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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted from the registration and prospectus requirements for trades in securities under a stock option plan - first trade registration and prospectus relief for trades, including trades by legal representatives, of securities acquired under the plan, subject to certain conditions

Applicable British Columbia Provisions

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

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

AND

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

AND

IN THE MATTER OF PATTERSON DENTAL COMPANY

MRRS DECISION DOCUMENT

WHEREAS the local Securities Regulatory Authority or Regulator (the "Decision Maker" and collectively, the "Decision Makers") in each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario, Prince Edward Island, Québec, and Saskatchewan (the "Jurisdictions") has received an application (the "Application") from Patterson Dental Company ("Patterson" or 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 Requirements") and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus") shall not apply to certain trades in Common Stock shares in the capital of the Filer (the "Shares") and in options (the "Options") to subscribe for Shares made in connection with the Patterson Dental Company Stock Option Plan for Canadian Employees (the "Plan");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), Québec is the principal Jurisdiction for this Application;

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

1. The Filer is a corporation incorporated under the laws of the State of Minnesota, in the United States of America, is not a reporting issuer under the Legislation, and has no present intention to acquire such status in Canada.
2. As at March 8, 2001, the Filer's authorized share capital consisted of 100,000,000 Shares, 10,000,000 Series A Preferred shares and 20,000,000 shares of Preferred stock, of which only 67,516,945 Shares were issued and outstanding at said date.
3. The Shares are listed and quoted for trading on the NASDAQ Stock Market ("NASDAQ").

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4. The Filer is registered with the Securities and Exchange Commission in the U.S. under the *Securities Exchange Act* 1934 and is not exempt from the reporting requirements thereunder.
5. The Plan was established to assist the Filer in the retention and motivation of key Canadian employees, to compensate them for their contributions to the growth and profits of the Filer and its affiliates, and to encourage their ownership of stock in Patterson.
6. The Plan was adopted on June 13, 2000 and no specific term is provided thereunder.
7. As at March 16, 2001, there were approximately 67 employees of the Filer's affiliates resident in Canada ("Canadian Employees") eligible to participate in the Plan, of which there were approximately 5 in British Columbia, 12 in Alberta, 3 in Manitoba, 25 in Ontario, 20 in Québec, 2 in Saskatchewan, 2 in Nova Scotia, and 1 in Newfoundland.
8. There were, as at March 16, 2001, no Canadian Employees resident in New Brunswick, or Prince Edward Island, but Canadian Employees may eventually be recruited in these Jurisdictions.
9. Options to purchase a maximum of 1,000,000 Shares may be issued under the Plan, which represents approximately 1.48% of the total number of outstanding Shares as at March 8, 2001.
10. Less than 10% of the shareholders of the Filer are resident in Canada and less than 10% of the Shares are held by Canadian residents.
11. Canadian Employees have not been and will not be induced to participate in the Plan by expectation of employment or continued employment by the Filer or an affiliated entity of the Filer, or by expectation of appointment or continued appointment, in instances where a Canadian Employee is an officer of the Filer or of an affiliated entity of the Filer.
12. The Options to be granted may be exercised within a period commencing on the third anniversary of the Option grant and ending on the fifth anniversary of such Option grant.
13. The Shares to be issued and sold under the Plan will be purchased at their fair market value (i.e. the Shares' closing price on NASDAQ on the day preceding the day of the Option grant to a Canadian Employee), with a portion equivalent to 37.5% of the Shares' value being payable upon the Option grant and the remaining 62.5% being payable upon exercise of the Options.
14. Each Canadian Employee will be provided a copy of the Plan, as stipulated in a Participation Agreement to be entered into by said participating Canadian Employee upon every such grant and Patterson will provide all Canadian Employees who elect to participate in the Plan with the same documentation regarding the Plan and the Filer that is provided to Plan participants resident in other jurisdictions.
15. A statutory exemption from prospectus and registration is available for the grant of Options and the issuance and sale of Shares to Canadian Employees, under the Plan, by the Filer in each of the Jurisdictions but New Brunswick, where no exemptions are available for trades to employees of the Filer's Canadian affiliates.
16. Either Canadian Employees, former Canadian Employees, legal representatives of deceased Canadian Employees ("Legal Representatives"), or some or all of them (as the case may be), have no registration exemptions available to them in every Province in respect of the resale of the Shares acquired under the Plan.

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17. In Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island, a prospectus is not required or an exemption therefrom is available for the sale of Shares acquired under the Plan by Canadian Employees, former Canadian Employees, or Legal Representatives, if certain conditions set out in Multilateral Instrument 45-102 are met.

18. In Québec however, a prospectus exemption is not available for such trades.

19. Furthermore, in Québec, the Filer is unable to rely solely on the statutory registration and prospectus exemptions for the grant of Options and the issuance of Shares to the Canadian employees, since it is not a reporting issuer and cannot, therefore, benefit from a final prospectus exemption.

20. Because there is no market for the Shares in Canada and none is expected to develop, any resale of the Shares acquired under the Plan will be made to persons or companies outside Canada or through the facilities of, and in accordance with the rules applicable to a stock exchange or organized market outside Canada on which the Shares may be listed or quoted for trading, and through persons duly registered or exempted under applicable laws;

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each of the Decision Makers (collectively the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test provided by the Legislation pursuant to which they have jurisdiction to render a decision has been met.

THE DECISION of the Decision Makers under the Legislation is that:

1. The Prospectus and Registration Requirements of the Legislation shall not apply to the grant of Options to purchase Shares by Patterson to Canadian Employees under the Plan, nor to the issuance of Shares by Patterson to Canadian Employees upon the exercise of such Options pursuant to the Plan; and

2. The Prospectus Requirements of the Legislation shall not apply to first trades in Shares acquired under the Plan, provided such first trades are deemed distributions or primary distributions to the public, and the Registration Requirements of the Legislation shall not apply to first trades in Shares acquired under the Plan, provided that:

(i) except in Québec, the conditions in subsection (1) of section 2.14 of Multilateral Instrument 45-102 are satisfied; or

(ii) in Québec, the alienation (resale) is made between Canadian Employees, former Canadian Employees, Legal Representatives, and their affiliates or outside Québec.

Dated this 4th day of February, 2002.

Josée Deslauriers
Le chef du service du financement des sociétés