

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF SASKATCHEWAN,
MANITOBA, ONTARIO, QUEBEC AND
NEW BRUNSWICK

AND

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

AND

IN THE MATTER OF
BLUESTAR BATTERY SYSTEMS INTERNATIONAL CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker"), in each of the provinces of Saskatchewan, Manitoba, Ontario, Quebec, and New Brunswick (the "Jurisdictions") has received an application (the "Application") from Bluestar Battery Systems International Corp. (the "Applicant") for a decision pursuant to the securities legislation of the Jurisdictions (the "Securities Legislation") that the registration and prospectus requirements contained in the Securities Legislation shall not apply to a proposed issuance of common shares of the Applicant and to the first trade of such common shares.

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

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

1. The Applicant was incorporated under the laws of Alberta on December 2, 1993.
2. The Applicant's head office is located in Raleigh, North Carolina and its registered office is located in Calgary, Alberta.
3. The Applicant's primary place of business in Canada is in the Province of Ontario which accounts for more of the Applicant's revenues (20%) than any other province in Canada. A plan of arrangement and compromise (the "Plan") under the *Companies' Creditors Arrangement Act* (the "CCAA") was filed in the Ontario Superior Court of Justice (the "Court").
4. The Applicant is a reporting issuer in the Provinces of British Columbia and Alberta and is not a reporting issuer in the remaining Jurisdictions and has no current intention of becoming a reporting issuer in the remaining Jurisdictions.

5. The common shares of the Applicant (the "Common Shares") that are outstanding are listed and posted for trading on the Canadian Venture Exchange ("CDNX").

6. As at September 20, 2000, the issued capital of the Applicant consisted of 32,587,530 Common Shares.

7. The Applicant is not on the list of defaulting issuers maintained by the British Columbia Securities Commission and Alberta Securities Commission pursuant to the Securities Legislation.

8. The Applicant sought, and by order of the Court dated September 5, 2000 (the "Order") was granted, protection from its creditors pursuant to the CCAA. The Plan was filed with the Court on the same date. A formal meeting of the unsecured creditors of the Applicant ("Unsecured Creditors") will be held on October 26, 2000 for the purpose of considering the Plan. In connection with the meeting, an information circular (the "Circular"), the Plan and the Order were mailed to the Unsecured Creditors of the Applicant on September 11, 2000 and notice of the meeting has been published in the Globe and Mail and the National Post.

9. Implementation of the Plan is conditional upon, among other things, receipt of the relief requested in the Application as it relates to the issuance of New Common Shares (as hereinafter defined) to the Unsecured Creditors of the Applicant.

10. The 32,587,530 issued and outstanding Common Shares of the Applicant will, as a result of the Plan, be consolidated into 1,500,000 Common Shares.

11. Pursuant to the Plan, Unsecured Creditors will receive cash or New Common Shares. Under the Plan:

(a) each holder of proven claims aggregating \$1,500 or less will be paid in full without interest; and

(b) each holder of proven claims aggregating more than \$1,500 may elect to receive in full and final satisfaction of such proven claim one of:

(i) \$1,500; or

(ii) a pro rata share of an aggregate of 12,500,000 post-consolidation Common Shares of the Applicant (the "New Common Shares").

12. All Unsecured Creditors of the Applicant known to be affected by the Plan have been provided with the Circular, the Plan and the Order. The Circular provides a detailed description of the terms of the Plan, the background and events leading up to the filing of the Plan, and a description of the business of the Applicant and includes the estimated projected cash flow of the Applicant during the restructuring period. The Circular discloses that implementation of the Plan is conditional on the Applicant obtaining satisfactory relief from the Decision Makers to exempt

the issuance of the New Common Shares from the prospectus and registration requirements of the Securities Legislation and that the New Common Shares will be subject to resale restrictions.

13. There are approximately 1,396 Unsecured Creditors of the Applicant of which 79 are resident outside of Canada, 490 are resident in the Province of Ontario, 88 are resident in the Province of Quebec, 304 are resident in the Province of Alberta, 43 are resident in the Province of Manitoba, 65 are resident in the Province of Saskatchewan, 291 are resident in the Province of British Columbia, 28 are resident in the Province of New Brunswick, 2 are resident in the Province of Prince Edward Island and 6 are resident in the Province of Nova Scotia. The amount owed by the Applicant to each of its Unsecured Creditors resident in the Provinces of Prince Edward Island and Nova Scotia is under \$1,500.

14. Application has been made to the CDNX for the listing of the New Common Shares. The Applicant believes, based on pre-filing discussions with the CDNX, that the CDNX will conditionally approve the listing of the New Common Shares. Such conditions are likely to include a four month hold period on the New Common Shares issuable to Unsecured Creditors pursuant to the Plan.

15. The Applicant has been a reporting issuer in British Columbia for five years and a reporting issuer in Alberta for six years. Since January, 1997, all of the Applicant's continuous disclosure materials have been available to Unsecured Creditors on SEDAR.

16. The Applicant is of the view that implementation of the Plan is necessary for it to continue as a going concern. The court-appointed Monitor under the CCAA, PricewaterhouseCoopers Inc., has recommended the approval of the Plan as it believes that the Plan will provide a more favourable result for creditors than a liquidation under bankruptcy legislation.

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

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Securities Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Securities Legislation is that the registration and prospectus requirements contained in the Securities Legislation shall not apply to the distribution by the Applicant of the New Common Shares to Unsecured Creditors pursuant to the Plan, provided that:

(a) all approvals required by the Order and the CCAA to implement the Plan have been obtained, and all conditions of the Plan, other than receipt of the relief requested in the Application, have been satisfied or waived by the Court;

(b) prior to or coincident with the distribution of New Common Shares of the Applicant to Unsecured Creditors, the Applicant will provide the Unsecured Creditors with a copy of this Decision together with a statement that, as a result of

such securities being acquired pursuant to this Decision, certain protections, rights and remedies which would be afforded under the Securities Legislation if the New Common Shares had been distributed under a prospectus, including statutory rights of rescission and damages, will not be available to the Unsecured Creditors in respect of such New Common Shares and an explanation of the limitations imposed upon the disposition of such New Common Shares; and

(c) the first trade in a Jurisdiction of any New Common Shares acquired pursuant to this Decision shall be deemed a distribution or primary distribution to the public under the Securities Legislation of such Jurisdiction unless such first trade:

(i) is of New Common Shares that have been held for at least six months from the date of the initial exempt trade;

(ii) is executed through the facilities of CDNX and is made in accordance with the rules of, and all laws applicable to, the CDNX; and

(iii) is made in accordance with all laws applicable in the province of Alberta as if the Unsecured Creditor making such trade had acquired such New Common Shares pursuant to the same exemptive relief provisions as those pursuant to which Unsecured Creditors resident in Alberta will acquire New Common Shares.

DATED at Toronto this "27th" day of October, 2000.