

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - an open-ended investment trust exempt from prospectus and registration requirements in connection with the issuance of units to existing unitholders pursuant to a distribution reinvestment plan whereby distributions of income are reinvested in additional units of the trust subject to certain conditions - first trade relief provide, for additional units of trust, subject to certain conditions;

Applicable Alberta Statutory Provisions

Securities Act, R.S.A., 1981, c.S-4, s. 144

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

AND

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

AND

IN THE MATTER OF CANADIAN OIL SANDS TRUST

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the **ADecision Maker@**) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and Northwest Territories (the **AJurisdictions@**) has received an application from Canadian Oil Sands Trust (**ACanadian Oil Sands@**) for a decision, pursuant to the securities legislation of the Jurisdictions (the **ALegislation@**), that the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the **ARegistration and Prospectus Requirements@**) shall not apply to certain trades in units of Canadian Oil Sands issued pursuant to a distribution reinvestment plan;
2. AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the **ASystem@**) the Alberta Securities Commission is the principal regulator for this application;
3. AND WHEREAS Canadian Oil Sands has represented to the Decision Makers that:

- 3.1 Canadian Oil Sands is an unincorporated open-ended investment trust formed under the laws of the Province of Alberta pursuant to a Trust Indenture dated October 5, 1995, as amended and restated as of July 5, 2001 (the "Trust Indenture");
- 3.2 the business of Canadian Oil Sands is to manage its 21.74% interest in the Syncrude oil sands development in Northern Alberta;
- 3.3 Canadian Oil Sands has been a reporting issuer, or the equivalent, in each of the Provinces of Canada since 1995, and to its knowledge is not in default of any requirements under the Legislation of any such Jurisdiction;
- 3.4 Canadian Oil Sands is a ~~Qualifying~~ ^{Qualifying} issuer[@] within the meaning of Multilateral Instrument 45-102 *Resale of Securities*;
- 3.5 the trustee of Canadian Oil Sands is Computershare Trust Company of Canada. The entire beneficial interest in Canadian Oil Sands is held by the holders of trust units ("Units") issued by Canadian Oil Sands;
- 3.6 a maximum of 500,000,000 Units have been created and may be issued pursuant to the Trust Indenture. As of the close of business on January 17, 2002, 56,779,010 Units are issued and outstanding;
- 3.7 the Units are listed and posted for trading on The Toronto Stock Exchange (the "TSE");
- 3.8 pursuant to the terms of the Trust Indenture, Canadian Oil Sands will make quarterly distributions of distributable income, if any, to the holders of Units, and may make special distributions outside of the quarterly sequence. The distributable income of Canadian Oil Sands for any quarter is a function of the amounts received pursuant to certain royalties, other income, and certain expenses;
- 3.9 Canadian Oil Sands currently has a distribution reinvestment plan (the "Old Plan") which enables eligible Unitholders to direct that cash distributions paid on their existing Units ("Cash Distributions") be automatically applied to the purchase of Units in the secondary market;
- 3.10 Canadian Oil Sands is not a "mutual fund" under the Legislation as the holders of Units 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 Canadian Oil Sands, as contemplated by the definition of "mutual fund" in the Legislation;
- 3.11 Canadian Oil Sands intends to establish a new plan (the "Plan") pursuant to which eligible Unitholders may, at their option, purchase additional Units ("Additional Units") of Canadian Oil Sands 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");

- 3.12 the Plan also enables eligible Unitholders who decide to reinvest Cash Distributions to authorize and direct Computershare Trust Company of Canada, in its capacity as agent under the Plan (in such capacity, the "Plan Agent"), to pre-sell through a designated broker (the APlan Broker@) that number of Units equal to the number of Additional Units to be acquired on such reinvestment and to settle such pre-sales with the Additional Units issued on the applicable distribution payment date (the "Premium Distribution Option"). The Plan Agent will receive, for the account of such Unitholders, a premium cash payment equal to 102% of the reinvested Cash Distributions;
- 3.13 the Plan will supercede the Old Plan. All Unitholders who are enrolled in the Old Plan at the time that the Plan becomes effective will, subject to any contrary elections made by such Unitholders, be automatically enrolled in the Distribution Reinvestment Option;
- 3.14 all activities of the Plan Broker on behalf of the Plan Agent for the account of Unitholders who elect the Premium Distribution Option which relate to the sale of Additional Units acquired on the reinvestment of Cash Distributions will be in compliance with applicable Legislation and the rules and policies of the TSE (subject to any exemptive relief granted). The Plan Broker will also be a member of the Investment Dealers Association of Canada, and will be registered under the Legislation of any Jurisdiction where the first trade in Additional Units pursuant to the Premium Distribution Option makes such registration necessary;
- 3.15 pending receipt of the appropriate regulatory determinations, the Plan will not be available to Unitholders who are residents of the United States. Canadian Oil Sands is currently seeking such determinations and expects to be able to make the Plan available to residents of the United States in early 2002;
- 3.16 Eligible Unitholders who choose to participate in the Plan ("Participants") may elect either the Distribution Reinvestment Option or the Premium Distribution Option in respect of their Cash Distributions. The Cash Payment Option is available to eligible Unitholders who elect to reinvest their Cash Distributions under either the Distribution Reinvestment Option or the Premium Distribution Option. Eligible Unitholders may elect to participate in the Premium Distribution Option at their sole option and are free to terminate their participation in the Premium Distribution Option in accordance with the terms of the Plan;
- 3.17 under the Distribution Reinvestment Option, Cash Distributions will be paid to the Plan Agent and applied by the Plan Agent to the purchase of Additional Units, which will be held under the Plan for the account of the appropriate Participants;
- 3.18 under the Premium Distribution Option, Cash Distributions will be paid to the Plan Agent and applied by the Plan Agent to the purchase of Additional Units for the account of the appropriate Participants, but the Additional Units purchased thereby will be used to settle pre-sales of Units made by the Plan Broker on behalf of the Plan Agent for the account of such Participants. The Plan Agent will receive, for the account of the

Participants, a premium cash payment equal to 102% of the reinvested Cash Distributions;

- 3.19 under the Cash Payment Option, a Participant may, through the agency of the Plan Agent, purchase Additional Units up to a stipulated maximum dollar amount per quarter and subject to a minimum amount per remittance. The aggregate number of Additional Units that may be purchased under the Cash Payment Option by all Participants in any financial year of Canadian Oil Sands will be limited to a maximum of 2% of the number Units issued and outstanding at the start of the financial year;
- 3.20 all Additional Units purchased under the Plan will be purchased by the Plan Agent directly from Canadian Oil Sands on the relevant distribution payment date at a price determined by reference to the Average Market Price (defined in the Plan as the arithmetic average of the daily volume weighted average trading prices of the Units on the TSE for the trading days between the second business day following the distribution record date and the second business day immediately prior to the distribution payment date on which at least a board lot of Units was traded, such period not to exceed 20 trading days ending on the second last business day prior to the distribution payment date);
- 3.21 additional Units purchased under the Distribution Reinvestment Option or the Premium Distribution Option will be purchased at a 5% discount to the Average Market Price. Additional Units purchased under the Cash Payment Option will be purchased at the Average Market Price;
- 3.22 no brokerage fees or service charges will be payable by Participants in connection with the purchase of Additional Units under the Plan;
- 3.23 additional Units purchased and held under the Plan will be registered in the name of the Plan Agent or its nominee as agent for the Participants, and all cash distributions on Units so held for the account of a Participant will be automatically reinvested in Additional Units in accordance with the terms of the Plan and the election of the Participant;
- 3.24 the Plan permits full investment of reinvested Cash Distributions and optional cash payments because fractions of Units, as well as whole Units, may be credited to Participants' accounts with the Plan Agent;
- 3.25 Canadian Oil Sands Limited, Canadian Oil Sands Investments Inc. and Athabasca Oil Sands Investments Inc. (collectively, the "Manager"), in their capacity as the manager of Canadian Oil Sands, reserves the right to determine for any distribution payment date how many Additional Units will be available for purchase under the Plan;
- 3.26 if, in respect of any distribution payment date, fulfilling all of the elections under the Plan would result in Canadian Oil Sands exceeding either the limit on Additional Units set by

the Manager or the aggregate annual limit on Additional Units issuable pursuant to the Cash Payment Option, then elections for the purchase of Additional Units on the next distribution payment date will be accepted: (i) first, from Participants electing the Distribution Reinvestment Option; (ii) second, from Participants electing the Cash Payment Option; and (iii) third, from Participants electing the Premium Distribution Option. If Canadian Oil Sands is not able to accept all elections in a particular category, then purchases of Additional Units on the next distribution payment date will be pro rated among all Participants in that category according to the number of Additional Units sought to be purchased;

- 3.27 if the Manager determines that no Additional Units will be available for purchase under the Plan for a particular distribution payment date, then all Participants will receive the cash distribution announced by Canadian Oil Sands for that distribution payment date;
- 3.28 a Participant may terminate its participation in the Plan at any time by submitting a termination form to the Plan Agent. A termination form received on a distribution record date or between a distribution record date and a distribution payment date will become effective after that distribution payment date;
- 3.29 Canadian Oil Sands reserves the right to amend, suspend or terminate the Plan 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;
- 3.30 the distribution of Additional Units by Canadian Oil Sands pursuant to the Plan cannot be made in reliance on certain existing registration and prospectus exemptions contained in the Legislation as the Plan involves the reinvestment of distributions of distributable income of Canadian Oil Sands and not the reinvestment of dividends, interest or distributions of capital gains or out of earnings or surplus;
- 3.31 the distribution of Additional Units by Canadian Oil Sands pursuant to the Plan cannot be made in reliance on registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as Canadian Oil Sands is not a mutual fund 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 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;
6. AND WHEREAS the Decision of the Decision Makers pursuant to the Legislation is that the trades of Additional Units by Canadian Oil Sands to the Plan Agent for the account of Participants pursuant to the Plan shall not be subject to the Registration and Prospectus

Requirements of the Legislation provided that:

- 6.1 at the time of the trade Canadian Oil Sands is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;
- 6.2 no sales charge is payable in respect of the trade;
- 6.3 Canadian Oil Sands has caused to be sent to the person or company to whom the Additional Units are traded, not more than 12 months before the trade, a statement describing:
 - 6.3.1 their right to withdraw from the Plan and to make an election to receive cash instead of Units on the making of a distribution of income by Canadian Oil Sands, and
 - 6.3.2 instructions on how to exercise the right referred to in paragraph 6.3.1 above;
- 6.4 the aggregate number of Additional Units issued under the Cash Payment Option of the Plan in any financial year of Canadian Oil Sands shall not exceed 2% of the aggregate number of Units outstanding at the start of that financial year;
- 6.5 except in Québec, the first trade in Additional Units acquired pursuant to this Decision will be a distribution or primary distribution to the public unless the conditions in subsections 2.6(3) or (4) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied; and
- 6.6 in Québec, the first trade in Additional Units acquired pursuant to this Decision will be a distribution unless:
 - 6.6.1 the issuer is and has been a reporting issuer in Québec for the 12 months preceding the alienation;
 - 6.6.2 no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the alienation;
 - 6.6.3 no extraordinary commission or other consideration is paid in respect of the alienation;
 - 6.6.4 if the seller of the securities is an insider of the issuer, the seller has no reasonable grounds to believe that the issuer is in default of any requirement of securities legislation;
- 6.7 disclosure of the initial distribution of Additional Units pursuant to this Decision is made to the relevant Jurisdictions by providing particulars of the date of the distribution of such Additional Units, the number of such Additional Units and the purchase price paid

or to be paid for such Additional Units in:

- 6.7.1 an information circular or take-over bid circular filed in accordance with the Legislation; or
- 6.7.2 a letter filed with the Decision Maker in the relevant Jurisdiction by a person or company certifying that the person or company has knowledge of the facts contained in the letter;
- 6.8 when Canadian Oil Sands distributes such Additional Units for the first time, and thereafter not less frequently than annually, unless the aggregate number of Additional Units so distributed in any month exceeds 1% of the aggregate number of Units outstanding at the beginning of the month in which the Additional 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.

DATED this 23rd day of January, 2002.

Aoriginal signed by@

Glenda A. Campbell, Vice-Chair

Aoriginal signed by@

Wendy E. Best, Q.C., Member