

## **POLICY 8**

### **FUNDAMENTAL CHANGES and CHANGES of BUSINESS**

- 8.1 A Fundamental Change or Change of Business of a Listed Issuer effectively results in a new Listed Issuer, such that the existing disclosure record cannot be relied upon to fairly value the company's securities. Listed Issuers that are contemplating a transaction or series of transactions that may be a Fundamental Change or Change of Business must consult with the Exchange at an early stage to determine how the exchange will characterize the transaction.
- 8.2 The Exchange may, in its discretion, determine that a transaction or series of transactions is or is not a Fundamental Change, notwithstanding the definition of Fundamental Change. A Listed Issuer should diligently pursue or engage in the business activities described in its Listing Statement before considering any proposed transaction that may be considered a Fundamental Change, including a Change of Business. Notwithstanding the approval requirement of section 8.9 of this Policy, the Exchange will exercise its discretion and is likely to object to a Fundamental Change or Change of Business proposed by a Listed Issuer that has not, in the view of the Exchange, adequately pursued its stated business objectives. In such cases the Issuer may have to delist from the Exchange to pursue the transaction, with no guarantee the issuer will requalify following the transaction.
- 8.3 One of the fundamental requirements for a fair and efficient capital market that fosters confidence and protects investors from unfair, improper or fraudulent practices is high quality, timely and continuous disclosure by Listed Issuers. Disclosure sufficient to permit trading to occur on the basis of information adequate for investors to make informed investment decisions must be prepared and disseminated by the Listed Issuer and provided in an information circular, management proxy circular or Listing Statement regarding the Fundamental Change or Change of Business.
- 8.4 Disclosure must be made in connection with the announcement of a Fundamental Change or Change of Business. The disclosure should initially be made in a news release (to be issued and Posted pursuant to Policy 5).
- 8.5 The Market Regulator will halt trading in the securities of the Listed Issuer upon the announcement of a Fundamental Change to permit dissemination of the Material Information. The Exchange will require the Market Regulator to continue the halt at least until the documentation required under sections 8.6 and 8.7 have been accepted and Posted. During the halt, it is noted that no Dealer may quote or trade in the security in any marketplace or over-the-counter, either as principal or agent.

Listed Issuers must notify and consult with the Market Regulator prior to disseminating Material Information concerning a Fundamental Change or a Change of Business during market hours. If the dissemination will occur outside of market hours, the Listed Issuer must notify the Market Regulator in order to effect a trading halt prior to the next trading session.

Contact information for Market Regulator:

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- 8.6 In order to qualify for Listing the securities of the resulting Listed Issuer, the Fundamental Change must be approved by the Exchange and the security holders of the Listed Issuer prior to completion of the transaction. The information circular, Listing Statement or management proxy circular delivered to security holders of the Listed Issuer must contain full, true and plain disclosure of the resulting company, including the financial statement disclosure set out in National Instrument 44-101 *Short Form Prospectus Distributions*, National Instrument 41-101 – *General Prospectus Requirements* and Form 41-101F1. For a Fundamental Change the information circular or management proxy circular must provide historical financial statements for the target company as if it were going public by way of prospectus and making application for Listing, plus pro forma financial statements giving effect to the transaction for the last full fiscal year of the target company and interim year-to-date of the target company. Particular requirements are specified in the Listing Statement. The information circular or management proxy circular must be reviewed by the Exchange before being Posted and delivered to shareholders.
- 8.7 The Listed Issuer resulting from a Fundamental Change must meet the criteria for a new Listing and make a complete initial application to qualify its securities for by filing all of the documents and following the procedures set out in Policy 2 concurrently with filing the information circular or management proxy circular. Completion of the transaction prior to qualification for Listing of the securities of the Listed Issuer resulting from the transaction will result in a suspension from Listing of the Listed Issuer. A Listed Issuer undergoing a Change of Business must revise and refile any documents affected by the Change of Business.
- 8.8 Principals of the resulting Issuer must enter into an escrow agreement as if the company were subject to the requirements of National Policy 46-201 *Escrow for Initial Public Offerings* (“NP 46-201”) that provides for the escrow of the principal insiders’ shares for a period of 36 months. Escrow releases will be scheduled as follows: 10% will be released on the date that the shares commence trading on the Exchange followed by six subsequent releases of 15% every six months thereafter. The Exchange will allow earlier releases from escrow where the Listed Issuer demonstrates that it would be the equivalent of an “established issuer” under National Policy 46-201 *Escrow for Initial Public Offerings* and such early release would be permitted if the Listed Issuer were an “established issuer”.
- 8.9 Further to the exercise of Exchange discretion described in section 8.2 of this Policy, the Exchange will not approve a Fundamental Change or Change of Business proposed for a Listed Issuer that has been listed for a period of less than 12 months unless the Listed Issuer obtains approval from the majority of the minority shareholders.