

**IN THE MATTER OF  
THE SECURITIES LEGISLATION  
OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN  
MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK, PRINCE EDWARD ISLAND  
NOVA SCOTIA, NEWFOUNDLAND, 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  
ARC ENERGY TRUST, ARC RESOURCES LTD.,  
908563 ALBERTA LTD., STARTECH ENERGY INC.  
AND IMPACT ENERGY INC.**

**MRRS DECISION DOCUMENT**

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Nova Scotia, the Yukon Territory, the Nunavut Territory and the Northwest Territories (the "Jurisdictions") has received an application from ARC Energy Trust ("ARC Trust"), ARC Resources Ltd. ("ARC Resources"), 908563 Alberta Ltd. ("ARC Subco"), Startech Energy Inc. ("Startech") and Impact Energy Inc. ("Impact") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

1.1 the requirements contained in the Legislation:

1.1.1 to be registered to trade in a security (the "Registration Requirements"), to file a preliminary prospectus and a prospectus and to obtain receipts therefor (the "Prospectus Requirements") shall not apply to certain trades and distributions of securities to be made in connection with an agreement to combine the business of ARC Trust and Startech and to issue shares of Impact through a plan of arrangement involving ARC Trust, ARC Resources, ARC Subco, Startech and Impact; and

1.1.2 for a reporting issuer or the equivalent to issue a press release and file a report with the Decision Makers upon the occurrence of

a material change, file and deliver interim and audited annual financial statements and annual reports (where applicable), information circulars and annual information forms and provide management's discussion and analysis of financial conditions and results of operations (the "Continuous Disclosure Requirements") shall not apply to ARC Resources provided certain conditions are met; and

1.2 Impact be declared a reporting issuer for the purposes of the Legislation of the Jurisdictions, other than Saskatchewan, Manitoba, Newfoundland, New Brunswick, Prince Edward Island, Northwest Territories, Nunavut Territory and Yukon Territory; and

1.3 Certain of the Prospectus Requirements not be applicable to the first trade of certain shares of Impact issued to Startech Shareholders pursuant to the Arrangement.

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 ARC Trust, ARC Resources, ARC Subco, Startech and Impact have represented to the Decision Makers that:

3.1 Startech is a corporation organized and subsisting under the Alberta Business Corporations Act (the "ABCA");

3.2 Startech's principal business is the acquisition of interests in crude oil and natural gas rights and the exploration for, development, production and marketing of crude oil and natural gas;

3.3 Startech's principal executive offices are located at Suite 1400, 440 - 2<sup>nd</sup> Avenue SW, Calgary, Alberta, T2P 5E9;

3.4 the authorized share capital of Startech consists of an unlimited number of common shares (the "Startech Shares"), an unlimited number of Class "A" Subordinate Voting Shares, an unlimited number of Class "B" Preferred Shares and an unlimited number of Class "C" Preferred Shares, issuable in series. As of December 15, 2000, 28,060,895 Startech Shares were issued and outstanding and no Class "A" Subordinate Voting Shares, Class "B" Preferred Shares or Class "C" Preferred Shares are issued or outstanding. As of December 15, 2000, options (the "Startech Options") to purchase an aggregate of 3,166,250 Startech Shares were outstanding pursuant to Startech's option plan;

3.5 the Startech Shares are fully participating voting shares and are listed on The Toronto Stock Exchange (the "TSE") and on NASDAQ;

3.6 Startech is a reporting issuer or the equivalent and has been a reporting issuer or the equivalent for more than one year under the Legislation of the provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland and Startech is not in default of any of the requirements of the Legislation;

3.7 to the knowledge of the directors and officers of Startech, the only persons who own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to all Startech Shares is AIM Funds Management Inc. which holds approximately 17.77% of the outstanding Startech Shares;

3.8 ARC Trust is a open-end investment trust created on May 7, 1996 under the laws of the Province of Alberta pursuant to a trust indenture between ARC Resources and Montreal Trust Company of Canada;

3.9 ARC Trust was created for the purposes of issuing ARC Trust Units to the public and investing the funds so raised to purchase a royalty in certain oil and gas properties (the "Royalty") from ARC Resources. In addition to the Royalty, the ARC Trust currently holds an indirect interest in ARC (Sask.) Energy Trust, which trust holds direct working interests in certain oil and gas assets in the Province of Saskatchewan;

3.10 ARC Trust is authorized to issue an unlimited number of ARC Trust Units. As of November 30, 2000, there were 72,524,120 Trust Units outstanding and there were outstanding rights to acquire 1,723,072 ARC Trust Units under ARC Trust's Trust Unit Incentive Rights Plan;

3.11 all ARC Trust Units share equally in all distributions from ARC Trust and all ARC Trust Units carry equal voting rights at meetings of unitholders. The ARC Trust Units are currently traded on the TSE;

3.12 ARC Trust is a reporting issuer or the equivalent under the Legislation of all provinces in Canada and is not in default of any of the requirements under such Legislation;

3.13 to the knowledge of ARC Resources Management Ltd., being the manager of ARC Trust, none of the holders of the ARC Trust Units own in excess of 10% of the outstanding ARC Trust Units;

3.14 ARC Resources was incorporated under the ABCA on January 22, 1996 and was amalgamated with Orion Energy Holdings Inc. and Pencor Petroleum Limited on March 31, 1999;

3.15 all of the issued and outstanding shares of ARC Resources are held by the ARC Trust;

3.16 the business of ARC Resources is the acquisition, development, exploitation and disposition of oil and natural gas properties and the granting of the Royalty to the ARC Trust. The head and principal office of ARC Resources is located at Suite 2100, 440 - 2<sup>nd</sup> Avenue S.W., Calgary, Alberta, T2P 5E9;

3.17 the authorized capital of ARC Resources consists of an unlimited number of common shares. Before the effective time of the Arrangement, ARC Resources will amend its articles to allow it to issue up to 50,000,000 Exchangeable Shares and an unlimited number of second preferred shares, issuable in series;

3.18 as soon as practicable following the completion of the Arrangement, it is intended that the Exchangeable Shares will be listed and posted for trading on the TSE;

3.19 ARC Subco was incorporated as 908563 Alberta Ltd. on November 30, 2000 under the ABCA;

3.20 all of the issued and outstanding shares of ARC Subco are owned by the ARC Trust;

3.21 ARC Subco was incorporated solely for the purposes of facilitating the acquisition of the Exchangeable Shares under the various call rights of the ARC Trust and ARC Subco under the Exchangeable Shares on a tax-effective basis;

3.22 Impact was incorporated as 719480 Alberta Inc. on December 5, 1996 under the ABCA. On December 8, 2000 Articles of Amendment were filed to, among other things, change its name to Impact Energy Inc. Impact has not carried on business since its incorporation;

3.23 Impact's principal executive offices are located at Suite 1400, 440 - 2<sup>nd</sup> Avenue S.W., Calgary, Alberta, T2P 5E9; and

3.24 the authorized share capital of Impact consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As of December 15, 2000, one common share was outstanding and no preferred shares were outstanding. Impact is currently a private company and it is a wholly-owned subsidiary of Startech.

4. AND WHEREAS, with respect to the ARC - Startech Combination, ARC Trust, ARC Resources, ARC Subco, Startech and Impact have further represented to the Decision Makers that:

4.1 ARC Trust, ARC Resources, Startech and Impact have entered into an agreement made as of December 15, 2000 (the "Arrangement Agreement") which provides for:

4.1.1 the combination of the businesses of ARC Trust and Startech (the "ARC -Startech Combination"); and

4.1.2 the transfer by Startech to Impact of certain oil and gas assets of Startech consisting primarily of interests in oil and gas exploratory acreage and in developed oil and gas acreage constituting less than 5% of Startech's daily oil and gas production and the issuance of common shares in the capital of Impact (the "Impact Shares") to the Startech Shareholders (the "Impact Spin-off");

4.2 the Exchangeable Shares will provide a holder with a security having economic, ownership and voting rights which are, as nearly as practicable (with the exception of dividend treatment), equivalent to those of ARC Trust Units;

4.3 the ARC - Startech Combination and the Impact Spin-off will be effected through an arrangement under section 186 of the ABCA involving ARC Trust, ARC Resources, ARC Subco, Startech and Impact (the "Arrangement");

4.4 the Arrangement is subject to approval of the holders of Startech Shares (the "Startech Shareholders") and Startech Options (the "Startech Optionholders") and the Court of Queen's Bench of Alberta;

4.5 the Startech Shareholders and the Startech Optionholders approved the Arrangement at a meeting held on January 25, 2001 (the "Meeting");

4.6 an information circular and proxy statement (the "Information Circular") prepared in accordance with the Legislation was provided to Startech Shareholders and Startech Optionholders in connection with the Meeting;

4.7 the Information Circular contains prospectus-level disclosure concerning the Arrangement and the businesses of ARC Trust, Startech and Impact;

4.8 under the terms of the ARC - Startech Combination, the Startech Shareholders will transfer each of the Startech Shares held by them to ARC Resources in consideration for, at the option of each such Startech Shareholder:

4.8.1 0.96 of an ARC Trust Unit; or

4.8.2 0.96 of an Exchangeable Share, subject to a maximum of 15,000,000 Exchangeable Shares being issued pursuant to the Arrangement. Notwithstanding the foregoing, Startech Shareholders that are resident in the United States will only be entitled to receive ARC Trust Units in exchange for their Startech Shares;

4.9 as a result of such exchange, Startech will become wholly-owned by ARC Resources and immediately thereafter Startech and ARC Resources will amalgamate as part of the Arrangement;

4.10 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 ARC Trust Units;

4.11 under the terms of the Exchangeable Shares and certain rights to be granted in connection with the Arrangement, ARC Trust, ARC Subco or ARC Resources will be able to redeem, retract or acquire Exchangeable Shares in exchange for ARC Trust Units in certain circumstances;

4.12 in order to ensure that the Exchangeable Shares remain the voting and economical equivalent of ARC Trust Units prior to their exchange, the Arrangement provides for:

4.12.1 a support agreement to be entered into between ARC Trust, ARC Subco, ARC Resources and Montreal Trust Company of Canada (the "Trustee") which will, among other things, restrict ARC Trust from changing the rights, privileges or other terms of ARC Trust Units unless economically equivalent changes are made to the Exchangeable Shares;

4.12.2 a voting and exchange trust agreement to be entered into between ARC Trust, ARC Subco, ARC Resources and the Trustee which will, among other things, grant to the Trustee, for the benefit of holders of Exchangeable Shares, the right to require ARC Trust or ARC Subco to exchange the Exchangeable Shares for ARC Trust Units, or to trigger automatically the exchange of the Exchangeable Shares for Trust Units upon the occurrence of certain specified events;

4.12.3 the deposit by ARC Trust of a special voting unit with the Trustee which will effectively provide the holders of Exchangeable Shares with voting rights equivalent to those attached to the ARC Trust Units;

4.13 with respect to the ARC - Startech Combination, the terms of the Arrangement, the terms of the Exchangeable Shares and the exercise of certain rights provided for in connection with the Arrangement will result in a number of trades or distributions of securities (collectively, the "ARC - Startech Combination Trades") for which no exemption is available under the Legislation;

4.14 ARC Resources has applied for, and has received, conditional approval for the listing of the Exchangeable Shares on the TSE following the completion of the Arrangement;

4.15 the Information Circular discloses that ARC Trust, ARC Subco and ARC Resources have applied for relief from the Registration and Prospectus Requirements and the Continuous Disclosure Requirements as they apply to ARC Resources and that ARC Resources will provide holders of the Exchangeable Shares with the documents filed by ARC Trust pursuant to the Continuous Disclosure Requirements; and

4.16 ARC Trust will concurrently send to holders of Exchangeable Shares resident in the Jurisdictions all disclosure material it sends to holders of ARC Trust Units pursuant to the Legislation;

5. AND WHEREAS, with respect to the Impact Spin-Off, ARC Trust, ARC Resources, Startech and Impact have further represented to the Decision Makers that:

5.1 pursuant to the Arrangement, Startech will transfer to Impact certain exploratory and development oil and gas properties located primarily in the provinces of British Columbia, Alberta and Saskatchewan and in the State of Montana as well as all of the issued and outstanding shares of Startech Energy Corp., a wholly-owned subsidiary of Startech incorporated under the laws of the State of Montana (the "Retained Assets") and Impact will issue Impact Shares to the Startech Shareholders through the following steps:

5.1.1 Startech will declare and pay to each Startech Shareholder (other than those who dissent) a dividend in specie of its pro rata share of one Impact Share;

5.1.2 Startech will sell the Retained Assets to Impact in consideration for certain debt consideration and certain preferred shares of Impact (collectively, the "Roll-in Consideration");

5.1.3 Startech will sell the Roll-in Consideration to ARC Resources in consideration of payment by ARC Resources of a demand promissory note;

5.1.4 in addition to their entitlements to the ARC Trust Units and the Exchangeable Shares, each Startech Shareholder will receive from ARC Resources in exchange for each Startech Share, consideration equal its pro rata share of the Roll-in Consideration; and

5.1.5 each Startech Shareholder will exchange with Impact its pro-rata share of the Roll-in Consideration for its pro-rata share of such

number of Impact Shares (the "Consideration Impact Shares") for each Startech Share held by it such that following such exchange there is issued and outstanding one Impact Share for each one Startech Share held by the Startech Shareholders immediately prior to the Arrangement;

5.2 as a result of the Arrangement, upon completion of the Arrangement, the former Startech Shareholders will hold all of the issued and outstanding Impact Shares;

5.3 the maximum number of Impact Shares that will be outstanding immediately after completion of the Arrangement, assuming all outstanding Startech Options are exercised immediately prior to the Arrangement, will be 31,226,915;

5.4 the Information Circular contains prospectus-level disclosure concerning Impact and its business immediately after the completion of the Arrangement, including with respect to the Retained Assets;

5.5 Impact has applied for, and has received, conditional approval for the listing of the Impact Shares on the TSE following the completion of the Arrangement;

5.6 although Impact will become a reporting issuer in Ontario upon becoming listed and posted for trading on the TSE, because of the timing of the closing of the Arrangement, it is necessary for Impact to be deemed a reporting issuer in Ontario;

5.7 with respect to the Impact Spin-off, the terms of the Arrangement will result in a number of trades or distributions, or the equivalent, under the Legislation (collectively, the "Impact Spin-off Trades"), including:

5.7.1 the trade by Startech to the Startech Shareholders of their pro-rata portion of the one Impact Share by way of the dividend-in-specie;

5.7.2 the trade by ARC Resources to the Startech Shareholders of their pro rata portion of the Roll-in Consideration;

5.7.3 the issuance by Impact to the Startech Shareholders of their pro-rata portion of the Consideration Impact Shares; and

5.7.4 the trade by Startech Shareholders to Impact of their pro rata portions of the Roll-in Consideration in exchange for the Consideration Impact Shares; and

6. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Makers (collectively, the "Decision");



7. 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;

8. THE DECISION of the Decision Makers pursuant to the Legislation is that:

8.1 with respect to the ARC - Startech Combination:

8.1.1 the Registration and Prospectus Requirements shall not apply to the ARC - Startech Combination Trades;

8.1.2 the first trade of Exchangeable Shares and ARC Trust Units acquired by Startech Shareholders in exchange for their Startech Shares under the Arrangement shall be deemed to be a distribution or a primary distribution to the public under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation") unless:

8.1.2.1 the trade is exempt from or not subject to the Prospectus Requirements under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Jurisdiction"); or

8.1.2.2 (a) ARC Trust is a reporting issuer or the equivalent in the Applicable Jurisdictions except Manitoba, Prince Edward Island, New Brunswick, Northwest Territories, Nunavut Territory and Yukon Territory;

(b) if the seller is in a special relationship with ARC Resources or ARC Trust, as defined in the Legislation of the Applicable Jurisdiction, the seller has no reasonable ground to believe that ARC Resources or ARC Trust is in default of any requirements of the Legislation of the Applicable Jurisdiction;

(c) no unusual effort is made to prepare the market or to create a demand for the Exchangeable Shares or the ARC Trust Units and no extraordinary commission or consideration is paid in respect of such first trade; and

(d) except in Quebec, such first trade is not a trade from the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of ARC Trust, or a combination of securities of ARC Resources and ARC Trust, to affect materially the control of ARC Trust or holds, in the absence of evidence showing that the holding of those securities does not affect materially the control of ARC Trust, more than 20 percent of the outstanding voting securities of ARC Trust (and for these purposes the Exchangeable Shares shall be considered to be voting securities of ARC Trust);

8.1.3 the first trade of ARC Trust Units acquired by the holders thereof on the exercise of all rights, automatic or otherwise, under the Exchangeable Shares, shall be deemed to be a distribution or a primary distribution to the public under the Applicable Legislation, unless:

8.1.3.1 the trade is exempt from or not subject to the Prospectus Requirement under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Jurisdiction"); or

8.1.3.2(a) ARC Trust is a reporting issuer or the equivalent in the Applicable Jurisdiction except Manitoba, Prince Edward Island, New Brunswick, the Northwest Territories, Nunavut Territory and Yukon Territory;

(b) if the seller is in a special relationship with ARC Trust, as defined in the Legislation of the Applicable Jurisdiction, the seller has no reasonable grounds to believe that ARC Trust is in default of any requirements of the Legislation of the Applicable Jurisdiction;

(c) no unusual effort is made to prepare the market or to create a demand for the ARC Trust Units and no extraordinary commission or consideration is paid in respect of such first trade; and

(d) except in Quebec, such first trade is not from the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of ARC Trust, or a combination of securities of ARC Resources and ARC Trust, to affect materially the control of ARC Trust or holds, in the absence of evidence showing that the holding of those securities does not affect materially the control of ARC Trust, more than 20 percent of the outstanding voting securities of ARC Trust (and for these purposes the Exchangeable Shares shall be considered to be voting securities of ARC Trust); and

8.1.4 the Continuous Disclosure Requirements shall not apply to ARC Resources for as long as:

8.1.4.1 ARC Trust sends to all holders of Exchangeable Shares resident in the Jurisdictions all disclosure material furnished to holders of ARC Trust Units pursuant to Legislation;

8.1.4.2 ARC Trust complies with the requirements of the TSE, or such other market or exchange on which the ARC Trust Units may be quoted or listed, in respect of making public disclosure of material information on a timely basis;

8.1.4.3 ARC Resources is in compliance with the requirements of the Legislation to issue a press release and file a report with the Decision Makers upon the occurrences of a material change in respect of the affairs of ARC Resources that is not also a material change in the affairs of ARC Trust;

8.1.4.4 ARC Trust shall include 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 ARC Trust and not to ARC Resources, such insert to include a reference to the economic equivalency between the Exchangeable Shares and ARC Trust Units and the right to direct voting at ARC Trust Unitholders' meetings;

8.1.4.5 all continuous disclosure documents filed by ARC Trust with the Jurisdictions pursuant to the Continuous Disclosure Requirements shall also be filed with the Jurisdictions by ARC Resources;

8.1.4.6 ARC Resources does not declare any dividends on the Exchangeable Shares;

8.1.4.7 ARC Trust remains the direct or indirect beneficial owner of all the issued and outstanding voting securities of ARC Resources; and

8.1.4.8 ARC Resources does not issue any second preferred shares or debt obligations other than debt obligations issued to banks, loan corporations, trust corporations, treasury branches, credit unions, insurance companies or other financial institutions;

8.2 with respect to the Impact Spin-off:

8.2.1 the Registration and Prospectus Requirements shall not apply to the Impact Spin-off Trades;

8.2.2 Impact be declared a reporting issuer for the purposes of the Legislation of the Jurisdictions, other than Saskatchewan, Manitoba, Newfoundland, New Brunswick, Prince Edward Island, Northwest Territories, Nunavut Territory and Yukon Territory; and

8.2.3 the first trade of Impact Shares issued to Startech Shareholders pursuant to the Arrangement shall be deemed to be a distribution or a primary distribution to the public under the Applicable Legislation unless:

8.2.3.1 the trade is exempt from or not subject to the Prospectus Requirement under the Legislation of the Applicable Jurisdiction; or

8.2.3.2 (a) at the time of such first trade, Impact is a reporting issuer in the Applicable Jurisdiction, other than Manitoba, Newfoundland, New Brunswick, Prince Edward Island, Northwest Territories, Nunavut Territory and Yukon Territory;

(b) if the seller is in a special relationship with Impact, as defined in the Legislation of the Applicable Jurisdiction, the seller has no reasonable grounds to believe that Impact is in default of any requirements of the Legislation of the Applicable Jurisdiction;

(c) no unusual effort is made to prepare the market or to create a demand for the Impact Shares and no extraordinary commission or consideration is paid in respect of such first trade; and

(d) except in Quebec, such first trade is not a trade from the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of Impact to affect materially the control of Impact or holds, in the absence of evidence showing that the holding of those securities does not affect materially the control of Impact, more than 20 percent of the outstanding voting securities of Impact.

DATED this 31st day of January, 2001.

Stephen P. Sibold, Q.C., Chair    Glenda A. Campbell, Vice-Chair

#### Headnote

Mutual Reliance Review System for Exemptive Relief Applications - combination of two issuers using exchangeable share structure and spin-off of assets of one of the combining issuers into a new issuer by plan of arrangement - relief under subsections 116(1), 123(c) and 184(2) of the Alberta Act from the requirements under sections 54 and 81 of the Alberta Act and the continuous disclosure requirements under Part 11 of the Alberta Act in connection with the exchangeable share structure - order declaring new issuer created by spin-off of assets a reporting issuer and providing first trade relief for shares of new issuer.

#### Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended, s. 54, 81, 116(1), 116(1.1), 117, Part 11, 123(c) and 184(2)