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November 29, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications

National Instrument 51-102 *Continuous Disclosure Obligations*, s. 13.1 – all continuous disclosure requirements - An issuer wants an exemption from having to file continuous disclosure documents to permit it to rely on the continuous disclosure documents of its parent issuer - The issuer is an exchangeable share issuer that complies with all of the conditions for continuous disclosure relief in section 13.3 of National Instrument 51-102 *Continuous Disclosure Obligations* except that it has issued certain securities other than exchangeable shares, securities issued to its parent company, or debt securities to certain investors; the additional securities were preference shares issued to one person in connection with services provided under an arrangement

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, s. 91 – audit committee requirements - An exchangeable share issuer wants an exemption from BCI 52-509 *Audit Committees* - The issuer is an exchangeable share issuer; the issuer is exempt from continuous disclosure requirements provided it files the continuous disclosure of its parent; its parent is subject to the audit committee requirements in Multilateral Instrument 52-110

National Instrument 58-101 *Disclosure of Corporate Governance Practices*, s.3.1 – corporate governance disclosure requirements - An exchangeable share issuer wants an exemption from NI 58-101 - The issuer is an exchangeable share issuer that complies with all of the conditions for continuous disclosure relief in section 13.3 of National Instrument 51-102 *Continuous Disclosure Obligations* except that it has issued certain securities other than exchangeable shares, securities issued to its parent company, or debt securities to certain investors; the additional securities were preference shares issued to one person in connection with services provided under an arrangement

Securities Act, s. 91 – insider reporting requirements - An issuer wants relief from the requirement to file insider reports for its insiders - The issuer is an exchangeable security issuer that cannot rely on the exemption in National Instrument 51-102 *Continuous Disclosure Obligations* because it does not comply with all of the conditions for continuous disclosure relief in NI 51-102; as a result,

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its insiders cannot rely on the insider reporting exemptions in NI 51-102; the issuer has been granted discretionary relief from NI 51-102 requirements

National Instrument 55-102 *System for Electronic Disclosure by Insiders*, s.6.1 – issuer SEDI requirements - An issuer wants relief from the requirement to file an issuer profile supplement and an issuer event report - The issuer has applied for and received an exemption from the requirement to file insider reports for all of its insiders

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 85, 87, 87.1 and 91

Securities Rules, B.C. Reg. 194/97, ss. 144 and 145

BCI 52-509 *Audit Committees*

National Instrument 51-102, s. 13.1 and 13.3

Multilateral Instrument 52-109, s.4.5

National Instrument 58-101, s. 3.1

National Instrument 55-102, s.6.1

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

and

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

and

In the Matter of
Marathon Oil Corporation (Marathon) and 1339971 Alberta Ltd. (AcquisitionCo),
(Marathon and AcquisitionCo are collectively referred to as the Filer)

MRRS Decision Document

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of each of the Jurisdictions (the Legislation) that:

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- (a) the requirements contained in National Instrument 51-102 Continuous Disclosure Obligations (NI 51-102) (the Continuous Disclosure Requirements) shall not apply to AcquisitionCo (the Continuous Disclosure Relief);
- (b) the requirements contained in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109) (the Certification Requirements) shall not apply to AcquisitionCo (the Certification Relief);
- (c) each of the requirements contained in (i) Multilateral Instrument 52-110 Audit Committees (MI 52-110), (ii) in Alberta only, section 171(1) of the Business Corporations Act (Alberta) (the "ABCA") and (iii) in British Columbia only, BC Instrument 52-509 Audit Committees (collectively, the Audit Committee Requirements) shall not apply to AcquisitionCo (the Audit Committee Relief);
- (d) the requirements contained in National Instrument 58-101 Disclosure of Corporate Governance Practices (NI 58-101) (the Corporate Governance Disclosure Requirements) shall not apply to AcquisitionCo (the Corporate Governance Disclosure Relief);
- (e) the requirements contained in the Legislation with respect to insider reporting and the filing of an insider profile (the Insider Reporting Requirements) shall not apply to any insider of AcquisitionCo and AcquisitionCo (the Insider Reporting Relief); and
- (f) the requirements contained in National Instrument 55-102 System for Electronic Disclosure by Insiders (SEDI) (NI 55-102) (the SEDI Requirements) shall not apply to any insider of AcquisitionCo and AcquisitionCo (the SEDI Relief),

in each case provided that certain conditions are satisfied as set forth below.

2. Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

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Interpretation

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

Representations

4. This decision is based on the following facts represented by the Filer:

The Arrangement Agreement

- (a) Western Oil Sands Inc. ("Western"), Marathon, AcquisitionCo and WesternZagros Resources Inc. ("WesternZagros") entered into an arrangement agreement dated July 30, 2007, as amended and restated on September 14, 2007 and as further amended on October 16, 2007 (the "Arrangement Agreement").

The Arrangement

- (b) Under the terms of the Arrangement Agreement, Marathon acquired all of the issued and outstanding common shares of Western (the Western Shares) through its indirect wholly-owned subsidiary, AcquisitionCo, for consideration consisting of cash, shares of Marathon common stock (Marathon Shares), exchangeable shares in the capital of AcquisitionCo (Exchangeable Shares) or a combination thereof. Holders of Western Shares (the Western Shareholders) also received securities of a newly incorporated company, WesternZagros Resources Ltd. (New WesternZagros) which, together with its subsidiaries, will carry on the business of WesternZagros in the Federal Region of Kurdistan in Northern Iraq. Western Shareholders received one New WesternZagros Share (as defined below) and one-tenth of one New WesternZagros Warrant (as defined below) for each Western Share held. The Arrangement was implemented by way of a court-approved plan of arrangement (the Plan of Arrangement) under the ABCA pursuant to the terms of the Arrangement Agreement.
- (c) The Arrangement required, among other things: (i) an application to the Court of Queen's Bench of Alberta (the Court) for an interim order (the Interim Order) requesting that certain requirements and procedures be specified for a special meeting (the Western Meeting) of the Western Shareholders for the purpose of approving the Arrangement; (ii) the approval of the Western Shareholders at the Western Meeting requiring the affirmative vote of not less than $66\frac{2}{3}\%$ of the votes validly cast at the

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Western Meeting by Western Shareholders; and (iii) the final approval of the Court (the Final Order”). The Interim Order was granted by the Court on September 14, 2007. At the Western Meeting, Western Shareholders voted 99.3% in favour of the Arrangement. The Final Order was granted by the Court on October 16, 2007.

- (d) Upon the Arrangement becoming effective, in accordance with elections made by Western Shareholders and subject to pro-ration, each issued and outstanding Western Share was exchanged for:
 - (i) Cdn. \$35.50 in cash (the Cash Consideration);
 - (ii) 0.5932 of a Marathon Share (the Marathon Share Consideration);
 - (iii) 0.5932 of an Exchangeable Share (other than Western Shareholders who are non-residents of Canada for purposes of the Income Tax Act (Canada) (the ITA) and Western Shareholders that are exempt from tax under Part I of the ITA who are not entitled to elect to receive Exchangeable Shares) (the Exchangeable Share Consideration); or
 - (iv) a combination thereof.
- (e) In addition, each Western Shareholder received, for each Western Share held, one common share in the capital of New WesternZagros (a New WesternZagros Share) and one tenth of a common share purchase warrant to purchase shares of New WesternZagros (New WesternZagros Warrant). Each whole New WesternZagros Warrant entitles the holder thereof to purchase one New WesternZagros Share at a price of \$2.50 until the date which is three months from the effective date of the Arrangement (the Effective Date).
- (f) Western Shareholders received, in aggregate, cash in respect of approximately 65% of the outstanding Western Shares and Marathon Shares and Exchangeable Shares in respect of approximately 35% of the outstanding Western Shares.
- (g) The Arrangement became effective on October 18, 2007.
- (h) The Western Shares have been delisted from the Toronto Stock Exchange (the TSX). The Exchangeable Shares will not be listed on any stock exchange. The Marathon Shares issued pursuant to the Arrangement and issuable upon exchange of the Exchangeable Shares have been listed on the New York Stock Exchange. The New WesternZagros Shares and the

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New WesternZagros Warrants have been listed on the TSX Venture Exchange.

- (i) The Exchangeable Shares, Marathon Shares, New WesternZagros Shares and New WesternZagros Warrants issued to Western Shareholders pursuant to the Arrangement together with the Marathon Shares issuable upon the exchange of the Exchangeable Shares were issued pursuant to an exemption from the prospectus and registration requirements of applicable Canadian securities laws under section 2.11 of National Instrument 45-106 Prospectus and Registration Exemptions and will generally not be subject to any resale restrictions under applicable Canadian securities laws (provided the conditions set out in Subsection 2.6(3) of National Instrument 45-102 Resale Restrictions are satisfied).
- (j) Upon completion of the Arrangement, each of Marathon, AcquisitionCo and New WesternZagros became a reporting issuer in certain of the provincial jurisdictions in which Western is a reporting issuer, by virtue of the completion of the Arrangement with Western.

AcquisitionCo

- (k) AcquisitionCo is an indirect subsidiary of Marathon incorporated under the laws of the Province of Alberta for the purpose of implementing the Arrangement. AcquisitionCo undertook various issuances and exchanges of securities in connection with the Arrangement.
- (l) The authorized capital of AcquisitionCo consists of an unlimited number of common shares, an unlimited number of Exchangeable Shares and an unlimited number of preferred shares, issuable in series. As of September 14, 2007, there was one common share of AcquisitionCo issued and outstanding, which was held by Marathon International Oil Company (an indirect subsidiary of Marathon). Each Exchangeable Share will initially be exchangeable on a one-for-one basis for Marathon Shares. The Exchangeable Shares have economic and voting rights that are, as nearly as practicable, the same as the rights of Marathon Shares, including the right to vote at meetings of holders of Marathon Shares. In addition, the exchange ratio for the Exchangeable Shares will be adjusted from time to time to account for cash dividends paid by Marathon on the Marathon Shares. Following the completion of the Arrangement, all of the outstanding Exchangeable Shares are held by former Western Shareholders who elected to receive Exchangeable Shares in exchange for their Western Shares pursuant to the Arrangement. Prior to the Effective Date, the board of directors of AcquisitionCo established the first series of

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preferred shares of AcquisitionCo designated as “preferred shares, special series 1”. One preferred share, special series 1 (the Special Preferred Share) was authorized for issuance and such share was issued to a third party, which is not affiliated with Marathon, in consideration for services rendered. The Special Preferred Share does not have any voting rights and the holder of the Special Preferred Share is not entitled to receive notice of or to attend any meetings of shareholders of AcquisitionCo, except as otherwise provided by the ABCA. AcquisitionCo will redeem, to the extent it has legally available funds therefor, the Special Preferred Share on December 31, 2012 (the Redemption Date) at a redemption price per share equal to US\$65,000 plus accrued and accumulated and unpaid dividends thereon to the Redemption Date.

- (m) The Continuous Disclosure Relief, the Certification Relief, the Audit Committee Relief, the Corporate Governance Disclosure Relief, the Insider Reporting Relief and the SEDI Relief under the Legislation were each designed to apply to issuers of exchangeable securities in circumstances where the continuous disclosure, insider reporting, audited financial information and other information relevant to holders of securities of the issuer of the exchangeable shares is the information of the issuer of the underlying securities (which, in the current context, is Marathon). The aforementioned exemptions under the Legislation will technically not be available to AcquisitionCo upon completion of the Arrangement as a result of the issuance by AcquisitionCo of the Special Preferred Share, which is held by a third party.
- (n) Holders of Exchangeable Shares will have a participating interest determined by reference to Marathon, rather than to AcquisitionCo, as a result of the substantial economic and voting equivalence between the Exchangeable Shares (and ancillary rights) and Marathon Shares. The relevant continuous disclosure, insider reporting, audited financial information and other relevant information will be provided in respect of Marathon.

Decision

- 5. Each of the Decision Makers is satisfied that the tests contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decisions described herein have been met.
- 6. The decision of the Decision Makers under the Legislation is that the Continuous Disclosure Relief, the Certification Relief, the Audit Committee Relief and the Corporate Governance Disclosure Relief are granted for so long as:

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- (a) Marathon remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of AcquisitionCo;
- (b) Marathon remains an SEC issuer (as defined in section 1.1 of NI 51-102) with a class of securities listed or quoted on a U.S. marketplace (as defined in section 1.1 of NI 51-102) that has filed all documents it is required to file with the SEC;
- (c) AcquisitionCo does not issue any securities other than:
 - (i) the Special Preferred Share;
 - (ii) the Exchangeable Shares;
 - (iii) securities issued to and held by Marathon or any affiliate of Marathon;
 - (iv) debt securities issued to and held by banks, loan corporations, loan and investment corporations, savings companies, trust corporations, treasury branches, savings or credit unions, financial services cooperatives, insurance companies or other financial institutions; or
 - (v) securities issued under exemptions from the registration requirement and prospectus requirement in section 2.35 of National Instrument 45-106 Prospectus and Registration Exemptions,
- (d) AcquisitionCo files on SEDAR copies of all documents that Marathon is required to file with the SEC under the 1934 Act, at the same time as, or as soon as practicable after, the filing by Marathon of those documents with the SEC;
- (e) AcquisitionCo concurrently sends to all holders of Exchangeable Shares, in the manner and at the time required by U.S. laws (as defined in section 1.1 of NI 51-102) and the requirements of any U.S. marketplace (as defined in section 1.1 of NI 51-102) on which securities of Marathon are listed or quoted, all disclosure materials that are sent to Marathon Shareholders;
- (f) Marathon complies with U.S. laws (as defined in section 1.1 of NI 51-102) and the requirements of any U.S. marketplace (as defined in section 1.1 of NI 51-102) on which the securities of Marathon are listed or quoted in respect of making public disclosure of material information on a timely

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basis, and immediately issues in Canada and files on SEDAR any news release that discloses a material change in its affairs;

(g) AcquisitionCo complies with the requirements of the Legislation to issue a news release and file a material change report on SEDAR in accordance with Part 7 of NI 51-102 for all material changes in respect of the affairs of AcquisitionCo that are not also material changes in the affairs of Marathon; and

(h) Marathon includes in all mailings of proxy solicitation materials to holders of Exchangeable Shares a clear and concise statement that:

- (i) explains the reason the mailed material relates solely to Marathon;
- (ii) indicates that the Exchangeable Shares are intended to be, to the extent possible, the economic equivalent of Marathon Shares; and
- (iii) describes the voting rights associated with the Exchangeable Shares,

and the Insider Reporting Relief and SEDI Relief are granted for so long as:

- (i) no insider of AcquisitionCo receives, in the ordinary course, information as to material facts or material changes concerning Marathon before the material facts or material changes are generally disclosed;
- (j) no insider of AcquisitionCo is an insider of Marathon in any capacity other than by virtue of being an insider of AcquisitionCo;
- (k) Marathon remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of AcquisitionCo;
- (l) Marathon remains an SEC issuer (as defined in section 1.1 of NI 51-102); and

(m) AcquisitionCo does not issue any securities other than:

- (i) the Special Preferred Share;
- (ii) the Exchangeable Shares;
- (iii) securities issued to and held by Marathon or any affiliate of Marathon;

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- (iv) debt securities issued to and held by banks, loan corporations, loan and investment corporations, savings companies, trust corporations, treasury branches, savings or credit unions, financial services cooperatives, insurance companies or other financial institutions; or
- (v) securities issued under exemptions from the registration requirement and prospectus requirement in section 2.35 of National Instrument 45-106 Prospectus and Registration Exemptions.

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Alberta Securities Commission