

January 17, 2001

True Energy Inc.  
300, 520 – 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 3R7

Attention: Paul R. Baay, President and C.E.O.

### **Issue and Sale of Special Warrants**

FirstEnergy Capital Corp. and Peters & Co Limited (collectively, the "Underwriters") understand that: (i) True Energy Inc. (the "Corporation") proposes to issue and sell 4,166,667 special share purchase warrants ("Special Warrants"), each Special Warrant entitling the holder thereof to acquire one common share of the Corporation ("Common Share") at no additional cost, during the period commencing on the date that the Closing Notice (as hereinafter defined) is provided and ending at the Expiry Time (as hereinafter defined); and (ii) the Corporation will prepare and file the Preliminary Prospectus, the Prospectus and all other documents necessary to qualify the Common Shares issuable upon the exercise of the Special Warrants (the "Underlying Common Shares") for distribution to the public in each of the Filing Jurisdictions.

Subject to the terms and conditions hereof, the Underwriters agree to act as, and the Corporation appoints the Underwriters as, the sole and exclusive agents of the Corporation to offer the Special Warrants for sale on the Closing Date in the Selling Jurisdictions on a private placement basis at the price of \$1.20 per Special Warrant and to use their reasonable best efforts to secure subscriptions therefor, provided that, if less than 4,166,667 Special Warrants are sold by the Underwriters as agents, the Underwriters hereby, severally but not jointly, agree to purchase (in the respective percentages provided for in Section 19) that number of Special Warrants as together with the number of Special Warrants sold by the Underwriters as agents aggregates 4,166,667 Special Warrants, in each case at \$1.20 per Special Warrant .

In connection with the offering and sale of the Special Warrants, the Underwriters shall be entitled to retain as sub-agents other registered securities dealers and may receive (for delivery to the Corporation at the Closing Time) subscriptions for Special Warrants from other registered securities dealers. The fee payable to such sub-agents shall be for the account of the Underwriters and shall not exceed the fee payable to the Underwriters hereunder.

In consideration for their services hereunder, including the ancillary service of acting as financial advisors to the Corporation, advising on the terms and conditions of

the offering of Special Warrants and assisting in the preparation and finalization of the Preliminary Prospectus and Prospectus, the Underwriters shall be entitled to the fee provided for in Section 9. That fee shall be payable at the Closing Time upon the closing of the sale of the Special Warrants. For greater certainty, the services provided by the Underwriters pursuant to this Agreement will not be subject to the Goods and Services Tax provided for in the *Excise Tax Act* (Canada) and taxable supplies will be incidental to the exempt financial services provided.

The following are the terms and conditions of this Agreement:

## **Section 1 Definitions**

In this Underwriting Agreement (this "**Agreement**"):

- (a) "**Acquisition Agreement**" means the agreement between the Corporation and Marengo dated January 8, 2001 whereby the Corporation agrees to make the Take-Over Bid;
- (b) "**Applicable Securities Laws**" means all applicable securities laws, rules, regulations, notices and policies;
- (c) "**Business Day**" means a day which is not Saturday, Sunday or a legal holiday in Calgary, Alberta;
- (d) "**Closing Date**" means February 5, 2001, or such other date as the Underwriters and the Corporation may agree in writing;
- (e) "**Closing Notice**" means a notice from the Corporation and acknowledged by FirstEnergy Capital Corp., on behalf of the Underwriters, releasing the subscription proceeds from the sale of Special Warrants from escrow, in connection with the Corporation taking up and paying for not less than 66<sup>2</sup>/<sub>3</sub>% of the outstanding Class A Shares (on a fully diluted basis) of Marengo and 66<sup>2</sup>/<sub>3</sub>% of the outstanding Class B Shares of Marengo pursuant to the Take-Over Bid;
- (f) "**Closing Time**" means 10:00 a.m. (Calgary time), or such other time on the Closing Date as the Underwriters and the Corporation may agree in writing;
- (g) "**Corporation's counsel**" means Burnet, Duckworth & Palmer LLP, or such other legal counsel as the Corporation, with the consent of the Underwriters, may appoint;
- (h) "**Directed Selling Efforts**" means "directed selling efforts" as defined in Regulation S and includes any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the

market in the United States for any of the Special Warrants or the Underlying Common Shares and shall include, without limitation, the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of any of the Special Warrants or the Underlying Common Shares;

- (i) **"Documents"** means, collectively:
  - (i) the comparative audited financial statements of Sundance for the year ended December 31, 1999 including the auditor's report thereon;
  - (ii) the management information circular of Sundance dated July 27, 2000 with respect to the annual and special meeting of shareholders held on August 30, 2000 with respect to the Amalgamation;
  - (iii) the press releases of the Corporation and Sundance subsequent to December 31, 1999;
  - (iv) the interim financial statements of Sundance for a three month period ended March 31, 2000 and for the six month period ended June 30, 2000;
  - (v) the interim financial statements of the Corporation for the nine months ended September 30, 2000; and
  - (vi) the material change reports of Sundance dated August 30, 2000 and of the Corporation September 11, 2000 and December 13, 2000;
- (j) **"Exchange"** means the Canadian Venture Exchange Inc.;
- (k) **"Expiry Time"** means 4:30 p.m. (Calgary Time) on the earlier of:
  - (i) five business days following the date upon which a receipt for the Prospectus has been issued by the Securities Commissions in all of the Filing Jurisdictions; and
  - (ii) 365 days following the Closing Date;
- (l) **"Filing Jurisdictions"** means each of the provinces of British Columbia, Alberta and Ontario where purchasers of Special Warrants are resident;
- (m) **"Final MRRS Decision Document"** means a final MRRS decision document for the Prospectus issued under the MRRS confirming that final

receipts of the Securities Commissions in each of the Filing Jurisdictions have been issued;

- (n) "**Financial Statements**" means, collectively, the unaudited financial statements of the Corporation for the nine months ended September 30, 2000 and the audited financial statements of the Corporation for the year ended December 31, 1999;
- (o) "**Indemnified Persons**" means the Underwriters, the directors, officers, shareholders and employees of the Underwriters, agents of the Underwriters and affiliates of the Underwriters;
- (p) "**Institutional Accredited Investor**" means an institution that is an "accredited investor" within the meaning of Rule 501(a)(1), (a)(2), (a)(3) or (a)(7) of Regulation D;
- (q) "**Marengo**" means Marengo Exploration Ltd.;
- (r) "**MRRS**" means the Mutual Reliance Review System for Prospectuses and Annual Information Forms established pursuant to National Policy 43-201;
- (s) "**Non-Repurchase Special Warrants**" means an aggregate of 825,533 Special Warrants issued to Royston S. Baay, Paul R. Baay, 285893 Alberta Ltd. and Interward Capital Corporation which will not be repurchased in the event that a Repurchase Event occurs but will be deemed to have been exercised on the date of the Repurchase Event, without any further action on the part of the holder;
- (t) "**Preliminary MRRS Decision Document**" means the preliminary MRRS decision document for the Preliminary Prospectus issued under the MRRS confirming that preliminary receipts of the Securities Commissions in each of the Filing Jurisdictions have been issued;
- (u) "**Preliminary Prospectus**" means the preliminary prospectus, and any amendments thereto, in respect of the distribution of the Underlying Common Shares issuable upon exercise of the Special Warrants;
- (v) "**Principal Regulator**" means the principal regulator determined in accordance with the MRRS.
- (w) "**Prospectus**" means the final prospectus, and any amendments thereto, in respect of the distribution of the Underlying Common Shares issuable upon exercise of the Special Warrants;

- (x) "**Public Record**" means all information filed by or on behalf of the Corporation or Sundance after January 1, 2000 with the Securities Commissions, including without limitation, the Documents, the Preliminary Prospectus and the Prospectus and any other information filed with any Securities Commission in compliance, or intended compliance, with any Applicable Securities Laws;
- (y) "**Regulation D**" means Regulation D adopted by the SEC under the U.S. Securities Act;
- (z) "**Regulation S**" means Regulation S adopted by the SEC pursuant to the U.S. Securities Act;
- (aa) "**SEC**" means the United States Securities and Exchange Commission;
- (bb) "**Securities Commissions**" means the securities commissions or similar regulatory authorities in the Filing Jurisdictions and "**Securities Commission**" means any one of them;
- (cc) "**Selling Dealer Group**" means the dealers and brokers, other than the Underwriters, who participate in the offer and sale of the Special Warrants pursuant to this Agreement;
- (dd) "**Selling Jurisdictions**" means the Filing Jurisdictions and, to the extent permitted herein, the United States, the United Kingdom and otherwise outside of Canada;
- (ee) "**Special Warrant Indenture**" means the warrant indenture to be dated as of the Closing Date between the Corporation and the Trustee, as trustee, governing the terms and conditions of the Special Warrants;
- (ff) "**Subscriber**" means any person who executes a Subscription Agreement which is accepted by the Corporation;
- (gg) "**Sundance**" means Sundance Resources Inc., a predecessor corporation to the Corporation;
- (hh) "**Subscription Agreements**" means the agreements to be entered into between the Subscribers for Special Warrants and the Corporation;
- (ii) "**Subsidiary**" means a subsidiary in respect of the Corporation within the meaning of the *Business Corporations Act* (Alberta);
- (jj) "**Substantial U.S. Market Interest**" means "substantial U.S. market interest" as defined in Regulation S;

- (kk) "**Take-Over Bid**" means the take-over bid to be made by the Corporation for all of the outstanding Class A Shares and Class B Shares of Marengo on the basis of: (i) \$2.05 for each Class A Share; and (ii) \$9.00 for each Class B Share, or, at the election of the Marengo shareholder, Common Shares in exchange for Class A Shares or Class B Shares of Marengo, as the case may be, on the basis of the foregoing exchange ratio and a price of \$1.20 for the Common Shares, subject to a maximum of 1,000,000 Common Shares being issued;
- (ll) "**Trustee**" means Montreal Trust Company of Canada;
- (mm) "**Underwriters' counsel**" means Stikeman Elliott, or such other legal counsel as the Underwriters, with the consent of the Corporation, may retain;
- (nn) "**United States**" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;
- (oo) "**U.S. Exchange Act**" means the United States *Securities Exchange Act* of 1934, as amended;
- (pp) "**U.S. Securities Act**" means the United States *Securities Act* of 1933, as amended; and

"misrepresentation", "material change" and "material fact" shall have the meanings ascribed thereto under the Applicable Securities Laws of the Filing Jurisdictions; "distribution" means "distribution" or "distribution to the public", as the case may be, as defined under the Applicable Securities Laws of the Filing Jurisdictions; and "distribute" has a corresponding meaning. In this Agreement, words importing the singular include the plural and words importing gender include all genders.

## **Section 2 Corporation's Covenants as to Creation and Qualification**

The Corporation agrees:

- (a) that the Special Warrants will be duly and validly created, authorized and issued pursuant to the terms of the Special Warrant Indenture, which Special Warrant Indenture will provide that:
  - (i) each Special Warrant will entitle the holder thereof to acquire, at no additional cost, one Underlying Common Share during the period commencing (i) in the case of the Non-Repurchase Special Warrants, the date of issuance thereof; and (ii) in the case of Special Warrants other than the Non-Repurchase Special Warrants, on the

date that the Closing Notice is provided and ending at the Expiry Time;

- (ii) the subscription proceeds from the sale of the Special Warrants (the "**Subscription Proceeds**"), other than in respect of the Non-Repurchase Special Warrants, shall be deposited and held by the Trustee pursuant to the terms of the Special Warrant Indenture. The Special Warrant Indenture shall provide that if either (i) the Closing Notice shall not have been provided on or before the earlier of: (A) 45 days following the original expiry date of the Take-Over Bid; and (B) April 25, 2001, or (ii) if the Corporation shall, prior to April 25, 2001, have provided notice to holders of the Special Warrants that it will not be acquiring any Class A Shares or Class B Shares of Marengo pursuant to the Take-Over Bid (either such event referred to as the "**Repurchase Event**"), on the date of the Repurchase Event the Corporation will be deemed to have repurchased, and each holder of Special Warrants will have been deemed to have sold to the Corporation, all of the outstanding Special Warrants at a price of \$1.20 per Special Warrant, plus each holder's pro rata portion of the interest earned by the Trustee on the Subscription Proceeds represented by the Special Warrants being repurchased, calculated from the Closing Date to and including the day immediately prior to the date of payment to the holder of Special Warrants. Notwithstanding the foregoing, the Non-Repurchase Special Warrants will not be repurchased in the event there is a Repurchase Event but will, on the date of the Repurchase Event, be deemed to have been exercised without any further action on the part of the holder or the Corporation, into one Common Share for each Non-Repurchase Special Warrant;
- (iii) provided the Special Warrants have not been repurchased pursuant to Section 2(a)(ii) hereof and if a receipt for the Prospectus has not been issued on or before the date which is 120 days following the Closing Date (the "**Clearing Date**") by the Securities Commissions in each of the Filing Jurisdictions, each holder of Special Warrants resident in a Filing Jurisdiction in which such receipt has not been obtained (or, if a receipt for the Prospectus has not been obtained in the provinces of Alberta and Ontario, holders of Special Warrants wherever resident) shall be entitled to receive 1.1 Common Shares for each of such holder's Special Warrants (in lieu of the one Common Share that each Special Warrant was previously exchangeable for) upon exercise or deemed exercise thereof; and

- (iv) the Special Warrants shall, by their terms, be deemed to have been exercised without any further action on the part of the holder at the Expiry Time;
- (b) to duly, punctually and faithfully perform all the obligations to be performed by it under the Special Warrant Indenture and the Subscription Agreements; to deliver to the Underwriters as many copies of the Documents as the Underwriters may reasonably request and such delivery shall constitute the Corporation's authorization of the Underwriters to use the Documents in connection with the offering of the Special Warrants for sale in the Selling Jurisdictions; as soon as reasonably possible, and in any event by the Closing Date, to take all such steps as may reasonably be necessary to enable the Special Warrants to be offered for sale and sold on a private placement basis in the Selling Jurisdictions through the Underwriters or any other investment dealers or brokers registered in any of the Selling Jurisdictions by way of the exemptions under Applicable Securities Laws of the Filing Jurisdictions and in the other Selling Jurisdictions as contemplated hereby;
- (c) prior to the filing of the Preliminary Prospectus and thereafter and prior to the filing of the Prospectus, to allow the Underwriters to participate fully in the preparation of the Preliminary Prospectus and the Prospectus and allow the Underwriters to conduct all due diligence which the Underwriters may reasonably require in order to: (i) confirm the Public Record is accurate and current in all material respects; (ii) fulfill the Underwriters' obligations as Underwriters; and (iii) enable the Underwriters to responsibly execute the certificate in the Preliminary Prospectus and the Prospectus required to be executed by the Underwriters;
- (d) to file the Preliminary Prospectus, and all such other documents as may be required under Applicable Securities Laws in the Filing Jurisdictions, with the Securities Commissions and obtain a Preliminary MRRS Decision Document for the Preliminary Prospectus as soon as reasonably possible;
- (e) to use its reasonable commercial efforts to file the Prospectus, and all such other documents as may be required under Applicable Securities Laws in the Filing Jurisdictions, with the Securities Commissions and obtain a Final MRRS Decision Document as soon as reasonably possible, and, in any event, not later than the date which is 120 days from the Closing Date in each of the Filing Jurisdictions and to take all other steps as may be necessary to qualify the distribution of the Underlying Common Shares issuable upon exercise of the Special Warrants in each of the Filing Jurisdictions in order for the holders of Special Warrants to be able to

trade the Underlying Common Shares acquired upon the exercise of the Special Warrants after a Final MRRS Decision Document has been obtained without the requirement of filing a prospectus or utilizing or seeking an exemption from such requirement under Applicable Securities Laws of the Filing Jurisdictions, except from holdings of a control person as defined under such laws; provided that, if the Corporation fails to obtain a Final MRRS Decision Document by the required time, the Corporation's obligation to file the Prospectus and obtain a receipt therefore hereunder shall continue until the Expiry Time;

- (f) after the filing of the Prospectus and until the conclusion of the distribution of the Underlying Common Shares, to take or cause to be taken all steps as may from time to time be necessary to maintain the qualification of, or if the qualification shall cease for any reason to requalify, the distribution of the Underlying Common Shares acquired upon exercise of the Special Warrants in each of the Filing Jurisdictions;
- (g) that, during the period commencing with the date hereof and ending on the conclusion of the distribution of the Underlying Common Shares acquired upon exercise of the Special Warrants, the Preliminary Prospectus and the Prospectus will fully comply with the requirements of Applicable Securities Laws of the Filing Jurisdictions and will provide full, true and plain disclosure of all material facts relating to the Corporation, the Special Warrants and the Underlying Common Shares and will not contain any misrepresentation; provided that the Corporation does not covenant with respect to information or statements contained in such documents relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in such documents or omissions from such documents relating solely to the Underwriters and the foregoing covenant shall not be considered to be contravened as a consequence of any material change occurring after the date hereof or the occurrence of any event or state of facts after the date hereof if, in each such case, the Corporation complies with subsections Section 3(a), (b), (c) and (d); and
- (h) not to withdraw the Preliminary Prospectus or the Prospectus from any of the Filing Jurisdictions without the prior written consent of the Underwriters.

### **Section 3 Corporation's Covenants as to Changes**

The Corporation agrees that:

- (a) during the period commencing with the date hereof and ending on the conclusion of the distribution of the Underlying Common Shares, the

Corporation will promptly inform the Underwriters of the full particulars of:

- (i) any material change (actual, anticipated or threatened) in the assets, liabilities (absolute, accrued, contingent or otherwise), business, operations, capital or condition (financial or otherwise) of the Corporation;
- (ii) any change in any material fact contained or referred to in the Preliminary Prospectus, the Prospectus or any other part of the Public Record;
- (iii) the occurrence of a material fact or event which, in any such case, is, or may be, of such a nature as to: (A) render the Preliminary Prospectus, Prospectus or any other part of the Public Record untrue, false or misleading in a material respect; (B) result in a misrepresentation in the Preliminary Prospectus, Prospectus or any other part of the Public Record; or (C) result in the Preliminary Prospectus, Prospectus or any other part of the Public Record not complying with Applicable Securities Laws in the Filing Jurisdictions; or
- (iv) the discovery by the Corporation of any misrepresentation in the Preliminary Prospectus, Prospectus or any part of the Public Record;

provided that if there may be any reasonable doubt as to whether a material change, change, occurrence or event of the nature referred to in this subsection has occurred, the Corporation shall promptly inform the Underwriters of the full particulars of the occurrence giving rise to the uncertainty and shall consult with the Underwriters as to whether the occurrence is of such nature;

- (b) during the period commencing with the date hereof and ending on the conclusion of the distribution of the Underlying Common Shares, the Corporation will promptly inform the Underwriters of the full particulars of:
  - (i) any request of any Securities Commission or other securities commission or similar regulatory authority for any amendment to the Preliminary Prospectus, the Prospectus or any other part of the Public Record or for any additional information;
  - (ii) the issuance by any Securities Commission or other securities commission or similar regulatory authority, the Exchange or by any other competent authority of any order to cease or suspend trading

of any securities of the Corporation or of the institution or threat of institution of any proceedings for that purpose; or

- (iii) the receipt by the Corporation of any communication from any Securities Commission or other securities commission or similar regulatory authority, the Exchange or any other competent authority relating to the Preliminary Prospectus, the Prospectus, any other part of the Public Record or the distribution of the Underlying Common Shares;
- (c) during the period commencing on the date hereof and ending on the conclusion of the distribution of the Underlying Common Shares, the Corporation will promptly provide to the Underwriters, for review by the Underwriters and the Underwriters' counsel, prior to filing or issuance of:
  - (i) any proposed document, including without limitation any annual information form, material change report or information circular, which is or may be deemed to be part of the Public Record; and
  - (ii) any press release;
- (d) the Corporation will promptly comply, to the reasonable satisfaction of the Underwriters and the Underwriters' counsel, with Applicable Securities Laws of the Selling Jurisdictions with respect to any material change, change, occurrence or event of the nature referred to in Section 3(a) and the Corporation will prepare and file promptly at the Underwriters' request, acting reasonably, any amendment to the Preliminary Prospectus, the Prospectus or any other part of the Public Record which in the Underwriters' opinion may be necessary or advisable and the Corporation shall consult with the Underwriters with respect to the form and content of any amendment to the Preliminary Prospectus, the Prospectus or any other part of the Public Record proposed to be filed by the Corporation and shall not file any such amendment without the prior review and approval thereof by the Underwriters, acting reasonably; and
- (e) in the event of any amendment to the Preliminary Prospectus or the Prospectus, the Corporation shall deliver to the Underwriters:
  - (i) a comfort letter of the auditors of the Corporation, with respect to the contents of such amendment, of the nature referred to in Section 4(a);
  - (ii) legal opinions of the Corporation's counsel, in form and substance reasonably satisfactory to the Underwriters with respect to such

matters as the Underwriters may reasonably request relating to such amendment's compliance with Applicable Securities Laws in the Filing Jurisdictions; and

- (iii) as soon as practicable, as many copies of the amendment as the Underwriters may reasonably request, such delivery to constitute a delivery referred to in Section 4(b) and thereby be subject to the representation and warranty and the authority therein referred to.

#### **Section 4 Corporation's Other Covenants**

The Corporation agrees:

- (a) to deliver to the Underwriters on the date of the Preliminary Prospectus, a draft comfort letter of the auditors of the Corporation; and on the date of the Prospectus, a comfort letter of the auditors of the Corporation (dated the date of the Prospectus and having a cutoff date with respect to the information relied upon in respect thereof not more than two Business Days prior to such date), in each case, addressed to the Underwriters, in form and substance satisfactory to the Underwriters acting reasonably relating to the verification of the financial information and accounting data contained in the Prospectus and matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus;
- (b) to deliver to the Underwriters, as soon as practicable after the issuance of the Preliminary MRRS Decision Document or the Final MRRS Decision Document, as the case may be, signed copies of the Preliminary Prospectus or the Prospectus, as the case may be, at the addresses specified in Section 20 and on the next business day following such date, as many commercial copies of the Preliminary Prospectus or the Prospectus, as the case may be, in such cities in the Selling Jurisdictions as the Underwriters may reasonably request and such delivery shall constitute: (i) a representation and warranty by the Corporation that the Preliminary Prospectus or Prospectus, as the case may be, (except statements relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in such documents or omissions from such documents relating solely to the Underwriters), contains full, true and plain disclosure of all material facts relating to the Corporation, the Special Warrants and the Underlying Common Shares, does not contain any misrepresentation and contains in all material respects the disclosure required by, and conforms in all material respects to, Applicable Securities Laws in the Filing Jurisdictions, and (ii) the Corporation's authorization of the Underwriters and other

registrants to use the Preliminary Prospectus or Prospectus, as the case may be, in the Selling Jurisdictions subject to the provisions of Applicable Securities Laws and the compliance by Underwriters with their obligations hereunder in connection with the distribution of the Underlying Common Shares;

- (c) if a receipt for the Prospectus has not been issued by each of the Securities Commissions dated on or before the Clearing Date, to send to each holder of Special Warrants in the Filing Jurisdictions (or if a receipt for the Prospectus has not been so obtained in Alberta and Ontario, each holder of Special Warrants wherever situate) a written notice advising each such holder of its right to acquire 1.1 Common Shares for each Special Warrant held by such holder, as contemplated by Section 2 hereof; such notice to be sent by courier or prepaid mail within two business days to the address of each such holder appearing in the register of Special Warrants maintained pursuant to the Special Warrant Indenture;
- (d) to send written notice to each holder of Special Warrants advising of the issuance of a receipt for the Prospectus by the Securities Commissions and the date on which the Special Warrants expire, together with a copy of the Prospectus, such notice to be sent by prepaid registered mail to each holder of the Special Warrants at the address of each such holder appearing in the register of Special Warrants maintained pursuant to the Special Warrant Indenture within two business days after the issuance of the last of such receipts;
- (e) use the net proceeds from the issuance of the Special Warrants to fund the acquisition of Marengo and for general corporate purposes;
- (f) the Corporation will not, from the date hereof until that date that is 120 days following the Closing Date, offer, or announce the offering of, or enter into or make any agreement or understanding, or announce the making or entry into of any agreement or understanding, to issue, sell or exchange any Common Shares or securities exchangeable or convertible into Common Shares without the prior written consent of FirstEnergy Capital Corp., not to be unreasonably withheld, provided that notwithstanding the foregoing the Corporation may grant stock options under the Corporation's stock option plan (not in excess of the number of options allowable under the rules of the Exchange) and issue Common Shares to the holders thereof or to the holders of other stock options existing at the date hereof and may issue Common Shares pursuant to the Take-Over Bid and issue any Common Shares to satisfy any existing rights thereto, without the consent of FirstEnergy Capital Corp.;

- (g) in the event the Corporation becomes aware of, whether by receipt of notice by Marengo pursuant to Section 7(k) of the Acquisition Agreement or otherwise, any material change (actual, anticipated, contemplated or threatened, financial or otherwise) in Marengo's business, operations, affairs, assets, capitalization, financial condition, prospects, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, or of any change or breach in any representation or warranty provided by Marengo in the Acquisition Agreement which change, in either case, is or may be of such a nature to render any such representation or warranty misleading or untrue in any material respect, the Corporation shall promptly notify the Underwriters of such change; and
- (h) in the event the Acquisition Agreement may be terminated by the Corporation pursuant to Section 12 thereof or in the event of any reasonable doubt as to whether the Acquisition Agreement may be terminated by the Corporation, the Corporation shall promptly inform the Underwriters of the full particulars of the occurrence giving rise to the applicability of the termination provisions or the uncertainty thereof and shall consult with the Underwriters as to the advisability of relying or not relying upon such termination provisions and shall use prudent business judgement in the determination of whether or not to exercise any of such termination provisions.

#### **Section 5 Underwriters' Covenants**

Each of the Underwriters covenants and agrees with the Corporation that it will:

- (a) conduct its activities in connection with the proposed offer and sale of the Special Warrants in compliance with all Applicable Securities Laws in the Selling Jurisdictions and cause a similar covenant to be contained in any agreement entered into with any Selling Dealer Group established in connection with the distribution of the Special Warrants;
- (b) not solicit subscriptions for Special Warrants or Underlying Common Shares, trade in Special Warrants or Underlying Common Shares or otherwise do any act in furtherance of a trade of Special Warrants or Underlying Common Shares outside of the Filing Jurisdictions except as contemplated in Section 22 and in any other jurisdiction in compliance with the applicable laws thereof and provided that the Underwriters may so solicit, trade or act within such jurisdiction only if such solicitation, trade or act is in compliance with Applicable Securities Laws in such jurisdiction and does not: (i) obligate the Corporation to take any action to qualify any of its securities or any trade of any of its securities; (ii) obligate the Corporation to establish or maintain any office or director or officer in

such jurisdiction; or (iii) subject the Corporation to any reporting or other requirement in such jurisdiction other than any liability for the Preliminary Prospectus or Prospectus, as the case may be, comparable to and not greater than the liability with respect thereto under the Applicable Securities Laws of one of the Filing Jurisdictions;

- (c) obtain from each Subscriber an executed Subscription Agreement and all applicable undertakings, questionnaires and other forms required under Applicable Securities Laws of the Selling Jurisdictions or requirements of stock exchanges and supplied to the Underwriters by the Corporation for completion in connection with the distribution of the Special Warrants;
- (d) not advertise the proposed offering or sale of the Special Warrants in printed media of general and regular paid circulation, radio or television nor provide or make available to prospective purchasers of Special Warrants any document or material which would constitute an offering memorandum as defined under Applicable Securities Laws in the Selling Jurisdictions; and
- (e) execute the certificates attached to the Preliminary Prospectus or Prospectus, as the case may be, provided that the Preliminary Prospectus or Prospectus, as the case may be, and all such other documents as may be required under Applicable Securities Laws of the Filing Jurisdictions comply with all Applicable Securities Laws of the Filing Jurisdictions and can be executed by the Underwriters responsibly and fulfilling their obligations as underwriters.

## **Section 6 Representations and Warranties of the Corporation**

The Corporation represents and warrants to the Underwriters and the Subscribers, and acknowledges that the Underwriters and the Subscribers are relying upon such representations and warranties, as follows:

- (a) the Corporation has been duly amalgamated and organized and is validly existing under the laws of the jurisdiction of its amalgamation and has all requisite corporate capacity, power and authority to carry on its business, as now conducted and as presently proposed to be conducted by it, and to own its assets;
- (b) the Corporation is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business;
- (c) the Corporation has conducted and is conducting its business in compliance in all material respects with all applicable laws, rules and regulations and, in particular, all applicable licensing and environmental

legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to the Corporation of each jurisdiction in which the Corporation carries on a material portion of its business and holds all licenses, registrations and qualifications in all jurisdictions in which the Corporation carries on a material portion of its business which are necessary or desirable to carry on the business of the Corporation as now conducted and as presently proposed to be conducted, and all such licenses, registrations or qualifications are valid and existing and in good standing and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect on the business of the Corporation (taken as whole) as now conducted or as proposed to be conducted;

- (d) the Corporation has no Subsidiaries;
- (e) the minute book of the Corporation is true and correct and contains the minutes of all meetings and all resolutions of directors and shareholders of the Corporation;
- (f) the books of account and other records of the Corporation, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices;
- (g) the Corporation has duly and timely filed, in proper form, returns in respect of taxes under the *Income Tax Act*, the income tax legislation of any province of Canada or any foreign country having jurisdiction over affairs of the Corporation, the *Freehold Mineral Rights Tax Act*, (Alberta) and similar legislation of other provinces having jurisdiction over the affairs of the Corporation, for all periods in respect of which such filings have heretofore been required, and all taxes shown thereon and all taxes owing with respect to periods ending prior to January 1, 2000 have been paid or accrued on the books of the Corporation and there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, provincial or other income tax return for any period, and all payments by the Corporation to any non-resident of Canada have been made in accordance with applicable legislation in respect of withholding tax; there are no assessments or reassessments respecting the Corporation pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority and the Corporation has withheld from each payment made to any of its officers, directors, former directors and employees the amount of all taxes (including, without limitation, income tax) and other deductions required

to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable tax legislation;

- (h) all filings made by it under which it has received or is entitled to government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to the Corporation or previously accrued on the accounts thereof to be recovered or disallowed;
- (i) except to the extent that any violation or other matter referred to in this subparagraph does not have a material adverse effect on the Corporation as a whole:
  - (i) it is not in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "**Environmental Laws**");
  - (ii) it has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
  - (iii) except as have been disclosed in writing to the Underwriters, there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation that have not been remedied;
  - (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation;
  - (v) it has not failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign ("**Government Authority**") the occurrence of any event which is required to be so reported by any Environmental Law; and
  - (vi) it holds all licenses, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect, and except for (A) notifications and conditions of general application to assets of the type owned by the Corporation, and (B) notifications relating to

reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta), the Corporation has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

- (j) any and all operations of the Corporation, and to the best of the Corporation's knowledge (without specific inquiry), any and all operations by third parties, on or in respect of the assets and properties of the Corporation, have been conducted in accordance with good oil and gas industry practices where the failure to so operate would have a material adverse effect on the Corporation;
- (k) in respect of the assets and properties of the Corporation that are operated by the Corporation, if any, the Corporation holds all valid licenses, permits and similar rights and privileges that are required and necessary under applicable law to operate the assets and properties of the Corporation as presently operated and where the failure to so hold such licences and permits would have a material adverse effect on the Corporation;
- (l) the Corporation has full corporate capacity, power and authority to enter into this Agreement, the Subscription Agreements and the Special Warrant Indenture and to perform its obligations set out herein and therein (including, without limitation, to issue the Special Warrants and the Underlying Common Shares issuable upon exercise of the Special Warrants), and this Agreement has been, and the Subscription Agreements and the Special Warrant Indenture will be, on the Closing Date duly authorized, executed and delivered by the Corporation and this Agreement is, and the Subscription Agreements and the Special Warrant Indenture will on the Closing Date be, legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their terms subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law;
- (m) at the Closing Date the Special Warrants will be duly and validly created, authorized and issued;
- (n) at the Closing Date the Underlying Common Shares issuable upon exercise of the Special Warrants will be duly and validly authorized,

allotted and reserved for issuance and, upon exercise of the Special Warrants in accordance with the terms of the Special Warrant Indenture, will be issued as fully paid and non-assessable;

- (o) at the Closing Date the form and terms of the definitive certificates representing the Special Warrants will have been approved and adopted by the directors of the Corporation and will comply with the terms and conditions of the Special Warrant Indenture and all legal requirements relating thereto;
- (p) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of, this Agreement, the Subscription Agreements and the Special Warrant Indenture by the Corporation or any of the transactions contemplated hereby or thereby, does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under, any term or provision of the articles, by-laws or resolutions of shareholders or directors of the Corporation, or any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound, or any law, judgment, decree, order, statute, rule or regulation applicable to the Corporation which default or breach might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) of the Corporation or its assets;
- (q) there has not been any material adverse change in the capital, assets, liabilities (absolute, accrued, contingent or otherwise), business, operations, capital or condition (financial or otherwise) of the Corporation, from the position set forth in the Financial Statements (other than as has been publicly and generally disclosed); and since August 31, 2000 there have been no material facts, transactions, events or occurrences which, to the knowledge of the Corporation, could materially adversely affect the capital, assets, liabilities (absolute, accrued, contingent or otherwise), business, operations or condition (financial or otherwise) or results of the operations of the Corporation which have not been disclosed to the public or in writing to the Underwriters;
- (r) the Financial Statements fairly present, in all material respects and in accordance with generally accepted accounting principles in Canada consistently applied, the financial position and condition of the Corporation as at the dates thereof and the results of the operations of the Corporation for the periods then ended and reflect all liabilities (absolute,

accrued, contingent or otherwise) of the Corporation as at the dates thereof;

- (s) the description of the revenue, operating cost and capital expenditures related to certain oil and gas interests in the Smiley, Ingoldsby and Brock areas of Saskatchewan as set forth in the audited schedule of revenues, operating costs and capital expenditures of 887733 Alberta Ltd. for the year ended December 31, 1999 and the unaudited schedule of revenues, operating costs and capital expenditures of 887733 Alberta Ltd. for the nine months ended September 30, 2000 fairly presents in accordance with generally accepted accounting principles in all material respects the revenue, operating costs and capital expenditures related to certain oil and gas interests in the Smiley, Ingoldsby and Brock areas of Saskatchewan for the periods to which such statements relate;
- (t) except as disclosed in the Financial Statements or as otherwise disclosed in writing to the Underwriters, there are no actions, suits, proceedings or inquiries pending or threatened against or affecting the Corporation at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affects, or may in any way materially adversely affect, the business, operations, capital or condition (financial or otherwise) of the Corporation or its assets or which affects or may affect the distribution of the Special Warrants or Underlying Common Shares and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry might be commenced with any reasonable likelihood of success;
- (u) the information and statements set forth in the Public Record were true, correct, and complete and did not contain any misrepresentation, as of the date of such information or statement, and the Corporation has not filed any confidential material change reports still maintained on a confidential basis;
- (v) the authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series of which 12,574,934 Common Shares are currently issued and outstanding, each of which shares is validly issued, fully paid and non-assessable;
- (w) no person holds any securities convertible or exchangeable into shares of the Corporation or has any agreement, warrant, option, right or privilege being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of

any unissued securities of the Corporation except Common Shares subject to options granted or that may be granted by the Corporation pursuant to the stock option plan and except for not greater than 20,000 Common Shares that may be issued to a consultant in consideration for services;

- (x) Montreal Trust Company of Canada has been duly appointed registrar of the Common Shares at its principal office in the city of Calgary and Toronto;
- (y) no Securities Commission, other securities commission or similar regulatory authority, the Exchange or other exchange in Canada, the United Kingdom or the United States has issued any order which is currently outstanding preventing or suspending trading in any securities of the Corporation, no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened and the Corporation is not in default of any requirement of Applicable Securities Laws of the provinces of Canada, the United Kingdom or the United States;
- (z) the issued and outstanding Common Shares are listed and posted for trading on the Exchange;
- (aa) the Corporation is a "reporting issuer" in each of the provinces of British Columbia, Alberta and Ontario within the meaning of the Applicable Securities Laws in such provinces and is not in default of any requirement in relation thereto;
- (bb) to the knowledge of the Corporation, no insider of the Corporation has a present intention to sell any securities of the Corporation other than as disclosed to the Underwriters;
- (cc) the only promoters of the Corporation (as defined in the Applicable Securities Laws) are Paul R. Baay and W.C. (Mickey) Dunn;
- (dd) the representations and warranties made by the Corporation in the Special Warrant Indenture and Subscription Agreements are, or will be, true and correct as of the date at which they are made;
- (ee) the Corporation has made available to Gilbert Laustsen Jung Associates Ltd. ("GLJ"), prior to the issuance of the reports dated October 16, 2000 and October 23, 2000 with respect to certain of the Corporation's crude oil and natural gas reserves (the "GLJ Report"), for the purpose of preparing the GLJ Report, all information requested by GLJ, which information did not contain any material misrepresentation. The Corporation has no knowledge of a material adverse change in any information provided to GLJ since the date that such information was so provided. The

Corporation believes that the GLJ Report reasonably presents the quantity and pre-tax present worth values of oil and gas reserves of the Corporation as at September 1, 2000 based upon information available at the time the GLJ Report was prepared and the assumptions as to commodity prices and costs contained therein;

- (ff) although it does not warrant title, the Corporation does not have reason to believe that the Corporation does not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this clause, the foregoing are referred to as the "Interest") and does represent and warrant that the Interest is free and clear of adverse claims created by, through or under the Corporation except as disclosed in the Public Record or those arising in the ordinary course of business, and that, to its knowledge, the Corporation holds its Interest under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements, where the failure to have such rights, in the event of such adverse claims or a failure to so hold its Interests would, in the aggregate, have a material adverse effect on the Corporation;
- (gg) the representations and warranties of the Corporation in the Acquisition Agreement are true and correct as of the date hereof, a breach of which would have a material adverse effect on the Corporation; and
- (hh) the Corporation has no reason to believe that the representations and warranties of Marengo in the Acquisition Agreement are not true and correct as of the date hereof, a breach of which would have a material adverse effect on the Corporation and Marengo on a consolidated basis.

## **Section 7    Conditions**

The obligations of the Underwriters hereunder shall be conditional upon the Underwriters receiving on the Closing Date:

- (a) Legal opinions of: (i) the Corporation's counsel addressed to the Underwriters, the Subscribers and the Underwriters' counsel; and (ii) the Underwriters' counsel addressed to the Underwriters, in each case in form and substance reasonably satisfactory to the Underwriters, acting reasonably, relating to the offering, issuance and sale of the Special Warrants and the distribution of the Underlying Common Shares, including, without limitation, the matters set forth in Schedule A and as to all other legal matters, including compliance with Applicable Securities Laws of the Selling Jurisdictions, in any way connected with the offering, issuance, sale and delivery of the Special Warrants and the distribution of

the Underlying Common Shares as the Underwriters may reasonably request.

It is understood that the respective counsel may rely on the opinions of local counsel acceptable to them as to matters governed by the laws of jurisdictions other than the jurisdiction of residence of such counsel or Canada and on certificates of officers of the Corporation, the transfer agent of the Common Shares and the auditors of the Corporation as to relevant matters of fact. It is further understood that the Underwriters' counsel may rely on the opinion of the Corporation's counsel as to matters which specifically relate to the Corporation, the Special Warrants and the Underlying Common Shares, including the creation and issuance of the Special Warrants and the Common Shares.

- (b) a certificate of the Corporation dated the Closing Date, addressed to the Underwriters and the Subscribers and signed on the Corporation's behalf by its President and Chief Executive Officer or such other officer or director of the Corporation satisfactory to the Underwriters, acting reasonably, certifying that:
- (i) the Corporation has complied with and satisfied all terms and conditions of this Agreement on its part to be complied with or satisfied at or prior to the Closing Time other than those which have been waived in writing by the Underwriters;
  - (ii) the representations and warranties of the Corporation set forth in this Agreement are true and correct at the Closing Time, as if made at such time;
  - (iii) no event of a nature referred to in Section 12(a), (b) or (f) has occurred since the date of this Agreement or to the knowledge of such officer, or director is pending, contemplated or threatened; and
  - (iv) the Corporation has made and/or obtained, on or prior to the Closing Time, all necessary filings, approvals, consents and acceptances of applicable regulatory authorities (including, without limitation, the approval of the Corporation's shareholders to the issuance of the Special Warrants as required by the Exchange) and under any applicable agreement or document to which the Corporation is a party or by which it is bound, required for the execution and delivery of this Agreement, the offering and sale of the Special Warrants in the Selling Jurisdictions and the consummation of the other transactions contemplated hereby

(subject to completion of filings with certain regulatory authorities following the Closing Date);

and the Underwriters shall have no knowledge to the contrary;

- (c) evidence satisfactory to the Underwriters that the Corporation has obtained all necessary approvals of the Exchange for:
  - (i) the issuance of the Special Warrants and Underlying Common Shares; and
  - (ii) the listing of the Underlying Common Shares to be issued upon exercise of the Special Warrants;

subject only to the filing of required documents which are in the possession of the Corporation on the Closing Date and payment of applicable fees.

The foregoing conditions are for the sole benefit of the Underwriters and may be waived in whole or in part by the Underwriters at any time and without limitation, the Underwriters shall have the right, on behalf of potential subscribers, to withdraw all Subscription Agreements delivered and not previously withdrawn or rescinded by such persons. If any of the foregoing conditions are not met, the Underwriters may terminate their obligations under this Agreement without prejudice to any other remedies they may have.

## **Section 8 Closing**

The issue and sale of the Special Warrants shall be completed at the Closing Time at the offices of the Corporation's counsel in Calgary, Alberta or at such other place as the Corporation and the Underwriters may agree. Subject to the conditions set forth in Section 7, the Underwriters, on the Closing Date, shall deliver to the Corporation:

- (a) all completed Subscription Agreements;
- (b) originally executed private placement questionnaires and undertakings and registration forms required by the Exchange and The Toronto Stock Exchange from each of the Subscribers and any other forms required under Applicable Securities Laws or such stock exchanges; and
- (c) a certified cheque or bank draft payable to the Corporation at par in Calgary, Alberta in an amount equal to \$990,639.60;

and deliver to the Trustee a certified cheque or bank draft payable to the Trustee at par in Calgary, Alberta in an amount equal to \$4,009,360.80 against delivery by the Corporation of:

- (d) definitive certificates representing, in the aggregate, all of the Special Warrants subscribed for registered as directed in the Subscription Agreements;
- (e) a certified cheque or bank draft payable to FirstEnergy Capital Corp. at par in Calgary, Alberta in the amount of the fee set forth in Section 9; and
- (f) such further documentation as may be contemplated by this agreement or that may reasonably be requested by Underwriters' Counsel.

The Corporation may not reject any properly completed Subscription Agreement, unless the number of Special Warrants subscribed for pursuant to all Subscription Agreements tendered by the Underwriters exceeds the maximum number of Special Warrants to be sold under this agreement, in which case Subscription Agreements representing the over-allotment shall, in consultation with the Underwriters, be rejected or unless the acceptance of such Subscription Agreement may breach or violate any Applicable Securities Laws.

#### **Section 9 Fees**

In consideration for its services hereunder, the Corporation agrees to pay to the Underwriters a fee equal to the amount of \$0.072 for each Special Warrant subscribed for and for which the subscription is accepted by the Corporation, which fee, in the aggregate amount of \$300,000.02, shall be payable on the Closing Date.

#### **Section 10 Expenses**

Whether or not the transactions contemplated herein shall be completed, all costs and expenses of or incidental to the distribution of the Special Warrants and the distribution of the Underlying Common Shares upon exercise of the Special Warrants shall be borne by the Corporation, including, without limitation, all costs and expenses of or incidental to the private placement of the Special Warrants, and the preparation, filing and reproduction of the Preliminary Prospectus and the Prospectus, the fees and expenses of the Corporation's counsel, agent counsel retained by the Corporation's counsel, the Corporation's auditors and the Corporation's engineers, the out-of-pocket expenses of the Underwriters, including, but not limited to, travel and road show expenses and the Underwriters' reasonable legal fees and expenses (not to exceed \$25,000 plus GST, without the Corporation's approval), and all other costs and expenses relating to the transactions contemplated herein.

#### **Section 11 Waiver**

The Underwriters may waive in whole or in part any breach of, default under or non-compliance with any representation, warranty, term or condition hereof, or extend the time for compliance therewith, without prejudice to any of its rights in respect of any other representation, warranty, term or condition hereof or any other breach of,

default under or non-compliance with any other representation, warranty, term or condition hereof, provided that any such waiver or extension shall be binding on the Underwriters only if the same is in writing.

## **Section 12 Termination Events**

Each of the Underwriters may terminate its obligations hereunder, without any liability on such Underwriter's part, by written notice to the Corporation, in the event that after the date hereof and at or prior to the Closing Time:

- (a) the undertaking required by the Exchange requires the holders of the Special Warrants (or Underlying Common Shares obtained upon exercise of the Special Warrants) to hold the Underlying Common Shares beyond the date of the issuance of the Final MRRS Decision Document;
- (b) any order to cease or suspend trading in any securities of the Corporation, or prohibiting or restricting the distribution of the Special Warrants or the distribution of Underlying Common Shares upon exercise of the Special Warrants is made, or proceedings are announced or commenced for the making of any such order, by any securities commission or similar regulatory authority, the Exchange or by any other competent authority, and has not been rescinded, revoked or withdrawn;
- (c) any inquiry, investigation (whether formal or informal) or other proceeding in relation to the Corporation or any of its directors or senior officers is announced or commenced by any securities commission or similar regulatory authority, the Exchange or by any other competent authority, or there is any change of law, regulation or policy or the interpretation or administration thereof which, in the opinion of the Underwriters, acting reasonably, materially adversely affects, or may materially adversely affect, the trading or distribution of the Special Warrants or the trading or distribution of the Underlying Common Shares issuable upon exercise of the Special Warrants;
- (d) there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence, any law or regulation or any other occurrence of any nature whatsoever which in the opinion of the Underwriters, acting reasonably, materially adversely affects, or involves, or will materially adversely affect or involve, the financial markets or the business, operations or affairs of the Corporation;
- (e) there should occur any material change, change of a material fact, occurrence or event of the nature referred to in Section 3(a) which, in the opinion of the Underwriters, acting reasonably, would be expected to

have a significant adverse effect on the market price or value of the Special Warrants or Underlying Common Shares;

- (f) the Corporation shall be in breach of, default under or non-compliance with any material representation, warranty, term or condition of this Agreement; or
- (g) as a result of investigations after the date hereof, the Underwriters determine that there exists any fact or circumstance not disclosed at the date hereof which would have, in the Underwriters' sole opinion, a significant adverse effect on the price or value of the Special Warrants or Underlying Common Shares.

### **Section 13 Continuation of Termination Right**

Each Underwriter may exercise any or all of the rights provided for in Section 7, Section 11 or Section 12 notwithstanding any material change, change, event or state of facts and notwithstanding any act or thing taken or done by the Underwriters or any inaction by the Underwriters, whether before or after the occurrence of any material change, change, event or state of facts including, without limitation, any act of any of the Underwriters related to the offering or continued offering of the Special Warrants for sale and any act taken by any of the Underwriters in connection with any amendment to the Preliminary Prospectus or Prospectus (including the execution of any amendment). The Underwriters shall only be considered to have waived or be estopped from exercising or relying upon any of their rights under or pursuant to Section 7, Section 11 or Section 12 if such waiver or estoppel is in writing and specifically waives or estops such exercise or reliance.

### **Section 14 Exercise of Termination Right**

Any termination pursuant to the terms of this Agreement shall be effected by notice in writing delivered to the Corporation, provided that no termination shall discharge or otherwise affect any obligation of the Corporation under Section 10, Section 15, Section 16, Section 17 or Section 18. The rights of each of the Underwriters to terminate obligations hereunder are in addition to, and without prejudice to, any other remedies it may have.

### **Section 15 Survival**

All representations, warranties, terms and conditions herein or contained in certificates or documents submitted pursuant to or in connection with the transactions contemplated herein shall survive the payment by the Underwriters for the Special Warrants pursuant to the Prospectus and shall continue in full force and effect for the benefit of the Underwriters and the Subscribers regardless of any investigation by or on behalf of the Underwriters with respect thereto.

## Section 16 Indemnity

The Corporation shall indemnify and save each of the Indemnified Persons, harmless against and from all liabilities, claims, demands, losses (other than losses of profit), costs, damages and expenses to which any of the Indemnified Persons may be subject or which any of the Indemnified Persons may suffer or incur, whether under the provisions of any statute or otherwise, in any way caused by, or arising directly or indirectly from or in consequence of:

- (a) any information or statement contained in the Prospectus or any other part of the Public Record (other than any information or statement relating solely to one or more of the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Prospectus or any other part of the Public Record) which is or is alleged to be untrue or any omission or alleged omission to provide any information or state any fact the omission of which makes or is alleged to make any such information or statement untrue or misleading in light of the circumstances in which it was made;
- (b) any misrepresentation or alleged misrepresentation (except a misrepresentation which is based upon information relating solely to one or more of the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Prospectus or any other part of the Public Record) in the Prospectus or any other part of the Public Record;
- (c) any prohibition or restriction of trading in the securities of the Corporation or any prohibition or restriction affecting the distribution of the Special Warrants or the Underlying Common Shares (not based upon the activities or the alleged activities of any of the Underwriters or its banking or selling group, if any) imposed by any competent authority if such prohibition or restriction is based on any misrepresentation or alleged misrepresentation of a kind referred to in Section 16(b);
- (d) any order made or any inquiry, investigation (whether formal or informal) or other proceeding commenced or threatened by any one or more competent authorities (not based upon the activities or the alleged activities of any of the Underwriters or its banking or selling group members, if any) relating to or materially affecting the trading or distribution of the Special Warrants or the Underlying Common Shares issuable upon exercise of the Special Warrants;
- (e) any breach of, default under or non-compliance by the Corporation with any representation, warranty, term or condition of this Agreement or any requirement of Applicable Securities Laws; or

- (f) the exercise by any purchaser of Special Warrants of any contractual or statutory right of rescission in connection with the purchase thereof.

The rights of indemnity contained in this Section 16 shall not apply if the Corporation has complied with the provisions of Section 2 and Section 3 and the person asserting any claim contemplated by this Section 16 was not provided with a copy of the Prospectus or any amendment to the Prospectus or other document which corrects any misrepresentation or alleged misrepresentation which is the basis of such claim and which was required, under Applicable Securities Laws, to be delivered to such person by the Underwriters.

The Corporation hereby waives its right to recover contribution from the Underwriters with respect to any liability of the Corporation by reason of or arising out of any misrepresentation in the Public Record provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of or arising out of: (i) any misrepresentation which is based upon information relating solely to the Underwriters contained in such document and furnished to the Corporation by the Underwriters expressly for inclusion in such document; or (ii) any failure by the Underwriters to provide to prospective purchasers of Special Warrants any document which the Corporation is required to provide to such prospective purchasers and which the Corporation has provided to the Underwriters to forward to such prospective purchasers.

The Corporation agrees that in case any legal proceedings or investigation shall be brought against or initiated against the Corporation by any governmental commission, regulatory authority, exchange, court or other authority and an Indemnified Person or other representative of any of the Underwriters shall be required to testify or respond to procedures designed to discover information regarding, in connection with or relating to the performance of professional services rendered to the Corporation by one or more of the Underwriters, the Corporation shall pay the Underwriters the reasonable costs (including an amount to reimburse the Underwriters for the time spent by their personnel in connection therewith on a per diem basis and out of pocket expenses) in connection therewith unless such proceedings or investigations shall be brought or initiated as a result of any negligence, fraud or any actions or inactions of the Underwriters, or any of its affiliates or any member of the Selling Dealer Group.

#### **Section 17 Notice of Indemnity Claim**

If any claim contemplated by Section 16 shall be asserted against any of the Indemnified Persons in respect of which indemnification is or might reasonably be considered to be provided for in such section, such Indemnified Person shall notify the Corporation as soon as possible of the nature of such claim and the Corporation shall be entitled (but not required) to assume the defence of any suit brought to enforce such

claim, provided however, that the defence shall be through legal counsel selected by the Corporation and acceptable to the Indemnified Person acting reasonably and that no admission of liability or settlement may be made by the Corporation or the Indemnified Person without the prior written consent of the other, such consent not to be unreasonably withheld. The Indemnified Person shall have the right to retain its own counsel in any proceeding relating to a claim contemplated by Section 16 if:

- (a) the Indemnified Person has been advised in writing by counsel that there may be a material legal defence available to the Indemnified Person which is different from or additional to a defence available to the Corporation (in which case the Corporation shall not have the right to assume the defence of such proceedings on the Indemnified Person's behalf);
- (b) the Corporation shall not have taken the defence of such proceedings and employed counsel within ten days after notice of commencement of such proceedings; or
- (c) the employment of such counsel has been authorized by the Corporation in connection with the defence of such proceeding;

and, in any such event, the reasonable fees and expenses of such Indemnified Person's counsel shall be paid by the Corporation.

It is the intention of the Corporation to constitute the Underwriters as trustees for the Indemnified Persons for the purposes of Section 16, Section 17 and Section 18 and the Underwriters agree to accept such trust and to hold and enforce such covenants on behalf of such persons.

### **Section 18 Right of Contribution**

In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Agreement is due in accordance with its terms but is (in whole or in part), for any reason, held by a court to be unavailable from the Corporation on grounds of policy or otherwise, each of the Corporation and the party or parties seeking indemnification shall contribute to the aggregate liabilities, claims, demands, losses (other than losses of profit), costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) to which they may be subject or which they may suffer or incur:

- (a) in such proportion as is appropriate to reflect the relative benefit received by the Corporation on the one hand and by the Underwriters on the other hand from the offering of the Special Warrants; or
- (b) if the allocation provided by Section 18(a) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative

benefits referred to in Section 18(a) but also to reflect the relative fault of the party or parties seeking indemnity, on the one hand, and the parties from whom indemnity is sought, on the other hand, in connection with the statement, omission, misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing which resulted in such liabilities, claims, demands, losses, costs, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Corporation, on the one hand, and the Underwriters, on the other hand, shall be deemed to be in the same proportion that the total proceeds of the offering received by the Corporation (net of fees but before deducting expenses) bear to the consideration received by the Underwriters. In the case of liability arising out of the Preliminary Prospectus or the Prospectus, the relative fault of the Corporation, on the one hand, and of the Underwriters, on the other hand, shall be determined by reference, among other things, to whether the statement, omission, misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in Section 16 which resulted in such liabilities, claims, demands, losses, costs, damages or expenses relates to information supplied or which ought to have been supplied by, or steps or actions taken or done on behalf of or which ought to have been taken or done on behalf of, the Corporation or the Underwriters, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement, omission, misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in Section 16.

The amount paid or payable by an Indemnified Person as a result of liabilities, claims, demands, losses (other than losses of profit), costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) referred to above shall, without limitation, include any legal or other expenses reasonably incurred by the Indemnified Person in connection with investigating or defending such liabilities, claims, demands, losses, costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof), whether or not resulting in any action, suit, proceeding or claim.

The Corporation agrees that it would not be just and equitable if contributions pursuant to this Agreement were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding sections. The rights to contribution provided in this Section 18 shall be in addition to, and without prejudice to, any other right to contribution which the Underwriters may have.

Any liability of the Underwriters under this Section 18 shall be limited to the amount payable to the Underwriters pursuant to Section 9.

## Section 19 Several Liability

Subject to the terms and conditions thereof, the obligations of the Underwriters to purchase the Special Warrants shall be several and not joint. The percentage of the aggregate number of Special Warrants to be separately purchased and paid for by the Underwriters shall be as follows:

FirstEnergy Capital Corp.	75.0%
Peters & Co. Limited	<u>25.0%</u>
	<u>100.0%</u>

If at the Closing Time one or more of the Underwriters shall fail or refuse to purchase its respective percentage of the aggregate number of Special Warrants (a "defaulting Underwriter"), and such failure shall constitute a default in its obligations under this Agreement, the other Underwriter shall have the right, but not the obligation, to purchase all, but not less than all, of the Special Warrants which would otherwise have been purchased by the Underwriter which failed to purchase. If the non-defaulting Underwriter elects not to exercise such right, the non-defaulting Underwriter shall be entitled, by notice to the Corporation, to terminate, without liability, its obligations to purchase its original percentage of the Special Warrants. In any such case, either the non-defaulting Underwriter or the Corporation shall have the right to postpone the Closing Time for such period, not exceeding five business days, in order that the required changes, if any, may be effected. If the non-defaulting Underwriter elects not to exercise the right to purchase all of the Special Warrants pursuant to the foregoing:

- (a) the Corporation shall not be obliged to sell less than all of the Special Warrants; and
- (b) the Corporation shall be entitled to terminate its obligations under this agreement, in which event there shall be no further liability on the part of the Corporation or the non-defaulting Underwriters except pursuant to paragraphs 10, 15, 16, 17 and 18.

Any action taken under this paragraph 19 shall not relieve any defaulting Underwriter from liability in respect of any default by such Underwriter under this Agreement.

## Section 20 Notices

Any notice or other communication to be given hereunder shall, in the case of notice to be given to the Corporation, be addressed to:

True Energy Inc.  
300, 520 – 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 3R7

Attention: Paul R. Baay  
Telecopy No.: (403) 264-8163

with a copy to:

Burnet, Duckworth & Palmer LLP  
1400, 350 - 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 3N9

Attention: C. Steven Cohen  
Telecopy No.: (403) 260-0330

and, in the case of notice to be given to the Underwriters, be addressed to:

FirstEnergy Capital Corp.  
1600, 333 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 2Z1

Attention: John S. Chambers  
Telecopy No.: (403) 262-0688

with a copy to:

Peters & Co. Limited  
2500, 350 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 4N1

Attention: Christopher S. Potter  
Telecopy No.: (403) 237-2339

with a copy to:

Stikeman Elliott  
4300 Bankers Hall West  
888 – 3<sup>rd</sup> Street S.W.  
Calgary, Alberta  
T2P 5C5

Attention: Christopher W. Nixon  
Telecopy No.: (403) 266-9034

or to such other address as the party may designate by notice given to the others. Each communication shall be personally delivered to the addressee or sent by facsimile transmission to the addressee, and:

- (a) a communication which is personally delivered shall, if delivered before 4:30 p.m. (local time) on a business day, be deemed to be given and received on that day and, in any other case be deemed to be given and received on the first business day following the day on which it is delivered; and
- (b) a communication which is sent by facsimile transmission shall, if sent on a business day before 4:30 p.m. (local time), be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first business day following the day on which it is sent.

### **Section 21 Authority to Bind Underwriters**

Unless FirstEnergy Capital Corp. is a defaulting Underwriter, the Corporation shall be entitled to and shall act on any notice, waiver, extension or communication given by or on behalf of the Underwriters by FirstEnergy Capital Corp., which shall represent the Underwriters and which shall have the authority to bind the Underwriters in respect of all matters hereunder, except in respect of any settlement under Section 16, Section 17, Section 18 or any matter referred to in Section 19. FirstEnergy Capital Corp. shall consult with the other Underwriter with respect to any such notice, waiver, extension or other communication.

### **Section 22 United States Offering**

The Underwriters severally but not jointly agree for the benefit of the Corporation to comply with the U.S. selling restrictions imposed by the laws of the United States and set forth in Schedule B hereto, which forms part of this Agreement. They also agree to obtain such an agreement of each member of the Selling Dealer Group. Notwithstanding the foregoing provisions of this Section, the Underwriters will not be liable to the Corporation under this Section or Schedule B with respect to a default by another member of the Selling Dealer Group of this section or Schedule B if the Underwriters are not themselves also in default.

### **Section 23 Contractual Rights**

Without limiting any other right of the Underwriters or their affiliates pursuant to this Agreement or otherwise, the Corporation agrees to, and does hereby, extend to each of the Underwriters and their affiliates all contractual and statutory rights of rescission and for refund extended to any purchaser of Special Warrants pursuant to the Subscription Agreement, Applicable Securities Laws or otherwise which rights, without limitation, may be exercised by any Underwriter or any of its affiliates if any purchaser of Special Warrants exercises any such contractual or statutory right in respect of

Special Warrants or Underlying Common Shares issued on the exercise of Special Warrants purchased from such Underwriter or affiliate.

**Section 24 Trust**

It is the intention of the Corporation to constitute the Underwriters as trustees for the Subscribers in respect of the benefit of the representations, warranties and covenants of the Corporation set forth in this Agreement.

**Section 25 Severance**

If one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

**Section 26 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

**Section 27 Time of the Essence**

Time shall be of the essence of this Agreement.

**Section 28 Counterpart Execution**

This Agreement may be executed in one or more counterparts each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement.

**Section 29 Entire Agreement**

It is understood that the terms and conditions of this Agreement supersede any previous verbal or written agreement between the Underwriters and the Corporation with respect to the issuance of securities by the Corporation and including, without limitation, the agreement constituted by the acceptance of the letter dated January 8, 2001 from FirstEnergy Capital Corp. to the Corporation.

If the foregoing is in accordance with your understanding and is agreed to by you, please confirm your acceptance by signing the enclosed copies of this letter at the place indicated and by returning the same to John S. Chambers at FirstEnergy Capital Corp.

**FIRSTENERGY CAPITAL CORP.**

Per: (signed) John Chambers

**PETERS & CO. LIMITED**

Per: (signed) Christopher Potter

ACCEPTED AND AGREED to as of the 17<sup>th</sup> day of January, 2001.

**TRUE ENERGY INC.**

Per: (signed) Paul R. Baay

## SCHEDULE A

1. the Corporation has been duly amalgamated and is validly subsisting under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to carry on its business as now conducted by it and to own its assets;
2. the Corporation has full corporate power and authority to enter into this Agreement, the Subscription Agreements and the Special Warrant Indenture and to perform its obligations set out herein and therein, and each of this Agreement, the Subscription Agreements and the Special Warrant Indenture has been duly authorized, executed and delivered by the Corporation and constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with their respective terms, subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law;
3. the execution and delivery of this Agreement, the Subscription Agreements and the Special Warrant Indenture and the fulfilment of the terms hereof and thereof by the Corporation, and the performance of and compliance with the terms of this Agreement, the Subscription Agreements and the Special Warrant Indenture by the Corporation do not and will not result in a breach of, or constitute a default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under:
  - (a) any applicable laws of the province of Alberta;
  - (b) any term or provision of the articles, by-laws or, of which counsel is aware, resolutions of the Corporation;
  - (c) of which counsel is aware, any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound on the Closing Date; or
  - (d) of which counsel is aware, decree, order, of any governmental body, agency or court of the Province of Alberta or Canada having jurisdiction over the Corporation,

which might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) of the Corporation or its assets;

4. the Special Warrants have been duly and validly authorized, issued, executed and delivered by the Corporation and, assuming due certification and delivery by the Trustee, constitute legal, valid and binding obligations of the Corporation enforceable in accordance with their terms; and are entitled to the benefits of the Special Warrant Indenture, subject to laws relating to creditors' rights generally;
5. the form and terms of the definitive certificates representing the Special Warrants have been approved and adopted by the directors of the Corporation and comply with the terms and conditions of the Special Warrant Indenture and all legal requirements relating thereto;
6. the Underlying Common Shares issuable upon the exercise of the Special Warrants have been reserved and allotted for issuance and when issued in accordance with the terms of the Special Warrant Indenture will be validly issued as fully paid and non-assessable shares;
7. all Applicable Securities Laws of the Filing Jurisdictions and other laws applicable to the Corporation in connection with the creation, offering, issuance and sale of the Special Warrants have been complied with, including the distribution of Special Warrants in each of the Filing Jurisdictions, assuming distribution by registrants who comply with the relevant provisions of Applicable Securities Laws;
8. the issuance of the Underlying Common Shares upon exercise of the Special Warrants has been approved by the Exchange and such Common Shares have been accepted for listing upon the Exchange subject to any applicable filing requirements;
9. the qualification of the distribution of Underlying Common Shares issuable upon the exercise of Special Warrants; and
10. the first trade in Underlying Common Shares received upon exercise of the Special Warrants; and
11. Montreal Trust Company of Canada has been duly appointed by the Corporation as the trustee under the Special Warrant Indenture.

**SCHEDULE B  
TO  
UNDERWRITING AGREEMENT**

*U.S. Selling Restrictions*

1. Each Underwriter severally but not jointly:
  - (a) acknowledges that the Special Warrants and Underlying Common Shares have not been and will not be registered with the SEC under the U.S. Securities Act or the securities laws of any state in the United States and represents, warrants and agrees that neither such Underwriter nor its affiliates nor any person acting on its or their behalf has made or will make any offer or sale of or any solicitation of any offer to buy, the Special Warrants or Underlying Common Shares in the United States or to or for the account of a U.S. Person except in compliance with the exemption from registration set forth in Rule 506 of Regulation D and in compliance with this Schedule B;
  - (b) agrees that neither they, nor any member of the Selling Dealer Group, nor any of their respective affiliates, nor any person acting on behalf of the foregoing:
    - (i) have made or will make Directed Selling Efforts with respect to the Special Warrants;
    - (ii) except to the extent permitted by section 2 of this Schedule B have made or will make (x) any offer to sell or solicitation of an offer to buy any of the Special Warrants to any person in the United States or (y) any sale of the Special Warrants to any person unless the seller of such Special Warrants and any person acting on its behalf reasonably believe that at the time such person placed the order to purchase Special Warrants such person was outside the United States and such offer or sale is otherwise in compliance with the applicable requirements of Regulations S;
    - (iii) have taken or will take any action which would constitute a violation of Regulation M of the SEC under the U.S. Exchange Act; or
    - (iv) have solicited or will solicit offers for, or have made offers to sell, the Special Warrants by means of any form of general solicitation or general advertising (as those terms are used in Regulation D under the U.S. Securities Act) in the United States or in any manner involving a public offering within the meaning of Section 4(2) of the

U.S. Securities Act or which would otherwise cause the exemption afforded by Regulation S to be unavailable for offers and sales of the Special Warrants pursuant to this Agreement; and

- (c) agrees that it has caused or will promptly cause each member of the Selling Dealer Group to acknowledge in writing its awareness of and agreement to be bound by, and shall use its best efforts to ensure that each member of the Selling Dealer Group complies with, the provisions of this Schedule B in connection with all offers and sales of the Special Warrants.

Notwithstanding the provisions of this section 1, the Underwriters shall not be liable to the Corporation as a result of the violation by another member of the Selling Dealer Group if the Underwriters are not themselves in violation.

2. It is understood and agreed by the Underwriters and the Corporation that the Special Warrants may be offered and sold by the Underwriters and members of the Selling Dealer Group, acting through their United States broker-dealer affiliates in the United States to persons in the United States who they have reasonable grounds to believe, and do believe, to be institutional "accredited investors" meeting the requirements of Rule 501(a)(1), (2), (3) or (7) of Regulation D, with whom the Underwriters or member of the Selling Dealer Group making the offer or sale has a pre-existing relationship in transactions meeting the requirements of Rule 506 of Regulation D, provided that each such purchaser shall have executed a Subscription Agreement to purchase the Special Warrants from the Corporation in form and substance reasonably acceptable to the Underwriters and the Corporation.
3. The Underwriters have not entered, and will not enter, into any contractual arrangement without the prior written consent of the Corporation with respect to the distribution of the Special Warrants, except:
  - (a) with their affiliates; or
  - (b) with members of the Selling Dealer Group in accordance with this Schedule B.
4. The Corporation:
  - (a) represents that it is a "foreign issuer" within the meaning of Regulation S and reasonably believes that there is no Substantial U.S. Market Interest in the Common Shares of the Corporation;
  - (b) represents that it is not, and agrees to use its best efforts not to become at any time prior to the expiration of two years after the Closing Date, an

"investment company" as defined in the United States Investment Company Act of 1940;

- (c) represents and agrees that neither it nor any of its affiliates has taken or will take any action which would cause the exemptions afforded by Regulation S and Rule 506 of Regulation D to be unavailable for the offer and sale of the Special Warrants pursuant to this Agreement or which would constitute a violation of Regulation M of the SEC under the U.S. Securities Act;
- (d) represents and agrees that none of the Corporation, its affiliates or any person acting on its or their behalf (other than the Underwriters and their affiliates and members of the Selling Dealer Group and their affiliates as to which the Corporation makes no representation) has offered or will offer to sell the Special Warrants or Underlying Common Shares by means of any form of general solicitation or general advertising (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act; and
- (e) represents and agrees that none of the Corporation, its affiliates or any person acting on its or their behalf (other than the Underwriters and their affiliates and members of the Selling Dealer Group and their affiliates, as to which the Corporation makes no representation) has engaged or will engage during the period in which the Special Warrants are offered for sale in any Directed Selling Efforts with respect to the Special Warrants or the Common Shares.