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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from the requirement to reconcile to Canadian GAAP, certain financial statements included in an information circular that were prepared in accordance with US GAAP

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c.418, ss. 117(2)(a), 119

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, ONTARIO AND QUÉBEC

AND

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

AND

IN THE MATTER OF RYAN ENERGY TECHNOLOGIES INC.

AND

IN THE MATTER OF NABORS INDUSTRIES LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Makers") in each of British Columbia, Alberta, Ontario and Quebec (the "Jurisdictions") has received an application from Ryan Energy Technologies Inc. (the "Applicant" or "Ryan") for a decision (the "Decision") under the securities legislation of the Jurisdictions (the "Legislation"), that the Applicant be exempt from the following requirements with respect to Nabors Industries Ltd. ("Nabors") in the management information circular (the "Circular") to be sent to Ryan's Securityholders (as defined below):

- (a) the requirement that historical financial statements of Nabors prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") be accompanied by a note to explain and quantify the effect of material differences between Canadian generally accepted accounting principles ("Canadian GAAP") and U.S. GAAP that relate to measurements and provide a reconciliation of such financial statements to Canadian GAAP;

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- (b) the requirement that Nabors auditor's report disclose any material differences in the form and content of its auditor's report as compared to a Canadian auditor's report and confirming that the auditing standards applied are substantially equivalent to Canadian GAAP; and
- (c) the requirement that Nabors management's discussion and analysis of operating results and financial position ("Nabors MD&A") provide a restatement of those parts of the Nabors MD&A that would read differently if the Nabors MD&A were based on statements prepared in accordance with Canadian GAAP and the requirement that the Nabors MD&A provide a cross-reference to the notes in the financial statements that reconcile the differences between U.S. GAAP and Canadian GAAP;

(collectively, the "GAAP Reconciliation Requirements").

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

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

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

1. In connection with the proposed combination of Nabors and Ryan (the "Transaction") pursuant to an arrangement agreement (the "Arrangement Agreement") dated August 12, 2002 between Nabors and Ryan, Ryan intends to mail the Circular to Ryan Securityholders (as defined below) on or about September 10, 2002, which Circular will seek, among other things, Ryan Securityholder approval of the Arrangement. Subject to satisfying all closing conditions (including obtaining the requisite Ryan Securityholders' approval and regulatory approvals), the parties anticipate that the Transaction will be completed on or about October 9, 2002 (the "Closing Date").
2. The Transaction is to be effected pursuant to the Arrangement, which will be carried out under section 193 of the Business Corporations Act (Alberta) ("ABCA"). The effect of the Arrangement will be to provide holders (the "Ryan Shareholders") of common shares of Ryan ("Ryan Common Shares") (other than Ryan Common Shares held by dissenting shareholders (the "Dissenting Shareholders") or by Nabors) with cash or exchangeable shares (the "Exchangeable Shares") of Nabors Exchangeco (Canada) Inc. (TSX, NBX.U)

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("Nabors Exchangeco"), a wholly-owned Canadian subsidiary of Nabors, in exchange for their Ryan Common Shares. Under the terms of the Arrangement Agreement, the value of the Exchangeable Shares will be determined based on the weighted average trading price of the Nabors common stock on the American Stock Exchange for the three consecutive trading days ending on the third business day prior to the date of the meeting of Ryan Shareholders and optionholders to approve the Arrangement. The number of Exchangeable Shares to be received for each Ryan Common Share pursuant to this formula will be announced prior to the Ryan shareholder meeting (the "Exchange Ratio"). The Ryan Common Shares will be transferred to and acquired by Nabors Exchangeco, which is an indirect wholly-owned subsidiary of Nabors, such that upon completion of the Transaction, Nabors will own indirectly all of the Ryan Common Shares.

3. Nabors is an exempted company formed under the laws of Bermuda on December 11, 2001. Nabors' registered offices are located at Whitepark House, White Park Road, Bridgetown, Barbados. Nabors is the successor to Nabors Industries, Inc., a Delaware corporation (Nabors Delaware) for financial and securities law purposes in the United States. Effective June 24, 2002, Nabors became the successor to Nabors Delaware following a corporate reorganization. The reorganization was accomplished through the merger of an indirect, newly formed Delaware subsidiary owned by Nabors into Nabors Delaware. Nabors Delaware was the surviving company in the merger and became a wholly-owned, indirect subsidiary of Nabors. Upon consummation of the merger, all outstanding shares of Nabors Delaware common stock automatically converted into the right to receive Nabors common shares, with the result that the shareholders of Nabors Delaware on the date of the merger became the shareholders of Nabors. Nabors and its subsidiaries continue to conduct the businesses previously conducted by Nabors Delaware and its subsidiaries. The reorganization has been accounted for as a reorganization of entities under common control, and accordingly, it did not result in any changes to the consolidated amounts of assets, liabilities and stockholders' equity.

4. As of August 12, 2002, Nabors' authorized share capital was US\$425,000, which consists of 425,000,000 shares of stock, par value U.S.\$0.001 per share, of which 400,000,000 are common shares ("Nabors Common Shares") and 25,000,000 are preferred shares. The Nabors Common Shares are fully participating voting shares. As of July 31, 2002, there were 144,429,630 Nabors Common Shares and one preferred share issued and outstanding. As of August 20, 2002, out of a total of 2,299 total registered holders of Nabors Common Shares, 15 holders were resident in Canada, holding 878,274 Nabors Common Shares in aggregate, representing approximately 0.608% of the total number of issued and outstanding Nabors Common Shares as at that date. In addition, there

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are six registered holders of Exchangeable Shares holding 662,064 Exchangeable Shares; five of these holders are resident in Canada and hold 504,587 Exchangeable Shares.

5. As of July 31, 2002, there were up to a maximum of approximately 50,000,000 Nabors Common Shares reserved for issuance pursuant to Nabors stock option plans or upon exchange or conversion of outstanding Nabors debt securities or warrants or previously issued Exchangeable Shares. Of the 819 Nabors optionholders, 38 are resident in Canada.

6. The Nabors Common Shares are listed on the American Stock Exchange (the "AMEX") under the symbol "NBR".

7. Nabors is currently subject to the *United States Securities Exchange Act of 1934*, as amended (the "Exchange Act"). Nabors is not and does not intend to become a "reporting issuer" or the equivalent in any province or territory of Canada. To the extent that, as a result of the consummation of the Transaction, Nabors would, pursuant to the securities laws of any jurisdiction in Canada, be deemed to be a reporting issuer or the equivalent, Nabors will seek and expects to obtain orders deeming it not be to be a reporting issuer or the equivalent in such jurisdictions.

8. Ryan was incorporated under the laws of the Province of Alberta on January 22, 1993 under the name "Adesso Corporation". On March 15, 1994, Ryan acquired all of the issued and outstanding shares of Ryan Energy Technologies Inc., a private Alberta company, which was incorporated on October 30, 1991. On April 1, 1994, Ryan amalgamated with Ryan Energy Technologies Inc. under the ABCA and continued under the name "Ryan Energy Technologies Inc." On January 1, 1999, Ryan amalgamated with its wholly owned subsidiary 747253 Alberta Ltd. and continued under the name "Ryan Energy Technologies Inc.".

9. Ryan's authorized capital, consists of an unlimited number of Ryan Common Shares. As of August 12, 2002, 22,716,848 Ryan Common Shares were issued and outstanding.

10. As of August 20, 2002, there were 46 registered Ryan Shareholders in Canada holding 16,084,874 Ryan Common Shares, representing approximately 70.8% of the total number of issued and outstanding Ryan Common Shares.

11. As of August 12, 2002, up to a maximum of 517,600 Ryan Common Shares may be issued pursuant to outstanding in-the-money Options; and up to a maximum of 1,737,050 Shares may be issued pursuant to outstanding Options that

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are not in-the-money (collectively the "Ryan Options"), all of which Ryan Options were held by residents in Canada, except for 920,220 options.

12. The Ryan Common Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol "RYN".

13. Ryan is a "reporting issuer" or the equivalent in British Columbia, Alberta, Manitoba, Ontario and Quebec.

14. Ryan is not currently eligible to file under National instrument 44-101 - "Short Form Prospectus Distributions".

15. Prior to the Special Meeting (as defined below), Ryan will apply under section 193 of the ABCA for an interim order (the "Interim Order") of the Court of Queen's Bench of Alberta (the "Court") which order will specify, among other things, certain procedures and requirements to be followed in connection with the calling and holding of the Special Meeting and the completion of the Arrangement.

16. A special meeting (the "Special Meeting") of the Ryan Shareholders and the holders of Ryan Options ("Ryan Optionholders") (together with Ryan Shareholders, the "Ryan Securityholders") is anticipated to be held on or about October 8, 2002 at which Ryan will seek the requisite Ryan Securityholder approval (which, pursuant to the Interim Order, is expected to be 66 2/3% of the votes attached to the Ryan Common Shares and Ryan Options, voting as one class, represented at the Special Meeting) for the special resolution approving the Arrangement.

17. In connection with the Special Meeting and pursuant to the Interim Order, Ryan will mail on or about October 8, 2002 to each Ryan Securityholder (i) a notice of special meeting, (ii) a form of proxy, (iii) the Circular, and (iv) a letter of transmittal and election form by which Ryan Shareholders will be entitled to elect the consideration to be received in exchange for their Ryan Common Shares. The Circular will be prepared in accordance with OSC Rule 54-501, except with respect to any relief granted therefrom, and will contain disclosure of the Transaction and the business and affairs of each of Nabors and Ryan.

18. It is proposed that the Circular will contain the following financial statements:

- (a) audited consolidated financial statements of Nabors for each of the three fiscal years ended December 31, 2001, 2000 and 1999, together with balance sheets as at the end of such periods and the auditor's reports thereon, and unaudited consolidated financial statements for the six

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months ended June 30, 2002, 2001 and 2000, all in accordance with U.S. GAAP; and

- (b) audited consolidated statements of earnings and retained earnings and consolidated statements of cash flows of Ryan for each of the three fiscal years ended December 31, 2001, 2000 and 1999, together with balance sheets as at December 31, 2001 and 2000 and the auditor's reports thereon, and unaudited consolidated statements of earnings and retained earnings and consolidated statements of cash flows for the six months ended June 30, 2002, 2001 and 2000, together with the balance sheet as at June 30, 2002, all in accordance with Canadian GAAP.

19. Following approval by the Ryan Securityholders of the special resolution approving the Arrangement, receipt of all required consents and regulatory approvals and issuance by the Court of a favourable final order, and subject to the satisfaction of all other closing conditions specified in the Arrangement Agreement, Ryan will effect the Arrangement by filing Articles of Arrangement.

20. It is expected that upon consummation of the Arrangement or shortly thereafter the Ryan Common Shares will be delisted from the TSX.

21. Nabors is mailing an application to the AMEX in order that the Nabors Common Shares issued pursuant to the Arrangement be listed for trading on the AMEX.

22. Upon completion of the Arrangement, assuming that all the Ryan Shareholders elect to exchange their Ryan Common Shares for Nabors Common Shares issuable pursuant to the Arrangement, and assuming an Exchange Ratio of 0.0360 (based on the closing price of Nabors Common Shares on August 20, 2002, and based on the Bank of Canada noon exchange rate for U.S. dollars on that date of Cdn \$1.5715 per U.S. \$1.00), it is expected that beneficial holders of Nabors Common Shares resident in Canada (calculated based upon the number of registered Ryan Shareholders and registered holders of both Nabors Common Shares and Exchangeable Shares who are resident Canadians as of the above-mentioned dates) will hold Exchangeable Shares or Nabors Common Shares representing approximately 1.35% of the issued and outstanding Nabors Common Shares (including Nabors Common Shares issuable on conversion of the Exchangeable Shares).

23. If Nabors becomes a reporting issuer in any of the Jurisdictions, it will be able to satisfy its continuous disclosure obligations using financial statements prepared in accordance with U.S. GAAP by relying on Part 15 of National Instrument 71-101 - The Multijurisdictional Disclosure System.

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AND WHEREAS under the System, this MRSS 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 under the Legislation that the GAAP Reconciliation Requirements shall not apply in connection with the disclosure pertaining to Nabors in the Circular.

DATED at Edmonton, Alberta on September 13, 2002

Agnes Lau, C.A.
Deputy Director, Capital Markets