

Headnote

National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* – *Securities Act* s. 88 – Cease to be a reporting issuer in BC – The securities of the issuer are beneficially owned by more than 50 persons and are not traded through any exchange or market - The issuer is undergoing CCAA restructuring; under the CCAA plan, the equity securities of the issuer will be cancelled; following implementation of the plan, there will be a de minimus number of Canadian securityholders of the issuer, comprising creditors of the issuer and noteholders of its Canadian subsidiary; it is a condition of the CCAA plan that the issuer and its subsidiary not be reporting in Canada.

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s.88

January 30, 2014

In the Matter of
the Securities Legislation of
Alberta, British Columbia, Saskatchewan, Manitoba, Ontario,
New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador
(the Jurisdictions)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Lone Pine Resources Inc.
(the Filer)

Decision

Background

- ¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (the Decision Maker) has received an application from the Filer for a decision (the Exemptive Relief Sought) under the securities legislation of the Jurisdictions (the Legislation) that the Filer is deemed to have ceased to be a reporting issuer.

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a coordinated review application):

- (a) the Alberta Securities Commission is the principal regulator for this application; and

- (b) this decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

Interpretation

- ¶ 2 Terms defined in National Instrument 14-101 Definitions have the same meaning if used in this decision, unless otherwise defined herein.

Representations

- ¶ 3 This decision is based on the following facts represented by the Filer:

1. The Filer is a Delaware corporation with its head office located in Calgary, Alberta.
2. The Filer is a reporting issuer under the Legislation in each of the Jurisdictions and is not in default of the Legislation.
3. The Filer is also subject to reporting requirements under U.S. federal securities law as it is required to file reports under section 15(d) of the 1934 Act, as amended.
4. The Filer is an "SEC foreign issuer" within the meaning of National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* and, pursuant to that instrument and other accommodations available to foreign reporting issuers under the Legislation, generally satisfies its continuous disclosure requirements under the Legislation through compliance with corresponding reporting obligations under U.S. federal securities law, filing its U.S. disclosure documents with Canadian regulators, and sending to its Canadian shareholders the same materials it sends to U.S. shareholders.
5. The outstanding shares of common stock of the Filer (Existing Common Shares) were previously listed on the New York Stock Exchange (NYSE) and Toronto Stock Exchange (TSX), but were removed from listing and registration on the NYSE on October 22, 2013 and were delisted from the TSX on October 31, 2013.
6. The outstanding securities of the Filer currently consist of:
 - (a) 86,860,176 Existing Common Shares; and
 - (b) stock options and other incentive awards issued under the Filer's current stock incentive plan (collectively, Stock Incentive Awards), pursuant to which an aggregate of 2,610,622 Existing Common Shares are issuable in accordance with the terms and conditions thereof.
7. Lone Pine Resources Canada Ltd. (LPR Canada) is an Alberta corporation with its head office located in Calgary, Alberta.
8. LPR Canada is not a reporting issuer under the Legislation.

9. LPR Canada is a wholly-owned subsidiary of the Filer, which currently holds, directly and indirectly, all of the issued and outstanding shares (the Outstanding LPRC Shares) of LPR Canada.
10. The outstanding securities of LPR Canada consist of:
 - (a) the Outstanding LPRC Shares; and
 - (b) US\$195 million principal amount of unsecured 10.375% senior notes due 2017 (the Notes).
11. The Notes were issued in exchange for an equal principal amount of 10.375% senior notes due 2017 of LPR Canada initially issued on a private placement basis, primarily in the United States to "qualified institutional buyers" under U.S. federal securities law with a relatively small portion (less than 10%) sold in Canada to "accredited investors" under applicable Canadian securities legislation.
12. The payment obligations of LPR Canada under the Notes are guaranteed (on an unsecured basis) by the Filer and each of the Filer's other subsidiaries.
13. On September 25, 2013, the Filer, LPR Canada and all other subsidiaries of the Filer (collectively, the Lone Pine Group) commenced proceedings in the Court of Queen's Bench of Alberta (Court) under the Companies' Creditors Arrangement Act (CCAA), and ancillary proceedings under Chapter 15 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware, to obtain protection from creditor actions against them and undertake a comprehensive capital reorganization and corporate restructuring of the Lone Pine Group (the Restructuring).
14. The Restructuring is being undertaken with the support of holders of approximately 75% of the outstanding Notes pursuant to support agreements dated September 24, 2013 between the Lone Pine Group and such holders (the Initial Consenting Noteholders).
15. PricewaterhouseCoopers Inc. was appointed by the Court to act as monitor of the Lone Pine Group in connection with the CCAA proceedings (in such capacity, the Monitor).
16. The terms and conditions of the proposed Restructuring are set forth in a plan of compromise and arrangement issued by the Lone Pine Group under the CCAA (as amended, supplemented or restated from time to time in accordance with its terms, the Plan), which provides for the following principal transactions:
 - (a) outstanding Notes and other claims against the Lone Pine Group (other than equity claims) that are compromised under the Plan will be exchanged for a pro rata distribution of common equity securities consisting of new common shares of the Filer and new common shares of LPR Canada (collectively, New Common Shares);

- (b) eligible holders of Notes or other claims against the Lone Pine Group (other than equity claims) that are compromised under the Plan will subscribe for and purchase not less than US\$100 million of preferred equity securities consisting of new multiple voting shares of the Filer and new preferred shares of LPR Canada (collectively, New Preferred Shares), which holders will include certain of the Initial Consenting Noteholders who have agreed to subscribe for any portion of the offering that is not taken up by other eligible holders pursuant to pro rata subscription rights; and
 - (c) all existing "equity interests" in the Filer within the meaning of the CCAA, which includes the Existing Common Shares and the Stock Incentive Awards, will be cancelled and the holders thereof will cease to be securityholders of the Filer or any other member of the Lone Pine Group.
17. Cancellation of the Existing Common Shares and the Stock Incentive Awards is in accordance with the priority scheme between debt and equity under the CCAA and insolvency legislation generally, and is a consequence of the Lone Pine Group being unable to fully pay the priority claims of its affected unsecured creditors.
 18. Affected unsecured creditors whose claims against the Lone Pine Group (other than equity claims) are compromised under the Plan include trade creditors, whose claims are also unsecured and subject to the same treatment under the Plan as the Notes.
 19. The Plan also provides for a cash pool of up to \$700,000 from which to pay in cash unsecured debt claims of \$10,000 or less (or that the holder thereof elects to reduce to \$10,000), subject to adjustment in accordance with the Plan and prorating in the event that eligible demand on the cash pool exceeds the maximum amount available.
 20. The number of New Preferred Shares issued under the Plan will be three (3) times the number of New Common Shares, such that the New Common Shares will represent 25% of total Lone Pine Group equity immediately following implementation and the New Preferred Shares will represent 75%.
 21. The total number of New Common Shares and New Preferred Shares to be distributed under the Plan will be as agreed to by the Lone Pine Group, the Monitor and the requisite majority of Initial Consenting Noteholders.
 22. Lone Pine will retain a controlling voting interest in LPR Canada pursuant to the Plan.
 23. The Plan was approved by affected unsecured creditors of the Lone Pine Group, in accordance with the requirements of the CCAA and applicable Court orders, at meetings held on January 6, 2014 for the purpose of voting on the Plan (the Creditors' Meetings). The required majority for creditor approval was, at the respective Creditors' Meeting of each Lone Pine Group member, a majority in number of affected unsecured creditors representing at least two-thirds in value of the voting claims. The Plan was in fact approved at the respective Creditors' Meetings by over 98% of the number of affected creditors who voted holding, in each case, more than 99% of the voting claims.

24. On January 9, 2014, the Court granted an order sanctioning and approving the Plan pursuant to the CCAA (the Sanction Order). On January 10, 2014 the United States Bankruptcy Court for the District of Delaware granted an order recognizing the Sanction Order pursuant to Chapter 15 of the United States Bankruptcy Code.
25. Implementation of the Plan is subject to satisfaction or waiver of various conditions precedent set forth therein. Assuming satisfaction or waiver of these conditions within the expected time frames, the Filer anticipates implementing the Plan and completing the Restructuring on or before January 31, 2014.
26. Except as otherwise provided in the Plan, the transactions to be effected on implementation of the Plan are to occur in the sequence specified therein commencing at 12:01 a.m. (Calgary time) or such other time as the Lone Pine Group, the Monitor and the requisite majority of Initial Consenting Noteholders may agree (the Effective Time) on the day (the Plan Implementation Date) on which the Monitor delivers a certificate stating that the Plan is effective in accordance with its terms and the terms of the Sanction Order.
27. It is a condition precedent to implementation of the Plan, pursuant to the provisions of the Plan and the support agreements with the Initial Consenting Noteholders, that neither the Filer nor LPR Canada be a reporting issuer under the securities legislation of any jurisdiction of Canada.
28. The information circular of the Lone Pine Group dated December 13, 2013 relating to the Plan and the Creditors' Meetings (the Information Circular) disclosed that the Filer intends to apply to the Decision Makers for the Exemptive Relief Sought, such that its reporting obligations under the Legislation would terminate in connection with implementation of the Plan, and that to the extent necessary the order requested from the Decision Makers would also apply to LPR Canada.
29. The Information Circular also disclosed that the new shares distributed under the Plan would be subject to resale restrictions, and that if the Filer or LPR Canada, as applicable, as issuer of the shares proposed to be traded, was not a reporting issuer in a Canadian jurisdiction then such restrictions will generally require that the trade qualify for a further exemption from the prospectus requirements.
30. The Information Circular further disclosed that, on or as soon as practicable following implementation of the Plan, the Filer intends to take all such steps as are available to it under U.S. federal securities law to terminate and/or suspend its reporting obligations thereunder.
31. The Filer expects to be able to terminate and/or suspend its reporting obligations under U.S. federal securities law following implementation of the Plan on the basis of having fewer than 300 securityholders.
32. Upon implementation of the Plan, the only securityholders of any remaining Lone Pine Group member (Post-Closing Securityholders), other than (i) another Lone Pine Group

member to the extent of inter-company shareholdings or (ii) directors, officers or employees to the extent of any awards that may be made under a new share incentive plan, will be former holders of Notes (Noteholders) or trade creditors whose claims against the Lone Pine Group are compromised under the Plan and that:

(a) receive, in connection with the compromise of their claims, New Common Shares; and

(b) to the extent they validly elect in accordance with the Plan to subscribe for New Preferred Shares and are eligible thereunder to do so, purchase New Preferred Shares.

33. Accordingly, the aggregate number of Post-Closing Securityholders will be a function of the number of Noteholders and trade creditors whose claims against the Lone Pine Group are compromised under the Plan in exchange for New Common Shares. Purchasers of New Preferred Shares under the Plan will be a subset of this group, and information regarding holders of Existing Common Shares and Stock Incentive Awards is not relevant to an assessment of Post-Closing Securityholder numbers as they will be cancelled on implementation of the Plan.
34. The Notes are issued in book-entry form and represented by global certificates registered in a nominee name of The Depository Trust Company (DTC), with beneficial interests therein recorded in records maintained by DTC and its participants as financial intermediaries that hold securities on behalf of their clients. In accordance with industry practice and custom the Filer has obtained from Broadridge Financial Solutions Inc. (Broadridge) a geographic survey of beneficial holders of Notes as of January 9, 2014 (the Geographic Report), which provides information as to the number of Noteholders and Notes held in each jurisdiction of Canada, in the United States and elsewhere. Broadridge advises that its reported information is based on securityholder addresses of record identified in the data files provided to it by the financial intermediaries holding Notes. Accordingly, insofar as such intermediaries do not accurately or completely respond to the survey, or address information is not representative of residency, the information is imperfect.
35. The Geographic Report covers approximately 82% of the outstanding principal amount of Notes and reports a total of 67 Noteholders holding US\$159,671,000 principal amount of Notes, with nine (9) resident in Ontario holding US\$13,800,000 principal amount (representing approximately 7% of the total principal amount outstanding or approximately 9% of the principal amount reported) and none resident in any other jurisdiction of Canada. Extrapolating these numbers across the full US\$195 million principal amount of Notes outstanding would imply a total of 82 Noteholders.
36. Noteholder information reported in the Geographic Report, which is as of January 9, 2014, is broadly consistent with account information provided by DTC participants to the Monitor and agents in connection with the Creditors' Meeting materials dissemination and proxy collection process, which related to an October 25, 2013 record date and covered the full US\$195 million principal amount. The account information provided indicated a total of 117 Noteholder accounts who may become Post-Closing Securityholders, of which only 12 (holding an aggregate principal amount of US\$15,075,000) appeared to be Canadian.

37. In addition to Noteholders, the Filer has determined that, after giving effect to elections to participate in the cash pool described in paragraph 19 above, 28 Canadian trade creditors located in Alberta may also become Post-Closing Securityholders pursuant to the Plan. The aggregate share ownership of all such trade creditors will be less than 0.2% of the total number of New Common Shares and New Preferred Shares that will be issued on implementation of the Plan.
38. Based on diligent inquiries, the Filer has determined that, other than directors, officers or employees with respect to any awards that may be made on implementation of the Plan under a new share incentive plan, immediately following implementation of the Plan:
- (a) there could be up to 120 Post-Closing Securityholders in total;
 - (b) not more than 50 Post-Closing Securityholders will be resident in Canada; and
 - (c) other than Alberta, where 28 trade creditors may become Post-Closing Securityholders pursuant to the Plan, not more than 15 Post-Closing Securityholders will be resident in any Canadian jurisdiction.
39. The Plan contemplates that a new share incentive plan will be implemented in connection with the Restructuring pursuant to which shares will be reserved for issuance, after implementation of the Plan, to directors, officers and employees of the Filer and LPR Canada. The terms of such plan have not yet been determined, but any grantee of awards thereunder will (if the Exemptive Relief Sought is granted) be aware of the fact that neither the Filer nor LPR Canada is a reporting issuer under the Legislation. The Lone Pine Group had 36 employees (including officers) as at December 31, 2013.
40. New Common Shares and New Preferred Shares to be issued upon implementation of the Plan will not be qualified for distribution to the public under any applicable Canadian securities laws and will be subject to restrictions on transfer in Canada. New Common Shares and New Preferred Shares will be distributed to the Initial Consenting Noteholders and other affected unsecured creditors that become Post-Closing Securityholders under the Plan, pursuant to the exemption from the prospectus requirement in section 2.11 of National Instrument 45-106 Prospectus and Registration Exemptions, and such securities held by such persons will be subject to the resale restrictions specified in subsection 2.6(3) of National Instrument 45-102 Resale of Securities.
41. The Exemptive Relief Sought has been applied for in all jurisdictions of Canada in which the Filer is currently a reporting issuer, and if it is granted (i) the Filer will cease to be a reporting issuer in any jurisdictions of Canada and (ii) LPR Canada will not become a reporting issuer in any jurisdiction as a consequence of the Plan and completion of the transactions provided therein.
42. Upon implementation of the Plan no securities of the Filer or of LPR Canada, including debt securities, will be traded in Canada or another country on a "marketplace" (as that term is

defined in National Instrument 21-101 *Marketplace Operation*) or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported.

43. Lone Pine and LPR Canada have no current intention to seek financing by way of public offering of securities in Canada or to distribute securities to the public in Canada (other than New Common Shares and New Preferred Shares on the Plan Implementation Date as described in paragraph 16 above).
44. The Filer will promptly issue a news release upon the occurrence of the Plan Implementation Date. The news release will specify that the Filer is no longer a reporting issuer as of the Effective Time on the Plan Implementation Date.

Decision

- ¶ 4 Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that provided that the Plan Implementation Date occurs on or before February 28, 2014, the Exemptive Relief Sought is granted effective immediately before the Effective Time on the Plan Implementation Date.

“original signed by”

Denise Weeres
Manager, Legal
Corporate Finance