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May 31, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 48, 76 Other -Exemption from registration and prospectus requirements for situations other than a corporate acquisition or reorganization; trades to business associates; debt settlements; or trades involving employee investment plans and consultants - An issuer requires relief to distribute securities of a third party to the securityholders of another issuer in connection with an acquisition of assets - The trades are being undertaken in connection with an asset acquisition that has been structured a certain way solely for tax reasons; the securityholders receiving the securities have received an information circular containing prospectus-level disclosure about the issuer of the securities; there are statutory exemptions that would have been available, but for the fact that the transaction was structured a certain way for tax reasons

Applicable British Columbia Provisions

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

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

and

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

and

In the Matter of
Rock Energy Inc. (Rock) and
6223150 Canada Inc. (Canadaco, and collectively, 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 the Jurisdictions (the Legislation) that the dealer registration requirement and prospectus requirement shall not apply to Non-

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Exempt Trades (as defined below) of common shares of Rock (Rock Shares) (the Requested Relief).

Under National Policy 12-201 Mutual Reliance Review System for Exemption Relief Applications:

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

Interpretation

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

Representations

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

Rock Energy Inc.

1. Rock (formerly Medbroadcast Corporation) is continued under the laws of Alberta;
2. the authorized capital of Rock consists of an unlimited number of Rock Shares and 300,000 preferred shares of which, as at April 8, 2005, 12,350,936 Rock Shares were outstanding;
3. Rock is a reporting issuer in Alberta, British Columbia, Saskatchewan, Ontario, Québec, Nova Scotia and New Brunswick and, to its knowledge, is not in default of any requirements of the Legislation;
4. the Rock Shares are listed and posted for trading on the Toronto Stock Exchange (the TSX);

6223150 Canada Inc.

5. Canadaco is a private corporation incorporated under the laws of Canada which acts at arm's length to Rock and to the Qwest Limited Partnerships (as defined below);

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6. Canadaco is not a reporting issuer under the securities legislation of any jurisdiction, and its securities are not listed on any stock exchange or traded on any over-the-counter market;

Qwest Energy Limited Partnerships

7. Qwest Energy 2001 Limited Partnership, Qwest Energy Income Development Limited Partnership, Qwest Energy II Limited Partnership and Qwest Energy Development III Limited Partnership (the Partnerships) are each a limited partnership established under a partnership agreement governed by the laws of the province of British Columbia between the general partner and an initial limited partner;
8. Qwest Energy 2001 Management Corp., Qwest Energy 2002 Management Corp., Qwest Energy II Management Corp., and Qwest Energy III Management Corp. are the respective general partners for each of the Partnerships (the ManagementCos);
9. the authorized capital of each of the Partnerships consists of an unlimited number of limited partnership units of which, as at March 31, 2005, 496,725 limited partnership units of Qwest Energy 2001 Limited Partnership, 247,264 limited partnership units of Qwest Energy Income Development Limited Partnership, 867,407 limited partnership units of Qwest Energy II Limited Partnership and 766,219 limited partnership units of Qwest Energy Development III Limited Partnership were outstanding;
10. on dissolution, each of the Partnerships will distribute,
 - (a) to those persons who are their respective limited partners at dissolution, 90% of the amount of the cash portion of the distributable cash of the partnership at dissolution and, in specie, 90% of the remaining assets of the partnership, and
 - (b) to their respective general partners, 10% of the amount of the cash portion of the distributable cash of the partnership at dissolution and, in specie, 10% of the remaining assets of the partnership;
11. the Partnerships were formed to provide investors with the ability to participate in the Canadian oil and gas industry by way of subsidiary companies entering into joint venture agreements with established oil and gas corporations, as such each of the Partnerships owns all of the common shares of a number of subsidiaries (the Subsidiaries);

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12. each of the Partnerships is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba and Ontario and, in addition, Qwest Energy 2001 Limited Partnership and Qwest Energy II Limited Partnership are reporting issuers in Nova Scotia;
13. the limited partnership units of each of the Partnerships are not listed on any stock exchange or traded on any over-the-counter market;

Qwest Energy Subsidiaries

14. each of the Subsidiaries is a corporation incorporated under the laws of Canada for the purpose of furthering the business of the respective Partnerships;
15. none of the Subsidiaries are reporting issuers in any jurisdiction and their securities are not listed on any stock exchange or traded on any over-the-counter market;

1156168 Alberta Ltd.

16. 1156168 Alberta Ltd. (Newco 1) is a private corporation incorporated under the laws of Alberta;
17. Newco 1 is not a reporting issuer under the securities legislation of any jurisdiction and its securities are not listed on any stock exchange or traded on any over-the-counter market;

1159203 Alberta Ltd.

18. 1159203 Alberta Ltd. (Newco 2) is a private corporation incorporated under the laws of Alberta;
19. Newco 2 is not a reporting issuer under the securities legislation of any jurisdiction and its securities are not listed on any stock exchange or traded on any over-the-counter market;

Transactions

20. Rock, Canadaco and the Partnerships have agreed to complete the following transactions (the Transactions):

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- (a) the Subsidiaries will each amalgamate into a separate amalgamated company (the Amalcos), all of whose shares will be held by their respective Partnerships;
- (b) the Amalcos will each transfer all of the oil and gas assets held by them (other than the 10% interest in such assets which are owned by their respective Managementco) into Newco 1 in exchange for shares of Newco 1, following which, all of the shares of Newco 1 will be held by the Amalcos;
- (c) each of the Partnerships will sell the shares held by it in its respective Amalco to Canadaco in exchange for a note (a Canadaco Note), which will be secured by the shares of the Amalco purchased from the Partnership by Canadaco;
- (d) the Partnerships will be dissolved and will, subject to satisfying outstanding liabilities and, where applicable, satisfaction of preferred distributions to their respective limited partners, distribute the Canadaco Note held by it to their respective limited partners as to 90%, and to their respective general partner as to 10%;
- (e) Canadaco will agree with each group of limited partners and the general partners of the Partnerships to purchase the Canadaco Note held by them in exchange for consideration consisting of Rock Shares and cash (Canadaco will receive such Rock Shares and cash from Rock under the transaction described in paragraph (g) below);
- (f) Canadaco will amalgamate with its then wholly-owned subsidiaries, the Amalcos, to form one corporation (Canadaco Amalco), following which, Canadaco Amalco will hold all of the shares of Newco 1;
- (g) Canadaco Amalco will sell all of the shares of Newco 1 to Rock in exchange for an aggregate 5,660,380 Rock Shares (subject to rounding) and \$18,971,786 in cash (subject to closing adjustments);
- (h) Canadaco Amalco will complete the transaction described in paragraph (e) by delivering the 5,660,380 Rock Shares (subject to rounding) and \$18,971,786 in cash (subject to closing adjustments) it receives from Rock, less outstanding liabilities of the Subsidiaries to the limited partners and the general partners of the Partnerships (the Non-Exempt Trades);
- (i) the Managementcos will each transfer all of the oil and gas assets held by them by the respective Subsidiaries into Newco 2 in exchange for shares of

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Newco 2, following which, all of the shares of Newco 2 will be held by the Managementcos; and

- (j) the Managementcos will sell all of the shares of Newco 2 to Rock in exchange for an aggregate 353,070 Rock Shares (subject to rounding) and \$1,113,470 in cash (subject to closing adjustments); and

21. in connection with meetings of the limited partners of each of the Partnerships to approve the Transactions, the limited partners will receive an information circular containing prospectus-level disclosure of Rock.

Decision

- ¶ 4 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 to the Legislation is that the Requested Relief is granted provided that the first trade of the Rock Shares acquired in a Non-Exempt Trade will be deemed to be a distribution or a primary distribution to the public in the Jurisdictions unless the conditions in subsection 2.6(3) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied.

Martin Eady, CA
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British Columbia Securities Commission