

GENERAL RULING/ORDER 45-905
EXERCISE OF CONVERSION AND EXCHANGE RIGHTS

IN THE MATTER OF
THE SECURITIES ACT, 1988, SS 1988, c. S-42.2

AND

IN THE MATTER OF TRADES BY ISSUERS UPON EXERCISE OF
CERTAIN CONVERSION OR EXCHANGE RIGHTS

RULING
(Section 83)

WHEREAS an application has been received by the Saskatchewan Securities Commission (the "Commission") from the staff of the Commission for a ruling pursuant to clause 83(1)(a) of *The Securities Act, 1988, S.S. 1988, c. S-42.2* (the "Act") that the provisions of sections 27 and 58 of the Act shall not apply to the trades by an issuer in a security of its own issue or in a security of a reporting issuer within the meaning of the Act held by the issuer that is transferred or issued through the exercise of a right, previously granted by the issuer, of holders to purchase, convert or exchange or the issuer to require the holders to purchase, convert or exchange or automatically upon the occurrence of certain events (the "Proposed Trades");

AND WHEREAS it has been represented to the Commission by the staff of the Commission that:

1. Purchase, conversion or exchange rights attaching to securities may be exercised:
 - (a) At the option of the holder thereof;
 - (b) At the option of the issuer thereof; or
 - (c) Automatically upon the occurrence of certain events;
2. The registration and prospectus exemptions contained in subclauses 39(1)(m)(iii) and 81(1)(f)(iii) of the Act contemplate trades by an issuer in a security of its own issue transferred or issued through the exercise of a right, previously granted by the issuer, of holders to purchase, convert or exchange or the issuer to require the holders to purchase, convert or exchange;
3. The registration and prospectus exemptions contained in subclauses 39(1)(m)(iv) and 81(1)(f)(iv) of the Act contemplate trades by an issuer in a security of a reporting issuer within the meaning of the Act held by the issuer that is transferred or issued through the exercise of a right to purchase, convert or exchange, previously granted by the issuer, provided that the issuer has given appropriate written notice to the Commission;
4. It is uncertain if there is an exemption from the registration and prospectus requirements of the Act in the Act for trades by an issuer in a security of its own issue or in a security of a reporting issuer within the meaning of the Act held by the issuer upon the triggering of an automatic right to purchase, convert or exchange;

5. It is uncertain if there is an exemption from the registration and prospectus requirements of the Act in the Act for trade by an issuer in a security of a reporting issuer within the meaning of the Act held by the issuer that is transferred through the exercise of a right, previously granted by the issuer, of the issuer to require the holders to purchase, convert or exchange; and
6. The investment decision made by investors occur when investors initially acquire a security that is automatically convertible or exchangeable or that is exchangeable at the option of the issuer into another security, whether of its own issue or a security of a reporting issuer held by it, and not upon the triggering of an automatic right to purchase, convert or exchange or upon the exercise by the issuer of its right to require holders to purchase, convert or exchange;

AND WHEREAS the Commission is satisfied that it would not be prejudicial to the public interest to make this Ruling;

IT IS HEREBY RULED pursuant to clause 83(1)(a) of the Act that the provisions of sections 27 and 58 of the Act shall not apply to the Proposed Trades provided that:

1. With respect to the trades by an issuer in a security of a reporting issuer within the meaning of the Act held by the issuer, the issuer has given the Commission written notice stating the date, amount, nature and conditions of the proposed trade, including the approximate net proceeds to be derived by the issuer on the basis of those additional securities being fully taken up and either:
 - (a) The Commission has not informed the issuer in writing within 10 days of the giving of the notice that it objects to the proposed trade; or
 - (b) The issuer has delivered to the Commission information relating to the securities that is Satisfactory to and accepted by the Commission; and
2. The first trade in securities acquired pursuant to this Ruling shall be subject to the provisions of sections 2.5 and 2.6 of Multilateral Instrument 45-102 Resale Restrictions as the case may be that they would have been subject had they been acquired pursuant to clause 81(1)(f) of the Act.

Dated at the City of Saskatoon, in the Province of Saskatchewan this 8th day of July, 1996.

"Marcel de la Gorgendiere"
Marcel de la Gorgendiere, Q.C.
Chairman

AMENDED February 11, 2002

"Barbara Shourounis"
Barbara Shourounis
Director