

**A.S.C. POLICY 5.5 (the "Policy")  
CAPITAL ACCUMULATION PLANS**

1. DEFINITIONS

1.1 In this Policy, the following terms have the same meaning as set out in Section 68 of the Regulation to the Alberta Securities Act (the "Regulation");

1.1.1 "approved security" means:

1.1.1.1 a security of

- (A) the employer, or
- (B) an affiliate of the employer,

that is issued under a capital accumulation plan,

1.1.1.2 a security identified as an exempt security in Section 66 of the Act,

or

1.1.1.3 a security that at the time of purchase is permitted to be purchased by

- (A) an insurance company registered under the insurance legislation of a jurisdiction in Canada when acting as a principal, or
- (B) a trust company registered under the trust companies legislation of a jurisdiction in Canada when acting as trustee for a trust.

1.1.2 "capital accumulation plan" means any plan, profit sharing plan, fund, trust or other arrangement established by an employer for the benefit of employees that has in substance the following characteristics:

1.1.2.1 the participating employee contributes to the arrangement;

1.1.2.2 the employer usually makes a contribution to the arrangement on behalf of individual employees;

1.1.2.3 the employee and the employer contributions are accumulated and invested;

1.1.2.4 the arrangement provides for, at least, the return of the value of or the securities attributable to the employee's contributions.

## 2. INTRODUCTION

- 2.1 Sections 68 and 123 of the Regulation exempt a trade in a security of a Capital Accumulation Plan ("CAP") from the registration and prospectus requirements of Sections 54 and 81 of the Securities Act (the "Act").
- 2.2 To be eligible for the exemption, the portfolio of the CAP must consist solely of Approved Securities.
- 2.3 In the absence of the disclosure provided by a prospectus, the Alberta Securities Commission (the "Commission") is of the opinion that an appropriate level of disclosure must be provided to all participating employees in a CAP. Accordingly, this Policy sets forth the standard of disclosure to be provided and the requirements for trusteeship of the portfolio of securities of a CAP.
- 2.4 The portfolio manager or investment counsel to the CAP must be registered in accordance with the requirements of the Act.

## 3. APPLICATION

- 3.1 The requirements of this Policy apply to a CAP governed by Section 68 of the Regulation where its portfolio consists exclusively of Approved Securities.
- 3.2 If the portfolio of a CAP does not consist solely of Approved Securities, the CAP must satisfy the requirements of the Act and Regulation, including the prospectus requirements, except as may be exempted by the Commission Board as the result of an application by the employer pursuant to Section 116 of the Act.
- 3.3 Plans covered by the Employment Pension Plans Act (Alberta) are excluded from the requirements of this Policy.

## 4. TRUSTEESHIP OF ASSETS

- 4.1 All assets of a CAP shall be held in trust by a corporate third party, which will usually be a licensed trust company, independent of the employer.
- 4.2 At no time shall assets of a CAP be commingled with the assets of the employer, or be

used for or diverted to purposes other than in accordance with the terms of the CAP.

5. DISCLOSURE BY EMPLOYER

5.1 *Plan Summary*

Employers offering CAPs shall provide a plan summary to employees upon their enrolment in the CAP and to participating employees upon changes being made to the CAP. The plan summary shall include the following:

- 5.1.1 the method of participation by the employees, their contribution alternatives and any contributions made by the employer;
- 5.1.2 details of the administration of the CAP funds including:
  - 5.1.2.1 the name and address of the trustee,
  - 5.1.2.2 the name and address of any persons in addition to the trustee who make the investment decisions or otherwise manage the portfolio, or, if no such person exists, a statement to that effect;
- 5.1.3 a detailed description of each investment alternative including risk and volatility factors. The description must be written in plain language to assist the employees in distinguishing the investment alternatives and making an informed investment decision.
- 5.1.4 the fees and costs to the employee of making and holding investments under the CAP;
- 5.1.5 the rights of withdrawal, sale or cancellation under the CAP during employment, and upon termination or death, including:
  - 5.1.5.1 an explanation of any notice period required to effect a withdrawal, sale or cancellation,
  - 5.1.5.2 an explanation of the length of time required to receive monies upon withdrawal, sale or cancellation, and
  - 5.1.5.3 an explanation of any penalties or charges assessed on the employee upon withdrawal, sale, transfer or cancellation.

5.1.6 the phone number of the department of the employer which may be contacted for more information;

5.2 *Portfolio Report*

At least annually the employer shall issue to each participating employee a portfolio report which discloses the following:

5.2.1 a description of each fund;

5.2.2 a description of the risk of each fund;

5.2.3 a description of the securities held in each fund; and

5.2.4 the rate of return or market yield and its method of calculation to enable the employees to assess the performance of the fund.

5.3 *Account Statement*

5.1 At least annually, the employer shall issue, an account statement to each participating employee in respect of the employee's holdings under the CAP disclosing the following:

5.3.1 the opening market value balance;

5.3.2 the aggregate contributions by the employee during the period;

5.3.3 the aggregate contributions by the employer during the period;

5.3.4 the total administration or other charges by the trustee assessed against the account of the employee;

5.3.5 the closing market value balance;

5.3.6 the portion of the company contribution, if any, which is fully vested to the employee; and

5.3.7 investment interest or income earned during the period.

6. DISCLOSURE BY PORTFOLIO MANAGERS

6.1 At least annually, the portfolio manager shall provide to the employer investment

information to enable the employer to meet the requirements of item 5.2.

7. EFFECTIVE DATE

7.1 Effective date of the Policy is June 30, 1992.