

Parkland Income Fund to buy Bluewave Energy in deal worth \$214 million

By Lauren Krugel, The Canadian Press

CALGARY - Parkland Income Fund (TSX:PKI.UN) says it will become the largest independent petroleum distributor in Canada with the \$214-million purchase of Nova Scotia-based Bluewave Energy Limited Partnership.

"This acquisition will position Parkland as an independent fuel marketer with a true national coverage," said Parkland chief executive Mike Chorlton on a conference call with analysts Tuesday.

Parkland, based in Red Deer, Alta., is the largest independent retailer and wholesaler of fuel in Western Canada, with a focus on rural markets.

The acquisition of Bluewave, a privately held company which distributes Shell-branded fuels everywhere in Canada but Manitoba, Quebec and Newfoundland, expands Parkland's geographic reach.

Bill Sanford, Bluewave's chief executive, will head up Parkland's Bluewave Division.

"Our businesses share a similar commitment to operational excellence, safety and customer service, and I am confident the integration will be seamless," Sanford said in a statement.

Bluewave delivers furnace oil, diesel fuel, gasoline and other related products to homes and businesses. Bluewave also sells, services and finances heating, air conditioning and fuel storage equipment.

Through the acquisition, Parkland is making inroads in the Atlantic provinces, with the exception of Newfoundland and Labrador.

However Roger McKnight, a petroleum adviser with En-Pro International, noted the company will face different challenges in the Maritimes.

"The problem with the Maritimes is that fuel prices to the consumer are regulated," he said

"They really aren't in control of their bottom line."

The deal announced Tuesday follows another transaction earlier this month that will intensify competition in southern Ontario, Canada's largest market.

Calgary-based Husky Energy Inc. (TSX:HSE) acquired 98 gas stations from Suncor Energy Inc. (TSX:SU). Regulators had required Suncor to sell the Sunoco and Petro-Canada outlets as a condition for merging with Petro-Canada in August.

Parkland currently runs retail and wholesale fuels and convenience store businesses at about 612 locations across Canada under the names Fas Gas Plus, Fas Gas, Race Trac Fuels and Short Stop Food Stores.

Parkland, which employed nearly 1,200 people at the end of 2008, also operates the Bowden refinery near Red Deer, Alta., as a storage and contract-processing site.

The income fund said the Bluewave deal is expected to add immediately to Parkland's earnings and cash flow on a per unit basis. The agreement, which needs regulatory approval, is expected to close around the end of January.

The purchase will be financed from Parkland's existing credit facilities, cash on hand, the assumption of certain liabilities of Bluewave and the issuance of up to two million class C limited partnership units to Bluewave shareholders which are valued at \$12.55 per unit.

The class C units will be exchangeable into Parkland income fund units on a one-for-one basis. Parkland currently has about 43 million units outstanding.

Parkland said it had also increased its total bank credit facilities to \$400 million from a previous \$265 million.