under the Offer all Common Shares held by them at the expiry of the Offer, representing approximately 41% of all of THCH's issued and outstanding Common Shares on a fully-diluted basis.

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10. An employment agreement between Reebok and Mr. Matthew H. O'Toole, President and Chief Executive Officer of THCH and a holder of Common Shares (the "Employment Agreement"), was entered into on April 7, 2004 in connection with the Offer pursuant to which Mr. O'Toole agreed to accept employment by Reebok for an indefinite period and to hold the office and function as "Senior Vice-President, Reebok and President and Chief Executive Officer, The Hockey Company".
11. The Employment Agreement will come into force only upon the effective date of the closing of the Offer. If the closing of the Offer does not occur before July 1, 2004, the Employment Agreement will terminate.
12. Mr. O'Toole is currently party to an employment contract with The Hockey Company ("THC"), a subsidiary of THCH.
13. Mr. O'Toole currently owns 4,675 Common Shares and 175,000 options for non-voting exchangeable common stock THC which, upon their exercise, are ultimately exchangeable, in accordance with their terms, for Common Shares. Mr. O'Toole's Common Shares and options represent, in the aggregate, approximately 1.3% of the issued and outstanding Common Shares on a fully-diluted basis.
14. Under the Employment Agreement, Mr. O'Toole's initial base salary is set at \$480,000 per year, to be adjusted annually, which is identical to his base salary under his current employment agreement with THC.
15. Mr. O'Toole is eligible for a bonus under the Employment Agreement with a target of 50% of his base salary provided certain financial measures approved by the board of directors of Reebok are met for the 2004 financial year. Under his current employment agreement with THC, Mr. O'Toole is also eligible for a bonus equal to 50% of base salary provided certain performance thresholds are achieved.
16. In addition, pursuant to the Employment Agreement Reebok has agreed to grant Mr. O'Toole, subject to the terms of Reebok's existing stock option plan, options to purchase an aggregate of 30,000 shares of Reebok's common stock at an exercise price based on the closing price of common stock on the New York Stock Exchange on the date prior to closing of the Offer. Reebok has also agreed to grant of options to Mr. O'Toole in December 2004, subject to the terms of Reebok's existing stock option plan, to purchase a number of shares of its common stock determined on the same basis as that used with respect to grants of options to other division presidents of Reebok having met their financial targets for the 2004 financial year.

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17. These option grants (i) will be made at the market price for Reebok shares at the time the options are granted, (ii) will have a seven-year term; (iii) will vest in three equal installments on the first three anniversaries of their respective grant dates, and (iv) will be subject to receipt of all required regulatory approvals.
18. Mr. O'Toole has in addition been granted eligibility to participate in Reebok's 2004 global performance incentive plan, and Reebok has agreed to make a one-time grant of 25,000 shares of restricted stock, subject to the terms of Reebok's existing stock option plan, to Mr. O'Toole upon the closing of the Offer. All such shares vest after three years of continued employment; however, the restrictions on 12,500 of such shares will lapse if Mr. O'Toole's employment is terminated for any reason, other than for cause or voluntary termination, prior to completion of the three years.
19. Under the Employment Agreement, Mr. O'Toole is also entitled to continue to participate in the general employee benefit plans offered by a wholly-owned subsidiary of THCH, and to other benefits in accordance with the Reebok's policies and practices covering executive personnel.
20. In the event of termination by Reebok of the Employment Agreement without cause, Mr. O'Toole will be entitled to severance pay in an amount equal to 12 months (24 months if Mr. O'Toole's employment is terminated without cause prior to the first anniversary of the closing of the Offer) of base salary, less appropriate deductions, and the continuation of all benefits for the same period to the extent permissible by law. Options granted to Mr. O'Toole will continue to be exercisable for a period of 90 days following termination.
21. Under the Employment Agreement, Mr. O'Toole is also subject to a non-competition clause during the period of his employment and for a period of 24 months thereafter, which period is reduced to 12 months after the first anniversary of the closing of the Offer.
22. The Employment Agreement was negotiated at arm's length between Reebok and Mr. O'Toole. In these negotiations, it was the parties' intention that Mr. O'Toole's existing benefits with THCH be maintained, and where such benefits were not offered or available on an equivalent basis within Reebok's organization, to provide for compensation in other ways.
23. Mr. O'Toole's compensation package as reflected in the Employment Agreement is in material respect comparable to his current package with THC. However, certain elements of Mr. O'Toole's compensation package, including

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benefits to which he is entitled as an executive officer of THCH, are not available to him on an equivalent basis, or at all, as an executive officer within the Reebok group.

24. In part to compensate for those elements in Mr. O'Toole's compensation package with THCH which could not be duplicated within Reebok, and in part as a retention mechanism, Reebok agreed to a one-time grant of 25,000 shares of restricted stock. The shares will vest in full only after three years of continued employment. The restrictions on 12,500 of such shares will lapse if Mr. O'Toole's employment is terminated for any reason, other than for cause or voluntary termination, prior to completion of the three years.
25. Reebok believes that Mr. O'Toole has been instrumental in the growth of THCH's business and its success during his tenure, that he possesses substantial experience, expertise and relationships both in THCH's organization and with its customers, and that his continued employment following the completion of the Offer is critical to the ability of Reebok to ensure the successful integration of THCH within Reebok.
26. The Employment Agreement is on commercially reasonable terms, is consistent with current industry practice and with Reebok's compensation arrangements for new executives and is designed to provide an incentive for Mr. O'Toole to continue in Reebok's employment on an ongoing basis following completion of the Offer.
27. Reebok would not have agreed to make the Offer unless satisfactory arrangements had been entered into in respect of the ongoing employment of Mr. O'Toole following the completion of the Offer.
28. The Employment Agreement has been entered into for reasons other than to increase the value of the consideration to be paid to Mr. O'Toole pursuant to the Offer.

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 in connection with the Offer, the Employment Agreement is being entered into for reasons other than to increase the value of the consideration to be paid to

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Mr. O'Toole for his Common Shares and that such Employment Agreement may be entered into despite the Prohibition on Collateral Agreements.

DATED May 26, 2004

Josée Deslauriers
Directrice du marché des capitaux