

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
ALBERTA, SASKATCHEWAN, MANITOBA,  
ONTARIO, Québec, NEW BRUNSWICK, NOVA SCOTIA,  
PRINCE EDWARD ISLAND, NEWFOUNDLAND, YUKON TERRITORY,  
NORTHWEST TERRITORIES AND NUNAVUT

AND

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

AND

IN THE MATTER OF  
COM DEV INTERNATIONAL LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker"), in each of Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Yukon Territory, Northwest Territories and Nunavut (collectively, the "Jurisdictions") has received an application from Com Dev International Ltd. ("Com Dev") for a decision pursuant to the securities legislation, regulations, rules, instruments and/or policies of the Jurisdictions (the "Legislation") that:

(a) the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirements") and to file a preliminary prospectus and a prospectus and receive receipts therefor (the "Prospectus Requirements") shall not apply to the issuance of common shares (the "Common Shares") of Com Dev as payment of interest (the "Interest Shares") under the terms of previously issued convertible debentures in lieu of cash; and

(b) the Prospectus Requirements shall not apply to the first trades of the Interest Shares, subject to certain terms and conditions.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS Com Dev has represented to each Decision Maker that:

1. Com Dev is a corporation amalgamated under the *Canada Business Corporations Act*. The head office of Com Dev is in Ontario.

2. Where applicable, Com Dev is a reporting issuer, or equivalent, in each of the Jurisdictions and is not in default of any of the requirements of the Legislation.
3. The Common Shares are listed and posted for trading on the facilities of the Toronto Stock Exchange ("TSX").
4. On December 6, 2001, Com Dev issued Cdn.\$18,000,000 aggregate principal amount of 6.75% convertible unsecured debentures (the "Convertible Debentures") pursuant to a trust indenture of the same date (the "Trust Indenture") between Com Dev and Computershare Trust Company of Canada (the "Trustee"). The Convertible Debentures were issued in reliance on a prospectus filed with the securities regulatory authorities in each of the provinces of Canada dated November 30, 2001. The Convertible Debentures will mature December 31, 2006 subject to any rights of early redemption set out in the Trust Indenture.
5. As at the date hereof, all of the Convertible Debentures remain outstanding.
6. Interest is payable on the Convertible Debentures on June 30 and December 30 (each, an "Interest Payment Date") of every year until maturity.
7. Pursuant to the terms of the Trust Indenture, Com Dev has the right, on any Interest Payment Date, to issue Interest Shares in lieu of cash in payment of all or part of any accrued and unpaid interest as at such date (including overdue interest and interest thereon), subject to receipt of the necessary approvals from the applicable securities regulatory authorities and to listing approval from the TSX. The number of Interest Shares to be issued upon exercise of such right is calculated by dividing the amount of interest to be paid by the Current Market Price of the Interest Shares. "Current Market Price" is defined in the Trust Indenture to mean:

*"in respect of a Common Share on any particular date, the weighted average trading price at which such share has traded for the 20 consecutive trading days ending five trading days before such date on The Toronto Stock Exchange, or (a) if the Common Shares are not then listed on The Toronto Stock Exchange, on such other stock exchange on which the Common Shares are listed as may be selected for such purpose by the Board of Directors of the Corporation, or (b) if the Common Shares are not listed, then on the over-the-counter market. The weighted average trading price shall be determined by dividing the aggregate sale price of all Common Shares sold on such exchange or market, as the case may be, during such 20 consecutive trading days by the total number of common shares so sold."*
8. In order to exercise its right to pay interest in the form of Common Shares, Com Dev must give notice to the holders of Convertible Debentures (the

"Holders") and the Trustee that it intends to exercise such right at least 5 calendar days prior to the Interest Payment Date on which Com Dev exercises such right. The Trust Indenture also provides that the Interest Shares shall not be subject to any resale restrictions under the securities laws of the Province of Ontario and shall be listed on the TSX. In addition, Com Dev must give notice to the TSX not less than 10 business days before the Interest Payment Date that it intends to pay interest in Common Shares in lieu of cash.

9. Com Dev wishes to be in a position to exercise its option to pay interest on the Convertible Debentures by the issuance of Interest Shares in lieu of cash, commencing with the interest payable on the next Interest Payment Date, namely June 30, 2002.

10. An application has been made to the TSX for the listing of any Interest Shares that may become issuable upon any interest payment due date during the term of the Convertible Debentures.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is:

1. the Prospectus Requirements and the Registration Requirements shall not apply to the issuance of the Interest Shares provided that the first trade in Interest Shares shall be deemed to be a distribution or primary distribution to the public under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation"), unless:

(a) except in Quebec, such trade is made in compliance with Section 2.6 of MI 45-102 as if the securities had been issued pursuant to one of the exemptions referenced in Section 2.4 of MI 45-102; or

(b) in Quebec,

(i) Com Dev is a reporting issuer in Quebec and has complied with the applicable requirements for 12 months immediately preceding the trade;

(ii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade;

(iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and

(iv) if the selling security holder is an insider or officer of Com Dev, the selling security holder has no reasonable grounds to believe that Com Dev is in default of any requirement of securities legislation.

June 25, 2002.

"Robert Korthals"

"Harold P. Hands"

#### Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Issue of common shares by issuer to holders of its debentures, in satisfaction of interest amounts owing in respect of the debentures, exempted from registration and prospectus requirements - First trades relief in common shares acquired pursuant to decision provided, subject to certain conditions - Debentures were originally issued pursuant to a prospectus.

Applicable Ontario Statute

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25, 53 and 74.

Applicable Instrument

Multilateral Instrument 45-102 - Resale of Securities - s.2.6.