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August 30, 2006

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
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 “Filer”)

and

Chum Limited
(“CHUM”)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia and Newfoundland and Labrador (the

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“Jurisdictions”) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the CEO Employment Agreement Amendment (as hereinafter defined) may be entered into notwithstanding the provisions of the Legislation that prohibit an offeror who makes or intends to make a take-over bid from entering into any collateral agreement, commitment or understanding 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 other holders of the same class of securities (the “Requested Relief”).

Under the Mutual Reliance System for Exemptive Relief Applications (“MRRS”):

- (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

The factual information set out herein has been provided by the Filer and BGM and confirmed by CHUM where applicable.

1. Bell Globemedia Inc. (“BGM”) is a corporation incorporated under the *Business Corporations Act* (Ontario) (the “OBCA”) with ownership interests in media properties including CTV Inc. and *The Globe and Mail*.
2. Following the recently completed reorganization of its ownership, BGM is owned by The Woodbridge Company Limited (“Woodbridge”). Ontario Teachers’ Pension Plan Board (“OTPPB”), BCE Inc. (“BCE”) and Torstar Corporation (“Torstar”).
3. The Filer was incorporated under the OBCA on July 10, 2006 for the purpose of making the offer (the “Offer”) on July 26, 2006 to acquire all of the issued and outstanding common shares (the “Common Shares”) and any and all of the issued and outstanding non-voting Class B shares (the “Class B Shares” and, together with the Common Shares, the “Shares”) of CHUM. The Filer is owned indirectly by Woodbridge, BCE, OTPPB and Torstar (collectively, the “BGM Recapitalization Shareholders”). The Filer has not carried on any business prior to the date hereof other than in respect of the Offer. Following

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completion of the BGM reorganization transactions, the BGM Recapitalization Shareholders will transfer their respective ownership interests in the Filer to BGM.

4. Neither the Filer nor BGM is a reporting issuer or equivalent in any of the Jurisdictions.
5. CHUM, a corporation incorporated under the OBCA, owns and operates 33 radio stations, 12 local television stations and 21 specialty channels, as well as an environmental music distribution division.
6. CHUM is a reporting issuer or equivalent in each of the Jurisdictions. Both the Common Shares and the Class B Shares are listed and posted for trading on the Toronto Stock Exchange.
7. The authorized capital of CHUM consists of an unlimited number of Common Shares and an unlimited number of Class B Shares. As of July 12, 2006, there were 6,748,030 Common Shares and 21,378,929 Class B Shares issued and outstanding.
8. Pursuant to a support agreement dated July 12, 2006 (the “Support Agreement”), BGM agreed to make or cause to be made, and CHUM agreed to support, the Offer, subject to the conditions set forth therein. BGM has assigned its rights and obligations under the Support Agreement to the Filer.
9. Those members of the board of directors of CHUM (the “Board of Directors”) entitled to vote, upon receiving the recommendation of an independent committee (the “Special Committee”) of the Board of Directors following consultation with its independent financial and legal advisors and upon receipt of a fairness opinion from CIBC World Markets Inc., have unanimously determined that the Offer is in the best interests of CHUM and is fair to the holders of each class of Shares and, accordingly, those members of the Board of Directors entitled to vote have unanimously recommended that holders of Shares (“Shareholders”) accept the Offer.
10. Pursuant to a lock-up agreement dated July 12, 2006 (the “Lock-Up Agreement”), the Estate of Allan Waters, Allan Waters Limited (“AWL”) and Allan Waters Enterprises Limited (“AWEL” and, together with the Estate of Allan Waters and AWL, the “Controlling Shareholders”) have agreed to deposit to the Offer, and not withdraw, 5,981,015 Common Shares, representing in the aggregate approximately 88.6% of the issued and outstanding Common Shares, and 2,812,118 Class B Shares, representing in

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the aggregate approximately 13.2% of the issued and outstanding Class B Shares.

11. The Offer and accompanying circular (the “Circular”) were mailed to Shareholders on July 26, 2006. The Offer is open for acceptance until 5:00 p.m. (Toronto time) on August 31, 2006 (the “Expiry Time”), unless extended or withdrawn by the Filer.
12. The Offer has been structured in order to allow the Shares to be taken up and paid for by the Filer upon the expiry of the Offer even if certain of the required regulatory approvals of the transactions contemplated by the Offer have not been obtained. The Offer is not conditional upon the Filer obtaining the approval of the Canadian Radio-television and Telecommunications Commission (the “CRTC”) for the transactions contemplated in the Offer, and the Filer will become obligated to take up and pay for Shares once the applicable waiting period under Part IX of the Competition Act has expired provided only that the Commissioner of Competition has not advised the Filer that she intends to initiate proceedings in respect of the transactions contemplated by the Offer before the Competition Tribunal.
13. In order to allow the Shares which are deposited to the Offer to be taken up by the Filer while BGM seeks the required approvals of the CRTC, and to provide that the Filer does not assume effective control of CHUM or its licensed subsidiaries prior to the receipt of CRTC approval of the acquisition of control by BGM, Common Shares acquired under the Offer will be held, directly or indirectly, by a trustee pursuant to a voting trust agreement pending approval by the CRTC of the acquisition of control of CHUM by BGM (collectively, the “Trust Arrangements”). The Trust Arrangements have been approved by the CRTC.
14. The President and Chief Executive Officer of CHUM (the “CEO”), beneficially owns, directly or indirectly, or exercises control or direction over 7,700 Common Shares and 97,925 Class B Shares. The CEO also owns approximately 33% of the shares of Phyllis Switzer Holdings Ltd. (“Switzer Holdings”), which owns 600 Common Shares and 80,400 Class B Shares. The Shares owned by the CEO together with those Shares owned by Switzer Holdings represent in the aggregate approximately 0.12% of the issued and outstanding Common Shares and approximately 0.83% of the issued and outstanding Class B Shares.
15. At the request of BGM, the CEO and CHUM have amended the CEO’s employment agreement (the “CEO Employment Agreement Amendment”) to provide that certain payments which the CEO would previously have been

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entitled to receive in the event he terminates his employment contract on six months' notice to CHUM following a change of control will now be payable only if such notice is not given before the earlier of (i) the date of the termination of the Trust Arrangements and (ii) December 31, 2007 (the "Retention Date"). However, any such amounts will be payable over a period of 24 months, rather than 36 months. In addition, any termination payment to which the CEO may be entitled under his agreement with CHUM as a result of termination without cause or as a result of the non-extension or non-renewal of his agreement shall be payable over 24 months, rather than 30 months. The CEO Employment Agreement Amendment also reduces the period during which the CEO has agreed not to compete with CHUM from a period of one year, in circumstances where his employment is terminated without cause or is not extended or renewed, and from 18 months, where his employment is terminated after a change of control, to, in each case, a period of six months. The CEO Employment Agreement Amendment provides that, assuming the CEO remains employed by CHUM until the Retention Date, CHUM will pay the CEO a retention bonus of \$400,000 on the Retention Date. Under the CEO Employment Agreement Amendment, the CEO no longer has a duty to mitigate and the payments by CHUM will not be reduced if he finds replacement employment. In addition, health and dental benefits will be extended, subject to the provisions of the applicable insurance policy, for a 24 month period following termination of employment other than for cause. In all other respects, the material terms of the CEO's employment agreement remain as summarized in the management information circular of CHUM dated November 4, 2005 in respect of its annual meeting held on December 14, 2005.

16. The CEO Employment Agreement Amendment has been undertaken for valid business purposes. The Filer believes that the CEO Employment Agreement Amendment will provide the CEO with appropriate incentives to assist with the transition of the business to new ownership and to support and grow the business.
17. Employment arrangements in the nature of the CEO Employment Agreement Amendment are not unusual in the context of take-over bids. The benefits to be provided to the CEO under the CEO Employment Agreement Amendment are commercially reasonable and the terms thereof were negotiated on an arm's length basis.
18. It was a condition to BGM entering into the Support Agreement that the CEO enter into the CEO Employment Agreement Amendment. BGM believes that if it were to acquire only CHUM's assets and not the services of its key personnel, there would be a material reduction in the likelihood of a successful

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transition of the business to new ownership following completion of the Offer and a corresponding reduction in the value of CHUM to BGM.

19. The benefits of the CEO Employment Agreement Amendment are being received by the CEO solely in connection with his services as an employee of CHUM and such benefits are not being conferred for the purpose, in whole or in part, of increasing the value of the consideration to be paid to him for Shares tendered under the Offer or providing an incentive to tender his Shares to the Offer. The benefits conferred under the CEO Employment Agreement Amendment are not, by their terms, conditional on the CEO supporting the Offer in any manner.
20. The terms of the CEO Employment Agreement Amendment were proposed and approved by BGM, and were approved by those members of the Board of Directors entitled to vote upon receiving the recommendation of its compensation committee, which is composed entirely of independent directors.
21. Both the Circular and the directors' circular of the Board of Directors dated July 26, 2006 in respect of the Offer disclosed the particulars of the CEO Employment Agreement Amendment.

Decision

Each of the Decision Makers is satisfied that the tests 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.

Suresh Thakrar
Ontario Securities Commission

Paul K. Bates
Ontario Securities Commission