

BULLETIN TYPE: Notice to Issuers
BULLETIN DATE: January 18, 2016

Re: Proposed Policy Amendments: Policy 4.5 – Rights Offerings

TSX Venture Exchange (the “**Exchange**”) is providing guidance with respect to Policy 4.5 – *Rights Offerings* of the Exchange’s Corporate Finance Manual (the “**Manual**”) in light of the recent adoption by the Canadian Securities Administrators (the “**CSA**”) of amendments relating to rights offerings (collectively, the “**CSA Amendments**”). Toronto Stock Exchange is also concurrently publishing a Staff Notice providing guidance with respect to Section 614 – *Rights Offerings* of the TSX Company Manual.

The Exchange intends, subject to all required regulatory approvals, to amend the Manual to formally incorporate the guidance contained in this Bulletin. In the meantime, the Exchange is providing Issuers and their advisors with the following guidance.

Capitalized terms not specifically defined in this bulletin shall have the meanings ascribed to them in Policy 1.1 – *Interpretation* or Policy 4.5.

Pre-clearance of Rights Offering Documents

Notwithstanding that a rights offering circular is no longer subject to CSA review and approval prior to delivery to an Issuer’s security holders, the Exchange still requires the pre-clearance of rights offering documents, including the rights offering notice (Form 45-106F14) together with the rights offering circular (Form 45-106F15), or the rights offering prospectus (the “**Rights Offering Documents**”) under Policy 4.5 of the Manual. The Rights Offering Documents should be filed in draft form with the Exchange prior to finalization in order to provide sufficient time for the Exchange to review the pricing, mechanics and timing of the rights offering in order to maintain an orderly market for the trading of the listed securities and the rights.

Determination of Record Date

The CSA Amendments were designed to make prospectus-exempt rights offerings more attractive to reporting issuers by streamlining the review and approval process. The Exchange has also examined its requirements in respect of time periods for rights offerings. Subsection 3.5 currently requires that all deficiencies raised by the Exchange be resolved at least seven (7) trading days in advance of the record date, which effectively means that the record date cannot be determined until the Rights Offering Documents are in final form. Effective immediately, the Exchange has reduced the advance notification period to set the record date for all rights offerings from seven (7) trading days to five (5) trading days. The Exchange believes that five (5) trading days is sufficient time to advise market participants of the commencement of ex-rights trading in the listed securities which typically begins two (2) trading days prior to the record date.

Minimum Rights Subscription Price - \$0.01

Subsection 4.3 of Policy 4.5 is proposed to be amended to provide that the subscription price for securities to be acquired on the exercise of rights cannot in any case be less than \$0.01. Until such time as the proposed amendments to Policy 4.5 become effective, the Exchange will, on application, grant waivers of the currently stipulated \$0.05 minimum subscription price, provided that the subscription price for the securities to be acquired on the exercise of the rights is not less than \$0.01.

Minimum Warrant Exercise Price

Subsection 4.4 of Policy 4.5 is proposed to be amended to provide that the minimum exercise price of a Warrant forming part of a unit to be acquired on the exercise of a right must not be less than the Market Price prior to the news release announcing the rights offering and in any case must not be less than \$0.05.

Optional Listing of Rights

Policy 4.5 includes references to the rights being listed for trading on the Exchange and is proposed to be amended to expressly provide that rights may be, but are not required to be, listed for trading on the Exchange, at the election of the Issuer. Until such time as the proposed amendments to Policy 4.5 become effective, the Exchange will, on application, approve a particular rights offering where the Issuer elects not to list the rights for trading. An Issuer that has applied for or intends to apply for a waiver of the listing requirement for a rights offering must specifically disclose that it has made such application or intends to make such application, as the case may be, in the press release announcing the rights offering. In any case, as required by subsection 5.1 of Policy 4.5, all rights must be transferable.

New Large Shareholders

Policy 4.5 is proposed to be amended to provide that shareholder approval of the creation of any new Control Person of the Issuer as a consequence of a stand-by commitment for a rights offering generally will not be required provided that the rights are listed for trading on the Exchange and the subscription price for the rights is at a “significant discount” to the Market Price. A “significant discount” would be equal to at least the maximum discount to Market Price allowed for private placements as set forth in the definition of “Discounted Market Price” in Policy 1.1. If either of these criteria is not satisfied, the Exchange may first require shareholder approval of the creation of the new Control Person.

Further, before the Exchange will accept a rights offering which includes a stand-by commitment, any individual who may own or control, beneficially or as nominee, directly or indirectly, securities representing more than 10 percent of the voting rights attached to all outstanding voting securities of the Issuer (and, where such a securityholder is not an individual, any director, officer or insider of that securityholder) on the completion of the rights offering must first file with the Exchange a duly completed Personal Information Form (Form 2A) or, if applicable, a Declaration (Form 2C1).

If you have any questions about this bulletin and the proposed amendments to Policy 4.5, please contact:

Charlotte Bell	Senior Policy Counsel	604-643-6577	charlotte.bell@tsx.com
Kyle Araki	Team Manager, Calgary	403-218-2851	kyle.araki@tsx.com
Andrew Creech	Team Manager, Vancouver	604-602-6936	andrew.creech@tsx.com
Eric Loree	Team Manager, Toronto	416-365-2221	eric.loree@tsx.com
Sylvain Martel	Team Manager, Montréal	514-788-2408	sylvain.martel@tsx.com