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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted from the continuous disclosure requirements for subsidiary that became reporting in connection with an arrangement using an exchangeable share structure - relief also granted from the registration and prospectus requirements in connection with units distributed under a distribution reinvestment and optional trust unit purchase plan by a trust

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 34(1)(a), 48, 61, 76, 85(1), 91 and 119
Securities Rules, B.C. Reg. 194/97, ss. 144, 145, 149 and 184

**IN THE MATTER OF THE SECURITIES LEGISLATION OF ALBERTA,
BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO,
QUÉBEC, NEW BRUNSWICK, PRINCE EDWARD ISLAND, NOVA
SCOTIA, NEWFOUNDLAND AND LABRADOR, THE NORTHWEST
TERRITORIES, NUNAVUT AND THE YUKON TERRITORY**

AND

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

AND

**IN THE MATTER OF
VERMILION RESOURCES LTD., VERMILION ENERGY TRUST,
VERMILION ACQUISITION LTD. AND CLEAR ENERGY INC.**

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (collectively, the “Decision Makers”) in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Nova Scotia, the Yukon Territory, Nunavut and the Northwest Territories (the “Jurisdictions”) has received an application from Vermilion Energy Trust (the “Trust”), Vermilion Resources Ltd. (“Vermilion”), Vermilion Acquisition Ltd. (“Acquisitionco”), and Clear Energy Inc. (“Exploreco”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”):
 - 1.1 that the requirements contained in the Legislation to be registered to trade in a security (the “Registration Requirement”) and to file a

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preliminary prospectus and a prospectus and receive receipts therefore (the “Prospectus Requirement”) in the Jurisdictions, except British Columbia and Nova Scotia (the “Arrangement Registration and Prospectus Jurisdictions”) shall not apply to certain trades of securities to be made in connection with a proposed plan of arrangement under section 193 of the *Business Corporations Act* (Alberta) (the “ABCA”) involving the Trust, Acquisitionco, Vermilion, Exploreco and the security holders of Vermilion;

- 1.2 with respect to Acquisitionco (or its successor on amalgamation with Vermilion (“Amalgamationco”)) in those Jurisdictions in which it becomes a reporting issuer or the equivalent under the Legislation, that the requirements contained in the Legislation to issue a press release and file a report with the Jurisdictions upon the occurrence of a material change, file an annual report, where applicable, file interim financial statements and audited annual financial statements with the Jurisdictions and deliver such statements to the security holders of Amalgamationco, file and deliver an information circular or make an annual filing with the Jurisdictions in lieu of filing an information circular, file an annual information form and provide management’s discussion and analysis of financial condition and results of operations (the “Continuous Disclosure Requirements”) shall not apply to Acquisitionco or Amalgamationco; and
- 1.3 that the Registration Requirement and the Prospectus Requirement in the Jurisdictions, except Alberta, (the “DRIP Registration and Prospectus Jurisdictions”) shall not apply to a distribution of trust units of the Trust under a distribution reinvestment and optional trust unit purchase plan (the “DRIP”);
2. AND WHEREAS pursuant to the Mutual Reliance Review 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*;
4. AND WHEREAS the Trust, Vermilion, Acquisitionco and Exploreco have represented to the Decision Makers that:
 - 4.1 Vermilion is a corporation organized and subsisting under the ABCA;

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- 4.2 Vermilion is engaged in the exploration for, and the acquisition, development and production of, oil and natural gas in Western Canada, France and Trinidad and holds a significant interest in Aventura Energy Inc., a publicly traded company engaged in oil and natural gas exploration, development and acquisition opportunities in Trinidad and Argentina;
- 4.3 the head and principal offices of Vermilion are located at 2800, 400 – 4th Avenue S.W., Calgary, Alberta, T2P 0J4 and its registered office is located at 1000, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2;
- 4.4 the authorized capital of Vermilion consists of an unlimited number of common shares (“Common Shares”) and an unlimited number of preferred shares;
- 4.5 as at December 16, 2002, 55,863,418 Common Shares and no preferred shares were issued and outstanding, and options (“Options”) to purchase 4,115,869 Common Shares were outstanding;
- 4.6 the Common Shares are presently listed on the Toronto Stock Exchange (the “TSX”);
- 4.7 Vermilion is a reporting issuer or the equivalent in the Provinces of British Columbia, Alberta, Ontario and Québec and has been for more than 12 months;
- 4.8 Vermilion has filed all the information that it has been required to file as a reporting issuer in each of the Provinces of British Columbia, Alberta, Ontario and Québec and is not in default of the securities legislation in any of these jurisdictions;
- 4.9 the Trust is an open-end unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to a trust indenture dated December 16, 2002 between Vermilion and Computershare Trust Company of Canada, as trustee (the “Trust Indenture”);
- 4.10 the Trust was established to: (a) invest in securities of Acquisitionco and Amalgamationco; (b) acquire or invest in other securities of Amalgamationco, any other subsidiary of the Trust, or any other entity; (c) acquire royalties in respect of Canadian resources properties; (d) dispose of any part of the monies, properties and assets of the Trust; (e) temporarily hold cash and investments for the purposes of paying the

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expenses and the liabilities of the Trust, making other permitted investments, paying amounts payable by the Trust in connection with the redemption of any Trust Units, and making distributions to holders of Trust Units (“Unitholders”); and (f) pay the costs, fees and expenses associated with the foregoing purposes or incidental thereto;

- 4.11 the Trust was established with nominal capitalization and currently has only nominal assets and no liabilities and the only activity which will initially be carried on by the Trust will be the holding of securities of Amalgamationco;
- 4.12 the Trust is authorized to issue an unlimited number of Trust Units and an unlimited number of special voting rights (“Special Voting Rights”);
- 4.13 as at December 16, 2002, there was one Trust Unit issued and outstanding and owned by Vermilion and there were no Special Voting Rights outstanding;
- 4.14 the Trust has received conditional approval from the TSX for the listing on the TSX of the Trust Units to be issued in connection with the Arrangement subject to, among other things, completion of the Arrangement;
- 4.15 the Trust is not a reporting issuer in any of the Jurisdictions;
- 4.16 the Trust expects to make monthly distributions of distributable income, if any, to Unitholders (“Cash Distributions”);
- 4.17 the Trust is not a “mutual fund” under the Legislation as Unitholders are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Trust, as contemplated by the definition of “mutual fund” in the Legislation;
- 4.18 Acquisitionco was incorporated pursuant to the ABCA on December 9, 2002;
- 4.19 the head and principal offices of Acquisitionco are located at 2800, 400 - 4th Avenue S.W., Calgary, Alberta, T2P 4H2 and its registered office is located at 3700, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2;

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- 4.20 Acquisitionco was incorporated to participate in the Arrangement by acquiring, directly or indirectly, Common Shares and Options of Vermilion;
- 4.21 the authorized capital of Acquisitionco presently consists of an unlimited number of common shares and prior to the Arrangement, Acquisitionco will amend its Articles such that it will also be authorized to issue an unlimited number of exchangeable shares issuable in series, of which an unlimited number of Series A exchange shares (“Exchangeable Shares”) will be authorized and up to 6,000,000 Exchangeable Shares will be issued pursuant to the Arrangement;
- 4.22 as at December 16, 2002, one common share of Acquisitionco was issued and outstanding and owned by the Trust;
- 4.23 Acquisitionco is not a reporting issuer in any of the Jurisdictions;
- 4.24 Exploreco was incorporated pursuant to the ABCA on December 9, 2002 and has not carried on any active business since incorporation;
- 4.25 the head and principal offices of Exploreco are located at 2800, 400 - 4th Ave. S.W., Calgary, Alberta, T2P 0J4 and its registered office is located at 3700, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2;
- 4.26 pursuant to the Arrangement, Exploreco will acquire, directly and indirectly, certain natural gas assets from Vermilion (the “Exploration Assets”) and upon completion of the Arrangement, Exploreco will be engaged in the exploration for, and acquisition, development and production of, oil and natural gas reserves, primarily in Alberta;
- 4.27 the authorized capital of Exploreco consists of an unlimited number of common shares (“Exploreco Shares”) and an unlimited number of preferred shares, issuable in series;
- 4.28 as at December 16, 2002, one Exploreco Share and no preferred shares were issued and outstanding; Exploreco has also reserved a total of 2,500,000 Exploreco Shares for issuance pursuant to outstanding stock options;
- 4.29 Exploreco has received conditional approval from the TSX for the listing on the TSX of the Exploreco Shares to be issued in connection with the Arrangement subject to, among other things, completion of the Arrangement;

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- 4.30 Explorecoco is not a reporting issuer in any of the Jurisdictions;
- 4.31 the Arrangement will be effected by way of a plan of arrangement under section 193 of the ABCA which will require approval by (i) not less than 2/3 of the votes cast by the holders of Common Shares and the holders of Options (present in person or represented by proxy), each voting separately as a class, at a meeting to be held on January 15, 2003 (the "Meeting") and thereafter, (ii) the approval of the Court of Queen's Bench of Alberta (the "Court");
- 4.32 the management information circular (the "Information Circular") mailed to the holders of Common Shares and the holders of Options in connection with the Meeting conforms with the ABCA, applicable securities laws and an interim order of the Court and contains prospectus-level disclosure concerning the respective business, affairs and securities of the Trust, Vermilion, Amalgamationco and Explorecoco, and a detailed description of the Arrangement;
- 4.33 the Arrangement provides for a transaction where, commencing at the effective time of the Arrangement (the "Effective Time"), the events set out below shall be deemed to occur in the following order:
 - 4.33.1 the Exploration Assets will be transferred from Vermilion to Explorecoco in exchange for such number of Explorecoco Shares which when added to Explorecoco's then issued and outstanding shares shall be equal to the total number of Explorecoco Shares to be issued on the redemption of Interim Notes as described in paragraph 4.33.7;
 - 4.33.2 each issued and outstanding Common Share (other than Common Shares held by dissenting securityholders) will be exchanged with Acquisitionco for:
 - (a) one (1) unsecured, non-interest bearing, demand promissory note of Acquisitionco (an "Interim Note"); and
 - (b) in accordance with the election or deemed election of the holder of such Common Share (other than a non-resident or tax-exempt Shareholder), one (1) unsecured promissory note of Acquisitionco (a "Note") or one (1) Exchangeable Share or a combination thereof;

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- 4.33.3 each Option (other than Options held by dissenting securityholders) will be exchanged for consideration equal to the greater in value of:
- (a) \$0.05 for each Common Share subject to issuance pursuant to such Option; or
 - (b)
 - (i) a number of Notes equal to the quotient obtained (the "Quotient") by dividing the Exercise Price Differential of the Option divided by the weighted average trading price of the Common Shares at the Effective Time ("Exercise Price Differential" means the amount by which the weighted average trading price exceeds the exercise price of such Option, multiplied by the number of Common Shares to which such Option relates); and
 - (ii) the same number of Interim Notes as the Quotient;
- 4.33.4 each Option acquired by Acquisitionco for consideration of \$0.05 per Option will be cancelled and each Option acquired by Acquisitionco for Notes and Interim Notes will be exchanged with Vermilion for a number of Common Shares equal to the Quotient, rounded down to the next lowest whole number of Common Shares, and the Option will thereupon be cancelled;
- 4.33.5 each Note will be exchanged by the holder thereof with the Trust for one (1) Trust Unit for each Note held;
- 4.33.6 Vermilion and Acquisitionco will amalgamate to form Amalgamationco; and
- 4.33.7 each Interim Note will be redeemed by Amalgamationco in exchange for Explorecoco Shares on the basis of three (3) Interim Notes for one (1) Explorecoco Share;
- 4.34 Exchangeable Shares will not be issued to: (i) a person who is not a resident of Canada for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"); (ii) a partnership that is not a Canadian partnership for the purposes of the Tax Act; or (iii) a person who is exempt from tax under Part I of the Tax Act. Any such person who elects to receive

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Exchangeable Shares will be deemed to have elected to receive Trust Units on completion of the Arrangement;

- 4.35 holders of Common Shares and Options who validly exercise their rights of dissent under Section 191 of the ABCA will have such securities dealt with in accordance with the provisions of section 191 of the ABCA as modified by the interim order of the Court;
- 4.36 Amalgamationco will become a reporting issuer under the Legislation in British Columbia, Alberta, Ontario and Québec, and will be subject to the Continuous Disclosure Requirements in such Jurisdictions;
- 4.37 the Trust will become a reporting issuer under the Legislation in British Columbia, Alberta, Ontario, and Québec and will be subject to the Continuous Disclosure Requirements in such Jurisdictions;
- 4.38 Explorecoco will become a reporting issuer under the Legislation in British Columbia, Alberta, Ontario, and Québec and will be subject to the Continuous Disclosure Requirements in such Jurisdictions;
- 4.39 the Exchangeable Shares will provide a holder with a security having participation, ownership and voting rights which are, as nearly as practicable, equivalent to those of the Trust Units;
- 4.40 under the terms of the Exchangeable Shares and certain rights to be granted in connection with the Arrangement, holders of Exchangeable Shares will be able to exchange them at their option for Trust Units;
- 4.41 under the terms of the Exchangeable Shares and certain rights to be granted in connection with the Arrangement, the Trust or a subsidiary of the Trust other than Amalgamationco (a “Trust Subsidiary”) or Amalgamationco will redeem, retract or otherwise acquire Exchangeable Shares in exchange for Trust Units in certain circumstances;
- 4.42 in order to ensure that the Exchangeable Shares remain the participation and voting equivalent of the Trust Units prior to their exchange, the Arrangement provides for:
 - 4.42.1 a voting and exchange trust agreement to be entered into among the Trust, Acquisitionco and Computershare Trust Company of Canada (the “Voting and Exchange Agreement Trustee”) which will, among other things, grant to the Voting and Exchange Agreement Trustee, for the benefit of holders of Exchangeable

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Shares, the right to require the Trust or a Trust Subsidiary to exchange the Exchangeable Shares for Trust Units, or to trigger automatically the exchange of the Exchangeable Shares for Trust Units upon the occurrence of certain specified events;

- 4.42.2 the deposit by the Trust of a Special Voting Right with the Voting and Exchange Agreement Trustee which will effectively provide the holders of Exchangeable Shares with voting rights equivalent to those attached to the Trust Units; and
- 4.42.3 a support agreement to be entered into between the Trust and Amalgamationco which will, among other things, restrict the Trust from distributing additional Trust Units or securities convertible into Trust Units or rights, options or warrants for the purchase of Trust Units or any other units or securities of the Trust, evidences of indebtedness of the Trust or other assets of the Trust to all or substantially all of the holders of Trust Units, unless the same or equivalent distribution is made to holders of Exchangeable Shares or an equivalent change is made simultaneously to the Exchangeable Shares (or in the rights of the holders thereof);
- 4.43 the steps under the Arrangement, the terms of the Exchangeable Shares and the exercise of certain rights provided for in connection with the Arrangement and the Exchangeable Shares involve a number of trades or potential trades of Common Shares, Exploreco Shares, Trust Units, Exchangeable Shares, Notes, Interim Notes, Options, the Special Voting Right, certain rights to acquire Trust Units and Exchangeable Shares under the Arrangement and rights to otherwise make a trade of a security that was derived from the Arrangement (collectively, the “Trades”);
- 4.44 there are no exemptions from the Registration Requirement or the Prospectus Requirement available under the Legislation of the Arrangement Registration and Prospectus Jurisdictions for certain of the Trades;
- 4.45 the Information Circular discloses that the Trust, Acquisitionco, Amalgamationco and Exploreco will rely on exemptions, including discretionary exemptions, from the Registration Requirement and Prospectus Requirement with respect to the issuance of Trust Units, Exchangeable Shares and Exploreco Shares pursuant to the Arrangement and discloses that application will be made to relieve Amalgamationco from the Continuous Disclosure Requirements;

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- 4.46 the Trust will concurrently send to holders of Exchangeable Shares resident in the Jurisdictions all disclosure material it sends to holders of Trust Units pursuant to the Legislation;
- 4.47 the Trust proposes to implement, concurrent with the Arrangement becoming effective, the DRIP pursuant to which Unitholders, other than non-residents of Canada, may, at their option, purchase additional Trust Units (“Additional Units”) of the Trust by directing that Cash Distributions be applied to the purchase of Additional Units (the “Distribution Reinvestment Option”) or by making optional cash payments (the “Cash Payment Option”);
- 4.48 under the Distribution Reinvestment Option, Cash Distributions due to participants in the DRIP (“Participants”) will be paid to Computershare Trust Company of Canada in its capacity as the Trust’s agent under the DRIP (the “Plan Agent”) and applied by the Plan Agent to the purchase of Additional Units, which will be held under the DRIP for the account of appropriate Participants;
- 4.49 under the Cash Payment Option, a Participant may, through the Plan Agent, purchase Additional Units up to a maximum \$5,000 per month. The aggregate number of Additional Units and Bonus Units (as defined below) that may be issued under the Cash Payment Option to all Participants in any financial year of the Trust will be limited to a maximum of 2% of the number of Trust Units issued and outstanding at the start of the financial year;
- 4.50 Additional Units will be purchased directly from the Trust or, at the discretion of Amalgamationco, through the facilities of the TSX;
- 4.51 the acquisition price of Additional Units purchased through the facilities of the TSX will, in respect of any date on which a Cash Distribution is paid by the Trust to Unitholders (a “Cash Distribution Date”), be based on the average price for which the Additional Units are acquired through the facilities of the TSX for the purpose of the DRIP, commencing on such Cash Distribution Date (the “Market Purchase Price”);
- 4.52 the acquisition price of Additional Units purchased directly from the Trust will be based on the weighted average price of all Trust Units traded on the TSX on the ten trading days preceding the Cash Distribution Date (the “Treasury Purchase Price”);

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- 4.53 under the Distribution Reinvestment Option and the Cash Payment Option, the acquisition price of Additional Units will be 100% of the Treasury Purchase Price or the Market Purchase Price;
- 4.54 in addition, a number of bonus Trust Units (the “Bonus Units”) equal to 5% of the Additional Units acquired under the Distribution Reinvestment Option and the Cash Payment Option, as applicable, will be issued directly from the Trust to each Participant and held under the DRIP for the account of appropriate Participants;
- 4.55 no commissions, service charges or brokerage fees will be payable by Participants in connection with the purchase of Additional Units under the DRIP;
- 4.56 Additional Units and Bonus Units issued and held under the DRIP will be registered in the name of the Plan Agent or its nominee as agent for the Participants, and all Cash Distributions on Trust Units so held for the account of a Participant will be automatically reinvested in Additional Units in accordance with the terms of the DRIP and the election of the Participant;
- 4.57 if, in respect of any Cash Distribution Date, fulfilling all of the elections under the DRIP, including the issuance of the relevant Bonus Units, would result in the Trust exceeding the aggregate annual limit on Additional Units and Bonus Units issuable pursuant to the Cash Payment Option, then elections for the purchase of Additional Units on such Cash Distribution Date under the Cash Payment Option will be pro rated among all Participants in that category according to the Additional Units sought to be purchased and no further optional cash payments will be accepted until the next financial year. Any uninvested optional cash payments will be returned to Unitholders;
- 4.58 a Participant may terminate its participation in the DRIP at any time by written notice to the Plan Agent. A notice received at least three business days prior to a distribution record date will be effective for the following Cash Distribution Date;
- 4.59 the Trust reserves the right to amend, suspend or terminate the DRIP at any time, provided that such action shall not have a retroactive effect which would prejudice the interests of the Participants. All Participants will be sent written notice of any such amendment, suspension or termination; and

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- 4.60 upon termination of the DRIP or a Participant's participation in the DRIP, the Participant(s) will receive a certificate for all the whole Additional Units and Bonus Units held in their account, a cash payment for any fraction of a Trust Unit and return of any uninvested optional cash payments;
- 4.61 there are no exemptions from the Registration Requirement or the Prospectus Requirement available under the Legislation of the DRIP Registration and Prospectus Jurisdictions for trades of Additional Units or Bonus Units by the Trust pursuant to the DRIP;
- 5. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");
- 6. AND WHEREAS 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;
- 7. THE DECISION of the Decision Makers under the Legislation is that:
 - 7.1 the Registration Requirement and Prospectus Requirement contained in the Legislation of the Arrangement Registration and Prospectus Jurisdictions shall not apply to the Trades provided that the first trade in securities acquired under this Decision (other than first trades which are themselves Trades) shall be deemed to be a distribution or primary distribution to the public;
 - 7.2 the Prospectus Requirement contained in the Legislation of the Arrangement Registration and Prospectus Jurisdictions shall not apply to the first trade in Trust Units, Exchangeable Shares or Explorecos Shares acquired by security holders of Vermilion under the Arrangement and the first trade of the Trust Units acquired on the exercise of all rights, automatic or otherwise, under such Exchangeable Shares, provided that:
 - 7.2.1 except in Québec, the conditions in subsections (3) or (4) of section 2.6 of Multilateral Instrument 45-102 Resale of Securities ("MI 45-102") are satisfied and, for the purposes of determining the period of time that the Trust or Explorecos has been a reporting issuer under section 2.6 of MI 45-102, the period of time that Vermilion was a reporting issuer in at least one of the jurisdictions listed in Appendix B of MI 45-102 immediately before the Arrangement may be included; and

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7.2.2 in Québec:

- (a) the Trust or Exploreco, as applicable, is and has been a reporting issuer in Québec for the 12 months immediately preceding the trade, including the period of time that Vermilion was a reporting issuer in Québec immediately before the Arrangement;
- (b) no unusual effort is made to prepare the market or create a demand for the securities that are the subject of the trade;
- (c) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and
- (d) if the selling security holder is an insider or officer of the Trust or Exploreco, as applicable, the selling security holder has no reasonable grounds to believe that the Trust or Exploreco, as applicable, is in default of securities legislation;

7.3 the Continuous Disclosure Requirements shall not apply to Amalgamationco for so long as:

- 7.3.1 the Trust is a reporting issuer in Québec and at least one of the jurisdictions listed in Appendix B of MI 45-102 and is an electronic filer under National Instrument 13-101;
- 7.3.2 the Trust concurrently sends to all holders of Exchangeable Shares resident in the Jurisdictions all disclosure material furnished to holders of Trust Units under the Continuous Disclosure Requirements;
- 7.3.3 the Trust complies with the requirements of the TSX, or such other market or exchange on which the Trust Units may be quoted or listed, in respect of making public disclosure of material information on a timely basis;
- 7.3.4 Amalgamationco is in compliance with the requirements of the Legislation to issue a press release and file a report with the Decision Makers upon the occurrence of a material change in respect of the affairs of Amalgamationco that is not also a material change in the affairs of the Trust;

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- 7.3.5 the Trust includes in all future mailings of proxy solicitation materials to holders of Exchangeable Shares a clear and concise insert explaining the reason for the mailed material being solely in relation to the Trust and not to Amalgamationco, such insert to include a reference to the economic equivalency between the Exchangeable Shares and Trust Units and the right to direct voting at meetings of holders of Trust Units;
- 7.3.6 the Trust remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of Amalgamationco; and
- 7.3.7 Amalgamationco does not issue any preferred shares or debt obligations other than debt obligations issued to its affiliates or to banks, loan corporations, trust corporations, treasury branches, credit unions, insurance companies or other financial institutions;
- 7.4 the Registration Requirement and the Prospectus Requirement contained in the Legislation of the DRIP Registration and Prospectus Jurisdictions shall not apply to trades of Additional Units or Bonus Units by the Trust to the Plan Agent for the account of Participants pursuant to the DRIP provided that:
 - 7.4.1 at the time of the trade the Trust is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;
 - 7.4.2 no sales charge is payable in respect the trade;
 - 7.4.3 the Trust has caused to be sent to the person or company to whom the Additional Units and Bonus Units are traded, not more than 12 months before the trade a statement describing:
 - (a) their right to withdraw from the DRIP and to make an election to receive cash instead of Additional Units and Bonus Units on the making of a distribution of income by the Trust (the “Withdrawal Right”); and
 - (b) instructions on how to exercise the Withdrawal Right;
 - 7.4.4 the aggregate number of Additional Units and Bonus Units issued under the Cash Payment Option of the DRIP in any financial year of the Trust shall not exceed 2% of the aggregate

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number of Trust Units outstanding at the start of that financial year;

7.4.5 disclosure of the distribution of Additional Units and Bonus Units is made to the relevant Jurisdictions by providing particulars of the date of the distribution of such Additional Units and Bonus Units, the number of such Additional Units and Bonus Units and the purchase price paid or to be paid for such Additional Units and Bonus Units in:

- (a) an information circular or take-over bid circular filed in accordance with the Legislation; or
- (b) a letter filed with the Decision Maker in the appropriate Jurisdiction by a person or company certifying that the person or company has knowledge of the facts contained in the letter;

when the Trust distributes such Additional Units and Bonus Units for the first time and thereafter, not less frequently than annually, unless the aggregate number of Additional Units and Bonus Units so distributed in any month exceeds 1% of the aggregate number of Trust Units outstanding at the beginning of the month in which the Additional Units and Bonus Units were distributed, in which case the disclosure required under this paragraph shall be made in each relevant Jurisdiction (other than Québec) in respect of that month within ten days of the end of such month;

7.4.6 the first trade of Additional Units or Bonus Units acquired under this Decision shall be deemed to be a distribution or a primary distribution to the public; and

7.5 the Prospectus Requirement contained in the Legislation of the DRIP Registration and Prospectus Jurisdictions shall not apply to the first trade in Additional Units or Bonus Units acquired pursuant the DRIP, provided that:

7.5.1 except in Québec, the conditions in subsections (3) or (4) of section 2.6 of MI 45-102 are satisfied;

7.5.2 in Québec,

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- (a) the Trust is and has been a reporting issuer in Québec for the 12 months preceding the trade, including the period of time that Vermilion was a reporting issuer in Québec immediately before the Arrangement;
- (b) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the alienation;
- (c) no extraordinary commission or other consideration is paid to a person or company in respect of the trade;
- (d) if the selling security holder is an insider or officer of the Trust, the selling security holder has no reasonable grounds to believe that the Trust is in default of securities legislation.

DATED this 22nd day of January, 2003.

Glenda A. Campbell, Q.C., Vice-Chair
David W. Betts, Member