

2004 BCSECCOM 253

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief from valuation requirement for a proposed issuer bid where no controlling shareholder will be created or enhanced and insiders of the issuer will not have their shareholdings materially increased

Applicable British Columbia Provisions

Securities Rules, B.C. Reg. 194/97, ss. 162(2) and 162(3)

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, QUEBEC AND ONTARIO

AND

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

AND

IN THE MATTER OF IGNITION POINT TECHNOLOGIES CORP.

MRRS DECISION DOCUMENT

- ¶ 1 WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of the Provinces of British Columbia, Québec and Ontario (the “Jurisdictions”) has received an application from Ignition Point Technologies Corp. (“IPN”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that IPN be exempt from the requirements in the Legislation to obtain a formal valuation of its common shares and to provide a summary of the valuation in its issuer bid circular (together, the “Valuation Requirement”) in connection with the proposed purchase by IPN of up to 1.5 million of its common shares by way of an issuer bid;
- ¶ 2 AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the British Columbia Securities Commission is the principal regulator for this application;

2004 BCSECCOM 253

- ¶ 3 AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions* or in Agence nationale d'encadrement du secteur financier notice 14-101;
- ¶ 4 AND WHEREAS IPN has represented to the Decision Makers that:
1. IPN's head office is in Vancouver, B.C.;
 2. IPN is a reporting issuer in British Columbia, Alberta and Ontario, has been a reporting issuer in those jurisdictions for more than 12 months and is not in default of any requirements of the Legislation;
 3. IPN's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series;
 4. as at February 3, 2004, there were 7,418,021 common shares outstanding and no preferred shares outstanding;
 5. IPN's common shares are listed and traded on the TSX Venture Exchange (the "Exchange");
 6. on March 24, 2004, the closing price of the common shares on the Exchange was \$0.65 per common share, resulting in an aggregate market value of approximately \$4,822,000 for the common shares on that date;
 7. the market for IPN's common shares on the Exchange is illiquid;
 8. IPN commenced a normal course issuer bid on August 16, 2001, which was renewed for another year on August 27, 2003;
 9. IPN is a holding company with three subsidiaries: TeraSpan Networks Inc. ("TeraSpan"), a Canadian corporation, FatPort Corporation ("FatPort"), a Canadian corporation, and 767230 Alberta Ltd. ("767230"), an Alberta corporation; IPN owns approximately 68.5% of the outstanding shares of TeraSpan; FatPort is a wholly-owned subsidiary, as is 767230, which is inactive;
 10. TeraSpan has generated no earnings or positive cash flow since it commenced operations, and revenues of \$376,390 and \$405,358 in each of its financial years ended September 2003 and September 2002 respectively; TeraSpan's revenue accounted for 72% of IPN's total revenues for the year ended September 30, 2003;

2004 BCSECCOM 253

11. FatPort has generated no earnings or positive cash flow since it commenced operations, and revenues of \$175,566 and \$42,564 in each of its financial years ended September 2003 and September 2002 respectively; FatPort revenues accounted for 28% of the Corporation's total revenues for the year ended September 30, 2003;
12. IPN's principal assets consist of its shares in FatPort and TeraSpan and cash and cash equivalents of \$6,945,272, net of minority interests as at September 30, 2003;
13. as at December 31, 2003, IPN's net asset value (exclusive of any value attributable to the shares of FatPort and TeraSpan) was \$6,551,348 or approximately \$0.88 per share; IPN's revenue and net loss during the three months ended December 31, 2003 was \$307,500 and \$347,363, respectively;
14. in an effort to provide its shareholders with greater liquidity and reduce the discount to net asset value at which its shares trade, IPN intends to make an issuer bid (the "Bid") for up to 1.5 million of its common shares, representing approximately 20% of the presently outstanding common shares, at a price per share based on the market price on the Exchange at the time the Bid is announced;
15. IPN does not currently have a control person and it does not expect that one will be created as a result of the Bid;
16. IPN's largest shareholders are: Darren Dohfer, a director of Teraspan, who holds 7.3% of IPN's outstanding common shares; Michael Cytrynbaum, a director of IPN, who holds 2.7% of IPN's outstanding common shares; and Peter van der Gracht, a director and the President of IPN, who holds 2.8% of IPN's outstanding common shares;
17. if the Bid is successful, the percentage ownership of Messrs. Dohfer, Cytrynbaum and van der Gracht will be increased to approximately 9.2%, 3.4% and 3.5%, respectively;
18. IPN intends to cancel the common shares that are tendered to the Bid;
19. the insiders of IPN, including Messrs. Dohfer, Cytrynbaum and van der Gracht, have advised IPN that neither they nor their associates or affiliates intend to tender any common shares to the Bid;

2004 BCSECCOM 253

20. to the best of IPN's knowledge, as at March 24, 2004, the insiders of IPN and their associates and affiliates beneficially own approximately 18% of IPN's outstanding common shares;
21. if the Bid is successful, the beneficial ownership of the insiders of IPN and their associates and affiliates will increase by approximately 4.5%; and
22. IPN cannot rely on the normal course issuer bid exemption because it is proposing to purchase more than 5% of its outstanding shares within a 12 month period.

- ¶ 5 AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");
- ¶ 6 AND WHEREAS 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;
- ¶ 7 THE DECISION of the Decision Makers under the Legislation is that, in connection with the Bid, IPN is exempt from the Valuation Requirement, provided that IPN complies with the other provisions of the Legislation applicable to the Bid.
- ¶ 8 April 29, 2004

Adrienne Salvail-Lopez
Vice Chair