

# **Spectra7 Microsystems Inc.**

## **DISCLOSURE POLICY**

**Revised August 2015**

**SPECTRA7 MICROSYSTEMS INC.**  
**(the “Corporation”)**

**DISCLOSURE POLICY**

**Statement of Policy**

1. The Corporation is committed to a policy (the “**Policy**”) of full, true and plain public disclosure of all material information in a timely manner, in order to keep shareholders and all members of the investing public equally informed about the Corporation’s operations.
2. The principal means by which the Corporation will fulfill its obligation to disclose all material information in a timely manner will be by way of the issuance of press releases. The Corporation will prepare all press releases in a factual and balanced manner, neither over-emphasizing favourable news nor under-emphasizing unfavourable news, with material information that constitutes unfavourable news being disclosed as promptly and completely as favourable news. In addition, the Corporation will use its best efforts to ensure that all press releases contain sufficient detail to enable investors to make informed investment decisions concerning the Corporation’s securities.
3. The Policy extends to the conduct of directors, officers, spokespersons and other employees and agents of the Corporation, and all methods that the Corporation uses to communicate to the public, such as written statements made in the Corporation’s annual and quarterly reports, news releases, letters to shareholders, speeches by senior management and information contained in electronic media, including Internet chat rooms, billboards and the Corporation’s website, as applicable, as well as oral statements made in group and individual meetings with financial analysts and investors, telephone calls with financial analysts and investors, interviews with the media and press conferences (regardless of whether written or oral, each a “**Disclosure Document**” and collectively, the “**Disclosure Documents**”).
4. The Policy statement outlines the Corporation’s approach to the determination and dissemination of material information and the circumstances under which the confidentiality of information will be maintained. It also provides guidelines in order to achieve consistent disclosure practices across the Corporation.

**Disclosure Committee**

1. The disclosure committee (the “**Committee**”) is responsible for overseeing the Corporation’s disclosure practices. The Committee will apply its best judgment in determining the appropriate disclosure for the Corporation of any particular information. The Committee will refer to internal and external experts as appropriate.
2. The Committee sets benchmarks for a preliminary assessment of materiality (further defined below under the heading “**PRINCIPLES OF DISCLOSURE OF MATERIAL INFORMATION**”) and will determine when developments justify public disclosure. The

Committee will meet as conditions dictate. It is essential that the Committee be kept fully apprised of all pending material Corporation developments in order to evaluate and discuss those events and to determine the appropriateness and timing for public release of information. If it is deemed that the information should remain confidential, the Committee will determine how that inside information will be controlled.

### **Spokespersons**

1. The primary spokespersons for the Corporation are the Chairman and Chief Executive Officer (collectively, the “**Spokespersons**”). The Spokespersons may, from time to time, designate others to speak on behalf of the Corporation or to respond to specific inquiries from the investment community or the media.
2. All public disclosures of information about the Corporation will be made or approved by the Spokespersons. All communications with analysts will be made by the Spokespersons. Employees, other than the Spokespersons, are not to respond to inquiries from the investment community or the media unless specifically asked to do so by a Spokesperson. All such queries should be referred to a Spokesperson.
3. If there is any doubt about the appropriateness of supplying information to an outside party, an employee should contact a Spokesperson for advice.

### **Material Information**

1. Under Canadian securities law, the term “material fact” means any fact, where used in relation to securities issued or proposed to be issued, that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of any of the Corporation’s securities.
2. Securities law and securities commission and stock exchange policies require immediate disclosure of all material facts through news media. Examples of developments in the business and affairs of the Corporation which are likely to require immediate disclosure in accordance with Toronto Stock Exchange (the “**Exchange**”) Company Manual Sec. 406 through 423.4, including the following:
  - (a) changes in share ownership that may affect control of the company.
  - (b) changes in corporate structure, such as reorganizations, amalgamations, etc.
  - (c) take-over bids or issuer bids.
  - (d) major corporate acquisitions or dispositions.
  - (e) changes in capital structure.
  - (f) borrowing of a significant amount of funds.
  - (g) public or private sale of additional securities.

- (h) development of new products and developments affecting the company's resources, technology, products or market.
- (i) significant discoveries by resource companies.
- (j) entering into or loss of significant contracts.
- (k) firm evidence of significant increases or decreases in near-term earnings prospects.
- (l) changes in capital investment plans or corporate objectives.
- (m) significant changes in management.
- (n) significant litigation.
- (o) major labour disputes or disputes with major contractors or suppliers.
- (p) events of default under financing or other agreements.
- (q) any other developments relating to the business and affairs of the Corporation that would reasonably be expected to significantly affect the market price or value of any of the Corporation's securities or that would reasonably be expected to have a significant influence on a reasonable investor's investment decisions.

### **Confidential Material Information**

1. In isolated and restricted circumstances,<sup>1</sup> officials of the Corporation may temporarily withhold information from public disclosure for legitimate business purposes where it is determined that immediate public disclosure would be unduly detrimental to the Corporation's interests. The information, if it constitutes a material fact, must still be filed with Canadian securities regulators in the form of a confidential material change report filed with the applicable Canadian securities regulators, the Exchange and the Investment Industry Regulatory Organization of Canada ("**IIROC**") on a confidential basis.<sup>2</sup> The Corporation will only withhold information consistent with the circumstances outlined in Canadian securities laws.

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<sup>1</sup> It is the policy of the Exchange that the withholding of material information on the basis that disclosure would be unduly detrimental to the Corporation must be infrequent and can only be justified where the potential harm to the Corporation or investors caused by immediate disclosure can reasonably be considered to outweigh the undesirable consequences of delaying disclosure, keeping in mind at all times the Exchange's policy of immediate disclosure. While recognizing that there must be a trade-off between the legitimate interest of the Corporation in maintaining confidentiality and the right of the investing public to disclosure of material information, the Exchange discourages any delays in disclosure for a lengthy period of time, since it is unlikely that confidentiality can be maintained beyond the short term.

<sup>2</sup> The Exchange and IIROC must be advised of the material information on a confidential basis so that trading in the Corporation's common shares listed on the Toronto Stock Exchange may be monitored by IIROC. If the trading of the Corporation's common shares listed on the Exchange (the "**Common Shares**") suggests or indicates that the confidential

2. At any time when material information is being withheld from the public in accordance with this section, the Corporation must ensure that the information is kept completely confidential and any person in possession of undisclosed material information is prohibited from purchasing or selling the Corporation's securities or "tipping" such information until the material information is publicly disclosed.
3. It is expected that the Corporation's directors, officers, employees and agents will keep the Corporation and its Spokespersons fully apprised of all significant corporate developments in order for the Spokespersons to determine their materiality and the appropriateness of and timing for public release of the information, or whether the information should remain confidential. Employees must not divulge material non-public information to anyone outside the Corporation, as only the Spokespersons are authorized to speak on behalf of the Corporation.

### **Timing of and Procedure for Disclosure**

1. All the Corporation's news releases including releases of material facts and information will be managed by the Spokespersons.
2. The Corporation will ensure that its legal counsel reviews all news releases where the subject matter has been determined by the Corporation to be material, in order to ensure that the Corporation's disclosure complies with the Policy and complies with applicable securities laws and stock exchange requirements.
3. Previously undisclosed material information may be shared confidentially with those in a "special relationship", including third parties who are bound by agreement of confidentiality and obligation to not make use of such information in trading in securities where such third party has a need to know such information to perform a service or duty, such as legal advice, financial services, credit rating, private lending or extension of credit.
4. Once a decision is made that information is material and will not be the subject of a confidential filing, it will be disclosed immediately and broadly disseminated to the public. The Corporation uses a wire service to disseminate news releases.
5. Corporate disclosure should be consistent among all audiences, including the investment community, the media and employees. Disclosure on the website of the Corporation alone does not constitute adequate disclosure of material information.
6. Corporate disclosure must be corrected immediately if the Corporation subsequently learns that earlier disclosure contained a material error at the time it was given.

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information may have been "leaked", IIROC will normally require an immediate news release and IIROC will halt trading in the Common Shares until the information has been generally disclosed to the public.

7. When necessary, the Corporation will file a material change report with securities regulators as soon as practicable and, in any event, not later than 10 days following the date on which such material change occurs.
8. Any employee who is privy to confidential information including undisclosed material information (“**inside information**”) is prohibited from communicating such information to anyone else, unless it is necessary to do so in the course of business. Efforts will be made to limit access to inside information to only those who need to know the information and those persons will be advised that the information is to be kept confidential.
9. Outside parties who are privy to inside information concerning the Corporation will be told that they must not divulge this information to anyone else, other than in the necessary course of business and that they may not trade in the Corporation’s securities until after the inside information is publicly disclosed and disseminated or is no longer possibly material (e.g., a previously undisclosed proposed confidential transaction that is abandoned). Unless such parties are bound by well-defined obligations of confidentiality to the Corporation imposed by reason of their professional status, such outside parties may be required to confirm their commitment to non-disclosure in the form of a written confidentiality agreement.
10. To prevent the misuse or inadvertent disclosure of material information, the following procedures should be observed at all times:
  - (a) documents and files containing material inside information should be kept in a safe place, with access restricted to individuals who “need to know” that information in the necessary course of business. Code names should be used if necessary;
  - (b) confidential matters should not be discussed in places where the discussion may be overheard, such as elevators, hallways, restaurants, airplanes or taxis;
  - (c) confidential matters should not be discussed on cell phones or other wireless communication devices;
  - (d) confidential documents should not be read or displayed in public places and should not be discarded where others can retrieve them;
  - (e) employees must ensure they maintain the confidentiality of information in their possession outside of the office as well as inside the office;
  - (f) transmission of documents by electronic means, such as by fax, e-mail or directly from one computer to another, should be made only where it is reasonable to believe that the transmission can be made and received under secure conditions;
  - (g) unnecessary copying of confidential documents should be avoided and documents containing material inside information should be promptly removed from

conference rooms and work areas after meetings have concluded. Extra copies of confidential documents should be shredded or otherwise destroyed; and

- (h) access to confidential electronic data should be restricted through the use of passwords.

### **Pre-Notification to IIROC**

1. Regardless of when an announcement involving material information is released, IIROC will require the pre-filing of news releases with IIROC prior to dissemination to the public in the following instances:
  - (a) reverse take-overs, changes of business or other reorganizations;
  - (b) major transactions, including corporate acquisitions or dispositions;
  - (c) situations where after giving effect to the contemplated transaction and as a result of such transaction one person or a group of persons will hold a sufficient number of common shares to affect materially the control of the Corporation and in the absence of evidence to the contrary, any person or combination of persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, holding more than 20% of the Corporation's common shares listed on the Exchange is deemed to materially affect the control of the Corporation; and
  - (d) future oriented financial information or other operating projections.
2. The Corporation will advise IIROC of the content of any news releases related to the foregoing matters and must be supplied with a copy of any news release relating to these matters in advance of its release. Copies of the news releases must be faxed to IIROC at (416) 646-7263 or emailed to IIROC at [wcox@iiloc.ca](mailto:wcox@iiloc.ca). The Corporation must also advise IIROC of the proposed method of dissemination and must advise IIROC in advance, by telephone at (416) 646-7220 if an announcement is ready to be made during trading hours and submission of a written copy of the release should follow. Where an announcement is to be released after the Exchange has closed, the Corporation should advise IIROC before trading opens on the next trading day.
3. The Corporation may be required to submit supporting documents with the news release.

### **Responding to Market Rumours**

1. It is the Corporation's practice not to comment on market rumours or speculation, particularly where it is clear that the Corporation is not the source of the market rumour. If a stock exchange or a securities regulator requests the Corporation to make a statement in response to a market rumour, the Spokespersons will consider the matter and make a determination as to the nature and content of any response by the Corporation.
2. The Chief Executive Officer will also recommend an appropriate course of action where the Corporation or an employee of the Corporation is the apparent source of the rumour.

## **Communications with Financial Analysts and Investors**

1. One of the most important functions of the Spokespersons is to provide financial analysts and investors with information about the Corporation.
2. The Corporation, principally through its Spokespersons, may educate analysts about the Corporation using previously disclosed historical information or facts which are generally known, including information relating to market forces impacting the Corporation's business, so that analysts can regularly update their estimates. The Corporation should not provide analysts with material non-public information.
3. If an employee of the Corporation other than a Spokesperson holds a one-on-one meeting with an outside party such as a financial analyst or investor, a Spokesperson will ascertain whether any new material information was disclosed during the discussion. If so, that information will be publicly disclosed immediately.
4. The Corporation will not provide confidential, proprietary or material non-public information in communications with financial analysts or investors. The Corporation will only disclose information that does not impair its own effectiveness. Any information disclosed will be factual and not speculative.
5. The Corporation will not discriminate among recipients of information. Under no circumstances will the Corporation bar a financial analyst from access to information, nor will the Corporation confirm or attempt to influence a financial analyst's opinions or conclusions. The Corporation will provide the same information that has been provided to financial analysts to individual investors when requested.
6. The Corporation will not discuss near-term operational results or future earnings nor will it comment on earnings estimates of analysts or investors, except as required by law. Similarly, the Corporation will not review financial analysts' reports or models but it may confirm or correct publicly released historical information contained in analysts' reports.
7. The Corporation may provide selective, forward-looking information to enable the investment community to evaluate the Corporation and its prospects for performance, such as new projects, expected volume growth or decline, capital spending, operating expense targets, and projected demand or market potential for its production and products, provided that it is not undisclosed material information, it does not deal with near-term operational results or future earnings, and it has been prepared or reviewed by a Spokesperson.
8. The Corporation will not circulate financial analysts' reports outside the Corporation or place them on its website.
9. Financial analysts' reports on the Corporation may be provided periodically to the board of directors and to senior management. In such circumstances it should be recognized that the opinions, estimates or forecasts regarding the Corporation's performance that are

made by any financial analysts are theirs alone and not the opinions, estimates or forecasts of the Corporation or its management.

10. The Board and/or the Corporation's Audit Committee shall review the following types of Disclosure Documents in advance of their public release by the Corporation:
  - (a) earnings guidance; and
  - (b) news releases containing financial information based on a company's financial statements prior to the release of such statements.
11. Where feasible, the Corporation shall issue the earnings news release concurrently with the filing of the Corporation's quarterly or annual financial statements.

### **Forward-looking Information**

A forward-looking statement made in the Corporation's written documents will be identified as such and accompanied with meaningful cautionary language that warns investors that there is a risk that the statement could change materially. In the case of oral forward-looking statements, the statement will be identified as such and, if the cautionary language is not included in a previously released, readily available written document, it will immediately accompany the statement. The Corporation will comply with the guidelines set out in National Policy 51-102 – *Continuous Disclosure Obligations* adopted by the Canadian Securities Administrators with respect to the comparison of actual results with such forward looking statements where appropriate.

### **Use of Electronic Media and Website**

1. Documents of interest to investors that are available in paper copy will be made available on the website. These include the annual report, quarterly reports and news releases. The Chairman and Chief Executive Officer are responsible for ensuring that the information in the investor section of the website is up-to-date. News releases will be posted on the website as soon as possible after they are released to the wire service. Other documents and presentations will be placed on the website as soon as possible after they are available. Generally speaking, where documents are included on the Corporation's website, such documents will remain on the Corporation's website for a minimum of 30 days.
2. The Corporation will not host, participate in or link to Internet-based chat rooms or bulletin boards and the directors, officers and employees of the Corporation are prohibited from discussing the Corporation in such forums.