

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

AND

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

AND

IN THE MATTER OF AZONIC NETWORKS INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories, and Nunavut (the "Jurisdictions") has received an application from Azonic Networks Inc. (the "Applicant") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation that prohibits a person or company from:

a) trading in a security unless the person or company is registered in the appropriate category of registration under the Legislation (the "Registration Requirement"); and

b) distributing a security unless a preliminary prospectus and prospectus for the security have been filed and receipts therefor obtained (the "Prospectus Requirement");

shall not apply to the issuance of common share purchase warrants (the "Warrants"), and common shares (the "Common Shares") upon the exercise of the Warrants, to certain Building Owners (as defined below) situated in the Jurisdictions, subject to certain conditions;

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

AND WHEREAS the Applicant has represented to the Decision Makers that:

1. The Applicant was incorporated on January 26, 2001 under the laws of Ontario.

2. The head office of the Applicant is in Markham, Ontario.
3. The Applicant carries on business as an in-building wireless network provider to certain "top tier" office buildings.
4. As part of its business, the Applicant installs a device that enhances wireless communications in top tier office buildings (the "Device") under licence from building owners. The Device is comprised of antennae and cables which receive and send signals to the transmission towers of service providers to enhance the use of wireless communications instruments such as cell phones, paging services, wireless e-mail and internet access from or to any location throughout a building. The principal benefits of the Device are twofold: (i) as more than one wireless service can be enhanced at the same time, the capital cost of installing the Device does not have to be borne by one carrier alone; and (ii) as there is limited space in large buildings for the installation of wireless enhancement equipment, the Device does not take-up nearly as much space as would normally be required for the separate equipment of each carrier.
5. The authorized capital of the Applicant consists of an unlimited number of Common Shares, 585 Class 'A' Special Shares, an unlimited number of Class 'B' Special Shares and an unlimited number of Class 'C' Special Shares of which 14,132,763 Common Shares, 585 Class 'A' Special Shares and 11,735,740 Class 'B' Special Shares are issued and outstanding.
6. The Applicant is not a reporting issuer (or the equivalent) in any of the Jurisdictions.
7. In connection with the proposed Access Warrant Program (as defined below), the Applicant will covenant to holders of the Warrants that it will take all commercially reasonable steps and proceedings as may be required to become a reporting issuer and obtain a listing or quotation of the Applicant's Common Shares on a recognized national stock exchange or quotation system in Canada or the United States or to provide liquidity for the Common Shares through other means. In this regard, the Applicant deleted its private company restrictions on May 31, 2001.
8. The Applicant desires to establish a warrant program (the "Access Warrant Program") whereby the owners of "top tier" office buildings who agree to install the Device in their buildings will be offered the opportunity to purchase Warrants as an incentive to such owners to permit and/or to continue to permit the installation and use of the Device in their buildings.
9. Under the Access Warrant Program, the Warrants will only be offered to owners of "top tier" office buildings (the "Building Owners"). The term "top tier office building" means a multi-tenant office building, the commercial market rent for which is near the top end of the range of rents for office buildings in the

applicable market. In most cases, a top tier office building will be owned by multiple Building Owners, which may include pension funds, institutions and other sophisticated entities.

10. The maximum number of Warrants which may be issued pursuant to the Access Warrant Program is 2,500,000.

11. The Warrants will be issued to Building Owners upon payment of the subscription price of \$0.01 per Warrant. The Warrants will be exercisable into Common Shares of the Applicant, on the basis of one Common Share for each Warrant, upon payment of such additional consideration as may be agreed by the Applicant and each Building Owner.

12. Certain property management, development and ownership companies such as Oxford Development Group Inc. will enter into a master agreement (the "Master Agreement") with the Applicant. In connection with the Master Agreements such companies will conduct thorough due diligence on the Applicant and the Device prior to authorizing the installation of the Device in the buildings owned and/or managed by such companies. After the installation of the Device, Building Owners will be permitted to participate in the Access Warrant Program and purchase Warrants based on the number of square feet in the building where the Device is installed.

13. The Warrants to be issued to the Building Owners of the top tier office buildings managed by Oxford Development Group Inc. may be exercised at no additional cost.

14. The exercise price for Warrants to be issued to other Building Owners will be negotiated as each new Master Agreement is negotiated. The exercise price for the Warrants will be negotiated based on the current value of the underlying Common Shares at the time of the grant of Warrants. It is not anticipated that the agreement with Oxford Development Group will be typical of the agreements with the other Building Owners in this regard.

15. The Warrants will expire, and all rights of the holder thereunder will terminate, if not exercised on or before 4:00 p.m, Toronto time on expiry dates ranging from three to five years from the date of issue.

16. The Warrants are intended to run with the property in the event the property is sold. Accordingly, pursuant to the terms of the Access Warrant Program, Warrants may be transferred by a Building Owner or Building Owners, as the case may be, upon the sale of the whole or partial interest in the real property on which a subject building is situated to the purchaser(s) of such real property without restriction.

17. In all other cases, Warrants may only be transferred with the prior written consent of the Applicant, which consent may not be unreasonably withheld.

18. Each Building Owner operates independently from the Applicant and will have a continuing general knowledge of the nature and evolution of the Applicant's business through their business relationship with the Applicant. As part of the Access Warrant Program, Warranholders will be given the right to convene meetings. At these meetings, Warranholders will have the power to: (i) agree with the Applicant to any modification, alteration, compromise or arrangement of the rights of Warranholders; (ii) amend or repeal any extraordinary resolution previously passed or sanctioned by the Warranholders; (iii) enforce any of the rights of the Warranholders in any manner specified in such extraordinary resolution or to refrain from enforcing any such covenant or right.

19. Each Building Owner will have the benefit of the due diligence conducted by the property management / ownership company pursuant to the Master Agreement prior to agreeing to participate in the Access Warrant Program.

20. Under the Access Warrant Program, the holders of the Warrants will be provided with annual financial statements of the Applicant.

21. For the purposes of Quebec only, the term "Securities" refers to the Warrants and the Common Shares.

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

AND WHEREAS each Decision Maker is satisfied that the tests contained in the Legislation that provide such Decision Maker with the jurisdiction to make the Decision have been met;

THE DECISION of the Decision Makers under the Legislation is that the Registration Requirement and the Prospectus Requirement shall not apply to a trade of Warrants, and Common Shares upon the exercise of the Warrants, made to Building Owners in accordance with the Warrant Access Program, provided that:

a) prior to the initial trade of any Warrants to a Building Owner pursuant to this Decision, the Applicant delivers to the Building Owner a copy of:

i) the Articles of Incorporation of the Applicant,

ii) the most recent annual audited financial statements of the Applicant, if such have been prepared,

iii) this Decision,

iv) the Access Warrant Program, and

v) A statement that, as a consequence of this Decision, certain protections, rights and remedies provided by the Legislation, including statutory rights of rescission or damages, will not be available to Building Owners acquiring Warrants pursuant to this Decision;

b) the first trade in a Warrant acquired pursuant to this Decision, other than the exercise thereof for a Common Share, to a person or company who is not a Building Owner, shall be deemed to be a distribution or a primary distribution to the public;

c) except in Quebec, the first trade in a Common Share acquired upon the exercise of a Warrant acquired pursuant to this Decision shall be deemed to be a distribution or a primary distribution to the public unless

i) the conditions in subsections (2) or (3) of section 2.5 of Multilateral Instrument 45-102 ("MI 45-102") are satisfied;

ii) if the Applicant is a "qualifying issuer" (as that term is defined in MI 45-102) as at the date the Common Share is acquired, at least four months have elapsed from the date the Common Share is acquired; and

iii) if the Applicant is not a "qualifying issuer" as at the date the Common Share is acquired, at least twelve months have elapsed from the date the Common Share is acquired; and

d) in Quebec, the alienation of the Securities cannot take place without a prospectus or a prospectus exemption prior to the expiry of:

i) a 12-month period following the issuance of the Warrants, except between a Building Owner and another Building Owner, provided, in the latter case, that the Commission des valeurs mobilières du Québec is advised five days prior to the distribution. After the 12-month period, the alienation may take place without a prospectus or prospectus exemption, provided that the issuer is a reporting issuer in Quebec. Furthermore, if the seller is an insider of the issuer, the issuer must have complied with the applicable disclosure requirements during the 12 months preceding the alienation; or

ii) a 4-month period, provided the following conditions are satisfied:

1) at the time of the issuance of the Warrants:

- the issuer of the Securities is a reporting issuer in Quebec;
- the issuer is not a capital pool company as defined in Policy 2.4 of the Canadian Venture Exchange Inc.;
- the issuer has a class of equity securities listed on a qualifying market, was not informed that it did not meet the listing requirements and is not designated inactive; or has a class of securities outstanding that has received an approved rating from an approved rating organization;
- for the purposes of this Decision, a qualifying market is the Toronto Stock Exchange Inc., Tier 1 or Tier 2 of the Canadian Venture Exchange Inc., the American Stock Exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, the London Stock Exchange Limited;
- the issuer has filed the annual information form required under section 159 of the *Regulation Concerning Securities* (R.S.Q. Chap. V-1.1, r.1) within the time limit provided for in this section or, if the issuer is not required to file an annual information form, the issuer has filed a prospectus that includes the most recent annual financial statements;

and

2) at the time of the alienation of the Securities

- the issuer was a reporting issuer in Quebec for the four months

immediately preceding the
alienation;

- the initial purchaser and subsequent
purchasers have held the Securities
for at least four months;

- no extraordinary commission or
other consideration is paid in respect
of the alienation;

- no effort is made to prepare the
market or to create a demand for the
Securities that are the subject of the
alienation;

- if the seller of the Securities is an
insider of the issuer, the seller has no
reasonable grounds to believe that
the issuer is in default of any
requirement of securities legislation.

DATED this 31st day of December, 2001.

"Paul M. Moore" "H. Lorne
Morphy"

Headnote

MRRS application for relief from registration and prospectus requirements in connection with issuance of common share purchase warrants, and common shares upon exercise of warrants, to certain building owners in Canada as part of an incentive program to permit installation and use of applicant's device in owner's buildings - building owners sophisticated and not in need of protections of registrant involvement or a prospectus - access warrant program not primarily a financing vehicle for the applicant - relief granted subject to conditions, including first trade restrictions in respect of warrants and common shares

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 53 and 74(1).

Applicable Rules

Multilateral Instrument 45-102: Resale of Securities