

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

AND

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

AND

IN THE MATTER OF ENERPLUS RESOURCES FUND,
WESTROCK ENERGY INCOME FUND I AND
WESTROCK ENERGY INCOME FUND II

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from Enerplus Resources Fund (the "Enerplus Fund"), Westrock Energy Income Fund I (the "Westrock I Fund") and Westrock Energy Income Fund II (the "Westrock II Fund") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to be registered to trade in a security, to file a preliminary prospectus and a prospectus and receive receipts therefor (the "Registration and Prospectus Requirements") shall not apply to the proposed issuance of a liquidation right to the Westrock I Fund and the Westrock II fund and the issuance of trust units of the Enerplus Fund to the holders of trust units of such funds in connection with a proposed merger (the "Merger") among the Enerplus Fund, the Westrock I Fund and the Westrock II Fund (collectively, the "Funds"), the principal terms of which are set forth below;

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 the Funds have represented to the Decision Makers that:

3.1 the Enerplus Fund was formed under the laws of Alberta pursuant to a trust indenture dated as of July 7, 1986, as amended, and has been a reporting issuer in each of the provinces of Canada in excess of 18 months;

3.2 the Enerplus Fund is authorized to issue an unlimited number of Enerplus trust units of which as at April 14, 2000, approximately 39,112,874 Enerplus trust units were issued and outstanding, each of which has associated with it rights issued pursuant to the Enerplus Fund's existing unitholders' rights plan. In addition, options to acquire approximately 2,600,661 Enerplus trust units have been granted but were unexercised as of April 14, 2000; 3.3 the outstanding Enerplus trust units are listed and posted for trading on The Toronto Stock Exchange (the "TSE"); 3.4 the Enerplus Fund was created for the purpose of issuing Enerplus trust units to the public and investing the funds so raised to purchase a royalty in certain oil and gas properties from Enerplus Resources Corporation ("ERC") (as described in paragraph 3.9 below);

3.5 the beneficiaries of the Enerplus Fund are the holders of Enerplus trust units;

3.6 ERC was incorporated under the *Business Corporations Act* (Alberta) (the "ABCA") on August 15, 1985 and its business is to acquire, develop, exploit and dispose of oil and natural gas properties and to grant the royalty to the Enerplus Fund;

3.7 Enerplus Energy Services Ltd. ("EES") was incorporated under the ABCA on April 16, 1985. Pursuant to a management agreement dated December 31, 1989, as amended, the Enerplus Fund has retained EES to administer the Enerplus Fund on behalf of CIBC Mellon Trust Company as trustee of the Enerplus Fund;

3.8 ERC has retained EES for the purpose of identifying and evaluating properties, to assist in the acquisition, management and disposition of properties and to assist in the administration of the royalty;

3.9 ERC has granted a royalty to the Enerplus Fund pursuant to the royalty agreement dated December 31, 1989, as amended, consisting of 99% of the royalty income generated by properties owned or to be acquired by ERC. The residual 1% of royalty income is used by ERC to defray general and administrative costs and management fees;

3.10 the Westrock I Fund was formed under the laws of Alberta pursuant to a trust indenture dated March 2, 1987, as amended (the "Westrock I Trust Indenture") and is a reporting issuer in each of the provinces of Canada;

3.11 the authorized capital of the Westrock I Fund consists of an unlimited number of Westrock I trust units, of which as at April 14, 2000, approximately 7,478,931 Westrock I trust units were issued and outstanding, each of which has associated with it rights issued pursuant to the Westrock I Fund's existing unitholders' rights plan. In addition, options to acquire approximately 406,088 Westrock I trust units have been granted but were unexercised as of April 14, 2000;

3.12 the outstanding Westrock I trust units are listed and posted for trading on the TSE;

3.13 the Westrock II Fund was formed under the laws of Alberta pursuant to a trust indenture dated January 15, 1988, as amended (the "Westrock II Trust Indenture") and is a reporting issuer in each of the provinces of Canada;

3.14 the authorized capital of the Westrock II Fund consists of an unlimited number of Westrock II trust units, of which as at April 14, 2000 approximately 11,947,656 Westrock II trust units were issued and outstanding, each of which has associated with it rights issued pursuant to the Westrock II Fund's existing unitholders' rights plan. In addition, options to acquire approximately 605,970 Westrock trust units were granted but unexercised as of April 14, 2000;

3.15 the outstanding Westrock II trust units are listed and posted for trading on the TSE;

3.16 the Enerplus Fund and ERC have entered into a merger agreement dated April 17, 2000 (the "Merger Agreement") with the Westrock I Fund, Westrock Energy Resources Corporation ("WERC I") and WEC (in its capacity as shareholder of WERC I) (collectively, the "Westrock I Parties") and with the Westrock II Fund, Westrock Energy Resources II Corporation ("WERC II") and WEC (in its capacity as shareholder of WERC II) (collectively, the "Westrock II Parties"), the material provisions of which are described below;

3.17 based on, among other things, the advice of financial advisors and special committees, the board of directors of ERC (which is the publicly-elected board responsible for the Enerplus Fund) and the board of directors of WEC (which is the publicly-elected board responsible for both the Westrock I Fund and the Westrock II Fund) have unanimously agreed to recommend that holders of trust units of the Enerplus Fund (the "Enerplus Unitholders"), holders of trust units of the Westrock I Fund (the "Westrock I Unitholders") and holders of trust units of the Westrock II Fund (the "Westrock II Unitholders"), as the case may be, approve matters relating to the Merger at meetings of the Enerplus Unitholders (the "Enerplus Meeting"), the Westrock I Unitholders (the "Westrock I Meeting") and the Westrock II Unitholders (the "Westrock II Meeting" and collectively with the Enerplus Meeting and the Westrock I Meeting, the "Meetings") to be held on June 8, 2000;

3.18 the Enerplus trust units will be distributed to Westrock I Unitholders and Westrock II Unitholders through the issuance of rights (the "Liquidation Rights") initially issued by the Enerplus Fund to the Westrock I Fund and the Westrock II Fund. The Liquidation Rights create an obligation of Enerplus to issue to Westrock I Unitholders and Westrock II Unitholders an aggregate number of Enerplus trust units to be determined in accordance with the Exchange Ratios upon the redemption of the Westrock I trust units and the Westrock II trust units,

respectively, pursuant to the winding-up and termination of the Westrock I Fund and the Westrock II Fund;

3.19 neither the Westrock I Fund nor the Westrock II Fund shall have any rights, directly or indirectly, to acquire Enerplus trust units pursuant to the Liquidation Rights and concurrently with the redemption of the Westrock I Trust Units and the Westrock II Trust Units which occurs on the winding-up and termination of the Westrock I Fund and the Westrock II Fund, the Liquidation Rights shall be deemed to be automatically converted into Enerplus trust units in accordance with the Exchange Ratios and distributed to the Westrock I Unitholders and the Westrock II Unitholders, respectively;

3.20 on April 17, 2000, a press release was jointly issued, filed and disseminated by the Funds disclosing that they had entered into the Merger Agreement;

3.21 the structure of the Merger will be effected such that, in effect, the Enerplus Fund will merge with both the Westrock I Fund and the Westrock II Fund, the legal structure of which is described in paragraph 3.23 below. Completion of the Merger is conditional upon, among other things, the approval of the Merger, in addition to certain majority of the minority approvals, by $66 \frac{2}{3}$ of the votes cast by each of the Enerplus Unitholders, the Westrock I Unitholders and the Westrock II Unitholders. Concurrent with the above-described exchange of the Westrock I trust units and Westrock II trust units for Enerplus trust units, the Enerplus trust units will be consolidated on the basis of one new Enerplus trust unit for every six Enerplus trust units then outstanding and current Enerplus Unitholders would correspondingly have their Enerplus trust units consolidated on a six-for-one basis such that following completion of the Merger:

3.21.1 each holder of a Westrock I trust unit will have received, for each Westrock I trust unit, 2.683 pre-consolidated Enerplus trust units (equivalent to approximately 0.447 consolidated Enerplus trust units); and

3.21.2 each holder of a Westrock II trust unit will have received, for each Westrock II trust unit, 2.667 pre-consolidated Enerplus trust units (equivalent to approximately 0.4445 consolidated Enerplus trust units) (together, the "Exchange Ratios");

3.22 in connection with the Merger:

3.22.1 Westrock I Unitholders will be provided with the opportunity to vote at the Westrock I Meeting, Westrock II Unitholders will be provided with the opportunity to vote at the Westrock II Meeting and Enerplus Unitholders will be provided with the opportunity to vote at the Enerplus Meeting;

3.22.2 the information circulars (the "Circulars") to be prepared in connection with the Meetings will be prepared in accordance with the disclosure requirements applicable to issuers eligible to use the Prompt Offering Qualification System as a guide and will contain sufficient information regarding the business and affairs of the Funds and the Enerplus trust units to permit the respective unitholders to make an informed decision on the matters before them, and will include pro forma information of the Enerplus Fund after giving effect to the Merger; and

3.22.3 the Circulars will contain fairness opinions of CIBC World Markets Inc. (financial advisor to the ERC board) and National Bank Financial Inc. (financial advisor to the WEC board for both the Westrock I Fund and the Westrock II Fund), as applicable, and the valuation report of Sayer Securities Limited;

3.23 at each of the Meetings, Unitholders will be asked to consider, and if thought fit, pass special resolutions (defined in each of the individual trust indentures as a resolution passed by 66 2/3 of the applicable trust units voted on the matter) of each Fund, in addition to certain majority of the minority approvals, approving of the Merger and certain other matters in connection with the Merger;

3.24 under the Merger, subject to, among other things, the approval of each of the Enerplus Unitholders, the Westrock I Unitholders and the Westrock II Unitholders by way of the special resolutions:

3.24.1 the trust indentures and other constating documents of the Funds would be amended to the extent necessary to effect the Merger;

3.24.2 the Enerplus Fund will purchase from each of the Westrock I Fund and the Westrock II Fund all of the assets and all of the liabilities of each such Fund (including its royalty) in exchange for the issuance by the Enerplus Fund of the Liquidation Rights in accordance with the applicable Exchange Ratio;

3.24.3 each of the Westrock I Fund and the Westrock II Fund will be wound up and dissolved in accordance with their respective trust indentures, options of Westrock I and Westrock II will be canceled, the Westrock I Trust Units and the Westrock II Trust Units will be redeemed and exchanged for the Enerplus trust units which are issuable pursuant to the Liquidation Rights previously issued to Westrock I and Westrock II, which Enerplus trust units will be distributed to the Westrock I Unitholders and Westrock II Unitholders on a pro rata basis;

3.24.4 ERC, WEC, WERC I and WERC II will amalgamate to form a single operating company to issue a royalty to the Enerplus Fund pursuant to the Enerplus Royalty Agreement described below;

3.24.5 each of the Westrock I Management Agreement, Westrock II Management Agreement, Westrock I Royalty Agreement and Westrock II Royalty Agreement will be terminated and the Enerplus Royalty Agreement and the Enerplus Management Agreement will be revised as necessary, to provide that EES will be the sole manager of the Enerplus Fund and its operating company; and

3.24.6 certain other ancillary matters in connection with the Merger will be implemented, including the consolidation of the Enerplus trust units as described in paragraph 3.22 above;

3.25. exemptions are not available to allow the sequence of trades which ultimately result in trades of the Enerplus trust units to Westrock I Unitholders and Westrock II Unitholders, as the case may be;

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. THE DECISION of the Decision Makers under the Legislation is that the Registration and Prospectus Requirements shall not apply to the issuance of the Liquidation Rights or the distribution of the Enerplus trust units to be issued pursuant to the Merger;

7. THE DECISION of the Decision Makers pursuant to the Legislation is that the first trade in Enerplus trust units acquired pursuant to this Decision in a Jurisdiction shall be a distribution under the Legislation of such Jurisdiction (the "Applicable Legislation") unless:

7.1 at the time of the first trade, the Enerplus Fund is a reporting issuer or the equivalent under the Applicable Legislation;

7.2 disclosure to the Decision Maker has been made of the Merger, which disclosure may be made by filing of the Circular;

7.3 no unusual effort is made to prepare the market or create a demand for the Enerplus trust units;

7.4 no extraordinary commission or consideration is paid to any person or company other than the vendor of the Enerplus trust units in respect of the trade;

7.5 the vendor of the Enerplus trust units, if in a special relationship with the Enerplus Fund, has no reasonable grounds to believe that the Enerplus Fund is in default of any requirement of the Applicable Legislation; and

7.6 the first trade is not from the holdings of a person or company or a combination of persons or companies holding a sufficient number of any securities of the Enerplus Fund so as to affect materially the control of the Enerplus Fund or more than 20% of the outstanding voting securities of the Enerplus Fund, except where there is evidence showing that the holding of those securities does not affect materially the control of the Enerplus Fund.

DATED at Calgary, Alberta this 26th day of May, 2000.

"Original signed by"

Wendy E. Best, Q.C., Member

"Original signed by"

James E. Allard, Member

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Registration and prospectus relief to permit the distribution of liquidation rights and trusts units pursuant to a merger where one energy royalty fund is merging with two other energy royalty funds. The merger is structured such that two of the funds (the "Non-Surviving Funds") will transfer all assets and liabilities to one fund (the "Surviving Fund") in exchange for liquidation rights. The Non-Surviving Funds will then be dissolved. The unit holders of the Non-Surviving Funds, pursuant to the liquidation rights, will then redeem their fund units for units of the Surviving Fund. Structuring the merger in this way serves to avoid the possibility that the Surviving Fund might hold, for a moment in time, sufficient units in the Non-Surviving Funds to trigger the unit holders' rights plans of the Non-Surviving Funds. The Decision also grants relief from prospectus requirements to permit unit holders who receive Surviving Fund units pursuant to the merger to execute first trades.

Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended, s. 54, 81, 116(1), 116(1.1)