

ANNEX B

**PROPOSED COMPANION POLICY 62-105CP
*SECURITY HOLDER RIGHTS PLANS***

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**PART 1
GENERAL**

1. Purpose – The purpose of the Instrument is to: (a) establish a comprehensive regulatory framework for rights plans in Canada that provides target boards and security holders with greater discretion over the use of rights plans; (b) reduce the circumstances where regulatory intervention may be necessary; and (c) maintain an active market for corporate control.

**PART 2
INTERPRETATION**

2. Rights – For purposes of the Instrument, the meaning of “rights” includes any rights or other securities entitling the holder, whether or not on conditions, to acquire or receive equity securities or voting securities of an issuer at a substantial discount to market price. “Rights” is intended to be interpreted broadly.
3. Material Amendments – A material amendment to a rights plan includes an amendment to a rights plan which would reasonably be expected to affect the decision of a target company security holder to approve or not approve the rights plan.
4. Meaning of New Rights Plan – For the purposes of section 7 of the Instrument, a “new rights plan” would include a substantially similar material amendment to a rights plan of an issuer for which the issuer failed to obtain security holder approval in accordance with subsections 2(1), (2) or (3), as applicable.

**PART 3
INTERVENTION BY SECURITIES REGULATORS**

5. Basis for Intervention – Securities regulators do not anticipate intervening on public interest grounds to cease trade a rights plan that was adopted in compliance with the Instrument unless the target issuer engages in conduct that undermines the principles underlying the Instrument or there is a public interest rationale for the intervention not contemplated by the Instrument. The principle that “there comes a time when the pill has got to go” is generally no longer applicable to the review of rights plans by securities regulators.
6. Security holder Approval – The ultimate decision on whether a rights plan should be adopted or maintained remains with security holders. Securities regulators’ policy approach is generally that a target board is permitted to retain a rights plan if a majority of its security holders have approved the rights plan at a prior annual meeting or in the face of a take-over bid.
7. Validity of Rights Plans – Securities regulators are not the appropriate forum for resolving questions regarding the validity of a rights plan for purposes of

corporate law. Nothing in the Instrument makes a rights plan valid if it is not otherwise valid under corporate law.

8. Exemptive Relief – Securities regulators have broad power to grant exemptions from the Instrument. Discretion with regards to exemptive relief applications will generally be exercised by applying the principles in *National Policy 62-202 Take-over Bids – Defensive Tactics*, as the same may be modified from time to time.