

**THE SECURITIES ACT**

)

**Order No. 3258**

)

**Section 20**

)

**February 28, 2001**

**FOUNDERS ENERGY LTD.**

(A) WHEREAS, Founders Energy Ltd. ("Founders" or the "Company") has made an application to the Manitoba Securities Commission (the "Commission") for an order pursuant to section 20(1) of *The Securities Act* (the "Act") to exempt certain trades from sections 6 and 37 of the Act in connection with a Plan of Arrangement involving Founders and Provident Energy Ltd. ("AcquisitionCo"), and Provident Energy Trust (the "Trust").

(B) Founders has represented to the Commission that:

1. Founders was incorporated under the ABCA as 580566 Alberta Ltd. ("AlbertaCo") by Articles of Incorporation dated September 17, 1993. By Articles of Amendment dated October 22, 1993 AlbertaCo changed its name to Founders Energy Ltd.
2. By Articles of Amalgamation dated December 31, 1994 Founders amalgamated with Tarasol Ventures Inc. and continued under the name Founders Energy Ltd.
3. By Articles of Amalgamation dated January 1, 1997 Founders amalgamated with Founders Energy Holdings Ltd.
4. In December 1998, Founders acquired, by way of takeover bid, Opal Energy Inc. ("Opal") and its' wholly-owned subsidiary Opal Exploration Inc. ("Exploration"). By Articles of Amalgamation dated February 1, 1999 Founders amalgamated with Opal and continued under the name Founders Energy Ltd.
5. By Articles of Amendment dated June 2, 1999 Founders amended its articles to create Series U preferred shares.
6. By Articles of Amalgamation dated January 1, 2000 Founders amalgamated with Exploration and continued under the name Founders Energy Ltd.
7. By Articles of Amendment dated January 27, 2000 Founders consolidated its issued and outstanding common shares on the basis of 4 pre-consolidation common shares being exchanged for one post-consolidation common share.
8. Founders has no subsidiary companies at this time.

9. The head and principal office of Founders is located at 1500, 440 – 2<sup>nd</sup> Avenue, S.W., Calgary, Alberta and the registered office of Founders is located at 3700, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta.

10. The authorized capital of Founders is an unlimited number of Founders Shares and an unlimited number of preferred shares issuable in series and in respect of the first series of preferred shares, a maximum of 100,000,000 Series U preferred shares may be issued. As of January 18, 2001, 15,113,902 Founders Shares and no preferred shares or Series U preferred shares were issued and outstanding.

11. The Founders Shares are equal in all respects and holders thereof are entitled to receive notice of and to attend any meeting of the shareholders of Founders and to one vote for each such share held by them. Subject to the rights of the holders of preferred shares, the holders of Founders Shares have the right to receive dividends when declared by Founders and in the event of a liquidation, dissolution or winding-up of Founders, whether voluntary or involuntary, the holders of Founders Shares shall be entitled to receive all of the assets remaining for distribution after the payment to holders of preferred shares in accordance with the preferences attaching to such preferred shares.

12. The preferred shares are issuable in one or more series and the directors of Founders are empowered to fix the number of shares in each series and to fix the designation, rights, restrictions and conditions attaching to each such series before any issuance thereof. The Series U preferred shares were created to facilitate a private placement of a 7.5% subordinated secured convertible redeemable debenture (the "Debenture") to Citicorp Capital Investors Ltd. ("Citicorp") (a subsidiary of Citibank Canada) in June, 1999. No Series U preferred shares have been issued to date. Prior to the Arrangement becoming effective, Citicorp has agreed to convert a portion of the outstanding Debenture into Founders Shares and to redeem the balance of the principal amount for cash (the number of Founders Shares and amount of cash paid by Founders will be calculated based on a formula agreed to between Founders and Citicorp), it is currently anticipated that 5,000,000 Founders Shares will be issued to Citicorp. As a result of the conversion and redemption of the Debenture, Founders will not be required to issue any Series U preferred shares.

13. Founders is a reporting issuer in the provinces of Manitoba, Quebec, Alberta, Ontario, Saskatchewan and British Columbia. Founders has historically filed an annual information form under the Prompt Offering Qualification System pursuant to the eligibility requirements set forth in National Instrument 44-101.

14. To the best of Founders' knowledge it is not in default of any requirements of the applicable securities legislation in the Province of Manitoba.

15. The Founders Shares are listed and posted for trading on The Toronto Stock Exchange under the symbol "FDE".

16. AcquisitionCo was incorporated under the ABCA by Articles of Incorporation dated January 17, 2001 and is wholly-owned by the Trust. AcquisitionCo will be the corporation which will amalgamate with Founders and continue under the name Provident Energy Ltd.

17. The head and principal office of Founders is located at 1500, 440 – 2<sup>nd</sup> Avenue, S.W., Calgary, Alberta and the registered office of Founders is located at 3700, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta. The registered office of AcquisitionCo is 3700, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta.

18. The Board of Directors of Founders has approved, subject to shareholder, court and necessary regulatory approvals, the reorganization of Founders by way of the Arrangement. Under the Arrangement, holders of Founders Shares will ultimately receive one Trust Unit of the Trust for every three Founders Shares held.

19. Pursuant to the terms of the Arrangement the following steps will occur:

a) the termination of Founders current Shareholders' Rights Protection Plan;

b) all of the outstanding Founders Shares will be exchanged for Notes of AcquisitionCo on the basis of one Note for every three Founders Shares resulting in the acquisition by AcquisitionCo of all of the issued and outstanding Founders Shares. In lieu of fractional Notes each holder of Founders Shares who would otherwise receive such fractional Notes shall be paid by AcquisitionCo an amount determined in accordance with the Plan of Arrangement in full satisfaction of such fractional entitlement;

c) all of the Notes of AcquisitionCo will be exchanged for Trust Units in the Trust on a one for one basis resulting in the acquisition by the Trust of all of the Notes;

d) Founders and AcquisitionCo will be amalgamated (such entity is referred to herein as AmalgamationCo); and

e) the coming into effect of a Unitholders' Rights Protection Plan of the Trust.

20. All stock options granted under Founders' Incentive Share Option Plan will immediately vest and become exercisable prior to the Arrangement becoming effective. Any stock options not exercised at such time will be cancelled. A total of 416,667 share purchase warrants are outstanding each entitling the holders thereof to receive one Founders Share for each warrant. There are currently an aggregate of 6,261,012 Founders Shares which could be purchased if all the

outstanding options and warrants to purchase Founders Shares are exercised and assuming Citicorp receives 5,000,000 Founders Shares upon conversion of the Debenture.

21. The holders of Trust Units will continue to be entitled to the entire economic interest in AmalgamationCo, as a wholly-owned subsidiary of the Trust, upon the Arrangement being completed.

22. The attributes of the Trust Units are as follows:

a) each Trust Unit represents an equal fractional undivided beneficial interest in the any distribution by the Trust (whether of net income, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up; Trust Units shall rank among themselves equally and ratably without discrimination, preference or priority;

b) holders of Trust Units are not subject to any liability whatsoever to any person in connection with the assets, the obligations or the affairs of the Trust or with respect to any act performed by the trustee of the Trust;

c) holders of Trust Units are entitled to receive a proportionate share of the net income, net realized capital gains or other amounts of the Trust to be distributed on a monthly basis;

d) the Trust Units have no restrictions on transfer and will be listed on The Toronto Stock Exchange;

e) the Trust Units are redeemable at the option of the holder from time to time and at any time on commercial terms and the redemption price payable may be paid at the option of the Trust either in cash or by the distribution of a note instrument having an aggregate principal amount equal to the amount of cash such redeeming holder of Trust Units would otherwise be entitled to; and

f) annual meetings of the holders of the Trust Units (with the holders of Trust Units being entitled to one vote per Trust Unit) shall be held each year at which the trustee shall be appointed, auditors shall be appointed and other matters requiring approval of holders of Trust Units shall be put forward for approval as may be required from time to time.

(C) The Commission is of the opinion that it would not

**IT IS ORDERED:**

**1. THAT**, pursuant to subsection 20(1) of the Act:

(a) the trade of the Notes of AcquisitionCo by the holders of such securities to the Trust in exchange for the Trust Units is exempt from sections 6 and 37 of the Act;  
and

(b) the proposed issuance of Trust Units by the Trust in exchange for Notes of AcquisitionCo is exempt from sections 6 and 37 of the Act

Provided that the Trust comply with all the requirements of Parts XII of the Act.

**2. THAT** the fee for this order is \$1,000.00.

**BY ORDER OF THE COMMISSION**

**Director - Legal**