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Headnote

Mutual Reliance Review System for Exemptive Relief Application – employment agreements with bonus payments payable on achieving target performance to be entered into between offeror and selling security holders who are also senior officers of offeree – decision that the employment agreements are being entered into for reasons other than to increase the value of the consideration paid to the selling security holders for their shares and that the employment agreements 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 ONTARIO,
BRITISH COLUMBIA, ALBERTA, MANITOBA, SASKATCHEWAN,
QUÉBEC, NOVA SCOTIA, AND NEWFOUNDLAND AND LABRADOR**

AND

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

AND

**IN THE MATTER OF
CORINTHIAN COLLEGES, INC.,
CORINTHIAN CANADA ACQUISITION INC.
and
CDI EDUCATION CORPORATION**

MRRS DECISION DOCUMENT

WHEREAS Corinthian Colleges, Inc. (“Corinthian”), through its wholly owned subsidiary Corinthian Canada Acquisition Inc. (the “Applicant”), has made a take-over bid (the “Offer”) to acquire all of the issued and outstanding common shares (the “Common Shares”) of CDI Education Corporation (the “Offeree”);

AND WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of the provinces of Ontario, British Columbia, Alberta, Manitoba, Saskatchewan, Québec, Nova Scotia, and Newfoundland and Labrador (the “Jurisdictions”) has received an application from the Applicant for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the employment agreements (the “Employment Agreements”) which the Applicant has entered into, or may hereafter enter into, with William Rasberry (“Rasberry”),

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Desmond Soye ("Soye"), Mark Korol ("Korol"), and the employee retention bonuses (the "Retention Bonuses") which the Applicant has offered to, or may hereafter offer to, certain employees ("Key Personnel") of the Offeree to encourage such Key Personnel's continued employment with the Applicant following successful completion of the Offer are made for reasons other than to increase the value of the consideration paid to Rasberry, Soye, Korol and the Key Personnel that hold Common Shares or "in-the-money" options to purchase Common Shares (the "Key Personnel Shareholders"), and that the Employment Agreements and Retention Bonuses may be entered into or paid notwithstanding the requirement contained in the Legislation which prohibits, in the context of a take-over bid, the entering into of any collateral agreement with any holder of the offeree issuer 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 ("Prohibition on Collateral Agreements");

AND WHEREAS under the Mutual Reliance System for Relief (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

AND WHEREAS the Applicant and Corinthian have represented to the Decision Makers that:

1. Corinthian is a corporation existing under the laws of Delaware and is not a reporting issuer in any of the Jurisdictions.
2. The Applicant is a wholly owned subsidiary of Corinthian and is a corporation existing under the laws of Ontario. The Applicant is not a reporting issuer in any of the Jurisdictions.
3. Corinthian has made the Offer indirectly through the Applicant. The Offer is for all of the issued and outstanding Common Shares of the Offeree at \$4.33 in cash per Common Share.
4. The Offer was made by way of a take-over bid circular sent to all shareholders of the Offeree (the "Offeree Shareholders") on July 14, 2003. The Offer will expire at 12:01 a.m. on August 19, 2003, unless extended or varied.
5. Neither Corinthian nor the Applicant will, as a result of the Offer, become a reporting issuer under the Legislation.

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6. As at June 23, 2003, the Offeree had 9,936,401 Common Shares issued and outstanding. The Common Shares are listed and posted for trading on the Toronto Stock Exchange.
7. Rasberry is the President of the Offeree. Rasberry holds or controls 239,515 Common Shares and “in-the-money” options to acquire Common Shares of the Offeree or approximately 2.3% of the outstanding Common Shares and “in-the-money” options. Under the Offer, Rasberry will receive \$1,037,100 as consideration for his Common Shares and “in-the-money” options.
8. Korol is the Chief Financial Officer of the Offeree. Korol holds or controls 15,600 Common Shares and “in-the-money” options to acquire Common Shares of the Offeree or approximately 0.2% of the outstanding Common Shares and “in-the-money” options. Under the Offer, Korol will receive \$67,548 as consideration for his Common Shares and “in-the-money” options.
9. Soye is the Chief Operating Officer of the post-secondary school business of the Offeree. Soye directly holds or controls 165,131 Common Shares and “in-the-money” options to acquire Common Shares of the Offeree or approximately 1.6% of the outstanding Common Shares and “in-the-money” options. The Applicant understands that Soye also has an indirect interest in the Offeree that, added to his direct interest, results in Soye having a total economic interest representing approximately 2.7% of the outstanding Common Shares. Under the Offer, Soye will receive \$715,017 as consideration for his Common Shares and “in-the-money” options.
10. The 17 Key Personnel are senior employees in various areas of the Offeree’s business and operations. There are eight Key Personnel Shareholders holding 20,733 Common Shares, which together amount to 0.2 % of the issued and outstanding Common Shares of the Offeree, and thirteen Key Personnel Shareholders holding an aggregate of 195,000 “in-the-money” options to acquire Common Shares representing 1.9% of the outstanding Common Shares. The total “in-the-money” options and Common Shares held by the Key Personnel Shareholders represent 2.1 % of the outstanding Common Shares and “in-the-money” options. To the knowledge of the Applicant, three Key Personnel hold neither Common Shares nor “in-the-money” options.
11. Rasberry, Korol and Soye and certain of the Key Personnel Shareholders have agreed with the Applicant to tender their Common Shares (including Common Shares to be issued upon exercise of their “in-the-money” options) under the Offer. The aggregate number of Common Shares subject to lock-up agreements represents 6,901,341 Common Shares or approximately 67% of

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the outstanding Common Shares and Common Shares issuable upon the exercise of “in-the-money” options.

12. If the Offer is completed the Applicant intends to make, or has already conditionally made, the following employment arrangements:
 - (a) the Employment Agreements with Rasberry, Korol and Soye; and,
 - (b) the Retention Bonuses payable to the Key Personnel.
13. The Employment Agreements which have been, or may be, entered into with Rasberry, Korol and Soye are on substantially the same terms as their current arrangements with the Offeree other than the following material modifications:
 - (a) Under the Employment Agreements with Rasberry and Soye, the Applicant will pay a Retention Bonus of \$252,000 to Rasberry, being 100% his proposed salary, and a Retention Bonus of \$165,000 to Soye, being 75% of his existing salary, in the event that they remain employed by the Applicant for twelve (12) months from the date of the close of the Offer. These Agreements also provide for post-acquisition performance bonuses of up to a maximum of \$63,000 and \$55,000 respectively (the “Post-Acquisition Performance Bonuses”) should Rasberry and Soye meet the individual revenue and profitability targets to be agreed upon with the President and Chief Operating Officer of Corinthian; and
 - (b) The proposed Employment Agreement with Korol sets out an express termination provision which would entitle Korol to 6 months notice of termination and 6 months salary upon termination.
14. The purpose of paying Rasberry and Soye Retention Bonuses and Post-Acquisition Performance Bonuses is to provide them with an incentive to continue their involvement with the Offeree and improve the Offeree’s performance after the Offer is completed. The Applicant believes these two individuals have been important to the development of the business of the Offeree to date and they are very important to the relationship between the Offeree and many of its principal clients. The Applicant believes that it is important to the long-term success and growth of the Offeree that both Rasberry and Soye be retained as employees.
15. In addition, Rasberry has conditionally waived a twelve month total compensation change of control payment which could otherwise provide him with an incentive to leave the Offeree immediately upon completion of the

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Offer. Although the Offeree has agreed to pay Rasberry a bonus on the completion of the Offer of \$120,000 (which is one third of the value of such change of control payment), the payment of Rasberry's Retention Bonus (which is equal to two-thirds of the change of control payment that he has waived) has been deferred for a year and is contingent upon Rasberry continuing to be employed with the Offeree twelve months following completion of the Offer.

16. The value to accrue to each of Rasberry and Soye in respect of the Post-Acquisition Performance Bonuses will only be paid if the Offeree meets certain revenue and profit targets for the two quarters immediately following the completion of the Offer. The Post-Acquisition Performance Bonuses, therefore, are only payable if there is an enhancement in the performance of the Offeree over and above the performance that is reasonably expected at the time the targets are established.
17. It is anticipated that the terms of the Employment Agreements will provide both Rasberry and Soye with long-term incentives to support and grow the business of the Offeree and to assist with the transition of the business to new ownership.
18. The Employment Agreements have been negotiated with each of Rasberry and Soye at arm's length and have been made on terms and conditions that are commercially reasonable. The salary entitlements for each of Rasberry and Soye are substantially similar to the salaries they are entitled to under their current compensation arrangements with the Offeree and are commensurate with the salary entitlement of employees of Corinthian with similar levels of responsibility.
19. The purpose of the proposed amendment to Korol's current employment arrangement is to clarify the rights and obligations of the parties on a termination of employment. The Applicant has been advised by counsel that the proposed termination provision in Korol's Employment Agreement represents a termination entitlement that is within the range which Korol would likely be entitled at common law.
20. The Applicant believes that the Key Personnel have been an integral part of the successful development of the Offeree's business and have substantial and valuable experience and expertise in the private education industry. The Applicant views the retention of the Key Personnel as important to the success of the Offer, as the Key Personnel have contributed to the development of the Offeree business and have performed significant work on its current business products and services. The Retention Bonuses will be paid for the primary

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purpose of ensuring the Key Personnel's continued participation in the successful management and development of the Offeree's business within Corinthian's operations following the consummation of the Offer and will assist with the transition of the business to new ownership.

21. The Retention Bonuses payable to each employee of the Offeree who has been identified as Key Personnel for this purpose will represent a minority component of their total compensation and are reasonable in light of the services to be rendered by each of the Key Personnel following completion of the Offer.
22. Corinthian has provided similar retention and incentive packages in the comparable acquisitions it has undertaken to ensure management continuity so as to preserve and grow the value of the acquired business. Corinthian believes that these performance bonuses and retention bonuses are customary in the industry. Further, the performance bonuses are consistent with bonuses made available to similarly situated Corinthian employees. As this is the first acquisition that Corinthian has undertaken outside of the United States and as the corporate training segment of the Offeree's business represents a substantial expansion of that business segment for Corinthian, retention of key senior officers and other key management is very important to the success of the acquisition.
23. In the context of the Offer, Corinthian's control of the Offeree is assured as it has tender commitments from Offeree Shareholders holding at least two-thirds of the outstanding Common Shares (including those to be issued upon exercise of "in-the-money" options), excluding Common Shares held by Rasberry, Soye, Korol and the Key Personnel Shareholders. Therefore, there is no intent by the Applicant to provide any minority Offeree Shareholders with consideration for his or her Common Shares which is greater than that provided to other Offeree Shareholders.
24. The entering into of the Employment Agreements and the payment of the Retention Bonuses are made for valid business reasons unrelated to Rasberry's, Soye's, Korol's or the Key Personnel Shareholders' holdings of Common Shares or options (if any) and not for the purpose of conferring an economic or collateral benefit that the other Offeree Shareholders do not enjoy or to increase the value of the consideration to be paid to Rasberry, Soye, Korol or the other Key Personnel Shareholders for their Common Shares tendered under the Offer.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

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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 in the Jurisdictions under the Legislation is that, in connection with the Offer, the entering into of the Employment Agreements and the payment of the Retention Bonuses is being done for reasons other than to increase the value of the consideration to be paid to Rasberry, Soye, Korol and the Key Personnel Shareholders in respect of the Common Shares or “in-the-money” options held by such employees and may be entered into or paid notwithstanding the Prohibition on Collateral Agreements.

DATED this 15th day of August, 2003.

Paul M. Moore
Robert L. Shirriff