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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted from the valuation requirement in connection with an offer by the issuer for its out-of-the-money convertible debentures - convertibility feature is of no material value and debentures trade only on the issuer's underlying creditworthiness

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, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NOVA SCOTIA AND NEWFOUNDLAND

AND

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

AND

IN THE MATTER OF THE DESCARTES SYSTEMS GROUP INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application (the "Application") from The Descartes Systems Group Inc. (the "Corporation") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that, in connection with the proposed purchase by the Corporation of a portion of its outstanding 5.5% Convertible Unsecured Subordinated Debentures due June 30, 2005 (the "Debentures") pursuant to a formal issuer bid (the "Proposed Bid"):

- (1) the Corporation be exempt from the requirements in the Legislation to obtain a valuation of the Debentures (the "Valuation Requirement"); and
- (2) the Application and this MRRS Decision Document (the "Decision") be held in confidence by the Decision Makers, subject to certain conditions.

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AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Ontario Securities Commission is the principal regulator for the Application;

AND WHEREAS the Corporation has represented to the Decision Makers as follows:

1. The Corporation was amalgamated under the *Business Corporations Act* (Ontario) on January 26, 1999.
2. The Corporation is authorized to issue an unlimited number of Common Shares (the “Common Shares”). As of July 3, 2002, the Corporation had outstanding 52,241,265 Common Shares. As of July 3, 2002, the Corporation had outstanding Debentures in the aggregate principal amount of U.S.\$72,000,000.
3. The Corporation is a reporting issuer or the equivalent in each of the Jurisdictions and its Common Shares are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the trading symbol “DSG” and on the Nasdaq National Market (“Nasdaq”) under the trading symbol “DSGX”. The Debentures are listed and posted for trading on the TSX under the trading symbol “DSG.DB.U”.
4. The Debentures were issued pursuant to an indenture dated June 30, 2000 (the “Indenture”) between the Corporation and Montreal Trust Company of Canada (now Computershare Trust Company of Canada) and distributed pursuant to a short form prospectus dated June 26, 2000.
5. The Indenture provides that, unless an “Event of Default” (as defined in the Indenture) has occurred and is continuing under the Indenture, the Corporation may purchase for cancellation any or all of the Debentures by invitation for tenders. No Event of Default has occurred under the Indenture. There are no other restrictions upon the Corporation’s ability to purchase the Debentures.
6. The Debentures are convertible at the Debentureholder’s option into Common Shares at any time prior to the earlier of June 30, 2005 and the last business day immediately preceding the date specified for redemption by the Corporation. The conversion price for the Debentures is U.S.\$35.00 per Common Share, being a rate of approximately 28.57 Common Shares per U.S.\$1,000 principal amount of Debentures.

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7. On December 21, 2001, the Corporation filed and the TSX accepted a Notice of Intention to Make a Normal Course Issuer Bid (the "Notice") in respect of the Debentures.
8. Pursuant to the Notice, the Corporation may acquire through the facilities of the TSX up to a maximum of U.S.\$7,500,000 of its outstanding Debentures, representing approximately 10% of the public float of Debentures as at December 22, 2001. An aggregate principal amount of U.S.\$3,000,000 have been acquired pursuant to the Notice up to and including March 13, 2002, the last date on which Debentures were acquired pursuant to the Notice.
9. To the knowledge of management of the Corporation, no person or company holds more than 10% of the aggregate principal amount of outstanding Debentures.
10. Over the 12 complete months prior to July 3, 2002, the Debentures traded on the TSX on 111 out of 250 trading days, with an average daily trading volume of U.S.\$68,396 on the days traded, and the price range over that period was U.S.\$580 to U.S.\$800 per U.S.\$1,000 principal amount of Debentures.
11. As at July 3, 2002, the closing price of the Debentures on the TSX was U.S.\$680 per \$1,000 aggregate principal amount outstanding.
12. The Debentures are convertible into Common Shares at a conversion price which is significantly in excess of the current market price of the Common Shares. The Debenture conversion price of U.S.\$35.00 per Common Share for each U.S.\$1,000 in aggregate principal amount of Debentures outstanding is equivalent to Cdn.\$53.61 per Common Share based on the foreign exchange rates as of July 3, 2002. On July 3, 2002, the closing price of the Common Shares on the TSX was Cdn.\$4.73, which was approximately 8.8% of the conversion price of the Debentures at such time, based on the foreign exchange rates then in effect. Over the 12 months preceding that date, the Common Shares traded on the TSX in a range between Cdn.\$4.10 and Cdn.\$27.40 per Common Share.
13. In a letter (the "Opinion Letter") dated July 15, 2002, Griffiths McBurney & Partners ("GMP") advised the Corporation that, in GMP's opinion:
 - (i) the convertibility feature of the Debentures is of no material value;
and

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- (ii) the Debentures trade on the TSX like non-convertible, subordinated, unsecured debt based on the Corporation's underlying creditworthiness.
- 14. The Proposed Bid will proceed by way of an issuer bid circular which will include a summary and a copy of the Opinion Letter.
- 15. The Corporation intends to acquire up to an aggregate principal amount of U.S.\$51,428,571 of Debentures, representing approximately 71.4% of the outstanding Debentures. The Corporation anticipates using cash on hand and cash equivalents to fund the Debenture acquisitions.
- 16. The Proposed Bid will be an "issuer bid" within the meaning of the Legislation in the Jurisdictions because the Debentures are convertible debt securities.
- 17. The Corporation has not yet announced its intention to proceed with the Proposed Bid, which remains subject to approval by the Board of Directors of the Corporation. Given the potential size of the Proposed Bid, release of the Decision prior to such an announcement could affect the market price of the Debentures.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the Decision of each Decision Maker;

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;

THE DECISION, of the Decision Makers in the Jurisdictions pursuant to the Legislation is that, in connection with the Proposed Bid, the Corporation is exempt from the Valuation Requirement, provided that the Corporation complies with the other applicable provisions of the Legislation relating to formal bids made by issuers.

THE FURTHER DECISION of the Decision Makers pursuant to the Legislation is that the Application and the Decision shall be held in confidence by the Decision Makers until the earlier of the date that the Circular is filed in connection with the Proposed Bid and August 14, 2002.

DATED July 30, 2002.

John Hughes - Manager, Continuous Disclosure