

RIGHTS ISSUES

-s 9 "Rights Issue" definition:

1. Offer of securities in a particular class AND
2. Offer made to every person who holds securities in that class, to issue same percentage of new securities as they currently hold in that class AND
3. Terms of offers identical
4. May be renounceable or non-renounceable (if renounceable, right to participate can be sold)
5. Generally issued at discount
6. May be underwritten

*Disclosure

Exception to s 706 disclosure rule – s 708AA:

offers under Rights Issue if securities are listed AND Required "cleansing notice" given to exchange

-Cleansing Notice:

1. Complied with financial reporting and continuous disclosure obligations
2. Effect of issue on control of company
3. Includes undisclosed information investors and advisers would reasonably require to assess
4. Assets, liabilities, financial position, performance, profits, losses and prospects and
5. Rights liabilities attaching to securities

SHARE PURCHASE PLANS

-Offer of parcels of shares to all shareholders:

1. All parcels of same size / value
2. Generally issued at discount
3. Generally non-renounceable

-ASIC Regulatory Guide 125 (2010):

1. ASX Listed company
2. Offer to existing shareholders
3. Up to \$15,000 per shareholder
4. Discounted price – less than market price in prior 30 days
5. Must be non-renounceable
6. No disclosure document required, but must issue cleansing notice

-Rationale:

1. Listed companies are subject to continuous disclosure obligations
2. Small amount raised from each investor
3. Disclosure requirement would disadvantage retail investors