

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA,
ONTARIO, Québec, NOVA SCOTIA, NEWFOUNDLAND,
NEW BRUNSWICK AND PRINCE EDWARD ISLAND

AND

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

AND

IN THE MATTER OF SUPERIOR PROPANE 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, Québec, Nova Scotia, Newfoundland, New Brunswick and Prince Edward Island (the "Jurisdictions") has received an application from Superior Propane Inc. ("Superior") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the 12 month reporting issuer requirement contained in the Legislation shall not apply to Superior so that it may participate in the prompt offering qualification system (the "POP System") pursuant to National Instrument 44-101 ("NI 44-101");

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 it has been represented by Superior to the Decision Makers that:

3.1 Superior has been engaged in the distribution and retail sale of propane, propane consuming equipment and related services since 1951. Superior currently has over 200,000 customers throughout Canada. Superior operates in all of the provinces and territories of Canada and is the country's largest and only national propane marketer;

3.2 Superior is a wholly owned subsidiary of Superior Propane Income Fund (the "Fund"). Superior is authorized to issue an unlimited number of Class A common shares, Class B common shares and preferred shares. All of the outstanding Common Shares and Shareholder Notes (each as defined herein) of Superior are owned by the Fund and are the only capital assets of the Fund;

3.3 Superior has 22,848,695 Class A common shares and 22,848,695 Class B common shares issued and outstanding (collectively, the "Common Shares") and \$385.0 million principal amount of shareholder notes (the "Shareholder Notes") issued and outstanding all of which are owned by the Fund;

3.4 the Fund is an unincorporated mutual fund trust created by a trust indenture dated October 8, 1996. The trust units of the Fund are listed on The Toronto Stock Exchange. The market value of the outstanding trust units of the Fund currently exceeds \$500 million;

3.5 the Fund is a passive entity limited to investing in securities of Superior and its sole capital asset is its investment in Superior. The Fund does not conduct business in accordance with the provisions of the *Income Tax Act* (Canada) and it may not borrow funds (except in limited circumstances) or guarantee third party indebtedness;

3.6 Holders of trust units of the Fund receive surplus cash flow distributed by Superior through the Fund on a tax efficient basis which includes interest payments on the Shareholder Notes of Superior and dividends or capital distributions with respect to the Common Shares of Superior. With the exception of the administrative expenses of the Fund (of approximately \$603,000 in 1999), all amounts paid by Superior to the Fund flow through to the holders of trust units;

3.7 the Fund is entirely dependent upon the results of Superior and its financial results are directly reflective of Superior's results;

3.8 the Fund is followed by a number of investment analysts and investment analysts publish research reports respecting the Fund;

3.9 Superior received a general corporate credit rating of B++ by CBRS Inc. in April 1998 which was reaffirmed on December 22, 1999;

3.10 the Fund is a reporting issuer in all of the provinces of Canada, qualifies as a POP System issuer pursuant to the Legislation and has a Current AIF in place (as defined in the Legislation). The Fund files all necessary continuous disclosure documentation required pursuant to Canadian securities legislation, applicable rules and local and national policies. As a result of the Fund's unique structure, the public markets have been provided with complete current and historical disclosure with respect to Superior, including information with respect to:

3.10.1 business and operational information and developments regarding Superior; and

3.10.2 financial information and Management Discussion and Analysis ("MD&A") regarding the Fund and Superior; and

3.10.3 the unique structural and contractual arrangements as between the Fund, Superior and Superior Capital Management Inc. and related entities;

3.11 although the Fund's continuous disclosure is based upon the operations of Superior, certain information will have minor presentational differences when prepared on a Superior stand alone basis. The audited financial statements and MD&A of Superior would be substantively the same as those of the Fund except as necessary to reflect the different capital structures, treatment of interest expense on the Superior Shareholders Notes held by the Fund and the relatively modest administrative expenses of the Fund;

3.12 Superior will prepare and file an Annual Information Form ("AIF") pursuant to the Legislation on a stand alone basis which will contain both audited financial statements and MD&A for Superior, each in compliance with the Legislation. Superior will not hold an annual shareholders meeting or prepare the associated information circular as contemplated by applicable securities legislation. Superior will include, with its AIF on an annual basis, the relevant information which would have been included in a Superior information circular if it held an annual meeting. Superior intends to become a reporting issuer, or equivalent, under the securities legislation of each of the Jurisdictions. Superior will file, with its AIF, an undertaking with each of the Jurisdictions, to file all continuous disclosure documents that it would be required to file under the securities legislation of each Jurisdiction if it were a reporting issuer, or equivalent, in each Jurisdiction, from the time of filing the AIF;

3.13 assuming that the initial AIF and short form prospectus of Superior are accepted by the securities regulatory authorities in each of the Jurisdictions, Superior will become a reporting issuer, or equivalent, in each jurisdiction and would be eligible to participate in the POP System but for the fact that it has not been a reporting issuer for 12 months;

3.14 Superior would like to access non-convertible debt markets pursuant to the prospectus rules set forth in NI 44-101. Superior, rather than the Fund, will access the public (or private) debt markets for business purposes and efficiencies and in order to match the debt with Superior's operations and the income derived therefrom. The Fund, as a passive entity which has been created for the limited purpose of investing in Superior, cannot issue or guarantee debt instruments. It is anticipated that such debt issues by Superior will receive an Approved Rating (as defined in the Legislation);

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

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

6. AND WHEREAS the Decision Makers recognize and accept that it is the intent of Superior to become a reporting issuer, or equivalent, under the securities laws of all Jurisdictions by filing in each Jurisdiction and obtaining receipts from the Decision Makers for an initial annual information form and thereafter a short form prospectus in order to utilize the POP System and the shelf prospectus procedures under NI 44-102;

7. THE DECISION of the Decision Makers pursuant to the Legislation is that the 12 month reporting issuer requirement shall not apply to Superior, provided that:

7.0.1 at the time of any offering by Superior, the Fund satisfies the POP Eligibility Requirements;

7.0.2 Superior complies in all other respects with the POP Eligibility Requirements from the date of this decision;

7.2 Superior files in each Jurisdiction and obtains receipts from the Decision Makers for an initial annual information form and thereafter a short form prospectus in order to utilize the POP System and the shelf prospectus procedures under NI 44-102.

DATED this 23rd day of February, 2001.

"original signed by"
Stephen P. Sibold, Q.C., Chair

"original signed by"
Glenda A. Campbell, Vice-Chair

eadnote

Mutual Reliance Review System for Exemptive Relief Applications - a waiver from the 12 month reporting issuer requirement in connection with the prompt offering qualification system;

National Policy Statements ("NPs")

NI 44-101, paragraphs 2.5 and 15.1