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October 7, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 44-101 *Short Form Prospectus Distributions*, s. 15.1 – eligibility requirements - An issuer wants relief from the qualification criteria in NI 44-101 so it can file a short form prospectus - The issuer is a wholly owned subsidiary of a reporting issuer parent corporation; the parent's only operations are carried on through the issuer; as a result, the parent and the issuer are functionally equivalent to each other; the parent is eligible to file a short-form prospectus and wishes to do a joint offering with the issuer. The parent will provide consolidated disclosure, including consolidated financial statements, in the short-form prospectus

National Instrument 51-102 *Continuous Disclosure Obligations*, s. 13.1 – all continuous disclosure requirements - An issuer that is a wholly-owned subsidiary wants relief from filing some continuous disclosure documents - the parent's continuous disclosure record will be filed and delivered in place of the issuer's disclosure record; the issuer will file material change reports for any change that is material to it but not the parent

Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, s. 4.5 – certification requirements - An issuer wants relief from the requirements in Parts 2 and 3 of MI 52-109 to file annual and interim certificates - The issuer has applied for and received an exemption from filing interim and annual financial statements

Securities Act, ss. 169 (4) - Confidentiality - An applicant wants to keep an application and order confidential for a limited amount of time after the order is granted - The record provides intimate financial, personal or other information; the disclosure of the information before a specific transaction would be detrimental to the person affected; the information will be made available after a specific date

Applicable British Columbia Provisions

National Instrument 44-101, ss. 2.1, 15.1

National Instrument 52-101, s. 13.1

Multilateral Instrument 52-109, Parts 2 & 3, s. 4.5

Securities Act, ss. 169(4)

In the Matter of
the Securities Legislation

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of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Labrador , the Northwest Territories, the Yukon and Nunavut (the “Jurisdictions”)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
Countryside Power Income Fund (the “Fund”)
and Countryside Canada Power Inc. (“Countryside Canada”
and, together with the Fund, the “Filers”)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the “Decisions Maker”) in each of the Jurisdictions has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the “Legislation”) for:

- (a) a decision in every Jurisdiction exempting Countryside Canada from the requirements (the “Short Form Eligibility Requirements”) contained in section 2.1 of National Instrument 44-101 *Short Form Prospectus Distributions* (“NI 44-101”);
- (b) a decision in every Jurisdiction exempting Countryside Canada from the requirements in the Legislation to: (i) issue and file with the Decision Makers news releases and file with the Decision Makers reports upon the occurrence of a material change; (ii) file with the Decision Makers and send to its securityholders audited annual comparative financial statements together with the auditor’s report or annual reports containing such statements; (iii) file with the Decision Makers and send to its securityholders unaudited interim comparative financial statements; (iv) file with the Decision Makers and send to its securityholders annual and interim management’s discussion and analysis with respect to annual or interim financial statements; (v) file with the Decision Makers an annual information form; (vi) file with the Decision Makers and send to its securityholders a form of proxy and information circular; and (vii) to otherwise comply with the requirements prescribed by National Instrument

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51-102 *Continuous Disclosure Obligations* (collectively, the “Continuous Disclosure Requirements”);

- (c) a decision in every Jurisdiction other than Prince Edward Island exempting Countryside Canada from the requirement to file annual certificates and interim certificates under Multilateral Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (the “Certification Requirement”); and
- (d) a decision in every Jurisdiction that the application for this decision and this decision be kept confidential until the earlier of: (i) the date the Filer obtains a receipt for a preliminary short form prospectus under NI 44-101; and (ii) November 23, 2005 (“Confidential Treatment”).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (a) the Ontario Securities Commission is the principal regular for this application; and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

The decision is based on the following facts represented by the Filers:

The Fund

1. The Fund is an unincorporated open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated February 16, 2004 (as amended) (the “Declaration of Trust”). The principal and head office of the Fund is located at 495 Richmond Street, Suite 920, London, Ontario, N6A 5A9.
2. The authorized capital of the Fund consists of an unlimited number of units (“Units”). The initial public offering of 14,905,366 Units was made pursuant to a prospectus dated March 29, 2004. The Fund is a reporting issuer or the equivalent in Ontario and each of the other provinces and territories in Canada and, to the best of its knowledge, information and belief, is not in default of any requirements of the Legislation. As at June 30, 2005, there were 14,905,366 Units issued and outstanding.

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3. The Fund holds, indirectly, investments in 22 biogas projects located in the United States in the business of electric generation and boiler fuel production. In addition, the Fund indirectly owns two district energy systems located in Canada in the business of thermal and electric generation (the “District Energy Systems”) and two gas-fired, cogeneration plants located in California (the “California Facilities”).
4. The Fund’s assets consist solely of 13,123,060 common shares of Countryside Canada (representing all of the issued and outstanding common shares of Countryside Canada) (“Countryside Canada Common Shares”) and Cdn\$131,230,600 aggregate principal amount of 10.95% unsecured, subordinated notes of Countryside Canada (“Countryside Canada Notes”). The Fund may from time to time subscribe for additional Countryside Canada Common Shares and Countryside Canada Notes, subject to the restrictions contained in its Declaration of Trust.
5. The Units are listed and posted for trading on the Toronto Stock Exchange under the symbol “COU.UN”.

Countryside Canada

6. Countryside Canada is a corporation incorporated under the federal laws of Canada. The registered and head office of Countryside Canada is 495 Richmond Street, Suite 920, London, Ontario, N6A 5A9.
7. The authorized capital of Countryside Canada consists of an unlimited amount of common shares without nominal or par value.
8. All of the issued and outstanding common shares of Countryside Canada are owned by the Fund. Countryside Canada is the owner of all of the issued and outstanding common shares of Countryside Canada Acquisition Inc., the indirect owner of the District Energy Systems, and Countryside US Holding Corp., the owner of indirect interests in the California Facilities. Countryside Canada also holds a convertible royalty interest in U.S. Energy Biogas Corporation (“USEB”) as well as interest-bearing promissory notes (at a rate of 11.0% per annum) issued by USEB in an aggregate principal amount of Cdn\$107 million.
9. Countryside Canada is not a “reporting issuer” or the equivalent in any jurisdiction in Canada.

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10. Countryside Canada is a wholly-owned subsidiary of the Fund and carries on no independent operations. It acts solely as a holding company for investments held indirectly by the Fund.

The Offering

11. On June 29, 2005, the Fund, through Countryside U.S. Holding Corp. (an indirect subsidiary), acquired 100% of the membership interests of Lightyear Rockland Partners LLC (now known as Ripon Power LLC), which in turn owns 100% of the membership interests of Ripon Cogeneration, LLC, a California-based power generation company that is the owner of the California Facilities for consideration of approximately US\$35.8 million in cash and the assumption of approximately US\$59.5 million of non-recourse debt (the "Acquisition"). To finance the Acquisition, the Fund and certain of its subsidiaries entered into an agreement with a Canadian chartered bank providing for an amended revolving term facility of up to Cdn\$80 million (the "Credit Facility"), which facility was fully drawn upon closing of the Acquisition.
12. The Fund proposes to repay the Credit Facility through an underwritten public offering of Units and convertible unsecured, subordinated debentures of Countryside Canada ("Debentures") in all of the provinces and territories of Canada.
13. The salient terms of the Debentures are expected to be as follows:
 - (a) the Debentures will be dated as of the closing of the offering and will mature approximately seven years following their issuance ("Maturity");
 - (b) the Debentures will bear interest from the date of issue at an expected rate of approximately 6.25% per annum payable semi-annually on the last day of April and October in each year, commencing in October, 2005. The interest on the Debentures will be payable in lawful money of the United States;
 - (c) the Debentures will be convertible at the holder's option into fully paid and non-assessable Units if the closing price of the Units exceeds a certain threshold, at any time prior to 5:00 p.m. (Toronto time) on the earlier of the maturity date of the Debentures and the business day immediately preceding the date specified by Countryside Canada for redemption of the Debentures, at a certain conversion price (the "Conversion Price"). Debentureholders converting their Debentures

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will receive accrued and unpaid interest thereon up to, but excluding, the date of conversion;

- (d) on redemption or at Maturity, Countryside Canada will repay the indebtedness represented by the Debentures by paying to the debenture trustee in lawful money of the United States an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon;
- (e) the Debentures will not be redeemable prior to approximately three years from their date of issuance . On or after approximately three years from their date of issuance and prior to five years from their date of issuance, the Debentures will be redeemable in whole or in part from time to time at the option of Countryside Canada on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the day prior to the date upon which the notice of redemption is given, converted into US dollars (based on the Bank of Canada noon exchange rate on each such trading day) is at least 125% of the Conversion Price. On or after approximately five years from their date of issuance, the Debentures will be redeemable prior to Maturity in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest;
- (f) the payment of the principal of, and interest on, the Debentures will rank senior to Subordinated Intercompany Debt and subordinate in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Secured Indebtedness of the Fund and its subsidiaries. "Subordinated Intercompany Debt" means any intercompany debt of the Fund and its subsidiaries. "Senior Secured Indebtedness" is defined in the Indenture as all secured indebtedness, liabilities and obligations of the Fund (other than the Debentures) and its subsidiaries, whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed in connection with the acquisition by the Fund of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, banker's acceptances, letters of credit, debt instruments, bank debt and financial leases, and any liability evidenced by bonds, debentures,

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notes or similar instruments) or in connection with the acquisition of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, banker's acceptances, letters of credit, debt instruments, bank debt and financial leases, and any liability evidenced by bonds, debentures, notes or similar instruments) by others including, without limitation, any subsidiary (as defined in the Securities Act (Ontario)) of the Fund, for payment of which Countryside Canada is responsible or liable, whether absolutely or contingently; and

- (g) upon the occurrence of a change of control of the Fund involving the acquisition of voting control or direction over 66⅔% or more of the votes represented by outstanding Units by any person or group of persons acting jointly or in concert (a "Change of Control"), each holder of Debentures may require Countryside Canada to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the "Put Date"), the whole or any part of such holder's Debentures at a price expected to be equal to 101% of the principal amount thereof (the "Put Price") plus accrued and unpaid interest up to, but excluding, the Put Date. If 90% or more in the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase on the Put Date, Countryside Canada will have the right to redeem all the remaining Debentures on such date at the Put Price, together with accrued and unpaid interest up to, but excluding, the Put Date. The principal on the Debentures is expected to be payable in lawful money of the United States or, at the option of the Fund and subject to applicable regulatory approval, by payment of Units to satisfy, in whole or in part, its obligation to repay the principal amount of the Debentures.
- 14. Pursuant to the terms of the Indenture, the Fund shall take all actions and do all things reasonably necessary or desirable to enable and permit Countryside Canada, in accordance with applicable law, to perform its obligations under the Indenture to deliver the requisite number of Units to the extent that holders of Debentures exercise their conversion rights as set out above.
 - 15. The Fund has no independent business operations, interests in other businesses or material assets and liabilities other than its direct investment in Countryside Canada.

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Confidential Treatment

16. The Filers anticipate filing a preliminary short form prospectus under NI 44-101 prior to November 23, 2005.
17. The details of the proposed offering have not been publicly disclosed and the Filers do not anticipate disclosing such information prior to the filing of a preliminary short form prospectus.

Decision

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 Countryside Canada is exempt from the Short Form Eligibility Requirements provided that:

- (a) the Fund is eligible to file a prospectus in the form of a short form prospectus under NI 44-101;
- (b) Countryside Canada remains a wholly-owned subsidiary of the Fund;
- (c) all audited annual comparative financial statements and interim comparative financial statements filed by the Fund under the Legislation are prepared on a consolidated basis in accordance with Canadian generally accepted accounting principles or such other standards as may be permitted under the Legislation from time to time; and
- (d) the business of Countryside Canada continues to be the same as the business of the Fund, in that the Fund has no independent business operations, interests in other businesses or material assets and liabilities other than its direct or indirect investment in Countryside Canada and its subsidiaries.

The further decision of the Decision Makers under the Legislation is that Countryside Canada is exempt from the Continuous Disclosure Requirements provided that:

- (a) the Fund remains a reporting issuer or the equivalent thereof in each Jurisdiction and an electronic filer within the meaning of National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* ("SEDAR");
- (b) Countryside Canada remains a wholly-owned subsidiary of the Fund;

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- (c) the business of Countryside Canada continues to be the same as the business of the Fund, in that the Fund has no independent business operations, interests in other businesses or material assets and liabilities other than its direct or indirect investment in Countryside Canada and its subsidiaries;
- (d) the Fund complies with the Continuous Disclosure Requirements and files with the Decision Makers all documents required to be filed under the Legislation;
- (e) the Fund complies with the Certification Requirement;
- (f) all audited annual comparative financial statements and interim comparative financial statements filed by the Fund under the Legislation are prepared on a consolidated basis in accordance with Canadian generally accepted accounting principles or such other standards as may be permitted under the Legislation from time to time;
- (g) Countryside Canada sends to all holders of Debentures resident in Canada the Fund's continuous disclosure materials, contemporaneously with the furnishing by the Fund or such materials to holders of Units;
- (h) if there is a material change in the affairs of Countryside Canada that is not a material change in the affairs of the Fund, Countryside Canada will comply with the requirements of the Legislation to issue a press release and file a material change report;
- (i) the documents required to be filed by the Fund under the Legislation are filed under the SEDAR profiles of each of the Fund and Countryside Canada within the time limits and in accordance with applicable fees required for the filing of such documents;
- (j) Countryside Canada does not issue any securities to the public other than the Debentures; and
- (k) Countryside Canada files a notice in its SEDAR profile stating that it has been granted relief from its continuous disclosure obligations and that the investors should refer to the continuous disclosure documents filed by the Fund which are also available in Countryside Canada's SEDAR profile.

The further decision of the Decision Makers (other than the Decision Maker in Prince Edward Island) under the Legislation is that Countryside Canada is exempt

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from the Certification Requirement for so long as it is exempt from the Continuous Disclosure Requirements in the manner provided for above.

The further decision of the Decision Makers under the Legislation is that the request for Confidential Treatment is granted.

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Ontario Securities Commission