

# FAIR

Canadian Foundation *for*  
Advancement *of* Investor Rights  
Fondation canadienne *pour* l'avancement  
*des* droits *des* investisseurs

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**FOR IMMEDIATE RELEASE**

## **FAIR CANADA: MAGNA DEAL AN ABUSE OF THE MARKETS**

**Toronto** – FAIR Canada announced today that it will make a submission to the Ontario Securities Commission (OSC) calling on the OSC to promptly convene a public hearing to consider the proposed transactions between Magna International Inc. (Magna) and the Stronach Trusts with a view to issuing a cease trade order prohibiting the consummation of the transactions. FAIR Canada is of the view that the proposed transactions are contrary to both the public interest and the best interests of investors generally, as well as an abuse of the Canadian capital markets.

### **Magna Transactions**

The management and Board of Directors of Magna (appointed by Mr. Stronach through multiple shares held by the Stronach Trust) have entered into an agreement with the Stronach Trust (the Magna Transactions):

- (1) to pay a premium of approximately 1,800% for the multiple voting shares held by the Stronach Trust;
- (2) to extend lucrative consulting agreements for Mr. Stronach which were set to expire this year for a further four-year period; and
- (3) to establish a joint venture to which Magna will transfer its electric car business and turn over control to Mr. Stronach, although he will only own a minority equity stake.

On May 31, 2010, Magna issued a circular to convene a shareholders' meeting for June 28, 2010 to approve the Magna Transactions. The value of the Magna Transactions is in excess of \$1 billion, yet the Board of Directors has not provided either a valuation or a recommendation to shareholders.

### **Magna Transactions Unfair and a Dangerous Precedent**

FAIR Canada is of the view that by entering into these transactions, the Board of Directors of Magna has failed to discharge its fiduciary responsibility to shareholders, in particular by failing to obtain a valuation and fairness opinion and failing to give a recommendation on the Magna Transactions to shareholders. FAIR Canada is of the view that the disclosure in the shareholders' circular is inadequate, the transactions are unfair and that the premium to be paid to the Stronach Trust is unjustified and excessive.

If the Magna Transactions are permitted to proceed, FAIR Canada believes that it will strike at the heart of the fairness and the integrity of the Canadian securities markets. It will be open season on the public

shareholders of the many Canadian listed companies with dual class share structures. The message to controlling shareholders of Canadian listed companies with a dual class share structure will be clear: the more your company's shares are depressed due to a perception that you oppress your shareholders, the greater the premium the shareholders will be willing to pay to get rid of you. This case creates perverse incentives for controlling shareholders to oppress public shareholders.

### **Call for action**

FAIR Canada calls on securities regulators and market participants to rally to protect the integrity of the Canadian markets.

**1. Urgent Public Hearing** – FAIR Canada calls on the Ontario Securities Commission to convene a public hearing into the Magna Transactions under section 127 of the *Securities Act* (Ontario) to determine if it is in the public interest to:

(1) cease trade the Magna Transactions; and

(2) consider bringing an oppression action under section 248 of the *Business Corporations Act* (Ontario).

“The OSC decision in the [Canadian Tire](#) case provides a clear precedent for the OSC to convene a hearing to consider the Magna Transactions and to issue a cease trade order to prevent the consummation of a transaction that is contrary to the public interest,” said Ermanno Pascutto, Executive Director of FAIR Canada.

**2. Institutional Investors Must Act** – “In the Canadian Tire case, institutional investors came together to oppose the abusive transaction proposed by the controlling shareholders of Canadian Tire. The CPP Investment Board (CPIB) and Ontario Teachers' Pension Plan (Teachers) have already come out opposing the Magna Transactions. CPIB has called the transaction ‘unfair and unreasonable’, and Teachers has agreed that the transaction is ‘unfair’ to Magna shareholders (See individual [CPIB](#) and [Teachers](#) press releases).” Mr. Pascutto stated that “FAIR Canada urges other institutional investors to join CPIB and Teachers, publicly oppose the proposed transactions and call on the regulators to intervene.”

**3. Controlling Shareholders of TSX-Listed Companies** – FAIR Canada calls on controlling shareholders of other TSX-listed companies with dual class share structures to go public with their views on the Magna Transactions. Will they support intervention by securities regulators? If they fail to do so, how will this dangerous precedent impact their company and their public shareholders?

**4. Policy Review** – Dual class shares are inconsistent with the concept of corporate democracy. The Canadian Securities Administrators (CSA) (ie. provincial securities regulators) should make it a priority to undertake a policy review of dual class share structures with a view to considering amending the regulation of dual class shares in Canada to enhance investor protection and shareholders' rights.

### **About FAIR Canada**

FAIR Canada is a non-profit, independent national organization dedicated to representing the interests of Canadian investors and shareholders. The mission of FAIR Canada is to be a voice for investors and

shareholders in securities regulation and a catalyst for enhancing the rights of Canadian shareholders and individual investors. Visit [www.faircanada.ca](http://www.faircanada.ca) for further information.

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