

MICHIGAN CORPORATION & SECURITIES BUREAU

RELEASE NO. 88-3-S

TO: ALL INTERESTED PARTIES

SUBJECT: Transferable Rights

General Background:

Recently, the Bureau has received offerings for rights to purchase shares of common stock. These rights, however, are transferable.

Section 402(b)(11) of the Michigan Uniform Securities Act, 1964 PA 265, as amended (the "Act"), provides an exemption for "any transaction pursuant to an offer to existing securities holders of the issuer, including person who at the time of the transaction are holders of convertible securities, nontransferable warrants, or transferable warrants exercisable within no more than 90 days of their issuance" if certain conditions occur.

The rationale for this exemption is that holders of warrants exercisable more than 90 days after their issuance would not be receiving current financial information when making the investment decision to exercise the warrants. This is the reason that transferable warrants exercisable more than 90 days after their issuance are excluded from the exemption.

The question presented to the Bureau is whether transferable shareholders "rights" should be exempt under this section based on the same rationale.

Action or Interpretation:

The Bureau will interpret "existing security holders" as used in Section 402(b)(11) of the Act to include the holders of nontransferable rights or transferable rights exercisable within not more than 90 days of their issuance. Rights exercisable more than 90 days after their issuance shall not be included within the exemption. This policy is based on a finding that the rationale for the exemption for warrants holders is equally applicable to rights holders by analogy.

AUTHORITY:

Act 265 of 1964.

Signed by Carl L. Tyson, Director
Corporation & Securities Bureau
Dated: May 27, 1988