

IN THE MATTER OF THE SECURITIES LEGISLATION OF THE PROVINCES OF  
BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, QUÉBEC, NEW BRUNSWICK,  
NOVA SCOTIA AND NEWFOUNDLAND

AND

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

AND

IN THE MATTER OF CONOR PACIFIC ENVIRONMENTAL TECHNOLOGIES INC.

MRRS DECISION DOCUMENT

[para 1]

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from Conor Pacific Environmental Technologies Inc. (the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the proposed distribution of common shares of the Filer ("Common Shares") to the Filer's creditors (the "Creditors") in connection with the completion of the Filer's Plan of Compromise and Reorganization and Plan of Arrangement (the "Plan") be exempt from the Registration Requirement and the Prospectus Requirement (as defined in the Legislation);

[para 2]

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the British Columbia Securities Commission is the principal regulator for the application;

[para 3]

AND WHEREAS the Filer has represented to the Decision Makers that:

1. the Filer is a corporation amalgamated under the laws of the Province of Alberta on July 12, 1996, with its head office located in Vancouver, British Columbia and its registered office located in Calgary, Alberta;
2. the authorized capital of the Filer consists of an unlimited number of Common Shares without par value, an unlimited number of Class A Preferred Shares without par value and an unlimited number of Class B Preferred Shares without par value, of which 55,577,827 Common Shares, no Class A Preferred Shares and no Class B Preferred Shares were issued and outstanding as at February 13, 2001;
3. the Filer is a reporting issuer, or the equivalent thereof, in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec and Nova Scotia;

4. the Filer is not a reporting issuer in New Brunswick or Newfoundland and has no current intention of becoming a reporting issuer in those provinces;
5. the Common Shares of the Filer are listed and posted for trading on The Toronto Stock Exchange Inc.;
6. one or more of the Filer's Creditors resides in each of the Jurisdictions;
7. on November 10, 2000, an application was made by the Filer to the Court of Queen's Bench of Alberta (the "Court") and an order was granted by the Court pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") and the *Business Corporations Act* (Alberta) (the "ABCA") respecting, among other things, a stay of all actions, suits and proceedings (the "Initial Order") until December 8, 2000; the Initial Order also provided for the appointment of KPMG Inc. as monitor (the "Monitor"), authorized the Filer to call a meeting of its General Creditors (as defined below) to consider and, if thought fit, to approve the Plan and directed that the Filer give its shareholders notice of the Plan and of a hearing of the Court to be held on December 8, 2000 to consider the fairness of the Plan; the stay of proceedings was subsequently extended to April 2, 2001; on December 20, 2000, the Filer obtained an order from the Court (the "Final Order") sanctioning the Plan, declaring that the Plan is fair and reasonable and in the best interest of the Filer's Secured Creditors, General Creditors and shareholders;
8. an information circular and proxy statement relating to the meeting of the General Creditors containing all material disclosure regarding the Plan was prepared and mailed to the General Creditors in the week of November 13, 2000; the General Creditors approved the Plan on December 4, 2000;
9. shareholder approval of the Plan is not required under the CCAA or the ABCA; accordingly, no meeting of the shareholders of the Filer has been held; on November 10, 2000, the Filer gave its shareholders notice of the Plan and of the Court hearing as directed by the Initial Order;
10. the purpose of the Plan is to permit the Filer to settle its indebtedness by the issuance of Common Shares to certain of its Creditors, which have been divided into two classes, secured creditors (the "Secured Creditors") and unsecured creditors (the "General Creditors"); the Plan sets out specific repayment terms to the Secured Creditors and certain of the General Creditors and contemplates the issuance of approximately 1,045,000,000 Common Shares to Creditors to extinguish approximately \$23 million of secured and unsecured indebtedness;
11. the TSE has conditionally approved the listing of the Common Shares upon implementation of the Plan, subject to certain conditions, including the condition that the Plan be implemented on or before March 30, 2001;
12. the Monitor conducted a liquidation analysis, pursuant to which it concluded that liquidation appears to be a certain consequence of failure to implement the Plan and that, under a forced liquidation, realizations on the Filer's assets will likely be significantly less than the value of secured indebtedness;

13. the trades in Common Shares under the Plan to the Creditors may not fall within any of the registration and prospectus exemptions under the Legislation;

14. in the absence of the relief requested, the Filer will face liquidation; in such a scenario, the Secured Creditors will realize less than the full amount of their claim against the Filer and all of the General Creditors, shareholders and other stakeholders of the Filer will almost certainly receive no compensation in respect of their claim against the Filer;

[para 4]

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

[para 5]

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;

[para 6]

The Decision of the Decision Makers pursuant to the Legislation is that:

1. The Registration Requirement and the Prospectus Requirement shall not apply to the issuance of Common Shares to the Filer's Creditors in connection with the completion of the Plan; and
2. the first trade in the securities acquired by the Creditors under this Decision in a Jurisdiction is deemed to be a distribution or a primary distribution to the public under the Legislation of such Jurisdiction (the "Applicable Legislation") unless:
  - (a) at the time of the trade, the Filer is and has been a reporting issuer or the equivalent under the Applicable Legislation for the 12 months immediately preceding the trade or, in the case of New Brunswick and Newfoundland, the Filer has filed with such Jurisdiction the continuous disclosure documents filed by it with the other Jurisdictions;
  - (b) if the seller is an insider or officer of the Filer, the seller has no reasonable grounds to believe that the Filer is in default of any requirement of the Applicable Legislation;
  - (c) no unusual effort is made to prepare the market or to create a demand for the securities;
  - (d) except in Québec, the first trade is not a distribution from the holdings of a person or company who holds a sufficient number of the voting rights attaching to all outstanding voting securities of the Filer to affect materially the control of the Filer or each person or company in a combination of persons and companies, acting in concert by virtue of an agreement, arrangement, commitment or

understanding, which holds in total a sufficient number of voting rights attached to all outstanding voting securities of the Filer to affect materially the control of the Filer, and, if a person or company or combination of persons or companies holds more than 20% of the voting rights attached to all outstanding voting securities of the Filer, the person or company or combination of persons or companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the Filer; and

(e) no extraordinary commission or consideration is paid in respect of the trade.

[para 7]

DATED March 29, 2001.

Brenda Leong  
Director

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief granted from prospectus and registration requirements in connection with a distribution of securities to secured and general creditors under a plan of compromise and reorganization and plan of arrangement under the Companies' Creditors Arrangement (Canada) and the Business Corporations Act (Alberta). First trade relief granted subject to certain conditions.

Applicable British Columbia Provisions

*Securities Act*, R.S.B.C. 1996, c. 418, ss. 34(1)(a), 48, 61, and 76