



**NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING**  
and  
**MANAGEMENT INFORMATION CIRCULAR**  
of  
**CARMANAH TECHNOLOGIES CORPORATION**

**Meeting to be held at 8:30 a.m.**

**On**

**Thursday, May 24, 2012**

**Dated April 18, 2012**

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# NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the annual and special general meeting (the “**Meeting**”) of holders of common shares (“**Common Shares**”) of Carmanah Technologies Corporation (the “**Corporation**”) will be held at the offices of Carmanah Technologies Corporation at 250 Bay Street, Victoria, BC, V9A 3K5, on the 24th day of May, 2011, at 8:30 a.m. (Pacific Daylight Time), for the following purposes:

1. to receive the annual report of the Board of Directors to the shareholders and the consolidated audited financial statements of the Corporation for the fiscal year ended December 31, 2011;
2. to elect members of the Board of Directors for the ensuing year;
3. to appoint Deloitte & Touche LLP, Chartered Accountants, as auditor of the Corporation, at a remuneration to be fixed by the Board of Directors;
4. to approve and adopt an ordinary resolution, a copy of which is reproduced at Schedule "A" of the accompanying management information circular, approving the Shareholder Rights Plan adopted by the Board of Directors on March 26, 2012, as described in the accompanying management information circular;
5. to transact such other business as may be properly brought before the Meeting or any adjournment thereof.

The details of all matters proposed to be put before shareholders at the Meeting are set forth in the Management Information Circular accompanying this Notice of Meeting.

Only shareholders of record at the close of business on April 18, 2012 are entitled to notice of and to attend and vote at the Meeting or any adjournment thereof.

Shareholders are encouraged to read the notes to the enclosed form of proxy and complete and return the proxy to the location, and within the time frame described in the Management Information Circular even if they may attend the Meeting.

The enclosed proxy is solicited by management of the Corporation and, if you wish you may nominate any person as your proxyholder, by inserting in the space provided the name of the person you wish to represent you as proxyholder at the meeting.

**DATED** at the City of Victoria, in the Province of British Columbia, this 18<sup>th</sup> day of April, 2012.

**By order of the Board of Directors**



**Robert Cruickshank**  
Chairman of the Board

# VOTING INFORMATION

## Solicitation of Proxies

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of Carmanah Technologies Corporation (the “**Corporation**”) for use at the annual and special general meeting of the holders of common shares (the “**Common Shares**”) in the capital of the Corporation to be held 250 Bay Street, Victoria, BC, V9A 3K5 on May 24, 2012, at 8:30 a.m. (Pacific Daylight Time) (the “**Meeting**”), or at any adjournment thereof, for the purpose set forth in the attached notice of meeting (“**Notice of Meeting**”). The information contained herein is given as of April 18, 2012 except where otherwise indicated. There is enclosed herewith a form of proxy for use at the Meeting, together with an instruction card providing shareholders with instructions to access the Annual Report of the Corporation for the fiscal year ended December 31, 2011 containing the financial statements of the Corporation for the fiscal year ended December 31, 2011, to be presented at the Meeting. Each shareholder who is entitled to attend meetings of shareholders is encouraged to participate in the Meeting and to vote in person or by proxy on matters to be considered. The cost of solicitation of proxies will be borne by the Corporation.

## Appointment and Revocation of Proxies

**Those shareholders desiring to be represented by proxy must deposit their respective forms of proxy with Computershare Trust Company of Canada (the “Transfer Agent”), of 200 - 510 Burrard Street, Vancouver, BC, V6C 3B9, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or any adjournment.**

**Each shareholder submitting a proxy has the right to appoint a person to represent the shareholder at the Meeting other than the persons designated in the form of proxy furnished by the Corporation. The shareholder may exercise this right by striking out the names of the persons so designated and inserting the name of the desired representative in the blank space provided, or by completing another form of proxy and in either case depositing the proxy with the Transfer Agent at the place and within the time specified above for the deposit of proxies.**

In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or its attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized, and deposited with the Transfer Agent at the place

specified above for the deposit of proxies and at any time up to and including the last business day preceding the Meeting, or any adjournment thereof. The close of business (Vancouver time) on April 18, 2012 is the record date (the “**Record Date**”) for the determination of shareholders who are entitled to notice of, and to attend and vote at, the Meeting.

Shareholders who do not hold their Common Shares in their own name (referred to herein as “**beneficial shareholders**”) are advised that only proxies from registered shareholders can be recognized and voted upon at the Meeting. If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder’s name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the beneficial shareholder. Without specific instructions, brokers/nominees are prohibited from voting Common Shares for their clients. Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from beneficial shareholders in advance of shareholders’ meetings. Every intermediary (broker) has its own mailing procedure, and provides its own return instructions, which should be carefully followed. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”).

Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting.

**A beneficial shareholder receiving a voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction form must be returned to Broadridge or Computershare or as otherwise in accordance with the instructions on such voting instruction form well in advance of the Meeting in order to have the Common Shares voted.**

**SHAREHOLDERS ARE URGED TO RETURN THEIR VOTING INSTRUCTION FORM AS INSTRUCTED, SO THAT THEIR VOTE MAY BE INCLUDED IN THE MEETING.**

All references to shareholders in this Management Information Circular and the accompanying form of proxy and Notice of Meeting are to registered shareholders, unless specifically stated otherwise.

These materials are being sent to both registered and non-registered owners of the Common Shares. If you are a non-registered owner and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

## Exercise of Discretion

The Common Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder and if a shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. **The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. If any such matters should come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with the recommendation of management unless the shareholder has specified to the contrary or that Common Shares are to be withheld from voting. At the time of printing this Management Information Circular, management of the Corporation is not aware of any such amendment, variation, or other matter. Unless otherwise specified, proxies in the accompanying form will be voted "for" the matters described herein.**

## Persons Making the Solicitation

This solicitation is made on behalf of the management of the Corporation. The cost incurred in the preparation and mailing of both the proxy and this Management Information Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of the Corporation who will not be directly compensated therefore.

In accordance with National Instrument 54-101 - *Communications with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

## Interest of Certain Persons or Companies in Matters to be Acted Upon

Except as otherwise disclosed herein, to the knowledge of the Corporation, none of the directors or senior officers of the Corporation, no proposed nominee for election as a director of the Corporation, none of the persons who have been directors or senior officers of the Corporation since the commencement of the Corporation's last completed financial year and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors.

## Voting Securities and Principal Holders Thereof

As at April 18, 2012, the Corporation had 43,348,548 Common Shares outstanding. Each Common Share confers upon the holder thereof the right to one vote. Only those shareholders of record on the Record Date are entitled to notice of, and to attend and vote at the Meeting.

To the knowledge of the Corporation, as of April 18, 2012, Michael Sonnenfeldt owned 5,413,000 Common Shares, representing 12.5% of the outstanding Common Shares as of the date hereof (based on publicly reported information available on SEDi at [www.sedi.ca](http://www.sedi.ca)). To the knowledge of the directors and senior officers of the Corporation, no other person or company beneficially owns, directly or indirectly, or exercises control or direction over, securities carrying more than 10% of the voting rights attached to all of the outstanding Common Shares.

## BUSINESS OF THE MEETING

### 1. Report of Management and Consolidated Financial Report

The report of management and the audited consolidated financial statements for the year ended December 31, 2011, including management's discussion and analysis, are contained in the Corporation's 2011 annual report. If you requested a copy of the 2011 annual report you will receive it by mail. If you did not receive a copy, you may view it online at [www.carmanah.com/AR2011](http://www.carmanah.com/AR2011), or obtain a copy upon request by contacting Carmanah at [investors@carmanah.com](mailto:investors@carmanah.com) or by telephone at 250.380.0052.

### 2. Election of Directors

The board of directors of the Corporation (the "**Board**" or the "**Board of Directors**") currently consists of five directors. At the Meeting, it is proposed that five directors be elected until the next annual meeting of shareholders or until their successors are elected or appointed. The current directors of the Corporation cease to hold office at the close of the Meeting.

The following table sets forth, in respect of each nominee, all positions currently held with the Corporation, principal occupation and the approximate number of Common Shares beneficially owned, directly or indirectly, or over which voting control is exercised as of April 18, 2012.

Name, Present Position(s) with the Corporation and Place of Residence <sup>(1)</sup>	Background and Principal Occupation for Five Previous Years	Date(s) Served as a Director Since	Ownership or Control Over Voting Shares Held <sup>(1)</sup>
 <p><b>Robert Cruickshank</b><sup>(2)(3)(4)</sup> Chairman of the Board  Vancouver, BC, Canada</p>	<p><b>Background:</b> Robert Cruickshank brings a wealth of experience from his years in the BC technology industry. Most recently (2005-2007), Mr. Cruickshank served as President of the British Columbia Technology Industries Association (BCTIA), a not-for-profit, member-funded organization representing the broad technology industry across the province.</p> <p>Prior to joining BCTIA, he had a long and successful career with TELUS/BCTEL serving in many executive roles including over four years as the President of BCTEL Mobility.</p> <p>Mr. Cruickshank currently serves as Chair of the Board of Directors of St George's School in Vancouver. He also serves on the Board of Directors of VendTek Systems, Chairing the Compensation Committee and Lincoln Mining Corporation, serving as a member of the Compensation Committee and serves as an advisor for a number of early stage companies.</p> <p><b>Principal Occupation for Five Previous Years:</b> Retired (2007-current) President, BC Technology Industry Association (2005-2007) Executive Vice-President, TELUS (2001-2004)</p>	<p>May 16, 2008</p>	<p>93,833</p>

 <p><b>Bruce Cousins</b><sup>(4)</sup> CEO and Director Victoria, BC, <i>Canada</i></p>	<p><b>Background:</b> Bruce Cousins joined Carmanah as Chief Executive Officer in October, 2011. Mr. Cousins brings more than 22 years of entrepreneurial and executive experience in the pharmaceutical, technology and renewable energy industries. Following a 13-year tenure with Johnson and Johnson in finance and operations, in 2004 Mr. Cousins joined three founders in the start-up phase of Aspreva Pharmaceuticals, a specialty pharmaceutical company based in Victoria, BC. Aspreva grew rapidly and within a short period of time Mr. Cousins played a leadership role in the initial public offering of the company with listings on both the NASDAQ and TSX markets. The company grew rapidly to a market capitalization of over 700 million dollars with offices in Switzerland, UK, US and Canada. In 2007 Mr. Cousins led a strategic assessment and sale of the company in a \$915 million all-cash transaction, delivering a 24% premium to shareholders. More recently, Mr. Cousins has been involved in the technology and renewable energy industry as Chief Financial Officer of Xantrex Technology Inc. where he was instrumental in the \$500 million all cash sale of the company to Schneider Electric, resulting in a 55% premium to shareholders. Mr. Cousins also worked with Ballard Power Systems where he successfully completed several key transactions for the company, raising in excess of \$70mm.</p> <p>Prior board experience includes Med Biogene Inc, and Alya Ventures Inc., both TSX Venture Exchange listed issuers as well as several not-for-profit agencies including Big Brothers and United Way. Mr. Cousins currently serves on the board of Snipp Interactive Inc., a TSX Venture Exchange listed company.</p> <p>Mr. Cousins holds a Bachelor of Commerce degree from McMaster University and is a Chartered Accountant</p> <p><b>Principal Occupation for Five Previous Years:</b> Chief Executive Officer of the Corporation (2011- current) Chief Financial Officer, Ballard Powers Systems (2009- 2010) Chief Financial Officer, Xantrex Technology Inc. (2008) Chief Financial Officer, Aspreva Pharmaceuticals Inc.(2004 - 2008)</p>	<p>October 11, 2011</p>	<p>250,000</p>
 <p><b>Bob Wiens</b><sup>(2)(3)(4)</sup> Director Vancouver, BC, <i>Canada</i></p>	<p><b>Background:</b> Robert D. (Bob) Wiens is a director for corporate and non-profit entities. From 2002 to 2005, Bob was the Chief Financial Officer of D-Wave Systems, a developer of quantum information systems. From 1987 to 2000, he was the President and Chief Executive Officer of FACS Records Centre Inc., a TSX-listed income trust Prior to joining FACS, Mr. Wiens was with Arthur Andersen in New York City, Toronto, Ottawa (as managing partner) and Vancouver (as managing partner). A graduate of the University of Calgary (B.Comm) and Columbia University (MBA), Mr. Wiens holds a CA in B.C. and a CPA in New York State.</p> <p><b>Principal Occupation for Five Previous Years:</b> Retired (2005-current) CFO, D-Wave Systems Inc. (2002-2005)</p>	<p>December 17, 2009</p>	<p>83,326</p>

 <p><b>Peter Berrang</b><sup>(2)(4)</sup> Director Victoria, BC, <i>Canada</i></p>	<p><b>Background:</b> Peter Berrang is a scientist/businessman who has started and managed various high technology companies in B.C. during the past 30 years. He is a founding partner, shareholder and director of the Axys Group of Companies. Previously, Mr. Berrang was the founder and President of Seastar Optics Inc. for 10 years. Seastar, which manufactured semiconductor laser devices for the telecommunications industry world-wide was sold to SDL Inc. of San Jose, CA, a public company, in Dec. 1995. SDL was subsequently acquired by JDS Uniphase.</p> <p>Mr. Berrang was Chairman, Board of Directors, of Epic Biosonics Inc., from 1997 to March, 2002. Epic was a medical devices company engaged in the development of a various components in the field of neurostimulation.</p> <p><b>Principal Occupation for Five Previous Years:</b> President, Epic Ventures Ltd. (1990-Current)</p>	<p>May 20, 2010</p>	<p>660,559</p>
 <p><b>Dr. David Green</b><sup>(3)(4)</sup> Director P.Eng. Victoria, BC, <i>Canada</i></p>	<p><b>Background:</b> Dr. David R. Green is a professional engineer with broad experience in creating products for industrial and commercial applications. He trained in physics and as an interdisciplinary scientist, and worked in a university environment for three years. He has authored approximately 30 patents, publications, and presentations on solar-LED technology, and founded Carmanah Technologies to commercialize solar-LED technology. Certified as a Director by Institute of Corporate Directors, Dr. Green has many years of experience as a CEO, Chairman and director of public and venture-backed corporations.</p> <p><b>Principal Occupation for Five Previous Years:</b> President, Carmanah Management Corporation, a technology investment company (inception – current) Founder and Director, Carmanah Technologies Corporation (inception – 2009)</p>	<p>June 21, 2011</p>	<p>1,183,782</p>

**Notes:**

- (1) The information as to country of residence, principal occupation and number of shares beneficially owned by the nominees (directly or indirectly or over which control or direction is exercised) is not within the knowledge of the management of the Corporation and has been furnished by the respective nominees.
- (2) Member of Audit Committee.
- (3) Member of Compensation Committee.
- (4) Member of Corporate Governance Committee.

### 3. Appointment of Auditor

The Board of Directors has nominated Deloitte & Touche LLP, Chartered Accountants, to be re-appointed as auditor of the Corporation at a remuneration to be fixed by the Board of Directors and to hold such office until the next annual meeting of the Corporation. Deloitte & Touche LLP was first appointed as auditor of the Corporation on April 1, 2010.

**The persons named in the form of Proxy intend to vote “For” the appointment of Deloitte & Touche LLP, Chartered Accountants as auditor of the Corporation, unless instructed otherwise.**

### 4. Shareholder Rights Plan

At the Meeting, Shareholders will be asked to consider, and if deemed advisable, to approve, with or without variation, a resolution approving the adoption of a Shareholder Rights Plan by the Corporation (the “**Rights Plan**”). The text of the Rights Plan Resolution is attached as Schedule “A” hereto.

If approved, the Shareholder Rights Plan will ensure that, to the extent possible, shareholders of the Corporation are treated fairly in the event that a take over bid is made for Common Shares, and will provide the Board of Directors sufficient time to evaluate unsolicited take over bids and to explore, develop and

pursue alternatives that could maximize shareholder value.

## **Background and Purposes of the Shareholder Rights Plan**

The purpose of the Shareholder Rights Plan is to provide the Board of Directors and its shareholders with sufficient time to properly consider any take over bid made for the Corporation and to allow enough time for competing bids and alternative proposals to emerge. The Shareholder Rights Plan also seeks to ensure that all shareholders are treated fairly in any transaction involving a change of control of the Corporation and that all shareholders have an equal opportunity to participate in the benefits of a take over bid. The Shareholder Rights Plan encourages potential acquirers to negotiate the terms of any offer for Common Shares with the Board of Directors or, alternatively, to make a Permitted Bid (as defined in the Shareholder Rights Plan) without the approval of the Board of Directors. The Shareholder Rights Plan may, however, increase the price to be paid by a potential offeror to obtain control of the Corporation and may discourage certain transactions. A bidder who does not satisfy these minimum conditions becomes subject to the dilutive features of the Shareholder Rights Plan.

The Shareholder Rights Plan does not affect in any way the financial condition of the Corporation. The adoption of the Shareholder Rights Plan Resolution is not dilutive and will not affect reported earnings or cash flow per Common Shares until the Rights separate from the underlying Common Shares and become exercisable. The adoption of the Shareholder Rights Plan will not lessen or affect the duty of the Board of Directors to act honestly and in good faith with a view to the best interests of the Corporation and its shareholders. The Shareholder Rights Plan addresses several concerns that are widely believed to be inherent in the provisions of current legislation governing take over bids in Canada. These concerns are described in greater detail below.

### *Time to consider bid*

Under current securities legislation, the minimum period that a take over bid must remain open for acceptance is 35 days. The Board of Directors is of the view that 35 days constitutes an insufficient amount of time to permit the directors and shareholders to assess an offer, and to allow the directors to negotiate with the offeror, solicit competing offers, consider alternative transactions, and otherwise attempt to maximize shareholder value. The Shareholder Rights Plan gives the Board of Directors and shareholders more time to consider a take over bid by requiring an offeror to make a "Permitted Bid" if it wishes to proceed without negotiating with the Board of Directors and without triggering the Shareholder Rights

Plan. In order to qualify as a Permitted Bid, the bid must meet certain minimum conditions. A Permitted Bid must, among other things, be open for at least 60 days and must remain open for a further period of 10 business days after the offeror publicly announces that more than 50% of the outstanding Voting Shares (as defined in the Shareholder Rights Plan) held by Independent Shareholders (as defined below) have been deposited or tendered and not withdrawn. "Independent Shareholders" includes all holders of Voting Shares other than (i) a person (or a group of affiliated or associated persons) who has publicly announced that it has acquired beneficial ownership of 20% or more of the Common Shares (an "**Acquiring Person**") (ii) any offeror making a take over bid; (iii) any affiliate or associate of an Acquiring Person or offeror; (iv) persons acting "jointly or in concert" with an Acquiring Person or offeror; and (v) employee benefit, Share purchase or certain other plans or trusts for employees of the Corporation or its wholly owned subsidiaries unless the beneficiaries of such plans or trusts direct the Corporation and tendering to a takeover bid of the Common Shares.

### *Pressure to tender*

A shareholder may feel compelled to tender to a take over bid that the shareholder considers to be inadequate because, in failing to tender, the shareholder may be left with illiquid or minority discounted shares. This is particularly so in the case of a partial bid where the Acquiring Person or an offeror wishes to obtain a control position but does not wish to acquire all of the Common Shares. The Shareholder Rights Plan contains a shareholder approval mechanism in the Permitted Bid definition, which is that no Common Shares may be taken up and paid for under the bid unless more than 50% of the outstanding Common Shares held by Independent Shareholders have been deposited or tendered and not withdrawn. In addition, a Permitted Bid must remain open for acceptance for a further period of 10 business days following public announcement that more than 50% of the outstanding Common Shares have been deposited. The Shareholder Rights Plan therefore effectively separates a shareholder's decision to accept a bid from the decision to tender, thereby lessening concern about undue pressure to tender to the bid.

### *Unequal treatment of shareholders*

Under current securities legislation, an offeror may obtain control or effective control of a corporation without paying full value, without obtaining shareholder approval and without treating all shareholders equally. For example, an acquirer could acquire blocks of shares by private agreement from one or a small group of shareholders at a premium to market price, which premium is not shared by the other shareholders. In

addition, a person could slowly accumulate shares through Share exchange acquisitions which may result, over time, in an acquisition of control or effective control without paying a control premium or fair sharing of any control premium among shareholders. Under the Shareholder Rights Plan, if it is to qualify as a Permitted Bid, any offer to acquire 20% or more of the outstanding Common Shares must be made to all holders of Common Shares.

### How the Shareholder Rights Plan Works and Effect of the Shareholder Rights Plan

The following is a summary of certain features of the Shareholder Rights Plan. For additional details, shareholders should refer to the summary of the Shareholder Rights Plan set forth in Schedule B.

If approved by shareholders, one Right will be issued in respect of each Common Share outstanding on May 24, 2012 and prior to the Separation Time (as defined below).

Notwithstanding the effectiveness of the Shareholder Rights Plan, the Rights are not exercisable until the Separation Time. Unless waived or deferred by the Board of Directors in the circumstances permitted by the Shareholder Rights Plan, the Separation Time would generally be the close of business on the tenth trading day after the earliest to occur of:

- (a) a public announcement that a person or a group of affiliated or associated persons has acquired beneficial ownership of 20% or more of the outstanding Common Shares (i.e. become an Acquiring Person) other than as a result of, among other things, (i) a reduction in the number of Common Shares outstanding, (ii) a “Permitted Bid” or a “Competing Permitted Bid” (each as defined under the Shareholder Rights Plan), (iii) certain specified “Exempt Acquisitions” (as defined below), (iv) an acquisition by a person of Common Shares pursuant to a stock dividend or other “Pro Rata Acquisition” (as defined in the Shareholder Rights Plan); and (v) an acquisition by a person of Common Shares upon the exercise, conversion or exchange of a security convertible, exercisable or exchangeable into a Common Share received by a person pursuant to (ii), (iii) or (iv), above;
- (b) the date of commencement of, or the first public announcement of an intention of any person (other than the

Corporation or any of its subsidiaries) to commence a take over bid (other than a Permitted Bid or a Competing Permitted Bid) where the Common Shares that are subject to the bid together with the Common Shares beneficially owned by that person (including affiliates, associates and others acting jointly or in concert therewith) would constitute 20% or more of the outstanding Common Shares; and

- (c) the date upon which a Permitted Bid or a Competing Permitted Bid ceases to be such.

An “Exempt Acquisition” would include the acquisition of Common Shares or securities convertible into Common Shares (i) in respect of which the Board of Directors has waived the application of the Shareholder Rights Plan, (ii) pursuant to a distribution made under a prospectus or private placement provided that the person does not increase his, her or its ownership percentage of Voting Shares (e.g. pursuant to a rights offering), (iii) pursuant to an amalgamation, arrangement or other statutory procedure requiring shareholder approval, (iv) pursuant to certain equity incentive stock option plans of the Corporation, (v) pursuant to other contractual arrangements in respect of a Common Share acquisition from treasury entered into by the Corporation with one or more persons after the date of the Shareholder Rights Plan, provided that such person does not acquire a greater percentage of Securities offered in such distribution than the percentage of Voting Shares such person owned immediately prior to such distribution and (vi) pursuant to the exercise of Rights.

After the Separation Time, each Right entitles the holder thereof to purchase one Common Share at the Exercise Price (as defined under the Shareholder Rights Plan). The initial Exercise Price under each Right is three times the Market Price at the Separation Time. “Market Price” is generally defined as the average of the daily closing prices per share of such securities on each of the 20 consecutive trading days through and including the trading day immediately preceding the Separation Time.

Following a transaction that results in a person becoming an Acquiring Person (a “**Flip in Event**”), each Right entitles the holder thereof to receive, upon exercise, such number of Common Shares as have an aggregate market value (as of the date of the Flip in Event) equal to twice the then Exercise Price of the Rights for an amount in cash equal to the Exercise Price. In such event, however, any Rights beneficially owned by an Acquiring Person (including affiliates, associates and others acting jointly or in concert therewith), or certain transferees of any such person, will be void. A Flip in Event does not include acquisitions approved by

the Board of Directors (to the extent permitted by the Shareholder Rights Plan) or acquisitions pursuant to a Permitted Bid or Competing Permitted Bid.

By way of example, assume that the Common Shares have a Market Price of \$5.00 at the date relevant for determination. Following the Separation Time but prior to a Flip in Event, a shareholder who owns one Common Share would be entitled to exercise a Right and acquire one additional Common Share in exchange for a cash payment of \$15.00. Following a Flip in Event, the same shareholder (unless it has become an Acquiring Person) would be entitled to exercise the Right and acquire 6 additional Common Shares for the Exercise Price of \$15.00, i.e. one half of the Market Price.

In the event of an unsolicited take over bid or a bid that is not a Permitted Bid under the Shareholder Rights Plan, the Board of Directors believes that the effect of the Shareholder Rights Plan will be to enhance shareholder value, ensure equal treatment of shareholders in the context of an acquisition of control, and lessen the pressure on shareholders to tender to a bid.

It is not the intention of the Board of Directors to entrench themselves or avoid a bid for control that is fair and in the best interest of shareholders. For example, shareholders may tender to a bid that meets the Permitted Bid criteria without triggering the Shareholder Rights Plan, regardless of the acceptability of the bid to the Board of Directors.

The Shareholder Rights Plan does not diminish or detract from the duty of the Board of Directors to act honestly, in good faith and in the best interests of the Corporation and its shareholders, or to consider on that basis any take over bid that is made, nor does the Shareholder Rights Plan alter the proxy mechanism to change the Board of Directors, create dilution on the initial issue of the rights, or change the way in which Common Shares trade.

A summary of the principal terms and conditions of the proposed Shareholder Rights Plan is contained in Schedule B to this Information Circular.

### **Shareholder Approval and Board Recommendation**

A copy of the full text of the Shareholder Rights Plan Resolution is attached as Schedule A to this Management Information Circular. In order to be effective, the Shareholder Rights Plan Resolution must be approved by not less than a majority of the votes cast by both (a) all shareholders present or represented by proxy at the Meeting, and (b) all shareholders present or represented by proxy at the Meeting that are not "Grandfathered Persons" (i.e. shareholders who will beneficially own 20% or more of the outstanding Voting Shares on the Effective Date) under the Shareholder Rights Plan. As of the date of this Information Circular, there will be no Grandfathered Persons under the Shareholder Rights Plan.

### **Directors' Recommendation**

On March 26, 2012, after careful consideration, including a thorough review of the terms and conditions of the Shareholder Rights Plan the Board of Directors determined that the adoption of the Shareholder Rights Plan is in the best interests of the Corporation, its future shareholders following completion of the Arrangement and other stakeholders. The Board of Directors therefore recommends that shareholders vote for the Shareholder Rights Plan Resolution attached as Schedule A to this Information Circular.

The persons whose names are printed on the Proxy intend to vote "For" the Shareholder Rights Plan Resolution set forth in Schedule A unless specifically instructed otherwise on the Proxy.

# STATEMENT OF EXECUTIVE COMPENSATION

The objective of this disclosure is to communicate what the board of directors intended to pay, or award, certain executive officers and directors for the financial year. This disclosure will provide insight into a key aspect of the Corporation's overall stewardship and governance and will help investors understand how decisions about executive compensation are made.

This section sets forth information concerning the annual and long-term compensation for services rendered to the Corporation and its subsidiaries for the financial year ended December 31, 2011 by the Chief Executive Officer (“**CEO**”), Chief Financial Officer (“**CFO**”) and the three other most highly compensated executive officers of the Corporation (collectively, the “**Named Executive Officers**” or “**NEO**”) and the Directors. For 2011, in addition to the CEO, former CEO and CFO, the Named Executive Officers also include the VP, Solar Power Systems, the VP, Lighting, the former VP, Human Resources & Administration and the former VP, Sales and Marketing of the Corporation.

## Governance of Compensation

The Compensation Committee of the Board of Directors (the “**Compensation Committee**”) is composed entirely of directors who are not employees, control persons or officers of the Corporation or any of its associates and affiliates. The Compensation Committee of the Corporation is comprised of three directors, who are considered to be independent as defined under applicable securities legislation. Currently, the Compensation Committee consists of Messrs. Cruickshank (Committee Chair), Green and Wiens, none of whom are officers of the Corporation. Messrs. Cruickshank and Wiens were on the Committee during the entire fiscal year. Mr. Green was appointed to the Committee effective June 21, 2011 to fill the vacancy resulting from the departure of Mr. Logan when his term with the Board of Directors ended on June 21, 2011. The Compensation Committee has a written charter that establishes the committee's purpose and responsibilities, and the manner of reporting to the Board. In addition, the Compensation Committee has the authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. All Compensation Committee members have direct experience that is relevant to the responsibilities mandated by the Compensation Committee, as further described under “**Corporate Governance Disclosure**”.

The mandate of the Compensation Committee is to review and recommend to the Board the Corporation's executive compensation policies and programs, for final approval by the Board.

The duties and responsibilities of the Compensation Committee are comprised primarily of the following:

- (a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;
- (b) making recommendations to the Board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans;
- (c) reviewing, approving and presenting recommendations from the CEO regarding the annual compensation policies, programs and budgets for all employees; and
- (d) reviewing executive compensation disclosure of the Corporation.

The Compensation Committee focused its mandate on the compensation of the CEO and delegated to management the compensation of the CFO and the other Named Executive Officers. The Compensation Committee ensures that total compensation paid to the CFO and the other Named Executive Officers is fair and reasonable and consistent with the Corporation's compensation philosophy.

## Compensation Discussion and Analysis

### Compensation Philosophy and Objectives

Compensation plays an important role in achieving short and long-term business objectives that ultimately drives business success in alignment with long-term shareholder goals.

The Corporation's compensation philosophy is based on three fundamental principles:

- Strong link to business strategy – the Corporation's short and long-term goals should be reflected in the overall compensation program;
- Performance sensitive – compensation should be linked to individual performance as well as key financial and strategic results of the Corporation and fluctuate with performance; and

- Market relevant – the compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new recruits of the highest calibre.

The objectives of the Corporation’s compensation program in compensating its executive management are:

- To attract, motivate and retain high calibre executive management who will successfully lead the organization to meet growth and profitability objectives;
- To align the interests of executive management with shareholders’ interests and with the execution of the Corporation’s business strategy;
- To evaluate executive performance on the basis of key financial, managerial and strategic performance measures which closely correlate to the business strategy and long-term shareholder value; and
- To tie compensation directly to those measurements, and reward based on achieving and overachieving predetermined objectives.

Compensation Competitiveness and Benchmarking

The executive compensation program is designed to be competitive and specifically promote the Corporation’s incentive and retention objectives. The Corporation’s compensation plans are measured against market compensation data gathered from compensation surveys encompassing high technology companies of similar revenue in British Columbia.

In March 2009, the Compensation Committee engaged an independent consultant, Roger Gurr & Associates, to advise them on executive compensation matters for the 2009 financial year and future years. The consultant assisted the Compensation Committee in reviewing the Corporation’s compensation philosophy relative to its’ executives, examining all elements of compensation with consideration to being market competitive, performance based and the Corporation’s ability to attract and retain executive talent capable of delivering on the Corporation’s vision, mission, strategies and objectives (the “**Vision, Mission, Strategies and Objectives**”) with the intent to deliver long term shareholder value. It also included a review of executive contractual arrangements with a view to simplification and consistency. The fees associated with this work were approximately \$25,000, and were paid in 2009.

Included in the executive compensation review, the independent consultant benchmarked total compensation and each component of total compensation against market data for a comparator group of organizations. This review included the selection of an appropriate group of companies for determining competitive total compensation packages for 2009 and future years. The review focused upon companies that are North American based, publicly traded industry technology companies most with annual revenues up to \$100 million per year. Because of the unique nature of the Corporation, developing new innovative products and operating in multiple markets with multiple products with high growth potential, as far as possible, these selection criteria were also considered. The Compensation Committee reviewed and approved these selection criteria and the resulting list of twenty five comparator companies:

Comparator group of companies used for benchmarking:				
Hammond Power Solutions Inc.	Railpower Technologies Corp.	Xantrex Technology Inc.	Vicon Industries Inc.	Ballard Power Systems Inc.
Westport Innovations Inc.	Intermap Technologies Corp.	RuggedCom Inc.	Dynetek Industries Ltd.	Energy Focus Inc.
Evergreen Solar Inc.	Norsat International Inc.	Day4 Energy Inc.	Turbo Power System Inc.	TIR Systems Ltd.
Hydrogenics Corp.	Akeena Solar Inc.	Nexus Lighting Inc.	Spire Corp	Xebec Adsorption Inc.
Response Biomedical Corp.	Enablence Technologies Inc.	Electrovaya Inc.	Azure Dynamics Corp.	Sustainable Energy Technologies

In October 2011, the Compensation Committee engaged Roger Gurr & Associates to advise them on equity compensation matters when recruiting for and hiring the new CEO. The consultant benchmarked equity

compensation against market data from a comparator group of organizations. The review included a selection of similar-sized, publicly traded and technology-based companies and provided an order of magnitude of equity

and equity-based compensation held by the CEO's of these companies. The comparator companies researched were 20/20 Technologies, Afexa, Azure Dynamics, Enablence Technologies, Intermap, Norsat, and Webtech Wireless. The fee for this service was \$1,150 plus applicable taxes.

Carmanah's compensation program is designed to provide executives with total compensation targeted at the median (50th percentile) of the total compensation of its comparator group of companies provided that the Corporation and individuals achieve established and approved targets. In designing the elements of compensation available to members of the executive team considerable emphasis is placed upon performance based rewards, both short term (annual bonus), medium term (restricted share units, performance share units) and long term (stock options). This mixture of performance based compensation elements can provide significant rewards to the executives in the event that short term and medium term objectives are achieved and share price is increased, resulting in higher values of share units and stock options. Under these circumstances, the total remuneration for executives could increase beyond median (with reference to the comparators) by up to 20% or beyond if the performance of the Corporation, individual and Carmanah stock price increase was assessed as outstanding.

The Compensation Committee considered the information and recommendations provided by the consultant, individual experience and performance of the executive, and any other criteria deemed important by the Compensation Committee, in determining actual compensation levels for the executive.

#### Risk Assessment

The Corporation's compensation program incorporates many long-standing elements that are intended to ensure our compensation practices do not encourage excessive or inappropriate risk-taking. For example:

- Our mix of short, medium and longer-term compensation encourages executives to take a balanced view and mitigates against excessive risk-taking or behaviour that is too conservative.
- On average, 27% of our NEO's total cash compensation is performance-based and not guaranteed
- The annual cash bonus is directly linked to and determined by multiple performance factors, including corporate performance (defined by achievement of specific revenue and EBITDA targets), divisional performance and individual performance.

- Annual cash bonus payouts can be as low as zero if minimum threshold levels of corporate and individual performance are not met, and are capped at 200 per cent where corporate and individual performance objectives are exceeded, to prevent excessive payouts and to act as a disincentive against excessive risk-taking.
- Targets for performance metrics in the corporate balanced scorecard are generally made more difficult each year to promote continuous stretch and performance improvement year over year.
- The Compensation Committee takes into account the risk implications associated with the Corporation's compensation policies and practices on an ongoing basis. At this time, the Committee has determined that there are no identified risks in the Corporation's compensation policy and practices likely to have a material adverse effect on the Corporation.

#### Executive Compensation – Related Fees

The aggregate fee for executive compensation consulting services in the past two years is \$1,150, billed by Roger Gurr and Associates in October 2011 for services related to equity compensation for the incoming CEO, Bruce Cousins.

#### Compensation Elements

The executive compensation program is comprised of fixed and variable elements. The variable components include equity and non-equity incentive plans. Each compensation component has a different function, but all elements work in concert to maximize company and individual performance by establishing specific, competitive, operational and financial goals and by providing financial incentives to employees based on their level of achievement of these goals.

The total compensation package for each executive officer was contractually negotiated at time of hire. From time to time, the Compensation Committee reviews compensation to ensure it is meeting the compensation philosophy and objectives as discussed above. As each of the executive commenced employment at various times during the Corporation's evolution, the content of each original employment contracts differed. Following the review by the independent compensation consultant, the Compensation Committee presented new employment contracts together with a three year total compensation plan for 2009 through 2011, to all executives that reflect consistency in content, terms and conditions, and compensation modeling.

The 2011 executive compensation program has four principal components:

1. Base salary;
2. Non-equity incentives – consisting of a cash bonus linked to the performance of the Corporation and the individual;
3. Equity incentives – consisting of stock options, restricted share units and/or performance share units; and
4. Other elements of compensation – consisting of benefits and perquisites.

Further information on each of the principal components of compensation is set out below:

#### 1. Base Salary

Base salary, which forms a part of total compensation, for the CEO is reviewed and recommended by the Compensation Committee for approval by the Board of Directors. Base salaries, which form a part of total compensation, for executive officers (other than the CEO) are recommended by the CEO and are reviewed and approved by the Compensation Committee.

In determining individual base salaries, management and the Compensation Committee take into consideration data from compensation surveys encompassing high technology companies of similar revenue in British Columbia, individual circumstances that may include the scope of an executive's position, the executive's relevant competencies or experience, and retention risk. The Compensation Committee also takes into consideration the financial performance of the Corporation as well as the individual performance of the executive.

#### 2. Non-equity incentives

Non-equity incentives are in the form of the annual performance bonus plan (the "**Bonus Plan**") which provides for a cash payment following the end of the Corporation's fiscal year, based on the achievement of established corporate financial goals and individual performance. The bonus plan is a discretionary plan which allows for discretion to grant non-equity incentives if performance targets are not met, or to grant further non-equity incentives over and above the bonus plan formula.

#### **Bonus Plan Design**

The Bonus Plan is designed to reward on the outcome of performance results for both corporate and individual performance, with a variable performance multiplier that

increases or decreases as a result of over- or under-achievement of performance objectives.

The performance objectives under the Bonus Plan in respect of the 2011 fiscal year are comprised of five key categories:

1. Achievement of 2011 Consolidated Revenue Targets (Minimum EBITDA Required)
2. Achievement of 2011 Consolidated Lighting Division Revenue (Minimum EBITDA Required)
3. Achievement of 2011 Consolidated Solar Power Systems Division Revenue (Minimum EBITDA Required)
4. Achievement of 2011 Strategic Performance Objectives
5. Achievement of 2011 Individual Objectives

Each of the various corporate and individual performance objectives are weighted for importance and factored into the total bonus formula.

The formula for determining the annual bonus amount for each member of executive management is provided as follows:

$$\begin{aligned}
 & 2011 \text{ Eligible Earnings} \times \text{Bonus Rate} \\
 & \qquad \qquad \qquad \times \\
 & \text{(Corporate Revenue Objective Weighting} \times \\
 & \qquad \qquad \qquad \text{Performance Multiplier)} \\
 & \qquad \qquad \qquad + \\
 & \text{(Divisional Revenue Objective Weighting} \times \\
 & \qquad \qquad \qquad \text{Performance Multiplier)} \\
 & \qquad \qquad \qquad + \\
 & \text{(Strategic Objective Weighting} \times \text{Performance} \\
 & \qquad \qquad \qquad \text{Multiplier)} \\
 & \qquad \qquad \qquad + \\
 & \text{(Individual Objective Weighting} \times \text{Performance} \\
 & \qquad \qquad \qquad \text{Multiplier)} \\
 & \qquad \qquad \qquad = \\
 & \text{Total Annual Bonus}
 \end{aligned}$$

## Weighting of Objectives

The weighting of performance objectives will vary for each executive. The weighting of performance objectives for the C-level executive (CEO & CFO) compared to the VP-level executive is as follows:

Objective	C-Level Executive	VP-Level Executive (Division)
Revenue	35%	25%
Divisional Revenue	20%	40% / 0%*
Strategic	0%	10%
Individual	25%	25%
Total	100%	100%

\* Varies depending on which division the VP is responsible for

## Performance Multiplier

The Performance Multiplier on corporate and divisional revenue performance objectives is a factor ranging from 0% to 200%, with a conditional requirement on the Minimum EBITDA Target when Corporate or Division Revenue exceeds target. The condition requires that 5% of the incremental increase in Corporate or Division Revenue over target must be added to the corresponding EBITDA target to determine the new EBITDA target to be achieved against the Revenue. The Performance Multiplier on corporate strategic performance objectives is a factor ranging from 0% to 100%, and the Performance Multiplier on individual performance objectives is a factor ranging from 0% to 200%.

## Corporate Performance Objectives – determination and measuring outcomes

The Corporate performance objectives for the financial year ended December 31, 2011 are predetermined and approved by the Board of Directors at the beginning of the year. The Corporate performance objectives for the 2011 financial year are:

1. Achievement of 2011 Consolidated Revenue Targets (Minimum EBITDA Required)
2. Achievement of 2011 Consolidated Lighting Division Revenue (Minimum EBITDA Required)
3. Achievement of 2011 Consolidated Solar Power Systems Division Revenue (Minimum EBITDA Required)
4. Achievement of 2011 Strategic Performance Objectives

Corporate Objectives	Goal	Actual	Rating	Multiplier
Corporate Revenue	40M	35.9M	0	0
Lighting Division Revenue	26.4M	20.9M	0	0
Solar Power Systems Revenue	13.6M	15M	4	1.25

The corporate objectives are the same for all employees and executive management of the Corporation. The weighting of importance on the objectives varies between executive officers, as noted above.

At the end of the financial year, the corporate performance objectives were reviewed and approved by the Board of Directors. The Corporation's 2011 consolidated revenue and EBITDA targets were not met and as a result no bonus was paid on the financial performance objectives.

Also at the end of the financial year, the strategic performance objectives were reviewed by the Board of Directors. It was determined that the strategic performance objectives were not met and as such the Board of Directors determined there was to be no payment on this element of the plan.

## Individual Performance Objectives – determination and measuring outcomes

The individual performance objectives of the CEO for the financial year ended December 31, 2011 are predetermined and approved by the Compensation Committee at the beginning of the year, and the individual performance objectives of the remaining executive management are predetermined and approved by the CEO.

At the end of the year, the CEO's individual performance is reviewed and approved by the Compensation Committee, and the remaining executive management individual performance is reviewed and approved by the CEO and subsequently reviewed with the Compensation Committee to ensure consistency. The review process includes a discussion between the individual and the direct manager about the performance factors, measurement criteria and demonstrated results. As the incoming CEO, Bruce Cousins, did not join the Corporation until near the end of the 2011 fiscal year, the CEO performance objectives reviewed in this

document relate to Ted Lattimore, the former CEO. Please reference the **Summary of Executive Compensation** for Bruce Cousins for further details on

his performance objectives. The 2011 CEO Performance Goals and Results were as follows:

Performance Goals	Achievement Relative to Goal
Achieve 2011 Consolidated Corporate Revenue Target (Minimum EBITDA Required)	Corporate Revenue target not achieved
Achieve 2011 Consolidated Lighting Division Revenue Target (Minimum EBITDA Required)	Lighting Division Revenue target not achieved
Achieve 2011 Consolidated Power Systems Division Revenue Target (Minimum EBITDA Required)	Power Systems Revenue and EBITDA overachieved; 125% multiplier in effect

The actual payout to the Named Executive Officers under the Bonus Plan is provided in the Summary Compensation Table within this Management Information Circular.

### 3. Equity incentives

The equity incentives of the Corporation's executive compensation program are designed to:

- Align the interests of the Corporation's key employees and its shareholders;
- Focus management on developing and successfully implementing the strategy of the Corporation;
- Foster the retention of key executive management;
- Attract high performing, high caliber individuals to the Corporation

In 2011, the Corporation adopted the 2011 Incentive Awards Plan. With the exception of the Restricted Share Unit grant to the Board of Directors for the 2011/2012 term and the stock option grant to Mr. Cousins in conjunction with the private placement described in the "Summary of Employment Agreements for each Named Executive Officer," which were granted under the 2011 Incentive Awards Plan, the Corporation's outstanding mid- and long-term equity-based incentives for executive compensation were granted pursuant to the Corporation's previous 2007 incentive plans and consist of:

1. Stock Options
2. Restricted Share Units
3. Performance Share Units

Stock options may be provided for a term of up to 10 years, but are typically provided for a term of up to 5 years, vesting every six months over a three year period. Restricted Share Units ("**RSUs**") are typically granted with a vesting provision of every six months over a three year period. Performance Share Units ("**PSUs**") are typically granted with a one year vesting provision that is contingent on meeting certain performance objectives by the holder, but may also be granted as a reward for

performance with a vesting provision that is time based. Outstanding RSUs and PSUs represent the right to receive Common Shares upon vesting. Grants to executives are made pursuant to their compensation packages, which are approved by the Compensation Committee.

Incentive plans are reviewed by the Compensation Committee annually. Should the Compensation Committee deem a change to the incentive plans is required for future planning purposes, it presents its recommendations to the Board for approval. Any changes to the incentive plans or equity requirements resulting from the board approved changes that require shareholder approval would be presented to the shareholders for approval at the next AGM.

Equity incentives are granted to executive officers at time of hire to comprise part of the total compensation package value, to ensure long-term retention and to align executive management interests with those of the Corporation's shareholder community. Equity incentives may also be granted in reward for performance or to facilitate specific retention objectives.

Pursuant to a review of executive compensation conducted with an independent consultant in early 2009, the executive were presented with new employment contracts and a three year compensation plan commencing January 1, 2009. Grants that were provided within the terms of the three year compensation plan were determined by the Compensation Committee with input from the independent consultant and the CEO. The grants were determined as a component of a new three year total compensation plan, without consideration for previous grants that may have been fully or partially exercised, in-the-money or out-of-the-money. The criteria used to determine grant amounts was largely based on the difference between salary and bonus at target and market based total targeted compensation as determined by the independent consultant's recommendations. Grants that were provided within the terms of the employment contract are

outlined in the Summary Compensation Table within this Information Circular in respect of the 2011 fiscal year.

Named Executive Officers are prohibited from selling, directly or indirectly, Common Shares if the Named Executive Officer does not own or has not fully paid for the Common Shares to be sold; or directly or indirectly selling a call or buying a put, or similar derivative instrument, in respect of the Common Shares.

#### 4. Benefits

Benefits are comprised of a group benefit plan that includes life insurance, long-term disability, accidental death and dismemberment, dental and extended health

coverage. The Corporation pays 100% of the premiums for these benefits, with the exception of long-term disability

#### Performance Graph

The following graph compares the total cumulative shareholder return for \$100 invested in the Common Shares on January 1, 2007 with the cumulative total return of the S&P/TSX Composite Index for the fiscal years ended, December 31, 2007 to December 31, 2011.



(1) Total return assumes reinvestment of dividends for the S&P/TSX Composite Index and the Corporation's Common Shares (which were nil).

The trend shown by the performance graph set forth above represents an overall decline in the cumulative shareholder return for the five year period up to December 31, 2011, with the net result indicating an 85% decrease in return on investment over the five year period.

Over the same five year period the total annualized compensation (excluding severance payments) received by the NEOs, increased by 21.3%. This increase is primarily due to a higher number of employees being classified as NEOs, with 7 presented in 2011, up from 5 in 2007. Over the same five year period, the average per executive for annualized compensation actually decreased by 13.3%.

The decline in shareholder return during the five year period up to December 31, 2011 is attributable to, amongst other reasons, the Corporation undertaking a strategic review and restructuring process commencing in 2007. This commenced with the hiring of a new management team during 2007 and refocusing the business strategy. As a result, the Corporation has undergone significant corporate restructuring changes which included exiting of non-strategic businesses, outsourcing its production to a contract manufacturer, closing its distribution facilities, and realigning the organization's operations to reduce and stabilize costs. As well, during this period, a significant amount of non-cash assets have been written off the Corporation's balance sheet due to the Corporation's early stage of development, the

Corporation's current and anticipated revenue stream and its historical net income results. Management believes that the results of these various initiatives have translated into the Corporation's share price being undervalued during this period.

In late 2011, a new Chief Executive Officer was hired with a definitive mandate. The Corporation believes that the necessary restructuring has been completed and it is now solely focused on growth.

## Summary Compensation Table

(a) The following table is a summary of compensation earned by the Corporation's "Named Executive Officers" for the Corporation's financial years ended on December 31, 2011, 2010 and 2009.

Name and Principal Position	Year	Salary (1) (\$)	Share-based awards (2) (6) (\$)	Option-based awards (3) (6) (\$)	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total Compensation (1) (\$)
					Annual incentive plans (4) (\$)	Long-term incentive plans (\$)			
Bruce Cousins <sup>(5)</sup> CEO	2011	55,930	-	179,687 <sup>(12)</sup>	- <sup>(11)</sup>	-	-	-	235,616
	2010	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-	-
Roland Sartorius CFO	2011	180,000	63,302	-	29,700	-	-	-	273,002
	2010	180,000	-	-	24,300	-	-	-	204,300
	2009	180,000	122,953	75,723 <sup>(7)</sup>	24,750	-	-	-	403,427
Derek Frohloff VP, Solar Power Systems	2011	122,500	28,452	243 <sup>(14)</sup>	20,672	-	-	-	171,867
	2010	112,500	-	-	11,953	-	-	-	124,453
	2009	112,500	42,086	33,272	9,984	-	-	-	197,842
Don Hargreaves VP, Lighting	2011	131,500	36,522	269 <sup>(14)</sup>	5,301	-	-	-	173,592
	2010	121,500	-	-	14,048	-	-	-	135,548
	2009	121,500	54,810	39,785	11,543	-	-	-	227,638
Ted Lattimore <sup>(15)</sup> Former CEO	2011	188,813	52,824	78,333 <sup>(11)</sup>	32,794	-	-	282,984 <sup>(8)</sup>	635,748
	2010	238,500	-	-	27,428	-	-	15,000	280,928
	2009	238,500	125,331	130,985	25,937	-	-	15,000	535,753
Irene Schamhart Former VP, HR & Administration	2011	120,000	21,626	-	16,500	-	-	140,383 <sup>(9)</sup>	298,509
	2010	120,000	-	-	12,750	-	-	-	132,750
	2009	120,000	48,285	-	10,650	-	-	-	178,935
Dan Ruscheinski Former VP, Sales & Marketing	2011	112,500	25,055	-	9,844	-	-	78,125 <sup>(10)</sup>	225,524
	2010	112,500	-	-	11,250	-	-	-	123,750
	2009	112,500	45,610	34,722	9,984	-	-	-	202,816

- (1) On January 1, 2009, each executive was presented with an option of choosing between two alternative three year compensation packages. Each of the two packages reflected the same total expected compensation, however, one compensation package ("Lower Base") provided for a 10% discount to base salary in exchange for a greater number of non-cash incentives while the other compensation package offered the executives base salary at that time ("Current Base") and a lower number of non-cash incentives as compared to the Lower Base package. All of the Named Executive Officers chose the Lower Base compensation package, with the exception of the former VP, HR & Administration, who chose the Current Base compensation package. For some NEOs, the base salary was increased effective January 1, 2009 and/or January 1, 2011 to reflect current market conditions. Their 2011 base salary still represents the 10% discount taken, in exchange for the greater number of non-cash incentives.
- (2) The share based awards represent RSUs and/or PSUs granted in the covered year. The fair value was determined in accordance with IFRS 2, "Share-based payments" using the closing share price on the grant date. This valuation methodology was chosen as it best reflects the value provided to the covered person. In 2011, there was multiple RSUs and PSUs granted throughout the year with the fair value ranging from \$0.52 to \$0.57 a unit. The average fair value for RSUs and PSUs granted in 2011 was \$0.55 a unit.
- (3) The option-based awards represent stock options granted in the covered year. The fair value was determined in accordance with IFRS 2, "Share-based payments" using the Black-Scholes stock option pricing model. This valuation methodology was chosen as it best reflects the value provided to the covered person. The significant assumptions used in Black-Scholes model for stock options granted in 2011 are provided in subsequent footnotes.
- (4) The bonus earned in each of the disclosed years, was paid in the following year.

- (5) Mr. Cousins joined the Corporation on October 11, 2011. See “Summary of Employment Agreements for each Named Executive Officer” for details of Mr. Cousins’ employment. All compensation information in this table relates to Mr. Cousins’ position as CEO. He did not receive any compensation related to his role as a Director in 2011.
- (6) The share-based and option-based awards value received by the NEO’s in 2009 and 2010 have been restated from previous disclosures to reflect the grant date fair value of these awards rather than the accounting fair value as was disclosed in the Corporation’s previous AGM Information Circulars.
- (7) In 2009, Mr. Sartorius participated in a stock option forfeiture program established by the Corporation, which provided him the opportunity to exchange under-water stock options for RSUs at a pre-determined exchange ratio. This program was optional, and was not meant to form part of his 2009 compensation package. Under this exchange, a total of 200,000 stock options were returned in exchange for 66,667 RSUs. These share units had an incremental value of \$2,667 over the stock options on the date of the modification.
- (8) Mr. Lattimore ceased employment on October 14, 2011, and as such was paid a lump sum payment of \$265,484 which included accrued vacation. Mr. Lattimore also received \$1,750 per month for the rental of an apartment in Victoria in 2011, for a total payment of \$17,500.
- (9) Ms. Schamhart ceased employment on December 31, 2011, and as such received a lump sum payment of \$140,383 which included accrued vacation.
- (10) Mr. Ruscheinski ceased employment on December 31, 2011, and as such received a lump sum payment of \$78,125 which included accrued vacation.
- (11) In 2011, Mr. Lattimore participated in a stock option forfeiture program established by the Corporation, which provided him the opportunity to exchange under-water stock options for RSUs at a pre-determined exchange ratio. This program was optional, and was not meant to form part of his 2011 compensation package. Under this exchange, a total of 500,000 stock options were returned in exchange for 166,667 PSUs. These share units had an incremental value of \$78,722 over the stock options on the date of the modification.
- (12) The Compensation Committee determined that due to the short tenure of Mr. Cousins’ employment in 2011 that his 2011 bonus would be deferred and calculated based on his 2012 performance, with payment occurring in conjunction with payment of his 2012 bonus.
- (13) This option-based award was granted on October 11, 2011 consisting of a total of 750,000 stock options which vest over a period of 3 years. The grant price equaled the market price at the time of the grant, which was \$0.50. The fair value assigned to these stock options under the Black-Scholes model was \$0.24 an option using an average life of 3.5 years, a volatility rate of 66.9%, a risk free rate of 1.25%, and a dividend rate of 0%.
- (14) This option-based award was granted on January 1, 2011 consisting of a total of 5,800 stock options which vest over 1 year. The grant price equaled \$1.00 while the market price equaled \$0.53. The fair value assigned to these stock options under the Black-Scholes model was \$0.09 an option using an average life of 2 years, a volatility rate of 62.4%, a risk free rate of 1.67%, and a dividend rate of 0%.
- (15) All compensation information in this table relates to Mr. Lattimore’s position as CEO. He did not receive any compensation related to his role as a Director in 2011.

## Summary of Employment Agreements for each Named Executive Officer

The significant terms of each Named Executive Officer's employment agreement are described below. For a description of the termination and change of control benefits payable by the Corporation for each Named Executive Officer, see below under the heading "**Termination and Change of Control Benefits.**"

The total compensation package for each Named Executive Officer was contractually negotiated at time of hire. Since each of the executive commenced employment at various times during the Corporation's evolution, the content of employment contracts differed from one executive to the next. Following the review by the independent compensation consultant in 2009, the Compensation Committee presented new employment contracts together with a three year total compensation package to all Named Executive Officers that reflect consistency in content, terms and conditions, and compensation modeling.

Each Named Executive Officer, with the exception of the CEO, was presented with two total compensation packages for the years 2009, 2010 and 2011, and given the option to choose their package. Each of the two packages reflected the same total expected compensation. However, one compensation package provided for a 10% discount to base salary in exchange for a greater number of non-cash incentives ("**Lower Base**") while the other compensation package offered the executives base salary at that time and a lower number of non-cash incentives ("**Current Base**") as compared to the Lower Base package. The CFO, the VP Solar Power Systems Division (formerly titled the VP Operations), the VP, Lighting (formerly titled the VP, Product Management and Development), the Former CEO and the Former VP Sales and Marketing chose the Lower Base compensation package. The Former VP Administration & Human Resources chose the Current Base compensation package. The CEO was not included in this compensation package as he joined the Corporation on October 11, 2011.

Effective January 1, 2011, changes were made to three executives' compensation. In 2010, the Corporation reorganized internally and realigned into a divisional structure. This internal restructuring resulted in additional responsibilities for the VP Solar Power Systems Division and consequently his compensation was adjusted to reflect the increased responsibilities. Based, in part, on executive compensation analysis done by Roger Gurr, the role of the former COO was eliminated from the organization and the CEO's total compensation package

was improved effective January 1, 2011 as detailed below.

It was always intended that the 2009 compensation packages would be in place until the end of 2011. As such, effective January 1, 2012, the 10% salary discount will be withdrawn for all executives who chose the Lower Base plan, and there will no longer be a choice between two plans. Any salary increases received by the executives during the years 2009, 2010 and 2011 will remain in place on their 2012 salary.

### Bruce Cousins, Chief Executive Officer

The compensation of the CEO of the Corporation is currently paid pursuant to an employment agreement entered into on October 11, 2011, the commencement of his employment. The CEO participates in the executive compensation programs described above.

The Compensation Committee established Mr. Cousins' base salary of \$250,000. Under the Bonus Plan, the short-term cash incentive for Mr. Cousins is comprised of a cash incentive equal to 45% of his base salary. The award for 2011 has been reduced by 75% to reflect the reduced time in the CEO role during the year. The cash incentive can increase or decrease relative to over- or under-achievement of performance. Given the brief tenure of employment in 2011, the Compensation Committee has decided to defer the 2011 bonus payment for Mr. Cousins and calculate it based on his 2012 performance, with payment to occur in conjunction with payment of his 2012 Performance Bonus.

The long-term equity incentive for Mr. Cousins is comprised of an annual grant of RSUs equivalent to a market value of \$52,500 on or about February 28<sup>th</sup>, which vests every six months for a three year period. If all of the Performance Bonus Plan objectives are not achieved, Mr. Cousins will not be eligible for the annual grant. The grant for 2011 was reduced by 75% to reflect the reduced time in the CEO role during the year. On commencement of his employment on October 11, 2011, Mr. Cousins, under a private placement, purchased 250,000 Common Shares at the October 7, 2011 market price of \$0.50 per share. In conjunction with the private placement, he was granted 750,000 stock options (based on a ratio of 3 stock options for every 1 common share purchased, to a maximum of 750,000 stock options). The stock options have an exercise price of \$0.50 being the closing market price of the Common Shares on October 7, 2011 and vest in equal portions every twelve months over three years from the date of grant. The vesting of these stock options is conditional upon Mr. Cousins being employed with the Corporation on the respective vesting dates.

The employment agreement may be terminated by the Corporation with cause by written notice or without

cause upon payment of severance as described below under the heading “**Termination and Change of Control Benefits.**” Mr. Cousins may terminate his employment agreement with the Corporation at any time by giving the Corporation at least twelve weeks prior notice.

*Roland Sartorius, Chief Financial Officer*

The compensation of the CFO of the Corporation is currently paid pursuant to the employment agreement entered into on January 1, 2009, which replaced his previous employment agreement of August 13, 2007. The CFO participates in the executive compensation programs described above.

The Compensation Committee established Mr. Sartorius’ base salary of \$200,000 for the financial years ending December 31, 2009, 2010 and 2011. In 2009, Mr. Sartorius chose the Lower Base compensation package that required he take the 10% discount off his base salary in exchange for an increased number of non-cash incentives. This base salary of \$180,000 per annum remained in effect for the 2009 – 2011 three year compensation plan of Mr. Sartorius’ employment agreement.

Under the Bonus Plan, the short-term cash incentive for Mr. Sartorius is comprised of a cash incentive equal to 40% of his base salary. The cash incentive can increase or decrease relative to over- or under-achievement of performance. The bonus calculations took into account his earnings for the period, the cash incentive rate of 40% and the performance multiplier that was applied based on the achievement of corporate, divisional (Lighting and Solar Power Systems), strategic and individual performance targets. Since the corporate, strategic and lighting division performance targets were not achieved, the bonus was calculated on Solar Power Systems division and individual performance targets only, which comprise 45% of the 40% cash incentive rate.

The Solar Power Systems divisional target represented 20% of the 40% cash incentive, and required the Solar Power Systems division to achieve \$13.6 million in revenue and \$0.318 million in EBITDA in fiscal year 2011. The Solar Power Systems division achieved 110% of the revenue target, which resulted in a 125% multiplier on the Solar Power Systems division performance target.

Mr. Sartorius’ individual performance objectives in 2011 were in areas of non-organic growth, investor relations, management development, financial strategy and reporting. The performance multiplier for individual performance, as determined by the CEO and approved by the Compensation Committee, was applied to the CFO’s bonus calculation, resulting in a bonus award in

the amount of \$29,700 to Mr. Sartorius, which was paid in 2012.

The long-term equity incentive for Mr. Sartorius is comprised of a grant of 126,000 RSUs effective January 1, 2009, which vests every six months for a three year period, and a grant of 204,000 stock options effective January 1, 2009, which vest every twelve months for a three year period. Both of the aforementioned grants are pursuant to the compensation terms entered into on January 1, 2009, which covers a three year period. In order to receive the grant of 126,000 RSUs for the three year compensation term, Mr. Sartorius forfeited 83,333 of the 125,000 RSUs previously granted to him in 2008. Mr. Sartorius also received a grant of 66,666 RSUs in exchange for the forfeiture and return of 200,000 stock options that were granted to him on his hire date. The vesting of each of these awards is conditional upon Mr. Sartorius being employed with the Corporation on the respective vesting dates.

The employment agreement may be terminated by the Corporation with cause by written notice or without cause upon payment of severance as described below under the heading “**Termination and Change of Control Benefits.**” Mr. Sartorius may terminate his employment agreement with the Corporation at any time by giving the Corporation at least twelve weeks prior notice.

*Derek Frohloff, VP Solar Power Systems Division*

The compensation of the VP Solar Power Systems Division of the Corporation is currently paid pursuant to the employment agreement entered into on January 1, 2009, which replaced his previous employment agreement of January 1, 2007. The VP Solar Power Systems Division participates in the executive compensation programs described above.

The Compensation Committee established Mr. Frohloff’s base salary of \$125,000 for the financial year ending December 31, 2009, 2010 and 2011. In 2009, Mr. Frohloff chose the Lower Base compensation package that required he take the 10% discount off his base salary in exchange for an increased number of non-cash incentives. This base salary of \$112,500 per annum remains in effect for the 2009 – 2011 three year compensation plan of Mr. Frohloff’s employment agreement. Effective January 1, 2011, Mr. Frohloff’s role changed from VP Product Operations to VP Solar Power Systems Division. In recognition of his increased responsibilities, Mr. Frohloff received an annual increase of \$10,000 per annum, resulting in his total salary for the period of January 1 to December 31, 2011 being \$122,500.

The short-term cash incentive for Mr. Frohloff is comprised of a cash incentive equal to 25% of his base

salary. The cash incentive can increase or decrease relative to over- or under-achievement of performance. The bonus calculations took in to account his earnings for the period, the cash incentive rate and the performance multiplier that was applied based on the achievement of corporate, divisional (Solar Power Systems only), strategic and individual performance targets. Since the corporate and strategic performance targets were not achieved, the bonus was calculated on divisional and individual performance only, which comprises 65% of the 25% cash incentive rate.

The Solar Power Systems divisional performance objective represented 40% of the 25% cash incentive, and required the Solar Power Systems division to achieve \$13.6 million in revenue and \$0.318 million in EBITDA in fiscal year 2011. The Solar Power Systems division achieved 110% of the revenue target, which resulted in a 125% multiplier on the Solar Power Systems division performance target.

Mr. Frohloff's individual performance objectives represented 25% of the 25% cash incentive, and were in areas of growth of distributor network, maintaining the Grid-Tie pipeline, continuous improvement, and inventory and cost reduction. The CEO reviewed Mr. Frohloff's performance, determined his performance multiplier, and presented his determination to the Compensation Committee for approval. The performance multipliers for divisional and individual performance were applied to Mr. Frohloff's bonus calculation, resulting in a bonus award in the amount of \$20,672 to Mr. Frohloff, which was paid in 2012.

The long-term equity incentive for Mr. Frohloff is comprised of a grant of 48,375 RSUs effective January 1, 2009, which vests every six months for a three year period, and a grant of 92,906 stock options effective January 1, 2009, which vest every twelve months for a three year period. Both of the aforementioned grants are pursuant to the compensation terms entered into on January 1, 2009, which covers a three year period. RSUs represent the right to receive Common Shares upon vesting. The vesting of each of these grants is conditional upon Mr. Frohloff being employed with the Corporation on the respective vesting dates. In recognition of his increased responsibilities, Mr. Frohloff received a grant of 1,433 RSUs effective January 1, 2011, ½ of which vested on July 1, 2011 and ½ of which vested on January 1, 2012. Mr. Frohloff also received a grant of 2,753 stock options effective January 1, 2011 at an exercise price of \$1.00, all of which vested on January 1, 2012 and expire on January 1, 2014.

The employment agreement may be terminated by the Corporation with cause by written notice or without cause upon payment of severance as described below under the heading "**Termination and Change of Control Benefits.**" Mr. Frohloff may terminate his

employment agreement with the Corporation at any time by giving the Corporation at least eight weeks prior notice.

#### Don Hargreaves, VP Lighting Division

The compensation of the VP Lighting of the Corporation is currently paid pursuant to the employment agreement entered into on January 1, 2009, which replaced his previous employment agreement of February 14, 2005. The VP Lighting Division participates in the executive compensation programs described above.

The Compensation Committee established Mr. Hargreaves base salary of \$135,000 for the financial year ending December 31, 2009, 2010 and 2011. Mr. Hargreaves chose the Lower Base compensation package that required he take the 10% discount off his base salary in exchange for an increased number of non-cash incentives, resulting in an actual base salary of \$121,500. This base salary of \$121,500 per annum remains in effect for the 2009 – 2011 three year compensation plan of Mr. Hargreaves' employment agreement. Effective January 1, 2011, Mr. Hargreaves' role changed from VP Product Management and Development to VP Lighting Division, which resulted in increased responsibilities. In recognition of these increased responsibilities, Mr. Hargreaves received an annual increase of \$10,000 per annum, resulting in his total salary for the period of January 1 to December 31, 2011 being \$131,500.

The short-term cash incentive for Mr. Hargreaves is comprised of a cash incentive equal to 25% of his base salary. The cash incentive can increase or decrease relative to over- or under-achievement of performance. The bonus calculations took in to account his earnings for the period, the cash incentive rate and the performance multiplier that was applied based on the achievement of corporate, strategic, divisional (Lighting only) and individual performance targets. Since the corporate, strategic and divisional performance targets were not achieved, the bonus was calculated on strategic and individual performance only, which comprises 40% of the 25% cash incentive rate.

Mr. Hargreaves' individual performance objectives represented 25% of the 25% cash incentive, and were in areas of technological sales strategy, new product development, organic and non-organic growth, and growth of strategic businesses and non-organic growth. The CEO reviewed Mr. Hargreaves' performance, determined his performance multiplier, and presented his determination to the Compensation Committee for approval. The performance multipliers for strategic and individual performance were applied to the VP Lighting's bonus calculation, resulting in a bonus award in the amount of \$5,301 to Mr. Hargreaves, which was paid in 2011.

The long-term equity incentive for Mr. Hargreaves is comprised of a grant of 63,000 RSUs effective January

1, 2009, which vests every six months for a three year period, and a grant of 111,094 stock options effective January 1, 2009, which vest every twelve months for a three year period. Both of the aforementioned grants are pursuant to the compensation terms entered into on January 1, 2009, which covers a three year period. The vesting of each of these awards is conditional upon Mr. Hargreaves being employed with the Corporation on the respective vesting dates. In recognition of his increased responsibilities, Mr. Hargreaves received a grant of 1,728 RSUs effective January 1, 2011, ½ of which vested on July 1, 2011 and ½ of which vested on January 1, 2012. Mr. Hargreaves also received a grant of 3047 stock options effective January 1, 2011 at an exercise price of \$1.00, all of which vested on January 1, 2012 and expire on January 1, 2014. The vesting of each of these awards is conditional upon Mr. Hargreaves being employed with the Corporation on the respective vesting dates.

The employment agreement may be terminated by the Corporation with cause by written notice or without cause upon payment of severance as described below under the heading “**Termination and Change of Control Benefits.**” Mr. Hargreaves may terminate his employment agreement with the Corporation at any time by giving the Corporation at least eight weeks prior notice.

#### *Ted Lattimore, Former Chief Executive Officer*

The compensation of the former CEO of the Corporation was paid pursuant to the employment agreement entered into on January 1, 2009, that replaced his previous employment agreement of October 16, 2007. Mr. Lattimore ceased employment on October 14, 2011. During the term of his employment, he was compensated pursuant to the executive compensation program described above.

Mr. Lattimore announced his departure on May 13, 2011. The Corporation and Mr. Lattimore agreed that his employment would continue until the earlier of December 31, 2011 or until a replacement CEO is assigned by the Corporation. Following the conclusion of his employment, Mr. Lattimore is entitled to a retiring allowance payment equal to nine months of Mr. Lattimore's salary for 2011 or 2012, as applicable, any bonus earned for 2011 calculated in accordance with the Corporation's bonus plans and Mr. Lattimore's performance objectives and any bonus earned for 2012 calculated at his 2012 target bonus rate of 50%. The Corporation and Mr. Lattimore finalized a definitive agreement with respect to Mr. Lattimore's departure on May 9, 2011. The following is a summary of the applicable terms of Mr. Lattimore's existing employment agreement. As per the recommendations of the Roger Gurr executive compensation study, Mr. Lattimore's compensation package was enriched with additional non-salary components upon the departure of the former

COO in 2010. As such, the rental reimbursement for Mr. Lattimore was increased by \$500 per month to \$1750 to provide for complete reimbursement of living costs. Mr. Lattimore's cash bonus potential was also increased from 40% to 50% of salary effective January 1, 2011.

The Compensation Committee established Mr. Lattimore's base salary of \$265,000 for the financial years ending December 31, 2009, 2010 and 2011. In 2009, Mr. Lattimore chose the Lower Base compensation package that required he take the 10% discount off his base salary in exchange for an increased number of non-cash incentives. This base salary of \$238,500 per annum remains in effect for the 2009 – 2011 three year compensation plan of Mr. Lattimore's employment agreement.

Under the Bonus Plan, the short-term cash incentive for Mr. Lattimore is comprised of a cash incentive equal to 50% of his base salary. The cash incentive can increase or decrease relative to over- or under-achievement of performance. The bonus calculations took into account his earnings for the period, the cash incentive rate of 50% and the performance multiplier that was applied based on the achievement of corporate and individual performance targets. Since the corporate and Lighting divisional performance targets were not achieved, the bonus was calculated on individual and Solar Power Systems divisional performance targets only, which comprises 45% of the 50% cash incentive rate.

The Solar Power Systems divisional target represented 20% of the 50% cash incentive, and required the Solar Power Systems division to achieve \$13.6 million in revenue and \$0.318 million in EBITDA in fiscal year 2011. The Solar Power Systems division achieved 110% of the revenue target, which resulted in a 125% multiplier on the Solar Power Systems division performance target.

The performance multiplier for individual performance representing 25% of the 50% cash incentive, as approved by the Compensation Committee, was applied to the CEO's bonus calculation, resulting in a bonus award in the amount of \$32,794 to Mr. Lattimore, which was paid in 2012.

The long-term equity incentive for Mr. Lattimore is comprised of a grant of 209,250 RSUs effective January 1, 2009, which vests every six months for a three year period, and a grant of 312,600 stock options effective January 1, 2009, which vest every twelve months for a three year period. Both of the aforementioned grants are pursuant to the compensation terms entered into on January 1, 2009 which covers a three year period. Mr. Lattimore also received a grant of 50,000 stock options on May 21, 2009, based on his 2008 performance, which was pursuant to his previous employment agreement of October 17, 2007. Mr.

Lattimore also received a grant of 166,667 RSUs in exchange for the forfeiture and return of 500,000 stock options that were granted to him on his hire date. On March 8, 2011, Mr. Lattimore received a conditional grant of 78,484 RSUs, which was forfeited immediately as part of the terms of his separation agreement. Any other outstanding non-cash incentive awards held by Mr. Lattimore will vest normally through the separation period and the vesting of any outstanding non-cash incentives will be accelerated to the final day of Mr. Lattimore's separation period. Mr. Lattimore will have nine months from the end of his separation period to exercise his stock options.

*Irene Schamhart, Former VP Human Resources & Administration*

The compensation of the VP Human Resources & Administration of the Corporation was paid pursuant to the employment agreement entered into on January 1, 2009, that replaced her previous employment agreement of March 5, 2001. Ms. Schamhart ceased employment on December 31, 2011. During the term of her employment, she was compensated pursuant to the executive compensation programs described above.

The Compensation Committee established Ms. Schamhart's base salary of \$120,000 for the financial year ending December 31, 2009, 2010 and 2011. In 2009, Ms. Schamhart chose the Current Base compensation package option with the higher base salary and lower number of non-cash incentives. This base salary of \$120,000 per annum remains in effect for the 2009 – 2011 three year compensation plan of Ms. Schamhart's employment agreement.

The short-term cash incentive for Ms. Schamhart is comprised of a cash incentive equal to 25% of his base salary. The cash incentive can increase or decrease relative to over- or under-achievement of performance. As per the terms of Ms. Schamhart's employment agreement, Ms. Schamhart was provided a bonus payment in the amount of \$16,500, included with her lump sum payment. The bonus calculations took into account her earnings from January 1 to December 31, 2011, multiplied by 55% of her total cash incentive rate of 25% (Corporate and Lighting Divisional performance targets were not included as it was determined that they would not be achieved in 2011 when calculations were completed).

The long-term equity incentive for Ms. Schamhart is comprised of a grant of 55,500 RSUs effective January 1, 2009, which vests every six months for a three year period. The aforementioned grant is pursuant to the compensation terms entered into on January 1, 2009, which covers a three year period.

The vesting of this grant was accelerated through Ms. Schamhart's separation period, providing Ms. Schamhart with acceleration of 47,929 RSUs and PSUs on her termination date.

*Dan Ruscheinski, Former VP Sales and Marketing*

The compensation of the former VP Sales and Marketing of the Corporation was paid pursuant to the employment agreement entered into on January 1, 2009, that replaced his previous employment agreement of January 1, 2007. Mr. Ruscheinski ceased employment on December 31, 2011. During the term of his employment, he was compensated pursuant to the executive compensation programs described above.

The Compensation Committee established Mr. Ruscheinski's base salary of \$125,000 for the financial year ending December 31, 2009, 2010 and 2011. In 2009, Mr. Ruscheinski chose the compensation package that required he take the 10% discount off his base salary in exchange for an increased number of non-cash incentives. This base salary of \$112,500 per annum remains in effect for the 2009 – 2011 three year compensation plan of Mr. Ruscheinski's employment agreement.

The short-term cash incentive for Mr. Ruscheinski is comprised of a cash incentive equal to 25% of his base salary. The cash incentive can increase or decrease relative to over- or under-achievement of performance. As per the terms of Mr. Ruscheinski's employment agreement, Mr. Ruscheinski was provided a bonus payment in the amount of \$9,844, included with his lump sum payment. The bonus calculations took into account his earnings from January 1 to December 31, 2011, multiplied by 35% of his total cash incentive rate of 25% (Corporate and Divisional performance targets were not included as it was clear that they would not be achieved in 2011 when calculations were completed).

The long-term equity incentive for Mr. Ruscheinski is comprised of a grant of 52,425 RSUs effective January 1, 2009, which vests every six months for a three year period, and a grant of 96,956 stock options effective January 1, 2009, which vest every twelve months for a three year period. Both of the aforementioned grants are pursuant to the compensation terms entered into on January 1, 2009, which covers a three year period.

The vesting of these grants was accelerated through Mr. Ruscheinski's separation period, providing Mr. Ruscheinski with acceleration of 53,549 RSUs and PSUs and 32,319 stock option grants on his termination date.

## Incentive Plan Awards

### Outstanding Share Based Awards and Option Based Awards

The following table sets out the outstanding share-based awards and option-based awards previously granted to the Named Executive Officers, as at December 31, 2011. The current stock market price is less than all stock option exercise prices, and consequently stock options do not have any current value as at December 31, 2011. Share based awards are valued at the face value of the grant on December 31, 2011, without any other valuation factor.

Name	Option-Based Awards				Share-based Awards		
	Number of Securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market / payout value of share awards not vested <sup>(1)</sup> (\$)	Market / payout value of vested share-based awards not paid out or distributed <sup>(5)</sup> (\$)
Bruce Cousins	750,000 <sup>(4)</sup>	0.50	11-Oct-16	NIL	-	-	-
Roland Sartorius	204,000	1.00	1-Jan-14	NIL	156,429	70,393	-
Derek Frohloff	92,906	1.00	1-Jan-14	NIL	58,308	26,239	-
	2,753	1.00	1-Jan-14	NIL	-	-	-
Don Hargreaves	25,000	1.50	19-Sep-12	NIL	-	-	-
	111,094	1.00	1-Jan-14	NIL	75,043	33,769	-
	3,047	1.00	1-Jan-14	NIL	-	-	-
Ted Lattimore <sup>(2)</sup>	35,000	1.50	19-Sep-12	NIL	-	-	-
	50,000	0.91	21-May-14	NIL	242,030	108,914	12,500
	312,600	1.00	1-Jan-14	NIL	-	-	-
Irene Schamhart <sup>(3)</sup>	15,000	1.50	19-Sep-12	NIL	-	-	21,568
Dan Ruscheinski <sup>(3)</sup>	96,956	1.00	1-Jan-14	NIL	-	-	24,097
	40,000	1.03	16-Jan-13	NIL	-	-	-

(1) Market payout value of share-based awards that have not vested is determined by multiplying the number of outstanding units held at financial year-end by the closing price of the Common Shares on the TSX on the last trading day prior to fiscal year-end (December 30, 2011) of \$0.45.

(2) Mr. Lattimore ceased employment on October 14, 2011.

(3) Ms. Schamhart and Mr. Ruscheinski ceased employment on December 31, 2011.

(4) As per the terms of his Employment Agreement, Mr. Cousins was granted 750,000 Stock Options (on the basis of three stock options, up to a maximum of 750,000, for every one Common Share he purchased) on the effective date of the Employment Agreement.

(5) Market payout value of vested share-based awards not paid out or distributed is determined by multiplying the number of vested units outstanding at financial year-end by the closing price of the Common Shares on the TSX on the last trading day prior to fiscal year-end (December 31, 2011) of \$0.45.

## Incentive Plan Awards – Value Vested or Earned during the Year

The following table provides details for each NEO for the year ended December 31, 2011.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Bruce Cousins	Nil	-	-
Roland Sartorius	Nil	35,001	29,700
Derek Frohloff	Nil	11,275	20,672
Don Hargreaves	Nil	15,412	5,301
Ted Lattimore	Nil	64,958	32,794
Irene Schamhart	Nil	33,401	16,500
Dan Ruscheinski	Nil	33,621	9,844

For a description of the key terms of plan-based awards issued or vested during 2011, see “**Summary of Employment Agreements for each Named Executive Officer**”.

## Pension Plan Benefits

The Corporation does not maintain any defined benefit or contribution pension benefit plans

## Deferred Compensation Plans

The Corporation does not maintain any deferred compensation plans.

## Termination and Change of Control Benefits

Pursuant to the employment agreements entered into by the Corporation with each Named Executive Officer, the Corporation is required to make the following payments upon termination (whether voluntary or not), resignation, retirement, change of control or change in the Named Executive Officer’s responsibilities.

### Bruce Cousins, CEO

Mr. Cousins is entitled to resign at any time by giving the Corporation at least twelve weeks prior notice (which the Corporation may shorten or waive entirely).

The Corporation is entitled to terminate Mr. Cousins’ employment agreement at any time during the term with immediate effect upon written notice to Mr. Cousins and payment twelve months base salary and any applicable cash incentive (calculated as total salary payable during the severance period, multiplied by his target performance bonus rate). Non-cash incentives that would have vested to the end of the severance period shall immediately vest, and Mr. Cousins will have 90 days from termination to exercise them.

Upon a change of control under Mr. Cousins’ employment agreement in which there is both a change of control of the Corporation and a material and

substantial diminution of his duties with respect to management and financial responsibilities resulting within sixty days following completion of the change of control, Mr. Cousins shall be entitled to payment of not less than twelve months salary and any applicable cash incentive (calculated as total salary payable during the severance period, multiplied by his target performance bonus rate). In addition, all outstanding non-cash incentives shall immediately vest and may be exercised immediately.

As partial consideration for the foregoing payments, Mr. Cousins’ employment agreement provides for certain restrictions regarding (1) solicitation of clients/prospective clients and employees/consultants of the Corporation for a period of twelve months, (2) adherence to strictest confidence and trust of the confidential information of the Corporation, and (3) to avoid becoming engaged in a business that is competitive with the Corporation for a period of twelve months from termination.

### Roland Sartorius, CFO

Mr. Sartorius is entitled to resign at any time by giving the Corporation at least twelve weeks prior notice (which the Corporation may shorten or waive entirely).

The Corporation is entitled to terminate Mr. Sartorius’ employment agreement at any time during the term with immediate effect upon written notice to Mr. Sartorius and payment nine months base salary and any applicable cash incentive (calculated as total salary payable during the severance period, multiplied by his target performance bonus rate) up until completion of nine years of employment with one additional month provided on the anniversary of each additional year, to a maximum of eighteen months. Non-cash incentives that would have vested to the end of the severance period shall immediately vest, and Mr. Sartorius will have 90 days from termination to exercise them.

A change of control under Mr. Sartorius' employment agreement in which there is both a change of control of the Corporation and a material and substantial diminution of his duties with respect to management and financial responsibilities resulting within sixty days following completion of the change of control, Mr. Sartorius shall be entitled to payment of not less than twelve months salary and any applicable cash incentive (calculated as total salary payable during the severance period, multiplied by his target performance bonus rate). In addition, all outstanding non-cash incentives shall immediately vest and may be exercised immediately.

As partial consideration for the foregoing payments, Mr. Sartorius' employment agreement provides for certain restrictions regarding (1) solicitation of clients/prospective clients and employees/consultants of the Corporation for a period of twelve months, (2) adherence to strictest confidence and trust of the confidential information of the Corporation, and (3) to avoid becoming engaged in a business that is competitive with the Corporation for a period of twelve months from termination.

*Derek Frohloff, VP, Solar Power Systems*

Mr. Frohloff is entitled to resign at any time by giving the Corporation at least eight weeks prior notice (which the Corporation may shorten or waive entirely).

The Corporation is entitled to terminate Mr. Frohloff's employment agreement at any time during the term with immediate effect upon written notice to Mr. Frohloff and payment six months base salary and any applicable cash incentive (calculated as total salary payable during the severance period, multiplied by his target performance bonus rate) up until completion of six years of employment with one additional month provided on the anniversary of each additional year, to a maximum of eighteen months. Non-cash incentives that would have vested to the end of the severance period shall immediately vest, and Mr. Frohloff will have 90 days from termination to exercise them.

Upon a change of control under Mr. Frohloff's employment agreement in which there is both a change of control of the Corporation and a material and substantial diminution of his duties with respect to management and financial responsibilities resulting within sixty days following completion of the change of control, Mr. Frohloff shall be entitled to payment of not less than twelve months salary and any applicable cash incentive (calculated as total salary payable during the severance period, multiplied by his target performance bonus rate). In addition, all outstanding non-cash incentives shall immediately vest and may be exercised immediately.

As partial consideration for the foregoing payments, Mr. Frohloff's employment agreement provides for certain restrictions regarding (1) solicitation of clients/prospective clients and employees/consultants of the Corporation for a period of twelve months, (2) adherence to strictest confidence and trust of the confidential information of the Corporation, and (3) to avoid becoming engaged in a business that is competitive with the Corporation for a period of twelve months from termination.

*Don Hargreaves, VP, Lighting*

Mr. Hargreaves is entitled to resign at any time by giving the Corporation at least eight weeks prior notice (which the Corporation may shorten or waive entirely).

The Corporation is entitled to terminate Mr. Hargreaves' employment agreement at any time during the term with immediate effect upon written notice to Mr. Hargreaves and payment six months base salary and any applicable cash incentive (calculated as total salary payable during the severance period, multiplied by his target performance bonus rate) up until completion of six years of employment with one additional month provided on the anniversary of each additional year, to a maximum of eighteen months. Non-cash incentives that would have vested to the end of the severance period shall immediately vest, and Mr. Hargreaves will have 90 days from termination to exercise them.

Upon a change of control under Mr. Hargreaves' employment agreement in which there is both a change of control of the Corporation and a material and substantial diminution of his duties with respect to management and financial responsibilities resulting within sixty days following completion of the change of control, Mr. Hargreaves shall be entitled to payment of not less than twelve months salary and any applicable cash incentive (calculated as total salary payable during the severance period, multiplied by his target performance bonus rate). In addition, all outstanding non-cash incentives shall immediately vest and may be exercised immediately.

As partial consideration for the foregoing payments, Mr. Hargreaves' employment agreement provides for certain restrictions regarding (1) solicitation of clients/prospective clients and employees/consultants of the Corporation for a period of twelve months, (2) adherence to strictest confidence and trust of the confidential information of the Corporation, and (3) to avoid becoming engaged in a business that is competitive with the Corporation for a period of twelve months from termination.

Ted Lattimore, Former CEO

Mr. Lattimore and the Corporation mutually agreed to terminate his employment agreement. His last day of employment was October 14, 2011. He was paid his regular earnings up to October 14, 2011, plus accrued vacation. Following his departure, Mr. Lattimore received a final payment in 2011 which included payment of his 2012 bonus, as calculated per the terms of his employment agreement, and lump sum payment. Mr. Lattimore received payment of his 2011 bonus in 2012, after review of corporate, divisional, strategic and individual objectives.

The Corporation was entitled to terminate Mr. Lattimore's employment agreement at any time during the term with immediate effect upon written notice to Mr. Lattimore and payment of nine months base salary and any applicable cash incentive (calculated as total salary payable during the severance period, multiplied by his target performance bonus rate) up until completion of nine years of employment with one additional month provided on the anniversary of each additional year, to a maximum of eighteen months. Non-cash incentives that would have vested to the end of the separation period have immediately vested, and Mr. Lattimore has 90 days from termination to exercise them.

Irene Schamhart, Former VP, Human Resources & Administration

Ms. Schamhart and the Corporation mutually agreed to terminate her employment agreement. Her last day of employment was December 31, 2011. She was paid her regular earnings up to December 31, 2011, plus accrued vacation. Following her departure, Ms. Schamhart received a final payment in 2012 which included payment of her bonus, as calculated per the terms of her employment agreement, and lump sum payment.

The Corporation was entitled to terminate Ms. Schamhart's employment agreement at any time during the term with immediate effect upon written notice to Ms. Schamhart and payment of six months base salary and any applicable cash incentive (calculated as total salary payable during the separation period, multiplied by her target performance bonus rate) up until completion of six years of employment with one additional month provided on the anniversary of each additional year, to a maximum of eighteen months. Non-cash incentives that would have vested to the end of the separation period immediately vested, and Ms. Schamhart has 90 days from termination to exercise them.

Dan Ruscheinski, Former VP, Sales & Marketing

Mr. Ruscheinski and the Corporation mutually agreed to terminate his employment agreement. His last day of

employment was December 31, 2011. He was paid his regular earnings up to December 31, 2011, plus accrued vacation. Following his departure, Mr. Ruscheinski received a final payment in 2012 which included payment of his bonus, as calculated per the terms of his employment agreement, and lump sum payment.

The Corporation was entitled to terminate Mr. Ruscheinski's employment agreement at any time during the term with immediate effect upon written notice to Mr. Ruscheinski and payment of six months base salary and any applicable cash incentive (calculated as total salary payable during the separation period, multiplied by his target performance bonus rate) up until completion of six years of employment with one additional month provided on the anniversary of each additional year, to a maximum of eighteen months. Non-cash incentives that would have vested to the end of the separation period would immediately vest, and Mr. Ruscheinski would have 90 days from termination to exercise them.

## Table of Estimated Termination Payments

The following table provides, for each of the Named Executive Officers, an estimate of the payments payable by the Corporation (or its subsidiaries), assuming that the triggering events described above took place on December 31, 2011.

Named Executive	Type of Payment	Salary (\$)	Incentive Payment (\$)	Vesting of Stock Based Compensation (\$)	Employee Benefits (\$)	Total (\$)
Bruce Cousins	Termination without Cause	\$ 250,000	\$ 100,000	\$ -	\$ 3,600	\$ 353,600
	Change in Control	\$ 250,000	\$ 100,000	\$ -	\$ 3,600	\$ 353,600
Roland Sartorius	Termination without Cause	\$ 135,000	\$ 54,000	\$ 36,431	\$ 2,700	\$ 228,131
	Change in Control	\$ 180,000	\$ 72,000	\$ 70,393	\$ 3,600	\$ 325,993
Don Hargreaves	Termination without Cause	\$ 65,750	\$ 16,438	\$ 14,666	\$ 1,800	\$ 98,653
	Change in Control	\$ 131,500	\$ 32,875	\$ 33,769	\$ 3,600	\$ 201,744
Derek Frohloff	Termination without Cause	\$ 91,875	\$ 22,969	\$ 11,380	\$ 2,700	\$ 128,924
	Change in Control	\$ 122,500	\$ 30,625	\$ 26,239	\$ 3,600	\$ 182,964

# DIRECTOR COMPENSATION

## Remuneration of Directors

The Corporation's director compensation is designed to attract and retain the most qualified people to serve on the Corporation's board of directors and its committees, to align the interests of the directors with the interests of the Corporation's shareholders, and to provide appropriate compensation for the risks and responsibilities related to being an effective director.

The Compensation Committee is responsible to review the compensation of the directors following each Annual General Meeting, and to make recommendations to the board for the compensation for the upcoming term. In 2008, the Compensation Committee compared data from approximately 30 companies averaging in size of approximately \$250 million, which was provided by Patrick O'Callaghan and Associates, a consulting company on board governance and director recruitment and they have continued to model their compensation in accordance with this information.

## Annual Retainer of Directors

Annual retainers are paid to the members of the board of directors who are not employees or officers of the Corporation ("**Outside Directors**") on the following basis:

Description	Current Year (June 21, 2011 – December 31, 2011)	Previous Year (AGM 2010 – AGM 2011)
Board Chair Retainer	\$50,000 per annum	\$50,000 per annum
Board Retainer	\$20,000 per annum 10,000 Restricted Share Units	\$20,000 per annum 10,000 Restricted Share Units
Committee Chair Retainer:		
• Audit	\$10,000 per annum	\$10,000 per annum
• Compensation	\$10,000 per annum	\$ 5,000 per annum
Committee Member Retainer:		
• Audit	\$ 5,000 per annum	\$ 5,000 per annum
• Compensation	\$ 5,000 per annum	\$ 5,000 per annum

Effective January 1, 2012, the annual retainers for Outside Directors changed as per below:

Description	Current Year (January 1, 2012 – December 31, 2012)
Board Chair Retainer	\$35,000 per annum \$ 7,500 equivalent value in Restricted Share Units, calculated based on closing price at year-end.
Board Retainer	\$20,000 per annum \$ 7,500 equivalent value in Restricted Share Units, calculated based on closing price at year-end
Committee Chair Retainer:	
• Audit	\$ 7,500 per annum
• Compensation	\$ 5,000 per annum
Committee Member Retainer:	
• Audit	\$ 3,750 per annum
• Compensation	\$ 2,500 per annum
Meeting Fee (if over 4 meetings in year)	
• Board	
○ In Person	\$ 1,000 per meeting
○ Telephonic (>1 hour)	\$ 500 per meeting
○ Telephonic (<1 hour)	\$ 250 per meeting
• Committee	
○ In Person (Chair)	\$ 2,000 per meeting
○ In Person (Member)	\$ 1,000 per meeting
○ Telephonic (>1 hour)	\$ 500 per meeting
○ Telephonic (<1 hour)	\$ 250 per meeting

## Board Compensation Table

During the fiscal year ended December 31, 2011, the following amounts of compensation were paid to Outside Directors of the Corporation:

Name	Fees earned (\$)	Share-based awards <sup>(1)</sup> (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Robert Cruickshank	91,000 <sup>(4)</sup>	5,000	Nil	Nil	Nil	Nil	95,605
Bob Wiens	38,500 <sup>(4)</sup>	5,000	Nil	Nil	Nil	Nil	43,105
Peter Berrang	24,750 <sup>(4)</sup>	5,000	Nil	Nil	Nil	Nil	29,355
David Green	12,500 <sup>(2)</sup>	5,000	Nil	Nil	Nil	Nil	16,279
J. Robert Logan	14,975 <sup>(3)</sup>	-	Nil	Nil	Nil	Nil	15,802

- (1) The share based awards represent RSUs and/or PSUs granted in the covered year. The fair value was determined in accordance with IFRS 2, "Share-based payments" using the closing share price on the grant date. This valuation methodology was chosen as it best reflects the value provided to the covered person.
- (2) David Green was appointed to the Board of Directors at the AGM 2011 on June 21, 2011, and as such his compensation reflects the partial period in which he served.
- (3) J. Robert Logan's term on the Board of Directors ended at the AGM 2011 on June 21, 2011, and as such his compensation reflects only the period in which he served.
- (4) An additional \$1,000 was paid to certain directors for services relating to the CEO recruitment process.

## Director Share Ownership Guidelines

The Board of Directors believes the economic interests of directors should be aligned with those of the Corporation's shareholders. To achieve this, all Outside Directors are expected to own three times the value of their board retainer in Common Shares of the Corporation over a three year period. The ability to meet this guideline in any one period can be affected by activities that subject the Directors to the black-out restrictions of the Corporation's insider trading policy.

Directors are prohibited from selling, directly or indirectly, Common Shares, if the Director does not own or has not fully paid for the Common Shares to be sold; or directly or indirectly selling a call or buying a put, or similar derivative instrument, in respect of Common Shares.

## Incentive Plan Awards

### Outstanding Share Based Awards and Option Based Awards

The following table sets out the outstanding share-based awards and option-based awards previously granted to the directors. The current stock market price is less than all stock option exercise prices, and consequently stock options do not have any current value as at December 31, 2011. Share based awards are valued at the face value of the grant on December 31, 2011, without any other valuation factor.

Name	Option Based Awards				Share Based Awards		
	Number of Securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market / payout value of share awards not vested (\$)	Market / payout value of vested share-based awards not paid out or distributed (\$)
Robert Cruickshank	-	-	-	Nil	5,000	2,250 <sup>(1)</sup>	1,125
Bob Wiens	-	-	-	Nil	5,000	2,250 <sup>(1)</sup>	1,125
Peter Berrang	-	-	-	Nil	5,000	2,250 <sup>(1)</sup>	1,125
David Green	-	-	-	Nil	5,000	2,250 <sup>(1)</sup>	1,125
J. Robert Logan <sup>(2)</sup>	-	-	-	Nil	-	-	-

- (1) Market payout value of share-based awards that have not vested is determined by multiplying the number of outstanding units held at financial year-end by the closing price of the Common Shares on the TSX on the last trading day prior to fiscal year-end (December 31, 2011) of \$0.45.
- (2) Mr. Logan ended his term on the Board of Directors at the AGM held on June 21, 2011, and as such, does not hold any equity incentives on December 31, 2011.

### Incentive Plan Awards – Value Vested or Earned during the Year

The following table provides details for each director for the year ended December 31, 2011.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Robert Cruickshank	Nil	4,425	Nil
Bob Wiens	Nil	4,425	Nil
Peter Berrang	Nil	4,425	Nil
David Green	Nil	2,375	Nil
J. Robert Logan	Nil	2,050	Nil

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as at December 31, 2011 with respect to the Corporation's equity compensation plans.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options, warrants or units  (a)	Weighted-average exercise price of outstanding options, warrants or units  (b)	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding those reflected in column (a))  (c)
<b>Equity compensation plans approved by shareholders:</b> <b>2011 Incentive Awards Plan</b>	<b>2,822,526</b>		<b>1,484,877</b>
<b>Details:</b> Stock Options	2,094,156	\$0.78	
Restricted Share Units	404,737	Nil	
Performance Share Units	323,633	Nil	
<b>Equity compensation plans not approved by shareholders:</b> <b>None</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Total</b>	<b>2,822,526</b>		<b>1,484,877</b>

### Incentive Awards Plan

The 2011 Incentive Awards Plan (the "**Plan**") was approved at the 2011 AGM. The Plan allows the Corporation to grant long term equity based awards to eligible participants ("**Participants**"). The Plan allows for a variety of equity based awards to be granted, being Stock Options, Share Appreciation Rights, Restricted Share Units, Performance Share Units and Deferred Share Units (collectively referred to as "**Awards**"), that provide different types of incentives, as described below.

Under the Plan, the Board of Directors can, from time to time, grant Awards to any director, officer, employee or any individual, company or other person engaged to provide ongoing valuable services to the Corporation (a "**Consultant**") (an "**Eligible Person**").

The maximum number of Common Shares available for issuance under the Plan equals 10% of the aggregate issued and outstanding Common Shares. At December 31, 2011, 10% of the outstanding Common Shares amounted to 4,307,403. With 2,822,526 Common Shares issued or allocated to outstanding Awards under the Plan, including pursuant to the Corporation's previous incentive plans, a total of 1,484,877 Common Shares are available to be issued under additional grants pursuant to the Plan as of April 18, 2012.

Any increase in the total number of issued and outstanding Common Shares will result in an increase in the number of Common Shares issuable under the Plan, and any exercises of options will effectively result in a reloading of the number of Common Shares issuable under the Plan.

If an outstanding Award for any reason expires or is terminated or cancelled without having been exercised or settled in full, or if Common Shares acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Corporation for an amount not greater than the Participant's purchase price, the Common Shares shall again be available for issuance under the Plan. Common Shares shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award that is settled in cash.

Notwithstanding any other granting provision, the aggregate number of Common Shares issuable under the Plan for U.S. Qualified Incentive Stock Options cannot exceed 750,000 Common Shares, subject to adjustment provisions in the Plan and subject to the provisions of section 422 and 424 of the U.S. Internal Revenue Code.

## ***Stock Options***

The Board of Directors is authorized to grant stock options (“**Options**”) under the Plan. An Option entitles the holder to purchase a Common Shares upon payment of the exercise price per Common Share. The exercise price of any Option granted under the Plan is determined by the Board and in no event shall be less than the Market Price (being the volume weighted average trading price of the Common Shares on the TSX for the five prior trading days) of the Common Shares at the time of the grant.

The Board may determine a vesting schedule for Options, at the time of grant, provided, however, that the Options will cease to vest and will expire if a participant ceases to be an Eligible Person, pursuant to the terms of the Plan.

The term of Options granted is determined by the Board and specified in the Option agreement pursuant to which such Option is granted, provided that the expiry date cannot be later than the date which is the tenth anniversary of the date on which such Option is granted. In addition, the term of the Options will be extended if the expiry date occurs during or within nine business days following the end of a blackout period (the interval of time during which the Corporation determines that one or more Participants cannot trade any securities because they may be in possession of undisclosed material information). In such circumstances, the Options will be extended to the date which is 10 business days following the end of the blackout period.

Notwithstanding the foregoing, if any Participant who is a U.S. Optionee whom a U.S. Qualified Incentive Stock option is to be granted under the Plan, and at the time of the grant the participant is an owner of shares possessing more than 10% of the total combined voting power of all classes of Common Shares, then the exercise price per Common Share cannot be less than 110% of the fair market value of a Common Share at the time of grant. A U.S. Qualified Incentive Stock Option will terminate and no longer be exercisable no later than five years after the date on which the U.S. Qualified Incentive Stock Option was granted. No U.S. Qualified Incentive Stock Option may be granted more than 10 years after the date on which the Plan is approved by the shareholders of the Corporation.

## ***Share Appreciation Rights***

The Board is authorized to grant share appreciation rights (“**SARs**”) to Eligible Persons pursuant to the terms of the Plan. Upon exercise of a SAR, the participant is entitled to receive an amount equal to the excess of the Market Price (as defined in the Plan) of one Common Share on the date of exercise and the grant price of the SAR as determined by the Board, which grant price shall not be less than 100% of the Market price of one Common Share on the date of grant of the SAR. Such amount is payable in cash or Common Shares as determined by the Board.

The Board may determine a vesting schedule applicable to a grant of SARs, provided, however, that the SARs will cease to vest as at the date upon which a Participant ceases to be an Eligible Person, as defined in the Plan.

The term of a SAR will be determined by the Board and specified in the Award agreement pursuant to which such SAR is granted, provided that the date cannot be later than (i) the date which is the tenth anniversary of the date on which such SAR is granted and (ii) the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the Corporation is subject.

## ***Restricted Share Units***

The Board is authorized to issue restricted share units (“**RSUs**”) pursuant to the terms of the Plan. An RSU conditionally entitles the Participant to the delivery of a Common Share at a specified future date, subject to the fulfillment of vesting conditions specified by the Board. Prior to settlement, an RSU carries no voting or other rights associated with share ownership except that a holder of RSUs will be credited with a Dividend Equivalent (as defined in the Plan) in the form of additional RSUs in respect of dividends declared by the Corporation while the RSUs are outstanding. An RSU Award may be settled in Common Shares, cash, or in any combination of Common Shares and cash. However, a determination to settle an RSU in whole or in part in cash may be only made by the Board, in its sole discretion. If settled in cash, the cash amount will be based on the market price of the Common Shares at the time of vesting.

The Award Agreement in respect of a grant of RSUs will set out the vesting conditions applicable to such RSUs, as determined by the Board of Directors, provided however, that all grants of RSUs will vest no later than December 31st of the third calendar year following the grant.

### ***Performance Share Units***

The Board is authorized to issue Performance Share Units (“**PSUs**”) pursuant to the terms of the Plan. PSUs granted under the Plan will confer on the holder the conditional right to receive Common Shares, in whole or in part, upon the achievement of certain performance goals during the performance period as the Board determines. A PSU may be awarded as a bonus or similar payment in respect of services rendered by a Participant for a fiscal year, or as compensation or an incentive for future performance by a Participant. Prior to settlement, a PSU carries no voting or other rights associated with share ownership except that a holder of PSUs will be credited with a Dividend Equivalent (as defined in the Plan) in the form of additional PSUs in respect of dividends declared by the Corporation while the PSUs are outstanding. A PSU Award may be settled in Common Shares, cash, or in any combination of Common Shares and cash. However, a determination to settle a PSU in whole or in part in cash may be only made by the Board, in its sole discretion. If settled in cash, the cash amount will be based on the market price of the Common Shares at the time of vesting. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the PSUs and any other terms and conditions of the Performance Award will be determined by the Board and set out in the Award agreement.

### ***Deferred Share Units***

The Board is authorized to issue deferred share units (“**DSUs**”) pursuant to the terms of the Plan. A DSU is a right to receive, on a deferred payment basis, a Common Share or the cash equivalent of a Common Share upon the occurrence of certain redemption events, as described below. DSUs may be granted to any Eligible Person at the discretion of the Board of Directors or Participants may elect to receive in DSUs a specified percentage of their remuneration (in the case of directors) or salary, bonus or any other compensation (in the case of other Participants).

A DSU shall only be redeemed upon the occurrence of (i) the death of the participant, (ii) the retirement of the Participant, (iii) the termination of a participant who is not a director, or (iv) a change of control, unless the Board, in good faith, determines that the nature of the transaction(s) resulting in the change of control are such that it would not be appropriate to justify redemption of the DSU. A DSU Award may be settled in Common Shares, cash, or in any combination of Common Shares and cash. However, a determination to settle a DSU in whole or in part in cash may only be made by the Board, in its sole discretion.

### ***Maximum Grant to Insiders***

The aggregate number of Common Shares issuable to Participants that are insiders, pursuant to the Plan or when combined with all other previously established and outstanding or proposed share compensation arrangements, cannot exceed 10% of the total number of outstanding Common Shares (on a non-diluted basis) at any time and within any one year period. The Common Shares issued pursuant to an entitlement granted prior to the grantee becoming an insider will be excluded in determining the number of Common Shares issuable to insiders.

### ***Maximum Grant to Independent Directors***

The aggregate number of Common Shares issuable to any one Participant that is an independent director of the Corporation, pursuant to the Plan or when combined with all other previously established and outstanding or proposed share compensation arrangements, cannot exceed 1% of the total number of outstanding Common Shares, excluding Common Shares reserved for issuance to such Participant at a time when such Participant was not an independent director of the Corporation.

### ***Maximum Grant to Any One Participant***

The aggregate number of Common Shares issuable to any one Participant, pursuant to the Plan or when combined with all other previously established and outstanding or proposed share compensation arrangements, cannot exceed 5% of the then outstanding Common Shares, which as of April 18, 2012 represents 2,167,427 Common Shares.

### ***Causes of Cessation***

In the event the Participant ceases to be an Eligible Person for any reason, other than the death of the Participant or the termination of the Participant for cause, Awards will expire on the date which is 90 days after the date of termination (specifically without regard to any period of reasonable notice or any salary continuance) of the Participant’s directorship, active employment or active engagement, as applicable, with the Corporation or its Affiliates, or such earlier or later date

as the Board may determine. In the event of the termination of the Participant as a director, officer, employee or Consultant for cause, the Awards will expire on the date of notice of such termination, specifically without regard to any period of reasonable notice or any salary continuance. Under the Previous Plans, all restricted share units and performance share units automatically terminated upon resignation or termination and stock options expired within 90 days of such events.

In the event of the death of a Participant prior to: (i) the Participant ceasing to be an Eligible Person (which, in the case of an employee or Consultant, will be the date on which active employment or engagement, as applicable, terminates, specifically without regard to any period of reasonable notice or any salary continuance); or (ii) the date on which the Award, but for (i), would have expired pursuant to the preceding paragraph, the Awards will expire on the date which is one year after the date of death of such Participant or such earlier or later date as the Board may determine.

### ***Assignability***

Awards granted under the Plan are non-transferable and non-assignable to anyone other than to a “permitted assign” as defined in the Plan.

### ***Procedure for Amending***

The Board has the right at any time to amend the Plan or any Award agreement under the Plan provided that for the following amendments, shareholder approval has been obtained by ordinary resolution: (i) increase the number of Common Shares, or rolling maximum percentage, reserved for issuance under the Plan; (ii) reduce the exercise price per Common Share under any Option or SAR granted to an Insider or cancel any Option or SAR granted to an Insider and replace such Option or SAR with an Option or SAR with a lower exercise price per Common Share; (iii) extend the term of an Award beyond its original expiry time; (iv) increase the limit on the participation by independent directors in the Plan; or (v) permit an Award to be transferable or assignable to any person other than in accordance with the Plan.

Notwithstanding the foregoing, shareholder approval is not required for any amendments to the Plan other than those described above, including amendments of a clerical nature, amendments to reflect any regulatory authority requirements (including those of the TSX), amendments to vesting provisions of an Award, amendments to the expiry date of an Award so long as such amendments do not extend the term of the Awards past the original date of expiration, and any amendments which provide for or modify a cashless exercise feature with respect to an Award so long as the feature provides for the full deduction of the number of underlying Common Shares from the total number of Common Shares subject to the Plan.

### ***Financial Assistance***

The Corporation will not provide financial assistance to Participants to facilitate the purchase of Common Shares upon the exercise of Options granted under the Plan.

### ***Other Material Information***

Appropriate adjustments to the Plan and to Awards granted thereunder will be made by the Board to give effect to adjustments in the number and type of Common Shares (or other securities or other property) resulting from subdivisions, consolidations, substitutions, or reclassifications of Common Shares, payment of stock dividends or other changes in the Corporation’s capital or from a merger and acquisition transaction. In the event of any merger, acquisition, amalgamation, arrangement or other scheme of reorganization that results in a change of control, the Board will, in an appropriate and equitable manner: (a) determine any adjustment to the number and type of Common Shares (or other securities or other property) subject to outstanding Awards; and (b) determine the number and type of Common Shares (or other securities or other property) subject to outstanding Awards; and (c) determine the purchase price or exercise price with respect to any Award, provided, however, that the number of Common Shares covered by any Award or to which such Award relates is always a whole number; and (d) determine the manner in which all outstanding Awards granted under the Plan will be treated including, without limitation, requiring the acceleration of the time for the vesting of such Awards, the time for exercise of such rights by the Participants, the time for the fulfillment of any conditions or restrictions such exercise, and the time for the expiry of such rights; and (e) offer any Participant the opportunity to obtain a new or replacement Award over any securities into which the Common Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Common Shares under the existing Award and the exercise price (and otherwise substantially upon the terms of the Option being replaced, or upon terms no less favourable to the Participant) and; (f) commute for or into any other security or any other property or cash, any Award that is still capable of being exercised,

upon giving to the Participant to whom the Award has been granted at least 30 days written notice of its intention to commute the Option, and during such period of notice, the Award, to the extent it has not been exercised, can be exercised by the Participant without regard to any vesting conditions attached thereto, and on the expiry of such period of notice, the unexercised portion of the Option will lapse and be cancelled.

In accordance with the current policies of the TSX, any plan with a rolling maximum (which includes the Plan) must be confirmed by shareholders every three years.

## **Indebtedness of Directors and Executive Officers**

No current or former directors, executive officers or employees of the Corporation, nor any proposed nominee for election as a director of the Corporation, or any associate or affiliate of any one of them, at any time since the beginning of the fiscal year ended December 31, 2011, is or was indebted to: (a) the Corporation or any of its subsidiaries; or (b) any other entity where the indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries pursuant to a securities purchase program or otherwise.

# CORPORATE GOVERNANCE DISCLOSURE

The following disclosure on the Corporation's corporate governance practices follows the disclosure requirements found in National Instrument 58-101 F1 *Corporate Governance Disclosure*.

## Board of Directors

The Corporation's Board of Directors (generally referred to in this section as the "**Board**") is responsible for supervising the management of the business and affairs of the Corporation. The elected Board at the 2011 AGM was comprised of Robert Cruickshank, Ted Lattimore, Bob Wiens, Peter Berrang and David Green (referred to in this section as the "**2011 Board**"). Pursuant to election of the Board at the Meeting, the Board will be comprised of Robert Cruickshank, Bruce Cousins, Bob Wiens, Peter Berrang, and David Green (referred to in this section as the "**2012 Board**").

*(a) Disclose the identity of directors who are independent.*

National Instrument 52-110 *Audit Committees* ("**NI 52-110**") sets out the standard for director independence. Under NI 52-110, a director is independent if he or she has no direct or indirect material relationship with the Corporation. A material relationship is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship with the Corporation. Applying the definition set out in NI 52-110, four of the five members of the 2011 Board were independent, namely; Robert Cruickshank, Bob Wiens, Peter Berrang and David Green. The 2012 Board members who are independent are:

Robert Cruickshank  
David Green  
Bob Wiens  
Peter Berrang

*(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.*

The member of the 2011 Board that is not independent by virtue of the fact that he is, or was in the last three years, an executive officer of the Corporation is Ted Lattimore (CEO).

The member of the 2012 Board that is not independent by virtue of the fact that he is, or was in the last three years, an executive officer of the Corporation is Bruce Cousins (CEO).

*(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of Directors (the Board) does to facilitate its exercise of independent judgment in carrying out its responsibilities.*

A majority of the directors on the 2011 Board were independent (4 out of 5).

A majority of the directors on the 2012 Board are independent (4 out of 5).

*(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.*

In addition to their positions on the 2011 and/or 2012 Boards, the following directors also serve as directors of the following reporting issuers:

**Robert Cruickshank**  
Vendtek Systems Inc.  
Lincoln Mining Corporation

**Bob Wiens**  
Metro Vancouver Properties Corp.

*(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held during the preceding 12 months. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.*

Each Board meeting has, as a matter of course, a non-management discussion at which only independent directors are present. There were a minimum of 6 such meetings of the 2011 Board in the preceding 12 months.

*(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the*

*Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent direct.*

The Chairman being elected for the 2012 term is an independent director. The Chairman's primary responsibilities include planning and organizing all of the activities of the Board of Directors, chairing annual and special meetings of the shareholders, facilitating communication and understanding between management and the Board on corporate vision, strategy, business plan and corporate policy, act as the key link between the Board and management, maintaining close and open communication with CEO, and monitoring and evaluating CEO performance, ensuring succession plans are in place at senior executive levels and participating in external industry and community relationships which fulfill Corporations obligations.

*(g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.*

All directors were present for all meetings of the 2011 Board with some participating by teleconference from time to time.

## Board Mandate

*Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.*

The mandate of the Board is to supervise the management of the Corporation and to act in the best interests of the Corporation. The Board approves all significant decisions that affect the Corporation and its subsidiaries before they are implemented. The Board meets on a quarterly basis and special meetings are held at the call of the Chairman or upon the request of two members of the Board. The Board's written mandate is disclosed on the website of the Corporation at [www.carmanah.com](http://www.carmanah.com).

## Position Descriptions

*(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.*

The Board has a formal written position in place for the Chairman of the Board. There is no formal written position for the Chairman of the Audit Committee and Compensation Committee. However, each of the Audit Committee and Compensation Committee has a formal Mandate which includes the role and responsibilities of the Committee. As set out in their respective Mandates, the Audit Committee is responsible for the accounting and financial reporting process of the Corporation and the audits of the financial statements of the Corporation and the Compensation Committee is responsible for the executive compensation policies and programs, and the respective Chairman of each committee is responsible for overseeing these functions and administering committee business.

*(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description. Briefly describe how the Board delineates the role and responsibilities of the CEO.*

The Board has a written position description for the CEO.

## Orientation and Continuing Education

*(a) Briefly describe what measures the Board takes to orient new directors regarding:*

*i. the role of the Board, its committees and its directors; and*

When possible new nominees for the Board are invited to attend and observe meetings of the Board prior to appointment as directors. They also observe the workings of the three committees. Each new Board member is given a binder containing the Board mandate and its policies and procedures.

*ii. the nature and operation of the issuer's business.*

New Board members spend considerable time with the CEO to discuss the business Mission, Vision, Strategies, and to gain a general understanding about the nature of its operations. The Board will also invite prospective new Board members to attend some of its Board meetings as a guest in order to meet the other directors, and to get further understanding of the business from the Board perspective.

*(b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its*

*directors maintain the skill and knowledge necessary for them to meet their obligations as directors.*

*compliance, explain whether and how the Board ensures compliance with its code; and*

The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. To facilitate ongoing education, Board members are encouraged to communicate with management and the auditors, to keep themselves current with industry trends and developments and changes in legislation with the Corporation's assistance, and to observe the Corporation's operations first-hand. Management provides quarterly updates on internal controls compliance, IFRS implementation, investor perspectives, update on strategic context and deployment. Management spends one full day per year delivering a strategic update that includes competitive environment, technological and industry developments, regulatory developments and other key components. Board members who do not have prior public company experience are expected to take the Directors Education Program offered by the Institute of Corporate Directors ([www.icd.ca](http://www.icd.ca)), if they have not already done so. Robert Cruickshank and David Green have completed the course.

The Code of Conduct is provided to all employees for review and acknowledgement, at time of hire and at the beginning of the calendar year. Non-compliance with the Code of Conduct is handled by management. If a breach results in a material risk or legal implication to the Corporation at the level required for reporting to the Board, it would be raised to the Board as part of the quarterly reporting requirements.

The Corporation has a designated service provider, Whistleblower Security, to handle all reports from Whistleblowers, including notifying the Chair of the Audit Committee upon receipt of any such reports. To ensure awareness by employees of the whistleblower policy, it is discussed with employees at time of hire and is posted around the office for review by existing employees.

- iii. provide a cross-reference to any material change report(s) filed within the preceding 12 months that pertains to any conduct of a director or executive officer that constitutes a departure from the code.*

## Ethical Business Conduct

- (a) Disclose whether or not the Board has adopted a written code for its directors, officers and employees.*

The Board has adopted a written Code of Conduct for the Corporation. New employees, officers and directors are required to confirm in writing that they have read and understood the Code. The Board has adopted a whistleblower policy which provides employees with the ability to report, on a confidential and anonymous basis, any violations within our organization including (but not limited to), falsification of financial records, unethical conduct, harassment or theft. The Board believes that providing a forum for employees, officers and directors to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct.

The Board also has adopted a share trading policy to govern the trading of shares by directors, officers and staff of the Corporation.

- i. disclose how an interested party may obtain a copy of the written code;*

The Code of Conduct, the Whistleblower Policy and the Share Trading Policy are available on the Corporation's web site ([www.carmanah.com](http://www.carmanah.com)).

- ii. describe how the Board monitors compliance with its code, or if the Board does not monitor*

None.

- (b) Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.*

Directors with an interest in a material transaction under discussion by the Board are required to declare their interest and abstain from voting on the transaction.

- (c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.*

The Board endeavours to ensure that the ethics of the Corporation take precedence over any other consideration in the Corporation's decision-making process.

## Nomination of Directors

- (a) Describe the process by which the Board identifies new candidates for Board nomination.*

The Board as a whole identifies gaps in the Board's areas of competence and seeks to identify new candidates for Board nomination to address those deficiencies.

- (b) Disclose whether or not the Board has a nominating committee composed entirely of independent*

*directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.*

Due to the size of the Board, majority of which is independent, the Board is able to deal with recruitment of new members as a whole, and as such the Board as a whole acts as a nominating committee and deals with nominations. Recruitment of new Directors generally results from recommendations made by directors, management and shareholders and candidates are assessed for their skills, expertise, experience, independence and other factors.

*(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.*

As noted above, the Board does not have a separate nominating committee. The entire Board comprises a nominating committee, and as a whole deals with nominations, voting and approval of accepted nominees.

## Compensation

*(a) Describe the process by which the Board determines the compensation for your company's directors and officers.*

Compensation packages for Board positions and committees are based upon the degree of responsibility and accountability borne by the role. The Compensation Committee makes recommendations to the Board for total compensation packages, which are reviewed and approved by the Chairman.

*(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.*

The compensation committee during the 2011 term was composed of three independent directors: Robert Cruickshank, Bob Wiens and David Green. Mr. Green was appointed to the compensation committee on June 21, 2011 (2011 AGM date), to replace J. Robert Logan who was not nominated for election at the 2011 AGM.

*(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.*

The compensation committee is responsible for recommending to the Board human resources and compensation policies and guidelines for application to

the Corporation, and for implementing and overseeing human resources and compensation policies approved by the Board. In particular, the Committee's compensation duties are:

- To recommend compensation policies and guidelines to the Board
- To ensure that the Corporation has in place programs to attract and develop management of the highest calibre
- To develop policies for the orderly succession of management
- To develop and maintain a position description for the CEO and to assess the performance of the CEO against corporate goals and objectives
- To set the CEO's annual salary, bonus and other benefits, direct and indirect, including targets tied to corporate goals and objectives
- To approve compensation, incentive plans and equity-based plans for all other designated officers of the Corporation
- The Board can exercise discretion either to award compensation absent of attainment of a relevant performance goal or to reduce or increase the size of an award.
- To oversee the implementation and administration of compensation policies approved by the Board
- To receive recommendations from the CEO concerning annual compensation policies and budgets for all employees
- To periodically review the adequacy and form of the compensation of directors
- To review the report on Executive Compensation contained in the Management Information Circular

*(d) Disclose whether or not one or more of the Compensation Committee members have any direct experience that is relevant to his or her responsibilities in executive compensation as well as the skills and experience that enable the committee to make decisions on the suitability of the company's compensation policies.*

- Messrs Cruickshank and Green have both completed the Directors Education Program offered by the Institute of Corporate Directors, which includes formal compensation training
- Between 1989 and 2007, Mr. Cruickshank held a variety of executive roles where he had responsibility for salary and bonus decisions including the setting and administration of bonus plans. As President of MDSI (Feb '99 – May '01) and as President of the BCTIA (Sept '05 – Oct '07) Mr. Cruickshank also had responsibility for employee benefits plans.

- Mr. Cruickshank also currently serves on three public company boards and sits on all three Compensation Committees, on two of which he is the Compensation Committee Chair. He also Chairs the board of St George's School in Vancouver and as such is an ex-officio member of all Board Committees including the Human Resources Committee that oversees all employee compensation and benefits with the exception of the Headmaster and Chairs the Executive Committee which oversees all matters of the Headmaster's contract with the school.
- As the owner and CEO of private companies over the past 35 years, Mr. Green has dealt with numerous compensation issues, including completing senior executive searches and hires. He was also previously a member of the Corporation's Compensation Committee for three years.
- From 1987 to 2000, Mr. Wiens was CEO of FACS Records Centre Inc. which became a publicly traded entity during that period. In this role Mr. Wiens had responsibility for the compensation of all those employees reporting to him including all Canadian and US branch operations. Mr. Wiens also determined the compensation process for all employees of the company. From 2000 to 2008 Mr. Wiens chaired the Compensation Committee of Extreme CCTV, a public company.

*(e) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.*

The Compensation Committee engaged an independent consultant in 2009 to advise them on executive compensation matters, and as such did not deem it necessary to engage in similar services in 2011.

## Other Board Committees

*If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.*

None.

## Assessments

*Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that it, its committees, and individual directors are performing effectively.*

In May 2009, the Board completed a 360 review for each of its Directors. The outcome of each 360 review was presented to each Director, and a high level summary of the overall results was communicated to the entire Board. No action was required or taken following completion of the reviews. No formal review was conducted in 2011. The Board satisfies itself that the Board, its committees, and its individual directors are performing effectively by conducting informal assessments from time to time. The Board will be completing a 360 review for each of its Directors in 2012.

## OTHER INFORMATION

### Interest of Informed Persons in Material Transactions

Except as otherwise disclosed herein, no “**informed person**” (as defined in National Instrument 51-102), proposed director of the Corporation or any associate or affiliate of an informed person or proposed director of the Corporation has had or has any material interest in any transaction since the beginning of the Corporation’s most recently completed fiscal year, or in any proposed transaction, which has materially affected or would materially affect the Corporation or its subsidiaries.

### Additional Information

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation’s comparative financial statements and management’s discussion and analysis for its most recently completed financial year. Security holders may obtain copies of the Corporation’s financial statements and management’s discussion and analysis on SEDAR or by contacting the Corporation by email at [investors@carmanah.com](mailto:investors@carmanah.com), or upon request made to the attention of the Chief Financial Officer of the Corporation at 250 Bay Street, Victoria, BC, Canada, V9A 3K5

### Approval

The contents of this Management Information Circular and the sending thereof to the shareholders of the Corporation have been approved by the directors of the Corporation.

**DATED** at Victoria, British Columbia this 18<sup>th</sup> day of April, 2012.

**By order of the Board of Directors**



**Robert Cruickshank**  
**Chairman of the Board**

# Schedule A

## Shareholder Rights Plan Resolution

BE IT RESOLVED THAT:

1. Subject to approval by applicable regulatory authorities, the adoption by Carmanah Technologies Corporation (the “**Corporation**”) of the shareholder rights plan (the “**Shareholder Rights Plan**”) substantially as described in the Management Information Circular of the Corporation dated April 18, 2012, is hereby approved, and the Corporation is hereby authorized to enter into an agreement with Computershare Trust Company of Canada (or such other person as may be appropriate in the circumstances), as rights agent, to implement the Shareholder Rights Plan and to issue rights thereunder.
2. The board of directors of the Corporation may revoke this resolution before it is acted upon, without further approval of Shareholders.
3. Any one director or officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to execute and deliver all documents and instruments and take such other actions, including making all necessary filings with applicable regulatory bodies and stock exchanges, as such director or officer may determine to be necessary or desirable to implement this ordinary resolution and the matter authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument and the taking of any such action.

## Schedule B

### Carmanah Technologies Corporation

### Summary of Shareholder Rights Plan

Please see “*Approval of the Shareholder Rights Plan Resolution*” in the Information Circular for a discussion of the Shareholder Rights Plan and the reasons for the Board of Directors recommending its approval.

The following summary of the shareholder rights plan (the “**Shareholder Rights Plan**”) is qualified in its entirety by reference to the complete text of the Shareholder Rights Plan Agreement (the “**Agreement**”) to be entered into between Carmanah Technologies Corporation (the “**Corporation**”) and Computershare Trust Company of Canada (the “**Rights Agent**”) in connection with the Shareholder Rights Plan (if approved at the Meeting). The Agreement shall govern in the event of any conflict between the provisions thereof and this summary.

The purpose of the Shareholder Rights Plan is to provide the board of directors of the Corporation (the “**Board of Directors**”) and holders (the “**Shareholders**”) of the common shares (the “**Common Shares**”) of the Corporation with sufficient time to properly consider any take-over bid made for the Corporation and to allow enough time for competing bids and alternative proposals to emerge. The Shareholder Rights Plan also seeks to ensure that all Shareholders are treated fairly in any transaction involving a change of control of the Corporation and that all Shareholders have an equal opportunity to participate in the benefits of a take-over bid. The Shareholder Rights Plan encourages potential acquirers to negotiate the terms of any offer for Common Shares with the Board of Directors or, alternatively, to make a Permitted Bid (as defined in the Shareholder Rights Plan) without the approval of the Board of Directors.

The Shareholder Rights Plan must be approved by the Corporation’s Shareholders at the Corporation’s Annual and Special General Meeting of Shareholders (the “**Meeting**”), where it must be approved by not less than a majority of the votes cast by both (a) all Shareholders present or represented by proxy at the Meeting, and (b) all Shareholders present or represented by proxy at the Meeting that are not “Grandfathered Persons” (i.e. Shareholders who will beneficially own 20% or more of the outstanding Voting Shares (as defined in the Shareholder Rights Plan) on the Effective Date (as such term is defined in the Shareholder Rights Plan)) under the Shareholder Rights Plan. **As of the date of this Information Circular, there are no Grandfathered Persons.**

#### **Issuance of Rights**

The Shareholder Rights Plan provides that one right (a “**Right**”) be issued in respect of each of the outstanding Common Shares to Shareholders as of the Effective Date of the Agreement, as well as in respect of each Common Share issued after the Effective Date of the Agreement and prior to the Separation Time (as defined below).

#### **Trading of Rights**

Notwithstanding the effectiveness of the Shareholder Rights Plan, the Rights are not exercisable until the Separation Time and certificates representing the Rights will not be sent to the Shareholders. Certificates for the Common Shares issued after the effective date of the Shareholder Rights Plan will contain a notation incorporating the Shareholder Rights Plan by reference. Until the Separation Time, or earlier termination or expiry of the Rights, the Rights are evidenced by and transferred with the associated Common Shares and the surrender for transfer of any certificate representing Common Shares will also constitute the surrender for transfer of the Rights associated with those Common Shares. After the Separation Time, the Rights will become exercisable and begin to trade separately from the associated Common Shares. The initial “Exercise Price” under each Right in order to acquire a Common Share is three times the

Market Price at the Separation Time. "Market Price" is generally defined as the average of the daily closing prices per share of such securities on each of the 20 consecutive trading days through and including the trading day immediately preceding the Separation Time.

### Separation of Rights

The Rights will become exercisable and begin to trade separately from the associated Common Shares at the "Separation Time" which, unless waived or deferred by the Board of Directors in the instances permitted by the Shareholder Rights Plan, is generally the close of business on the tenth trading day after the earliest to occur of:

- (a) a public announcement that a person or a group of affiliated or associated persons has acquired beneficial ownership of 20% or more of the outstanding Voting Shares (as defined in the Shareholder Rights Plan) (i.e. become an Acquiring Person) other than as a result of, among other things, (i) a reduction in the number of Common Shares outstanding, (ii) a "Permitted Bid" or a "Competing Permitted Bid" (each as defined below), (iii) certain specified "Exempt Acquisitions" (as defined below), (iv) an acquisition by a person of Voting Shares pursuant to a stock dividend or other "Pro Rata Acquisition" (as defined in the Shareholder Rights Plan), and (v) an acquisition by a person of Voting Shares upon the exercise, conversion or exchange of a security convertible, exercisable or exchangeable into a Voting Share received by a person pursuant to (ii), (iii) or (iv), above;
- (b) the date of commencement of, or the first public announcement of an intention of any person (other than the Corporation or any of its subsidiaries) to commence, a take-over bid (other than a Permitted Bid or a Competing Permitted Bid) where the Voting Shares subject to the bid, together with the Voting Shares beneficially owned by that person (including affiliates, associates and others acting jointly or in concert therewith), would constitute 20% or more of the outstanding Voting Shares; and
- (c) the date upon which a Permitted Bid or Competing Permitted Bid ceases to be such.

An "Exempt Acquisition" would include the acquisition of Voting Shares or securities convertible into Voting Shares (i) in respect of which the Board of Directors has waived the application of the Shareholder Rights Plan, (ii) pursuant to a distribution made under a prospectus or private placement provided that the person does not increase his, her or its ownership percentage of Voting Shares (e.g. pursuant to a rights offering), (iii) pursuant to an amalgamation, arrangement or other statutory procedure requiring Shareholder approval, (iv) pursuant to certain equity incentive stock options plans of the Corporation, (v) pursuant to other contractual arrangements in respect of a Voting Share acquisition from treasury entered into by the Corporation with one or more persons after the date of the Shareholder Rights Plan provided that such person does not acquire a greater percentage of Securities offered in such distribution than the percentage of Voting Shares such person owned immediately prior to such distribution, and (vi) pursuant to the exercise of Rights.

An Acquiring Person does not include a holder of 20% or more of the outstanding Voting Shares on the date the Shareholder Rights Plan was implemented (a "**Grandfathered Person**"), provided that such Grandfathered Person acquires no more Voting Shares, other than through one of the exemptions set out in the Shareholder Rights Plan. If the Shareholder Rights Plan is adopted at the Meeting, it is expected that there will not be any Grandfathered Persons.

As soon as practicable following the Separation Time, separate certificates evidencing rights ("**Rights Certificates**") will be mailed to the holders of record of the Common Shares as of the Separation Time and the Rights Certificates alone will evidence the Rights.

### When Rights Become Exercisable

After the Separation Time, each Right entitles the holder thereof to purchase one Common Share at the Exercise Price. Following a transaction which results in a person becoming an Acquiring

Person (a “**Flip-in-Event**”), the Rights entitle the holder thereof to receive, upon exercise, such number of Common Shares that have an aggregate market value (as of the date of the Flip-in Event) equal to twice the then Exercise Price of the Rights for an amount in cash equal to the Exercise Price. In such event, however, any Rights beneficially owned by an Acquiring Person (including affiliates, associates and others acting jointly or in concert therewith), or certain transferees or any such person, will be void.

### **Permitted Bids**

The Shareholder Rights Plan includes a “Permitted Bid” concept whereby a take-over bid will not trigger a separation of the Rights (and will not cause the Rights to become exercisable) if the bid meets certain conditions. A “Permitted Bid” is defined as an offer to acquire Voting Shares (which means Common Shares and any other shares in the capital of the Corporation entitled to vote generally in the election of all directors, or securities that are eligible to be converted into Voting Shares for cash or securities) made by means of a take-over bid circular where the Voting Shares (including Voting Shares that may be acquired upon conversion of securities convertible into Voting Shares) subject to the offer, together with Voting Shares beneficially owned by the offeror at the date of the offer (including its affiliates, associates and others acting jointly or in concert therewith), constitute 20% or more of the outstanding Voting Shares and that also complies with the following additional provisions:

- (a) the bid must be made to all the holders of Voting Shares as registered on the books of the Corporation, other than the offeror; and
- (b) the bid must also contain the following irrevocable and unqualified conditions:
  - (i) no Voting Shares will be taken up or paid for prior to the close of business on the 60th day following the date of the bid and then only if more than 50% of the Voting Shares held by Independent Shareholders (as defined below) have been deposited or tendered to the bid and not withdrawn; (ii) Voting Shares may be deposited pursuant to the bid, unless it is withdrawn, at any time prior to the date shares are first taken up or paid for under the bid; (iii) Voting Shares deposited pursuant to the bid may be withdrawn until taken up or paid for; and (iv) if the deposit condition referred to in (b)(i) above is satisfied, the offeror will extend the bid for deposit of Voting Shares for at least 10 business days from the date such extension is publicly announced and, if such bid is a partial bid, not take up any Voting Shares under the bid until the expiry of such 10 business day period.

“Independent Shareholders” is defined generally as holders of Voting Shares other than (i) an Acquiring Person, (ii) any offeror making a take-over bid, (iii) any affiliate or associate of an Acquiring Person or offeror, (iv) persons acting jointly or in concert with an Acquiring Person or offeror, and (v) a trustee holding Voting Shares pursuant to an employee benefit, stock purchase or certain other plans or trusts for employees of the Corporation or its wholly-owned subsidiaries unless the beneficiaries of such plans or trusts direct the voting or tendering to a take-over bid of the Voting Shares.

### **Competing Permitted Bids**

A “Competing Permitted Bid” is a take-over bid made after a Permitted Bid has been made and prior to expiry of such Permitted Bid that satisfies all of the provisions of a Permitted Bid, except that it must remain open for acceptance until at least the later of (i) 35 days after the date of the bid; and (ii) the earliest date on which Voting Shares may be taken up and paid for under another Permitted Bid then in existence, and only if at that date more than 50% of the Voting Shares owned by Independent Shareholders have been deposited to the Competing Permitted Bid and not withdrawn and if the Competing Permitted Bid is for less than all of the outstanding Voting Shares, no Voting Shares will be taken up or paid for until the end of a further tenth business day period. If the foregoing requirement is satisfied the offeror will make a public announcement that the Competing Permitted Bid will remain open for tenders of Voting Shares for not less than ten further business days.

**Redemption and Waiver**

Under the Shareholder Rights Plan, the Board of Directors can (i) waive the application of the Shareholder Rights Plan to enable a particular take-over bid to proceed, in which case the Shareholder Rights Plan will be deemed to have been waived with respect to any other take-over bid made prior to the expiry of any bid subject to such waiver, or (ii) with the prior approval of the holders of Voting Shares or Rights, as the case may be, redeem the Rights at a redemption price of \$0.00001 per Right at any time prior to a Flip-in-Event. Rights are deemed to have been redeemed if a bidder successfully completes a Permitted Bid or a Competing Permitted Bid.

**Protection Against Dilution**

The Exercise Price, the number and nature of securities which may be purchased upon the exercise of Rights and the number of Rights outstanding are subject to adjustment from time to time to prevent dilution in the event of stock dividends, subdivisions, consolidations, reclassifications or other changes in the outstanding Common Shares, pro rata distributions to holders of Common Shares and other circumstances where adjustments are required to appropriately protect the interests of the holders of Rights.