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October 13, 2006

Headnote

1996 Securities Act s. 48, 76 Other - Exemption from s. 34(1)(a) requirement to be registered as a dealer for a trade and s. 61 requirement to file a prospectus for a distribution other than in connection with a corporate acquisition or reorganization; business associates; debt settlements; or employee investment plans and consultants - Trades by a non-mutual fund in connection with its distribution reinvestment plan. - The issuer is a newly-settled investment trust. The issuer can rely on the exemption in s. 2.2 of NI 45-106 Prospectus and Registration Exemptions to distribute units to participants in its distribution reinvestment plan. However, the issuer has only a small number of trust units issued and outstanding at the beginning of its initial financial year, restricting the number of trust units it could issue under the optional cash payment component of the plan during its initial financial year

Applicable Legislative Provisions

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

National Instrument 45-106 – *Prospectus and Registration Exemptions* s. 2.2

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

and

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

and

In the Matter of Daylight Resources Trust (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 Daylight Resources Trust (the Filer) for a decision, pursuant to the securities legislation of the Jurisdictions (the Legislation), that the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the Registration

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and Prospectus Requirements) shall not apply to the initial distribution of trust units of the Filer (Trust Units) to be issued under the optional cash payment component of a distribution reinvestment and optional trust unit purchase plan (Plan) during the Filer's initial financial year ending December 31, 2006 (the 2006 Financial Year) (Requested Relief).

2. Under the Mutual Reliance Review System for Exemptive Relief Applications (MRRS):
 - 2.1 the Alberta Securities Commission is the principal regulator for this application; and
 - 2.2 this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

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

Representations

4. This Decision is based on the following facts represented by the Filer:
 - 4.1 The Filer is an open-ended unincorporated investment trust formed under the laws of the province of Alberta and governed by a trust indenture dated August 16, 2006 (the Trust Indenture).
 - 4.2 The head office and principal place of business of the Filer is located in Calgary, Alberta.
 - 4.3 The Filer is the resulting entity of the merger between Daylight Energy Trust and Sequoia Oil & Gas Trust under a plan of arrangement (Arrangement) completed on September 21, 2006 (Effective Date).
 - 4.4 The Arrangement received unitholder and court approval on September 19, 2006.
 - 4.5 The Filer became a reporting issuer in certain of the Jurisdictions on completion of the Arrangement.
 - 4.6 The Filer had one Trust Unit issued and outstanding prior to the Effective Date of the Arrangement, and approximately 71.2 million Trust Units issued and outstanding immediately after the Effective Date.

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- 4.7 The Trust Units were listed on the Toronto Stock Exchange on September 26, 2006.
- 4.8 The Plan permits eligible holders of Trust Units (Participants) to automatically reinvest cash distributions paid on their Trust Units in additional Trust Units (Plan Units) as an alternative to receiving a cash distribution.
- 4.9 The Plan also permits Participants to make additional optional cash payments to acquire additional Trust Units (Optional Plan Units), subject to a minimum of \$ 1,000 per remittance and to a maximum of \$100,000 per financial month of the Filer per Participant.
- 4.10 No brokerage fees or service charges will be payable by Participants in connection with the purchase of Optional Plan Units under the Plan.
- 4.11 The Filer reserves the right to determine for any distribution payment date how many Optional Plan Units will be available for purchase under the Plan.
- 4.12 A Participant may terminate its participation in the Plan at any time by submitting a termination form to the Plan agent.
- 4.13 The Filer will post the Plan on the Filer's website. The Filer reserves the right to amend, suspend or terminate the Plan at any time and will provide Participants with written notice of any amendments, suspensions or terminations.
- 4.14 The Plan will not be available to Unitholders who are not residents of Canada for purposes of the *Income Tax Act* (Canada).
- 4.15 The Filer can rely on the reinvestment exemptions in section 2.2 of National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106) to distribute Plan Units and Optional Plan Units, except for Optional Plan Units distributed during the 2006 Financial Year.
- 4.16 As the 2006 Financial Year began prior to the Effective Date of the Arrangement and the Filer had only one Trust Unit issued and outstanding prior to the Arrangement, the Filer would be unable to issue any Optional Plan Units during the 2006 Financial Year as issuances are limited to 2% of the number of trust units issued and outstanding at the start of the 2006 Financial Year.

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- 4.17 The Filer is seeking to issue 2% of the aggregated number of Trust Units issued and outstanding immediately following the completion of the Arrangement.

Decision

5. 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.
6. The Decision of the Decision Makers pursuant to the Legislation is that the Requested Relief is granted, provided that:
- 6.1 at the time of the trade the Filer is a reporting issuer in at least one of the Jurisdictions and is not in default of any requirements of the Legislation;
- 6.2 no sales charge is payable by Participants in connection with the purchase of Optional Plan Units;
- 6.3 the aggregate number of Optional Plan Units issuable under the Plan in the 2006 Financial Year must not exceed 2% of the Trust Units issued and outstanding immediately after the Effective Date of the Arrangement; and
- 6.4 the first trade of Optional Plan Units shall be deemed to be a distribution or primary distribution to the public in the Jurisdictions unless the conditions set out in subsection 2.6(3) of National Instrument 45-102 *Resale of Securities* are satisfied.

Glenda A. Campbell, Q.C., Vice-Chair
Alberta Securities Commission

James A. Millard, Q.C., Member
Alberta Securities Commission