

# 2002 BCSECCOM 991

## **Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – Dutch auction issuer bid – relief granted to the offeror from the requirement to take up and pay for securities proportionately according to the number of securities deposited and the associated disclosure requirement, and the requirement to disclose the exact number of shares the offeror intends to purchase

## **Applicable British Columbia Provisions**

*Securities Act*, R.S.B.C. 1996, c. 418, ss. 105(g), 108(7) and 114(2)(c)  
Form 62-903F, Items 2 and 9

**IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NOVA SCOTIA, AND NEWFOUNDLAND AND LABRADOR**

**AND**

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

**AND**

**IN THE MATTER OF ABSOLUTE SOFTWARE CORPORATION**

## **MRRS DECISION DOCUMENT**

- ¶ 1 WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador (the “Jurisdictions”) has received an application (the “Application”) from Absolute Software Corporation (“Absolute”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that, in connection with the proposed purchase by Absolute of a portion of its outstanding common Shares (the “Common Shares”) under an issuer bid (the “Offer”), the following requirements in the Legislation shall not apply:
- (i) to take up and pay for Common Shares proportionately according to the number of Common Shares deposited and not withdrawn by each securityholder (the “Proportionate Take-up and Payment Requirement”);

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- (ii) to provide disclosure in the issuer bid circular (the “Circular”) of such proportionate take-up and payment (the “Associated Disclosure Requirement”); and
- (iii) to disclose in the Circular the number of Common Shares sought under the Offer (the “Number of Securities Requirement”).

¶ 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;

¶ 3 AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions* or in Québec Commission Notice 14-101;

¶ 4 AND WHEREAS Absolute has represented to the Decision Makers that:

1. Absolute has its head office in Vancouver, British Columbia and is a reporting issuer or the equivalent in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec;
2. Absolute may have beneficial holders of Common Shares that are resident in each of the Jurisdictions;
3. Absolute is not in default of any requirement of the Legislation and is not on the list of defaulting reporting issuers maintained under the Legislation, where applicable;
4. Absolute’s authorized capital consists of 70,000,000 shares, divided into 50,000,000 Common Shares without par value and 20,000,000 preference shares (of which 3,666,666 have been designated as Series A Preference shares);
5. approximately 19,489,533 Common Shares and no Series A Preference shares were issued and outstanding as of November 14, 2002;
6. the Common Shares are listed and posted for trading on the TSX Venture Exchange (the “Exchange”);
7. on November 14, 2002, the closing price of the Common Shares on the Exchange was \$0.29 per Common Share, resulting in an aggregate market value of approximately \$5,651,965 for the Common Shares on that date;

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8. to the knowledge of management of Absolute, no person or company owns more than 10% of the outstanding Common Shares except the Hummingbird Trust, which owns approximately 2,337,776 Common Shares, or 12% of the outstanding Common Shares; John Livingston, an officer and director of Absolute, and certain of his associates, are beneficiaries of the Hummingbird Trust;
9. the Trust has advised Absolute that it does not intend to tender any Common Shares to the Offer;
10. under the Offer, Absolute proposes to acquire Common Shares in accordance with the following modified Dutch auction procedure (the "Procedure") as disclosed in the Circular sent by Absolute to each holder of Common Shares (collectively the "Shareholders"):
  - (a) the Circular specifies that the maximum amount that Absolute will expend under the Offer is \$1,350,000 (the "Specified Amount");
  - (b) the Circular also specifies the range of prices (the "Range") within which Absolute is prepared to purchase Common Shares under the Offer;
  - (c) any Shareholder wishing to tender to the Offer will have the right to either: (i) specify the lowest price within the Range at which the Shareholder is willing to sell the tendered Common Shares (an "Auction Tender"); or (ii) elect to be deemed to have tendered the Common Shares at the Purchase Price determined in accordance with subparagraph 10(f) below (a "Purchase Price Tender");
  - (d) all Common Shares tendered and not withdrawn by Shareholders who do not specify any tender price or indicate that they have tendered their Common Shares as a Purchase Price Tender, will be considered to have been tendered as a Purchase Price Tender;
  - (e) any tendering Shareholder who does not specify the number of Common Shares tendered to the Offer will be considered to have tendered all of his or her Common Shares;
  - (f) the purchase price (the "Purchase Price") of the Common Shares tendered to the Offer will be the lowest price that will enable Absolute to purchase the maximum number of Common Shares that may be purchased with the Specified Amount, and will be calculated based on the number of Common Shares tendered and not withdrawn as an

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Auction Tender at each price within the Range, and tendered and not withdrawn as a Purchase Price Tender, with each Purchase Price Tender being considered a tender at the lowest price within the Range for the purpose of calculating the Purchase Price;

- (g) all Common Shares tendered by Shareholders who specify a tender price that falls outside the Range will be considered to have been improperly tendered, will be excluded from the calculation of the Purchase Price, will not be purchased by Absolute and will be returned to the tendering Shareholders;
  - (h) all Common Shares tendered at prices above the Purchase Price will be returned to the tendering Shareholders;
  - (i) if the aggregate Purchase Price for Common Shares validly tendered to the Offer and not withdrawn is less than or equal to the Specified Amount, Absolute will purchase all Common Shares tendered;
  - (j) if the aggregate Purchase Price for Common Shares validly tendered to the Offer and not withdrawn exceeds the Specified Amount, Absolute will take up and pay for tendered Common Shares on a *pro rata* basis according to the number of Common Shares tendered by each Shareholder, and any Common Shares tendered but not taken up and paid for by Absolute in accordance with this procedure will be returned to the appropriate tendering Shareholders; and
  - (k) the aggregate number of Common Shares to be acquired under the Offer will not be determined until the Purchase Price is calculated using the procedure in paragraph 10(f);
11. Absolute obtained a formal valuation of the Common Shares that is summarized in the Circular;
12. prior to the expiry of the Offer, all information regarding the number of Common Shares tendered and the prices at which the Common Shares are tendered will be kept confidential, and the depository under the Offer will be directed by Absolute to maintain the confidentiality until the Purchase Price is determined;

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13. since the Offer is for fewer than all the Common Shares, if the number of Common Shares tendered to the Offer and not withdrawn at or below the Purchase Price exceeds the maximum number of Common Shares that could be purchased for the Specified Amount, the Proportionate Take-Up and Payment Requirement would require Absolute to take up and pay for deposited Common Shares proportionately, according to the number of Common Shares deposited by each Shareholder;
  14. the Associated Disclosure Requirement would require disclosure in the Circular that Absolute would, if Common Shares tendered to the Offer and not withdrawn exceeded the maximum number of Common Shares that could be purchased for the Specified Amount, take up such Common Shares proportionately according to the number of Common Shares tendered and not withdrawn by each Shareholder;
  15. the Circular:
    - (a) discloses the mechanics for the take up and payment for, or return of, Common Shares as described in paragraph 10;
    - (b) explains that, by tendering Common Shares at the lowest price in the Range or as a Purchase Price Tender, a Shareholder can reasonably expect that the Common Shares tendered will be purchased at the Purchase Price, subject to pro ration as described in paragraph 10;
    - (c) describes the effect that the Offer, if successful, will have on the direct or indirect voting interest of Hummingbird Trust; and
    - (d) except to the extent exemptive relief is granted by this decision, contains the disclosure prescribed by the Legislation for issuer bids.
- ¶ 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 Offer, the Proportionate Take-up and Payment Requirement, the Associated Disclosure Requirement and the Number of Securities Requirement, shall not apply to Absolute, provided that Common Shares tendered

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to the Offer and not withdrawn are taken up and paid for, or returned to the Shareholders, in accordance with the Procedure.

¶ 8 DATED December 10, 2002

Brenda Leong  
Director