

Annex A2

Proposed Changes to Companion Policy 41-101CP *General Prospectus Requirements*

1. *Companion Policy 41-101CP General Prospectus Requirements is changed by this Instrument.*
2. *Part 2 is changed by adding the following section:*

Rights offerings

- 2.11(1) The regulator may refuse to issue a receipt for a prospectus filed for a rights offering under which rights are issued if the rights are exercisable into convertible securities that require an additional payment by the holder on conversion and the securities underlying the convertible securities are not qualified under the prospectus. This will ensure that the remedies for misrepresentation in the prospectus are available to the person or company who pays value.
 - (2) Subparagraph 8.2A(1)(d)(ii) of the Instrument provides that if there is no published market for the securities, the subscription price must be lower than fair value. The exception to this is set out in subsection 8.2A(3) which provides that subparagraph 8.2A(1)(d)(ii) does not apply if no insider is permitted to increase its proportionate interest in the issuer through the rights offering or a stand-by commitment. Under subsection 8.2A(2), the issuer must deliver to the regulator evidence of fair value. For this purpose, the regulator will consider such things as fairness opinions, valuations and letters from registered dealers as evidence of the fair value.
 - (3) Under paragraph 8.4A(b) of the Instrument, if there is a stand-by commitment for a rights offering, the issuer must deliver to the regulator evidence that the person or company providing the stand-by commitment has the financial ability to carry out the stand-by commitment. For this purpose, the regulator may consider any of the following:
 - a statement of net worth attested to by the person or company making the commitment,
 - a bank letter of credit,
 - the most recent audited financial statements of the person or company making the commitment,
 - other evidence that provides comfort to the regulator..
3. These changes become effective on xx.