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November 3, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications

Securities Act s. 114(2) Issuer Bids - Exemption from Issuer Bid Requirements - An issuer conducting an issuer bid under a modified dutch auction procedure requires relief from the requirement to take up and pay for securities deposited on a pro rata basis - Under the modified dutch auction procedure, all shares deposited at prices above the clearing price will be returned to the shareholder instead of being taken up and paid for on a pro rata basis; shareholders who tender above the clearing price are not prepared to sell at the clearing price and therefore they suffer no prejudice if their shares are not taken up and paid for; returning their shares respects their intentions; shareholders who are prepared to sell at the clearing price are treated equally as their shares are taken up pro rata

Securities Rules s. 162(3) -Exemption from the Valuation Requirements - An issuer wants relief from the requirement to obtain a formal valuation in connection with an issuer bid for its outstanding securities - A liquid market for the issuer's securities exists prior to the bid; subsequent to the bid, there will be a market for the issuer's securities that is not materially less liquid than prior to the bid

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 105(g), 114(2)

Securities Rules, ss. 162(2) and 162(3)

Form 62-903F, Item 9

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Manitoba,
Ontario, Québec, and New Brunswick
(the "Jurisdictions")

and

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

and

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In the Matter of
Envoy Communications Group 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 (“Shares”) by way of an issuer bid (the “Offer”), the Filer be exempt from the following requirements in the Legislation:

- (a) to 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 Requirement”)
- (b) to provide disclosure in the issuer bid circular (the “Circular”) of the proportionate take-up and payment (the “Related Disclosure Requirement”), and
- (c) to obtain a formal valuation of the Shares (the “Valuation Requirement”).

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 following facts presented by the Filer:

1. The Filer is a corporation subsisting under the *Business Corporations Act* (Ontario).

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2. The Filer's head office and principal place of business is located at 172 John Street, Toronto, Ontario M5T 1X5.
3. The Filer is authorized to issue 40,000,000 Shares. As of September 20, 2006, the Filer had 19,401,415 issued and outstanding Shares.
4. The Filer is a reporting issuer in each of the Jurisdictions and, to the knowledge of the Filer, is not in default of any requirement of the Legislation.
5. The Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "ECG" and on the NASDAQ Capital Market ("NASDAQ") under the symbol "ECGI". NASDAQ is the published market on which the Shares are principally traded.
6. To the knowledge of the Filer, no shareholder currently beneficially owns greater than ten percent of the Shares.
7. The Filer intends to acquire up to a specified number of Shares to be specified in the Circular (less than all of the outstanding Shares), based on the Clearing Price (defined below) (the "Specified Number of Shares");
8. The Offer will be made under a modified "Dutch auction" procedure as follows:
 - (a) the Filer will offer to purchase up to the Specified Number of Shares;
 - (b) the price per Share to be paid to shareholders (the "Clearing Price") will be anywhere between a range of two prices determined by the Filer (the "Price Range") and specified in the Circular;
 - (c) shareholders wishing to tender to the Offer may:
 - (i) specify the lowest price within the Price Range that they are willing to sell all or a portion of their Shares at (an "Auction Tender"), or
 - (ii) elect to tender their Shares at the Clearing Price determined in accordance with paragraph (d) below (a "Purchase Price Tender");
 - (d) the Clearing Price will be the lowest price that will enable the Filer to purchase up to the Specified Number of Shares, subject to additional Shares being taken up due to rounding as described in paragraph (f) below, and will be determined based upon the number of Shares tendered under an Auction Tender at each price within the Price Range and tendered under

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a Purchase Price Tender, with each Purchase Price Tender being considered a tender at the lowest price in the Price Range for the purposes of determining the Clearing Price;

- (e) the aggregate amount that the Filer will pay for Shares tendered to the Offer will not be determined until the Clearing Price is established;
 - (f) the Filer will take up and pay for all Shares tendered at or below the Clearing Price at the Clearing Price, calculated to the nearest whole Share so as to avoid the creation of fractional Shares and subject to pro ration as described in paragraph (h) below if the aggregate number of Shares tendered at or below the Clearing Price exceeds the Specified Number of Shares;
 - (g) all Shares tendered at prices above the Clearing Price will be returned to the appropriate shareholders;
 - (h) if the aggregate number of Shares tendered at or below the Clearing Price is greater than the Specified Number of Shares, the Filer will purchase Shares tendered at or below the Clearing Price on a *pro rata* basis;
 - (i) all Shares tendered by shareholders who specify a tender price that falls outside the Price Range will be considered to have been improperly tendered, will be excluded from the determination of the Clearing Price, will not be purchased by the Filer and will be returned to the tendering shareholders;
 - (j) all Shares tendered by shareholders who fail to specify any tender price for their tendered Shares and fail to indicate that they have tendered their Shares pursuant to a Purchase Price Tender will be deemed to have been tendered under a Purchase Price Tender; and
 - (k) tendering shareholders who fail to specify the number of Shares that they wish to tender will be considered to have tendered all Shares held by the shareholder.
9. All information regarding the number of Shares tendered and the prices at which the Shares are tendered will be kept confidential until the Offer expires and the Clearing Price has been determined.
10. Since the Offer will be for fewer than all the Shares, if the aggregate number of Shares tendered to the Offer at or below the Clearing Price exceeds the Specified Number of Shares, the Legislation would require the Filer

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- (a) to take up and pay for deposited Shares proportionately, according to the number of Shares deposited by each shareholder, and
 - (b) disclose in the Circular that the Filer will take up Shares tendered proportionately according to the number of Shares tendered by each shareholder to the Offer if the aggregate number of Shares tendered to the Offer exceeded the Specified Number of Shares.
11. The Filer intends to obtain an opinion from a qualified and independent party that a liquid market exists for the Shares at the date the Offer is publicly announced and that it is reasonable to conclude that, following the completion of the Offer, there will be a market for holders of the Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer. However, the Filer cannot rely upon the exemption from the valuation requirement in section 3.4 of OSC Rule 61-501 *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions* ("Rule 61-501") and section 3.4 of AMF Regulation Q-27 *Respecting Protection of Minority Shareholders in the Course of Certain Transactions* ("Q-27") without a concurring opinion from NASDAQ being provided to the OSC and the AMF. NASDAQ has indicated to the Filer that it is unfamiliar with the requirement for the principal published market to provide a "concurring opinion" to the applicable securities regulatory authority or regulator and, for that reason, it may be unable to provide such an opinion on a timely 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 Filer is exempt from the Proportionate Take-up Requirement and the Related Disclosure Requirement provided that:

- (a) Shares deposited under the Offer and not withdrawn are taken up and paid for, or returned to Shareholders, in the manner described in representation 8, and
- (b) the Circular:
 - (i) specifies that the aggregate number of Shares that the Filer intends to purchase under the Offer will be up to the Specified Number of Shares;

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- (ii) discloses the mechanics for the take up of and payment for, or the return of, Shares as described in representation 8 above;
- (iii) explains that, by tendering the Shares at the lowest price in the Price Range, a shareholder can reasonably expect that the Shares tendered will be purchased at the Clearing Price, subject to pro ration as described above; and
- (iv) contains the disclosure prescribed by Legislation for issuer bids, except to the extent exemptive relief is granted by this decision.

Paul M. Moore
Commissioner
Ontario Securities Commission

Robert L. Shirriff
Commissioner
Ontario Securities Commission

The further decision of the Decision Makers under the Legislation is that the Filer is exempt from the Valuation Requirement provided that:

- (a) at the time of the Offer, the Shares are listed and posted for trading on the TSX and quoted on the NASDAQ;
- (b) it is reasonable to conclude that, following the completion of the Offer, there will be a market for holders of the Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer; and
- (c) a person or company that is qualified and independent of all interested parties to the Offer, as determined on the same basis applicable to a valuator preparing a formal valuation under section 6.1 of Rule 61-501 or section 6.1 of Q-27, provides an opinion (an "Opinion") to the Filer that:
 - (i) there is a liquid market in the Shares at the date the Offer is publicly announced; and
 - (ii) it is reasonable to conclude that, following the completion of the Offer, there will be a market for holders of the Shares who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer;
- (d) the Opinion is included in the Circular; and

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- (e) the Circular includes the same disclosure regarding the person or company providing the Opinion as is required for a valuator under section 6.2 of Rule 61-501 or section 6.2 of Q-27.

Naizam Kanji
Manager
Ontario Securities Commission