

Note: [01 Oct 1998] – The following is 72-501CP as it was initially implemented. This version of 72-501CP is no longer current.

COMPANION POLICY 72 - 501 DISTRIBUTIONS TO PURCHASERS OUTSIDE ALBERTA

PART 1 PURPOSE AND DEFINITIONS

1.1 Purpose - This policy statement is intended to provide guidance to issuers regarding the availability of the exemptions provided for in Rule 72-501 and applicable resale restrictions.

1.2 Definitions

Defined terms - In this policy

“hold period” means the applicable time period during which securities acquired by a purchaser under an exemption set out in the Act or the rules must be held before being resold;

“Rule 72-501” means Alberta Securities Commission Rule 72-501- Distributions to Purchasers Outside Alberta;

“Rule 45-501” means Alberta Securities Commission Rule 45-501 - System for Shorter Hold Period For Issuers Filing An AIF; and

“the Distribution Policy” means Alberta Securities Commission Policy 45-601 - Distributions Outside Alberta.

PART 2 EXEMPTION FROM THE REGISTRATION AND PROSPECTUS REQUIREMENTS OF THE ACT FOR EUROBOND OFFERINGS

2.1 Exemption for a distribution by an Alberta issuer in a non-convertible debt security to a purchaser outside Alberta where a genuine market exists - Rule 72-501 provides, in the case of non-convertible debt securities, an exemption from the registration and exemption provisions of the Act where the conditions set out in section 2.1 of the rule are complied with . The effect of the rule is to reduce the resale time restriction for certain non-convertible debt securities sold to purchasers outside of Canada from twelve months to forty days.

This exemption is only available where a genuine market (as defined in Rule 72-501) exists for the non-convertible debt securities outside Canada and is primarily intended to facilitate Eurobond financings by Alberta issuers.

Issuers offering non-convertible debt in reliance on this exemption are not required to legend the certificates representing the debt securities but are required to take the steps set out in section 2.1(c) of the rule.

Issuers offering debt securities that will trade on a market other than the Eurobond market may apply to the Commission for exemptive relief under subsection 116(1) of the Act to exempt the proposed distribution from the registration and prospectus requirements of the Act.

- 2.2 Filing report of the trade** – Issuers are reminded that section 2.3 requires that a Form 20 be filed within 10 days of the date of the trade made in reliance on the exemption in subsection 2.1 of the rule.

PART 3 EXEMPTION FROM THE REGISTRATION AND PROSPECTUS REQUIREMENTS OF THE ACT FOR DISTRIBUTIONS TO PURCHASERS OUTSIDE ALBERTA

- 3.1 Exemption for a distribution by an Alberta issuer in a security to a purchaser resident outside Alberta** - The effect of section 3.1 of Rule 72-501 is to permit an Alberta issuer to distribute securities to a purchaser outside the province. This exemption is only available to issuers that have securities listed or quoted on a recognized market (as defined in Rule 72-501) and otherwise comply with the conditions set out in section 3.1 of the rule.

In addition to the requirement to legend certificates representing the securities, the issuer should consider whether to take any of the additional steps or precautions discussed in the Distribution Policy to keep the securities from being subsequently resold to Alberta residents until after the expiry of the hold period set out in section 3.2 of Rule 72-501.

Issuers are also reminded that the distribution must also be made in compliance with the laws of the jurisdiction in which the purchaser resides and the rules and policies of the recognized market on which the securities are listed or quoted.

Responsibility for compliance with applicable securities legislation of the jurisdiction in which the purchaser resides remains with issuers and their advisors. In circumstances where the issuer has not complied with the laws of the jurisdiction in which the purchaser resides, any of a wide range of action may be taken, from requiring the issuer to provide a right of rescission to the purchaser to more serious actions such as issuing a cease trading order against the issuer's securities, or initiating appropriate enforcement proceedings against the issuer or its directors and officers.

- 3.2 Recognized Market** - Issuers whose securities are listed or quoted on other exchanges or markets and want to take advantage of the exemption provided by section 3.1 of the rule, may make application to the Commission for exemptive relief

under subsection 116(1) of the Act to exempt the proposed distribution from the registration and prospectus requirements of the Act.

- 3.3 Filing report of the trade** - issuers are reminded that a Form 20 must be prepared and filed with the Commission within 10 days of the date of any trade made under section 3.1 of the rule.
- 3.4 First trade restrictions** - In the event that the security acquired by a purchaser resident outside of Alberta under section 3.1 of the rule is resold to an Alberta resident or through a market in Alberta, the vendor of that security will be required to find a statutory exemption under section 107(1) of the Act or to comply with the conditions set out in section 3.2 of the rule. The applicable hold period under section 3.2 of the rule will be dependent upon whether the issuer was a reporting issuer at the time of the initial exempt trade. In the case of a reporting issuer, the issuer may be eligible to offer purchasers the shorter four month hold period provided for under Rule 45-501 if the issuer can meet the definition of qualifying issuer and otherwise satisfy the requirements of the exemption in section 2.1 of that rule.

PART 4 RESALES OUTSIDE ALBERTA DURING THE HOLD PERIOD

- 4.1 Resales Outside of Alberta During Hold Period** - Purchasers outside of Alberta, purchasing securities under the exemptions in either sections 2.1 or 3.1 of the rule, may resell the securities during the hold period (whether the reduced hold periods found in Rules 72-501 or 45-501 or the regular hold periods found in sections 109 to 112 of the Act) outside of Alberta, provided the securities are not sold to a person or company in Alberta. The issue of resales outside Alberta during a hold period is discussed in further detail in the Distribution Policy.