

**5.1.4 Changes to Companion Policy 45-501CP to OSC Rule 45-501 Ontario Prospectus and Registration Exemptions**

**CHANGES TO COMPANION POLICY 45-501CP TO  
OSC RULE 45-501 ONTARIO PROSPECTUS AND REGISTRATION EXEMPTIONS**

1. The changes to Companion Policy 45-501CP to OSC Rule 45-501 *Ontario Prospectus and Registration Exemptions* are set out in this Annex.

2. Section 6.1 is deleted and replaced with the following:

6.1 Report of exempt distribution – (1) Section 6.1 of the Rule requires an issuer that has distributed a security of its own issue under section 2.1 [*Government incentive security*] or section 2.9 [*Distributions to existing security holders*] of the Rule to file a report of exempt distribution in the required form, on or before the 10th day after the distribution..

3. The following is added after Part 7:

**PART 8: EXISTING SECURITY HOLDER PROSPECTUS EXEMPTION**

**Distributions to existing security holders**

8.1 General – All security holders of the same class of securities must be treated fairly and in a manner that is perceived to be fair in connection with a distribution under section 2.9 of the Rule. The Commission recognizes that distributions to existing security holders are capable of being abusive or unfair. Accordingly, issuers and others who benefit from access to the capital markets have an obligation to treat security holders fairly, and the fulfillment of this obligation is essential to the protection of the public interest in maintaining capital markets that operate efficiently, fairly and with integrity.

8.2 Anti-dilution – While an offer must be made available to all persons who, as of the record date, held a listed security of the issuer of the same class and series as the listed security to be distributed under section 2.9 of the Rule, there is no requirement that an issuer make the offer on a pro rata basis to its security holders. For the purposes of a distribution under section 2.9 of the Rule, if security holders have an identical opportunity under the distribution, then they are considered to be treated identically.

While there is no pro rata requirement, the Commission takes the position that in order to support the fair treatment of all security holders, an issuer should establish, maintain and apply policies and procedures that provide reasonable assurance that the issuer, and, if applicable, each registrant, fairly allocate investment opportunities among the issuer's security holders. However, any distribution under section 2.9 of the Rule cannot result in an increase of more than 100% of the outstanding securities of the same class and section 2.9 of the Rule should not be used in a manner that results in security holders suffering significant dilution.

8.3 Minimum Subscription Amount – Under section 2.9 of the Rule, there is no requirement that an issuer accept all subscriptions from each existing security holder. However, if an issuer were to reject a subscription that was in all respects a valid subscription, it could call into question whether the offering was made available to all security holders of the issuer. While an issuer might not want to accept small subscription amounts because of the administrative burden, for transparency purposes, an issuer should consider clearly disclosing the minimum subscription amount in the offering news release..