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Headnote

Relief from registration and prospectus requirements to issue shares as consideration for the acquisition, by the issuer's wholly owned subsidiary, of a 100% interest in an oil and gas property

Exemption Order

Maxy Oil & Gas Inc.

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

Background

- ¶ 1 Maxy Oil & Gas Inc. (Maxy) applied for an exemption from the requirements in sections 34(1)(a) and 61 of the Act to be registered to trade and to file and obtain receipts for a preliminary prospectus and prospectus (the Registration and Prospectus Requirements) for an intended trade.

Representations

- ¶ 2 Maxy represents that:
1. it is incorporated under the laws of British Columbia, is a reporting issuer and an exchange issuer under the Act, and is not in default of any requirement of the Act or the *Securities Rules*, B.C. Reg. 194/97;
 2. its authorized capital consists of 120,000,000 shares divided into 100,000,000 common shares and 20,000,000 Class A preferred shares;
 3. as of May 27, 2002, it had 43,216,772 common shares and no Class A preferred shares outstanding;
 4. its common shares trade on the TSX Venture Exchange;
 5. Maxy Resources, LLC (the Subsidiary), a wholly owned subsidiary of Maxy, is a corporation under the laws of the State of Wyoming and is not a reporting issuer under the Act;
 6. under an acquisition agreement (the Acquisition Agreement) between the Subsidiary and KLC Investments, LLC (the Vendor), the Vendor has agreed to, among other things, transfer to the Subsidiary a 100% interest in an oil and gas property located in the State of Alabama (the Property);

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7. as consideration for the transfer of the 100% interest in the Property, Maxy will issue 200,000 common shares to the Vendor on receipt of certain regulatory approvals;
8. the TSX Venture has accepted the Acquisition Agreement for filing;
9. upon the Subsidiary acquiring the interest in the Property, Maxy will indirectly own a 100% interest in the Property through its ownership of all the outstanding common shares of the Subsidiary; and
10. but for the fact that the Subsidiary, rather than Maxy, will be acquiring the interest in the Property, the distribution of the common shares by Maxy to the Vendor would be exempt from the Registration and Prospectus Requirements pursuant to the exemptions contained in sections 45(2)(21) and 74(2)(18) of the Act.

Order

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

1. under sections 48 and 76 of the Act, the intended trade by Maxy of 200,000 Maxy common shares to the Vendor under the Acquisition Agreement is exempt from the Registration and Prospectus Requirements provided that Maxy:
 - (a) gives the Vendor a copy of this order prior to the trade; and
 - (b) files a Form 45-902F and pays the required fee on or before the 10th day after the distribution of the Maxy common shares to the Vendor;
2. under section 76 of the Act, any trade in Maxy common shares acquired by the Vendor pursuant to this order is deemed to be a distribution, unless the conditions in subsections 2.5(2) or (3) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied.

¶ 4 June 18, 2002

Derek E. Patterson
Manager