

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Registration and prospectus relief for trades in connection with acquisition of issuer under an arrangement where statutory arrangement exemptions not available for technical reasons - first trade relief for trades in securities acquired under the decision document

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss 34(1)(a), 45(2)(9), 48, 61, 74(2)(8), and 76

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA,
SASKATCHEWAN, MANITOBA, NEW BRUNSWICK, PRINCE EDWARD ISLAND,
NOVA SCOTIA AND NEWFOUNDLAND

AND

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

AND

IN THE MATTER OF PEREGRINE SYSTEMS, INC.,
PEREGRINE NOVA SCOTIA COMPANY,
TELCO RESEARCH CORPORATION LIMITED AND
1400066 ONTARIO INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from Peregrine Systems, Inc. ("Peregrine"), Peregrine Nova Scotia Company ("AcquisitionCo"), Telco Research Corporation Limited ("Telco") and 1400066 Ontario Inc. ("Amalgamation Sub") (collectively, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file a preliminary prospectus and a prospectus and receive receipts therefor (the "Prospectus Requirement") shall not apply to certain trades of securities in connection with the proposed merger (the "Merger") of Peregrine and Telco, to be effected by way of an arrangement (the "Arrangement") under the *Business Corporations Act* (Ontario) (the "OBCA");

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

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

1. Peregrine was incorporated under the laws of Delaware, has its head office in the State of California, is subject to the reporting requirements of the United States *Securities Exchange Act* of 1934, as amended, and is not currently a reporting issuer or the equivalent under the Legislation;
2. the authorized capital of Peregrine consists of 200,000,000 shares of common stock (the "Peregrine Common Shares") and 5,000,000 shares of preferred stock issuable in series and, as at February 8, 2000, there were 52,698,732 Peregrine Common Shares and no preferred shares issued and outstanding;
3. the Peregrine Common Shares are listed on NASDAQ;
4. according to the records of Peregrine's registrar and transfer agent none of Peregrine's registered shareholders have addresses in Canada;
5. AcquisitionCo is incorporated under the Nova Scotia *Companies Act* and has its head office in Halifax, Nova Scotia;
6. the authorized capital of AcquisitionCo consists of 200,000,000 common shares and all of the issued and outstanding common shares of AcquisitionCo are held by Peregrine;
7. AcquisitionCo is not a reporting issuer or the equivalent under the Legislation;
8. Amalgamation Sub is incorporated under the OBCA and is not a reporting issuer or the equivalent under the Legislation, is a wholly owned subsidiary of Telco, and is at arms length to Peregrine and AcquisitionCo; Amalgamation Sub was incorporated for the purpose of carrying out the Arrangement;
9. Telco is a corporation existing under the *Canada Business Corporations Act* (the "CBCA"), has its head office in Toronto, Ontario, is a reporting issuer or the equivalent under the Legislation and to the best of the Filer's knowledge, is not in default of any requirements of the Legislation;
10. the authorized capital of Telco consists of an unlimited number of common shares (the "Telco Common Shares") and, as at February 8, 2000, there are currently 12,336,333 Telco Common Shares issued and outstanding;
11. the Telco Common Shares are listed and posted for trading on The Toronto Stock Exchange;
12. at the special meeting of shareholders of Telco (the "Meeting") at which the Merger will be considered, the holders of the Telco Common Shares (the "Telco Shareholders") will be asked to approve a special resolution authorizing the continuance of Telco under the OBCA;

13. Peregrine, AcquisitionCo, Telco and Amalgamation Sub have entered into an acquisition agreement made as of February 8, 2000 which provides, among other things, that the Merger will be effected by way of the Arrangement pursuant to which Peregrine, through AcquisitionCo, will acquire all of the issued and outstanding Telco Common Shares;

14. the required approval of the Telco Shareholders to the Arrangement will be obtained at the Meeting in accordance with the provisions of an interim order (the "Interim Order") of the Superior Court of Justice (Ontario) prior to the mailing of an information circular to the Telco Shareholders and at the Meeting, each holder of Telco Common Shares will be entitled to one vote for each Telco Common Share held;

15. in accordance with the terms of outstanding options and other rights to purchase Telco Common Shares held by directors, officers and employees of Telco, and pursuant to the Arrangement, a holder of options and other rights will be entitled, upon the exercise of such options and other rights, to receive the aggregate number of Peregrine Common Shares that such holder would have been entitled to receive under the Arrangement if such holder's options and other rights had been exercised immediately prior to the Arrangement;

16. in connection with the Meeting, Telco will send the Telco Shareholders a management information circular (the "Circular") containing prospectus-level disclosure of the business and affairs of each of Peregrine and Telco and a detailed description of the Arrangement; the Circular will be prepared in conformity with the provisions of the OBCA, the Interim Order and the Legislation;

17. immediately prior to the effective date of the Arrangement Peregrine will issue Peregrine Common Shares to AcquisitionCo in exchange for the issuance by AcquisitionCo to Peregrine of common shares in the capital of AcquisitionCo;

18. under the Arrangement (i) Telco will amalgamate with its wholly-owned subsidiary, Amalgamation Sub and will continue as one corporation under the OBCA (ii) each holder of Telco Common Shares will be entitled to receive 0.165017 Peregrine Common Shares from AcquisitionCo in exchange for each Telco Common Share held (the "Exchange Ratio") and (iii) holders of outstanding options and other rights of Telco will be entitled, upon exercise, to acquire Peregrine Common Shares (such number of Telco Common Shares issuable upon such exercise and the exercise prices of such options and rights being adjusted for the Exchange Ratio);

19. as a result of the foregoing, upon completion of the Arrangement, all of the issued and outstanding Telco Common Shares will be owned by Peregrine through AcquisitionCo;

20. Peregrine will send concurrently to all holders of Peregrine Common Shares resident in Canada all disclosure material furnished to holders of Peregrine Common Shares resident in the United States including, without limitation, copies of its annual financial statements and all proxy solicitation materials;

21. the steps under or in connection with the Arrangement involve or may involve a number of trades or possible trades in securities including trades in Peregrine Common Shares in exchange for Telco Common Shares and upon the exercise of options and other rights of Telco (the "Trades");

22. exemptions from the Registration and Prospectus Requirements in respect of certain of the Trades and the first trade of Peregrine Common Shares following the Arrangement are not available in all Jurisdictions; and

23. Peregrine will not be a reporting issuer or equivalent in all Jurisdictions at the effective date of the Arrangement;

AND WHEREAS under 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 Maker with the jurisdiction to make the Decision has been met;

The Decision of the Decision Makers under the Legislation is that:

1. the Registration and Prospectus Requirements shall not apply to the Trades; and

2. a trade in Peregrine Common Shares acquired under section 1 of this MRRS Decision Document is a distribution under the Legislation of the Jurisdiction in which the trade occurs (the "Applicable Legislation"), unless:

(a)

(i) Peregrine is a reporting issuer or the equivalent under the Applicable Legislation;

(ii) if the seller is an insider of Peregrine, other than a director or senior officer of Peregrine, the seller has filed all insider reports and personal information forms that are required to be filed under the Applicable Legislation;

(iii) if the seller is a director or senior officer of Peregrine, the seller has filed all insider reports and personal information forms that are required to be filed under the Applicable Legislation, and Peregrine has filed all records required to be filed under the continuous disclosure requirements of the Applicable Legislation;

(iv) the trade is not a distribution from the holdings of a control person or company, or combination of persons and companies, acting in concert or by virtue of an agreement, arrangement, commitment or understanding, which holds in total a sufficient number of voting rights attached to all outstanding voting securities of Peregrine to affect materially the control of Peregrine, and if a person or company

or combination of persons and companies holds more than 20% of the voting rights attached to all outstanding voting securities of Peregrine, the person or company or combination of persons and companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of Peregrine;

(v) no unusual effort is made to prepare the market or create a demand for the Peregrine Shares; and

(vi) no extraordinary commission or other consideration is paid in respect of the trade; or

(b)

(i) Peregrine is not a reporting issuer or the equivalent under the Applicable Legislation; and

(ii) the trade is made through the facilities of a stock exchange, including NASDAQ, outside of the Jurisdiction in accordance with all laws and rules applicable to the stock exchange.

DATED on March 29, 2000.

Margaret Sheehy
Director