Ontario Securities Commission
Commission des valeurs mobilières de l'Ontario
P.O. Box 55, 19th Floor 20 Queen Street West Toronto ON M5H 3S8
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IN THE MATTER OF *THE SECURITIES ACT*,
R.S.O. 1990, C.S.5, AS AMENDED

- and -

IN THE MATTER OF MAGNA INTERNATIONAL INC.

- and -

IN THE MATTER OF THE STRONACH TRUST
AND 446 HOLDINGS INC.

DECISION AND ORDER
(Section 127)

Hearing:	June 23 and 24, 2010	
Decision:	June 24, 2010	
Panel:	James E. A. Turner	- Vice-Chair and Chair of the Panel
	Paulette L. Kennedy	- Commissioner
	C. Wesley M. Scott	- Commissioner
Counsel:	James Sasha Angus Cullen Price Shannon O'Hearn Naizam Kanji Erin O'Donovan	- Staff
	Larry Lowenstein Allan Coleman Laura Fric Jean M. Fraser Emmanuel Pressman Jeremy Fraiberg (Osler, Hoskin & Harcourt LLP)	- Magna International Inc.
	Peter F. C. Howard Ed Waitzer Ellen Snow Brian Pukier (Stikeman Elliott LLP)	- The Stronach Trust and 446 Holdings Inc.

Samuel Rickett David Hausman Murray Braithwaite (Fasken Martineau DuMoulin LLP)	- The Special Committee of Magna International Inc.
James D. G. Douglas David Di Paolo Margot Finley Paul G. Findlay Caitlin Sainsbury (Borden Ladner Gervais LLP)	- The Ontario Teachers' Pension Plan Board, Canada Pension Plan Investment Board, OMERS Administration Corporation, Alberta Investment Management Corporation, Letko, Brosseau & Associates Inc. and British Columbia Investment Management Corporation
Kelly McKinnon James Camp (Gowling Lafleur Henderson LLP)	- Goodman & Co. Investment Counsel Ltd.
R. Paul Steep Iain Scott (McCarthy Tétrault LLP)	- Mason Capital Management LLC

DECISION AND ORDER

A. Introduction

[1] This is the decision of the Ontario Securities Commission (the "**Commission**") following a hearing held on June 23 and 24, 2010 pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") to determine whether the proposed reorganization of Magna International Inc. ("**Magna**") by way of plan of arrangement that would collapse Magna's multiple voting share structure (the "**Proposed Transaction**") is abusive or otherwise contrary to the public interest.

[2] Shareholders of Magna will be asked to approve the Proposed Transaction at a special meeting to be held on Monday, June 28, 2010.

[3] Staff of the Commission ("**Staff**") filed a Statement of Allegations dated June 15, 2010 against Magna, the Stronach Trust and 446 Holdings Inc. ("**446**") alleging that:

> (i) the Magna Management Information Circular/Proxy Statement dated May 31, 2010 (the "**Circular**") relating to the Proposed Transaction does not contain specific financial information obtained by the special committee of independent directors of Magna (the "**Special Committee**") from their financial advisors;
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> (ii) the Circular fails to provide sufficient information concerning the desirability or fairness of the Proposed Transaction and the board of directors of Magna (the **"Board**") has not made useful recommendations regarding the arrangement in the Circular; and
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> (iii) the purchase by Magna of the Class B shares of Magna held by the Stronach Trust (the "**Class B Shares**") as part of the Proposed Transaction, in these novel and unprecedented circumstances, is contrary to the public interest and should be cease traded because:
>
> > (a) the holders (the "**Shareholders**") of the Magna Subordinate Voting Shares (the "**Subordinate Voting Shares**") are being asked to approve the arrangement without a recommendation from the Board and without sufficient information to form a reasoned judgment concerning the Proposed Transaction; and
> >
> > (b) the approval and review process followed by the Board in negotiating the arrangement and proposing it to Shareholders was inadequate.

[4] On the basis of these allegations, Staff is seeking the following relief:

> (i) an order under subsection 127(1)2 of the Act that trading in the Class B Shares held indirectly by the Stronach Trust cease for such period as the Commission may specify;
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> (ii) an order under subsection 127(1)3 of the Act that the exemptions contained in clauses 5.5(a) and 5.7(1)(a) of Multilateral Instrument 61-101 *Protection of Minority Shareholders in Special Transactions* ("**MI 61-101**") do not apply to Magna in respect of

the Proposed Transaction, to be completed by way of plan of arrangement, described in the Circular;

(iii) an order under subsection 127(1)5 of the Act that Magna amend its Circular; and/or

(iv) such further and other orders as the Commission considers appropriate.

[5] We issued this decision following the completion of the hearing on Thursday, June 24, 2010. We did so because a decision is necessary before the Magna shareholders meeting called to approve the Proposed Transaction. That meeting is to be held on Monday, June 28, 2010. We will provide full reasons for our decision in this matter in due course.

B. Background

[6] Magna is a reporting issuer under the Act and is a corporation existing under the *Business Corporations Act* (Ontario). The authorized share capital of Magna consists of an unlimited number of Subordinate Voting Shares, 776,961 Class B Shares and 99,760,000 preference shares, issuable in series. As of May 31, 2010, there were 112,072,348 Subordinate Voting Shares, 726,829 Class B Shares and no preference shares issued and outstanding.

[7] The Subordinate Voting Shares are listed on the Toronto Stock Exchange and the New York Stock Exchange (the "**NYSE**"). The Subordinate Voting Shares are entitled to one vote per share and the Class B Shares are entitled to 300 votes per share. The Class B Shares and the Subordinate Voting Shares have the same rights to dividends and the same rights to the property and assets of Magna on liquidation, dissolution, or winding up. Holders of the Class B Shares may convert the Class B Shares into Subordinate Voting Shares on a one-for-one basis.

[8] The terms of the Class B Shares contain no "coat-tail" protections for the holders of Subordinate Voting Shares in the event of a change of control transaction involving the purchase of the Class B Shares, and contain no "sunset" provision pursuant to which the Class B Shares would terminate or convert into another class of shares as of a specified date.

[9] The Stronach Trust is a trust existing under the laws of the Province of Ontario. Mr. Frank Stronach, the founder and Chairman of Magna, and certain members of his immediate family, are the trustees of the Stronach Trust and are members of the class of potential beneficiaries of the Stronach Trust.

[10] 447 Holdings Inc. ("**447**"), a corporation existing under the laws of the Province of Ontario, is the sole registered and beneficial holder of all the Class B Shares. 446, a corporation existing under the laws of the Province of Ontario, is the sole registered and beneficial holder of all the outstanding securities of 447. 446 is a subsidiary of the Stronach Trust.

[11] The Stronach Trust has legal and effective control of Magna through its indirect ownership of all the Class B Shares. Although the Stronach Trust owns 0.6% of the total equity of Magna, the Stronach Trust holds 66% of Magna's voting rights.

[12] Mr. Stronach provides services to Magna and its subsidiaries personally and through his associated entities, Stronach Consulting Corp. and Stronach & Co., pursuant to four consulting, business development and business services agreements (the "**Consulting Agreements**"). Under three of the Consulting Agreements, fees payable are up to 3% of Magna's pre-tax profits before profit sharing. The aggregate fees paid to Mr. Stronach pursuant to the Consulting Agreements were $37,783,000 in 2007, $8,152,000 in 2008 and nothing in 2009 (Magna's pre-tax profits before profit sharing in 2009 were NIL).

[13] The following is a brief summary of the background leading to the Proposed Transaction. It is based on disclosure contained in the Circular:

(i) In March 2010, Mr. Stronach had discussions with executive management of Magna as to whether Mr. Stronach would consider a transaction to eliminate Magna's multiple voting share structure as part of an overall reorganization of Magna. Mr. Stronach indicated that, while he was content with the status quo, he would be willing to consider such a transaction provided the transaction was supported by Shareholders and did not jeopardize Magna's entrepreneurial culture or the key operating principles embodied in its corporate constitution.

(ii) On April 8, 2010, executive management of Magna informed the Board of a proposed transaction which included the following elements (the "**Proposal**"):

(A) Magna purchasing for cancellation all of the outstanding Class B Shares for consideration comprising 9,000,000 newly issued Subordinate Voting Shares and US$300,000,000 in cash;

(B) amendments to the Consulting Agreements to extend the agreements for a five-year, non-renewable term and fixed, aggregate annual fees; and

(C) the reorganization of Magna's vehicle electrification business by transferring Magna's E-Car operating group and related assets and liabilities into a limited partnership in exchange for an ownership interest in the limited partnership with the partnership to be effectively controlled by an entity associated with the Stronach Trust.

(iii) On April, 8, 2010, the Board established the Special Committee comprising Michael Harris (Chair), Louis Lataif and Donald Resnick. The mandate of the Special Committee was to review and consider the Proposal, as it was developed, for submission initially to the Stronach Trust and, if acceptable to the Stronach Trust, to report to the Board as to whether the Proposal should be submitted to Shareholders for their consideration.

(iv) The Special Committee engaged CIBC World Markets Inc. ("**CIBC**") as its independent financial advisor. Pursuant to the terms of its engagement, CIBC did not provide a fairness opinion, adequacy opinion or formal valuation of the Class B Shares. The Special Committee engaged Fasken Martineau DuMoulin LLP as its independent

legal advisor and PricewaterhouseCoopers LLP ("**PwC**") as an independent financial advisor to prepare a valuation of Magna's vehicle electrification business.

(v) CIBC advised the Special Committee that, if Magna's potential purchase for cancellation of all of the outstanding Class B Shares in consideration for a combination of 9,000,000 newly-issued Subordinate Voting Shares and US$300,000,000 in cash were implemented, the dilution to the Shareholders (disregarding the impact of any potential change in the trading multiple for the Subordinate Voting Shares as a result of the change in the capital structure) would be significantly greater than was the case for other historical transactions in which dual class share structures were collapsed.

(vi) The Special Committee and its advisors determined that if the Proposal were to be submitted to Shareholders for their consideration, the Proposal should be:

(A) approved by a majority of the votes cast at a special meeting by disinterested Shareholders; and

(B) carried out as a plan of arrangement which would be subject to review by a court that would consider the fairness and reasonableness of the Proposal.

(vii) On May 5, 2010, the Special Committee delivered its report to the Board in which it concluded that the Board should:

(A) submit a special resolution approving a plan of arrangement giving effect to the Proposed Transaction to a vote of the shareholders at a special meeting of shareholders of Magna (the "**Arrangement Resolution**") and, in furtherance thereof, authorize Magna to enter into a transaction agreement with the Stronach Trust and 446; and

(B) make no recommendation to Shareholders as to how they should vote in respect of the Arrangement Resolution but advise Shareholders that they should take into account the considerations described in the Circular.

(viii) The Board determined that it is in the best interests of Magna to submit the Arrangement Resolution to a vote of Magna shareholders. The Board has made no recommendation to Shareholders as to how they should vote in respect of the Arrangement Resolution.

[14] At the special meeting of shareholders of Magna to be held on June 28, 2010 to consider the Proposed Transaction, shareholders will be asked to approve the Proposed Transaction giving effect to the following:

(i) Magna purchasing for cancellation all 726,829 Class B Shares and the Stronach Trust indirectly receiving consideration comprising 9,000,000 newly issued Subordinate Voting Shares and US$300,000,000 in cash; the Circular states that the aggregate value of the consideration to be paid for the cancellation of the Class B Shares, based on the

closing price of the Subordinate Voting Shares on the NYSE on May 5, 2010, is approximately US$863,000,000;

(ii) amendments to the Consulting Agreements to extend the agreements for a five-year, non-renewable term and fixed, aggregate annual fees based on Magna's pre-tax profits before profit sharing of:

- 2.75% in 2011
- 2.5% in 2012
- 2.25% in 2013
- 2.0% in 2014; and

(iii) formation of a limited partnership between Magna and the Stronach Trust (the "**E-Car Partnership**") with Magna contributing US$220,000,000 (to be satisfied by the transfer of the net assets of Magna's recently established E-Car operating group and certain other vehicle electrification assets and the balance in cash) for a 73.33% interest in the E-Car Partnership. The Stronach Trust would indirectly invest US$80,000,000 in cash for a 26.67% interest and would have effective control of the E-Car Partnership through the right to appoint three of the five members of the management committee of general partners, with Magna having the right to appoint the remaining two members. Magna would also have effective veto rights in respect of certain fundamental changes and specified business decisions.

[15] The Circular states that, in the event the E-Car Partnership is reorganized into a corporation, such reorganization would be effected on the following basis:

(i) the corporation would have a share capital structure which comprises two classes of shares with the same economic rights and entitlements on a per share basis, and with one class of shares carrying 20 votes per share and the other class carrying a single vote per share;

(ii) the Stronach Trust would indirectly hold 100% of the multiple voting shares;

(iii) Magna would hold all the subordinate voting shares;

(iv) there would be coat-tail protection for the benefit of Shareholders in the event of a take-over bid;

(v) any such reorganization would, to the extent possible, be structured on a tax-deferred basis; and

(vi) the governance arrangements and share transfer restrictions applicable to the E-Car Partnership would terminate upon the completion of an initial public offering, but the corporation which succeeds the E-Car Partnership would be required to adopt a corporate constitution similar to Magna's corporate constitution.

[16] Approval of the Proposed Transaction will require the affirmative vote of:

(i) at least a simple majority of the votes cast by the minority holders of the Subordinate Voting Shares, voting separately as a class;

(ii) at least two-thirds of the votes cast by the holders of Subordinate Voting Shares and Class B Shares, voting together as a class; and

(iii) at least two-thirds of the votes cast by the holder of Class B Shares, voting separately as a class.

[17] In order to carry out the arrangement giving effect to the Proposed Transaction, an Ontario court must approve the arrangement after a hearing at which the court will determine the fairness and reasonableness of the Proposed Transaction.

[18] The Circular does not contain the financial information obtained by the Special Committee in either the reports prepared for it by CIBC as its financial adviser or the valuation report prepared by PwC in respect of Magna's vehicle electrification business.

C. Legal Background

[19] Disclosure obligations apply under Ontario securities law when management of a reporting issuer solicits proxies from the holders of voting securities. Section 9.1(2) of National Instrument 51-102 *Continuous Disclosure Obligations* requires management to send to those holders an information circular. The information required to be disclosed in the circular is prescribed by Form 51-102F5 and Item 14.1 of that Form includes the following requirement:

> If action is to be taken on any matter to be submitted to the meeting of security holders other than approval of financial statements, briefly describe the substance of the matter, or related groups of matters, except to the extent described under the foregoing items, in sufficient detail to enable a reasonable security holder to form a reasoned judgment concerning the matter.

[20] The Proposed Transaction constitutes a “related party transaction” within the meaning of MI 61-101 because it involves transactions between Magna and its controlling shareholder, the Stronach Trust. The primary purpose of the Proposed Transaction is the acquisition by Magna of the Class B Shares held by the Stronach Trust in exchange for Subordinate Voting Shares and the other consideration contemplated under the Proposed Transaction.

[21] MI 61-101 regulates significant conflict of interest transactions such as related party transactions where a related party, such as a significant shareholder, could have an advantage by virtue of voting power, board representation or preferential access to information. In certain circumstances, MI 61-101 provides minority shareholders with certain procedural protections “intended to ensure fairness to minority shareholders and to limit the potential for abuse in related party transactions”.

D. Discussion

[22] The Proposed Transaction is an extraordinary transaction. We are not aware of any comparable transaction carried out in Ontario capital markets. The transaction raises a number of unique issues, although the securities law principles we should apply in resolving those issues are clear.

[23] The stated objective of the Proposed Transaction is to collapse the multiple voting share structure of Magna in the expectation of achieving a higher trading multiple for the Subordinate Voting Shares, with the resulting appreciation in share value to be split between the Stronach Trust and Shareholders.

[24] The Stronach Trust will immediately receive the benefit of the consideration to be paid under the Proposed Transaction (including the immediate receipt of US$300,000,000 and 9,000,000 Subordinate Voting Shares). Those benefits to the Stronach Trust are tangible, immediate and of a lasting character.

[25] Shareholders will suffer dilution as a result of the issue of the 9,000,000 Subordinate Voting Shares to the Stronach Trust and will benefit from any increase in the multiple at which the Subordinate Voting Shares trade in the market. There is no assurance how significant that benefit will be, although there has been a substantial increase in the price of the Subordinate Voting Shares following the public announcement of the Proposed Transaction (it is a matter of contention among the parties as to whether that announcement accounted for all of that increase). The value of that benefit to Shareholders will not be immediately known and will depend on the multiple at which the Subordinate Voting Shares trade over the longer term.

[26] It has been alleged that the Proposed Transaction is abusive of Shareholders and the capital markets for a number of reasons, including the estimated 1,800% premium being paid by Magna for the Class B Shares relative to the market price of the Subordinate Voting Shares.

[27] It is clear that the Special Committee was aware and concerned that the premium being paid to the Stronach Trust under the Proposed Transaction is considerably in excess of the premiums paid on other transactions collapsing multiple voting share structures.

(i) Stronach Trust

[28] We recognize that the Stronach Trust is under no obligation to enter into any transaction related to its control of Magna. It is perfectly entitled not to negotiate or enter into any transaction with respect to the Class B Shares. The Stronach Trust has disclosed in the Circular that it is content with the status quo if the Proposed Transaction does not proceed.

[29] We would not want anyone to conclude based on this decision that we are suggesting that the Stronach Trust acted improperly or inappropriately in connection with the Proposed Transaction. The Stronach Trust took positions with respect to its participation in the Proposed Transaction that it was perfectly entitled to take. The Stronach Trust also indicated that it was willing to consider the Proposed Transaction only if it was supported by Shareholders.

(ii) Disclosure

[30] Under Ontario securities law, the Circular must describe the substance of the matters to be approved by Shareholders in sufficient detail to enable a Shareholder to form a reasoned judgment concerning how to vote on the Proposed Transaction. The disclosure in the Circular must provide Shareholders information sufficient to permit them to make an informed decision as to how to vote on the Proposed Transaction.

[31] This disclosure standard must be applied in the circumstances of this particular transaction. In this case, those circumstances include the fact that (a) the Proposed Transaction constitutes a material related party transaction between Magna and the Stronach Trust, and (b) neither the Board nor the Special Committee has made any recommendation to Shareholders as to how they should vote on the Proposed Transaction, or as to their view of the fairness of the Proposed Transaction to Shareholders. In addition, no fairness opinion has been obtained with respect to the Proposed Transaction. Because neither the Board nor the Special Committee is providing a recommendation, Shareholders are left to their own devices in making the decision as to how they will vote. In considering whether disclosure in the Circular is adequate, we also recognize that the Proposed Transaction is complex and some portions of the consideration to be paid to the Stronach Trust are difficult to evaluate.

[32] In these circumstances, the disclosure in the Circular must, to the extent reasonably possible, provide Shareholders with substantially the same information and analysis that the Special Committee received in considering and addressing the legal and business issues raised by the Proposed Transaction.

[33] In our view, the Circular does not provide sufficient disclosure to Shareholders to permit them to make an informed decision and does not contain certain information that is material to Shareholders in the circumstances.

[34] The Circular provides a list of considerations, factors and information that the Special Committee reviewed and considered in assessing the Proposed Transaction. There is no meaningful discussion of the implications of those matters or of the substantive information that was received. The Circular states that "… the Special Committee did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weight to specific factors in reaching its conclusions".

[35] That may be adequate disclosure where a board of directors or special committee has made a recommendation to shareholders in respect of a transaction. It is not adequate where shareholders are left to their own devices to make a decision in circumstances such as these.

[36] It is difficult for us to see how Shareholders can be expected to make an informed decision without disclosure to them of substantially the same information that was available to, and considered relevant by, the Special Committee. The Special Committee considered the factors and considerations listed in the Circular as relevant to their analysis and they had access to the underlying information. In these circumstances, Shareholders should have access to substantially the same information and analysis.

[37] Information is material where there is a substantial likelihood that a reasonable shareholder would consider the information important in deciding how to vote on a transaction. In our view, there is material information (determined in accordance with that standard) that was not included in the Circular. In saying that, we understand that some Shareholders believe that the disclosure in the Circular is sufficient for them to make an informed decision. In coming to that conclusion, those Shareholders are making a subjective decision as to what is relevant and important to them. It does not change our view that the Circular fails to disclose material information. We do not consider the deficiencies in disclosure in the Circular to be in any way technical or a matter of judgment. Our concerns are serious and substantive.

[38] It goes without saying that any public disclosure made by Magna that is not contained in the Circular does not satisfy Magna's disclosure obligation with respect to the Circular.

[39] We heard submissions that we should not be concerned with the issues raised by this matter because Shareholders holding in the aggregate a very substantial majority of the Subordinate Voting Shares have already lodged proxies voting in favour of the Proposed Transaction. While Shareholder approval is a very important factor in our deliberations, it does not address all of the issues before us and certainly cannot be relied on to say that the disclosure in the Circular is adequate. If the disclosure in a proxy circular is materially deficient, then shareholders have not been given the information necessary to make an informed decision.

[40] We would add that we are an expert tribunal and that determining questions as to the adequacy of disclosure and materiality is squarely within that expertise. We do not need evidence from experts or investors in order to make those decisions.

[41] In our view, before the Proposed Transaction can be voted on by Shareholders, the Circular must be amended to provide full and accurate disclosure of the following information (a reasonable time prior to the shareholders meeting) and, in each case, a meaningful discussion and analysis of the implications of that information for purposes of the Proposed Transaction and the shareholder vote:

1. A clear articulation of how management and the Board arrived at the consideration to be paid to the Stronach Trust and the potential economic benefits to the Shareholders. For greater clarity, this analysis should:

    (i) specify the metrics used to express value creation (e.g. share price increase due to "multiple expansion");

    (ii) address the concepts articulated by Mr. Galifi in his testimony with respect to "value sharing" between the Stronach Trust and Shareholders;

    (iii) explain why management and the Board believed there might be a positive impact on the share price and the sensitivity of "value sharing" to share price changes; and

    (iv) include any analysis that would further assist Shareholders to understand the concepts articulated;

2. An explanation of the relevance to determining the value of the Class B Shares of the Russian Machines transaction and the privatization and restructuring proposals referred to on page 6 of the Circular;

3. A description of the potential alternatives to the Proposed Transaction considered by the Special Committee (as mentioned in the Circular);

4. A detailed discussion of the review and approval process adopted by the Special Committee consistent with the description contained in Mr. Harris' affidavit submitted in evidence; that disclosure should include the steps taken by the Special Committee to negotiate the terms of the Proposed Transaction with detailed information as to what variations were proposed and the responses to those proposals; note that the order below requires compliance with the disclosure obligations in section 5.3 of MI 61-101;

5. Inclusion in the Circular of the CIBC Reports and the PwC Report (that have already been publicly disclosed) and a meaningful discussion of the advice received by the Special Committee from CIBC and PwC with respect to the material financial elements of the Proposed Transaction; that discussion should make clear that PwC valued only the assets to be transferred to the E-Car Partnership and not the E-Car Partnership itself;

6. We consider the statement contained in the Circular that the dilution to the Shareholders "would be significantly greater than the case for other historical transactions in which dual class share structures were collapsed" to be misleading; disclose the dilution suffered by minority shareholders in other historical transactions in which dual class share structures have been collapsed and discuss the relevance of that disclosure to the dilution to the Shareholders under the Proposed Transaction;

7. A clear statement of how CIBC assessed the Proposed Transaction from a financial perspective and the reasons why it concluded that it could not opine as to the financial fairness of the Proposed Transaction; state whether CIBC advised as one of those reasons that it could not issue a fairness opinion because of the terms of the Proposed Transaction relative to other transactions collapsing multiple voting share structures;

8. A discussion of the advice received by the Special Committee as to the nature of the legal standard to be applied by a court in determining whether the arrangement is fair and reasonable and what matters the court would likely consider in reaching that determination;

9. A clear statement by the disinterested members of the Board or the Special Committee whether they have concluded that (a) the Proposed Transaction is fair and reasonable in accordance with the applicable corporate law standard, or (b) they have reached no such conclusion;

10. Disclose whether the change in the market price of the Subordinate Voting Shares subsequent to the public announcement of the Proposed Transaction changes the position of the Board or the Special Committee that it cannot make any recommendation to Shareholders as to how they should vote on the Proposed

Transaction; clarify that there is at least a question whether the increase in the market price of the Subordinate Voting Shares immediately following the public announcement of the Proposed Transaction was also affected by the other public announcements on that day;

11. Clarify the financial analysis related to Magna's conclusion that the 25% market capitalization exemption in section 5.5(a) of MI 61-101 is available to Magna in connection with the Proposed Transaction, including whether the amendments to the Consulting Agreements are "connected transactions" and the fair market values used for each component of the consideration to be paid to Stronach Trust, including the interest in the E-Car Partnership and the amendments to the Consulting Agreements; and

12. In connection with the purchase price of the E-Car assets to be acquired by the E-Car Partnership, explain what it means that the purchase price is equal to the fair market value determined by mutual agreement "taking into account the valuation work conducted by PwC for the Special Committee".

[42] In these circumstances, the Circular must contain a statement that the disinterested members of the Board or the Special Committee have concluded that the Circular as amended provides disclosure and information sufficient to permit Shareholders to make an informed decision as to how to vote on the Proposed Transaction.

(iii) Abuse

[43] Abuse has been characterized by Commission decisions as something more than unfairness. A transaction such as this is not abusive simply because the price proposed to be paid is considered by certain investors to be outrageous.

[44] Having considered the submissions made to us and the relevant legal authorities, we are not persuaded that the Proposed Transaction is abusive of Shareholders or the capital markets within the meaning of securities law.

[45] Based on the evidence before us, we have been unable to come to a view as to whether or not the Proposed Transaction is unfair to Shareholders.

(iv) Shareholders Should Decide

[46] In the circumstances, whatever views we may have as to the terms of the Proposed Transaction and its fairness to shareholders, we believe that it is the shareholders of Magna that should ultimately decide whether the Proposed Transaction proceeds. That is a business and financial decision that shareholders are entitled to make.

(v) Court Approval

[47] We do take some comfort from the fact that an Ontario court will, as part of the arrangement process, be determining whether the arrangement giving effect to the Proposed Transaction is fair and reasonable. Making such a determination is outside the purview of our

jurisdiction as securities regulators. In our view, the proposed amendments to the Consulting Agreements should be viewed as being part of the arrangement.

(vi) Board Process

[48] We note that neither the Board nor the Special Committee is required to make a recommendation to Shareholders as to how they should vote on the Proposed Transaction or to obtain a fairness opinion. However, the fact that no recommendation was made does have the implications discussed above with respect to the adequacy of the disclosure.

[49] We have some concerns with the process followed by the Board, the Special Committee and management in reviewing and deciding to submit the Proposed Transaction to Shareholders for approval. We will discuss those issues in our reasons.

(vii) Valuations

[50] We have concluded that no formal valuation is required in connection with the Proposed Transaction and we are not requiring the preparation of any formal valuation.

E. Order

[51] Based on the foregoing, we have concluded that it is in the public interest to make the following order.

IT IS ORDERED UNDER SUBSECTION 127(1) OF THE ACT THAT:

> (1) if Magna wishes to proceed with shareholder approval of the Proposed Transaction or any similar modified transaction, it must amend the Circular in accordance with this decision and send such amended Circular to shareholders in accordance with applicable corporate law;
>
> (2) Subordinate Voting Shares to be issued by Magna in connection with the Proposed Transaction are cease traded until such time as Magna complies with clause (1) of this order; and
>
> (3) the exemption contained in section 5.5(a) of MI 61-101 is not available to Magna unless it complies with the disclosure requirements of section 5.3 of MI 61-101.

[52] If Magna wishes to proceed with the Proposed Transaction, Magna shall deliver a copy of the amended circular to Staff at least five days before it is sent to Shareholders. If Staff has concerns with respect to the proposed disclosure in that circular, Staff may bring a motion for directions or other relief before us on notice to the other parties (excluding those parties with only Torstar standing).

DATED at Toronto on the 24th day of June 2010.

"James E. A. Turner"

James E. A. Turner

"Paulette L. Kennedy"

Paulette L. Kennedy

"C. Wesley M. Scott"

C. Wesley M. Scott