

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from registration and prospectus requirements granted in connection with trades of shares by eligible employees, senior officers, directors, consultants and permitted transferees over internal market managed by broker engaged by issuer, where exemption not available under MI 45-105 Trades to Employees, Senior Officers, Directors and Consultants because trading price not established by a formula contained in a written agreement.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25, 35, 74(1).

Instruments Cited

Multilateral Instrument 45-105 Trades to Employees, Senior Officers, Directors and Consultants.

December 10, 2004

**IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN
MANITOBA, ONTARIO, NEW BRUNSWICK, PRINCE EDWARD ISLAND,
NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR, THE NORTHWEST
TERRITORIES, NUNAVUT AND THE YUKON TERRITORY (THE JURISDICTIONS)**

AND

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

AND

**IN THE MATTER OF
CH2M HILL COMPANIES, LTD. (CH2M USA) AND
CH2M HILL CANADA, LIMITED (CH2M CANADA) (THE FILERS)**

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 Filers for a decision under the securities legislation of the Jurisdictions (the Legislation) for an exemption from the dealer registration requirement and the prospectus requirement of the Legislation with respect to trades of common

shares of CH2M USA made in accordance with the rules for the internal market of CH2M USA, provided that certain conditions as set forth herein are met (the Requested Relief).

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. The following terms have the following meanings:

"Class E Shares" means Class E Preferred Shares of CH2M Canada;

"Common Shares" means shares of common stock, \$0.01 par value per share, of CH2M USA;

"Consultant" means a person or company, other than an employee, senior officer or director of CH2M USA or an affiliate of CH2M USA, that spends or will spend a significant amount of time and attention on the affairs and business of CH2M USA or an affiliate of CH2M USA or, in the case of a consultant resident outside of Canada, that provides strategic services to the directors or senior management of CH2M USA or an affiliate of CH2M USA;

"Eligible Employee" means an employee, senior officer, director or Consultant of CH2M USA or an affiliate of CH2M USA;

"Independent Broker" means the independent broker that manages the Internal Market from time to time, currently Neidiger, Tucker and Bruner, Inc.;

"Internal Market" means the internal market managed by an independent broker engaged by CH2M USA through which Common Shares may be traded;

"Permitted Assign" means:

(a) a trustee, custodian or administrator acting on behalf, or for the benefit, of an Eligible Employee;

(b) a person or company that is controlled by an Eligible Employee;

(c) a registered retirement savings plan or registered retirement income fund (each as defined in the Income Tax Act (Canada)) of an Eligible Employee;

(d) a spouse of an Eligible Employee;

(e) a person or company that is controlled by a spouse of an Eligible Employee;

(f) a trustee, custodian or administrator acting on behalf, or for the benefit, of a spouse of an Eligible Employee; or

(g) a registered retirement savings plan or registered retirement income fund (each as defined in the Income Tax Act (Canada)) of a spouse of an Eligible Employee;

"Preferred Shares" means shares of Class A preferred stock, \$0.02 par value per share, of CH2M USA;

"SEC" means the United States Securities and Exchange Commission; and

"Trade Date" means the pre-determined dates on which Common Shares may be traded on the Internal Market.

Representations

This decision is based on the following facts represented by the Filers:

1. CH2M USA is an employee-owned, Oregon corporation founded in 1946. CH2M USA has over 14,400 employees working in over 150 offices worldwide.
2. CH2M USA provides engineering, consulting, design, construction, procurement, infrastructure development, operations and maintenance and project management services.
3. The head and principal offices of CH2M USA, as well as its registered office, are located at 9191 South Jamaica Street, Englewood, Colorado 80112-5946.
4. CH2M USA's authorized share capital consists of 150,000,000 shares of capital stock, of which 100,000,000 are Common Shares and 50,000,000 are Preferred Shares. As at September 3, 2004, being the last Trade Date, CH2M USA had issued and outstanding 31,076,403.776 Common Shares and no Preferred Shares.
5. CH2M USA is not a reporting issuer in any jurisdiction of Canada. The Common Shares are not listed on any exchange and are not traded publicly. CH2M USA is subject to the information and reporting requirements of the United States Securities Exchange Act of 1934 including

substantive requirements imposed by the Sarbanes-Oxley Act on United States public companies.

6. Ownership of Common Shares is restricted to employees, directors, eligible consultants and employee benefit plans. All Common Shares which are held of record by a person who is an employee or director of, or a consultant to, CH2M USA or any of its affiliates are subject to the right of CH2M USA, as set forth in its by-laws, to repurchase all of such shares in the event that the holder's affiliation with CH2M USA as an employee, director or consultant is terminated. The by-laws also provide CH2M USA with a right of first refusal if at any time a holder of Common Shares desires to sell such shares other than through the Internal Market.

7. The Common Shares may be traded through the Internal Market. The rules of the Internal Market are included as an exhibit to the registration statement of CH2M USA filed in 1999 with the SEC and are incorporated by reference in its current registration statement on Form S-8.

8. Except for sales in the Internal Market or for repurchases made by CH2M USA in accordance with the provisions of the by-laws, the by-laws of CH2M USA prohibit a holder of Common Shares from selling, assigning, pledging, transferring or otherwise disposing of or encumbering any Common Shares without the prior written approval of CH2M USA.

9. The Internal Market permits shareholders, certain employees, directors, eligible consultants and benefit plans to buy and sell Common Shares up to four times each year on pre-determined Trade Dates. The Trade Dates are expected to occur approximately 75 days after the end of each fiscal quarter.

10. The Internal Market is managed by the Independent Broker which is registered under applicable securities laws, rules and regulations of the SEC and the National Association of Securities Dealers, Inc. It acts upon the instructions from buyers and sellers to effect trades at the stock price set by the board of directors of CH2M USA and in accordance with the Internal Market rules. The Independent Broker acts on an unsolicited agency basis only. It does not provide any investment advice to participants in the Internal Market regarding investments in Common Shares, it does not make any recommendations to purchase, sell or hold Common Shares and it is not involved in the determination of the price of the Common Shares. Sellers on the Internal Market pay a commission equal to two percent of the proceeds from such sales. No commissions are paid by buyers on the Internal Market.

11. All purchases of Common Shares on the Internal Market are restricted to employees, directors and eligible consultants of CH2M USA or one of its affiliates, trustees of the benefit plans of CH2M USA and the administrator of CH2M USA's payroll deduction stock purchase plan.

12. Approximately four weeks prior to an applicable Trade Date, the Board of Directors of CH2M USA determines the stock price for use on such Trade Date using the valuation methodology set forth below which has been disclosed in a number of prospectuses, registration statements and continuous disclosure documents filed by CH2M USA with the SEC since 1999. The stock price so determined is intended to be the fair market value of the Common Shares.

13. In order to determine the fair market value of the Common Shares in the absence of a public trading market, the Board of Directors of CH2M USA has developed a valuation methodology. The price per share is generally equal to $[(7.8 \times M \times P) + (SE)] / CS$ where:

13.1 "M" is the market factor established at the discretion of the board to reflect factors generally believed relevant in determining the fair market value of Common Shares, including the market for publicly traded equity securities of comparable companies, the merger and acquisition market for comparable companies, prospects for future performance, general economic and capital market conditions and other factors that the board considers relevant. The board may also take into account company appraisal information prepared by an independent appraiser engaged by the trustees of CH2M USA's benefit plans. In setting the price, the board compares the total of the going concern and book value components used in the valuation methodology to such appraisal information. Since the inception of the Internal Market in January 2000, the sum total of the going concern and book value components used by the board in setting the price has always been within the appraised enterprise value of the company. "M" greater than one would increase the price per share and "M" less than one would decrease the price per share. From the inception of the Internal Market program in 2000 to the date hereof, the board has elected to keep the "M" factor at 1.0 for each trade. However, in its discretion, the board may change the market factor as provided above.

13.2 "P" is the consolidated net income of CH2M USA for the four fiscal quarters immediately preceding the Trade Date, provided that the directors have the discretion to exclude from the calculation nonrecurring or unusual transactions.

13.3 "SE" is total shareholders' equity, which includes intangible items, as set forth on CH2M USA's most recently available quarterly or annual financial statements, provided that the directors have the discretion to exclude nonrecurring or unusual transactions.

13.4 "CS" is the weighted average number of Common Shares outstanding during the four fiscal quarters immediately preceding the Trade Date, calculated on a fully diluted basis.

13.5 The constant 7.8 is a multiple which was required in order for the stock price derived by the methodology to approximate the historical pre-Internal Market stock price of the Common Shares and to allow for the use of a market factor of 1.0 at the inception of the Internal Market.

14. The Independent Broker delivers information relating to the stock price to be used on an applicable Trade Date to all shareholders, employees, directors and eligible consultants. In addition, CH2M USA discloses the stock price, and all components used in determining such price, on Form 8-K filed with the SEC prior to the applicable Trade Date.

15. CH2M USA may, but is not obligated to, purchase Common Shares on the Internal Market on any Trade Date at the price in effect on the Trade Date, but only to the extent that the number of Common Shares offered for sale by shareholders exceeds the number of shares sought to be purchased by authorized buyers. In addition, to the extent that the aggregate number of Common Shares sought to be purchased on a particular Trade Date exceeds the aggregate number of Common Shares offered for sale, CH2M USA may, but is not obligated to, sell authorized but unissued Common Shares from treasury to satisfy purchase demands.

16. CH2M USA distributes the most current prospectus for its Common Shares filed with the SEC, which includes a summary of the material provisions of the Internal Market, and its audited annual financial statements to all shareholders, as well as other employees, directors and eligible consultants. Such information is distributed at the same time as CH2M USA's annual reports and proxy information and solicitations are distributed for voting instructions.

17. CH2M Canada is incorporated pursuant to the Canada Business Corporations Act.

18. The head and registered offices of CH2M Canada are located at 255 Consumers Road, Toronto, Ontario M2J 5B6.

19. CH2M Canada employs approximately 500 individuals in 12 offices across Canada.

20. The authorized capital of CH2M Canada consists of an unlimited number of Class A Shares, an unlimited number of Class B Shares, 21,800 Class C Preferred Shares, 28,610 Class D Preferred Shares and an unlimited number of Class E Shares. As at September 1, 2004, CH2M Canada had issued and outstanding 100 Class A Shares, 100,001 Class B Shares and 366,596,116 Class E Shares. No Class C Preferred Shares or Class D Preferred Shares are outstanding.

21. The Class A Shares are held as to 51% by a private Canadian corporation and as to 49% by CH2M USA, all of the Class B Shares are held by CH2M USA and all of the Class E Shares are held directly or indirectly by employees and former employees of CH2M Canada. Only the Class A Shares are regularly entitled to vote at meetings of shareholders.

22. CH2M Canada is not a reporting issuer in any jurisdiction of Canada and there is no market through which its shares may be traded.

23. The Articles of CH2M Canada contain restrictions on share transfer as does the Restated Shareholders Agreement made as of August 31, 2000 (the Restated Shareholders Agreement).

24. Pursuant to the Restated Shareholders Agreement, CH2M Canada has the right to repurchase Class E Shares in the event that the holder ceases to be an employee of CH2M Canada. The repurchase price of such Class E Shares is tied to the trading price in effect for the Common Shares under CH2M USA's Internal Market.

25. Currently, six employees of CH2M Canada hold shares of CH2M USA. CH2M USA is proposing to complete a restructuring whereby it will make an offer to holders of Class E Shares to purchase such shares in exchange for Common Shares.

26. In conjunction with the restructuring, CH2M USA wishes to expand participation in some of its employee benefit plans to permit employees of CH2M Canada to acquire Common Shares as part of a performance bonus or through periodic payroll deductions.

27. Employees of CH2M Canada who acquire Common Shares of CH2M USA pursuant to the restructuring or as a result of participation in the employee benefit plans established by CH2M USA will be subject to all of the ownership and transfer restrictions pertaining to the Common Shares set forth in the by-laws and Articles of CH2M USA and will be eligible to participate in the Internal Market of CH2M USA, subject to compliance with applicable securities legislation.

28. There is no available exemption from the Dealer Registration Requirement or the Prospectus Requirement for trades in Common Shares on the Internal Market made by directors, officers, employees or consultants of CH2M Canada because the trading price for the Common Shares in the Internal Market is not established by a generally applicable formula contained in a written agreement among some or all of the shareholders of CH2M USA.

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:

1. The Dealer Registration Requirement and the Prospectus Requirement shall not apply to a trade of Common Shares by a:

(a) current or former Eligible Employee, or

(b) Permitted Assign of a current or former Eligible Employee;

to an Eligible Employee or to a Permitted Assign provided that:

(c) participation in the trade is voluntary;

(d) CH2M USA is not a reporting issuer in any jurisdiction in Canada;

(e) the trade is made in accordance with the rules for the Internal Market;

(f) holders of Common Shares residing in Canada receive all of the same continuous disclosure documentation, including each prospectus for the Common Shares filed with the SEC, as holders of Common Shares residing in the United States; and

(g) except in Manitoba and Yukon Territory, the first trade of a Common Share acquired in accordance with this decision is a distribution unless made in compliance with this decision or the conditions of section 2.6 of Multilateral Instrument 45-102 Resale of Securities are satisfied.

2. The Dealer Registration Requirement shall not apply to the first trade of a Common Share acquired in accordance with this decision if the conditions in section 2.14 of Multilateral Instrument 45-102 Resale of Securities are satisfied.

"David L. Knight, FCA"
Commissioner
Ontario Securities Commission

"H. Lorne Morphy, Q.C."
Commissioner
Ontario Securities Commission