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Headnote

Registration and prospectus relief granted to permit the issuance of securities of an issuer as consideration for the acquisition, by the issuer's wholly owned subsidiary, or a private company

Exemption Order

PRT Forest Regeneration Income Fund

Sections 48 and 76 of the *Securities Act*, R.S.B.C. 1996, c. 418

Background

PRT Forest Regeneration Income Fund (PRT Income Fund) has applied for an exemption from the requirements to be registered to trade and to file and obtain receipts for a preliminary prospectus and prospectus in sections 34(1)(a) and 61 of the Act (the registration and prospectus requirements) for certain intended trades.

Representations

PRT Income Fund represents that:

1. it is a trust established in British Columbia by way of a declaration of trust dated May 14, 1997, as amended;
2. it may issue an unlimited number of units (PRT Units) of which, 7,256,334 are currently issued and outstanding;
3. it is a reporting issuer or equivalent, in every province of Canada, and is not in default of any requirements of the securities legislation of those jurisdictions;
4. the PRT Units are listed and posted for trading on The Toronto Stock Exchange;
5. Pacific Regeneration Technologies Inc. (PRT) is a wholly-owned subsidiary and the operating entity of PRT Income Fund;
6. PRT was incorporated under the laws of British Columbia and is not a reporting issuer or equivalent in Canada;
7. H.N. Hybrid Nurseries Ltd. (Hybrid) was incorporated under the laws of British Columbia and is not a reporting issuer or equivalent in Canada;

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8. under a purchase agreement (Purchase Agreement) among PRT, Hybrid and the shareholders of Hybrid (the Shareholders), PRT will acquire:
 - (a) all of the issued and outstanding shares of Hybrid (Hybrid Shares), and
 - (b) certain shareholder loans and real property (the Assets);
9. PRT will satisfy the purchase price for the Hybrid Shares and Assets by issuing a promissory note (the Promissory Note) in the amount of \$3,000,000 to the Shareholders and by paying the balance in cash;
10. the Promissory Note provides for and will be satisfied shortly after closing by PRT Income Fund issuing to the Shareholders that number of PRT Units with the equivalent value of \$3,000,000; and
11. no exemptions from the registration and prospectus requirements are available for the distribution of the PRT Units to the Shareholders under the Purchase Agreement and Promissory Note because the PRT Units will be issued by PRT Income Fund and not PRT.

Order

Because it is not prejudicial to the public interest, the Executive Director orders:

1. under sections 48 and 76 of the Act, that the intended trades in the PRT Units under the Purchase Agreement and Promissory Note to the Shareholders are exempt from the registration and prospectus requirements, provided that PRT Income Fund provides each of the Shareholders with a copy of this order; and
2. under section 76 of the Act, any trade in the PRT Units issued under this order is deemed to be a distribution unless the conditions in section 2.5 of Multilateral Instrument 45-102 *Resale of Securities* are satisfied.

July 29, 2004

Susan Toews
Acting Manager