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Headnote

Mutual Reliance Review System for Exemptive Relief Application – relief from the take-over bid requirements to permit a bid for target companies that are no longer closely held – bid will be done in accordance with a shareholders agreement, including being subject to approval by the shareholders at a meeting

Applicable British Columbia Provisions

Securities Act, R.S.B.C.1996, c. 418, ss. 105-108, 110 and 114

IN THE MATTER OF THE SECURITIES LEGISLATION OF ALBERTA, BRITISH COLUMBIA, ONTARIO AND QUÉBEC

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF NORTHROCK RESOURCES LTD. AND QWEST ENERGY I CORP. AND QWEST ENERGY II CORP.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Ontario, and Québec (the “Jurisdictions”) has received an application from Northrock Resources Ltd. (“Northrock”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the requirements in the Legislation relating to take-over bids (the “Take-over Bid Requirements”) will not apply to the acquisition by Northrock of all of the Shares (as defined below) of Qwest Energy I Corp. (“Qwest I”) and Qwest Energy II Corp. (“Qwest II”, and together with Qwest I, the “Corporations”);
2. AND WHEREAS under the Mutual Reliance System for Exemptive Relief Applications (the “System”), the Alberta Securities Commission is the principal regulator for this application;
3. AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions* or in Québec Commission Notice 14-101;

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4. AND WHEREAS Northrock has represented to the Decision Makers that:
 - 4.1 Northrock is amalgamated under the *Business Corporations Act* (Alberta);
 - 4.2 Northrock's head office is located in Calgary, Alberta;
 - 4.3 Northrock is an indirect, wholly-owned subsidiary of Unocal Corporation, a publicly-traded company incorporated in Delaware in the United States of America and whose securities are listed on the New York Stock Exchange;
 - 4.4 Northrock is not a reporting issuer in any jurisdiction, nor are any of their securities listed or posted for trading on any stock exchange;
 - 4.5 the Corporations were incorporated pursuant to the *Company Act* (British Columbia) on November 24, 1999. Neither of the Corporations are extra-provincially registered in any other province;
 - 4.6 the head and principal office address of the Corporations is located in Vancouver, British Columbia;
 - 4.7 each of the Corporations is authorized to issue 100,000,000 class A common shares (the "Shares"), 100,000,000 class A non-voting preferred shares, 100,000,000 class B common shares, and 100,000,000 class B non-voting preferred shares, of which there are 1,960,100 Shares of Qwest I and 1,918,450 Shares of Qwest II outstanding;
 - 4.8 pursuant to an offering memorandum (the "Offering Memorandum") dated November 25, 1999, the Corporations distributed (the "Initial Offering") units comprised of Shares and Class A preferred shares. The Corporations have not distributed any other securities;
 - 4.9 the outstanding Class A preferred shares were redeemed by the Corporations in 2000 and 2001;
 - 4.10 each holder of the Shares (the "Shareholders") is entitled to one vote per Share;
 - 4.11 the Corporations are not in default of any of the requirements of the Legislation;

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- 4.12 neither of the Corporations is (or has been) a reporting issuer in any jurisdiction, nor are any of their securities listed or posted for trading on any stock exchange;
- 4.13 Qwest I has 88 Shareholders (holding a total of 1,535,100 Shares) resident in British Columbia and one Shareholder (holding a total of 425,000 Shares) resident in Ontario;
- 4.14 Qwest II has 11 Shareholders (holding 238,000 Shares) resident in Alberta, 57 Shareholders (holding 1,616,700 Shares) resident in British Columbia and one Shareholder (holding 63,750 Shares) resident in Québec;
- 4.15 a total of 233,750 Shares of Qwest II, and no Shares of Qwest I, have been transferred since the Initial Offering;
- 4.16 each transferee (collectively, the “Transferees”) acquired the Shares as a result of the death of an original Shareholder;
- 4.17 at the time of the Initial Offering, each initial Shareholder was provided with a copy of the Offering Memorandum and entered into a subscription agreement with the relevant Corporation which, among other things, contained a shareholders’ agreement (the “Shareholders’ Agreements”) and granted a power of attorney (the “Powers of Attorney”) to the relevant Corporation;
- 4.18 the terms and conditions of the Shareholders’ Agreements and the Powers of Attorney are identical with the exception that one of the Shareholders’ Agreements and Powers of Attorney relates to Qwest I and the other Shareholders’ Agreement and Power of Attorney relates to Qwest II;
- 4.19 all of the Shareholders, including each of the Transferees, are parties to a Shareholders’ Agreement and have given a Power of Attorney to the relevant Corporation;
- 4.20 the Offering Memorandum, Shareholders’ Agreements and the Powers of Attorney provide, amongst other things, that:
 - 4.20.1 each Corporation shall negotiate and complete (on behalf of the Shareholders) an agreement to sell all of the Shares of the Corporation, subject to Shareholder approval;

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- 4.20.2 if Shareholders approve a resolution regarding an agreement to sell all of the Shares of the Corporation by two-thirds of the votes cast at a meeting held for the purpose of considering such an acquisition, the Corporation shall complete the sale of all of the outstanding Shares to the buyer; and
- 4.20.3 if such a resolution is approved, all Shareholders are required to sell their Shares on identical terms and conditions;
- 4.21 the Corporations received an offer from Northrock to acquire all of the Shares (the "Acquisitions") in accordance with the Offering Memorandum, Shareholders' Agreements, and Powers of Attorney;
- 4.22 Northrock has agreed to purchase from the Shareholders, and the Shareholders (by their respective attorneys pursuant to the Powers of Attorney) have agreed to sell, all of the Shares;
- 4.23 the completion of the Acquisitions is subject to the terms of the Shareholders' Agreements, including the approval by two-thirds of the votes cast by Shareholders at a meeting to be held (the "Meeting") for the purpose of considering a resolution approving the Acquisitions (the "Special Resolution") and certain other conditions;
- 4.24 the board of directors of each of the Corporations (collectively, the "Boards") has complied in all material respects with the terms of the Offering Memorandum, Shareholders' Agreements, and Powers of Attorney with respect to the Acquisitions;
- 4.25 the Boards have determined that the relevant Acquisition is fair, from a financial point of view, to the Shareholders and is in the best interests of the relevant Corporations and the Shareholders;
- 4.26 the purchase price for the Shares regarding the Acquisitions is based on an estimate of the value of reserves held by the Corporations as described in an independent engineering report prepared by McDaniel & Associates Consultants Ltd. at the request of the Boards and the estimated net working capital of each of the Corporations;
- 4.27 Qwest I and Qwest II will mail an information circular which substantially complies with the relevant disclosure requirements specified by the Take-over Bid Requirements in respect of take-over bid circulars and directors' circulars to the Shareholders in respect of the Meeting;

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- 4.28 the Boards have determined that it is in the best interests of Shareholders to sell the Shares and will unanimously recommend to the Shareholders that they vote in favour of the Special Resolution;
- 4.29 Shareholders who control a total of 30% and 18% of the Shares of Qwest I and Qwest II, respectively, have entered into voting agreements with Northrock, whereby they have agreed to vote in favour of the relevant Special Resolution;
- 4.30 there are no exemptions from the Take-over Bid Requirements available to allow the Acquisitions;
5. AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the “Decision”);
6. AND WHEREAS each Decision Maker is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;
7. THE DECISION of the Decision Makers under the Legislation is that Northrock is exempt from the Take-over Bid Requirements provided that the Acquisitions are completed in compliance with the Shareholders Agreements and the Powers of Attorney.

DATED this 10th day of June, 2003

Glenda A. Campbell, Q.C., Vice-Chair
Stephen R. Murison, Vice-Chair