

A.S.C. POLICY 3.6
REQUIREMENTS RESPECTING SECURITY ISSUER
REGISTRATION AND DESIGNATED TRADING OFFICERS

1. USAGE OF THE SECURITY ISSUER CATEGORY OF REGISTRATION

- 1.1 Section 54(l)(a)(i) of the Alberta Securities Act (the "Act") permits the registration of a dealer, section 16(f) of the regulations made under the Act (the "Regulations") classifies a security issuer as a category of dealer, and section 54(l)(a)(iii) of the Act permits the registration of a partner or officer of a registered dealer to act on behalf of the dealer. For purposes of this policy, a Trading Officer is an officer of a registered security issuer who is registered to trade in securities of that security issuer.
- 1.2 The Alberta Securities Commission (the "Commission") is of the view that the security issuer category of dealer was created primarily for the benefit of a small issuer to permit it to access the securities market for a limited amount of funds, not to exceed \$2,000,000, and for a limited period of distribution not exceeding 90 days except as permitted by section 92(2)(i) of the Regulations (a "Limited Offering"). A Limited Offering is made through the sales efforts of designated Trading Officers of such an issuer and thereby avoids underwriters' fees and commissions that would otherwise be incurred if another category of dealer was engaged to handle the offering.
- 1.3 This Category of dealer registration has also been used in the past for distribution of debt or equity securities where the offering is not conditional upon a minimum amount of funds being raised and the period of distribution is restricted only by the lapse date of the prospectus and the expiry of the dealer registration (a "Continuous Offering"). The Commission is of the view the security issuer category of registration is generally no longer appropriate for a Continuous Offering except where the offering is targeted at a restricted group of purchasers (e.g. members, customers) and the Commission is satisfied that the security issuer registration category is suitable in the circumstances. The Commission recommends other Continuous Offering issuers apply for security dealer registration.
- 1.4 These guidelines are issued for the benefit of companies or limited partnerships (the "Applicant") contemplating application for registration as a security issuer and officers (the "Trading Officers") contemplating application for registration to trade in, the securities of the security issuer under the Act and Regulations.
- 1.4.1 If the security issuer is a limited partnership, then the limited partnership (not the general partner thereof) will be registered as the security issuer. The Trading Officers will generally be the officers of the general partner because a limited partnership does not have its own officers and because section 1(n)(ii) of the Act defines officer to include any individual acting in a similar capacity to that of an

officer of an issuer.

- 1.4.2 The Commission is of the view that an unincorporated syndicate is not able to satisfy all conditions of registration and is therefore not an appropriate applicant for security issuer registration. An issuer other than a limited partnership or company may make an application for an order under section 116 of the Act exempting it from section 54 of the Act.

2. REQUIREMENTS AND CONDITIONS FOR BOTH LIMITED AND CONTINUOUS OFFERINGS

- 2.1 The Applicant shall maintain insurance and bonding as follows:
 - 2.1.1 a surety bond in the form of Form 19 of the Regulations in an amount to be determined by the Director of the Commission (the "Director") (generally the minimum requirement will be the greater of \$10,000 or 1% of the value of the offering), and
 - 2.1.2 an extended blanket bond in the form and amount required by the Director.
- 2.2 The Applicant may designate a maximum of 3 Trading Officers to be registered to trade in the securities offered as part of the security issuer registration. The Registrar shall not register salesmen in this category of dealer.
 - 2.2.1 The Trading Officers shall also be directors of the Applicant under the relevant corporate legislation and shall be residents of Alberta.
- 2.3 Trading Officers are not permitted to earn sales commissions or any other consideration whatsoever for their efforts in selling securities. The face page of the prospectus shall disclose that no remuneration has been or will be paid to the Trading Officers for the selling function.
- 2.4 Each Trading Officer shall be identified in the prospectus and each is required to sign the prospectus in his capacity as either a director or a promoter of the security issuer.
- 2.5 Securities of a security issuer shall not be sold in Alberta through other dealers unless the certificate page is signed by a dealer registered in Alberta. If a dealer other than the security issuer is not engaged to participate in selling the securities in Alberta, the plan of distribution contained in the prospectus shall state that the sales of securities in Alberta are restricted to sales by Trading Officers and the distribution table contained in the prospectus shall state that no commissions are payable on sales of securities in Alberta. If a dealer other than the security issuer is subsequently engaged to participate in selling the securities

in Alberta, the security issuer shall file an amendment to the preliminary prospectus or prospectus, as the case may be, and obtain a receipt therefor before any trades can be made by such dealer. The amendment shall include the certificate, signed by the dealer, as required by section 91(2) of the Act.

2.6 Concurrently with filing the final prospectus each Trading Officer is required to file a letter with the Commission:

2.6.1 acknowledging that he is cognizant of his potential civil liability under the Act (in particular section 168) and his responsibilities as director, officer and/or promoter under Parts 5 and 1.6 of the Act and Part D5 of the Regulations and under the relevant corporate legislation,

2.6.2 acknowledging that he has completed a due diligence review of the offering with the assistance of legal counsel or other professional advisors, and

2.6.3 stating that he will abide by the standards of conduct, to the extent applicable, described in A.S.C. Policy 3.1.

3. ADDITIONAL CONDITIONS FOR LIMITED OFFERINGS

3.1 It is the Commission's view that an offering exceeding \$2,000,000 should be sold by an independent dealer who has conducted an independent due diligence review in respect of the offering and signed the prospectus certificate in its capacity as underwriter of the offering.

3.2 The Commission would prefer that an officer proposing to be registered as a Trading Officer has successfully completed the Canadian Securities Course and Registered Representatives Examination. If an officer has not been previously registered as a Trading Officer, he may be exempted from that course and examination if he

3.2.1 has equivalent educational qualifications and experiences which are deemed to be satisfactory by the Director, and can demonstrate in accordance with item 6.2.1 significant knowledge of the Applicant's organization, operation and finances.

3.2.2 can demonstrate in accordance with item 6.2.1 significant knowledge of the Applicant's organization, operation and finances.

If an officer has been previously registered as a Trading Officer 3.2.3 his registration will not be renewed, or

3.2.3 his registration will not be renewed, or

3.2.4 a new registration will not be granted

unless he has successfully completed that course and examination.

4. ADDITIONAL CONDITION FOR CONTINUOUS OFFERINGS

4.1 Each Trading Officer is required to have successfully completed the Canadian Securities Course and Registered Representatives examination.

4.1.1 The Director may vary the above requirement if, upon written application, the Applicant

4.1.1.1 has been a reporting issuer for at least 12 months, is not in default of any requirement of the Act or the Regulations and each Trading Officer designated can demonstrate in accordance with item 6.2.1 significant knowledge of the Applicant's organization, operations and finances, or

4.1.1.2 was registered as a security issuer at the time of publication of this policy and now wishes to renew such registration.

5. REGISTRATION AND EXPIRATION OF REGISTRATION

5.1 Security issuer registration, if granted, will be issued concurrently with the issuance of a receipt for the final, prospectus.

5.2 The expiry date of the registration will not be later than the lapse date of the prospectus. However, action taken under section 56 of the Act may result in cancellation or suspension of the registration prior to the lapse date of the prospectus.

6. MATERIAL TO BE FILED WITH APPLICATION FOR REGISTRATION

6.1 Form 3 for a security issuer registration or Form 5 for renewal of registration.

6.2 Form 4 for each Trading Officer.

6.2.1 A letter from each Trading Officer addressed to the Director detailing the, nature and extent of his knowledge of the Applicant's affairs, the nature and length of time of his association with the Applicant and, if applicable, demonstrating compliance, satisfactory to the Director, with the requirements of item 3.2.2 or 4.1.1.1 of this policy.

6.3 Fees as set out in the Regulations.

- 6.4 Audited financial statements of the security issuer as required for the prospectus by section 105 of the Regulations.
 - 6.4.1 For a limited partnership, in addition to the above financial statements, the audited financial statements of the general partner in accordance with the time frames stated in section 105 of the Regulations.
- 6.5 A certified copy of a resolution of the Board of Directors of the Applicant stating full consideration has been given to the amount of bonding or insurance necessary, as required by section 25(4) of the Regulations.

Effective date: March 15, 1987