

Alberta Securities Commission

Notice and Request for Comments

Proposed Amendment to Section 3.2 of Alberta Securities Commission Rule 72-501

On November 30, 2001, harmonized resale restrictions came into effect in Alberta and seven jurisdictions with the implementation of Multilateral Instrument 45-102 *Resale of Securities* (MI 45-102). A number of amendments to the Alberta Securities Commission Rules (the Rules), including the repeal of ASC Rule 45-501 *System for Shorter Hold Period for Issuers Filing an AIF* (Rule 45-501), also came into effect on November 30, 2001.

Background

Part 3 of Rule 72-501 *Distributions to Purchasers Outside Alberta* (Rule 72-501) provides for both a registration and prospectus exemption in section 3.1 for Alberta issuers distributing securities to purchasers outside Alberta as well as an exemption in section 3.2 for the first trade of securities acquired under section 3.1.

Securities acquired under section 3.1 of Rule 72-501 are subject to a 12-month hold period unless the issuer is a qualified issuer under Rule 45-501. If the issuer is a qualified issuer with a current AIF under Rule 45-501, the applicable hold period is reduced from 12 to 4 months.

With the repeal of Rule 45-501 on November 30th, issuers relying on the exemption in section 3.1 of Rule 72-501 to distribute securities to purchasers outside Alberta are no longer able to offer a reduced hold period. This means that securities acquired under section 3.1 of Rule 72-501 will always be subject to a minimum 12-month hold period under section 3.2 of Rule 72-501 unless section 3.2 of Rule 72-501 is amended to make the first trades of those securities subject to the new resale rule.

Proposed Amendment to ASC Rule 72-501

In order to bring the resale restrictions in Part 3 of Rule 72-501 into harmony with the new resale rule restrictions in MI 45-102, the Commission is proposing to delete section 3.2 and substitute the following in its place:

3.2 Exemption for a first trade in a security previously acquired in connection with a distribution of securities to a purchaser outside Alberta - The first trade in Alberta in a security issued pursuant to the exemption in section 3.1 of the rule will be a distribution unless the conditions in section 2.5 of MI 45-102 are satisfied.

The Commission has issued an interim blanket order that permits qualifying issuers with a current AIF under MI 45-102 to continue to offer a reduced 4-month hold period to holders of their securities acquired in reliance on the exemption in section 3.1 of Rule 72-501. The blanket order will remain in effect until the amendment to section 3.2 of Rule 72-501 comes into effect.

Request for Comments

The Commission is interested in receiving comments on the amendment to section 3.2 of ASC Rule 72-501. Interested parties are encouraged to submit written comments by January 28, 2002 to:

Marsha Manolescu
Senior Legal Counsel
Alberta Securities Commission
20th Floor, 10025 Jasper Avenue
Edmonton, Alberta T5J 3Z5
phone: (780) 422-1914
fax: (780) 422-0777
e-mail: marsha.manolescu@seccom.ab.ca

We will place comment letters submitted in response to this Notice on the public file and they will form part of the public record, unless confidentiality is requested. Although we will not place comment letters requesting confidentiality on the public file, freedom of information legislation may require that the Commission make these comment letters available. As a result, the press and members of the public may be able to obtain access to any comment letter.

Dated December 17, 2001