

Canadian Press (January 24, 2005)

## **Health care service provider challenging Calian contract with Defence Department**

CP Wire, Business

TORONTO (CP) \_ A health care services provider is challenging a \$400-million contract awarded by the federal Department of National Defence last month to Calian Technology Ltd., accusing a former employee of using confidential information to help Calian win the contract.

Med-Emerg International Inc., based in Toronto, said Monday it has filed a statement of claim against Calian and a former Med-Emerg employee involving the five-year contract won by Calian last month to provide health care services for DND.

``The claim alleges that Calian and the former employee improperly used confidential information" in obtaining the contract award, Med-Emerg said in a statement.

``Calian and the former employee have not yet responded to the claim, nor has a court had the opportunity to assess it."

The Calian contract is an extension of a current contract which expires March 31.

Under the deal, Calian will supply physicians, medical specialists, nurses, dentists, physiotherapists and psychologists across Canada \_ as well as manage and support those staff \_ for another five years, with options for an additional five years that would double the contract's value.

Med-Emerg specializes in the co-ordination and delivery of emergency and primary health care related services in Canada, including physician and nurse staffing and recruitment.

Calian (TSX:CTY) sells technology and outsources engineering and other specialized services to industry and governments in Canada and around the world.

Ottawa Citizen (January 26, 2005)

## **Lawsuit rattles Calian investors: Technology company says challenge of national defence contract 'without merit'**

By Bert Hill, Business/C1

Shares of Calian Technology slipped yesterday as investors reacted to a lawsuit alleging the company used inside information from a competitor's former employee to win a big medical services contract from National Defence.

Med-Emerg International of Mississauga, which lost the \$449-million, five-year contract, is seeking \$100 million from Calian and former Med-Emerg employee Reed Smith, who, it said, played a critical role in Calian's victory.

Calian stock soared more than 40 per cent to a 52-week-high of \$16 last month when it won the big contract. The huge deal filled a gap caused by slow demand for an advanced Calian antenna and weakness in other federal government contracts.

The stock fell 75 cents, or 4.5 per cent, to \$14 yesterday.

Calian has not filed a statement of defence, and none of the claims in the Med-Emerg complaint has been proven in court. But Calian said it believes the lawsuit is without merit and will "defend the claim, including the basis of the claim and the amounts being sought."

"Calian has said it intends to contest the claims vigorously and I am working on it," Mr. Smith said yesterday.

He declined further comment.

Med-Emerg, which had the DND contract for four years, alleges that Calian had no experience in costing or managing specialized medical services but still managed to beat the Toronto-area company and another experienced medical services contender with a bid that was less than two per cent lower.

Calian is now hiring many of the 700 doctors, nurses, dentists and other specialists who worked for Med-Emerg at DND bases when members of the Canadian Forces own medical staff are on peace-keeping missions.

DND decided to outsource the service when it ran into trouble recruiting and retaining medical expertise. Med-Emerg won the first DND contract in 2001 and an additional one-year extension that ends in March. According to the statement of claim, Mr. Smith managed Med-Emerg's DND program from October 2002 to March 2004, when he was terminated.

It said that he signed a release agreeing to protect the confidentiality of company business when he left. The company said Mr. Smith got a retainer contract from Calian between May and August to work on the bid for the medical services contract.

Under terms of the competition, companies had to base their bids on hard ceiling costs for medical services. Med-Emerg said Calian could not possibly have had such specialized information because it is a computer and technology services specialist serving federal and private-sector clients.

It said Mr. Smith provided "information on pricing, costing of medical services, rates of retention and turnover costs," among other data he "had either obtained directly from Med-Emerg, or had derived from confidential Med-Emerg information."

Med-Emerg said the winning Calian bid was only 1.6 per cent lower than Med-Emerg's on annual medical staffing costs of \$75 million. It said Calian hired Mr. Smith as regional manager of the DND project when it won the contract and that he started recruiting former Med-Emerg specialists.

Med-Emerg's lawsuit, filed in Ontario Superior Court, claims damages for breach of confidence, breach of fiduciary duty and unlawful interference with economic interests.

Med-Emerg is also demanding that the federal government terminate the contract.

Col. Jean Grondin, deputy chief of staff responsible for health services, said he could not comment on the litigation but said Calian's victory, in a competition that also included Bayshore HealthCare Ltd., resulted from "the normal contractual process."