

CARMANAH TECHNOLOGIES CORPORATION

NOTICE OF MEETING

- AND -

MANAGEMENT INFORMATION CIRCULAR

**FOR THE ANNUAL GENERAL AND SPECIAL MEETING
OF SHAREHOLDERS**

To be held on

June 23, 2014

**At Delta Victoria Ocean Pointe
Harbour Room
45 Songhees Road, Victoria, BC V9A 6T3**

8:30 AM (Pacific time)

**Carmanah Technologies Corporation
250 Bay Street
Victoria, BC V9A 3K5**

Tel: (250) 380-0052, Fax: (250) 380-0062

www.carmanah.com

CARMANAH TECHNOLOGIES CORPORATION

250 Bay Street

Victoria, BC V9A 3K5

Tel: (250) 380-0052, Fax: (250) 380-0062

May 26, 2014

Dear Shareholders,

The directors of Carmanah Technologies Corporation (“**Carmanah**”) invite you to attend the annual general and special meeting (the “**Meeting**”) of the shareholders of Carmanah (“**Shareholders**”) to be held on June 23, 2014.

Carmanah has prepared an annual report for fiscal 2013 which is available to be viewed at, or downloaded from, <http://carmanah.com/company/financial-reports>. Shareholders are encouraged to read the annual report and consider the messages from the Chairman and Chief Executive Officer with respect to Carmanah.

At the Meeting, among other items of business including the annual election of directors and the approval of unallocated share awards under Carmanah’s 2011 Incentive Awards Plan, Shareholders will be asked to approve a transaction pursuant to which Carmanah will acquire (the “**Acquisition**”) all of the issued and outstanding shares of Sol, Inc. (“**Sol**”), a private company incorporated in Florida focused on the production and sale of outdoor solar powered lighting systems in the United States. As consideration, Carmanah has agreed to issue a total of 38,163,176 common shares in the capital stock of Carmanah to the shareholders of Sol. Certain Sol shareholders will also receive earn-out consideration equal to 3% of total revenues received by Carmanah in respect of certain specified prospective sales by Sol.

Michael Sonnenfeldt, a director of Carmanah and Chairman of Carmanah’s board of directors (the “**Board of Directors**”), currently owns 84.5% of the outstanding shares of Sol as well as 23.4% of the outstanding common shares of Carmanah. As a result, the Acquisition will be considered a “related party transaction” for purposes of applicable Canadian securities laws.

To be effective, the Acquisition (including the issuance of Carmanah common shares in connection therewith) must be approved by an ordinary resolution of a majority of votes cast by Shareholders voting in person or by proxy at the Meeting, excluding any votes by Michael Sonnenfeldt and any of his affiliates. The other officers and directors of Carmanah eligible to vote hold an aggregate of 20.6% of the issued and outstanding common shares of Carmanah and all have indicated their support for the Acquisition and their intention to vote in favour of the Acquisition. To ensure compliance with both Canadian securities laws relating to related party transactions and the rules of the Toronto Stock Exchange, Carmanah is seeking disinterested shareholder approval to issue up to 40,000,000 common shares in the capital stock of Carmanah to former Sol shareholders as consideration for the acquisition of Sol, although Carmanah currently only expects to issue 38,163,176 of such shares.

After careful consideration of all relevant factors, including the favourable recommendation by an independent committee of the Board of Directors based, in part, on a valuation and fairness opinion from an independent valuator, the Board of Directors (other than Mr. Sonnenfeldt who did not participate in the consideration of the Acquisition) has unanimously determined that the Acquisition is fair to Shareholders and is in the best interests of Carmanah. A description of the various factors considered by the Board of Directors in arriving at this determination is contained in the enclosed management information circular. The Board of Directors has unanimously approved the Acquisition and recommends that Shareholders vote in favour of the resolution approving the Acquisition.

Your vote is important regardless of the number of common shares of Carmanah that you own. If you are a registered holder of common shares, you are encouraged to take the time now to complete, sign, date and return the enclosed form of proxy in the return envelope addressed to Computershare Investor Services Inc. to be received by no later than 8:30 a.m. (Pacific time) on June 19, 2014, to ensure that your shares are voted at the meeting in accordance with your instructions, whether or not you are able to attend in person. If you hold your shares through a broker or other intermediary, you should follow the instructions provided by your broker or other intermediary to vote your shares.

We would like to thank all Shareholders for their continuing support of Carmanah.

Sincerely,

“John Simmons”

John Simmons,
Chief Executive Officer

CARMANAH TECHNOLOGIES CORPORATION

250 Bay Street
Victoria, BC V9A 3K5
Tel: (250) 380-0052, Fax: (250) 380-0062

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general and special meeting (the “**Meeting**”) of the shareholders (the “**Shareholders**”) of Carmanah Technologies Corporation (“**Carmanah**” or the “**Company**”) will be held at Delta Victoria Ocean Pointe - Harbour Room - 45 Songhees Road, Victoria, British Columbia at 8:30 a.m. (Pacific time), on June 23, 2014, for the following purposes:

1. to receive and consider the consolidated financial statements of the Company for the financial year ended December 31, 2013, together with the report of the independent auditor thereon;
2. to re-appoint Deloitte LLP, Chartered Accountants, as auditor for the Company for the ensuing financial year and to authorize the directors to fix the remuneration to be paid to the auditor;
3. to elect directors to hold office until the next annual general meeting of the Company;
4. to consider and, if deemed fit, approve an ordinary resolution approving unallocated share awards under the Company’s 2011 Incentive Awards Plan;
5. to consider and, if deemed fit, approve an ordinary resolution of the disinterested Shareholders of the Company to acquire 100% of the issued and outstanding shares of Sol, Inc. (“**Sol**”) and to issue up to 40,000,000 common shares of Carmanah in connection therewith; and
6. to transact such other business as may properly come before the Meeting or any adjournment thereof.

Shareholders are invited to attend the Meeting. Only Shareholders of record on May 15, 2014 (the “**Record Date**”) will be entitled to receive notice of and to vote at the Meeting or any adjournment thereof, except to the extent that a Shareholder has transferred any Carmanah common shares after that date and the new holder of such Carmanah common shares establishes proper ownership and requests not later than 10 days before the date of the Meeting that such Shareholder’s name be included in the list of Shareholders eligible to vote at the Meeting or any adjournment thereof.

Whether or not you expect to attend the Meeting or any adjournment thereof, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY IN THE ENCLOSED ENVELOPE. Your promptness in returning the proxy will assist in the expeditious and orderly processing of proxies and will ensure that your Carmanah common shares are represented. Please note that, if you are a registered shareholder, you may vote in person at the Meeting or any adjournment thereof even if you have previously returned the proxy.

DATED at Victoria, British Columbia as of the 26th day of May, 2014

BY ORDER OF THE BOARD OF DIRECTORS

“*John Simmons*”

John Simmons
Chief Executive Officer

If you are a non-registered shareholder of Carmanah and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the meeting.

CARMANAH TECHNOLOGIES CORPORATION

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Victoria, BC V9A 3K5

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MANAGEMENT INFORMATION CIRCULAR

TABLE OF CONTENTS

FORWARD-LOOKING INFORMATION.....	4
DOCUMENTS INCORPORATED BY REFERENCE.....	4
GLOSSARY OF TERMS.....	6
SUMMARY.....	10
The Meeting	10
The Acquisition.....	10
Strategic Rationale for the Acquisition	11
Conditions to the Acquisition Becoming Effective	11
Stock Exchange Approval.....	11
Information Concerning Carmanah Post-Acquisition	11
Selected Condensed Pro Forma Consolidated Financial Information	12
Carmanah Shares and Market Price	12
Risk Factors.....	12
CURRENCY	13
GENERAL PROXY INFORMATION.....	13
Solicitation of Proxies	13
Appointment of Proxies.....	13
Non-Registered Shareholders.....	13
Revocation of Proxies	14
Exercise of Discretion	14
Voting Securities and Principal Holders Thereof.....	15
Requisite Shareholder Approvals.....	15
PARTICULARS OF THE MATTERS TO BE ACTED UPON: THE ACQUISITION.....	15
Background to the Acquisition.....	15
Independent Committee Mandate.....	15
Initial Proposal	16
Revised Proposal.....	16
Due Diligence.....	16
Deliberations of the Independent Committee.....	16
Renegotiation Process	16
Independent Valuator’s Report and Fairness Opinion.....	17
Strategic Rationale for the Acquisition and Further Information Relating to Sol and the Acquisition	19
Recommendation.....	20
Related Party Transaction Disclosure	20
Other Securities Law Matters.....	21
Binding Letter of Intent.....	21
Merger Agreement	21
Indemnification Agreements	26
Note Purchase Agreement.....	28
Recommendation of the Directors and Voting on Acquisition Resolution	28
PARTICULARS OF OTHER MATTERS TO BE ACTED UPON.....	28
Appointment and Remuneration of Auditors	28
Election of Directors	28
Approval of Unallocated Share Awards Under Carmanah’s 2011 Incentive Awards Plan.....	32
Other Business.....	33

EXECUTIVE COMPENSATION.....	33
Compensation Discussion and Analysis.....	33
Governance of Compensation	33
Compensation Objectives and Principles	34
Compensation Competitiveness and Benchmarking	34
Risk Assessment.....	35
All Other Fees	35
Compensation Elements	35
Performance Graph	38
Summary Compensation Table	38
Summary of Employment Agreements for each Named Executive Officer.....	40
Incentive Plan Awards.....	42
Pension Plan Benefits.....	42
Deferred Compensation Plans	42
Termination and Change of Control Benefits.....	42
DIRECTOR COMPENSATION.....	43
Remuneration of Directors	43
Annual Retainer of Directors	44
Board Compensation Table.....	44
Director Share Ownership Guidelines.....	45
Incentive Plan Awards.....	45
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.....	46
Incentive Awards Plan.....	46
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	50
AUDIT COMMITTEE OF CARMANAH.....	50
CORPORATE GOVERNANCE DISCLOSURE	50
Board of Directors	51
Board Mandate	52
Position Descriptions.....	52
Orientation and Continuing Education	52
Ethical Business Conduct.....	53
Nomination of Directors.....	54
Compensation.....	54
Director Election and Majority Voting Policy	55
Other Board Committees.....	55
Assessments	55
SELECTED INFORMATION CONCERNING CARMANAH.....	55
Description of Carmanah Shares	56
Prior Sales	56
Stock Exchange Price.....	56
INFORMATION CONCERNING SOL	57
INFORMATION CONCERNING CARMANAH POST-ACQUISITION	57
RISK FACTORS	57
Risks Related to the Acquisition	57
Risks Related to the Operations of Sol and Carmanah Post-Acquisition	58
OTHER INFORMATION	59
Interest of Informed Persons in Material Transactions.....	59
Interests of Experts	59
Auditors, Transfer Agents and Registrars	59
Additional Information	59
Approval.....	60

SCHEDULE “A” Acquisition Resolution.....	61
SCHEDULE “B” Audit Committee Charter of Carmanah.....	62
SCHEDULE “C” Information Concerning Sol	66
SCHEDULE “D” Condensed Pro Forma Consolidated Financial Statements	78
SCHEDULE “E” Audited Annual Financial Statements of Sol	87
SCHEDULE “F” Unaudited Interim Financial Statements of Sol.....	118
SCHEDULE “G” Capital West Valuation and Fairness Opinion.....	126

FORWARD-LOOKING INFORMATION

This Circular contains forward-looking information which is prospective in nature. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or states that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking information by its nature requires assumptions and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information, and readers are cautioned not to place undue reliance on such information.

Examples of such statements include, but are not limited to: (i) the intention to complete the Acquisition and the expected timing thereof; (ii) the description of Carmanah upon completion of the Acquisition; (iii) growth in the outdoor lighting market; and (iv) prospective sales opportunities brought forward by Sol.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this Circular. Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of Carmanah to complete the Acquisition, satisfy conditions under the Merger Agreement, satisfy the requirements of the Exchange such that it will issue the final Exchange bulletin, obtain necessary financing and adequate insurance, successfully integrate Carmanah and Sol and manage risks, the economy generally, current and future stock prices, results of operations and development of expansion opportunities, fluctuations in market conditions, fluctuations in foreign currency exchange rates, the existence of undetected or unregistered interests or claims over the property of Sol, arbitrary changes in law, and anticipated and unanticipated costs.

Additional risk factors are noted under the heading “*Risk Factors*”. The factors identified above and under the heading “*Risk Factors*” are not intended to represent a complete list of the factors that could affect Carmanah or Sol.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this Circular. These risk factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which is current only as of the date of this Circular. All subsequent forward-looking information attributable to Carmanah or Sol herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. Carmanah and Sol do not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this Circular or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

DOCUMENTS INCORPORATED BY REFERENCE

Information regarding Carmanah has been incorporated by reference in this Circular from documents filed by Carmanah with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference regarding Carmanah may be obtained on request without charge from the Corporate Secretary of Carmanah, 250 Bay Street, Victoria, British Columbia, Canada, V9A 3K5, telephone: 250-380-0052 or may be obtained through the SEDAR website at www.sedar.com.

The following documents of Carmanah, filed with the various securities commissions or similar authorities in certain of the provinces of Canada, are specifically incorporated by reference into, and form an integral part, of this Circular:

- (a) the Carmanah Annual Information Form dated March 31, 2014 for the year ended December 31, 2013;

- (b) the audited consolidated financial statements of Carmanah and the notes thereto as at December 31, 2013 and 2012 and for each of the years ended December 31, 2013 and 2012, together with management's discussion and analysis thereof;
- (c) the unaudited condensed consolidated financial statements of Carmanah and the notes thereto as at March 31, 2014 and for the three months ended March 31, 2014 and 2013, together with management's discussion and analysis thereof;
- (d) the material change report of Carmanah dated January 21, 2014 in respect of the receipt of purchase orders from a single customer for \$1.5 million for solar outdoor lights and hardware for use in street lighting applications in Africa; and
- (e) the material change report of Carmanah dated March 21, 2014 in respect of the Acquisition.

Any documents of the type described in Section 11.1 of Form 44-101F1 — *Short Form Prospectus Distributions* filed by Carmanah with any securities commission or similar regulatory authority in Canada subsequent to the date of this Circular and prior to the date of the Meeting will be deemed to be incorporated by reference in this Circular. Other than the announcement of the Acquisition and the material change reports referenced above, Carmanah is not aware of any information that indicates any material change in the affairs of Carmanah since the date of the last published financial statements of Carmanah.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Circular.

GLOSSARY OF TERMS

In this Circular, the following capitalized terms shall have the following meanings, in addition to other terms defined elsewhere in this Circular.

“**Acquisition**” means the acquisition by Carmanah Technologies Corporation of all of the issued and outstanding shares of Sol, Inc.

“**Acquisition Resolution**” means the ordinary resolution approving the Acquisition and the issuance of up to 40,000,000 common shares of Carmanah, in the form attached as Schedule “A” to this Circular.

“**Accredited Investor**” has the meaning set forth in Rule 501(a) of Regulation D, promulgated under the Securities Act.

“**Affiliate**” has the meaning set forth in Rule 12b-2 under the U.S. Exchange Act of 1934, as amended.

“**BCBCA**” means the *Business Corporations Act* (British Columbia), and the regulations thereunder, as now in effect and as they may be promulgated or amended from time to time.

“**Board**” means the board of directors of Carmanah Technologies Corporation.

“**Business Day**” means any day, other than a Saturday or a Sunday, when Canadian chartered banks are open for business in Vancouver, British Columbia.

“**Carmanah**” means Carmanah Technologies Corporation, a company existing under the BCBCA.

“**Carmanah Shares**” means the common shares in the capital of Carmanah.

“**CEO**” means Chief Executive Officer.

“**CFO**” means Chief Financial Officer.

“**Circular**” means this Management Information Circular of Carmanah Technologies Corporation, including all schedules attached hereto.

“**Closing**” means the closing of the Acquisition as contemplated by the Merger Agreement upon the satisfaction or waiver of the conditions set forth in the Merger Agreement.

“**Closing Date**” means 9:00 a.m. (Pacific time) on the third Business Day following the satisfaction or waiver of the conditions set forth in the Merger Agreement or such other date as the parties agree.

“**Closing Date Balance Sheet**” means a balance sheet prepared in respect of Sol as of the Closing Date in accordance with GAAP, consistent with previous periods.

“**Closing Price**” means the average of the closing price of a Carmanah Share on the TSX on each of the trading days in a period of ten consecutive trading days ending two days before the Closing Date, with such average translated into U.S. dollars based on the noon buying rate as reported by the Bank of Canada on the final day in such ten consecutive trading day period.

“**Consent**” means any authorization, consent, approval, filing, waiver, exemption or other action by or notice to any Person.

“**Contract**” means a contract, agreement, lease, commitment or binding understanding, whether oral or written, that is in effect as of the date of the Merger Agreement or any time after the date of the Merger Agreement.

“**Controlling Shareholder**” means Michael W. Sonnenfeldt and his Affiliates.

“**Computershare**” means Computershare Investor Services Inc.

“**Deloitte**” means Deloitte LLP, Chartered Accountants.

“**Disclosure Schedule**” means the schedule delivered by Sol to Carmanah on or prior to the date of the Merger Agreement.

“**Dissenting Shares**” means Sol Shares in respect of which the holder has perfected his, her or its dissenter’s rights under the FBCA.

“**Earn-Out**” means the earn-out having the terms described in the Merger Agreement.

“**Earn-Out Consideration**” means an Eligible Shareholder’s pro rata share of the aggregate Earn-Out payments determined on the basis of such Eligible Shareholder’s percentage ownership of Sol Shares immediately prior to the Effective Time compared to all Eligible Shareholders’ percentage ownership of Sol Shares immediately prior to the Effective Time.

“**EBITDA**” means earnings before interest, taxes, depreciation, and amortization.

“**Effective Time**” means the effective time of the Acquisition as set forth in the articles of merger required to be filed at Closing.

“**Eligible Shareholder**” means a Sol shareholder entitled to Merger Consideration which includes Earn-Out Consideration.

“**Exchange**” means the Toronto Stock Exchange.

“**FBCA**” means the Florida Business Corporation Act.

“**GAAP**” means United States generally accepted accounting principles, as in effect from time to time.

“**Governmental Authorization**” means any approval, consent, license, permit, waiver, registration or other authorization issued, granted, given, made available or otherwise required by any Governmental Entity or pursuant to Law.

“**Governmental Entity**” means any federal, state, local, foreign, international or multinational entity or authority exercising executive, legislative, judicial, regulatory, administrative or taxing functions of or pertaining to government.

“**Governmental Order**” means any judgment, injunction, writ, order, ruling, award or decree by any Governmental Entity or arbitrator.

“**Indemnification Agreements**” means the voting and indemnification agreements between certain Sol Shareholders and Carmanah representing no less than 89% of the issued and outstanding capital stock of Sol.

“**Incentive Awards Plan**” means the existing 2011 Incentive Awards Plan of Carmanah.

“**Law**” means any constitution, law, ordinance, principle of common law, regulation, statute or treaty of any Governmental Entity.

“**Letter of Intent**” means the binding letter of intent dated as of March 21, 2014 between Carmanah and Sol.

“**Litigation**” means any claim, action, arbitration, mediation, audit, hearing, investigation, proceeding, litigation or suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Entity or arbitrator or mediator.

“**Market Price**” means the volume weighted average trading price of the Carmanah Shares on the Exchange for the five prior trading days.

“**Material Adverse Effect**” means any change, effect, event or condition, individually or in the aggregate, that has had, or, with the passage of time, could have, a material adverse effect on the business, assets, properties, condition (financial or otherwise), results of operations, prospects or customer, supplier or employee relationships of Sol and its Subsidiaries.

“**Meeting**” means the annual general and special meeting of Shareholders to be held at 8:30 a.m. (Pacific time) on June 23, 2014 to consider, among other matters, the Acquisition, and any adjournment or postponement thereof.

“**Merger Agreement**” means the agreement and plan of merger dated May 26, 2014 and entered into among Carmanah, Sol, Merger Subsidiary and Michael Sonnenfeldt relating to the Acquisition.

“**Merger Subsidiary**” means Carmanah Technologies (Florida) Corporation, a Florida corporation and wholly-owned subsidiary of Carmanah.

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“**Notice of Meeting**” means the notice to Shareholders calling the Meeting, which accompanies this Circular.

“**Ordinary Course of Business**” means the ordinary course of business of Sol consistent with past custom and practice (including with respect to quantity and frequency).

“**Organizational Documents**” means (i) the articles or certificate of incorporation and the bylaws of a corporation, (ii) the partnership agreement and any statement of partnership of a general partnership, (iii) the limited partnership agreement and the certificate of limited partnership of a limited partnership, (iv) the limited liability company agreement and articles or certificate of formation of a limited liability company, (v) any charter or similar document adopted or filed in connection with the creation, formation or organization of a Person and (vi) any amendment to any of the foregoing.

“**Person**” means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, Governmental Entity or other entity.

“**Proxy**” means the accompanying form of proxy for use at the Meeting.

“**Record Date**” means May 15, 2014, being the date set by Carmanah for determining Shareholders entitled to receive notice of and vote at the Meeting.

“**Required Buyer Shareholder Vote**” means the approval of the Merger Agreement and the transactions contemplated hereby at a meeting of the shareholders of Carmanah, and any adjournment thereof, in accordance with applicable Law, the rules and policies of the Exchange and Carmanah’s Organizational Documents.

“**Required Consent**” means all Consents and Governmental Authorizations necessary or reasonably desirable for the consummation of the transactions contemplated by the Merger Agreement.

“**Required Merger Subsidiary Shareholder Approval**” means the approval of the Merger Agreement and the transactions contemplated hereby by the sole shareholder of Merger Subsidiary as required under the FBCA and Merger Subsidiary’s Organizational Documents.

“Required Sol Shareholder Approval” means the approval of the Merger Agreement and the transactions contemplated thereby by the requisite Sol shareholder approval required under the FBCA and Sol’s Organizational Documents.

“Return” means any return, declaration, report, estimate, information return and statement pertaining to any Taxes.

“Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations thereunder.

“SEDAR” means System for Electronic Document Analysis and Retrieval.

“Shareholder” means a holder of Carmanah Shares.

“Sol” means Sol, Inc., a private company existing under the laws of Florida.

“Sol Shares” means the common shares in the capital of Sol.

“Sol Shareholder” means a holder of Sol Shares.

“Stock Option Plan” means the existing 10% rolling stock option plan of Carmanah.

“Subsidiary” means any entity of which more than 50% of whose outstanding securities representing the right to vote for the election of directors is owned by another Person.

“Tax Affiliate” means Sol and any other Person that is or was a member of an affiliated, combined or unitary group of which Sol is or was a member.

“Taxes” means all taxes, charges, fees, levies or other assessments, including all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, social security, unemployment, excise, estimated, severance, stamp, occupation, property or other taxes, customs duties, fees, assessments or charges of any kind whatsoever, including all interest and penalties thereon, and additions to tax or additional amounts imposed by any Governmental Entity upon Sol or any Tax Affiliate.

“Working Capital” means Sol’s current assets less its current liabilities (as defined under GAAP), in each case determined as of the Closing Date and prepared in accordance with the terms of the Merger Agreement.

SUMMARY

The following is a summary of the principal features of the Meeting and the Acquisition and should be read together with the more detailed information and financial data and statements contained elsewhere in this Circular. This summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein. The information contained herein is as of May 23, 2014 unless otherwise indicated. Capitalized terms used in this summary are defined in the “Glossary of Terms” or elsewhere in this Circular. All terms not otherwise defined herein have the meaning ascribed to them in the Merger Agreement.

The Meeting

The Meeting will be held on June 23, 2014 at Delta Victoria Ocean Pointe - Harbour Room - 45 Songhees Road, Victoria, B.C. at 8:30 a.m. (Pacific time). The record date set by Carmanah for determining Shareholders entitled to receive notice of and vote at the Meeting is May 15, 2014.

The Meeting is both an annual general and a special meeting. At the Meeting the audited consolidated financial statements of Carmanah for the year ended December 31, 2013 will be presented to the Shareholders, and the Shareholders will be asked to pass resolutions electing directors to hold office until the next annual general meeting of Carmanah, re-appointing Deloitte as auditor, authorizing the directors to fix the auditor’s remuneration and re-approving the Stock Option Plan.

In addition, the Shareholders will be asked at the Meeting to pass the Acquisition Resolution approving the Acquisition of Sol by Carmanah and the issuance of up to 40,000,000 common shares of Carmanah in connection therewith. The full text of the Acquisition Resolution is set out in Schedule “A” to this Circular.

The Acquisition will be at non-arm’s length, is a related party transaction within the meaning of MI 61-101, and will result in Michael Sonnenfeldt obtaining more than 10% of the issued and outstanding Carmanah Shares in a six month period. Accordingly, the Acquisition Resolution will require approval of a simple majority of disinterested Shareholders, (ie. excluding any votes held by Michael Sonnenfeldt and any of his Affiliates) voting in person or represented by Proxy at the Meeting. All other resolutions before the Meeting will require a simple majority of the vote of Shareholders voting in person or by Proxy at the Meeting.

The Acquisition

Pursuant to the Acquisition, Carmanah will acquire Sol, a private company incorporated in Florida that is focused on the production and sale of solar powered outdoor lighting. Under the Merger Agreement, Carmanah has agreed to issue 38,163,176 Carmanah Shares to Sol in exchange for 100% of the issued and outstanding Sol Shares, representing an aggregate purchase price of, as of the date of the Letter of Intent, Cdn\$7.6 million (based on the volume weighted average closing price of the Carmanah Shares on the Exchange for the twenty consecutive trading days ending on March 21, 2014 which was the date on which the Acquisition was first publicly announced).

Additionally, Carmanah has agreed to pay Earn-Out Consideration to certain former shareholders of Sol equal to 3% of total revenues received by the Company in respect of 10 specifically identified prospective sales opportunities brought forth by Sol. In order to qualify for the earn-out, various conditions must be met. Most significantly each of these projects must result in revenues of at least \$5.0 million and the sales order must be received and accepted by Carmanah prior to December 31, 2015, although cash and delivery can occur after that date. Mr. Sonnenfeldt will not be an electing former shareholder as he has waived receipt of all earn-out payments should these accrue. Accordingly any earn-out payment will be payable to the remaining Sol Shareholders on a proportional basis.

The list of the 10 projects has been provided by Sol. These projects, a list of which will not be publicly disclosed for competitive reasons, have aggregate sales potential of more than \$450 million. The projects are at various stages of development. Most are in early stages of discussion or evaluations. One project, with a sales potential of approximately \$90 million, is the subject of an executed supply agreement. Notwithstanding the executed supply agreement, Carmanah is aware of significant conditions that must be met in order for this project to proceed and has

no ability at this stage to predict if these conditions will be met or if the project will proceed. The same or greater degrees of uncertainty exist for all other projects.

Shareholders should be cautious about the prospects of these 10 projects. While Carmanah management is encouraged to be taking over a high value pipeline of potential projects, there is no clear way to determine at this stage if any of the projects will come to fruition.

Michael Sonnenfeldt currently owns 84.5% of the Sol Shares as well as 23.4% of the Carmanah Shares. After completion of the Acquisition, Sol will become a wholly-owned subsidiary of Carmanah and former Sol shareholders will hold approximately 24.1% of the issued capital of Carmanah.

See “*Particulars of the Matters to be Acted Upon: The Acquisition*”.

Strategic Rationale for the Acquisition

Management believes there are significant growth opportunities in the outdoor lighting market. Near term growth is anticipated to be moderate which will become stronger over the long-term. This growth will be driven by technological advances in the underlying components used in outdoor solar lights and economic expansion, especially in the developing world. The timing of this growth is uncertain, but it is felt that the consolidation of Carmanah and Sol will allow the combined Company to operate at a profitable level and to position itself as a market contender while the Company waits for this expected growth.

Conditions to the Acquisition Becoming Effective

The completion of the Acquisition is subject to the satisfaction or waiver of a number of closing conditions by the parties to the Merger Agreement, including:

- approval of the Shareholders at the Meeting, including the approval of a majority of disinterested Shareholders (i.e. excluding votes of Michael Sonnenfeldt and any of his Affiliates);
- receipt of all required regulatory approvals, including the consent from any regulators in Florida and final approval of the Exchange;
- compliance by the parties with all covenants and agreements in the Merger Agreement; and
- that there be no Material Adverse Effect on the business of Sol.

See “*Particulars of the Matters to be Acted Upon: The Acquisition - Merger Agreement – Conditions to Closing*”.

Stock Exchange Approval

The completion of the Acquisition is subject to the receipt by Carmanah of the approval of the Acquisition by the Exchange. Carmanah has received the conditional approval of the Exchange to complete the Acquisition.

Information Concerning Carmanah Post-Acquisition

Corporate Structure/Relationships

Following completion of the Acquisition, Sol will exist as a wholly-owned subsidiary of Carmanah. Tax planning may result in additional entities being involved to ensure the consolidated company has an optimal structure going forward.

Management and Operations

No changes to Carmanah's management team or Board are currently being contemplated as a result of the Acquisition. Changes to Sol's management team and structure will be determined in the future once detailed integration plans are fully developed.

Condensed Pro Forma Consolidated Financial Statements

See Schedule "D" to this Circular for the unaudited condensed pro forma consolidated financial statements of Carmanah.

The following table states the number and percentage of securities of Carmanah proposed to be outstanding on a fully diluted basis after giving effect to the Acquisition.

	Outstanding Securities
Carmanah Shares issued and outstanding as at the date of this Circular	119,912,011 (71.2%)
Carmanah Shares to be issued pursuant to the Acquisition	38,163,176 (22.6%)
Carmanah Shares reserved for issuance upon exercise of stock options convertible into Carmanah Shares	10,385,500 (6.2%)
Total number of Carmanah Shares (fully-diluted)	168,460,687 (100%)

Selected Condensed Pro Forma Consolidated Financial Information

The following summary of condensed pro forma consolidated financial information for Carmanah post-acquisition is as at March 31, 2014, as though the Acquisition had been completed on that date. It should be read in conjunction with, and is qualified in its entirety by, the condensed pro forma consolidated financial statements attached as Schedule "D" hereto.

<i>In thousands of US \$</i>	
Current Assets	\$17,144
Total Assets	\$25,401
Current Liabilities	\$8,234
Long Term Liabilities	\$546
Share Capital	\$50,945
Shareholder's Equity	\$16,621
Retained Earnings (Deficit)	\$(37,205)

Carmanah Shares and Market Price

The Carmanah Shares are listed on the Exchange. The closing price of Carmanah Shares on the Exchange on March 21, 2014, the date of announcement of the Acquisition, was Cdn\$0.22, and as at the date of this Circular was Cdn\$0.23.

Risk Factors

Following the completion of the Acquisition, Carmanah will have an expanded offering and business within its outdoor solar lighting segment, a market which management believes has significant growth opportunities in the future as solar efficiency and LED lighting technology advances. In evaluating the Acquisition, Shareholders should carefully consider, in addition to the other information contained in this Circular and the risks and uncertainties described under "*Risk Factors*" herein before deciding to vote in favour of the Acquisition. Some of these risk factors that will be faced by Carmanah are, among other things:

- closing conditions outside the control of Carmanah or Sol may prevent the completion of the Acquisition;
- Carmanah may fail to realize anticipated benefits of the Acquisition;
- the dilutive effect on Shareholders arising from the Acquisition may impact share value;
- market volatility will impact on share value;
- there is no certainty that Merger Agreement will not be terminated by the parties;
- the ability of Carmanah to develop and operate the business post-acquisition may be impaired;
- licenses, permits, approvals and renewals from governmental authorities required by Carmanah may be at risk;

While this Circular has described the risks and uncertainties that management of Carmanah believes to be material to Carmanah's business, and therefore material to the value of the Carmanah Shares, it is possible that other risks and uncertainties affecting Carmanah's business will arise or become material in the future.

CURRENCY

All currency references in this Circular are in United States dollars unless otherwise indicated. All references herein to "Cdn\$" mean Canadian Dollars.

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the management of Carmanah for use at the Meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by directors, officers or employees of Carmanah. Costs of the solicitation of proxies for the Meeting will be borne by Carmanah. 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 Carmanah who will not be directly compensated therefor. Carmanah has arranged for intermediaries to forward meeting materials to beneficial holders held of record by those intermediaries and Carmanah may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

Appointment of Proxies

The individuals named in the accompanying Proxy are directors or officers of Carmanah. **A REGISTERED SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON OR COMPANY (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR THE REGISTERED SHAREHOLDER AND ON THE REGISTERED SHAREHOLDER'S BEHALF AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY INSERTING SUCH PERSON'S OR COMPANY'S NAME IN THE BLANK SPACE PROVIDED IN THE PROXY AND STRIKING OUT THE TWO PRINTED NAMES, OR BY COMPLETING ANOTHER PROXY.** A Proxy will not be valid unless it is completed, dated, signed and delivered to Computershare at 510 Burrard St, Vancouver, BC V6C 3A8 not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting, or is delivered to the chair of the Meeting prior to the commencement of the Meeting.

Non-Registered Shareholders

Only holders of record of Carmanah Shares ("**Registered Shareholders**") or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders of Carmanah are "non-registered" Shareholders because the Carmanah Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Carmanah Shares. More particularly, a person is not a Registered Shareholder in respect of Carmanah Shares which are held on behalf of the person (the "**Non-Registered Holder**") but which are registered either: (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the Carmanah Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities

Limited (“CDS”)) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 - *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, Carmanah has distributed copies of the Notice of Meeting, this Circular and the Proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will be given a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “**proxy authorization form**”) which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page preprinted form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed Proxy accompanied by a page of instructions, which contains a removable label containing a bar code and other information. In order for the Proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the Proxy, properly complete and sign the Proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Carmanah Shares that they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders and insert the Non-Registered Holder’s name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the Proxy or proxy authorization form is to be delivered.**

Revocation of Proxies

A Shareholder who has given a Proxy may revoke it by an instrument in writing executed by the Shareholder or by the Shareholder’s attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of Carmanah, and delivered either to Computershare not less than 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or any adjournment of it, or to the chair of the Meeting on the day of the Meeting or any adjournment of it. **Only Registered Shareholders have the right to revoke a Proxy. Non-Registered Holders who wish to change their vote must, at least seven days before the Meeting, arrange for their respective Intermediaries to revoke the Proxy on their behalf. A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.**

Exercise of Discretion

The persons named in the Proxy accompanying this Circular will vote or withhold from voting the Carmanah Shares in accordance with the instructions from the Shareholder, on any ballot that may be called for. If a choice is specified with respect to any matter to be acted upon, the Carmanah Shares will be voted accordingly.

Where no choice has been specified by the Shareholder, or if both choices have been specified, such Carmanah Shares will be voted in favour of the matters identified in the Notice of Meeting.

The enclosed Proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the persons appointed proxyholders thereunder to vote with respect to any amendments or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of the printing of this Circular, management of Carmanah knows of no such amendment, variation or other matter which may be presented to the Meeting.

Voting Securities and Principal Holders Thereof

As at the date hereof, Carmanah has issued and outstanding 119,912,011 fully paid and non-assessable Carmanah Shares, each share carrying the right to one vote. Carmanah has only one class of voting securities.

Registered Shareholders as at the Record Date who either personally attend the Meeting or who have completed and delivered a Proxy in the manner and subject to the provisions described above shall be entitled to vote or to have their Carmanah Shares voted at the Meeting.

To the knowledge of the directors and executive officers of Carmanah, there are no persons who, or corporations which, beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the voting rights attached to all issued and outstanding Carmanah Shares other than Michael Sonnenfeldt and Jim Meekison, who respectively own 23.4% (28,037,778) and 11.0% (13,178,000) of the issued and outstanding Carmanah Shares.

Requisite Shareholder Approvals

The Acquisition will be at non-arm's length, is a related party transaction within the meaning of MI 61-101, and will result in Michael Sonnenfeldt obtaining more than 10% of the issued and outstanding Carmanah Shares in a six month period. As a result, the Acquisition Resolution will require approval of a simple majority of disinterested Shareholders, (ie. excluding votes attached to any Carmanah Shares held by Michael Sonnenfeldt and any of his Affiliates who currently own 28,037,778 Carmanah Shares or 23.4% of the issued and outstanding Carmanah Shares), voting in person or by Proxy at the Meeting. All other resolutions before the Meeting will require a simple majority of the vote of Shareholders voting in person or by Proxy at the Meeting.

PARTICULARS OF THE MATTERS TO BE ACTED UPON: THE ACQUISITION

Background to the Acquisition

In September, 2013 Carmanah management began discussions with the management of Sol. The companies were introduced to each other by Michael Sonnenfeldt, Carmanah's largest shareholder and Chairman who was also Sol's largest shareholder and Chairman. Mr. Sonnenfeldt indicated that he would be supportive of the Acquisition but Mr. Sonnenfeldt also recognized the complexities of the conflict that existed given his position and shareholdings in both companies. Accordingly, Mr. Sonnenfeldt made known his conflict at the outset and left it to Carmanah's CEO, John Simmons, and the Carmanah management team to evaluate and make a determination regarding the Acquisition.

Between September, 2013 and November, 2013, the Carmanah management team considered the prospects for solar outdoor lighting in general, considered the competitive environment and specifically the operations of Sol. After careful consideration, Carmanah management put forward a proposal to the Carmanah Board on November 21, 2013 to pursue the Acquisition. The Board, with Mr. Sonnenfeldt abstaining, agreed with the assessment of management which led to the formation of an Independent Committee (the "**Independent Committee**") of Carmanah's Board consisting of Terry Holland (Chair), James Meekison and Peter Berrang.

Independent Committee Mandate

The mandate of the Independent Committee was to review the results of Carmanah management's evaluation and due diligence and the terms of the proposed transaction and ultimately provide its recommendations to Carmanah's Board and to Shareholders. To assist them in assessing the Acquisition and to comply with the requirements of MI 61-101, the Independent Committee decided to engage the services of an independent valuator to develop a valuation and fairness opinion in respect of the Acquisition. After considering various proposals from potential independent valutors, the Independent Committee appointed Capital West Partners ("**Capital West**") to undertake a valuation and to provide a fairness opinion. Capital West met with Carmanah management and separately with Sol management. Each company received information requests from Capital West and each provided this information in a timely manner.

The Committee was to complete its mandate free of any influence of any person or entity that had a material interest in the contemplated transaction.

Initial Proposal

Carmanah management, led by CEO John Simmons, undertook the initial discussions with Mr. Sonnenfeldt. The discussions resulted in management putting forward an analysis and acquisition proposal which was presented to the Independent Committee on February 3, 2014. On that day, during a teleconference, the Independent Committee questioned management about its analysis and probed the proposed transaction structure and valuation closely.

After the February 3, 2014 meeting, the Independent Committee Chair spoke separately to each of the Independent Committee members to poll their view on management's proposal. Based on these discussions, the Independent Committee informed management that, based on the information presented, it was prepared to support moving ahead with further evaluation and due diligence but needed more in-depth analysis before it could recommend the transaction to Shareholders.

Revised Proposal

On February 13, 2014, Carmanah management produced and presented a more comprehensive report to the Independent Committee. Also on February 13, 2014, the Independent Committee met with Carmanah management by teleconference during which management presented its revised materials and a more thorough rationale for the proposed transaction.

Based on the report tabled that day, the Independent Committee, acting unanimously, provided tentative approval to continue negotiation but made its approval conditional on further due diligence by management and receipt of a valuation and fairness opinion by an independent valuator.

Due Diligence

Carmanah management retained Mr. John Walker, an independent consultant, to help conduct due diligence in respect of the Acquisition. Between February 17, 2014 and February 21, 2014, Mr. Walker and members of Carmanah management visited Sol in Florida and conducted a thorough review of all pertinent company records and interviewed all relevant staff. In doing its review, Carmanah assembled a comprehensive electronic data room.

A due diligence report was completed and presented to the Independent Committee. The Independent Committee also interviewed Mr. Walker. The due diligence report supported the original transaction proposal as to valuation but did recommend the inclusion of several safeguards and indemnities into definitive agreements to provide greater protection to Carmanah.

Deliberations of the Independent Committee

After the receipt of the due diligence report and the receipt of the preliminary draft analysis of Capital West, the Independent Committee held a number of telephone discussions among its members and with Capital West. Based on these discussions and considerations, the Independent Committee responded to management that its proposal was unacceptable from a valuation perspective. The Independent Committee informed management that, if it wished to proceed with a transaction to acquire Sol, negotiations must be reopened and an agreement must be sought at a lower valuation.

Renegotiation Process

Management undertook to renegotiate the proposed acquisition with Sol as instructed by the Independent Committee. Through discussions with Sol shareholders and advisors, a revised proposal was developed that reduced the initial valuation consideration but did provide the potential for future earn-out payments based on revenue received from a limited number of identified projects should these projects result in contracts between closing and

December 31, 2015. The Chair of the Independent Committee participated directly with management in these negotiations.

Independent Valuator's Report and Fairness Opinion

Michael W. Sonnenfeldt is the majority shareholder of Sol and is also a director of Carmanah who owns or controls, directly or indirectly, 23.4% of the outstanding common shares of Carmanah as of the date of this Circular. Accordingly, the Acquisition is considered to be a "related party transaction" for purposes of MI 61-101 and Carmanah was required to obtain a formal valuation of Sol and provide details of that valuation to shareholders to assist in their consideration of the Acquisition.

As described above, on February 19, 2014, the Independent Committee retained Capital West to provide a valuation as required by MI 61-101 and subsequently supervised the preparation of that valuation. At the request of the Independent Committee, the valuation also included an opinion from Capital West as to the fairness of the Acquisition from a financial point of view to the shareholders of Carmanah other than Mr. Sonnenfeldt. The full text of the resulting report, referred to herein as the "**Valuation and Fairness Opinion**", is attached to this Circular as Schedule "G".

Qualifications and Independence of Capital West

Capital West is an independent Canadian investment banking firm specializing in corporate finance and advisory services to corporations and governments. Capital West and its principals have prepared numerous valuations and fairness opinions and have provided advisory services in a significant number of transactions involving Canadian public and private companies.

Capital West confirmed to the Independent Committee that neither it nor any of its associates or affiliates: (i) is an "issuer insider", "associate", "affiliate" or "affiliated entity" (as those terms are defined in MI 61-101) of Carmanah or Sol, or any of their respective associates or affiliates; (ii) is an advisor to any person or company other than to the Independent Committee with respect to the Acquisition; or (iii) is a manager or co-manager of a Soliciting dealer group formed in respect of the Acquisition.

In addition, Capital West has not provided any financial advisory services or participated in any financing involving Carmanah or Sol, or any of their respective associates or affiliates during the 24 months preceding the date Capital West was first contacted regarding the Acquisition, other than the services provided in connection with the Valuation and Fairness Opinion. In addition, there are no understandings, agreements or commitments between Capital West and Carmanah with respect to any future business dealings.

Under the terms of its engagement, Capital West is being paid a fixed fee for its services in connection with the preparation and delivery of the Valuation and Fairness Opinion, will be reimbursed by Carmanah for reasonable expenses incurred and is entitled to be indemnified by Carmanah in certain circumstances. No portion of the fee is contingent on completion of the Acquisition or on the conclusions reached by Capital West with respect to valuation and the fairness of the transaction.

Based on the foregoing, the Independent Committee determined that Capital West is independent within the meaning of MI 61-101 and qualified to provide the Valuation and Fairness Opinion.

Scope of Review, Assumptions and Limitations

The Valuation and Fairness Opinion was rendered as of April 4th, 2014 and was based upon securities markets, economic, general business and financial conditions prevailing as of that date. It was also based upon a review by Capital West of information provided by Carmanah and Sol on the assumption that such information was accurate in all material respects. To fully understand the scope of the work undertaken by Capital West and its limitations, shareholders are strongly encouraged to carefully review the full text of the Valuation and Fairness Opinion attached hereto as Schedule "G".

Summary of Valuation

The Valuation and Fairness Opinion was prepared based upon techniques and assumptions that Capital West considered appropriate in the circumstances, after considering all relevant facts for the purposes of arriving at an opinion as to the range of the fair market value of Sol. The valuation methodology employed by Capital West requires the development of long-range financial forecasts for Sol, which reflects numerous assumptions regarding the impact of general economic and industry conditions on future financial results. While Capital West believes the assumptions used are appropriate in the circumstances, some or all of the assumptions may prove to be incorrect.

For purposes of the Valuation and Fairness Opinion, “**Fair Market Value**” was defined as the highest price, expressed in terms of money or money’s worth, available in an open and unrestricted market between informed and prudent parties, acting at arm’s-length and under no compulsion to act.

In Capital West’s view:

- the Fair Market Value of a business interest with active operations is generally determined to be the greater of the value that can be substantiated based on a capitalization of the anticipated flow of future income or that which the owner would receive should the business be liquidated; and
- the Fair Market Value of a business interest generating a level of profitability commensurate with the assets employed should be based on an income or cash flow approach to value.

A going concern valuation approach is future-oriented and intended to capture the present value of the expected financial performance of the subject matter being valued. In contrast, if it is determined that the business cannot produce a level of income sufficient to justify continuing to hold the assets and that investors would benefit more by liquidating the business than by operating it, the value to be placed on the business should be its liquidation value.

The Fair Market Value of Sol was analysed on a going concern basis. In the opinion of Capital West, a going concern approach is appropriate for Sol due to the following factors:

- Revenue and profitability of Sol prior to its recent financial difficulties;
- Sol’s recent restructuring and efforts to re-focus the business to eliminate administrative costs and improve profitability;
- Prospects for revenue growth and profitability in the near term; and
- Forecasted growth in the industry and markets served by Sol, specifically for off-grid Solar powered lighting in emerging markets of the developing world.

In preparing the valuation of Sol, Capital West considered a number of different valuation methodologies, including:

- discounted value of future cash flows;
- capitalization of maintainable discretionary cash flow;
- comparable company analysis; and
- precedent transactions.

Upon reviewing the applicability of the various valuation methodologies, Capital West concluded that the discounted cash flow methodology was the most appropriate for valuing Sol. Full details of the results of Capital West’s analysis of Sol valuation using the discounted cash flow methodology are set out in the Valuation and Fairness Opinion.

As a result of this analysis, Capital West concluded that Sol's Fair Market Value as of the date of the Valuation and Fairness Opinion was in the range of \$5.8 million to \$6.7 million. After converting these amounts into Canadian dollars at exchange rates then prevailing, Capital West concluded the Fair Market Value of Sol, in Canadian dollars, is in the range of Cdn\$6.5 million to Cdn\$7.5 million.

Summary of Fairness Opinion

At the request of the Independent Committee, Capital West also provided an opinion regarding the fairness, from a financial point of view, of the Acquisition to shareholders of Carmanah other than Mr. Sonnenfeldt. In coming to its conclusions on fairness, Capital West considered a number factors including, but not limited to:

- a comparison of the range of Fair Market Value for Sol as determined above to the value of Carmanah;
- a comparison of the implied value of the share consideration offered under the Proposed Transaction to the range of Fair Market Value of Sol determined above;
- the relative contribution of Carmanah and Sol to historical and budgeted sales and gross profit;
- the current statement of financial position of Carmanah and Sol;
- the synergies and other material benefits from the Acquisition; and
- such other qualitative and quantitative factors, information, investigations and analyses considered necessary or appropriate in the circumstances.

In coming to their conclusions on fairness, Capital West: (a) compared the relative Fair Market Values of Carmanah and Sol; (b) compared the value of the consideration offered by Carmanah to Sol's valuation; (c) analysed the relative contribution of both companies, on a *pro forma* basis, to sales and gross profit and compared that to the percentage of Carmanah's common shares that would be owned by former Sol Shareholders if the transaction were completed; and (d) noted that the Acquisition is subject to minority approval at the Meeting.

Based upon and subject to the foregoing and such other matters as we considered relevant, Capital West was of the opinion that, as of the date its opinion, the Acquisition is fair, from a financial point of view, to the Shareholders of Carmanah other than Mr. Sonnenfeldt.

The Independent Committee strongly encourages all shareholders to read the Valuation and Fairness Opinion in its entirety and to carefully consider its contents and conclusions, as well as the other disclosure in this Circular, prior to casting a vote in respect of the Acquisition.

Strategic Rationale for the Acquisition and Further Information Relating to Sol and the Acquisition

As previously noted, management believes there are significant growth opportunities in the outdoor lighting market. Near term growth is anticipated to be moderate which will become stronger over the long-term. This growth will be driven by technological advances in the underlying components used in outdoor solar lights and economic expansion, especially in the developing world. The timing of this growth is uncertain, but it is felt that the consolidation of Carmanah and Sol will allow the combined Company to operate at a profitable level and to position itself as a market contender while the Company waits for this expected growth.

In addition:

- further information relating to the business of Sol is attached hereto as Schedule "C";
- further information relating to the expected business of Carmanah after the completion of the Acquisition is discussed under the section "Information Concerning Carmanah Post-Acquisition";

- condensed pro forma consolidated financial statements showing the combination of Carmanah and Sol are attached hereto as Schedule “D”;
- historical audited financial statements of Sol are attached hereto as Schedule “E”; and
- unaudited interim financial statements of Sol are attached hereto as Schedule “F”.

Shareholders are urged to review this information carefully prior to casting their votes on the Acquisition Resolution.

Recommendation

The Independent Committee provided a high degree of oversight with respect to Carmanah’s proposed transaction to acquire Sol. As well, it participated directly in the final negotiations. **Given this, and given the opinion expressed by the independent valuator with respect to the Sol valuation and the fairness of the Acquisition for Shareholders, the Independent Committee recommends Shareholders vote in favour of the Acquisition. Based on that recommendation, the full Board (excluding Mr. Sonnenfeldt) also recommends that Shareholders vote in favour of the Acquisition.**

Related Party Transaction Disclosure

Michael Sonnenfeldt either directly or indirectly owns or controls 84.5% of the Sol Shares as well as 23.4% of the issued and outstanding Carmanah Shares.

Carmanah is seeking Shareholder approval of the issuance of up to 40,000,000 Carmanah Shares, which represents approximately 33.3 % of the currently issued and outstanding Carmanah Shares.

The Sol Shareholders, including Mr. Sonnenfeldt, will be issued 38,163,176 Carmanah Shares as part of the Acquisition, representing a purchase price payable to Sol shareholders of, as of the date of the Letter of Intent, Cdn\$7.6 million based on the volume weighted average closing price of the Carmanah Shares on the Exchange for the twenty consecutive trading days ending on March 21, 2014. Mr. Sonnenfeldt will receive an estimated 32,257,372 Carmanah Shares as part of the Acquisition pursuant to the terms of the Merger Agreement and the Note Purchase Agreement (such number of Carmanah Shares to increase or decrease depending on the amount of Sol debt at the time of Closing and the elections chosen by other Sol Shareholders). After completion of the Acquisition, Carmanah will own 100% of the issued capital of Sol, with the former Sol Shareholders holding approximately 24.1% of the issued capital of Carmanah. Following completion of the Acquisition, Mr. Sonnenfeldt will either directly or indirectly own or control approximately 60,295,150 (subject to adjustment as described above) Carmanah Shares, representing approximately 38.1% of the issued and outstanding Carmanah Shares.

MI 61-101 regulates certain types of related party transactions to ensure equality of treatment among security holders and may require enhanced disclosure, approval by a majority of security holders (excluding interested or related parties), independent valuations and, in certain instances, approval and oversight of certain transactions by a special committee of independent directors. The Acquisition is a “related party transaction” within the meaning of MI 61-101, as a “related party” (as defined in MI 61-101), namely Michael Sonnenfeldt, shall, as a consequence of the Acquisition, directly or indirectly, (i) sell, transfer or dispose of an asset to Carmanah, and (ii) receive the Carmanah Shares as consideration for the Acquisition.

Valuation

Pursuant to MI 61-101, a formal valuation of a related party transaction is required and has been provided by Capital West.

Minority Approval

MI 61-101 requires that, in addition to any other required security holder approval, a related party transaction is subject to “minority approval” (as defined in MI 61-101) of every class of “affected securities” (as defined in MI 61-101) of the issuer, in each case voting separately as a class. In relation to the Acquisition, the approval of the Acquisition Resolution will require the affirmative vote of a simple majority of the votes cast by all Shareholders other than interested parties including: (i) all related parties of Carmanah who are entitled to receive, directly or indirectly, as a consequence of the Acquisition a collateral benefit; (ii) any related party of the foregoing; and (iii) any person that is a “joint actor” (as defined in MI 61-101) with any of the foregoing (all Shareholders other than such interested parties are referred to herein as the “**Minority Shareholders**”).

To the knowledge of the directors and executive officers of Carmanah, after reasonable inquiry, Michael Sonnenfeldt is the only Shareholder that is not a Minority Shareholder.

Pursuant to the Exchange’s Company Manual, the Acquisition requires Shareholder approval, as more than 25% of the issued and outstanding Carmanah Shares will be issued. In addition, because Michael Sonnenfeldt is receiving more than 10% of the issued and outstanding Carmanah Shares as a result of the Acquisition and the issuance of Carmanah Shares under a private placement that closed on April 3, 2014, disinterested Shareholder approval is required.

Other Securities Law Matters

The issue of Carmanah Shares to Sol, as contemplated in the Merger Agreement, will be exempt from prospectus requirements of applicable Canadian securities laws.

The officers and directors of Carmanah eligible to vote, holding in the aggregate approximately 20.6% of the issued and outstanding Carmanah Shares, have indicated their support for the Acquisition.

Binding Letter of Intent

On March 21, 2014, Carmanah and Sol entered into the Letter of Intent under which Carmanah would acquire Sol for the following consideration:

- 38,163,176 Carmanah Shares, which would be issued from treasury; and
- An Earn-Out payable to the former shareholders of Sol equal to 3% of total revenues received by Carmanah in respects of certain specified prospective sales by Sol. Each of these identified sales must result in revenues of at least \$5.0 million for Carmanah and be received and accepted by Sol by December 31, 2015. Mr. Sonnenfeldt will waive receipt of Earn-Out Consideration which will be then provided on a proportional basis to the other Sol Shareholders.

The Letter of Intent has been filed by Carmanah under its profile on SEDAR at www.sedar.com. Subsequent to the execution and delivery of the Letter of Intent, the parties agreed to change the structure of the proposed transaction from a share purchase to a merger under Florida law, although the economic basis of the transaction remains the same. The terms of the revised transaction are set out in the Merger Agreement and are described in the “Merger Agreement” section below.

Merger Agreement

General

The Acquisition will be effected pursuant to the Merger Agreement, a copy of which has been filed by Carmanah under its profile on SEDAR at www.sedar.com. The Merger Agreement contains covenants, representations and warranties of and from each of Carmanah, Merger Subsidiary and Sol and various conditions precedent with respect to each party to the Merger Agreement. The following is a summary of certain material provisions of the Merger

Agreement and is not comprehensive but is qualified in its entirety by reference to the full text of the Merger Agreement.

On the terms and subject to the conditions set forth in the Merger Agreement, on the Closing Date, Merger Subsidiary will be merged with and into Sol, the separate existence of Merger Subsidiary will cease, and Sol will continue as the surviving corporation under the corporate name “Sol, Inc.”, which will be a wholly-owned subsidiary of Carmanah.

On the Closing Date, at the Effective Time, by virtue of the Acquisition and without any action on the part of Carmanah, Merger Subsidiary, Sol, or the holder of any of securities of the foregoing:

- each Sol Share issued and outstanding immediately prior to the Closing Date will be canceled and extinguished and be converted into and become a right to receive, at the election of the holder thereof, one of the following options (each, a “**Merger Consideration Election**”):
 - (A) if the holder is not an Accredited Investor, an amount in cash, in U.S. dollars, calculated by multiplying the Share Exchange Ratio by the Closing Price (the “**Cash Exchange Ratio**”), plus (B) the applicable Earn-Out Consideration (the “**Cash & Earn-Out Election**”);
 - if the holder is an Accredited Investor, either of the following, at the election of the holder:
 - (A) that number of Carmanah Shares as is calculated by dividing the number of Merger Consideration Shares by the total number of Sol Shares outstanding immediately prior to the Effective Time (the “**Share Exchange Ratio**”), plus (B) the applicable Earn-Out Consideration (the “**Share & Earn-Out Election**”); or
 - that number of Carmanah Shares as is equal to the Share Exchange Ratio (the “**Share Only Election**”).

Any option or other security to purchase Sol Shares outstanding immediately prior to the Closing Date (a “**Sol Option**”) will be canceled at or prior to the Effective Time. Prior to the Closing Date, Sol will take all action that may be necessary (under the plans and option agreements pursuant to which Sol Options are outstanding and otherwise) to ensure that, from and after the Effective Time, holders of Sol Options have no rights with respect thereto.

Conditions to Closing

Conditions Precedent to the Obligations of Carmanah

The obligation of Carmanah to complete the Acquisition is subject to the fulfillment of a number of conditions precedent on or before Closing (each of which is for the exclusive benefit of Carmanah and may be waived by Carmanah), including:

- the representations and warranties set forth in Merger Agreement will be true and correct in all material respects;
- Sol will have performed and complied with each of its agreements contained in the Merger Agreement in all material respects;
- the Merger Agreement will have been duly adopted by the Required Sol Shareholder Approval;
- the Indemnification Agreements will have been duly executed and delivered to Carmanah by Sol Shareholders representing no less than 90% of the issued and outstanding capital stock of the Sol immediately prior to the Closing, and such Indemnification Agreements will be in full force and effect;

- Sol Shareholders holding no greater than 5% of the issued and outstanding Sol Shares immediately prior to the Effective Time will have exercised, or given notice of an intent to exercise, any dissenters' rights under the FBCA;
- the Controlling Shareholder will have made a Share Only Election;
- after the date of the Merger Agreement and prior to the Closing, the Controlling Shareholder will have purchased from Sol such number of additional Sol Shares with an aggregate purchase price of no less than the amounts reasonably believed by Carmanah to be necessary for Working Capital, Cash & Earn-Out Elections and deemed Cash & Earn-Out Elections with respect to Dissenting Shares;
- Carmanah will be reasonably satisfied that the Working Capital will not be less than \$1,300,000, plus the maximum amount of each payable with respect to Cash & Earn-Out Elections or deemed Cash & Earn-Out Elections and with respect to Dissenting Shares;
- each Required Consent will have been obtained and be in full force and effect and such actions as Carmanah's counsel may reasonably require will have been taken in connection therewith;
- after the date of the Merger Agreement, no Material Adverse Effect will have occurred;
- Sol will have delivered to Carmanah each of the agreements, certificates, instruments and other documents that it is obligated to deliver pursuant to the Merger Agreement and such agreements so delivered will be in full force and effect;
- Sol will have delivered to Carmanah certificates dated as of a date not earlier than 10 days prior to the Closing as to the status or good standing (where applicable) of Sol executed by the appropriate officials and payment of all applicable state taxes by Sol, of the applicable state or other jurisdiction of formation and each jurisdiction in which Sol is licensed or qualified to do business as a foreign corporation as specified in the Merger Agreement;
- Carmanah will have obtained each Governmental Authorization required to own Sol or operate the business of Sol and its subsidiaries in the manner it was operated prior to the Closing Date;
- Carmanah will have received evidence satisfactory to it that no Litigation is pending or threatened (i) challenging or seeking to prevent or delay consummation of any of the transactions contemplated by the Merger Agreement; (ii) asserting the illegality of or seeking to render unenforceable any material provision of the Merger Agreement, any of the Indemnification Agreements or the Note Purchase Agreement; (iii) seeking to prohibit direct or indirect ownership, combination or operation by Carmanah of any portion of the business or assets of Sol or any subsidiary, or to compel Carmanah or any of its subsidiaries or Sol or its subsidiaries to dispose of, or to hold separately, or to make any change in any portion of the business or assets of Carmanah or its subsidiaries or of Sol, as a result of the transactions contemplated by the Merger Agreement, or incur any burden; (iv) seeking to require direct or indirect transfer or sale by Carmanah of, or to impose material limitations on the ability of Carmanah to exercise full rights of ownership of, Sol; or (v) imposing or seeking to impose material damages or sanctions directly arising out of the transactions contemplated by the Merger Agreement on Buyer or Sol or any of their respective officers or directors;
- no Law or Governmental Order will have been enacted, entered, enforced, promulgated, issued or deemed applicable to the transactions contemplated by the Merger Agreement by any Governmental Entity that would reasonably be expected to result, directly or indirectly, in any of the consequences referred to in the preceding paragraph;
- Carmanah will be satisfied that the offer and issuance of the Carmanah Shares in the Acquisition will be effected pursuant to applicable exemptions or exclusions from the registration and prospectus delivery requirements of the Securities Act, applicable state securities Laws and other applicable Law;
- Carmanah will be reasonably satisfied that all conditions precedent to the closing of the Note Purchase Agreement (other than the closing of the Acquisition) have been satisfied or waived by Carmanah;

- the Merger Agreement will have been duly adopted by the Required Buyer Shareholder Vote; and
- Carmanah will have received evidence of approval of the listing and posting for trading on the Exchange of the Carmanah Shares issuable in the Acquisition, subject only to satisfaction of the customary listing conditions of the Exchange.

Conditions Precedent to the Obligations of Sol

The obligation of Sol to complete the Acquisition is subject to the fulfillment of a number of conditions precedent on or before the Closing (each of which is for the exclusive benefit of Sol and may be waived by Sol), including:

- the representations and warranties set forth in the Merger Agreement will be true and correct in all material respects;
- Carmanah and Merger Subsidiary will have performed and complied with each of their agreements contained in the Merger Agreement in all material respects;
- the Merger Agreement will have been duly adopted by the Required Buyer Shareholder Approval and the Required Merger Subsidiary Shareholder Approval;
- Carmanah will have delivered each of the certificates, instruments and other documents that it is obligated to deliver pursuant to the Merger Agreement;
- no Law or Governmental Order will have been enacted, entered, enforced, promulgated, issued or deemed applicable to the transactions contemplated by the Merger Agreement by any Governmental Entity that prohibits the Closing;
- the Merger Agreement will have been duly adopted by the Required Company Shareholder Approval; and
- Sol will have received evidence of approval of the listing and posting for trading on the Exchange of the Buyer Carmanah issuable in the Acquisition, subject only to satisfaction of the customary listing conditions of the Exchange.

Representation and Warranties

The Merger Agreement contains a number of customary representations and warranties of Carmanah and Sol relating to, among other things, corporate status; capitalization; and the corporate authorization and enforceability of, and board approval of, the Merger Agreement and the Acquisition. The representations and warranties also address various matters relating to the business, operations and properties of each of the parties and their respective subsidiaries, including: accuracy of financial statements; absence of undisclosed liabilities; absence of certain developments and certain other changes or events since December 31, 2013; absence of any undisclosed Litigation or other actions which if determined adversely would reasonably be expected to have Material Adverse Effect or interest in properties inventory matters; intellectual property rights, employment matters; Litigation; tax matters; books and records; insurance; non-arm's length transactions; benefit plans; environmental matters; restrictions on business activities; material contracts; relationships with customers, suppliers, distributors and sales representatives; brokers; reporting issuer matters; stock exchange compliance; expropriation; corrupt practices legislation.

Covenants

Covenants of Sol Regarding the Conduct of Business

The Merger Agreement provides that Sol and its Subsidiaries, among other things:

- will conduct its business only in, and neither Sol nor any Subsidiary will take any action except in, the Ordinary Course of Business and in accordance with applicable Law;

- will not amend, modify or terminate any Material Contract or enter into any Contract that would have been a Material Contract if such Contract had been in effect on the date of the Merger Agreement, except that Sol may enter into Contracts with vendors or customers in the Ordinary Course of Business;
- will: (i) use its best efforts to preserve its business organization and goodwill, keep available the services of its officers, employees and consultants and maintain satisfactory relationships with vendors, customers and others having business relationships with it, (ii) subject to applicable Laws, confer on a regular and frequent basis with representatives of Carmanah to report operational matters and the general status of ongoing operations as requested by Carmanah and (iii) not take any action that would render, or that reasonably may be expected to render, any representation or warranty made by Sol in the Merger Agreement untrue at the Closing;
- will not (i) make or rescind any express or deemed election or take any other discretionary position relating to Taxes, (ii) amend any Return, (iii) settle or compromise any Litigation relating to Taxes or (iv) change any of its methods of reporting income or deductions for U.S. federal, state or foreign income Tax purposes from those employed in the preparation of the last filed U.S. federal, state or foreign income tax returns;
- will not change any of its methods of accounting in effect on the December 31, 2013, other than changes required by GAAP;
- will not cancel or terminate its current insurance policies or allow any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse replacement policies providing coverage equal to or greater than the coverage under the canceled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- will not issue any debt, equity or other securities of Sol or any Subsidiary, except (i) Sol Shares upon exercise of any outstanding Sol Options, and (ii) for issuances of debt or equity securities issued to Controlling Shareholders as contemplated by the Merger Agreement, or make loans or advances to any Person;
- will not declare, pay or distribute any dividend of any kind;
- will not amend its Organizational Documents; and
- will not take, hold, subscribe for or agree to purchase or acquire shares in the capital of any Person.

Sol Covenants Regarding Exclusivity

The Merger Agreement contains certain exclusivity provisions pursuant to which Sol has agreed that it will not: (i) solicit, initiate or encourage the submission of any proposal or offer from any Person relating to the acquisition of any voting or equity securities, or any substantial portion of the assets, of Sol (including any acquisition structured as a merger, consolidation or share exchange) or (ii) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek any of the foregoing. Sol agrees to notify Carmanah immediately if any Person makes any proposal offer, inquiry or contact with respect to any of the foregoing.

Termination

The Merger Agreement may be terminated at any time prior to the Closing (notwithstanding Shareholder approval):

- by the mutual written consent of Carmanah and Sol;
- by Sol, if:

- Carmanah has or will have breached any representation, warranty or agreement contained in the Merger Agreement in any material respect;
 - the transactions contemplated by the Merger Agreement will not have been consummated or before July 31, 2014 (the “**Outside Date**”), provided that Sol will not be entitled to terminate the Merger Agreement if Sol’s failure to comply fully with its obligations under the Merger Agreement has prevented the consummation of the transactions contemplated by the Merger Agreement;
 - a Law or Governmental Order will have been enacted, entered, enforced, promulgated, issued or deemed applicable to the transactions contemplated by the Merger Agreement by any Governmental Entity that prohibits the Closing; or
 - any of the conditions set forth in Section 8.2 of the Merger Agreement will have become impossible to satisfy.
- by Carmanah, if:
 - Sol has or will have breached any representation, warranty or agreement contained in the Merger Agreement in any material respect;
 - the transactions contemplated by the Merger Agreement will not have been consummated on or before the Outside Date, provided, that Carmanah will not be entitled to terminate the Merger Agreement if Carmanah’s failure to comply fully with its obligations under the Merger Agreement has prevented the consummation of the transactions contemplated by the Merger Agreement;
 - the Merger Agreement will not have been duly adopted by the Required Buyer Shareholder Vote;
 - a Law or Governmental Order will have been enacted, entered, enforced, promulgated, issued or deemed applicable to the transactions contemplated by the Merger Agreement by any Governmental Entity that would reasonably be expected to result directly or indirectly, in any of the consequences referred to in Section 8.1(n) of the Merger Agreement; or
 - any of the conditions set forth in Section 8.1 of the Merger Agreement will have become impossible to satisfy.

Indemnification Agreements

The obligation of Carmanah to complete the Acquisition is subject to Sol Shareholders representing not less than 89% of the issued and outstanding Sol Shares immediately prior to the Closing entering into Indemnification Agreements with Carmanah. The following is a summary of certain material provisions of the Indemnification Agreements and is not comprehensive but is qualified in its entirety by reference to the full text of the Indemnification Agreement.

Pursuant to the terms of the Indemnification Agreements, each Sol Shareholder who has entered into an Indemnification Agreement agrees:

- to vote all Sol Shares in favour of the Acquisition;
- not to transfer any of the Sol Shares held by such Sol Shareholder except in connection with the Acquisition or with Carmanah’s prior written consent;
- to waive any rights of appraisal with respect to the Acquisition or rights to dissent from the Acquisition;

- to severally and not jointly, indemnify Carmanah and Sol (after completion of the Acquisition) and each of their Subsidiaries, Affiliates, officers, directors, employees, agents, successors and permitted assigns (collectively, the “**Indemnified Parties**”) for, and hold them harmless against certain losses arising from, relating to or constituting (the following - the “**General Indemnities**”):
 - any breach or inaccuracy in any of the representations and warranties of Sol contained in the Acquisition Agreement regardless of whether such representations and warranties survive the Closing;
 - certain provisions of Sol’s bylaws (solely as it relates to claims for indemnity by Sol’s Shareholders in their capacity as shareholders); and
 - any inaccuracy in the Closing Date Balance Sheet to the extent that the amount of Working Capital required by the Merger Agreement exceeds Sol’s actual Working Capital on the Closing Date (the “**Working Capital Shortfall**”).

- in addition to the General Indemnities, the Controlling Shareholder will provide a separate indemnity to the Indemnified Parties pursuant to which he personally agrees to indemnify the Indemnified Parties from and against the entirety of any loss they may suffer in accordance with, the following (collectively, the “**Special Indemnities**”):
 - any amounts determined to be payable by Sol in respect of the current claim by the U.S. Customs and Border Protection (including any predecessor or successor agency, the “**CBP**”) that Sol has failed to pay duties and tariffs on imported merchandise under certain U.S antidumping and countervailing rules in place (“**Special Indemnity 1**”);
 - any amounts determined to be payable by Sol in respect of any new claims by the CBP relating to similar facts, provided that such claims relate to products sold by Sol prior to the Closing (“**Special Indemnity 2**”);
 - any amounts payable by Carmanah or Sol, which, in aggregate, are in excess of \$350,000 and are paid in respect of, or otherwise related to, warranty, guaranty or indemnity claims made for products sold by Sol prior to the Closing (“**Special Indemnity 3**”); and
 - any breach of, or inaccuracy in, any of the representations, warranties or agreements of the Controlling Shareholder contained in Section 2.7 or 2.8 of the Merger Agreement regardless of whether such representations, warranties and agreements survive the Closing, or any loss of Carmanah or Sol in respect of, or otherwise related to, any act or omission of the Controlling Shareholder under the Merger Agreement (“**Special Indemnity 4**”).

- The amount of the indemnification obligations of the Sol Shareholders set forth above shall be subject to the following limitations:
 - except as provided below, the Sol Shareholders’ aggregate indemnification obligations under the General Indemnities shall not exceed \$1,875,000;
 - the Sol Shareholders’ aggregate indemnification obligations under Sections 3.1, 3.2 and 3.13(s) of the Merger Agreement shall not exceed \$7,500,000;
 - the Controlling Shareholder’s indemnification obligations under Special Indemnity 3 shall not exceed \$1,125,000;
 - the Controlling Shareholder’s indemnification obligations under Special Indemnity 1 and 2 shall not exceed \$7,500,000;

- the Controlling Shareholder’s indemnification obligations under Special Indemnity 4 shall not be subject to any numerical limitations; and
- the Sol Shareholders’ indemnification obligations with respect to any shortfall of Working Capital shall not be subject to any numerical limitations.

For the purpose of the foregoing, “**Proportional Share**” means a Sol Shareholder’s pro rata share of the aggregate indemnification obligations under the General Indemnities, determined on the basis of such Sol Shareholder’s percentage ownership of Sol Shares immediately prior to the Effective Time compared to all Sol Shareholders’ percentage ownership of Sol Shares immediately prior to the Effective Time.

Note Purchase Agreement

As part of the Acquisition, Carmanah will enter into a note purchase agreement (the “**Note Purchase Agreement**”) with MUUS & Company LLC, Sol, and Michael W. Sonnenfeldt.

As last amended and restated on December 31, 2013, Sol has issued to MUUS & Company LLC a promissory note in the principal amount of \$3,455,136 (the “**Promissory Note**”). In connection with the Acquisition, Carmanah will purchase the Promissory Note from MUUS & Company LLC. The actual value of the note and related interest is expected to be approximately \$4.5 million and will be exchanged for such number of Carmanah Shares equal to (i) the principal amount of the Promissory Note plus any accrued and unpaid interest as of the Closing Date divided by the closing price of Carmanah Shares on the Exchange on the date immediately preceding the Closing Date, or (ii) 38,000,000, whichever number is smaller.

The Note Purchase Agreement contains a number of customary representations and warranties of Carmanah and MUUS & Company LLC relating to, among other things, corporate status, capitalization, corporate authorization. The Note Purchase Agreement will close concurrently with the Acquisition on the Closing Date.

Recommendation of the Directors and Voting on Acquisition Resolution

The Board has unanimously approved the Acquisition and recommends that the Shareholders vote in favour of the Acquisition Resolution. The full text of the Acquisition Resolution is set out in Schedule “A” to this Circular. In order to be approved, the Acquisition Resolution must be approved by a majority of the votes properly cast on such resolution at the Meeting, provided that neither Mr. Sonnenfeldt nor any of his Affiliates may vote any Carmanah Shares held by them on the Acquisition Resolution.

Unless such authority is withheld, the persons named in the form of proxy included herewith intend to vote in favour of the Acquisition Resolution. In addition, Shareholders should be aware that the Acquisition Resolution authorizes the Board, without further notice to or approval of Shareholders but subject to the terms of the Merger Agreement, to amend the Merger Agreement or to determine not to proceed with the Acquisition.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Appointment and Remuneration of Auditors

The management of Carmanah will recommend to the Meeting to re-appoint Deloitte LLP, Chartered Accountants, as auditor of Carmanah for the ensuing year and to authorize the directors to fix their remuneration. Deloitte has been the auditor of Carmanah since April 1, 2010.

Election of Directors

The Board presently consists of five directors and it is intended to elect five directors at the Meeting.

The persons named below will be presented for election at the Meeting as management’s nominees and, unless otherwise indicated, the persons named in the Proxy intend to vote for the election of these nominees. Management of Carmanah does not contemplate that any of these nominees will be unable to serve as a director.

Each director elected will hold office until the next annual general meeting of Carmanah or until his/her successor is elected or appointed, unless his/her office is earlier vacated in accordance with the constating documents of Carmanah or with the provisions of the BCBCA.

Information concerning such persons, as furnished by the individual nominees, is as follows:

Nominee Name, Position and Place of Residence ¹⁾	Background and Principal Occupation for the Five Previous Years	Date(s) Served as a Director since	Carmanah Shares Beneficially Owned Directly or Indirectly
<p>John Simmons CEO and Director <i>Victoria, British Columbia, Canada</i></p>	<p>Background: John Simmons began his career in 1976 with multi-national Deere & Company. In 1983, Mr. Simmons founded (or co-founded) three companies in succession - Contour Window Fashions Ltd., InsulPro Industries Inc. and Integrated Paving Concepts Inc. - each of which grew from startup to become TSX listed. In 1998, Mr. Simmons founded JC Simmons & Associates, Inc., which participated, directly or indirectly, in the early stage financing of several companies including Aspreva Pharmaceuticals, Protox Therapeutics (now Sophiris Bio) and Contigo Systems. In 2000, Mr. Simmons was appointed CEO of TSX listed Bridges Transitions Inc. a position he held until its sale in 2006. Following this assignment, Mr. Simmons returned to Integrated Paving Concepts Inc. as its CEO. Between 2011 and 2013 Integrated Paving spun out and divested two of the company's brands and businesses which were followed by a concluding sale in 2013. In 2008, Mr. Simmons acquired Boulevard Magazine. This company was sold to Black Press Group in 2013.</p> <p>Mr. Simmons graduated from the University of Western Ontario School of Business (now Ivey School of Business) in 1976.</p> <p>Principal Occupation for Five Previous Years: Chief Executive Officer of the Company (2013 - Present) Chief Executive Officer of Integrated Paving (2007 -2013)</p>	<p>June 26, 2013</p>	<p>6,154,253</p>
<p>Michael Sonnenfeldt Chairman of the Board (1)(4) <i>New York, New York, US</i></p>	<p>Background: Michael W. Sonnenfeldt is Chairman of MUUS & Company LLC, a private investment company with concentrations in Real Estate, Solar, Energy, and a diversified portfolio of direct and fund investments. Mr. Sonnenfeldt is the controlling shareholder of Sol, Inc., a leading manufacturer of Industrial grade outdoor solar lighting systems, and he is the Founder and Chairman of TIGER 21 LLC, the premier network of peer-to-peer learning groups for high net worth investors across North America with over \$20 billion of assets managed by TIGER 21's members. Recently, he founded Magnolia Lifestyle + Benefits to provide world class products and services custom tailored to Magnolia's ultra high net worth members. His first major Real Estate project was to develop The Harborside Financial Center in Jersey City, New Jersey into the nation's then largest commercial redevelopment. His next real estate venture was Emmes & Company, a real estate Merchant Bank which, under his leadership, grew to over \$1 billion in assets, delivered over 30% IRR returns to its investors during his tenure, and acquired over 20 million</p>	<p>June 26, 2013</p>	<p>28,037,778</p>

	<p>feet of real estate by the time Mr. Sonnenfeldt sold his controlling interests in 1998.</p> <p>Mr. Sonnenfeldt is a Phi Beta Kappa and received his Bachelor's and Master's degrees from MIT, and has received an Honorary Doctorate from Ben Gurion University. Mr. Sonnenfeldt is past Chairman of the Israel Policy Forum and currently is a member of the board of Earthjustice and Securing America's Future Energy (SAFE) which focusses on the national security aspects of energy consumption. Mr. Sonnenfeldt has been a senior lecturer at MIT's Sloan School of Management where he developed and co-taught a course on "Business and the Nation's Security". Mr. Sonnenfeldt is a passionate sailor.</p> <p>Principal Occupation for Five Previous Years: Managing Member of MUUS & Company LLC (1998 – Present)</p>		
<p>Peter Berrang Director ⁽¹⁾⁽³⁾ <i>Victoria, British Columbia, Canada</i></p>	<p>Background: 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 Axyx 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 December 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>Principal Occupation for Five Previous Years: President, Epic Ventures Ltd. (1990-Current)</p>	May 30, 2010	2,707,457
<p>Terry Holland Director ⁽²⁾⁽⁴⁾ <i>Vancouver, British Columbia, Canada</i></p>	<p>Background: Terry Holland has been involved in the Canadian private equity market for over 25 years. A commerce graduate of the University of British Columbia, Mr. Holland earned his CA designation in 1981 and was awarded the FCA designation in 2009. After a few years in public practice, Mr. Holland left to join a real estate development company as VP of finance. He later moved to the Equity Group of Companies, serving as VP of finance there as well. In 1990, Mr. Holland joined Trimin Enterprises Inc., a private equity firm, as President. Over the next 14 years Mr. Holland would play a lead role in Trimin Enterprises' (and later Trimin Capital Corp.'s) success as a growth partner for mid-sized businesses. Both Trimin Enterprises and Trimin Capital Corp. experienced investment returns that rank highly in comparison to other funds in their category during their years of operation. Mr. Holland left Trimin Capital in 2004, when he launched Krystal Financial Corp., and currently serves as Krystal's President and CEO. Through Krystal, Mr. Holland has investments in six private companies, all of them based in B.C., and two public companies, Amica Mature Lifestyles Inc. and Hardwoods Distribution Inc.</p> <p>Principal Occupation for Five Previous Years: Chief Executive Officer and President of Krystal Financial Corporation (2004 – Present)</p>	December 2, 2013	2,679,000

<p>James Meekison Director Toronto, Ontario, Canada</p>	<p>Background: Jim Meekison is currently Chairman and CEO of Trimin Capital Inc., a Canadian private equity company. Mr. Meekison's career has spanned over 40 years in the investment banking, cable television and private equity industries. He has served as a Director of Nesbitt Thomson Limited, Chairman of Cablecasting Limited, a Canadian cable television company, which he co-founded in 1969, and Chairman and Director of several companies in which he indirectly invested in his career in private equity. He also served as a Director of First Marathon Inc. from 1984 until it was sold in 1999. Mr. Meekison holds an MBA degree from Harvard University and B.A. and M.A. degrees from the University of British Columbia. He is a member of the board of Directors of GMP Capital Trust and Pathways to Education Canada.</p> <p>Principal Occupation for Five Previous Years: Chief Executive Officer and Executive Chairmen of Trimin Capital Inc. (2004 – Present)</p>	<p>December 2, 2013</p>	<p>13,178,000</p>
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Notes:

- (1) Member of the Audit Committee.
- (2) Chairman of the Audit Committee.
- (3) Chairman of the Compensation Committee.
- (4) Member of the Compensation Committee.

No proposed director is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the company acting solely in such capacity.

To the knowledge of Carmanah, no proposed director:

- (a) is, as at the date of the Circular, or has been, within ten years before the date of the Circular, a director, CEO or CFO of any company (including Carmanah) that:
 - (i) was the subject, while the proposed director was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than thirty consecutive days; or
 - (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than thirty consecutive days, that was issued after the proposed director ceased to be a director, CEO or CFO but which resulted from an event that occurred while the proposed director was acting in the capacity as director, CEO or CFO of such company;
- (b) is, as at the date of this Circular, or has been within ten years before the date of the Circular, a director or executive officer of any company (including Carmanah) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the ten years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or

- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Approval of Unallocated Share Awards Under Carmanah’s 2011 Incentive Awards Plan

Carmanah currently has in place the Incentive Awards Plan. The Incentive Awards Plan was approved by Shareholders on June 21, 2011. The purpose of the Incentive Awards Plan is to promote the interests and long-term success of Carmanah by providing directors, officers, employees and consultants of Carmanah with a greater incentive to further develop and promote the business and financial success of Carmanah and by aligning their interests with those of Shareholders. Additional detail regarding the terms of the Incentive Plan can be found under the heading “*Securities Authorized for Issuance Under Equity Compensation Plans – Incentive Awards Plan*”.

Since the number of Carmanah Shares issuable under the Incentive Awards Plan is based on a fixed percentage (10% of the aggregate number of Carmanah Shares outstanding from time to time), rather than a fixed maximum number of Carmanah Shares, pursuant to the policies of the Exchange, Carmanah is required to obtain the approval of a majority of the Board and the Shareholders every three years, of the unallocated share awards under the Incentive Awards Plan.

At the Meeting, Shareholders will be asked to approve the unallocated share awards under the Incentive Awards Plan. If approved, Carmanah will again be required to seek Shareholder approval of unallocated share awards by no later than June 23, 2017.

The number of unallocated share awards is calculated by subtracting the number of outstanding share awards from the number that represents 10% of Carmanah’s Shares. As of May 23, 2014, 10,385,500 share awards (equal to approximately 8.7% of the issued and outstanding Carmanah Shares) were issued and outstanding under the Incentive Awards Plan, leaving 1,605,701 unallocated share awards (equal to approximately 1.3% of the issued and outstanding Carmanah Shares) available for future issuance. If Shareholder approval is not obtained at the Meeting, existing share awards will vest in accordance with the Incentive Awards Plan, and all unallocated share awards will be cancelled and Carmanah will not be permitted to make further grants of share awards until Shareholder approval is obtained.

The Board has approved all unallocated share awards under the Incentive Awards Plan.

At the Meeting, Shareholders will be asked to pass a resolution in substantially the following form:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. all unallocated share awards under the 2011 Incentive Awards Plan, as amended or supplemented from time to time, are hereby approved and authorized, which approval shall be effective until June 23, 2017; and
2. any one director or officer of Carmanah is authorized and directed, on behalf of Carmanah, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of Carmanah or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

The Board believes the Incentive Awards Plan is fair and reasonable and in the best interests of Carmanah. Management of Carmanah recommends that Shareholders vote in favor of the foregoing resolutions to approve the unallocated share awards under the Incentive Awards Plan. **Unless such authority is withheld, the persons named in the enclosed Proxy intend to vote in favour of the foregoing resolutions.**

Other Business

Management knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters which are not known to management shall properly come before the said Meeting, the Proxy given pursuant to the solicitation by management will be voted on such matters in accordance with the best judgment of the persons voting the Proxy.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The purpose of this compensation discussion and analysis is to provide information about Carmanah's executive compensation objectives and processes and to discuss compensation decisions relating to its Named Executive Officers (or "NEOs") listed in the summary compensation table that follows. During its fiscal year ended December 31, 2013, the following individuals were NEOs (as defined in applicable securities legislation and below) of Carmanah, namely:

Bruce Cousins:	CEO (resigned as of August 1, 2013)
John Simmons:	CEO (effective August 1, 2013)
Roland Sartorius:	CFO (terminated on September 12, 2013)
Stuart Williams:	CFO (effective September 12, 2013)

Governance of Compensation

The Compensation Committee of the Board (the "**Compensation Committee**") is comprised of three directors, who are considered to be independent as defined under applicable securities legislation. In the early part of 2013, the Compensation Committee members consisted of Messrs. Robert Cruickshank (Committee Chair), Peter Berrang and Bob Wiens. Mr. Berrang was appointed to the Compensation Committee effective January 2, 2013 to fill the vacancy resulting from the departure of Mr. Green when he resigned from the Board on December 31, 2012. On June 19, 2013, Mr. Berrang was appointed as the Committee Chair after the resignation of Mr. Cruickshank. In early 2014, Messrs. Peter Berrang, Michael Sonnenfeldt and Terry Holland were appointed to the Compensation Committee.

The Compensation Committee has a written mandate that establishes the committee's purpose and responsibilities. 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, Carmanah'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) determining and approving the compensation of Carmanah's CEO;
- b) reviewing and approving compensation for Carmanah's other executive officers;
- c) fulfilling the Board's oversight responsibilities with respect to Carmanah's overall compensation policies, plans and programs;
- d) overseeing an evaluation of management succession planning; and

- e) performing other activities related to Carmanah's compensation plans and structure, including preparing and reviewing any disclosure on executive compensation included in Carmanah's annual information circular in accordance with applicable rules and regulations promulgated by the Canadian provincial securities regulatory authorities.

The Compensation Committee also focused its mandate on the compensation of the CFO, other NEOs and all direct reports of the CEO to ensure that total compensation paid to them is fair and reasonable and consistent with Carmanah's compensation philosophy.

As a result of the significant changes both on the Board and within the Company, the current Compensation Committee plans to review compensation policies during 2014. As a result, the discussions below relating to compensation objectives, principles and compensation elements may be changed in the future.

Compensation Objectives and Principles

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.

Carmanah's compensation philosophy is based on three fundamental principles: (i) strong link to business strategy – Carmanah's short and long-term goals should be reflected in the overall compensation program; (ii) performance sensitive – compensation should be linked to individual performance as well as key financial and strategic results of Carmanah and fluctuate with performance; and (iii) 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 caliber.

The objectives of Carmanah's compensation program in compensating its executive management are: (i) to attract, motivate and retain high caliber executive management who will successfully lead the organization to meet growth and profitability objectives; (ii) to align the interests of executive management with Shareholders' interests and with the execution of Carmanah's business strategy; (iii) 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 (iv) 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 Carmanah's incentive and retention objectives. Carmanah'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 "**2009 Compensation Review**"). The consultant assisted the Compensation Committee in reviewing: (i) Carmanah's compensation philosophy relative to its executives, (ii) examining all elements of compensation with consideration to being market competitive and performance based, and (iii) Carmanah's ability to attract and retain executive talent capable of delivering on Carmanah's 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. Included in the 2009 Compensation Review, the independent consultant benchmarked the NEO total compensation and each component thereof against market data for a comparator group of organizations specifically focusing on North American based, publicly traded technology companies with annual revenues up to \$100 million per year. As well, the 2009 Compensation Review took into account the unique nature of Carmanah - developing new innovative products and operating in multiple markets with multiple products with high growth potential. The comparator group of companies selected, based on a recommendation by the independent consultant, included amongst others Westport Innovations, Inc, Norsat Technologies Corp., Turbo Power Systems, TIR Systems Ltd., Energy Focus, Inc., Evergreen Solar, Inc., and Ballard Power Systems.

Since the 2009 Compensation Review, Carmanah has annually reviewed the NEO compensation using third party reports including the HR Tech Group (“HRTG”) survey which is administered by Towers Watson. Carmanah uses the HRTG survey because the participants are technology companies within British Columbia, Canada and are similar size to Carmanah, both with regards to their market (i.e. technology), their workforce, and their revenues.

In October 2011, the Compensation Committee engaged Roger Gurr & Associates again to advise them on equity compensation matters relating to the recruiting for and hiring of Bruce Cousins, CEO (the “2011 CEO Compensation Review”). 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 NEOs with total compensation targeted at the median (50th percentile) of the total compensation of its comparator group of companies provided that Carmanah 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 NEOs 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.

The Compensation Committee considered the information and recommendations provided by the consultant, individual experience and performance of the NEO, and any other criteria deemed important by the Compensation Committee, in determining actual compensation levels for the NEO. The Compensation Committee has met once in 2013 and will schedule follow on meetings through the balance of 2014 to complete its mandate for the current fiscal year.

Risk Assessment

Carmanah’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: (i) the mix of short, medium and longer-term compensation encourages executives to take a balanced view and mitigates against excessive risk-taking or behavior that is too conservative; (ii) 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; (iii) 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; and (iv) 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 Carmanah’s compensation policies and practices on an ongoing basis. The Committee also reviews general compensation principles and incentive plans in an effort to identify and mitigate excessive or inappropriate risk taking within the Company.

All Other Fees

Besides the services noted above, there were no other fees incurred in the past two years.

Compensation Elements

The NEO 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 NEO 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 NEOs commenced employment at various times during Carmanah's evolution, the content of each original employment contracts differed. Following the 2009 Compensation Review, the Compensation Committee adopted new employment contracts for all NEOs that reflect consistency in content, terms and conditions, and compensation modeling.

The 2013 NEO compensation program included four principal components: (i) base salary; (ii) non-equity incentives – consisting of a cash bonus linked to the performance of Carmanah and the individual; (iii) equity incentives – consisting of stock options, restricted share units and/or performance share units; and (iv) other elements of compensation – consisting of benefits and perquisites. The Compensation Committee is likely to update the use and weighting of these components for the 2014 NEO compensation program.

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

1. Base Salary

CEO base salary, which forms a part of total compensation, is reviewed and recommended by the Compensation Committee for approval by the Board. NEO (other than the CEO) base salaries, which form a part of total compensation, are recommended by the CEO and 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 Carmanah as well as the individual performance of the executive.

2. Non-equity incentives

The following discussion on non-equity incentives primarily relates to the bonus plan under which the previous CEO and CFO were compensated under. The bonus plans applicable to the current CEO and CFO will be determined in 2014. However, a one-time bonus for the current CEO was specified in Mr. Simmons employment agreement. It provided for a fixed bonus of \$25,000 if the Company successfully raised at least \$5,000,000 in a rights offering. As a rights offering was successfully completed in November 2013 and provided gross proceeds in excess of \$5,000,000, this bonus was paid in full.

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 Carmanah'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 2013 fiscal year are comprised of two key categories:

- a) Achievement of 2013 consolidated revenue targets (minimum EBITDA required)

b) Achievement of 2013 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 NEO is provided as follows:

$$\begin{array}{l} 2013 \\ \text{Eligible} \\ \text{Earnings} \\ \times \text{ Bonus} \\ \text{Rate} \end{array} \times \left[\begin{array}{l} (\text{Corporate} \\ \text{Revenue} \\ \text{Objective} \\ \text{Weighting} \times \\ \text{Performance} \\ \text{Multiplier}) \end{array} + \begin{array}{l} (\text{Individual} \\ \text{Objective} \\ \text{Weighting} \times \\ \text{Performance} \\ \text{Multiplier}) \end{array} \right] = \begin{array}{l} \text{Total} \\ \text{Annual} \\ \text{Bonus} \end{array}$$

Weighting of Objectives and Performance Multipliers

The weighting of performance objectives for 2013 was 80% associated with corporate revenue, subject to minimum EBITDA targets, and 20% associated with individual objectives. The performance multiplier on corporate revenue performance objectives is a factor ranging from 0% to 200%. The performance multiplier on individual performance objectives is a factor ranging from 0% to 200%. Under the 2013 Bonus Plan, the NEOs must meet their associated revenue target to be eligible for their individual objective bonus.

Corporate and Individual Performance Objectives – determination and measuring outcomes

Following the finalization of the audited financial results for the fiscal year, the corporate performance objectives were reviewed and approved by the Board. Carmanah's 2013 consolidated revenue and EBITDA targets were not met and as a result no bonus was paid to the NEOs on the financial performance objectives.

3. Equity Incentives

The equity incentives of Carmanah's executive compensation program are designed to: (i) align the interests of Carmanah's key employees and its Shareholders; (ii) focus management on developing and successfully implementing the strategy of Carmanah; (iii) foster the retention of key executive management; and (iv) attract high performing, high caliber individuals to Carmanah.

At the 2011 Annual General Meeting, Carmanah's Shareholders approved the replacement of Carmanah's previous share-based payments plans issued in 2007 ("the **Old Plan**") with the Stock Option Plan.

Under the Stock Option Plan, the maximum number of issuable Carmanah Shares for share-based payments is equal to 10% of the aggregate issued and outstanding shares. The Stock Option Plan allows for the issuance of stock options, stock appreciation rights ("SARs"), restricted share units ("RSUs"), performance share units ("PSUs"), and deferred share units ("DSUs"). The vesting terms and conditions of stock options, SARs, RSUs, PSUs, and DSUs are determined by the Board at the time of grant. 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. RSUs are typically granted with a vesting provision of every six months over a three year period. 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 Carmanah 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 annual meeting of shareholders.

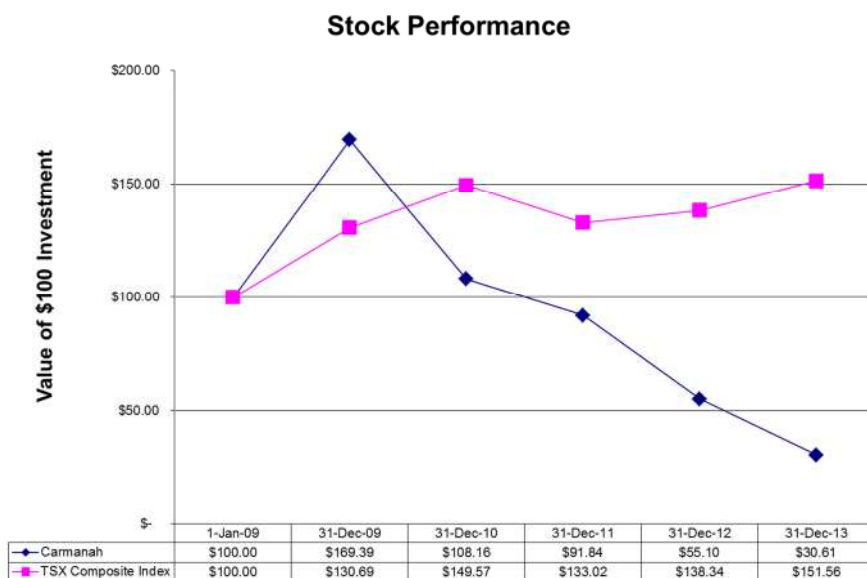
Equity incentives are granted to NEOs at time of hire to comprise part of the total compensation package value, to ensure long-term retention and to align NEOs interests with those of Shareholders. Equity incentives may also be granted in reward for performance or to facilitate specific retention objectives.

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. Carmanah 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 Carmanah Shares on January 1, 2009 with the cumulative total return of the S&P/TSX Composite Index for the fiscal years ended, December 31, 2009 to December 31, 2013.



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, 2013, with the net result indicating a 70% 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, decreased substantially primarily due to the elimination of bonuses and stock based compensation due to the lack of corporate performance and the reduction in the number of employees being classified as NEOs.

Summary Compensation Table

The following table (presented in accordance with National Instrument Form 51-102F6 (“**Form 51-102F6**”)) sets forth all annual and long term compensation for services in all capacities to Carmanah for the three most recently completed financial years of Carmanah as at December 31, 2013 (to the extent required by Form 51-102F6) in respect of each of the individuals comprised of the CEO and the CFO who acted in such capacity for all or any portion of the most recently completed financial year, and each of the three most highly compensated executive

officers, or the three most highly compensated individuals acting in a similar capacity (other than the CEO and the CFO) as at December 31, 2013 (collectively, NEOs).

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$) ⁽¹⁾	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total Compensation (\$)
					Annual incentive plans (\$) ⁽³⁾	Long-term incentive plans (\$)			
Bruce Cousins CEO ⁽⁴⁾	2013	161,410	-	86,542	-	-	-	-	247,953
	2012	250,000	-	-	-	-	-	-	250,000
	2011	59,930	-	179,687	-	-	-	-	235,616
Roland Sartorius CFO ⁽⁵⁾	2013	152,967	-	13,855	-	-	-	150,000	316,822
	2012	200,000	-	-	-	-	-	-	200,000
	2011	180,000	63,302	-	29,700	-	-	-	273,002
John Simmons CEO ⁽⁴⁾	2013	104,167	-	205,549	25,000	-	-	-	334,715
Stuart Williams CFO ⁽⁴⁾	2013	101,666	-	1,386	-	-	-	-	103,051

- (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. The 2011 grants to Roland Sartorius related (1) a grant of 51,912 RSUs at a fair value of \$0.57 a unit, and (2) a grant of 61,295 PSUs at a fair value of \$0.55 a unit.
- (2) 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 are provided below.
- Mr. Cousins 2013 option grant - This option-based award was granted on March 19, 2013 consisting of a total of 600,000 stock options which vest over a 3 year period. The grant price equaled the Market Price at the time of the grant, which was \$0.29. The fair value assigned to these stock options under the Black-Scholes model carried an average of \$0.14 an option, an average life of 3.4 years, an average volatility rate of 68.2%, an average risk free rate of 1.15%, and a dividend rate of 0%.
 - Mr. Cousins 2011 option grant - 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%.
 - Mr. Sartorius 2013 option grant – This option-based award was granted on March 19, 2013 consisting of a total of 100,000 stock options which vest over a 3 year period. The grant price equaled the Market Price at the time of the grant, which was \$0.29. The fair value assigned to these stock options under the Black-Scholes model carried an average of \$0.14 an option, an average life of 3.4 years, an average volatility rate of 68.2%, an average risk free rate of 1.15%, and a dividend rate of 0%.
 - Mr. Simmons 2013 option grant – This option-based award was granted on November 29, 2013 consisting of a total of 3,000,000 stock options which vest over a 4 year period. The grant price equaled the Market Price at the time of the grant, which was \$0.145. The fair value assigned to these stock options under the Black-Scholes model carried an average of \$0.07 an option, an average life of 4.7 years, an average volatility rate of 55.2%, an average risk free rate of 1.64%, and a dividend rate of 0%.
 - Mr. Williams 2013 option grant – This option-based award was granted on March 19, 2013 consisting of a total of 10,000 stock options which vest over a 3 year period. The grant price equaled the Market Price at the time of the grant, which was \$0.29. The fair value assigned to these stock options under the Black-Scholes model carried an average of \$0.14 an option, an average life of 3.4 years, an average volatility rate of 68.2%, an average risk free rate of 1.15%, and a dividend rate of 0%.
- (3) Generally bonuses earned in each of the disclosed years are paid in the following year. The 2013 bonus for Mr. Simmons was paid in 2013.
- (4) Mr. Cousins joined Carmanah on October 11, 2011 and was terminated on August 1, 2013. 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. Mr. Cousins’ termination was voluntary so there was no severance paid.
- (5) Mr. Sartorius’ employment was terminated effective September 12, 2013. His salary earned is up to that date and his other compensation relates to a severance payment.

- (6) Mr. Simmons joined the board on June 26, 2013. He became CEO on August 1, 2013. During July 2013 he performed consulting services in the lead up to his appointment as CEO. These fees amounted to \$16,250 and are not included in the salary figure above. He did not receive any compensation related to his role as a Director.
- (7) Mr. Williams took over the role of CFO effective September 12, 2013. His compensation earned as CFO amounted to \$35,387.

Summary of Employment Agreements for each Named Executive Officer

The significant terms of each NEOs employment agreement are described below. For a description of the termination and change of control benefits payable by Carmanah for each NEO, see below under the heading "Termination and Change of Control Benefits."

Bruce Cousins, Chief Executive Officer

The compensation of the previous CEO of Carmanah was paid pursuant to an employment agreement entered into on October 11, 2011, the commencement of his employment. The CEO participated in the executive compensation programs described above. Mr. Cousins' employment was terminated effective August 1, 2013. His termination was voluntary.

The Compensation Committee had established Mr. Cousins' base salary of \$250,000. Under the Bonus Plan, the short-term cash incentive for Mr. Cousins was comprised of a cash incentive equal to 45% of his base salary. The cash incentive could have increased or decreased relative to over- or under-achievement of performance. No bonus payment was made during 2013 as targets were missed.

On commencement of his employment on October 11, 2011, Mr. Cousins, under a private placement, purchased 250,000 Carmanah 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 had an exercise price of \$0.50 being the closing Market Price of the Carmanah Shares on October 7, 2011 and vest in equal portions every twelve months over three years from the date of grant, with the final vesting occurring on October 7, 2014. In 2013, an additional grant of 600,000 options was provided to Mr. Cousins to form part of his long term incentive. These options were granted on March 19, 2013 with an exercise price of \$0.29. The vesting of these stock options was conditional upon Mr. Cousins being employed with Carmanah on the respective vesting dates. As Mr. Cousins employment ended in 2013, all of these options were forfeited.

Roland Sartorius, Chief Financial Officer

The compensation of the previous CFO of Carmanah was paid pursuant to an employment agreement entered into on January 1, 2009, which replaced his previous employment agreement of August 13, 2007. The previous CFO participated in the executive compensation programs described above.

Mr. Sartorius' employment was terminated effective September 12, 2013. His termination was not voluntary and as a result a termination payment of \$150,000 was made to him.

The Compensation Committee had established Mr. Sartorius' base salary of \$200,000. Prior to 2012, Mr. Sartorius had a base pay of \$180,000 as a result of his decision to partake in a compensation plan which provided a higher amount of non-cash incentives. Under the Bonus Plan, the short-term cash incentive for Mr. Sartorius was comprised of a cash incentive equal to 40% of his base salary. The cash incentive could increase or decrease relative to over- or under-achievement of performance. No bonus payment was made during 2013 as targets were missed. The long-term equity incentive for Mr. Sartorius was comprised of (1) 100,000 options granted on March 19, 2013 which carried an exercise price of \$0.29, and (2) a grants on March 8, 2011 which consistent of 61,295 PSUs and 51,912 RSUs which were to vest every six months for a two year period ending December 31, 2013. As Mr. Sartorius' employment ended in 2013, all unvested or unexercised incentive securities were forfeited.

John Simmons, Chief Executive Officer

The compensation of the CEO of Carmanah is paid pursuant to an employment agreement entered into on August 1, 2013, the commencement of his employment. Mr. Simmons performed some consulting services for the Company in July 2013 prior to his appointment as the CEO. He was paid \$16,250 for these services which are not included in the table.

The Compensation Committee established Mr. Simmons' base salary of \$250,000, which was pro-rated to reflect the time in the role during the year. Under the Bonus Plan, for 2014 and beyond, the short-term cash incentive for Mr. Simmons is comprised of a cash incentive targeted to be 50% of his base salary. The cash incentive can increase or decrease relative to over- or under-achievement of performance, however, the maximum payable is 100% of his base salary.

For 2013, Mr. Simmons' was eligible for a \$25,000 bonus based on raising at least \$5,000,000 in a rights offering prior to December 31, 2013. As the Company successfully completed the rights offering which raised in excess of \$5,000,000, the full bonus was paid.

The employment agreement may be terminated by Carmanah 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. Simmons may terminate his employment agreement with Carmanah at any time by giving Carmanah at least twelve weeks prior notice.

Stuart Williams, Chief Financial Officer

The compensation of the CFO of Carmanah is currently paid pursuant to the employment agreement entered into on September 12, 2013, which replaced his previous employment agreement of May 14, 2007. The CFO participates in the executive compensation programs described above.

The Compensation Committee established Mr. Williams' base salary of \$120,000. Mr. Williams is eligible under the Bonus Plan to cash incentives equal to 30% of his base salary. The cash incentive can increase or decrease relative to over- or under-achievement of performance however, the maximum payable is 60% of his base salary. No bonus payment was made during 2013 as targets were missed. The long-term equity incentive for Mr. Williams was comprised of a 10,000 options granted on March 19, 2013 which carried an exercise price of \$0.29

The employment agreement may be terminated by Carmanah 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. Williams may terminate his employment agreement with Carmanah at any time by giving Carmanah at least 4 weeks prior notice.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of incentive stock options granted to the Named Executive Officers and outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year. No share-based awards, with other than option-like features, have been granted to the Named Executive Officers.

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 (1) (\$)	Market / payout value of vested share-based awards not paid out or distributed (\$)
John Simmons	3,000,000	0.145	19-Nov-2020	15,000	Nil	Nil	Nil
Stuart Williams	10,000 6,000	0.29 0.53	19-Mar-2018 22-Dec-2015	Nil Nil	Nil -	Nil -	Nil -

Value Vested or Earned During the Year

The following table provides details for each NEO for the year ended December 31, 2013.

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	Nil	Nil
Roland Sartorius	Nil	5,472	Nil
John Simmons	Nil	Nil	Nil
Stuart Williams	Nil	Nil	Nil

Pension Plan Benefits

Carmanah does not have a pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

Deferred Compensation Plans

Carmanah does not maintain any deferred compensation plans.

Termination and Change of Control Benefits

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

John Simmons, CEO

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

Carmanah is entitled to terminate Mr. Simmons' employment agreement at any time during the term with immediate effect upon written notice to Mr. Simmons 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. Simmons will have 90 days from termination to exercise them.

Upon a change of control under Mr. Simmons' employment agreement in which there is both a change of control of Carmanah and a material and substantial diminution of his duties with respect to management and financial responsibilities resulting within one hundred and twenty days following completion of the change of control, Mr. Simmons 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.

Stuart Williams, CFO

Mr. Williams is entitled to resign at any time by giving Carmanah at least four weeks prior notice (which Carmanah may shorten or waive entirely).

Carmanah is entitled to terminate Mr. Williams' employment agreement at any time during the term with immediate effect upon written notice to Mr. Williams 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). Non-cash incentives that would have vested to the end of the severance period shall immediately vest, and Mr. Williams will have 90 days from termination to exercise them.

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

Mr. Williams has no change of control provisions in his employment contract.

The following table provides, for each of the NEOs, an estimate of the payments payable by Carmanah (or its subsidiaries), assuming that the triggering events described above took place on December 31, 2013 and any incentive targets were met.

<i>Named Executive</i>	<i>Type of Payment</i>	<i>Salary (\$)</i>	<i>Incentive Payment (\$)</i>	<i>Vesting of Stock Based Compensation (\$)</i>	<i>Employee Benefits (\$)</i>	<i>Total (\$)</i>
John Simmons CEO	Termination without cause	250,000	125,000	-	-	375,000
	Change in Control	250,000	125,000	-	-	375,000
Stuart Williams CFO	Termination without cause	60,000	18,000	-	-	78,000
	Change in Control	-	-	-	-	-

DIRECTOR COMPENSATION

Remuneration of Directors

Carmanah's director compensation is designed to attract and retain the most qualified people to serve on the Board and its committees, to align the interests of the directors with the interests of 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.

Carmanah has a Stock Option Plan for the granting of incentive stock options to the officers, employees and directors. The purpose of granting such options is to assist Carmanah in compensating, attracting, retaining and motivating the directors of Carmanah and to closely align the personal interests of such persons to that of the Shareholders.

Annual Retainer of Directors

Annual retainers are paid to the members of the Board who are not employees or officers of Carmanah (“**Outside Directors**”) on the following basis:

Description	Current Year (January 1, 2013 – December 31, 2013)
Board Chair Retainer	\$20,000 per annum \$7,500 equivalent value in Restricted Share Units, calculated based on closing price of Carmanah Shares on the Exchange at year-end.
Board Retainer	\$20,000 per annum \$7,500 equivalent value in Restricted Share Units, calculated based on closing price of Carmanah Shares on the Exchange at year-end
Committee Chair Retainer: <ul style="list-style-type: none"> • Audit • Compensation 	\$7,500 per annum \$5,000 per annum
Committee Member Retainer: <ul style="list-style-type: none"> • Audit • Compensation 	\$3,750 per annum \$2,500 per annum
Meeting Fee (if over 4 meetings in year besides AGM) <ul style="list-style-type: none"> • Board <ul style="list-style-type: none"> ○ In Person ○ Telephonic (>1 hour) ○ Telephonic (<1 hour) • Committee <ul style="list-style-type: none"> ○ In Person (Chair) ○ In Person (Member) ○ Telephonic (>1 hour) ○ Telephonic (<1 hour) 	\$1,000 per meeting \$500 per meeting \$250 per meeting \$2,000 per meeting \$1,000 per meeting \$500 per meeting \$250 per meeting

Board Compensation Table

During the fiscal year ended December 31, 2013, the following amounts of compensation were paid to Outside Directors (each of whose compensation is disclosed above in the “Summary Compensation Table” above):

Name	Fees earned (\$)	Share-based awards ⁽³⁾ (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Robert Cruickshank ⁽¹⁾	22,826	17,500	Nil	Nil	Nil	Nil	40,326
Bob Wiens ⁽¹⁾	27,438	15,000	Nil	Nil	Nil	Nil	42,438
Peter Berrang	19,750	17,500	Nil	Nil	Nil	Nil	35,750
Michael Sonnenfeldt ⁽²⁾	25,625	Nil	Nil	Nil	Nil	Nil	25,625
Terry Holland ⁽²⁾	1,667	Nil	Nil	Nil	Nil	Nil	1,667
Jim Meekison ⁽²⁾	1,667	Nil	Nil	Nil	Nil	Nil	1,667

Notes:

- (1) Mr. Cruickshank resigned from the Board effective June 19, 2013. Mr. Wiens resigned from the Board effective October 1, 2013.
- (2) Mr. Sonnenfeldt joined the Board on June 26, 2013. Messrs. Holland and Meekison joined the Board on December 2, 2013.
- (3) 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.

Director Share Ownership Guidelines

Directors are prohibited from (i) purchasing financial instruments, including prepaid forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of Carmanah’s securities; (ii) selling, directly or indirectly, Carmanah Shares, if the director does not own or has not fully paid for the Carmanah Shares to be sold; and (iii) directly or indirectly selling a call or buying a put, or similar derivative instrument, in respect of Carmanah Shares.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of incentive stock options granted to each of the directors who are not Named Executive Officers and outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year. No share-based awards, with other than option-like features, have been granted to these directors.

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	Nil	Nil	Nil	Nil	Nil	Nil
Bob Wiens	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Peter Berrang	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Michael Sonnenfeldt	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Terry Holland	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jim Meekison	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Incentive Plan Awards - Value Vested or Earned During The Year

The value vested or earned during the most recently completed financial year of incentive plan awards granted to directors who are not Named Executive Officers are as follows:

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	12,708	Nil
Bob Wiens	Nil	15,209	Nil
Peter Berrang	Nil	18,750	Nil
Michael Sonnenfeldt	Nil	Nil	Nil
Terry Holland	Nil	Nil	Nil
Jim Meekison	Nil	Nil	Nil

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information regarding compensation plans under which equity securities of Carmanah are authorized for issuance, as at December 31, 2013:

Plan Category	Number of Carmanah Shares to be issued upon exercise of outstanding options, warrants or units	Weighted-average exercise price of outstanding options, warrants or units	Number of Carmanah Shares remaining available for future issuance under equity compensation plans (excluding those reflected in column (a))
	(a)	(b)	(c)
<i>Equity compensation plans approved by shareholders:</i> 2011 Incentive Awards Plan	4,114,000		5,947,201
Details:			
Stock Options	4,114,000	\$0.21	
Restricted Share Units	Nil	Nil	
Performance Share Units	Nil	Nil	
Total	4,114,000		5,947,201

Incentive Awards Plan

The Board is authorized to grant long term equity based awards to eligible participants (“**Participants**”), including any director, officer, employee or any individual, company or other person engaged in providing services to Carmanah. The equity based awards may include options, SARs, RSUs, PSUs and DSUs (collectively referred to as “**Awards**”), that provide different types of incentives, as described below.

The maximum number of Carmanah Shares available for issuance under the Stock Option Plan equals 10% of the aggregate issued and outstanding Carmanah Shares. At December 31, 2013, 10% of the issued and outstanding Carmanah Shares amounted to 10,061,201, with 4,114,000 Carmanah Shares issued or allocated to outstanding Awards under the Stock Option Plan leaving a total of 5,947,201 available to be issued as additional grants.

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

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

Notwithstanding any other granting provision, the aggregate number of Carmanah Shares issuable under the Stock Option Plan for U.S. qualified incentive stock options cannot exceed 750,000 Carmanah Shares, subject to adjustment provisions in the Stock Option Plan and subject to the provisions of section 422 and 424 of the U.S. Internal Revenue Code.

Stock Options

The Board is authorized to grant options under the Stock Option Plan. An option entitles the holder to purchase a Carmanah Share upon payment of the exercise price per Carmanah Share. The exercise price of any option granted under the Stock Option Plan is determined by the Board and in no event shall be less than the Market Price of the Carmanah Shares at the time of the grant.

The Board may determine a vesting schedule for the 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 Stock Option Plan.

The term of options granted is determined by the Board and specified in the Stock Option Plan pursuant to which such options are 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 Carmanah 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 Stock Option 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 Carmanah Shares, then the exercise price per Carmanah Share cannot be less than 110% of the fair market value of a Carmanah 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 Stock Option Plan is approved by the Shareholders.

Share Appreciation Rights

The Board is authorized to grant SARs to eligible persons pursuant to the terms of the Stock Option Plan. Upon exercise of a SAR, the Participant is entitled to receive an amount equal to the excess of the Market Price of one Carmanah 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 Carmanah Share on the date of grant of the SAR. Such amount is payable in cash or Carmanah 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 Stock Option 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 Carmanah is subject.

Restricted Share Units

The Board is authorized to issue RSUs pursuant to the terms of the Stock Option Plan. An RSU conditionally entitles the Participant to the delivery of a Carmanah 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 Stock Option Plan) in the form of additional RSUs in respect of dividends declared by Carmanah while the RSUs are outstanding. An RSU award may be settled in Carmanah Shares, cash, or in any combination of Carmanah 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 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, 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 PSUs pursuant to the terms of the Stock Option Plan. PSUs granted under the Stock Option Plan will confer on the holder the conditional right to receive Carmanah 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 Stock Option Plan) in the form of additional PSUs in respect of dividends declared by Carmanah while the PSUs are outstanding. A PSU award may be settled in Carmanah Shares, cash, or in any combination of Carmanah 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 at the time of vesting. Subject to the terms of the Stock Option 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 applicable award agreement.

Deferred Share Units

The Board is authorized to issue DSUs pursuant to the terms of the Stock Option Plan. A DSU is a right to receive, on a deferred payment basis, a Carmanah Share or the cash equivalent of a Carmanah 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 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).

Prior to settlement, a DSU carries no voting or other rights associated with share ownership except that a holder of DSUs will be credited with a dividend equivalent (as defined in the Stock Option Plan) in the form of additional DSUs in respect of dividends declared by Carmanah while the DSUs are outstanding. 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 Carmanah Shares, cash, or in any combination of Carmanah 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 Carmanah Shares issuable to Participants that are insiders, pursuant to the Stock Option Plan or when combined with all other previously established and outstanding or proposed share compensation arrangements, cannot exceed 10% of the total number of issued and outstanding Carmanah Shares (on a non-diluted basis) at any time and within any one year period. The Carmanah Shares issued pursuant to an entitlement granted prior to the grantee becoming an insider will be excluded in determining the number of Carmanah Shares issuable to insiders.

Maximum Grant to Independent Directors

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

Maximum Grant to Any One Participant

The aggregate number of Carmanah Shares issuable to any one Participant, pursuant to the Stock Option Plan or when combined with all other previously established and outstanding or proposed share compensation arrangements, cannot exceed 5% of the then issued and outstanding Carmanah Shares, which as of May 23, 2014 represents 5,995,600 Carmanah Shares.

Causes of Cessation

As specified in the Stock Option Plan, 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 Carmanah 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 stock option plan, all RSUs and PSUs 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 Stock Option Plan are non-transferable and non-assignable to anyone other than to a "permitted assign" as defined in the Stock Option Plan.

Procedure for Amending

The Board has the right at any time to amend the Stock Option Plan or any award agreement under the Stock Option Plan provided that for the following amendments, Shareholder approval has been obtained by ordinary resolution: (i) increase the number of Carmanah Shares, or rolling maximum percentage, reserved for issuance under the Stock Option Plan; (ii) reduce the exercise price per Carmanah 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 Carmanah 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 Stock Option Plan; or (v) permit an Award to be transferable or assignable to any person other than in accordance with the Stock Option Plan.

Notwithstanding the foregoing, Shareholder approval is not required for any amendments to the Stock Option Plan other than those described above, including amendments of a clerical nature, amendments to reflect any regulatory authority requirements (including those of the Exchange), 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 Carmanah Shares from the total number of Carmanah Shares subject to the Stock Option Plan.

Financial Assistance

Carmanah will not provide financial assistance to Participants to facilitate the purchase of Carmanah Shares upon the exercise of stock options granted under the Stock Option Plan.

Other Material Information

Appropriate adjustments to the Stock Option Plan and to Awards granted thereunder will be made by the Board to give effect to adjustments in the number and type of Carmanah Shares (or other securities or other property) resulting from subdivisions, consolidations, substitutions, or reclassifications of Carmanah Shares, payment of stock dividends or other changes in Carmanah'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 Carmanah Shares (or other securities or other property) subject to outstanding Awards; (b) determine the number and type of Carmanah Shares (or other securities or other property) subject to outstanding Awards; (c) determine the purchase price or exercise price with respect to any Award, provided, however, that the number of Carmanah Shares covered by any Award or to which such Award relates is always a whole number; (d) determine the manner in which all outstanding Awards granted under the Stock Option 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; (e) offer any Participant the opportunity to obtain a new or replacement Award over any securities into which the Carmanah Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Carmanah 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 favorable 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 options, 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 options will lapse and be cancelled.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former directors, executive officers or employees of Carmanah, nor any proposed nominee for election as a director of Carmanah, or any associate or affiliate of any one of them, at any time since the beginning of the fiscal year ended December 31, 2013, is or was indebted to: (a) Carmanah 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 Carmanah or any of its subsidiaries pursuant to a securities purchase program or otherwise.

AUDIT COMMITTEE OF CARMANAH

For more information concerning the Audit Committee and its members, see the Section entitled "Audit Committee" in Carmanah's Annual Information Form for the year ended December 31, 2013 (available at www.sedar.com).

A copy of Carmanah's Audit Committee Charter is appended to Schedule "B".

CORPORATE GOVERNANCE DISCLOSURE

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

Board of Directors

The Board is responsible for supervising the management of the business and affairs of Carmanah.

(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 Carmanah. A material relationship is a relationship which could, in the view of the Board, 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 Carmanah. The nominees for director at the Meeting who are considered independent are: Michael Sonnenfeldt, Jim Meekison, Terry Holland, and Peter Berrang.

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

John Simmons, by virtue of the fact that he is the CEO of Carmanah, is not considered independent.

(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 nominees for director at the Meeting are independent directors.

(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.

The following nominee directors also serve as directors of the following reporting issuers:

Jim Meekison

GMP Capital Inc.

Terry Holland

Amica Mature Lifestyles Inc.

Hardwoods Distribution Inc.

(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 4 such meetings of the 2013 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.

Michael Sonnenfeldt, incumbent Chairman of the Board, is an independent director. The Chairman of the Board plays a critical role on the Board by leading the Board in its management and supervision of the business of Carmanah. The Chairman of the Board manages the affairs of the Board, including overseeing the proper constitution of the Board and its effective operation, independent of management.

(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 2013 Board.

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 Board's written mandate is disclosed on the website of Carmanah (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, which is available on Carmanah's website at www.carmanah.com. There is no formal written position for the Chairman of the Audit Committee and the Compensation Committee. However, each of the Audit Committee and Compensation Committee have a formal Charter which includes the role and responsibilities of each respective Committee. Copies of the Audit Committee and Compensation Committee Charters are available on Carmanah's website at www.carmanah.com.

(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, a copy of which is available on Carmanah's website at www.carmanah.com.

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 two standing 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.

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 Carmanah's assistance, and to observe Carmanah's operations first-hand. Management provides quarterly updates on internal controls compliance, 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.

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 (the "**Code of Conduct**") for Carmanah. New employees, officers and directors are required to confirm in writing that they have read and understood the Code of Conduct. The Board has adopted a whistleblower policy (the "**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 an insider trading policy (the "**Insider Trading Policy**") to govern the trading of shares by directors, officers and employees of Carmanah.

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

The Code of Conduct, the Whistleblower Policy and the Insider Trading Policy are available on Carmanah's web site (www.carmanah.com).

ii. describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board ensures compliance with its code; and

The Code of Conduct is provided to all employees for review and acknowledgement, at time of hire and generally at the beginning of the calendar year. In March 2013, Carmanah adopted an updated Code of Conduct and concurrently all employees and the Board were required to acknowledge the revised Code of Conduct at that time. Any waiver of the Code of Conduct may only be made by the Board and will be disclosed in accordance with applicable laws.

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

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 endeavors to ensure that the ethics of Carmanah take precedence over any other consideration in Carmanah's decision-making process. During 2013 the Board approved an anti-corruption policy which was rolled out by management in late 2013. This policy includes employee training and other education components which are designed to promote a more ethical culture within the Company.

Nomination of Directors

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

The whole Board 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 small size of the Board, the majority of which is independent, the Board is able to deal with recruitment of new members as a whole, and as such the whole Board 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 formal 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 of the Board.

(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 2013 term was composed of three independent directors: Robert Cruickshank, Bob Wiens and Peter Berrang. The current members of this Committee are Peter Berrang, Terry Holland and Michael Sonnenfeldt.

(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 Carmanah, and for implementing and overseeing human resources and compensation policies approved by the Board. In particular, the Committee's compensation duties are: (i) determining and approving the compensation of Carmanah's CEO; (ii) reviewing and approving compensation for Carmanah's other executive officers; (iii) fulfilling the Board's oversight responsibilities with respect to Carmanah's overall compensation policies, plans and programs; (iv) overseeing an evaluation of management succession planning; and (v) performing other activities related to Carmanah's compensation plans and structure, including preparing and reviewing any disclosure on executive compensation included in Carmanah's annual information circular in accordance with applicable rules and regulations promulgated by the Canadian provincial securities regulatory authorities.

(d) 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 and in 2011 on CEO compensation matters. Since then, the Compensation Committee did not deem it necessary to engage in similar services.

Director Election and Majority Voting Policy

The Board believes that each of its members should carry the confidence and support of Shareholders. To this end, the Board adopted a majority voting policy (the “**Majority Voting Policy**”) in 2013. Voting at the Meeting enables Shareholders to vote in favour of, or to withhold from voting, separately for each nominee director. If, with respect to any particular nominee, the number of common shares withheld exceeds the number of common shares voted in favour of the nominee, then for purposes of Carmanah’s policy, the nominee shall be considered not to have received the support of the Shareholders, even though duly elected as a matter of corporate law.

A person elected as a director who is considered under this test not to have the confidence of Shareholders is expected to immediately submit to the Board his resignation in accordance with the Majority Voting Policy. The Board (excluding any director that has tendered a resignation) will consider the director’s offer to resign and decide whether or not to accept it. In making its decision, the Board will consider the reason why the votes were withheld, the skills and expertise of that director, the overall composition of the Board and the skills and the expertise of the other directors. Within 90 days of receiving the final voting results of the Meeting, the Board will decide whether to accept or not accept the resignation of that Director. If the resignation is accepted, subject to any applicable law, the Board may leave the resultant vacancy unfilled until the next annual general meeting, fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the Shareholders, or call a special meeting of Shareholders at which there will be presented one or more nominees to fill any vacancy or vacancies. If the resignation is not accepted the Board will issue a press release disclosing the reasons for rejecting the offer to resign. The Majority Voting Policy is available on Carmanah’s website at www.carmanah.com.

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, other than as disclosed above.

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.

The Board satisfies itself that the Board, its committees, and its individual directors are performing effectively by conducting informal assessments from time to time.

SELECTED INFORMATION CONCERNING CARMANAH

Full details regarding Carmanah’s existing business are set out in the documents incorporated by reference in this Circular. In addition, set out below is some selected information which management believes Shareholders may find useful about Carmanah’s existing business.

Description of Carmanah Shares

All of the Carmanah Shares rank equally as to voting rights, participation in a distribution of the assets of Carmanah on liquidation, dissolution or winding-up and the entitlement to dividends. The holders of Carmanah Shares are entitled to receive notice of all meetings of Shareholders and to attend and vote the Carmanah Shares at the meetings. Each Carmanah Share carries with it the right to one vote.

In the event of the liquidation, dissolution or winding-up of Carmanah or other distribution of assets of Carmanah, the holders of Carmanah Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after Carmanah has paid its liabilities. There is no set dividend rate or dividend schedule for the Carmanah Shares. The Board will decide if and when dividends should be declared and paid.

The Carmanah Shares are not subject to any future call or assessment and do not have any pre-emptive, exchange, conversion, exercise, redemption or retraction rights. There are no provisions for sinking or purchase fund, for permitting or restricting the issuance of additional securities and any other material restrictions, and for requiring a Shareholder to contribute additional capital.

The payment of dividends on the Carmanah Shares will be at the discretion of the Board and depends on Carmanah's financial condition and the need to finance Carmanah's business activities. Carmanah has not paid any dividends since incorporation, however, there are no restrictions that would prevent Carmanah from paying dividends if the financial condition of Carmanah warranted such payment.

Prior Sales

During the twelve month period prior to the date hereof, the following securities of Carmanah have been issued:

Date Issued	Type of Security Issued	Number of Securities	Issue Price Per Security	Aggregate Issue Price	Nature of Consideration
November 19, 2013	Carmanah Shares	50,294,200	Cdn\$0.12	Cdn\$6,035,304	Cash
April 2, 2014	Carmanah Shares	19,300,000	Cdn\$0.22	Cdn\$4,246,000	Cash

Stock Exchange Price

The following table sets out the trading price history for Carmanah Shares on the Exchange for the period from April 2013 to the date of this Circular.

Year	Month	High	Low	Close	Volume ('000)
2014	May 1-23	\$0.27	\$0.23	\$0.23	333
2014	April	\$0.28	\$0.23	\$0.25	1,975
2014	March	\$0.22	\$0.18	\$0.21	771
2014	February	\$0.20	\$0.16	\$0.18	413
2014	January	\$0.20	\$0.15	\$0.18	1,339
2013	December	\$0.16	\$0.11	\$0.15	2,396
2013	November	\$0.15	\$0.10	\$0.15	3,005
2013	October	\$0.17	\$0.10	\$0.13	777
2013	September	\$0.24	\$0.15	\$0.16	670
2013	August	\$0.30	\$0.18	\$0.19	619
2013	July	\$0.30	\$0.27	\$0.29	429
2013	June	\$0.30	\$0.27	\$0.29	325

2013	May	\$0.31	\$0.26	\$0.30	770
2013	April	\$0.30	\$0.22	\$0.27	715

*All prices in this table are expressed in Canadian dollars.

INFORMATION CONCERNING SOL

Sol, Inc. is a U.S. lighting manufacturer with over 60,000 solar lighting systems installed in more than 60 countries on six continents. Since 1990, Sol has introduced innovative and cost-effective outdoor solar powered lighting systems that provide unsurpassed levels of illumination and reliability. Sol develops, manufactures and markets commercial/industrial-grade solar powered, energy efficient, custom lighting solutions for a wide range of lighting applications including area and security, street and roadways, signs, billboards, transit and shelter lighting. Sol is committed to superior design, manufacturing, and customer satisfaction. Sol's corporate headquarters and manufacturing facility are located in Palm City, Florida.

For more information concerning Sol, see "*Information Concerning Sol*" contained in Schedule "C" to this Circular. The description of the business of the Sol should be read together with the audited financial statements of Sol attached as Schedule "E" to this Circular.

INFORMATION CONCERNING CARMANAH POST-ACQUISITION

Following completion of the Acquisition, Sol will exist as a wholly-owned subsidiary of Carmanah. Currently, no changes to Carmanah's management team or Board are being contemplated.

For more information concerning Carmanah post-acquisition, see discussed under the section "*Information Concerning Carmanah Post-Acquisition*" in this Circular. The description of the proposed business of Carmanah post-acquisition should be read together with the unaudited condensed pro forma consolidated financial statements of Carmanah post-acquisition attached as Schedule "D" to this Circular, as well as other documents which are available under Carmanah's profile on SEDAR at www.sedar.com.

RISK FACTORS

An investment in the Carmanah Shares is subject to certain risks. Shareholders should carefully consider the risk factors described in the Carmanah Annual Information Form, which is incorporated by reference in this Circular, as well as the risk factors set forth elsewhere in this Circular.

In addition, in assessing the Acquisition, Shareholders of Carmanah should carefully consider the additional risks described below. Additional risks and uncertainties, including those currently unknown to Carmanah or considered to be not material by Carmanah, may also adversely affect the business of Carmanah post-Acquisition.

Risks Related to the Acquisition

Closing conditions outside the control of Carmanah or Sol may prevent the completion of the Acquisition.

There are a number of conditions precedent to the Acquisition which are outside the control of Carmanah or Sol, including, but not limited to, Shareholder approval, receipt of any required regulatory approvals, including, without limitation, approvals required pursuant to State of Florida law and satisfaction of the other conditions to Closing. See "*Merger Agreement – Conditions to Closing*" herein.

If for any reason the conditions to the Acquisition are not satisfied or waived and the Acquisition is not completed, the Market Price of Carmanah Shares may be adversely affected.

Carmanah may fail to realize anticipated benefits of the Acquisition.

In the event the Acquisition is completed, the intended reasons for the Acquisition and the anticipated benefits may not materialize or be realized.

Achieving the benefits of acquisitions depends in part on successfully consolidating functions, retaining key employees and customer relationships and continuing operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources, may divert management's focus from other strategic opportunities and operational matters and ultimately Carmanah may fail to realize the anticipated benefits of the Acquisition.

The dilutive effect on Shareholders arising from the Acquisition will impact share value.

With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in Carmanah's earnings per share. Pursuant to the Acquisition, Sol Shareholders will receive, in the aggregate, 38,163,176 Carmanah Shares representing 24.1% of the issued capital of Carmanah. As a result, the Acquisition will be dilutive to Shareholders. In addition, sales or issuances of a substantial number of equity securities, particularly to a control person, may adversely affect prevailing Market Prices for the equity securities and warrants.

The Carmanah Shares issued in connection with the Acquisition may have a market value different than expected.

The purchase price for the Sol Shares will not be adjusted to reflect any changes in the market value of Carmanah Shares or the Sol Shares at the Closing Date. The market value of the Carmanah Shares at the Closing Date may vary from the market value of the Carmanah Shares immediately prior to the announcement of the Acquisition and at the date of this Circular. If the market value of Carmanah Shares increases, the value of the consideration received by Sol Shareholders will increase as well.

In addition, a significant number of Carmanah Shares will be issued and will become available for trading in the public market. The increase in the number of Carmanah Shares may lead to sales of such Carmanah Shares or the perception that such sales may occur, either of which may adversely affect the market for, and the Market Price of, the Carmanah Shares.

The Merger Agreement may be terminated by Carmanah or Sol in certain circumstances.

Carmanah and Sol each have the right to terminate the Merger Agreement in certain circumstances. Accordingly, there is no certainty that the Merger Agreement will not be terminated by Carmanah or Sol before the completion of the Acquisition. For example, each of Carmanah and Sol has the right to terminate the Merger Agreement if a party is in material breach of the Merger Agreement and Carmanah has the right, in certain circumstances, to terminate the Merger Agreement in the event of a Material Adverse Effect. It is possible that one or more circumstances may arise which would give either party the right to terminate the Merger Agreement and, if such agreements is terminated, the Acquisition would not proceed.

Risks Related to the Operations of Sol and Carmanah Post-Acquisition

Upon completion of the Acquisition, there will be a number of risk factors that will be associated with Carmanah and its business post-acquisition. Investors should carefully consider each of the risks described below and all of the information in this Circular before investing in securities of Carmanah.

The ability of Carmanah to develop and operate the business post-acquisition may be impaired

The ability to operate the business is subject to many risks and uncertainties. These include: the ability of Carmanah and its management to direct the business of Carmanah to focus on the business of Sol; obtaining and maintaining various permits and approvals from governmental authorities;

To satisfy the requirements for ongoing capital for the combined business, Carmanah will be required to obtain adequate financing. Global financial conditions have been subject to increased volatility and this may impact the ability of Carmanah to obtain required equity or debt financing in the future and, if obtained, on terms favourable to Carmanah. If these increased levels of volatility and market turmoil continue, Carmanah's operations could be

adversely impacted and the value and the price of Carmanah Shares could be adversely affected. If equity financing is required, such financings could result in significant additional dilution to existing Shareholders.

Reliance on licenses, permits, consents, approvals and renewals from various governmental authorities.

Carmanah's activities require licenses, permits, consents, approvals and renewals (collectively, "**Consents**") from various governmental authorities. Carmanah believes that it holds, or has the benefit of, all necessary Consents under applicable laws and regulations to conduct its current activities and believes that it is presently complying in all material respects with the terms of such Consents. However, such Consents are subject to change in various circumstances and certain Consents are required to be renewed from time to time. Additional Consents and Consent renewals will need to be obtained in the future and the granting, renewal and continued effectiveness of these Consents are, in most cases, subject to some level of discretion by applicable regulatory authorities. There can be no assurance that Carmanah will be able to obtain or maintain all necessary Consents as are required to continue or expand its business. Delays or a failure to obtain such Consents, a failure to comply with the terms of any such Consents that Carmanah has obtained, or the imposition of additional restrictions (such as setting a price ceiling for energy sales) could have a material adverse impact on Carmanah.

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 Carmanah or any associate or affiliate of an informed person or proposed director of Carmanah has had or has any material interest in any transaction since the beginning of Carmanah's most recently completed fiscal year, or in any proposed transaction, which has materially affected or would materially affect Carmanah or its subsidiaries.

Interests of Experts

The audited consolidated financial statements of Carmanah for the years ended December 31, 2013 and December 31, 2012 and the respective notes thereto are incorporated herein by reference in reliance upon the independent auditor's report of Deloitte. Deloitte is independent of Carmanah within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

The audited financial statements of Sol for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, and the respective notes thereto, have been included in this Circular at Schedule "E" in reliance upon the independent auditor's report of Crowe Horwath LLP.

Auditors, Transfer Agents and Registrars

The auditors of Carmanah are Deloitte LLP, Chartered Accountants, Vancouver, British Columbia. Deloitte was first appointed as the auditors of Carmanah in 2010.

Computershare Trust Company of Canada at its office in Vancouver, British Columbia, is the transfer agent and registrar for the Carmanah Shares.

Additional Information

Additional information relating to Carmanah may be found on SEDAR at www.sedar.com. Financial information is provided in Carmanah's comparative financial statements and management's discussion and analysis for its most recently completed financial year. Shareholders may obtain copies of Carmanah's financial statements and management's discussion and analysis on SEDAR or by contacting Carmanah by email at investors@carmanah.com, or upon request made to the attention of the Chief Financial Officer of Carmanah at 250 Bay Street, Victoria, BC, Canada, V9A 3K5.

Approval

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

DATED at Victoria, British Columbia this 26th day of May, 2014.

By order of the Board of Directors

“John Simmons”

**John Simmons
Chief Executive Officer**

SCHEDULE “A”
Acquisition Resolution

BE IT RESOLVED, AS AN ORDINARY RESOLUTION OF DISINTERESTED SHAREHOLDERS, that:

1. The acquisition (the “**Acquisition**”) of all of the issued and outstanding shares of SOL, Inc. (the “**Sol Shares**”) on the terms and conditions contained in the merger agreement (the “**Merger Agreement**”) described in the accompanying information circular of Carmanah dated May 15, 2014 (as the Acquisition may be, or may have been, modified or amended in accordance with its terms), is hereby authorized, approved and adopted.
2. The issuance by Carmanah of up to 40,000,000 common shares in connection with the transactions contemplated by the Merger Agreement is hereby approved.
3. The actions of the directors of Carmanah in approving the Acquisition and the actions of the directors and officers of Carmanah in executing and delivering the Merger Agreement and all documents ancillary thereto, and any amendments, are hereby ratified and approved.
4. Notwithstanding that this resolution has been passed (and the Acquisition approved) by the shareholders of Carmanah, the directors of Carmanah are hereby authorized and empowered, without further notice to, or approval of, the shareholders of Carmanah:
 - (a) to amend the Merger Agreement to the extent permitted by the Merger Agreement; or
 - (b) subject to the terms of the Merger Agreement, not to proceed with the Acquisition.
5. Any one or more directors or officers of Carmanah is hereby authorized, for and on behalf and in the name of Carmanah, to execute and deliver, whether under corporate seal of Carmanah or otherwise, all such agreements, forms waivers, notices, certificate, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions and the Merger Agreement, including:
 - (a) all actions required to be taken by or on behalf of Carmanah, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities;
 - (b) the signing of the certificates, consents and other documents or declarations required under the Merger Agreement or otherwise to be entered into by Carmanah; and
 - (c) such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

SCHEDULE “B”
Audit Committee Charter of Carmanah

I. PURPOSE

The purpose of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Carmanah Technologies Corporation (the “**Company**”) shall be to act on behalf of the Board in fulfilling the Board’s oversight responsibilities with respect to: (i) the Company’s corporate accounting, financial reporting practices and audits of financial statements; (ii) the Company’s systems of internal accounting and financial controls; (iii) the quality and integrity of the Company’s financial statements and reports; and (iv) the qualifications, independence and performance of any firm or firms of certified public accountants or independent chartered accountants engaged as the Company’s independent outside auditors (the “**Auditors**”).

II. COMPOSITION AND MEETINGS

Composition. The Committee shall consist of at least three members of the Board. Each member shall meet the financial literacy requirements of the regulatory agency as may from time to time apply to the Company, including the Toronto Stock Exchange and the rules and regulations of the Canadian provincial and federal securities regulatory authorities, in all cases as may be modified or supplemented (collectively, the “**Rules**”), subject to any exceptions or exemptions permitted by the Rules. Each member shall meet such other qualifications for membership on an audit committee as are established from time to time by the Rules. The members of the Committee shall be appointed by and serve at the discretion of the Board. Vacancies occurring on the Committee shall be filled by the Board. The Committee’s Chair shall be designated by the Board, or if it does not do so, the Committee members shall elect a Chair by vote of a majority of the full Committee.

Meetings. The Committee will hold at least four (4) regular meetings per year and additional meetings as the Committee deems appropriate. Meetings may be called by the Chairperson of the Committee or the Chairman of the Board.

III. MINUTES AND REPORTS

Minutes of each meeting will be kept and distributed to each member of the Committee, members of the Board who are not members of the Committee and the Secretary of the Company. The Chairperson of the Committee will report to the Board from time to time, or whenever so requested by the Board.

IV. AUTHORITY

The Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder.

The Committee shall have authority to retain, and set and pay the compensation for, at the Company’s expense, advice and assistance from internal and external legal, accounting or other advisors or consultants as it deems necessary or appropriate in the performance of its duties. The Company shall make available to the Committee all funding necessary for the Committee to carry out its duties, including, without limitation, the payment of such expenses. The Committee shall have authority to require that any of the Company’s personnel, counsel, Auditors or investment bankers, or any other consultant or advisor to the Company attend any meeting of the Committee or meet with any member of the Committee or any of its special legal, accounting or other advisors and consultants.

V. RESPONSIBILITIES

The operation of the Committee will be subject to the provisions of the articles of the Company, the *Business Corporations Act* (British Columbia) and the Rules, each as in effect from time to time.

The Auditors shall report directly to the Committee. The Committee shall oversee the Company's financial reporting process on behalf of the Board. The Committee's functions and procedures should remain flexible to address changing circumstances most effectively.

To implement the Committee's purpose, the Committee shall, to the extent the Committee deems necessary or appropriate, be charged with the following functions and processes with the understanding, however, that the Committee may supplement or (except as otherwise required by applicable laws or rules) deviate from these activities as appropriate under the circumstances:

1. Evaluation and Recommendation to the Board. To evaluate the performance of the Auditors, to assess their qualifications (including their internal quality-control procedures and any material issues raised by that firm's most recent internal quality-control or peer review or any investigations by regulatory authorities) and to recommend to the Board: (a) the Auditors to be presented to the Company's shareholders for appointment for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and (b) the compensation of the Auditor.

2. Approval of Audit Engagements. Subject to the appointment of the Auditors by the Company's shareholders, to determine and approve engagements of the Auditors, prior to commencement of such engagement, to perform all proposed audit, review and attest services, including the scope of and plans for the audit, the compensation to be paid to the Auditors, which approval may be pursuant to preapproval policies and procedures, including the delegation of preapproval authority to one or more Committee members so long as any such preapproval decisions are presented to the full Committee at the next scheduled meeting.

3. Approval of Non-Audit Services. To determine and approve engagements of the Auditors, prior to commencement of such engagement (unless in compliance with exceptions available under applicable laws and rules related to immaterial aggregate amounts of services), to perform any proposed permissible non-audit services, including the scope of the service and the compensation to be paid therefor, which approval may be pursuant to preapproval policies and procedures established by the Committee consistent with applicable laws and rules, including the delegation of preapproval authority to one or more Committee members so long as any such preapproval decisions are presented to the full Committee at the next scheduled meeting.

4. Audit Partner Rotation. To monitor the rotation of the partners of the Auditors on the Company's audit engagement team as required by applicable laws and rules.

5. Auditor Independence. At least annually, to receive and review written statements from the Auditors delineating all relationships between the Auditors and the Company, to consider and discuss with the Auditors any disclosed relationships and any compensation or services that could affect the Auditors' objectivity and independence, and to assess and otherwise take appropriate action to oversee the independence of the Auditors.

6. Audited Financial Statement Review. To review, upon completion of the audit, the Company's financial statements, including the related notes and the management's discussion and analysis of financial condition and results of operations, prior to the same being filed with applicable regulatory authorities and to recommend whether or not such financial statements and management's discussion and analysis of financial condition and results of operations should be approved by the Board.

7. Annual Audit Results. To discuss with management and the Auditors the results of the annual audit, including the Auditors' assessment of the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments and estimates (including material changes in estimates), any material audit adjustments proposed by the Auditors and immaterial adjustments not recorded, the adequacy of the disclosures in the financial statements and any other matters required to be communicated to the Committee by the Auditors under promulgated auditing standards.

8. Quarterly Results. To discuss with management and the Auditors the results of the Auditors' review of the Company's quarterly financial statements, including the related notes and the management's discussion and analysis of financial condition and results of operations prior to the same being filed with applicable

regulatory authorities, any material audit adjustments proposed by the Auditors and immaterial adjustments not recorded, the adequacy of the disclosures in the financial statements and any other matters required to be communicated to the Committee by the Auditors under promulgated auditing standards and to recommend whether or not such financial statements and management's discussion and analysis of financial condition and results of operations should be approved by the Board.

9. Annual and Interim Financial Press Releases. Review with management annual and interim financial press releases before the Company publicly discloses this information.

10. Accounting Principles and Policies. To review with management and the Auditors significant issues that arise regarding accounting principles and financial statement presentation, including critical accounting policies and practices, alternative accounting policies available under IFRS related to material items discussed with management and any other significant reporting issues and judgments.

11. Risk Assessment and Management. To review and discuss with management and the Auditors, as appropriate, the Company's guidelines and policies with respect to risk assessment and risk management, including the Company's major financial risk exposures, including the Company's investment and hedging policies, and the steps taken by management to monitor and control these exposures.

12. Management Cooperation with Audit. To review with the Auditors any significant difficulties with the audit or any restrictions on the scope of their activities or access to required records, data and information, significant disagreements with management and management's response, if any.

13. Management Letters. To review with the Auditors and, if appropriate, management, any management or internal control letters issued or, to the extent practicable, proposed to be issued by the Auditors and management's response, if any, to such letter, as well as any additional material written communications between the Auditors and management.

14. Disagreements Between Auditors and Management. To review with the Auditors and management any conflicts or disagreements between management and the Auditors regarding financial reporting, accounting practices or policies.

15. Internal and Financial Reporting Controls. To confer with the Auditors and with the management of the Company regarding the scope, adequacy and effectiveness of internal financial reporting controls in effect including any special audit steps taken in the event of material control deficiencies. To review with the Auditors and with the management of the Company the progress and findings of their efforts related to the documentation, assessment and testing of internal controls related to compliance with the Rules.

16. Separate Sessions. Periodically, to meet in separate sessions with the Auditors and management to discuss any matters that the Committee, the Auditors or management believe should be discussed privately with the Committee.

17. Complaint Procedures. To establish procedures, when and as required by applicable laws and rules, or as otherwise deemed appropriate by the Committee, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

18. Regulating and Accounting Initiatives. To review with counsel, the Auditors and management, as appropriate, any significant regulatory or other legal or accounting initiatives or matters that may have a material impact on the Company's financial statements, compliance programs and policies if, in the judgment of the Committee, such review is necessary or appropriate.

19. Related Party Transactions. To review and approve related-party transactions and review other issues arising under the Company's Code of Conduct or similar policies as required by the Rules.

20. Investigations. To investigate any matter brought to the attention of the Committee within the scope of its duties if, in the judgment of the Committee, such investigation is necessary or appropriate.

21. Management Information Circular. If required, to review the report required by regulatory authorities to be included in the Company's annual management information circular or other regulatory filing.

22. Annual Charter Review. To review and assess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.

23. Report to Board. To report to the Board with respect to material issues that arise regarding the quality or integrity of the Company's financial statements, the performance or independence of the Auditors or such other matters as the Committee deems appropriate from time to time or whenever it shall be called upon to do so.

24. Other Responsibilities. Perform such other functions as may be assigned by law, by the Company's articles or by the Board.

It shall be management's responsibility to prepare the Company's financial statements and periodic reports and the responsibility of the Auditors to audit those financial statements. It is not the duty of the Committee to (1) plan or conduct audits; (2) determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles; (3) to resolve disagreements, if any, between management and the outside auditors; or (4) to assure compliance with laws and regulations and the Company's policies generally. Furthermore, it is the responsibility of the Chief Executive Officer and senior management to avoid and minimize the Company's exposure to risk, and while the Committee is responsible for reviewing with management the guidelines and policies to govern the process by which risk assessment and management is undertaken, the Committee is not the sole body responsible. The Auditors shall be accountable to the Committee as representatives of the shareholders.

SCHEDULE “C”
Information Concerning Sol

Terms not otherwise defined in this Schedule have the meanings given to them in the Circular.

Corporate Structure

Name, Address and Incorporation

Sol, Inc. (“**Sol**” or the “**Company**”) is a Florida corporation with its head office, registered and records office located at 3210 SW 42nd Ave. Palm City, Florida, US, 34990.

Sol maintains an election to be treated as an S corporation for U.S. federal and state taxation purposes. Under this election, taxable income or losses are taxed in the hands of shareholders. Upon an acquisition by Carmanah, Sol would cease to be an S corporation for tax purposes.

Intercorporate Relationships

Sol has two wholly-owned subsidiaries: Solar Outdoor Lighting International, Inc., a Florida corporation and Sol International SARL, a Swiss corporation. Each subsidiary is inactive and all of their corporate filing costs are consolidated into the parent Company, Sol.

Narrative Description of the Business

General

Sol is a U.S. lighting manufacturer with over 60,000 solar lighting systems installed in more than 60 countries on six continents. Since 1990, Sol has introduced innovative and cost-effective outdoor solar powered lighting systems that provide unsurpassed levels of illumination and reliability. Sol develops, manufactures and markets commercial/industrial-grade solar powered, energy efficient, custom lighting solutions for a wide range of lighting applications including area and security, street and roadways, signs, billboards, transit and shelter lighting. Sol is committed to superior design, manufacturing, and customer satisfaction. Sol’s corporate headquarters and manufacturing facility are located in Palm City, Florida.

Three Year History

Various management and leadership over the past 3 years are highlighted below:

On July 18, 2011, Paul Wickberg came on board as President and CEO replacing the acting CEO.

- On November 23, 2011, Audwin Cash resigned as General Manager.
- On June 11, 2012, Darren R. Cuseo became Controller replacing John Olsen, CFO, who resigned effective June 30, 2012.
- On August 1, 2012, Paul Wickberg stepped down as CEO to become President of Sol and Divakar Tailor from Greenfield Aftermarket Solutions, LLC was hired as CEO.
- On November 12, 2012, Paul Wickberg was terminated as President of Sol and Divakar Tailor became President and CEO.

Restructuring:

- In November of 2012, the Company restructured its leadership team in an effort to reduce overhead costs. The President, Vice President of Sales, and the Director of Strategic Accounts positions were eliminated resulting in termination.

- In December of 2012, two additional positions were eliminated in the customer support and production areas.

Principal Products

Sol designs and manufactures commercial outdoor lighting products that it distributes to customers domestically and internationally. Sol sells to a range of customers including governments, schools, transit authorities, commercial property owners, and private individuals.

For the financial year ended December 31, 2013, Sol derived \$6.0 million (2012: \$7.9 million) in Domestic sales and \$4.7 million (2012: \$1.5 million) from international sales.

Operations

Sol's primary operating activities are the sales, service, design, sourcing, & manufacturing of solar outdoor lighting systems for global distribution. The Company currently has 31 full-time employees.

Specialized Skill and Knowledge; Employees

Sol's business is dependent on the specialized skill and knowledge required for the design, sales, manufacturing and technical support of solar outdoor lighting systems. Sol utilizes the skills and knowledge of its experienced engineers, technicians, and support staff, along with various contracted engineers and electrical contractors.

Cycles

The business is not significantly cyclical or seasonal but some of Sol's customers do operate on a seasonal basis. The United States Department of Defense tends to place a larger portion their orders at the end of the federal fiscal year which end on September 30th, generally resulting in higher fourth quarter sales. For all other customers, sales are usually project based and tend to be procured towards the end of the project when the site is ready for lighting.

Market Segment and Geographical Area

There are a number of companies that integrate solar panels, solar charge controllers, LED's, LED Drivers, and LED optics into autonomous solar lighting systems. Manufacturers of these systems take various forms that include, 1) being fully vertically integrated and involved in design, engineering and manufacturing of the entire system including its components, 2) manufacturing some components and source others, or 3) some are merely integrators that assemble a host of components that are manufactured by third party. Historically the solar outdoor lighting market has been successful in areas where 1) there is no electrical grid or the existing electrical grid is not reliable, 2) there is a high cost to bring the electricity to the site, and 3) where aging infrastructure is damaged and there may be a high cost to install new circuits.

The core technologies involved in solar outdoor lighting systems are categorized into 4 primary areas:

1. Solar Panels
2. Battery Storage
3. LED Luminaires
4. Energy Management Systems

Throughout the world, there is a focused effort and investment in research in each one of these technologies independent of the solar outdoor lighting market which is allowing for higher performance and lower cost.

For the United States, solar outdoor lighting systems are sold to the federal, state and local governments, schools, universities, transit authorities, out-of-home advertising, commercial property owners, and private individuals. For the international, non-U.S. market, lighting systems are primarily sold to governmental agencies, outdoor

advertising, and some real estate developers. For all markets, areas that receive a large amount of solar energy and/or a lack of electrical infrastructure have a larger potential and higher “need” for solar outdoor lighting.

Solar outdoor lighting is sold either directly or through a reseller/distributor, depending on the geographic location or market segment.

Industry Trends

With the introduction of LED’s as a lighting source, the demand for outdoor lighting is expected to grow for at least the next 5-10 years. In addition, renewable technology advancement and implementation is becoming more economically viable. The LED efficiency gains received over the past 5 years have been an average of 15-20% per year. The efficiencies are expected to grow over the next 5-7 years with a similar trend. This combined with the efficiencies and cost of solar panels improving, will reduce the materials required and thereby making the argument for solar lighting more compelling.

Market Acceptance

Solar lighting has widespread acceptance where there is no electrical grid as the illumination allows for expanded commerce, safety, and community interaction after dusk. In all other areas, the use of renewable energy sources has become a focus which has positioned solar outdoor lighting as an acceptable product where it is economically viable.

Marketing Plans and Strategies

To market its products, Sol utilizes a hybrid approach of direct sales staff, contracted agents, and distributors/resellers in order to reach all of the different markets and geographies its sells within.

Competitive Conditions

Sol’s primary competitors are Carmanah, Inovus, Sepco, and SolarOne, as well as several importers of Chinese manufactured products. In addition, grid connected luminaires are also viewed as competition.

Management believes Sol’s advantage over competitors is through high product performance, competitive pricing, and an experienced, customer-focused team.

Future Developments

Sol hopes to drive growth by focusing on three core areas; market expansion initiatives, innovative product introductions, and by establishing its products as the most cost effective solution. Sol will continue to work on expanding into developing countries where there is a lack of electrical infrastructure and need for development. For countries with established electrical distribution, new construction and aging infrastructure will be the primary focus areas.

Sol will work to develop new products and technologies that maximize efficiency in the areas of energy collection, energy storage, optical performance, and energy management. In addition, connectivity will also play a role in optimizing performance and service solutions. Sol’s strategy will be to position the Company and its products as the lowest initial cost as well as the overall lowest cost of ownership. This will be accomplished through efficiency gains as well as the savings that solar lighting provides by avoiding the large cost of bringing in utility services, underground circuits, and other related electrical infrastructure.

Management’s Discussion and Analysis

Sol is a private company and does not prepare Management Discussion and Analysis (“**MD&A**”). The following information has been prepared to highlight significant items that would typically be disclosed.

This information is dated April 3, 2014 and should be read in conjunction with Sol's audited consolidated financial statements for the years ended and as at December 31, 2013, 2012, and 2011. These financial statements are included in Schedule "E". The Company reports its financial position, results of operations and cash flows in accordance with US Generally Accepted Accounting Principles ("US GAAP"). The reader should note that the financial statements included in Schedule "E" are qualified and should refer to the associated auditor's report for details. This MD&A supplement does not form part of the audited financial statements of the Company and notes thereto. Sol management is responsible for the integrity of the information contained in this report and for the consistency between MD&A and Financial Statements. All amounts are expressed in US dollars. Certain information contained below can be considered forward-looking statements and are qualified in their entirety by the caution regarding forward-looking statements at the beginning of this Circular.

Sol's unaudited condensed consolidated financial statements as at and for the three months ended March 31, 2014 are also included in Schedule "F". The discussions that follow mainly focus on the financial information relating to the years ended December 31, 2013, 2012 and 2011.

Annual Information

The following table sets forth selected historical financial information for Sol for the years ended December 31, 2013, December 31, 2012 and December 31, 2011.

<i>(in thousands of USD except share amounts)</i>	As at and for the Year Ended December 31,	As at and for the Year Ended December 31,	As at and for the Year Ended December 31,
Revenue	10,705	9,375	11,398
Gross margin	5,293	3,865	3,854
Net loss	(802)	(4,154)	(5,244)
Total assets	3,920	5,765	6,551
Total long-term liabilities	4,128	3,495	200
Cash dividends	Nil	Nil	Nil

Quarterly Information

Sol is a private company and does not prepare formal quarterly financial statements. The following table has been prepared to highlight summary quarterly information. This information has not been reviewed or audited by Sol's auditors.

<i>(US\$ thousands)</i>		2013				2012			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue		2.335	2.533	2.541	3.296	2.360	1.807	2.639	2.569
Gross margin		1.142	1.310	1.200	1.641	639	861	1.110	1.255
Total	Net	(426)	(133)	(240)	(3)	(1,393)	(943)	(1,087)	(731)
(loss)/income									
Cash dividends		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Discussion on the Results of Operations

Revenues were \$10.7 million for the year ended December 31, 2013 compared with \$9.4 million for the year ended December 31, 2012 and \$11.4 million for the year ended December 31, 2011. The net loss was \$0.8 million for the year ended December 31, 2013 compared with a loss of \$4.2 million for the year ended December 31, 2012 and \$5.2 million for the year ended December 31, 2011. Revenue increased in the current year compared to 2012 mainly due to the increase in international sales which offset the reduction of domestic sales. The revenue decrease

between 2011 and 2012 was primarily due to political climate change in one particular international market, which rebounded in 2013.

The Company's revenue may fluctuate on a quarterly basis as a solar lighting is mostly a project based business dependent on construction schedules. In addition, the United States Department of Defense often places orders at the end of their fiscal year which may result in an increase in fourth quarter sales. Other US Federal, State, and local government's orders may also be dependent upon budget cycles.

The Company's gross margin improvements in 2013 compared to 2012 were a combined result of increase revenue, comprehensive project review management, material cost saving initiatives and lean manufacturing design.

The Company's operating expense decreased significantly 2013 compare to 2012 due to restructuring expense and fiscal spending controls.

The decrease in the net loss in year ended December 31, 2013 compared to the years ended December 31, 2012 and December 31, 2011 reflects the cost reduction initiatives and operational changes.

Liquidity and Capital Resources

Summary of consolidated statement of cash flows

(US\$ thousands, unless noted otherwise)	2013	2012	2011
Cash provided (used) in operating activities	(451)	(3,010)	(2,742)
Cash provided (used) in investing activities	1,530	(127)	(603)
Cash provided (used) in financing activities	(886)	3,310	3,038
Total increase (decrease) in cash	193	173	(308)

On December 31, 2013, the Company's overall working capital was \$1.4 million compared with \$0.2 million for the year ended December 31, 2012 and \$0.3 million for the year ended December 31, 2011. The increase 2013 is primarily due to the proceeds of the sale of an investment asset used to pay down the line of credit. Without the sale of the investment asset the Company's working capital would have declined as a result of our operating losses during the year.

The Company's \$0.5 million line of credit was converted into a term loan on April 30, 2014 and extended to June 30, 2014. Principal payments of \$50,000 are due on or before May 15, 2014 and June 15, 2014. The Company paid the May 15, 2014. Under the terms of the definitive purchase agreement, the loan will be paid off at close. If the deal does not close, the Company will investigate borrowing options.

Commitments

Sol has no commitments that extend beyond one year.

Critical Accounting Estimates

The Company's financial statements are prepared in accordance with US GAAP. The application of US GAAP requires the estimates that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. The Company based its estimates on historical experience and on various other assumptions that the Company believe to be reasonable under the circumstances. The Company evaluates its estimates and assumptions on an ongoing basis. Actual results may differ significantly from these estimates.

The following is a discussion on the significant accounting estimates used in the preparation of Sol's financial statements.

Area	Discussion
Warranty reserve	A reserve for future potential product warranty costs is included in cost of goods sold based primarily on prior warranty experience regarding cost of claims and expected product returns. These future product warranty costs include costs associated with repair or replacement of products returned under warranty. Actual future costs in support of these claims may differ from those estimates. The Company reviews the reserve quarterly and adjusts accordingly. The total reserve as at December 31, 2013 was \$0.4 million, down from \$0.5 million at December 31, 2012. The decrease in the warranty reserve during the year was mainly due to the closure of claims relating to a previous version of an electronic controller which was retired in 2012.
Valuation of inventory	The Company evaluates inventory balances at each balance sheet date and record a reserve as necessary for slow moving or obsolete inventory. In performing this review The Company consider such factors as forecasted sales, demand requirements, product lifecycle and product development plans, quality issues, and current inventory levels. If future demand or market conditions for our products are less favorable than forecasted or if unforeseen technological changes occur, The Company may be required to record write-down which would negatively affect gross margins in the period when the write-downs are recorded and our operating results and financial position could be adversely affected. At December 31, 2013 our inventory reserve was \$0.2 million, down from \$0.9 million at December 31, 2012, mainly due to the physical write off of 2011 and 2012 reserved inventory expense.
Allowance for doubtful accounts	The Company records an allowance for doubtful accounts related to trade accounts receivable. This allowance is based on our knowledge of the financial condition of our customers, the aging of the receivables, the current business environment and historical experience. A change in one or more of these factors could impact the estimated allowance and provision for bad debts recorded. At December 31, 2013, our allowance for doubtful accounts was \$94 thousand, up from \$41 thousand at December 31, 2012, mainly due to two slow paying international customers.

Trends

Sol's management is not aware of any trend, commitment, event or uncertainty, both presently known and reasonably expected to have a material effect on Sol's business, financial conditions or results of operations other than the risks disclosed in this Circular under the heading "*Risk Factors*".

Description of Securities

Sol's authorized capital consists of 10,000,000 shares at a par value of \$1.00 per share. As of the date of this Circular, there are 1,121,589 shares issued, 1,095,693 shares outstanding, and 119,020 outstanding stock options to acquire Sol Shares.

The holders of the Sol's common shares are entitled to one vote for each common share held on all matters to be voted the directors of Sol out of funds legally available for that purpose. Each common share is equal to every other common share and all common shares participate equally on liquidation or distribution of assets. There are no pre-emptive, redemption, purchase or conversion rights attached to Sol's common shares.

Consolidated Capitalization

Designation (<i>\$ amounts in thousands of USD</i>)	Amount Authorized or to be Authorized	Amount Outstanding as at 12/31/13	Amount Outstanding after giving effect to the Acquisition
Common shares	10,000,000	1,095,693	1,095,693
Long-term debt	N/A	4,128	Nil

Dividend Distributions

The payment of dividend distributions on the Sol Shares is at the discretion of the Sol's Board of Directors (the "Sol Board") and depends upon Sol's financial condition and the need to finance Sol's business activities. Sol has not paid any dividend distributions since incorporation. There are no restrictions that could prevent Sol from paying dividend distributions if the financial condition of Sol warranted such payments.

Prior Sales

During the twelve months prior to the date of this Circular, Sol did not issue any shares.

Stock Exchange Price

The Sol Shares are not listed for trading on any stock exchange.

Principal Security holders

Other than as set out below, to the knowledge of the directors and senior officers of Sol, no person or Company, as at the date of this Circular, beneficially owns, directly or indirectly, or exercise control or direction over Sol Shares carrying more than 10% of the outstanding voting rights attached to the Sol Shares.

Name of shareholder	Number of Sol Shares owned, controlled or directed prior to the Acquisition	Number of Resulting Issuer Shares To be Owned, Controlled or Directed (after the acquisition)
Michael W Sonnenfeldt	926,133 (84.5%)	60,295,150 (38.1%)*

*Subject to change based upon the buyout of non-accredited minority shareholders.

Directors and Officers

Name, occupation and security holding

The following table sets out, for each of the Company's directors and executive officers, the person's name, municipality of residence, position or positions within the Company, principal occupation and if a director, the month and year in which the person became a director. Other than as set out below, to the knowledge of the directors and senior officers of Sol, no person or Company, as at the date of this Circular, beneficially owns, directly or indirectly, or exercise control or direction over Sol Shares carrying more than 10% of the outstanding voting rights attached to the Sol Shares.

Nominee Name, Position and Place of Residence	Principal Occupation	Period as a Director	Sol Shares Beneficially Owned Directly or Indirectly
Michael W Sonnenfeldt, Chairman, NY USA	Investor	1990 to present	84.5%

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of Sol, no director, officer or promoter of Sol or a security holder holding a sufficient number of securities of Sol to affect materially the control of Sol:

- (a) is, as at the date of the Circular, or has been, within ten years before the date of the Circular, a director, officer or promoter of any person or Company that, while that person was acting in that capacity:
 - i. was the subject of a cease trade or similar order or an order that denied the relevant Company access to any exemption under securities legislation, that was in effect for a period of more than thirty consecutive days; or
 - ii. became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.
- (b) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority;
- (c) has been subject to any penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would likely be considered important to a reasonable security holder in making a decision about the Acquisition; or
- (d) has, within ten years before the date of the Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or promoter.

Penalties or Sanctions

No director or officer of Sol or a security holder holding a sufficient number of securities of Sol to affect materially the control of Sol, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder making a decision about the Acquisition.

Conflicts of Interest

The Sol Board is consulted on all conflicts of interest. If a resolution cannot be decided, a majority Sol Board vote would prevail.

Executive Compensation

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about Sol's executive compensation objectives and processes and to discuss compensation decisions relating to its Named Executive Officers (as defined below) listed in the Summary Compensation Table that follows. During its fiscal year ended December 31, 2013, the following individuals were Named Executive Officers or NEOs (as defined in applicable securities legislation) of Sol, namely:

- Divakar Tailor – President & Chief Executive Officer
- Darren R Cuseo – Corporate Controller

- Alan Hurst – Vice-President of International Sales

Option Based Awards

The Company grants stock options to various employees and directors at the discretion of the Sol Board.

Summary Compensation Table

The following table sets forth all annual and long term compensation for services in all capacities to Sol for the three most recently completed financial years of Sol as at December 31, 2013 in respect of each of the individuals comprised of the CEO and the CFO who acted in such capacity for all or any portion of the most recently completed financial year, and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity (other than the CEO and the CFO) as at December 31, 2013 (collectively the “Named Executive Officers” or “NEOs”).

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total Compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans (\$)			
Divakar Tailor President & CEO (1)	2013	420,000	Nil	Nil	Nil	Nil	Nil	Nil	420,000
	2012	341,250	Nil	Nil	Nil	Nil	Nil	Nil	341,250
	2011	60,625	Nil	Nil	Nil	Nil	Nil	Nil	60,625
Darren R. Cuseo Corporate controller (2)	2013	100,000	Nil	Nil	20,000	Nil	Nil	Nil	120,000
	2012	55,000	Nil	Nil	15,000	Nil	Nil	Nil	70,000
	2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Alan Hurst VP of Intl’ Sales (3)	2013	128,000	Nil	Nil	Nil	Nil	Nil	122,142	250,142
	2012	128,000	Nil	Nil	Nil	Nil	Nil	49,730	177,730
	2011	128,000	Nil	Nil	Nil	Nil	Nil	113,072	241,072

Notes

- (1) Divakar Tailor was hired in the fall of 2011, through his Company Greenfield Aftermarket Solutions, LLC., as a part-time Sol Board advisor and consultant. On August 1, 2012 the Sol Board appointed Mr. Tailor to the position of CEO to lead the turnaround of the company. Mr. Tailor has a consultancy agreement with the Company and will be paid a success fee on the sale of the Company.
- (2) Darren R. Cuseo was hired on June 11, 2012 as the Corporate Controller with a base salary of \$100,000 and a personal performance based incentive plan. In January of 2013, the Sol Board approved a three-month severance package for Mr. Cuseo.
- (3) Alan Hurst is the founder of the Company which was established in July of 1990. Mr. Hurst is the Vice-President of International Sales with a base salary of \$128,000 and a revenue based incentive plan.

Pension Plan Benefits

The Company has a qualified 401(k) plan which covers substantially all employees meeting certain eligibility requirements. Participants may contribute a portion of their compensations to the plan, up to the maximum amount permitted under Section 401(k) of the Internal Revenue Code. The Company matching contributions ranged from 3% to 4% of salaries for employees who contribute 3% to 5% of their individual salaries.

Termination and Change of Control Benefits

Darren R Cuseo, Corporate Controller, has a three month \$25,000 severance package (Sol Board approval in January of 2013).

Director Compensation

Sol directors are compensated by stock options grants only.

Sol directors, the number of options granted during the past 3 years and the outstanding balances at December 31, 2013 and in March 2013 for all directors and NEOs noted previously.

Stock Options Granted to Directors	December 31, 2011	December 31, 2012	December 31, 2013	Bal. December 31, 2013	Bal. December 31, 2013
Michael W Sonnenfeldt	2,000	2,000	2,000	31,420	31,920
Marshall Greenblatt	5,000	5,000	5,000	20,000	21,250
Rick Keister	5,000	5,000	5,000	20,000	21,250

Independence of Members of the Sol Board

All directors are independent except for Divakar Tailor as he is the Company's CEO.

Meetings of the Sol Board

The Sol Board meets a minimum of four times per year in which they are given a formal update by Sol management on the financial and operational status of the Company.

Sol Board Mandate and Position Descriptions

The Sol Board does not have a written mandate or written position descriptions for the chair. The Sol Board relies upon the knowledge and practical experience of the member of the Sol Board to delineate its role and responsibilities.

Orientation and Continuing Education

While Sol does not have formal orientation and training programs, new Sol Board members are provided with: (1) access to documents of Sol and Sol's internal financial information; and (2) access to management and consultants. Sol Board members are encouraged to communicate with management, auditors and consultants; to keep themselves current with developments and changes in legislation with management's assistance; and to visit Sol's operations.

Ethical Business Conduct

The Sol Board views good corporate governance as an integral component to the success of Sol and to meet responsibilities to shareholders. The Sol Board, through its meetings with management and other informal discussions with management, encourages a culture of ethical business conduct and believes that Sol's high caliber management team promotes a culture of ethical business conduct throughout Sol's operations. The Sol Board seeks to foster a culture of ethical conduct by striving to ensure that Sol carries out its business in line with high business and moral standards and applicable legal and financial requirements.

Nomination of Directors

The Sol Board has responsibility for identifying potential Sol Board candidates. The Sol Board assesses potential Sol Board candidates to fill perceived needs of the Sol Board for required skills, expertise, independence and other factors.

Compensation of Directors and Officers

See “Compensation Discussion and Analysis” above.

Assessments

The Sol Board does not consider that formal assessments would be useful at this stage of Sol’s development. The Sol Board conducts informal assessments of the Sol Board’s effectiveness. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of an individual director are informally monitored by management, having in mind the business strengths of the individual.

The Sol Board is of the view that Sol’s corporate governance practices are appropriate and effective for Sol, given its relatively small size and limited operations. Sol’s method of corporate governance allows for Sol to operate efficiently, with simple checks and balances that control and monitor management and corporate functions without excessive administrative burden.

Non-Arm’s Length Party Transactions

Sol pays consulting and other expenses to MUUS Asset Management Co LLC and MUUS & Company LLC, two companies controlled by the Sol’s majority shareholder, Michael Sonnenfeldt. These fees primarily relate to legal and administrative functions performed on behalf of Sol. MUUS & Company LLC has also provided funding to Sol through promissory notes.

Designation <i>(\$ amounts in thousands of USD)</i>	2012	2013
MUUS Asset Management Co LLC	Admin. Expenses \$68	Admin. Expenses \$30
MUUS & Company LLC	Legal Fees \$Nil Principal \$2,948 Interest \$158	Legal Fees \$109 Principal \$300 Interest \$304

Legal Proceedings and Regulatory Actions

On December 13, 2013, the U.S. Customs and Border Protection (“**CBP**”) made a demand for prompt payment \$1,445,070 for violations of certain U.S. antidumping and countervailing rules in place. The CBP alleges that Company failed to declare certain imported solar cell modules/panels as within the scope of these antidumping rules and its alleged failure to pay the antidumping duty and tariffs.

As of December 31, 2013, the Company has not recorded a provision for this matter as management is vigorously defending these allegations and believes the payment of the duty demanded is not probable. The Company believes, however, that any liability it may incur would not have a material adverse effect on its financial condition or its results of operations.

Interests of Management and Others in Material Transactions

Except for the Acquisition and as disclosed elsewhere in this Circular, within the three most recently completed financial years and during the current financial year, none of the following persons has any material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or will materially affect Sol:

- (a) any director or executive officer of Sol;
- (b) any shareholder holding, directly or indirectly, more than 10% of the voting rights attached to all the shares Sol; and
- (c) any associate or affiliate of any of the foregoing persons.

Auditors, Transfer Agents and Registrars

The annual consolidated financial statements for the years ended December 31, 2013, 2012, and 2011 were audited by Crowe Horwath LLP, of Fort Lauderdale, Florida, United States. The auditors, appointed by the shareholders, examined the consolidated financial statements in accordance with US GAAP. Crowe Horwath LLP is independent with respect to Sol in accordance with the independence rules of the American Institute of Certified Public Accountants.

Material Contracts

The Company has a revolving line of credit with a financial institution that allows borrowing up to \$500,000. Amounts borrowed are secured by inventory, equipment and accounts receivables. The interest rate is set at Prime Rate plus 2.25%, with a floor of 5.50% at December 31, 2013. The outstanding borrowed against the line as of December 31, 2013 was \$316,335.

Divakar Tailor has a consultancy agreement with the Company and will be paid a success fee on the sale of the Company.

The Company has a promissory note with its Chairman and majority shareholder and, as of December 31, 2013, the balance due was \$3,455,136. The related promissory note bears interest rate is set at 10% annual payable on demand. Accrued interest on the note amounted to approximately \$462,000. The note matures on January 1, 2015 and the accrued interest and principal are subordinated to the line of credit.

SCHEDULE “D”
Condensed Pro Forma Consolidated Financial Statements

Condensed pro forma consolidated financial statements
(Expressed in thousands of U.S. dollars)
(Unaudited)

Carmanah Technologies Corporation

Carmanah Technologies Corporation

Condensed pro forma consolidated statement of financial position

as at March 31, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars)

	Carmanah Technologies Corporation	SOL, Inc.	Note	Total pro forma adjustments	Carmanah Technologies Corporation consolidated pro forma
	\$	\$		\$	\$
Assets					
Cash and cash equivalents	5,101	439	5(h)	(328)	5,212
Restricted cash	30	-		-	30
Trade and other receivables	6,415	1,098		-	7,513
Inventories	2,115	1,389		-	3,504
Prepaid expenses and other current assets	484	401		-	885
Total current assets	14,145	3,327		(328)	17,144
Equipment and leasehold improvements	615	257		-	872
Intangible assets	321	-	5(c)	1,300	1,621
Goodwill	-	266	5(c)	5,750	5,750
			5(e)	(266)	
Other assets	-	14		-	14
Total assets	15,081	3,864		6,456	25,401
Liabilities					
Debt	-	498	5(f)	(498)	-
Trade and other payables	4,911	1,197	5(a)	450	6,558
Deferred revenue	324	365		-	689
Provisions	850	137		-	987
Total current liabilities	6,085	2,197		(48)	8,234
Deferred income tax liability	-	-	5(d)	335	335
Due to related party	-	3,455	5(f)	(3,455)	-
Warranty liability	-	211		-	211
Interest payable - long term	-	550	5(f)	(550)	-
Total liabilities	6,085	6,413		(3,718)	8,780
Equity					
Share capital	42,870	11,042	5(e)	(11,042)	50,945
			5(b)	8,075	
Treasury stock	-	(316)	5(e)	316	-
Equity Reserve	2,983	-		-	2,983
Accumulated other comprehensive loss	(102)	-		-	(102)
Deficit	(36,755)	(13,275)	5(e)	13,275	(37,205)
			5(a)	(450)	
Total equity	8,996	(2,549)		10,174	16,621
Total liabilities and equity	15,081	3,864		6,456	25,401

See accompanying notes to these condensed pro forma consolidated financial statements

Carmanah Technologies Corporation

Condensed pro forma consolidated statement of loss

for the year ended December 31, 2013

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

	Carmanah Technologies Corporation	SOL, Inc.	Note	Pro forma adjustments	Carmanah Technologies Corporation consolidated pro forma
	\$	\$		\$	\$
Sales	25,902	10,705		-	36,607
Cost of sales	18,518	5,412		-	23,930
Gross margin	7,384	5,293		-	12,677
Operating expenses					
Sales and marketing	3,439	944		-	4,383
Research, development	1,925	40		-	1,965
General and administrative	5,439	4,785	5(g)	433	10,657
	10,803	5,769		433	17,005
Restructuring expenses	(552)	-		-	(552)
Impairment of equipment	(158)	-		-	(158)
Impairment of intangible assets	(1,317)	-		-	(1,317)
Total operating expenses	12,830	5,769		433	19,032
Operating loss	(5,446)	(476)		(433)	(6,355)
Other income/(expenses)					
Loss on foreign exchange	(92)	-		-	(92)
Interest income/(expense)	-	(360)	5(f)	360	-
Gain on disposal of assets	(7)	-		-	(7)
Other	(14)	33		-	19
	(113)	(327)		360	(80)
Loss before taxes	(5,559)	(803)		(73)	(6,435)
Income tax (expense)/benefit					
Current	(5)	-		-	(5)
Deferred	-	-	5(d)	112	112
	(5)	-		112	107
Net loss	(5,564)	(803)		38	(6,329)
Net loss per share					
Basic and diluted	(0.10)				(0.07)
Weighted average number of common shares					
Basic and diluted	55,978,085				94,141,261

See accompanying notes to these condensed pro forma consolidated financial statements

Carmanah Technologies Corporation

Condensed pro forma consolidated statement of loss

for the three months ended March 31, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

	Carmanah Technologies Corporation	SOL, Inc.	Note	Pro forma adjustments	Carmanah Technologies Corporation consolidated pro forma
	\$	\$		\$	\$
Sales	9,119	2,123		-	11,242
Cost of sales	6,134	1,035		-	7,169
Gross margin	2,985	1,088		-	4,073
Operating expenses					
Sales and marketing	993	351		-	1,344
Research, development	304	8		-	312
General and administrative	1,167	1,020	5(g)	108	2,295
Total operating expenses	2,464	1,379		108	3,951
Operating loss	521	(291)		(108)	122
Other income/(expenses)					
Loss on foreign exchange	(170)	-		-	(170)
Interest income/(expense)	-	(94)	5(f)	94	-
Gain on disposal of assets	-	-		-	-
Other	(275)	-		-	(275)
	(445)	(94)		94	(445)
Loss before taxes	76	(385)		(14)	(323)
Income tax (expense)/benefit					
Current	1	-		-	1
Deferred	-	-	5(d)	28	28
	1	-		28	29
Net loss	77	(385)		14	(294)
Net loss per share					
Basic and diluted	0.00				(0.00)
Weighted average number of common shares					
Basic and diluted	100,612,011				138,775,187

See accompanying notes to these condensed pro forma consolidated financial statements

Carmanah Technologies Corporation

Notes to the condensed pro forma consolidated financial statements

March 31, 2014 (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise noted)

1. Basis of presentation

The condensed pro forma consolidated financial statements of Carmanah Technologies Corporation (the "Company" or "Carmanah") are for illustrative purposes only to show the effect of the proposed acquisition whereby the Company will acquire 100% of the issued and outstanding shares of SOL, Inc. ("SOL"). The assumptions used in preparation of these condensed pro forma consolidated financial statements are included in the notes that follow.

All financial amounts are shown in thousands of U.S. dollars, unless otherwise noted.

The condensed pro forma consolidated statement of financial position of Carmanah as at March 31, 2014 and the condensed pro forma consolidated statements of loss for the year ended December 31, 2013 and for the three months ended March 31, 2014 have been prepared to give effect to the proposed acquisition of SOL by Carmanah pursuant to the assumptions described in notes 3 and 4 of these condensed pro forma consolidated financial statements. The accounting policies in these condensed pro forma consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") except as noted below and have been compiled from the following historical information:

- a) A condensed pro forma consolidated statement of financial position combining:
 - i) The unaudited condensed consolidated statement of financial position of Carmanah as at March 31, 2014; and
 - ii) The unaudited condensed balance sheet of SOL as at March 31, 2014.
- b) A condensed pro forma consolidated statement of loss for the year ended December 31, 2013 combining:
 - i) The audited consolidated statement of loss and total comprehensive loss of Carmanah for the year ended December 31, 2013; and
 - ii) The audited statement of operations of SOL for the year ended December 31, 2013.
- c) A condensed pro forma consolidated statement of loss for the three months ended March 31, 2014 combining:
 - i) The unaudited condensed consolidated interim statement of income and comprehensive income of Carmanah for the three months ended March 31, 2014; and
 - ii) The unaudited statement of operations of SOL for the three months ended March 31, 2014.

The condensed pro forma consolidated statement of financial position as at March 31, 2014 has been prepared as if the transactions described in notes 3 and 4 had occurred on March 31, 2014. The condensed pro forma consolidated statement of loss for the year ended December 31, 2013 and for the three months ended March 31, 2014 have been prepared as if the transactions described in notes 3 and 4 occurred on January 1, 2013.

The condensed pro forma consolidated financial statements are not necessarily indicative of the operating results or financial condition that would have been achieved if the transactions had been completed on the dates or for the periods presented, nor do they purport to project the results of operations or financial position of the consolidated entities for any future period or as of any future date. The condensed pro forma consolidated financial statements do not reflect any

Carmanah Technologies Corporation

Notes to the condensed pro forma consolidated financial statements

March 31, 2014 (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise noted)

special items such as integration costs or operating synergies that may be incurred as a result of the acquisition.

Similarly, the calculation and allocation of the purchase price has been prepared on a preliminary basis based in part on estimates of the fair value of assets acquired and liabilities to be assumed and is subject to change between the time such preliminary estimations were made and closing as a result of several factors which could include among others: changes in fair value of assets acquired and liabilities assumed and the market price of the related shares. The final purchase price allocations will be completed after asset and liability valuations are finalized as of the date of the completion of the acquisition. Any final adjustments may change the allocation of purchase price which could affect the fair value assigned to the assets and liabilities in these condensed pro forma consolidated financial statements. Any potential synergies that may be realized and integration costs that may be incurred upon consummation of the transactions have been excluded from the unaudited pro forma financial information. Further, the pro forma financial information is not necessarily indicative of the financial performance that may be obtained in the future.

2. Significant accounting policies

The condensed pro forma consolidated financial statements have been prepared by management in accordance with IFRS. The accounting policies used in the preparation of the condensed pro forma consolidated financial statements are consistent with those used by Carmanah in the preparation of its audited consolidated financial statements for the year ended December 31, 2013. As a result, these condensed pro forma consolidated financial statements should be read in conjunction with these historical financial statements.

SOL's annual financial statements for all periods had previously been prepared under generally accepted accounting principles in the United States of America ("US GAAP"). There were no material differences between those policies under US GAAP and those under IFRS therefore no reconciliation has been prepared for these condensed pro forma consolidated financial statements.

SOL's consolidated financial statements for the years ended December 31, 2013 and 2012 described a departure from US GAAP in Note 2. The departure related to the accounting for a 32% investment in a German based company who designs and builds controllers used in the lighting industry. This investment was held on a cost basis, but under US GAAP it should have been recorded using the equity method of accounting. This investment was sold to SOL's majority stockholder on April 25, 2013. SOL received proceeds equal to its cost and as a result no gain or loss was recognized in 2013. The impact of this departure has not been quantified on the 2013 financial results. There would be no impact on the 2014 financial results, or the values presented on the balance sheet at March 31, 2014.

Certain amounts from SOL's financial statements have been reclassified to align to the Company's own financial statement presentation. Specifically SOL's operating costs were previously presented by nature and were reclassified to be reflected by function.

3. Description of Proposed Transaction

Under the terms of the definitive purchase agreement (the "Agreement") announced on May 26, 2014, Carmanah will issue 38,163,176 of its common shares to acquire SOL. These shares will be issued in exchange for all of the outstanding shares of SOL and an outstanding indebtedness of SOL that is beneficially owned by its controlling shareholder. The Agreement is subject to shareholder and regulatory approvals. Under the terms of the Agreement, the total consideration payable by Carmanah consists of:

Carmanah Technologies Corporation

Notes to the condensed pro forma consolidated financial statements

March 31, 2014 (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise noted)

- a) 38,163,176 common shares of Carmanah, which would be issued from treasury; and
- b) An earn-out payment to which Carmanah will agree to pay to electing former shareholders of SOL an amount equal to 3% of total revenues received by Carmanah in respect of 10 specifically identified prospective sales opportunities brought forth by SOL. In order to qualify for the earn-out payment, various conditions must be met. Most significantly each of these projects must result in revenues of at least \$5.0 million and the sales order must be received and accepted by Carmanah prior to December 31, 2015, although cash and delivery can occur after that date.

This transaction is considered a “related party transaction” for the purposes of applicable Canadian securities law, as the controlling shareholder of SOL is also a major shareholder and director of Carmanah.

4. Pro forma purchase price allocation

The preliminary purchase and purchase price allocation is as follows:

	Estimated fair value
Fair value of share consideration to be paid	8,075
Fair value of earn-out consideration	-
Estimated purchase consideration	8,075
Net Assets	
Cash	439
Trade and other receivables	1,098
Inventories	1,389
Other assets	401
Trade and other payables	(1,197)
Deferred revenue	(365)
Provisions	(348)
Equipment and other assets	271
Working capital adjustment required under the Agreement (cash)	(328)
Intangibles (customer lists)	1,300
Deferred income tax liability	(335)
Total identifiable net assets acquired	2,325
Goodwill	5,750
Estimated purchase price	8,075

The transaction will be accounted for as a business combination and the Company will complete a valuation to determine the fair value of the net assets of SOL.

Consideration

The fair value of the share consideration to be paid was calculated for the 38,163,176 shares to be issued using a share price of C\$0.23 converted into US dollars using an exchange rate of 0.920. The share price was based upon a closing share price of Carmanah shares on May 23, 2014. The actual share consideration for this deal will be based upon the actual share price at the close of the transaction and the prevailing foreign exchange rates at that time.

For the purposes of the condensed pro forma consolidated financial statements, no fair value has been attributed to the earn-out as substantial uncertainty exists if the projects identified will result in any sales that would meet the conditions of the Agreement. The Company will reassess the value and make required adjustments as additional information becomes available.

Carmanah Technologies Corporation

Notes to the condensed pro forma consolidated financial statements

March 31, 2014 (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise noted)

Net assets and liabilities assumed

The asset allocation provided in the table above is based upon management's preliminary assessments. The Company expects to conduct a full and detailed valuation of the assets and liabilities to determine their fair value. The actual fair values of the assets and liabilities will be determined as of the date of acquisition and may differ materially from the amounts disclosed above in the assumed pro forma purchase price allocation because of changes in fair values of the assets and liabilities up to the date of the transaction, and as further analysis (including the identification of intangible assets, for which no amounts have been estimated and included in the preliminary amounts shown above) is completed. Consequently, the actual allocation of the purchase price may result in different adjustments than those in the condensed pro forma consolidated statement of financial position.

Under the agreement, SOL is required to have a working capital balance of \$1.30 million upon close. If working capital is more or less than that amount, cash will either be injected or withdrawn prior to close. The "Working capital adjustment required under the Agreement (cash)" line noted above provides for this adjustment.

5. Effect of transactions on the condensed pro forma consolidated financial statements

The following adjustments have been made to the condensed pro forma consolidated financial statements:

- (a) Estimated total transaction costs of \$0.45 million associated with the acquisition, including legal, due diligence, and other related fees have been included in the condensed pro forma consolidated statement of financial position as at March 31, 2014. No impact has been recognized on either of the condensed pro forma consolidated statements of loss.
- (b) The issuance of 38,163,176 of Carmanah common shares to SOL shareholders. The assumed value of \$8.1 million for the common shares issued is based on a closing share price of C\$0.23 and a Canadian/ US dollar exchange rate of 0.920.
- (c) These adjustments reflect the increase in fair value of the assets acquired. The preliminary assessment of the net assets acquired has resulted in the recognition of \$1.3 million of intangibles and \$5.8 million of goodwill. The intangibles primarily related to customer lists, trademarks and developed technologies.
- (d) These adjustments reflect (1) the recognition of a deferred income tax liability of \$0.33 million associated with the intangible assets recorded under point (c), and (2) the associated reversal of the deferred tax liability as these assets are amortized. The deferred income tax liability was calculated using a tax rate of 25.75%.
- (e) This adjustment eliminates the historical equity accounts and goodwill recognized in SOL. The SOL options outstanding at March 31, 2014 are not replaced or exchanged into Carmanah options at the date of acquisition.
- (f) This adjustment reflects the elimination of (1) SOL's line of credit and due to related party balances prior to acquisition, and (2) associated interest expense on the statement of loss. Upon closing, the line of credit balance will be eliminated and consolidated into the due to related party balance. The ownership of the total due to related party balance will be transferred from SOL's majority shareholder to Carmanah in exchange for a portion of the total shares to be issued for SOL.

Carmanah Technologies Corporation

Notes to the condensed pro forma consolidated financial statements

March 31, 2014 (Unaudited)

(Expressed in thousands of U.S. dollars, unless otherwise noted)

-
- (g) These adjustments reflect amortization expense associated with the recognized acquired intangibles noted in 5 (c). For the purposes of these condensed pro forma consolidated financial statements, the intangible assets are being amortized over a three year period.
- (h) Under the Agreement, SOL is required to have a working capital balance of \$1.30 million upon close. Any difference requires either a cash injection or a withdrawal. An adjustment of \$0.33 million has been made in the cash balance on the condensed pro forma consolidated statement of financial position as at March 31, 2014 to reflect this.

5. Carmanah shares outstanding

The average number of shares used in the computation of pro forma basic (loss) per share has been determined as follows:

	Year ended December 31, 2013	Three months ended March 31, 2014
Basic		
Weighted average shares outstanding for the period	55,978,085	100,612,011
Shares issued to acquire SOL	38,163,176	38,163,176
Pro forma basic and diluted weighted average shares outstanding	94,141,261	138,775,187

SCHEDULE "E"
Audited Annual Financial Statements of Sol

SOL, INC.
Palm City, Florida
FINANCIAL STATEMENTS
December 31, 2012 and 2011

SOL, INC.
Palm City, Florida

FINANCIAL STATEMENTS
December 31, 2012 and 2011

CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENTS OF OPERATIONS.....	4
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT	5
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS	7

INDEPENDENT AUDITOR'S REPORT

SOL, Inc.
Board of Directors
Palm City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of SOL, Inc. (the Company), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As further described in Note 2, the Company recorded its investment in an unrelated company over which it can exercise significant influence at cost rather than under the equity method. Under accounting principles generally accepted in the United States of America, the Company's share of the profit and loss of the equity investment should be recorded by the Company as a change to the carrying value of the investment. No such amount has been recorded by the Company since its original investment. The Company has also omitted certain disclosures required for an equity method investment in accordance with accounting principles generally accepted in the United States of America. On April 25, 2013, the investment was sold to the Company's majority shareholder for \$1,530,000. The effects of these accounting and disclosure departures from accounting principles generally accepted in the United States of America on the financial statements have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of SOL, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Crowe Horwath LLP

Fort Lauderdale, Florida
June 28, 2013

SOL, INC.
BALANCE SHEETS
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 195,926	\$ 23,325
Accounts receivable, net of allowance for doubtful accounts of \$40,954 and \$79,413, respectively	1,110,634	1,587,760
Inventories, net of reserve for obsolescence of \$851,450 and \$579,436, respectively	1,888,064	2,200,562
Prepaid expenses	206,210	132,422
Other current assets	<u>72,471</u>	<u>97,320</u>
Total current assets	3,473,305	4,041,389
Investment (Note 2)	1,530,000	1,595,965
Property and equipment, net	476,455	629,260
Goodwill	266,100	266,100
Refundable deposits	<u>18,986</u>	<u>17,854</u>
Total assets	<u>\$ 5,764,846</u>	<u>\$ 6,550,568</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Line of credit	\$ 1,706,709	\$ 1,327,243
Current portion of long-term debt	2,494	17,441
Accounts payable	629,215	1,453,894
Accrued liabilities	590,886	406,132
Customer deposits	662,508	160,604
Warranty liability	<u>101,773</u>	<u>338,760</u>
Total current liabilities	3,693,585	3,704,074
Due to related party	2,948,503	-
Warranty liability	388,339	196,586
Interest payable – long-term	158,230	-
Long term debt	<u>-</u>	<u>3,316</u>
Total liabilities	<u>7,188,657</u>	<u>3,903,976</u>
Stockholders' deficit		
Common stock: \$1 par value, 10 million shares authorized, 1,121,589 issued and 1,095,693 outstanding	1,121,589	1,121,589
Additional paid in capital	9,859,135	9,775,135
Accumulated deficit	<u>(12,088,838)</u>	<u>(7,934,435)</u>
	(1,108,114)	2,962,289
Treasury stock (25,896 shares at cost)	<u>(315,697)</u>	<u>(315,697)</u>
Total stockholders' deficit	<u>(1,423,811)</u>	<u>2,646,592</u>
Total liabilities and stockholders' deficit	<u>\$ 5,764,846</u>	<u>\$ 6,550,568</u>

See accompanying notes to financial statements.

3.

SOL, INC.
STATEMENTS OF OPERATIONS
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Sales	\$ 9,375,046	\$ 11,397,878
Cost of sales	<u>(5,509,956)</u>	<u>(7,543,727)</u>
Gross profit	<u>3,865,090</u>	<u>3,854,151</u>
Operating expenses		
Wages, payroll taxes, and benefits	3,658,622	3,747,867
Consulting fees	513,926	622,630
Travel and entertainment	488,928	458,632
Warranty expense	340,886	790,175
Selling and commissions expenses	336,601	446,394
Rent and other occupancy cost	324,521	340,637
Shipping and delivery	282,863	494,367
Professional fees	256,359	414,236
Advertising and promotion	255,263	534,026
Miscellaneous expenses	233,217	143,339
Office expenses	208,560	242,814
Depreciation and amortization	173,781	192,292
Research, development, and engineering	154,793	308,664
Insurance	89,210	110,441
Compensation cost – stock options	84,000	141,813
Board of Directors – travel reimbursement	22,996	41,577
Repairs and maintenance	13,635	15,770
Restructuring expense	196,739	-
Impairment of investment	<u>171,977</u>	<u>-</u>
Total operating expenses	<u>(7,806,877)</u>	<u>(9,045,674)</u>
Other income (expense)		
Interest income	183	5,046
Interest expense	(225,555)	(33,187)
Miscellaneous income	12,755	27,703
Loss on asset disposal	<u>-</u>	<u>(52,381)</u>
Total other expense	<u>(212,617)</u>	<u>(52,819)</u>
Net loss	<u>\$ (4,154,404)</u>	<u>\$ (5,244,342)</u>

See accompanying notes to financial statements.

4.

SOL, INC.
 STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
 Years Ended December 31, 2012 and 2011

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Deficit</u>
Balance at January 1, 2011	\$ 924,057	\$ 7,876,545	\$ (2,690,093)	\$ (90,142)	\$ 6,020,367
Net loss	-	-	(5,244,342)	-	(5,224,342)
Common stock issues	197,532	1,816,777	-	-	2,014,309
Redemption of stock options	-	(60,000)	-	-	(60,000)
Treasury stock purchased	-	-	-	(225,555)	(225,555)
Stock based compensation	-	<u>141,813</u>	<u>-</u>	<u>-</u>	<u>141,813</u>
Balance at December 31, 2011	1,121,589	9,775,135	(7,934,435)	(315,697)	2,646,592
Net loss	-	-	(4,154,404)	-	(4,154,404)
Stock based compensation	-	<u>84,000</u>	<u>-</u>	<u>-</u>	<u>84,000</u>
Balance at December 31, 2012	<u>\$ 1,121,589</u>	<u>\$ 9,859,135</u>	<u>\$ (12,088,838)</u>	<u>\$ (315,697)</u>	<u>\$ (1,423,812)</u>

See accompanying notes to financial statements.

SOL, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Net loss	\$ (4,154,404)	\$ (5,244,342)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	173,781	192,292
Stock based compensation	84,000	141,813
Impairment of investment	171,977	-
Increase in inventory reserve	272,014	-
Loss on disposal of asset	-	52,381
Changes in asset and liabilities		
Accounts receivable	477,126	1,556,501
Inventories	40,484	508,893
Prepaid expenses	(73,788)	(9,942)
Other current assets	24,849	(40,640)
Refundable deposits	(1,132)	(561)
Accounts payable	(824,679)	243,396
Accrued expenses and other current liabilities	342,984	(496,846)
Customer deposits	501,904	38,891
Warranty liability	(45,234)	315,790
Net cash from operating activities	<u>(3,010,118)</u>	<u>(2,742,374)</u>
Cash flows from investing activities		
Increase in investment	(106,012)	(323,680)
Purchase of property and equipment	<u>(20,975)</u>	<u>(279,195)</u>
Net cash from investing activities	<u>(126,987)</u>	<u>(602,875)</u>
Cash flows from financing activities		
Net borrowings on line of credit	379,466	1,327,243
Repayment of noted payable	(18,263)	(18,264)
Borrowings from related party	2,948,503	-
Common stock issued	-	2,014,309
Purchase of stock options	-	(60,000)
Treasury stock purchased	-	<u>(225,555)</u>
Net cash from financing activities	<u>3,309,706</u>	<u>3,037,733</u>
Net change in cash and cash equivalents	172,601	(307,516)
Cash and cash equivalents, beginning of year	<u>23,325</u>	<u>330,841</u>
Cash and cash equivalents, end of year	<u>\$ 195,926</u>	<u>\$ 23,325</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 58,651</u>	<u>\$ 33,187</u>

See accompanying notes to financial statements.

6.

SOL, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2012 and 2011

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Basis of Reporting: SOL, Inc. (the Company) was incorporated as a Florida S corporation in 1990. The Company manufactures and sells solar-powered lighting systems in the United States of America and in a variety of locations worldwide. International sales were approximately 16% and 33% of revenues in 2012 and 2011, respectively.

SOL has two wholly owned subsidiaries: Solar Outdoor Lightning International, Inc., a Florida corporation and SOL International SARL, a Swiss corporation. Each subsidiary is inactive and all of their corporate filing costs are reflected in the financial statements of the Company.

Unless otherwise indicated, all amounts in the financial statements and accompanying notes are presented in U.S. dollars.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Cash consists of normal business checking accounts maintained in a financial institution as well as overnight funds. Accounts at each commercial banking institution are insured by the Federal Deposit Insurance Corporation. In management's opinion, the Company is not subject to undue financial risk as a result of these concentrations.

Accounts Receivable - Net: The Company sells to customers using credit terms customary in its industry. Interest is not normally charged on receivables. Management establishes a reserve for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged off to the reserve when management deems further collection efforts will not produce additional recoveries. Consequently, an adverse change in those factors could affect the Company's estimate of its bad debts.

Inventories: Inventories are stated principally at the lower of cost (the first-in, first-out (FIFO) method) or market and consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Raw materials	\$ 2,612,650	\$ 2,658,116
Finished goods	126,864	31,551
Work in process	<u>-</u>	<u>90,331</u>
	2,739,514	2,779,998
Reserve for excess and obsolete inventory	<u>(851,450)</u>	<u>(579,436)</u>
	<u>\$ 1,888,064</u>	<u>\$ 2,200,562</u>

(Continued)

7.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment: Property and equipment is stated at cost. Depreciation and amortization is computed using the straight-line and accelerated methods over the estimated useful lives of the depreciable assets, except for improvements to leased properties, which are amortized over their estimated useful lives or the remaining lease period, whichever is shorter. The lives of the specific classes are as follows:

<u>Assets</u>	<u>Life</u>
Computer equipment	3-5 years
Vehicles	5 years
Machinery and equipment	5-7 years
Office furniture and equipment	5-7 years
Tooling	5 years
Leasehold improvements	2-3 years

Depreciation and amortization expense of approximately \$174,000 and \$193,000 was recorded for the years ended December 31, 2012 and 2011, respectively.

Investment: The investment in an unrelated company is recorded using the cost method. See Note 2 related to departure from accounting principles generally accepted in the United States of America.

Warranties: Estimated future costs applicable to products sold under warranties are charged to expense in the year of sale. Warranty terms extend for five years and the related liability is classified as both current and noncurrent based on historical experience and known claims.

Revenue Recognition: Revenues from product sales are recognized upon shipment.

Risk Concentrations: At December 31, 2012, three customers accounted for 42% of the Company's accounts receivable, and one customer accounted for 10% of the Company's net sales during 2012.

At December 31, 2011, three customers accounted for 54% of the Company's accounts receivable, and one customer accounted for 14% of the Company's net sales during 2011.

Shipping Costs: The Company classifies shipping billed and collected from the customers as revenue and expenses for incoming and outgoing freight in operating expenses.

Advertising: The Company expenses the cost of advertising as incurred. Advertising costs of approximately \$255,000 and \$534,000, were expensed in the years ended December 31, 2012 and 2011, respectively.

Equity-Based Compensation: The Company recognizes the cost of employee services received in exchange for awards of equity instruments based on the fair value of those awards at the date of grant (see Note 9). Compensation expense related to stock options that are subject to vesting requirements are recognized over the vesting period. The Company recognizes compensation expense in future periods based on management's determination of the equity instruments fair value at the grant date and allocates the expense ratably over the applicable vesting periods.

Research and Development Costs: Research and development costs are generally charged to expense as incurred and are comprised of applicable salaries and supplies. Research and development costs were approximately \$155,000 and \$309,000 in the years ended December 31, 2012 and 2011, respectively.

(Continued)

8.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes: SOL, Inc. elected to be taxed as an S corporation under Section 1362 of the Internal Revenue Code, and a similar section of the state income tax law which provides that, in lieu of corporate income taxes, the stockholders will be taxed on their proportionate share of the Company's taxable income.

The Company follows guidance issued by the Financial Accounting Standards Board with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Company recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Company has no amounts accrued for interest or penalties as of December 31, 2012 and 2011.

Due to its pass-through status, the Company is not subject to U.S. federal income tax or state income tax. The Company is no longer subject to examination by U.S. federal taxing authorities for years before December 31, 2007. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Goodwill: Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized, but tested for impairment at least annually.

The Company evaluates the recoverability of goodwill annually and assesses the impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss would be recognized when management's estimate of fair value, through outside consultation or internal assessment of value, is less than its carrying amount. The evaluation of the recoverability of goodwill is significantly affected by management's estimates of future operating cash flows to which the goodwill relates. If, in future periods, estimate of the present value of future operating cash flows decrease, the Company may be required to write down its goodwill. Any such write-down could have a material adverse effect on the Company's financial position and results of operations.

There was no impairment recorded for goodwill during 2012 and 2011.

NOTE 2 – DEPARTURE FROM ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The Company records its investment in an unrelated company under the cost method as opposed to the equity method, as required by accounting principles generally accepted in the United States of America.

The Company owns approximately 32% of an unrelated company based in Germany. This company makes controllers in China and other locations that are used in the solar lighting industry. SOL, Inc. is a member of the supervisory board, but does not participate in the management of daily operations. The investment was originally recorded at the purchase price of \$850,497 for 24,800 shares acquired in 2005 for a 26% ownership stake. SOL, Inc. purchased an additional 6,685 shares in 2008 for \$421,788 which allowed SOL, Inc. to maintain its percentage ownership, an additional 6,848 shares in 2011 for \$323,680 which increased SOL, Inc.'s percentage ownership in the Company to 30%, and an additional 2,625 shares in 2012 to increase percentage ownership to approximately 32%.

(Continued)

9.

SOL, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2012 and 2011

NOTE 2 – DEPARTURE FROM ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (Continued)

The overall impact of these accounting and disclosure departures from generally accepted accounting principles on the financial statements has not been determined.

Subsequent to year-end on April 25, 2013, this investment was sold to a company owned by the Company's majority stockholder for \$1,530,000. This amount was less than the carrying amount (at cost) of the investment at December 31, 2012, and accordingly an impairment charge in the amount of \$171,977 was recorded in 2012.

NOTE 3 – LINE OF CREDIT

The Company has a revolving line of credit with a financial institution that allows borrowing up to \$2,000,000. Amounts borrowed are secured by inventory, equipment and accounts receivable. The interest rate is set at the daily LIBOR rate plus 2.75%, which was equal to 2.96% at December 31, 2012. The line of credit expires in March 2013. \$1,706,709 and \$1,327,243 was borrowed against the line as of December 31, 2012 and 2011, respectively.

On April 18, 2013 the line of credit was paid down to less than \$500,000 and amended to extend the expiration date to March 31, 2014 at an interest rate of Prime Rate plus 2.25%, with a floor of 5.50%. The amended line of credit allows borrowing up to \$500,000.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2012</u>	<u>2011</u>
Computer equipment	\$ 374,451	\$ 372,947
Vehicles	153,103	153,103
Leasehold improvements	185,461	185,461
Machinery and equipment	293,618	281,374
Office furniture and equipment	<u>75,863</u>	<u>68,635</u>
	1,082,496	1,061,520
Less accumulated depreciation and amortization	<u>(606,041)</u>	<u>(432,260)</u>
	<u>\$ 476,455</u>	<u>\$ 629,260</u>

NOTE 5 – LONG-TERM DEBT

Debt consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
Note payable, collateralized by automobiles, due in monthly installments of \$1,658 including interest at 5.65% to January 2013.	\$ 2,494	\$ 20,757
Less current portion	<u>2,494</u>	<u>17,441</u>
Long-term portion	<u>\$ -</u>	<u>\$ 3,316</u>

(Continued)

10.

SOL, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2012 and 2011

NOTE 6 – WARRANTY LIABILITY

The majority of the Company's products carry a five-year warranty. The Company assesses the adequacy of its warranty liability annually and adjusts the reserve as necessary. Changes in the Company's warranty liability were as follows:

	<u>2012</u>	<u>2011</u>
Warranty liability, beginning of year	\$ 535,346	\$ 219,556
Warranty expense	340,886	790,175
Payments	<u>(386,120)</u>	<u>(474,385)</u>
Warranty liability, end of year	490,112	535,346
Less current portion	<u>101,773</u>	<u>338,760</u>
Warranty liability - noncurrent	<u>\$ 388,339</u>	<u>\$ 196,586</u>

NOTE 7 – RETIREMENT PLAN

The Company has a qualified 401(k) plan which covers substantially all employees meeting certain eligibility requirements. Participants may contribute a portion of their compensation to the plan, up to the *maximum amount permitted* under Section 401(k) of the Internal Revenue Code. In 2012, Company matching contributions ranged from 3% to 4% of salaries for employees who contributed 3% to 5% of their individual salaries. The Company made contributions totaling \$78,993 and \$83,440 in 2012 and 2011, respectively.

NOTE 8 – OPERATING LEASE OBLIGATIONS

The Company leases operating facilities and various equipment. Related rent expense for operating facilities and equipment was approximately \$201,000 and \$210,000 for the years ended December 31, 2012 and 2011, respectively. Approximate future minimum lease payments required are as follows:

2013	\$ 276,000
2014	112,000
2015	7,000
2016	5,000
2017	<u>1,000</u>
	<u>\$ 401,000</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2012 and 2011, consulting fees and reimbursement of travel expenses in the amount of approximately \$68,000 and \$78,000, respectively, were paid to a company owned by the majority stockholder.

During the year ended December 31, 2012, the Company borrowed approximately \$2,900,000 from a company owned by the majority shareholder. The related promissory note bears interest at 10% annually payable on demand. Accrued interest on the note amounted to approximately \$158,000 at December 31, 2012. On June 4, 2013, the Company borrowed an additional \$300,000 from the same related entity. The notes mature on June 31, 2014 and the accrued interest and principal is subordinated to the line of credit.

(Continued)

11.

SOL, INC.
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2012 and 2011

NOTE 9 – RELATED PARTY TRANSACTIONS (Continued)

On April 25, 2013, a company owned by the majority stockholder purchased the Company's investment in an unrelated company for \$1,530,000 and the Company used the proceeds to pay down the line of credit.

NOTE 10 – EQUITY BASED COMPENSATION

The Company grants stock options to various employees at the discretion of the Company's Board of Directors. The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities used in the fair value estimate are based on the volatility of comparable public companies. The risk-free rate periods within the contractual term of the share option is based on the U.S. Treasury yield curve in effect at the time of grant. Options granted generally vest over a period of four years.

A summary of the activity related to stock options for 2012 and 2011 is as follows:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding at January 1, 2011	186,310	\$ 13.83	\$ 2.92
Granted	18,000	10.00	0.23
Exercised	(1,430)	10.00	2.77
Repurchased	(16,000)	10.00	2.87
Forfeited or expired	<u>(60,000)</u>	<u>18.75</u>	<u>5.39</u>
Outstanding at December 31, 2011	126,880	10.05	4.24
Forfeited or expired	<u>(4,430)</u>	<u>10.00</u>	<u>2.78</u>
Outstanding at December 31, 2012	<u>122,450</u>	<u>\$ 10.05</u>	<u>\$ 4.26</u>

As of December 31, 2012, there were 98,830 options vested and exercisable under the Plan. The weighted average exercise price for these options is \$10.06. The total fair value of shares expensed during the year ended December 31, 2012 and 2011 was \$84,000 and \$141,813, respectively.

At December 31, 2012, there was approximately \$62,000 of unrecognized compensation cost related to stock options granted under the plan. The weighted average life of options outstanding at December 31, 2012 was 5.03 years. The weighted average period over which the remaining compensation expense will be recognized at December 31, 2012 is 1.74 years.

(Continued)

NOTE 11 – MANAGEMENT PLANS (UNAUDITED)

As a result of an 18% sales decline in 2012, the Company incurred significant losses resulting in negative cash flows, negative working capital, and increased debt to finance operations. The decline in the international marketplace, primarily in Africa, was due to changes in political and economic conditions. The U.S. domestic marketplace suffered a smaller contraction primarily due to cutbacks in government funding. Improved results for 2013 and beyond are dependent upon the Company executing its business plan and growth strategy. Management's plans to address the current situation are as follows:

- Despite the decline in sales in 2011 and 2012, the Company's chairman and majority stockholder continued to fund the increased overhead in anticipation of a rebound in sales.
- The Company terminated its CFO due to unsatisfactory performance and hired a Corporate Controller in June of 2012, with extensive experience in cash flow management, internal controls and inventory management.
- The Company terminated its President & CEO and hired a new President & CEO in August of 2012, with extensive P&L experience at both large and small enterprises. He has a successful track record in leading change and turnarounds in competitive business environments.
- In the second half of 2012, the Company initiated cost savings with headcount, operating expense reductions and margin reviews for all proposals and achieved material cost reductions that increased margins for project quotations. In the five months ended May 25, 2013, the Company has achieved significant financial improvements including positive EBITDA compared with the same period in 2012.
- In 2013, the Company disposed of its investment asset and used the proceeds to reduce the credit line. In June of 2013, the Company borrowed \$300,000 for working capital needs from its chairman and majority stockholder. If additional capital is required, management will seek to raise equity.

Management believes that improvement in operations and related cash flow will allow the Company to continue to operate into the foreseeable future.

SOL, INC.

Palm City, Florida

FINANCIAL STATEMENTS
December 31, 2013 and 2012

SOL, INC.
Palm City, Florida

FINANCIAL STATEMENTS
December 31, 2013 and 2012

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENTS OF OPERATIONS.....	4
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT	5
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS	7

INDEPENDENT AUDITOR'S REPORT

SOL, Inc.
Board of Directors
Palm City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of SOL, Inc. (the Company), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As further described in Note 2, the Company recorded its investment in an unrelated company over which it can exercise significant influence at cost rather than under the equity method. Under accounting principles generally accepted in the United States of America, the Company's share of the profit and loss of the equity investment should be recorded by the Company as a change to the carrying value of the investment. No such amount has been recorded by the Company since its original investment. The Company has also omitted certain disclosures required for an equity method investment in accordance with accounting principles generally accepted in the United States of America. On April 25, 2013, the investment was sold to the Company's majority shareholder for \$1,530,000. The effects of these accounting and disclosure departures from accounting principles generally accepted in the United States of America on the financial statements have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of SOL, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As further discussed in note 11, Management has entered into a binding letter of intent to sell the Company. The completion of the sale is subject to conditions outlined in note 11. Our opinion is not qualified with respect to this matter.



Crowe Horwath LLP

Fort Lauderdale, Florida
April 8, 2014

SOL, INC.
BALANCE SHEETS
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 388,464	\$ 195,926
Accounts receivable, net of allowance for doubtful accounts of \$93,814 and \$40,954, respectively	1,280,713	1,110,634
Inventories, net of reserve for obsolescence of \$164,597 and \$851,450, respectively	1,471,664	1,888,064
Prepaid expenses	164,422	206,210
Other current assets	<u>29,411</u>	<u>72,471</u>
Total current assets	3,334,674	3,473,305
Investment (Note 2)	-	1,530,000
Property and equipment, net	301,455	476,455
Goodwill	266,100	266,100
Refundable deposits	<u>17,991</u>	<u>18,986</u>
Total assets	<u>\$ 3,920,220</u>	<u>\$ 5,764,846</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Line of credit	\$ 316,335	\$ 1,706,709
Current portion of long-term debt	-	2,494
Accounts payable	853,278	629,215
Accrued liabilities	420,333	590,886
Customer deposits	219,370	662,508
Warranty liability	<u>148,268</u>	<u>101,773</u>
Total current liabilities	1,957,584	3,693,585
Due to related party	3,455,136	2,948,503
Warranty liability	211,289	388,339
Interest payable – long-term	<u>461,732</u>	<u>158,230</u>
Total liabilities	<u>6,085,741</u>	<u>7,188,657</u>
Contingency - Note 11		
Stockholders' deficit		
Common stock: \$1 par value, 10 million shares authorized, 1,121,589 issued and 1,095,693 outstanding	1,121,589	1,121,589
Additional paid in capital	9,919,634	9,859,135
Accumulated deficit	<u>(12,891,047)</u>	<u>(12,088,838)</u>
	(1,849,824)	(1,108,114)
Treasury stock (25,896 shares at cost)	<u>(315,697)</u>	<u>(315,697)</u>
Total stockholders' deficit	<u>(2,165,521)</u>	<u>(1,423,811)</u>
Total liabilities and stockholders' deficit	<u>\$ 3,920,220</u>	<u>\$ 5,764,846</u>

See accompanying notes to financial statements.

3.

SOL, INC.
STATEMENTS OF OPERATIONS
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues		
Sales	\$ 10,704,616	\$ 9,375,046
Cost of sales	<u>(5,412,011)</u>	<u>(5,509,956)</u>
Gross profit	<u>5,292,605</u>	<u>3,865,090</u>
Operating expenses		
Wages, payroll taxes, and benefits	2,497,838	3,658,622
Consulting fees	542,071	513,926
Travel and entertainment	286,620	488,928
Warranty expense	223,126	340,886
Selling and commissions expenses	450,523	336,601
Rent and other occupancy cost	253,121	267,177
Shipping and delivery	364,031	282,863
Professional fees	252,742	256,359
Advertising and promotion	128,958	255,263
Miscellaneous expenses	229,830	233,217
Office expenses	124,513	208,560
Depreciation and amortization	175,000	173,781
Research, development, and engineering	40,069	154,793
Insurance	78,810	89,210
Compensation cost – stock options	60,499	84,000
Board of Directors – travel reimbursement	5,274	22,996
Equipment rental	30,032	38,094
Utilities	18,872	19,250
Repairs and maintenance	5,942	13,635
Restructuring expense	-	196,739
Impairment of investment	<u>-</u>	<u>171,977</u>
Total operating expenses	<u>5,767,871</u>	<u>7,806,877</u>
Loss before other income (expense)	(475,266)	(3,573,071)
Other income (expense)		
Interest expense	(359,606)	(225,555)
Other income	<u>32,663</u>	<u>12,938</u>
Total other expense	<u>(326,943)</u>	<u>(212,617)</u>
Net loss	<u>\$ (802,209)</u>	<u>\$ (4,154,404)</u>

See accompanying notes to financial statements.

SOL, INC.
 STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
 Years Ended December 31, 2013 and 2012

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Deficit</u>
Balance at January 1, 2012	\$ 1,121,589	\$ 9,775,135	\$ (7,934,434)	\$ (315,697)	\$ 2,646,593
Net loss	-	-	(4,154,404)	-	(4,154,404)
Equity based compensation	<u>-</u>	<u>84,000</u>	<u>-</u>	<u>-</u>	<u>84,000</u>
Balance at December 31, 2012	\$ 1,121,589	\$ 9,859,135	\$ (12,088,838)	\$ (315,697)	\$ (1,423,811)
Net loss	-	-	(802,209)	-	(802,209)
Equity based compensation	<u>-</u>	<u>60,499</u>	<u>-</u>	<u>-</u>	<u>60,499</u>
Balance at December 31, 2013	<u>\$ 1,121,589</u>	<u>\$ 9,919,634</u>	<u>\$ (12,891,047)</u>	<u>\$ (315,697)</u>	<u>\$ (2,165,521)</u>

See accompanying notes to financial statements.

SOL, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Net loss	\$ (802,209)	\$ (4,154,404)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	175,000	173,781
Stock based compensation	60,499	84,000
Increase (decrease) in inventory reserve	(686,853)	272,014
Impairment of investment	-	171,977
Changes in asset and liabilities		
Accounts receivable	(170,079)	477,126
Inventories	1,103,253	40,484
Prepaid expenses	41,788	(73,788)
Other current assets	43,060	24,849
Refundable deposits	995	(1,132)
Accounts payable	224,061	(824,679)
Accrued expenses and other current liabilities	132,951	342,984
Customer deposits	(443,138)	501,904
Warranty liability	(130,555)	(45,234)
Net cash from operating activities	<u>(451,227)</u>	<u>(3,010,118)</u>
Cash flows from investing activities		
Increase in investment	-	(106,012)
Purchase of property and equipment	-	(20,975)
Proceeds from sale of investment	1,530,000	-
Net cash from investing activities	<u>1,530,000</u>	<u>(126,987)</u>
Cash flows from financing activities		
Net borrowings (repayment) on line of credit	(1,390,374)	379,466
Repayment of long-term debt	(2,494)	(18,263)
Borrowings from related party	506,633	2,948,503
Net cash from financing activities	<u>(886,235)</u>	<u>3,309,706</u>
Net change in cash and cash equivalents	192,538	172,601
Cash and cash equivalents, beginning of year	<u>195,926</u>	<u>23,325</u>
Cash and cash equivalents, end of year	<u>\$ 388,464</u>	<u>\$ 195,926</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 61,828</u>	<u>\$ 58,651</u>

See accompanying notes to financial statements.

6.

SOL, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Basis of Reporting: SOL, Inc. (the Company) was incorporated as a Florida S corporation in 1990. The Company manufactures and sells solar-powered lighting systems in the United States of America and in a variety of locations worldwide. International sales were approximately 44% and 16% of revenues in 2013 and 2012, respectively.

SOL has two wholly owned subsidiaries: Solar Outdoor Lightning International, Inc., a Florida corporation and SOL International SARL, a Swiss corporation. Each subsidiary is inactive and all of their corporate filing costs are reflected in the financial statements of the Company.

Unless otherwise indicated, all amounts in the financial statements and accompanying are presented in U.S. dollars.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Cash consists of normal business checking accounts maintained in a financial institution as well as overnight funds. Accounts at each commercial banking institution are insured by the Federal Deposit Insurance Corporation. In management's opinion, the Company is not subject to undue financial risk as a result of these concentrations.

Accounts Receivable - Net: The Company sells to customers using credit terms customary in its industry. Interest is not normally charged on receivables. Management establishes a reserve for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged off to the reserve when management deems further collection efforts will not produce additional recoveries. Consequently, an adverse change in those factors could affect the Company's estimate of its bad debts.

Inventories: Inventories are stated principally at the lower of cost (the first-in, first-out (FIFO) method) or market and consist of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Raw materials	\$ 1,584,830	\$ 2,612,650
Finished goods	<u>51,431</u>	<u>126,864</u>
	1,636,261	2,739,514
Reserve for excess and obsolete inventory	<u>(164,597)</u>	<u>(851,450)</u>
	<u>\$ 1,471,664</u>	<u>\$ 1,888,064</u>

(Continued)

7.

SOL, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment: Property and equipment is stated at cost. Depreciation and amortization is computed using the straight-line and accelerated methods over the estimated useful lives of the depreciable assets, except for improvements to leased properties, which are amortized over their estimated useful lives or the remaining lease period, whichever is shorter. The lives of the specific classes are as follows:

<u>Assets</u>	<u>Life</u>
Computer equipment	3-5 years
Vehicles	5 years
Machinery and equipment	5-7 years
Office furniture and equipment	5-7 years
Tooling	5 years
Leasehold improvements	2-3 years

Depreciation and amortization expense of approximately \$175,000 and \$174,000 was recorded for the years ended December 31, 2013 and 2012, respectively.

Warranties: Estimated future costs applicable to products sold under warranties are charged to expense in the year of sale. Warranty terms extend for five years and the related liability is classified as both current and noncurrent based on historical experience and known claims.

Revenue Recognition: Revenues from product sales are recognized upon shipment.

Risk Concentrations: At December 31, 2013, one customer accounted for 34% of the Company's accounts receivable, and one customer accounted for 12% of the Company's net sales during 2013. At December 31, 2012, three customers accounted for 42% of the Company's accounts receivable, and one customer accounted for 10% of the Company's net sales during 2012.

Shipping Costs: The Company classifies shipping billed and collected from the customers as revenue and expenses for incoming and outgoing freight in operating expenses.

Advertising: The Company expenses the cost of advertising as incurred. Advertising costs of approximately \$129,000 and \$255,000 were expensed in the years ended December 31, 2013 and 2012, respectively.

Equity-Based Compensation: The Company recognizes the cost of employee services received in exchange for awards of equity instruments based on the fair value of those awards at the date of grant (see Note 9). Compensation expense related to stock options that are subject to vesting requirements are recognized over the vesting period. The Company recognizes compensation expense in future periods based on management's determination of the equity instruments fair value at the grant date and allocates the expense ratably over the applicable vesting periods.

Research and Development Costs: Research and development costs are generally charged to expense as incurred and are comprised of applicable salaries and supplies. Research and development costs were approximately \$40,000 and \$155,000 in the years ended December 31, 2013 and 2012, respectively.

Income Taxes: SOL, Inc. elected to be taxed as an S corporation under Section 1362 of the Internal Revenue Code, and a similar section of the state income tax law which provides that, in lieu of corporate income taxes, the stockholders will be taxed on their proportionate share of the Company's taxable income.

(Continued)

8.

SOL, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Company follows guidance issued by the Financial Accounting Standards Board with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Company recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Company has no amounts accrued for interest or penalties as of December 31, 2013 and 2012.

Due to its pass-through status, the Company is not subject to U.S. federal income tax or state income tax. The Company is no longer subject to examination by U.S. federal taxing authorities for years before December 31, 2007. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Goodwill: Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized, but tested for impairment at least annually.

The Company evaluates the recoverability of goodwill annually and assesses the impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss would be recognized when management’s estimate of fair value, through outside consultation or internal assessment of value, is less than its carrying amount. The evaluation of the recoverability of goodwill is significantly affected by management’s estimates of future operating cash flows to which the goodwill relates. If, in future periods, the estimate of the present value of future operating cash flows decrease, the Company may be required to write down its goodwill. Any such write-down could have a material adverse effect on the Company’s financial position and results of operations.

There was no impairment recorded for goodwill during 2013 or 2012.

NOTE 2 – DEPARTURE FROM ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The Company recorded its investment in an unrelated company under the cost method as opposed to the equity method, as required by accounting principles generally accepted in the United States of America.

The Company owned approximately 32% of an unrelated company based in Germany. This company makes controllers in China and other locations that are used in the solar lighting industry. SOL, Inc. is a member of the supervisory board, but does not participate in the management of daily operations. The investment was originally recorded at the purchase price of \$850,497 for 24,800 shares acquired in 2005 for a 26% ownership stake. SOL, Inc. purchased an additional 6,685 shares in 2008 for \$421,788 which allowed SOL, Inc. to maintain its percentage ownership, an additional 6,848 shares in 2011 for \$323,680 which increased SOL, Inc.’s percentage ownership in the Company to 30%, and an additional 2,625 shares in 2012 to increase percentage ownership to approximately 32%.

(Continued)

9.

SOL, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 2 – DEPARTURE FROM ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

On April 25, 2013, this investment was sold to a company owned by the Company's majority stockholder for \$1,530,000, which was the carrying amount of the asset as of the date of sale after an impairment charge in the amount of \$171,977 which was recorded in 2012. Approximately \$1,442,000 of the proceeds of the sale was used to pay down the line of credit (see Note 3).

The overall impact of these accounting and disclosure departures from generally accepted accounting principles on the financial statements has not been determined.

NOTE 3 – LINE OF CREDIT

The Company has a revolving line of credit with a financial institution that allowed borrowing of up to \$2,000,000 subject to a borrowing base on eligible inventory and accounts receivable through April 25, 2013, after which the maximum borrowing was reduced to \$500,000. The line was originally due on March 31, 2014 and was subsequently extended to June 30, 2014. Amounts borrowed are secured by inventory, equipment and accounts receivable. The interest rate is set at Prime Rate plus 2.25%, with a floor of 5.50%, which was equal to 5.50% at December 31, 2013. The outstanding balance borrowed against the line as of December 31, 2013 and 2012 was \$316,335 and \$1,706,709, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Computer equipment	\$ 374,451	\$ 374,451
Vehicles	153,103	153,103
Leasehold improvements	185,461	185,461
Machinery and equipment	293,618	293,618
Office furniture and equipment	<u>75,863</u>	<u>75,863</u>
	1,082,496	1,082,496
Less accumulated depreciation and amortization	<u>(781,041)</u>	<u>(606,041)</u>
	<u>\$ 301,455</u>	<u>\$ 476,455</u>

NOTE 5 – LONG-TERM DEBT

Debt consists of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Note payable, collateralized by automobiles, due in monthly installments of \$1,658 including interest at 5.65% to January 2013.	\$ -	\$ 2,494
Less current portion	<u>-</u>	<u>2,494</u>
Long-term portion	<u>\$ -</u>	<u>\$ -</u>

(Continued)

SOL, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 6 – WARRANTY LIABILITY

The majority of the Company's products carry a five-year warranty. The Company assesses the adequacy of its warranty liability annually and adjusts the reserve as necessary. Changes in the Company's warranty liability were as follows:

	<u>2013</u>	<u>2012</u>
Warranty liability, beginning of year	\$ 490,112	\$ 535,346
Warranty expense	223,126	340,886
Payments	<u>(353,681)</u>	<u>(386,120)</u>
Warranty liability, end of year	359,557	490,112
Less current portion	<u>148,268</u>	<u>101,773</u>
Warranty liability - noncurrent	<u>\$ 211,289</u>	<u>\$ 388,339</u>

NOTE 7 – RETIREMENT PLAN

The Company has a qualified 401(k) plan which covers substantially all employees meeting certain eligibility requirements. Participants may contribute a portion of their compensation to the plan, up to the *maximum amount permitted* under Section 401(k) of the Internal Revenue Code. In 2013, Company matching contributions ranged from 3% to 4% of salaries for employees who contributed 3% to 5% of their individual salaries. The Company made contributions totaling \$68,000 and \$78,993 in 2013 and 2012, respectively.

NOTE 8 – OPERATING LEASE OBLIGATIONS

The Company leases operating facilities and various equipment. Related rent expense for operating facilities and equipment was approximately \$190,000 and \$201,000 for the years ended December 31, 2013 and 2012, respectively. Approximate future minimum lease payments required as of December 31, 2013 are as follows:

2014	\$ 112,000
2015	7,000
2016	5,000
2017	<u>1,000</u>
	<u>\$ 125,000</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2013 and 2012, consulting fees and reimbursement of travel expenses in the amounts of approximately \$30,000 and \$68,000, respectively, were incurred to a company owned by the majority stockholder. These expenses were added to the promissory note with the majority shareholder.

On June 4, 2013, and December 31, 2013 the Company borrowed \$300,000 and \$206,634 from a company owned by the majority shareholder and, as of December 31, 2013, the balance due was \$3,455,136. The related promissory note bears interest at 10% annually payable on demand. Accrued interest on the note amounted to approximately \$462,000 and \$158,000 at December 31, 2013 and 2012, respectively. The notes mature on June 30, 2014 and the accrued interest and principal is subordinated to the line of credit. Subsequent to December 31, 2013, the Company's Chairman and majority stockholder has agreed to make additional advances under the note of up to \$600,000, as required, to fund operations of the Company through 2014 and has extended the note maturity, including accrued interest, to January 1, 2015.

(Continued)

11.

SOL, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 9 – RELATED PARTY TRANSACTIONS (Continued)

On April 25, 2013, a company owned by the majority stockholder purchased the Company's investment in an unrelated company for \$1,530,000 and the Company used the proceeds to pay down the line of credit.

NOTE 10 – EQUITY BASED COMPENSATION

The Company grants stock options to various employees at the discretion of the Company's Board of Directors. The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities used in the fair value estimate are based on the volatility of comparable public companies. The risk-free rate periods within the contractual term of the share option is based on the U.S. Treasury yield curve in effect at the time of grant. Options granted generally vest over a period of four years.

A summary of the activity related to stock options for 2013 and 2012 is as follows:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding at January 1, 2012	126,880	\$ 10.05	\$ 4.24
Forfeited or expired	<u>(4,430)</u>	<u>10.00</u>	<u>2.78</u>
Outstanding at December 31, 2012	122,450	\$ 10.05	\$ 4.26
Forfeited or expired	<u>(3,430)</u>	<u>11.01</u>	<u>2.77</u>
Outstanding at December 31, 2013	<u>119,020</u>	<u>\$ 10.03</u>	<u>\$ 4.31</u>

As of December 31, 2013, there were 105,020 options vested and exercisable under the Plan. The weighted average exercise price for these options is \$10.03. The total fair value of shares expensed during the year ended December 31, 2013 and 2012 was \$60,499 and \$84,000, respectively.

At December 31, 2013, there was approximately \$1,000 of unrecognized compensation cost related to stock options granted under the plan. The weighted average life of options outstanding at December 31, 2013 was approximately 3 years. The weighted average period over which the remaining compensation expense will be recognized at December 31, 2013 is 1 year.

NOTE 11 – CONTINGENCY

On December 23, 2013, the U.S. Customs and Border Protection ("CBP") made a demand for prompt payment \$1,445,070 for violations of certain U.S. antidumping and countervailing rules in place. The CBP alleges that Company failed to declare certain imported solar cell modules/panels as within the scope of these antidumping rules and its alleged failure to pay the antidumping duty and tariffs.

As of December 31, 2013, the Company has not recorded a provision for this matter as management is vigorously defending these allegations and believes the payment of the duty demanded is not probable. Management believes that if any amounts are required to be paid related to this matter, such amounts will not be significant to the financial position or operations of the Company.

(Continued)

12.

NOTE 12 – SUBSEQUENT EVENTS

On March 21, 2014 Carmanah Technologies Corporation (TSX: CMH) (“Carmanah”), the Company and Michael Sonnenfeldt, the chairman and majority stockholder of the Company, entered into a binding letter of intent for Carmanah to acquire the Company. Under the terms of the letter of intent, Carmanah has agreed to buy all outstanding shares of the Company and to take the necessary steps to ensure that all other owners of the Company’s shares, prior to closing, enter into a definitive agreement to sell their shares to Carmanah. As a result, upon completion of the transaction, the Company will become a wholly-owned subsidiary of Carmanah.

The total consideration payable by Carmanah to acquire all of the shares of the Company consists of:

- (a) 38,163,176 common shares of Carmanah, and
- (b) a royalty pursuant to which Carmanah will agree to pay to the former shareholders of the Company an amount equal to 3% of total revenues received by Carmanah in respect of certain specified prospective sales by the Company, provided each identified project must result in U.S. \$5.0 million in revenues to Carmanah before any amounts are payable to the former shareholders of the Company and subject to a number of other conditions.

Based on Carmanah’s trading price on March 21, 2014, the total value of the transaction, without consideration of the royalty arrangement discussed in item (b) above, is approximately CAD\$7.5 million. Carmanah will acquire the Company on the basis that it has no debt (including “Due to related party” and the related interest payable) and no excess cash above a specified level of required working capital. Additionally, an agreed-upon “success fee” will be paid to the Company’s Chief Executive Officer at the completion of the transaction and the majority shareholder has agreed to indemnify the purchaser for losses if any up to specified limits, related to the CBP matter discussed in note 11. The definitive agreement for the transaction will contain customary representations, warranties, covenants and indemnities.

Completion of this transaction is subject to a number of conditions including: (a) satisfactory completion of due diligence by both parties; (b) absence of any change in the affairs of the Company or Carmanah that would have a material adverse effect on the relevant entity or its business; (c) approval of the transaction by the board of directors of Carmanah; (d) execution of a definitive agreement pursuant to which Carmanah will be entitled to acquire 100% of the outstanding shares of the Company; and (e) receipt of all necessary approvals, including the approval of the Toronto Stock Exchange and the approval of shareholders of Carmanah, at their annual general meeting, currently scheduled to be held on or about May 8, 2014. There can be no assurance at this point that all such conditions will be satisfied and, in the event any conditions are not satisfied or waived, the transaction would not be completed. If all conditions are satisfied or waived, the transaction is expected to close in May 2014.

Management has performed an analysis of the activities and transactions subsequent to December 31, 2013 to determine the need for any adjustments in and/or disclosures within the financial statements for the year ended December 31, 2013. Management has performed a review of matters through April 8, 2014, the date the financial statements were available to be issued.

(Continued)

NOTE 13 – MANAGEMENT PLANS (UNAUDITED)

In the second half of 2012, the Company initiated significant cost reduction initiatives including headcount and operating expense reductions, in an effort to reduce sustained recurring losses and negative cash flows from operations in prior years. In addition, management has conducted extensive margin reviews for all proposals and quotations. Through this effort coupled with the lean manufacturing redesign of the factory and warehouse operations, the Company achieved margin improvements for 2013. For the year ended December 31, 2013, the Company achieved significant financial improvements including sales growth of 14.2%, absolute gross margin improvement of 8.2% and an overall net loss reduction of \$3,352,195 over the year ended December 31, 2012. In 2013, the Company also sold its investment asset "Phocos" to its chairman and majority stockholder for \$1,530,000 and used the proceeds to pay down the Company's line of credit line. Notwithstanding the significant financial turnaround in 2013, the Company incurred a net loss of \$802,209, resulting in a net decrease in net cash from operations of \$451,227, which was funded, with additional advances of \$506,633 from the Company's chairman and majority shareholder.

With a renewed focus on the Company's international business, international sales increased from \$1,514,004 in 2012 to \$4,665,782 in 2013. The domestic U.S. market suffered some contraction primarily believed to be due to continued cutbacks in government funding and rebates. Improved results for 2014 and 2015 are dependent upon the Company executing its business plan and growth strategy.

In 2014, the Company intends to continue to build upon management's 2013 plan for sales growth and cost reductions by investing in concentrated areas of sales, marketing and product development; and by developing its supplier base. If sales do not meet or exceed budgeted goals, the Company intends to manage its cash flow by deferring budget initiatives and accelerate cost reductions in headcount and other operating expenses. If additional capital is required, management will seek equity and additional debt. The Company is also looking at strategic alternatives.

Additionally, since management's plan is contingent on many internal and external factors, the Company's chairman and majority stockholder has agreed to make additional advances under the note described in Note 7 of up to \$600,000, as required, to fund operations of the Company through 2014. Management believes that the budgeted improvements in operations and the additional advances from the Company's chairman and majority stockholder will allow the Company to continue to operate through 2014.

SCHEDULE "F"
Unaudited Interim Financial Statements of Sol

SOL, INC.
Palm City, Florida

UNAUDITED INTERIM FINANCIAL STATEMENTS
For the three months ended March 31, 2014 and March 31, 2013

SOL, INC.
BALANCE SHEETS - UNAUDITED
As at March 31, 2014 and December 31, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 438,868	\$ 388,464
Accounts receivable, net of allowance for doubtful accounts of \$104,514 and \$93,814, respectively	1,098,360	1,280,713
Inventories, net of reserve for obsolescence of \$165,633 and \$164,597, respectively	1,389,250	1,471,664
Prepaid expenses	395,745	164,422
Other current assets	5,001	29,411
Total current assets	<u>3,327,224</u>	<u>3,334,674</u>
Fixed Assets		
Property and equipment, net	<u>256,455</u>	<u>301,455</u>
Other Assets		
Goodwill	266,100	266,100
Refundable deposits	14,381	17,991
Total other assets	<u>280,481</u>	<u>273,091</u>
Total assets	<u>\$ 3,864,160</u>	<u>\$ 3,920,220</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT (ACCUMULATED DEFICIT)		
Current liabilities		
Line of credit	\$ 498,476	\$ 316,335
Accounts payable	908,232	853,278
Accrued liabilities	288,770	420,333
Deferred revenue	50,782	-
Customer deposits	313,922	219,370
Warranty liabilities	137,137	148,268
Total current liabilities	<u>2,197,319</u>	<u>1,957,584</u>
LONG TERM LIABILITIES		
Due to related party	3,455,136	3,455,136
Interest payable – long-term	549,652	211,289
Warranty liability	211,289	461,732
Total long-term liabilities	<u>4,216,077</u>	<u>4,128,157</u>
Total liabilities	<u>6,413,396</u>	<u>6,085,741</u>
Stockholders' deficit		
Common stock: \$1 par value, 10 million shares authorized, 1,121,589 issued and 1,095,693 outstanding	1,121,589	1,121,589
Additional paid in capital	9,920,405	9,919,634
Accumulated deficit	<u>(13,275,533)</u>	<u>(12,891,047)</u>
	(2,233,539)	(1,849,824)
Treasury stock (25,896 shares at cost)	<u>(315,697)</u>	<u>(315,697)</u>
Total stockholders' equity (deficit)	<u>(2,549,236)</u>	<u>(2,165,521)</u>
Total liabilities and stockholders' deficit	<u>\$ 3,864,160</u>	<u>\$ 3,920,220</u>

SOL, INC.
STATEMENTS OF OPERATIONS - UNAUDITED
For The Three Months Ending March 31, 2014 and March 31, 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Sales	\$ 2,122,948	\$ 3,296,004
Cost of sales	<u>1,034,719</u>	<u>1,654,744</u>
Gross profit	<u>1,088,229</u>	<u>1,641,260</u>
Operating expenses		
Wages, payroll taxes, and benefits	640,035	657,659
Selling and commissions expenses	128,362	157,686
Consulting fees	113,977	129,450
Travel and entertainment	91,322	61,314
Rent and other occupancy cost	72,790	73,334
Miscellaneous expenses	58,779	65,865
Advertising and promotion	53,876	10,178
Depreciation and amortization	45,000	52,000
Warranty expense	42,690	65,025
Shipping and delivery	35,204	170,208
Professional fees	34,550	42,893
Office expenses	31,252	36,369
Insurance	20,275	19,491
Research, development, and engineering	7,865	3,433
Repairs and maintenance	2,340	656
Compensation cost – stock option	771	3,126
Board of Directors fees	<u>47</u>	<u>1,392</u>
Total operating expenses	<u>1,379,135</u>	<u>1,550,089</u>
Income (loss) before other income (expense)	(290,906)	91,181
Other income (expense)		
Interest expense	(93,631)	(94,467)
Interest income	<u>51</u>	<u>-</u>
Total other income (expense)	<u>(93,580)</u>	<u>(94,467)</u>
Net loss	<u>\$ (384,486)</u>	<u>\$ (3,286)</u>

SOL, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT - UNAUDITED
For The Three Months Ending March 31, 2014

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Deficit</u>
Balance at January 1, 2014	\$ 1,121,589	\$ 9,919,634	\$(12,891,047)	\$ (315,697)	\$ (2,165,521)
Net loss	-	-	(384,486)	-	(384,486)
Equity based compensation	<u>-</u>	<u>771</u>	<u>-</u>	<u>-</u>	<u>771</u>
Balance at March 31, 2014	<u>\$ 1,121,589</u>	<u>\$ 9,920,405</u>	<u>\$(13,275,533)</u>	<u>\$ (315,697)</u>	<u>\$ (2,549,236)</u>

SOL, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT - UNAUDITED
For The Three Months Ending March 31, 2013

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Deficit</u>
Balance at January 1, 2013	\$ 1,121,589	\$ 9,859,135	\$(12,088,838)	\$ (315,697)	\$ (1,423,811)
Net loss	-	-	(3,286)	-	(3,286)
Equity based compensation	<u>-</u>	<u>3,126</u>	<u>-</u>	<u>-</u>	<u>3,126</u>
Balance at March 31, 2013	<u>\$ 1,121,589</u>	<u>\$ 9,862,261</u>	<u>\$(12,092,124)</u>	<u>\$ (315,697)</u>	<u>\$ (1,423,971)</u>

SOL, INC.
STATEMENTS OF CASH FLOWS - UNAUDITED
For The Three Months Ending March 31, 2014 and March 31, 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Net loss	\$ (384,486)	\$ (3,286)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	45,000	52,000
Equity based compensation	771	3,126
Interest expense	86,845	70,116
Changes in asset and liabilities		
Accounts receivable	182,353	225,132
Inventories	82,413	(212,451)
Prepaid expenses	(231,322)	(221,785)
Refundable deposits	3,610	995
Other current assets	24,410	15,953
Accounts payable	54,953	490,672
Accrued expenses and other current liabilities	(79,704)	(138,097)
Customer deposits	94,552	(183,724)
Warranty liability	(11,131)	(36,173)
	(131,736)	62,478
Cash flows from financing activities		
Net borrowings on line of credit	182,141	235,583
Repayment of notes payable - auto	-	(2,494)
	182,141	233,089
Net cash from financing activities		
	50,405	295,567
Net change in cash and cash equivalents		
Cash and cash equivalents, beginning of year	388,463	195,926
Cash and cash equivalents, period ending March 31	<u>\$ 438,868</u>	<u>\$ 491,493</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 5,949</u>	<u>\$ 15,677</u>

SOL, INC.
NOTES TO FINANCIAL STATEMENTS - UNAUDITED
Three Months Ending March 31, 2014 and March 31, 2013

NOTE 1 – NATURE OF BUSINESS AND BASIS OF PREPARATION

Nature of Business

SOL, Inc. (the Company) was incorporated as a Florida S corporation in 1990. The Company manufactures and sells solar-powered lighting systems in the United States of America and in a variety of locations worldwide. International sales were approximately 47% and 68% in three months ended March 31, 2014 and March 31, 2013, respectively.

Basis of presentation

These unaudited condensed interim financial statements are prepared under United States Generally Accepted Accounting Principles (US GAAP) and do not include all of the information required for full annual financial statements and thus should be read in conjunction with the Company's consolidated financial statements and related notes for the years ended December 31, 2013 and 2012. These financial statements reflect all adjustments, consisting of only normal recurring items, which, in the opinion of management, are necessary for a fair presentation of the results of operations for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full year or for any future periods.

There have been no significant changes to the Company's accounting policies from those disclosed in the consolidated financial statements for the years ended December 31, 2013 and 2012. Other than disclosed in the notes below, there have also been no significant changes in judgments or estimates from those disclosed in the consolidated financial statements for the years ended December 31, 2013 and 2012.

Departure from US GAAP

The consolidated financial statements for the years ended December 31, 2013 and 2012 described a departure from US GAAP in Note 2. The departure related to the accounting for a 32% investment in a German based company who designs and builds controllers used in the lighting industry. This investment was held on a cost basis, but under US GAAP it should have been recorded using the equity method of accounting. This investment was sold to the Company's majority stockholder on April 25, 2013. The Company received proceeds equal to its cost and as a result no gain or loss was recognized in 2013. The impact of this departure has not been quantified on the 2013 financial results. There would be no impact on the 2014 financial results, or the values presented on the balance sheet at December 31, 2013 or March 31, 2014.

NOTE 2 – LINE OF CREDIT

The Company has a revolving line of credit with a financial institution that allowed borrowing of up to \$2,000,000 subject to a borrowing base on eligible inventory and accounts receivable through April 25, 2013, after which the maximum borrowing was reduced to \$500,000. The line was originally due on March 31, 2014 and was subsequently extended to June 30, 2014. Amounts borrowed are secured by inventory, equipment and accounts receivable. The interest rate is set at Prime Rate plus 3.75% and 2.25% as of March 31, 2014 and March 31, 2013, respectively, with a floor of 5.50%. The outstanding balance borrowed against the line as of March 31, 2014 and March 31, 2013 was \$498,476 and \$1,942,242, respectively.

SOL, INC.
NOTES TO FINANCIAL STATEMENTS - UNAUDITED
Three Months Ending March 31, 2014 and March 31, 2013

NOTE 3 – RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2014 and March 31, 2013, consulting fees and reimbursement of travel expenses in the amounts \$7,200 and \$6,462, respectively were incurred to a company owned by the majority shareholder.

Subsequent to December 31, 2013, the Company's Chairman and majority stockholder has agreed to make additional advances under the note of up to \$600,000, as required, to fund operations of the Company through 2014 and has extended the note maturity, including accrued interest, to April 1, 2015. On May 12, 2014, the Company borrowed \$125,000 from a company owned by the majority shareholder and, as of March 31, 2014 and March 31, 2014, the balance due was \$3,455,136 and \$2,948,503, respectively. The related promissory note bears interest at 10% annually payable on demand. Accrued interest on the note as of March 31, 2014 and March 31, 2013 amounted to \$549,652 and \$230,125, respectively.

NOTE 4 – CONTINGENCY

On December 23, 2013, U.S. Customs and Border Protection ("CBP") made demand for prompt payment \$1,445,070 for violations of certain U.S. antidumping and countervailing rules in place. The CBP alleges that the Company failed to declare certain imported solar cell modules/panels as within the scope of these antidumping rules and its alleged failure to pay antidumping duty and tariffs.

As of March 31, 2014, the Company has not recorded a provision for this matter as management is vigorously defending these allegations and believes the payment of the duty demanded is not probable. Management believes that if any amounts are required to be paid related to this matter, such amounts will not be significant to the financial position of the Company.

**SCHEDULE “G”
Capital West Valuation and Fairness Opinion**



April 4, 2014

Private and Confidential

Carmanah Technologies Corp.
250 Bay Street
Victoria, BC V9A 3K5

To the Independent Committee of the Board of Directors of Carmanah Technologies Corp (“Carmanah”):

Capital West Partners (“Capital West”) understands that Carmanah is proposing to enter into an agreement (the “Agreement”) with Sol, Inc. (“SOL”) pursuant to which Carmanah will acquire 100% of the issued and outstanding common shares in the capital of SOL (the “SOL Shares”).

As consideration (the “Consideration”) under the proposed transaction (the “Proposed Transaction”) SOL shareholders will receive:

- a) 38,163,176 common shares of Carmanah (the “Carmanah Shares”); and
- b) A royalty (the “Royalty”) pursuant to which Carmanah will agree to pay to the former shareholders of SOL an amount equal to 3% of total revenues received by Carmanah in respect of certain specified prospective sales by SOL, provided each identified project must result in US\$5.0 million in revenue to Carmanah before any amounts are payable to the former SOL shareholders and subject to a number of other conditions to be outlined in the Agreement.

Capital West further understands that:

- (a) Michael W. Sonnenfeldt, the majority shareholder of SOL (the “Related Party Shareholder”) also controls, directly or indirectly 23.4% of Carmanah’s common shares (after accounting for the impact of the Placement discussed below) and is a member and Chairman of the board of directors of Carmanah (the “Board of Directors”). As a result, the Proposed Transaction constitutes a “related party transaction” for purposes of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”) and therefore requires a formal valuation of SOL (the “Valuation”);
- (b) The Board of Directors has appointed a committee of independent directors (the “Independent Committee”) to consider and evaluate the Proposed Transaction and to make recommendations thereon to the Board of Directors;
- (c) The Independent Committee has retained Capital West to assist in evaluating the Proposed Transaction, including the preparation and delivery to the Independent Committee of the Valuation as at March 21, 2014 (the “Valuation Date”) in accordance with the requirements of MI 61-101 and an opinion (the “Fairness Opinion” and together with the Valuation, the “Valuation and Fairness Opinion”) as to the fairness, from a financial point of view, of the Proposed Transaction to the shareholders of Carmanah other than the Related Party Shareholder; and
- (d) Certain directors, senior officers of Carmanah and their affiliates will enter into support agreements, committing to vote in favour of the Proposed Transaction.





Capital West also understands Carmanah is required to prepare an information circular in connection with the Proposed Transaction (the “Circular”) in compliance with applicable laws, regulations, policies and rules and the Circular will be mailed to shareholders of Carmanah.

Unless otherwise noted, all monetary amounts shown are expressed in United States dollars (“USD”). Translations of monetary amounts expressed in other currencies, if any, have been made at the rate of exchange prevailing at the Valuation Date.

1.0 ENGAGEMENT OF CAPITAL WEST BY THE INDEPENDENT COMMITTEE

Capital West was first contacted regarding the Proposed Transaction on February 12, 2014. By letter agreement dated February 19, 2014, the Independent Committee formally retained Capital West (the “Engagement Agreement”) to provide financial advisory services with respect to the Proposed Transaction including the preparation and delivery of the Valuation and Fairness Opinion. Capital West has not been engaged to review or discuss other alternatives that may be available to Carmanah in order to maximize shareholder value.

The terms of the Engagement Agreement provide that Capital West be paid a fixed fee for its services as financial advisor, including a fee upon delivery of the Valuation and Fairness Opinion. In addition, Capital West is to be reimbursed for its reasonable out-of-pocket expenses and Carmanah has agreed to indemnify Capital West in certain circumstances. No portion of Capital West’s fee is contingent in whole or in part on completion of the Proposed Transaction, or on the conclusions reached in the Valuation and Fairness Opinion.

Subject to the terms of the Engagement Agreement, Capital West consents to the inclusion of the Valuation and Fairness Opinion, in its entirety, together with summaries thereof in a form acceptable to Capital West, in any required public filings of Carmanah related to the Proposed Transaction (the “Disclosure Documents”) and to the filing thereof, as necessary, by Carmanah with the Canadian securities regulatory authorities or similar regulatory authorities in each province of Canada. Capital West understands that the Disclosure Documents will be available to the public through the Canadian Securities Administrators’ System for Electronic Document Analysis and Retrieval (“SEDAR”) website. In addition, pursuant to applicable securities law, copies of the Valuation and Fairness Opinion may be filed with the Canadian securities regulatory authorities.

2.0 INDEPENDENCE OF CAPITAL WEST PARTNERS

None of Capital West, its associates or affiliates: (i) is an “issuer insider”, “associate”, “affiliate” or “affiliated entity” (as those terms are defined in MI 61-101) of Carmanah or SOL, or any of their respective associates or affiliates; (ii) is an advisor to any person or company other than to the Independent Committee with respect to the Proposed Transaction; (iii) is a manager or co-manager of a soliciting dealer group formed in respect of the Proposed Transaction.

Capital West has not provided any financial advisory services or participated in any financing involving Carmanah or SOL, or any of their respective associates or affiliates during the 24 months preceding the date Capital West was first contacted regarding the Proposed Transaction, other than the services provided under the Engagement Agreement. There are no understandings, agreements or commitments between Capital West and Carmanah with respect to any future business dealings. Capital West may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for Carmanah.

3.0 CREDENTIALS OF CAPITAL WEST PARTNERS

Capital West is an independent Canadian investment banking firm specializing in corporate finance and advisory services to corporations and governments. Capital West and its principals have prepared numerous valuations and fairness opinions and have provided advisory services in a significant number of transactions involving Canadian public and private companies.

CapitalWest

PARTNERS

The Valuation and Fairness Opinion expressed herein represents the opinion of Capital West and its form and content have been approved for release by senior investment banking professionals of Capital West, each of whom are experienced in merger, acquisition, divestiture, fairness opinion and capital market matters.

4.0 SCOPE OF REVIEW

In connection with this Valuation and Fairness Opinion, Capital West has reviewed and relied upon (without verifying or attempting to verify independently the completeness or accuracy thereof) and in some cases carried out, among other things, the following:

- The letter of intent between Carmanah and SOL dated February 14, 2014 and the binding letter of intent between Carmanah and SOL dated March 21, 2014 outlining the terms and conditions of the Proposed Transaction;
- Carmanah's annual reports for each of the years ended December 31, 2009 to 2012;
- Carmanah's audited annual consolidated financial statements and management's discussion and analysis for each of the years ended December 31, 2009 to 2013;
- Carmanah's unaudited quarterly condensed consolidated interim financial statements and management's discussion and analysis for each of the quarters ended March 31, 2012, June 30, 2012, September 30, 2012, March 31, 2013, June 30, 2013, and September 30, 2013;
- Carmanah's annual information form dated March 31, 2014 for the year ended December 31, 2013;
- Carmanah's notice of annual general meeting and management information circular dated March 26, 2013 for the year ended December 31, 2012;
- Carmanah's short form prospectus dated October 9, 2013 related to its rights offering of 50,294,200 common shares of the Company at \$0.12 per common share;
- Carmanah's corporate presentation dated April 2013;
- Carmanah's press releases and material change reports for the two year period ending April 4, 2014;
- Certain internal financial, operational, corporate projections and other information concerning Carmanah, including but not limited to, Carmanah's budget for the year ended December 31, 2014 and a five year financial forecast for the years ended December 31, 2015 to 2019 prepared by management;
- Documents and discussions with senior management personnel of Carmanah in regards to the patent infringement case filed on July 18, 2013 against Carmanah by R.D. Jones, Stop Experts, Inc., and RRF Global, Inc.;
- Discussions and meetings with senior management personnel of Carmanah regarding, among other things, the historical, current and future prospects of Carmanah;
- Audited consolidated financial statements of SOL for each of the years ended December 31, 2010 to 2013;
- Unaudited internal monthly financial statements of SOL for each of the years ended December 31, 2012 and 2013 as prepared by SOL's management;
- A schedule of SOL's revenues broken down by geographic region, customer and product for each of the years ended December 31, 2009 to 2013 as prepared by SOL's management;
- Certain internal financial, operational, corporate projections and other information concerning SOL, including but not limited to, SOL's budget for the year ended December 31, 2014, project pipeline broken down by geographic region as at March 5, 2014 and a five year financial forecast for the years ended December 31, 2015 to 2019 prepared by SOL's management;
- Discussions and meetings with senior management personnel of SOL regarding, among other things, the historical, current and future prospects of SOL;

- Site visit and tour of the SOL facility in Palm City, Florida;
- Certain published market data and other public information as it relates to the industry in which Carmanah and SOL operate;
- Certain other publicly available information relating to the business, operations, financial performance and stock trading history of Carmanah and other selected public companies considered by Capital West to be relevant;
- Relevant financial information and financial metrics with respect to other transactions of a comparable nature considered by Capital West to be relevant;
- Discussions and meetings with the Independent Committee and legal counsel to Carmanah;
- Analysis, financial and other information related to the Proposed Transaction prepared by Carmanah's management and Capital West including, but not limited to, a report on the Proposed Transaction prepared by Carmanah's management for the Independent Committee dated February 9, 2014 and a memo dated March 7, 2014 prepared by Carmanah's management providing a summary of the due diligence review of SOL as of that date;
- Such other corporate, industry and financial market information, investigations and analyses as considered necessary, relevant or appropriate by Capital West in the circumstances; and
- A letter of representation dated April 4, 2014 from senior management of Carmanah addressed to Capital West representing, among other things, that the information provided to us in respect of the Valuation and Fairness Opinion is true, correct and complete and that no material information has been withheld which might reasonably affect the Valuation and Fairness Opinion.

In completing this engagement, we have necessarily relied upon certain information provided to us by Carmanah and SOL. We have reviewed and relied upon this material without undertaking any independent verification procedures. Capital West did not meet with the auditors of Carmanah or SOL and has assumed the accuracy and fair presentation of the audited consolidated financial statements of Carmanah and SOL and the reports of the auditors thereon. Capital West has not, to the best of its knowledge, been denied access by Carmanah or SOL to any information requested by Capital West.

5.0 PRIOR VALUATIONS

Carmanah has represented to Capital West that, to the best of its knowledge, there have been no independent appraisals or prior valuations (as defined by MI 61-101) of all or a material part of the assets of Carmanah, SOL, or any of their subsidiaries made in the 24 months preceding the date of this letter and in the possession or control of Carmanah or SOL.

6.0 ASSUMPTIONS AND LIMITATIONS

The Valuation and Fairness Opinion are subject to the assumptions, explanations and limitations set forth below.

With the approval of the Independent Committee and, as provided in the Engagement Agreement, Capital West has relied upon, without independent verification, all financial and other information that was obtained from public sources or that was provided to us by Carmanah, SOL and their respective affiliates, associates, advisors or otherwise. Capital West has assumed the completeness, accuracy, and fair presentation of all of the financial and other information, data, advice, opinions, and representations obtained by Capital West as of the date thereof and that this information did not omit to state any material fact or any fact necessary to be stated to make that information not misleading. This Valuation and Fairness Opinion is conditional upon such completeness and accuracy.

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PARTNERS

With respect to the financial forecasts and budgets provided to us by management of Carmanah and SOL and used in our analysis, Capital West has assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Carmanah and SOL as to the most probable results for Carmanah and SOL for the periods presented therein. In accordance with the terms of our engagement, but subject to the exercise of Capital West's professional judgment, Capital West has not conducted any independent investigation to verify the completeness or accuracy of such forecasts or budgets. Accordingly, in preparing the Valuation and Fairness Opinion, we express no view as to the reasonableness of such forecasts or budgets or the assumptions upon which they are based.

Senior representatives of Carmanah have represented to Capital West, amongst other matters, that there have been no material changes or changes in material facts relating to any of the information, data, advice, assumptions, opinions and representations provided to Capital West by or on behalf of Carmanah, SOL or any of their associates and affiliates, as applicable, that have not been disclosed to Capital West and that no change has occurred in the facts set out or referred to in any such information subsequent to the date thereof which would reasonably be expected to have a material effect on the Valuation or the Fairness Opinion, and that they are not aware of any facts not disclosed to Capital West which would reasonably be expected to materially affect the Valuation and Fairness Opinion.

This Valuation and Fairness Opinion is based on securities markets, economic, general business and financial conditions prevailing as of the date of the Valuation and Fairness Opinion, and the conditions and prospects, financial and otherwise, of Carmanah and SOL as they were reflected in the information reviewed by us. In the analysis and in preparing the Valuation and Fairness Opinion, Capital West has made a number of assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of Capital West, Carmanah, SOL and any other party involved in connection with the Proposed Transaction.

Capital West has also assumed that the final terms of the Proposed Transaction will be substantially the same as contemplated in the Circular. Capital West has also assumed that the Circular will satisfy all applicable legal requirements.

Finally, Capital West has assumed that all material governmental, regulatory or other required consents and approvals necessary for the consummation of the Proposed Transaction will be obtained without any meaningful adverse effect on Carmanah, SOL or the contemplated benefits of the Proposed Transaction.

This Valuation and Fairness Opinion has been provided for the use of the Independent Committee and the Board of Directors for their use in considering the Proposed Transaction and may not be used or relied upon for any other purpose and may not be published without the express written consent of Capital West.

The Valuation and Fairness Opinion is given as of the date hereof and, subject to the requirements of MI 61-101, Capital West disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuation and Fairness Opinion which may come or be brought to Capital West's attention after the date hereof. The Valuation and Fairness Opinion is limited to Capital West's understanding of the Proposed Transaction as of the date hereof and Capital West disclaims any undertaking and assumes no obligation to update the Valuation and Fairness Opinion to take into account any changes regarding the Proposed Transaction that may come to its attention after the date hereof or to advise any person of any such changes. Without limiting the generality of the foregoing, in the event that there is any material change in any fact or matter affecting the Valuation and Fairness Opinion, after the date hereof, Capital West reserves the right to change, modify or withdraw the Valuation and Fairness Opinion.

7.0 OPINIONS OF FINANCIAL ADVISORS

In preparing the Valuation and Fairness Opinion, Capital West performed various financial and comparative analyses, including those described below. The summary of Capital West's analyses described below is not a complete description of the analyses underlying the Valuation and Fairness Opinion. In preparing the Valuation and Fairness Opinion, Capital West made qualitative judgements as to the significance and relevance of each analysis and factor that it considered.

No company, transaction or business used in Capital West's analyses as a comparison is identical to Carmanah, SOL or the Proposed Transaction, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgements concerning financial and operating characteristics and other factors that could affect the business combination, public trading or other values of the companies, business segments or transactions being analysed. The estimates contained in Capital West's analyses and the range of values resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favourable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, Capital West's analyses and estimates are inherently subject to uncertainty.

Capital West believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying this report. The preparation of a valuation and fairness opinion is complex and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Valuation and Fairness Opinion is not and should not be construed as a recommendation to the shareholders of Carmanah to accept or reject the Proposed Transaction.

8.0 OVERVIEW OF CARMANAH

General

Carmanah was incorporated under the provisions of the Business Corporations Act (Alberta) in March 1996 and was continued under the provisions of the Business Corporations Act (British Columbia) in August 2009. Carmanah is headquartered in Victoria, British Columbia, and is in the business of designing, developing and distributing renewable and energy-efficient technologies, including solar-powered light emitting diode ("LED") lights and solar powered systems and equipment.

Markets

Carmanah has earned a reputation for delivering strong and effective products for industrial applications worldwide that perform reliably in some of the harshest environments as a dependable and cost effective energy alternative. Carmanah currently serves the following markets:

Industrial Signalling The industrial signalling segment is focused on the sale of self-contained solar powered LED lights for marine, aviation, obstruction and traffic applications. Some of the core product offered across the aviation, obstruction and marine segments are lanterns which share common design with differences in lighting optics, colors and labelling. Products are often substituted by customers between applications.

Aviation The aviation vertical provides airfield lighting solutions for customers in situations where the electrical grid is weak or non-existent. Some of the products offered include lighting for runways, taxiways, wind cones, airfield signage, and helipads, as well as approach systems and obstruction marking. Customers include department of defenses/military organizations, and regional and private airports or landing sites. Within this market, Carmanah has partnered with ADB Airfield Solutions LLC (“ADB”), a global airfield lighting technology provider. As a part of this relationship, Carmanah provides ADB with a line of ADB-branded self-contained off-grid LED airfield lighting products and they provide a global route to market through their extensive distribution channels. Some of the competitors in this market include Avlite Systems Pty. Ltd and Metalite.

Obstruction The obstruction vertical provides practical and cost-effective solutions for ground hazard marking, fence and barricade lighting, way-finding, railway blue flag protection, equipment marking and more. Customers include telecom tower, oil and gas and wind farm operators, mining companies and rail companies. Some of the competitors in this market include Orga BV and Dialight Plc.

Marine The marine vertical provides aids-to-navigation and warning lighting for use in ports and waterways, offshore oil and gas, and offshore wind applications. Customers include the Canadian and US Coast Guards, marine port authorities, marine operators, private and public inland waterway and harbour authorities, barge companies, and offshore oil and gas companies. Within this market, Carmanah has a partnership with Sabik Oy, a Finnish company that is a leading provider of marine signalling products. This partnership is based on a co-marketing agreement under which products for both companies are jointly marketed and sold under the “Carmanah/Sabik” brand. The product lines and distribution channels of each company are viewed as complimentary. Some of the competitors in this market include Sealite Pty. Ltd., Vega and Tideland.

Traffic The traffic vertical provides solar flashing beacons for a variety of applications, such as marking pedestrian cross walks, school zone flashers, warning beacons for stop signs, dividers and other hazards. Customers include departments of transportation, traffic agencies, local university and school campuses. Some of the competitors in this market include JS Foster Corporation and Traffic & Parking Control Company Inc. (“TAPCO”).

Solar Powered Outdoor Lighting

Outdoor Lighting This business segment provides products for use in general illumination applications such as pathways, parking lots, and pedestrian areas, as well as highway / street lighting and perimeter lighting. Our outdoor lighting division serves local and federal government facilities, government ministries, departments of defense, private utilities (power and lighting), highway concession owners, national and multi-national commercial facilities and public institutions. Some of the competitors in this market include Sol Inc., Solar One, and Solar Electric Power Company (“SEPCO”).

Solar Power Systems

Solar EPC Services This business segment is a provider of solar engineering procurement and construction (“EPC”) services and is focused on the development and construction of roof top solar grid-connected systems for commercial customers. It is operated through Carmanah’s Ontario, Canada based subsidiary, Carmanah Solar Power Corporation (“CSPC”). Customers include developers, commercial property owners and government entities. Currently this business is primarily focused on the Ontario market due to a Feed-in-Tariff (“FIT”) program introduced there by the provincial government.

Go Power! The Go Power! segment is marketed under the Go Power! brand and is a distributor of solar kits, solar panels, inverters, chargers, batteries and other power accessories for the recreational vehicle (“RV”), utility and fleet vehicles, and marine markets. Customers include RV dealers, marine resellers and fleet owners. Some of the competitors in this market include Xantrex and Samlex.

Supply Chain and Production

All of the products sold into the Industrial Signalling and Solar Powered Outdoor Lighting segments are manufactured goods, which are built by contract manufacturers. Carmanah’s main contract manufacturer is Flextronics Industrial Inc. (“Flextronics”), a worldwide electronics manufacturing company. Flextronics purchases and owns underlying components and raw goods based on Carmanah’s forecasted demand for finished goods and builds products as orders are placed.

The Go Power! segment is mainly a distribution business. Carmanah utilizes a number of third party logistics warehouses to stock and distribute associated inventory.

Materials and components for the Carmanah’s products are widely available through a large number of suppliers both in North America and Asia. Generally, pricing is competitive and has trended downwards over the past few years. This was most pronounced in the pricing of solar panels, with pricing falling by over 50% in the past two years.

Distribution Strategy

Carmanah’s route to market in the Industrial Signalling segment is through distributors and agents in the various markets and regions Carmanah operates in. The route to market for the Solar Powered Outdoor Lighting segment is through traditional lighting agent networks in Canada and the US, and outside North America with local companies that have established relationships and distribution channels. Distributors are supported by Carmanah’s own sales representatives. These sales representatives also pursue direct sales in certain markets and situations. Carmanah’s internal sales representatives are primarily located at its head office, with a few based out of home offices in the United States.

Currently, Carmanah’s aviation, obstruction and marine products are sold worldwide, while its traffic products are sold only in North America. Products under the Solar Powered Outdoor Lighting segment are sold worldwide.

The Company’s route to market in its Go Power! segment is through an established channel of dealers, distributors and agents. Carmanah also sells direct to customers through a large online retailer and to a number of original equipment manufacturers. Products under the Go Power! segment is currently only marketed in the United States and Canada.

Recent Developments

Spot Devices Inc Acquisition

On January 4, 2013, Carmanah closed a transaction to acquire certain assets of Spot Devices, Inc. ("Spot"), a Nevada, USA-based manufacturer of traffic, pedestrian and school zone safety systems. Included in the transaction was the right to a license agreement for the exclusive use of System Infrastructure Management Application ("SIMA") technology for public roadway applications. SIMA was developed by Cirrus Systems, LLC, a company related to Spot. Terms of the transaction included the issuance of 2.2 million Carmanah shares to Spot (valued at approximately \$0.6 million on closing) plus conditional cash payments pursuant to a two-year cash earn-out where Spot is paid 12.5% of the portion of cumulative 2013 and 2014 gross traffic revenues exceeding \$17.5 million. The transaction was accounted for as a business combination by Carmanah.

Due to a variety of events that have occurred subsequent to the acquisition, an impairment loss of \$0.6 million was recognized by Carmanah during the second quarter of 2013. The reasons for the impairment included an inability to secure an economically viable SIMA license agreement and a higher than expected churn rate associated with legacy customers of Spot.

Board and Executive Changes

There have been a significant number of changes to the Board of Directors and executive of Carmanah during 2013.

Highlights of the changes in Carmanah's Board of Directors in 2013 include the following:

- Michael Sonnenfeldt and John Simmons appointed to the board on June 26, 2013
- Michael Sonnenfeldt elected as Chairman on July 15, 2013
- Jim Meekison and Terry Holland appointed to the board on December 2, 2013

Highlights of the changes in the executive management of Carmanah during 2013 include:

- The appointment of John Simmons as CEO effective August 1, 2013
- The appointment of Stuart Williams as CFO effective September 12, 2013

Restructuring Activity

During the third and fourth quarters of 2013, Carmanah began to work on a restructuring plan in an effort to restore profitability and position Carmanah for future growth. The plan focused on streamlining operations in an effort to reduce salary costs to sustainable levels. It also included a variety of changes to Carmanah's organizational structure, business practices and processes, and supporting IT systems. Items of significance include the decision to (1) close its office in Burnaby, British Columbia and (2) replace the current enterprise resource planning ("ERP") and customer relationship management ("CRM") systems with a more cost effective solution. As a result of this restructuring Carmanah incurred a charge of \$0.6 million during the fiscal year ended December 31, 2013, the majority of which related to employee severance.

Patent Infringement Case

On July 18, 2013, Carmanah was named in a United States District Court lawsuit filed by R.D. Jones, Stop Experts, Inc., and RRFB Global, Inc. (all of which are related parties - collectively the "Plaintiffs") alleging patent infringement with respect to a specific flash pattern used by Carmanah's solar powered flashing beacons for the traffic safety market. Various actions have been taken in regards to this matter, including an unsuccessful application by the Plaintiff for a temporary restraining order and a motion for a preliminary injunction and a countersuit against the Plaintiffs with respect to patents of a similar nature that Carmanah holds.

Subsequent to the fiscal year ended December 31, 2013, Carmanah's application to re-examine a number of aspects of the Plaintiffs patent was accepted by the US patent office. The outcome of the review was positive, with the examiner agreeing with Carmanah's position, but the Plaintiff can still appeal the decision. Carmanah is not certain of the outcome of this case and intends to continue to defend its position and file additional appropriate responses to the Court, as required. As the outcome of this matter is not currently determinable, no provision was made by Carmanah in its financial statements for the year ended December 31, 2013.

Rights Offering

Carmanah completed a shareholder rights offering (the "Offering") in the fourth quarter of 2013. Under the Offering, each shareholder was given one right for each share held on the applicable record date. Each right was exercisable for one common share at a subscription price of \$0.12 (CAD). In connection with the Offering, Carmanah entered into a binding standby purchase agreement with a group of investors, who had committed, subject to certain conditions, to purchase up to \$5.5 million (CAD) of the rights shares that were not otherwise subscribed for by other holders. The Offering closed on November 19, 2013 without the need for the standby investor group. A total of 50,294,200 shares were issued. Gross proceeds were \$6.0 million (CAD) and issuance costs were \$0.5 million (CAD).

Private Placement

On April 3, 2014, Carmanah completed a non-brokered private placement (the "Placement") of 19,300,000 common shares at a price of \$0.22 (CAD) a share. Carmanah received \$4.25 million (CAD) in gross proceeds from the issuance. The common shares issued were subject to a hold period of four months plus one day from the closing of the Placement. Of the 19,300,000 shares issued, 10,000,000 were purchased by "insiders" of Carmanah, as defined by the regulations of the TSX, including 3,500,000 shares acquired by the Related Party Shareholder.

Historical Financial Information of Carmanah

The following table summarizes Carmanah's consolidated operating results for the fiscal years ended December 31, 2009 to 2013:

US \$000's For the years ended December 31,	2009	2010	2011	2012	2013
Sales	31,644	33,921	35,904	26,442	25,902
Gross profit	10,727	11,297	11,262	8,239	7,384
Gross Margin %	33.9%	33.3%	31.4%	31.2%	28.5%
EBITDA	118	(4,999)	(3,235)	(2,820)	(4,623)
Normalized EBITDA	791	541	1,329	(2,127)	(2,550)
Margin	2.5%	1.6%	3.7%	-8.0%	-9.8%

Notes:

(1) EBITDA is earnings before interest, taxes, depreciation and amortization. Normalized EBITDA is EBITDA adjusted for non-recurring and one-time charges.

CapitalWest

P A R T N E R S

The following tables provide a breakdown of Carmanah's sales by geographic end market for the fiscal years ended December 31, 2009 to 2013 and by market segment for the fiscal years ended December 31, 2010 to 2013:

US \$000's					
Sales - by geographic market					
For the years ended December 31,	2009	2010	2011	2012	2013
North America	24,676	27,147	28,864	22,152	21,535
South America	786	1,749	2,416	1,264	898
Europe	2,860	2,220	2,972	1,925	2,242
Middle East and Africa	2,478	1,324	725	317	795
Asia Pacific	844	1,481	927	784	432
	31,644	33,921	35,904	26,442	25,902

US \$000's					
Sales - by market segment					
For the years ended December 31,	2010	2011	2012	2013	
Traffic	3,848	3,153	2,597	5,067	
Marine	8,617	6,413	5,451	4,161	
Aviation/Obstruction	5,993	6,245	3,522	3,712	
Outdoor Lighting	4,726	5,237	3,676	1,942	
Go Power!	5,081	5,147	6,506	7,962	
Solar EPC Services	5,656	9,709	4,690	3,058	
	33,921	35,904	26,442	25,902	

The following table summarizes Carmanah's consolidated balance sheets as at December 31, 2009 to 2013:

US \$000's					
As at December 31,	2009	2010	2011	2012	2013
Cash	8,663	5,690	4,934	2,687	5,242
Other current assets	8,937	10,036	7,697	8,143	8,884
Property, plant & equipment	1,300	1,174	1,431	1,098	682
Other long-term assets	9,127	9,902	1,379	1,248	149
Total Assets	28,027	26,802	15,441	13,176	14,957
Current liabilities	4,946	8,198	4,842	4,480	6,029
Shareholders equity	23,081	18,604	10,599	8,696	8,928
Total Liabilities and Shareholder's Equity	28,027	26,802	15,441	13,176	14,957

As at December 31, 2013, Carmanah had \$5.2 million in cash (\$45,000 in restricted cash), no debt, \$2.9 million of non-cash working capital and tangible net assets of \$8.8 million.

Historical Trading Range of Carmanah Shares

Carmanah's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol CMH. As at the Valuation Date, Carmanah had 100,612,011 common shares outstanding (119,912,011 after accounting for the Placement discussed above). The following table sets forth, for the periods indicated, the high and low closing prices quoted, the volume traded on the TSX and the VWAP of Carmanah:

\$ CAD Month	Close (\$)	High (\$)	Low (\$)	Volume	VWAP (\$)
March 2013	0.30	0.30	0.26	1,156,888	0.29
April 2013	0.27	0.29	0.24	714,639	0.26
May 2013	0.30	0.31	0.27	769,820	0.29
June 2013	0.29	0.29	0.27	324,558	0.28
July 2013	0.29	0.30	0.27	429,109	0.28
August 2013	0.19	0.28	0.19	618,990	0.24
September 2013	0.16	0.23	0.15	669,904	0.18
October 2013	0.13	0.17	0.12	777,000	0.14
November 2013	0.15	0.15	0.10	3,005,402	0.12
December 2013	0.15	0.16	0.13	2,396,253	0.15
January 2014	0.18	0.20	0.15	1,338,877	0.18
February 2014	0.18	0.20	0.17	413,176	0.18
March 2014 (through March 21)	0.20	0.22	0.19	486,819	0.20
Past 12 months	0.20	0.31	0.10	12,072,592	0.18

Source: CapitalIQ

The 30 day volume weighted average price ("VWAP") prior to the announcement of the Proposed Transaction on March 21, 2014 was \$0.19 (CAD) per share. The closing price of Carmanah's shares on the TSX on March 21, 2014 was \$0.22 (CAD) per share.

9.0 OVERVIEW OF SOL

General

SOL develops, manufactures and markets commercial/industrial-grade off-grid and hybrid outdoor lighting systems for domestic and international markets. These systems are energy efficient, custom tailored and applicable for a wide range of lighting applications including roadways, parking lots, pathways and trails, perimeter security, campuses, corporate and retail complexes, military bases, storage areas, signs, billboards, transit and shelter lighting.

Based in Palm City, Florida, SOL is a privately held company that was incorporated as a Florida S corporation in 1990 and over the past two decades has installed more than 60,000 systems in more than 60 countries on six continents, accounting for over 10 megawatts ("MW") of solar outdoor commercial lighting.

Markets

SOL is a global company. The company's most recognizable customers in the United States include all branches of the US Military, NASA, U.S. Department of Interior, which includes the National Park Service, U.S. Fish & Wildlife Service, Bureau of Land Management, Corps of Engineers, as well as many other state and local governments. SOL also supplies large corporations such as Amtrak, BP Chemical, Ford Motor Company, and Owens Corning, as well as many colleges and universities.

Outside of the United States, SOL's solar lighting systems illuminate presidential palaces, universities, facilities for publicly traded multinational companies, military installations as well as many streets and roadways.

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SOL's approach to domestic and international markets has been through both direct sales and established agent networks. SOL is in the process of transitioning away from the direct sale of systems in international markets and in its place, SOL is seeking to establish strategic partnerships with in-country businesses which are financially capable, have existing business in related markets with local qualified contacts and the ability to engage in local manufacturing. In addition to local knowledge of regions, politics, taxes and government incentives, they will be able to reduce shipping costs and improve delivery times.

Manufacturing and Products

SOL has developed and evolved a strong line-up of products designed to meet the customer's individual needs. These systems are comprised of controllers, luminaires and hardware that combine to create off-grid solar powered lighting systems.

SOL has two utility patents and five design patents which apply mostly to older products. They have also protected their trademarks with US registrations.

SOL's design and engineering team encompass collective experience in mechanical and electrical engineering, digital electronics, system design, AutoCAD, solid models, detailed drawing and product development. The production team assembles each solar powered lighting system in its Florida facility with quality control checks throughout the process before the product ships. Keeping development and manufacturing in house has allowed SOL to meet customer requirements using a semi-custom approach that can easily be scaled to meet the size and delivery demands of their clients.

Historical Financial Information of SOL

The following table summarizes SOL's consolidated operating results for the fiscal years ended December 31, 2010 to 2013:

US \$000's For the years ended Dec. 31,	2010	2011	2012	2013
Sales	18,770	10,974	9,275	10,705
Gross profit	7,378	1,266	1,907	3,607
Gross Margin %	39.3%	11.5%	20.6%	33.7%
EBITDA	498	(5,019)	(3,755)	(209)
Normalized EBITDA	779	(4,825)	(3,302)	(175)
Margin	4.2%	-44.0%	-35.6%	-1.6%

Notes:

(*) EBITDA is earnings before interest, taxes, depreciation and amortization. Normalized EBITDA is EBITDA adjusted for non-recurring and one-time charges.

During 2011, SOL replaced several members of its senior executive team and restructured the business during 2011 and 2012 to refocus the business by streamlining processes, eliminating administrative costs and improving profitability by bringing gross margins back in line with historical levels.

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The following table provides a breakdown of SOL's sales by geographic end market for the fiscal years ended December 31, 2010 to 2013:

US \$000's For the years ended December 31,	2010	2011	2012	2013
North America	11,119	8,304	7,761	5,973
Middle East	10	68	54	1,097
Africa	6,770	2,267	274	1,998
Rest of World	871	335	1,186	1,637
	18,770	10,974	9,275	10,705

The following table summarizes SOL's consolidated balance sheets as at December 31, 2010 to 2013:

US \$000's As at December 31,	2010	2011	2012	2013
Cash	331	23	196	388
Other current assets	6,033	4,018	3,277	3,005
Property, plant & equipment	595	629	476	301
Other long-term assets	1,556	1,880	1,815	284
Total Assets	8,514	6,551	5,765	3,979
Line of credit	18	1,345	1,709	316
Other current liabilities	2,235	2,021	1,883	1,493
Shareholder notes payable	21	3	3,107	3,917
Other long term liabilities	220	535	490	360
Shareholders equity	6,020	2,647	(1,424)	(2,107)
Total Liabilities and Shareholder's Equity	8,514	6,551	5,765	3,979

As at December 31, 2013 SOL had \$388,000 in cash, \$316,000 in bank indebtedness, and \$1.5 million of non-cash working capital. Under the Proposed Transaction, the shareholders of SOL will restructure the balance sheet prior to closing and SOL will be delivered on a cash free, debt free basis on closing. After giving effect to this restructuring, SOL's tangible net assets as at December 31, 2013 on a pro forma basis will be \$1.5 million.

10.0 INDUSTRY OVERVIEW

General

The global lighting market is estimated at over \$100 billion. The size of the commercial outdoor lighting market is estimated at \$11 billion and is expected to grow to \$15 billion by 2020. The global solar outdoor lighting market is currently estimated at over \$100 million. The global economy spends \$8.5 billion per year on outdoor lighting. Of that, the United States accounts for \$1.8 billion of lighting projects.

In the developed world (primarily North America and Europe) solar powered lighting is being utilized in new construction projects as well as retrofits of existing projects. The adoption of solar powered lighting is also being supported by local, state and federal governments within policies for the environment, energy reduction and sustainability. Government incentives, program initiatives and funding are in place across many jurisdictions.

In the United States, solar powered lighting is primarily related to new construction projects where there is little or no existing lighting infrastructure. Solar powered lighting has not become the norm for retrofits due to initial costs of the systems. Domestically, the efficiency of LED's and reduced cost of panels and batteries will better position solar powered lighting, potentially expanding the customer base from mainly federal, municipal and institutional to include the larger commercial marketplace.

International Opportunity

In places where no established cabling exists, such as the developing economies of South America, Africa and Asia, solar powered lights make sense from an economic and efficiency standpoint. In many of these regions cost parity already exists, as the cost to install solar powered lighting is cheaper than building a power plant and connecting remote areas to the power grid.

There are approximately 900 million inefficient off-grid light points in use globally and estimates of annual global consumption of kerosene burnt each year for lighting are 2.2 billion litres at a cost of roughly \$30 billion each year.

Technological Advancements

The future is promising for the three core technologies that surround solar powered lighting. LED efficiency is being driven by the lighting industry, solar panel advancements by the solar power generation industry, and battery technology is being pushed forward by the automotive sector. The fact that all three have independent drivers will increase efficiencies and reduce costs of all the technologies.

The continuous improvement in the underlying technology is allowing players in the solar powered lighting sector to enter new markets and to become more competitive with on-grid solutions. The most notable technological trend currently shaping these businesses is the continued increase in LED efficiency. As LED technology improves, the supporting solar power system can be reduced in size and cost, making the whole product more competitive against grid powered products. Improvements in battery and solar panel technology also play a role, but are improving at a much slower rate. Every percentage increase in LED efficiency is a percentage decrease in required panels and batteries.

US Trade Dispute

The solar industry in the US is facing an escalating trade dispute with China and Taiwan which could ultimately impact US based manufacturers in the solar lighting industry. The trade dispute is driven by certain US manufacturers who allege that Chinese manufacturers receive unfair subsidies in the production of solar modules. An initial trade action launched in 2011 resulted in heavy duties on the importation of Chinese solar modules which came into effect in October 2012. These duties were specific to modules that had solar cells produced in China or Taiwan. On December 31, 2013, the same US manufacturers filed another petition to the US International Trade Commission ("ITC") to expand the action to include cells that are completed or partially manufactured within a customs territory other than that subject country, using parts that are manufactured in the subject country or cells where the manufacturing process begins in the subject country and is completed in a non subject country. On February 14, 2014 the ITC found there was reason to think that damage was occurring to the US market and passed the case onto the US Department of Commerce ("DOC").

Carmanah is confident the new scope of the investigation proposed by the ITC will not have an impact on its business because the parts used in its modules are entirely produced in Germany or Malaysia. Carmanah is exploring other options to mitigate future exposure, and believes there are viable options in place to allow Carmanah and SOL to adapt to new regulations and remain competitive, including sourcing modules from other countries or transferring manufacturing / assembly of lighting systems for global customer to a location outside the United States.

11.0 DEFINITION OF FAIR MARKET VALUE

For the purpose of the Valuation, fair market value is defined as the highest price, expressed in terms of money or money's worth, available in an open and unrestricted market between informed and prudent parties, acting at arm's-length and under no compulsion to act.

Fair Market Value, as defined above is a concept of value, which is not necessarily representative of the price that would actually be realized on a sale of a business in an actual market transaction. The price a potential purchaser might pay to purchase a business is not only a function of the intrinsic value of the particular business to be acquired but also of the opportunities for synergies, economies of scale or other benefits the acquisition may create for the purchaser.

The value attributable to these additional benefits depends upon the unique circumstances of each specific purchaser. Based on our experience, it is only in negotiation with such a special purchaser that these benefits can be quantified and even then, the purchaser is generally in a better position to assess the value of any special benefits than is the vendor.

12.0 VALUATION METHODOLOGY

The Valuation and Fairness Opinion has been prepared based upon techniques and assumptions that Capital West considered appropriate in the circumstances, after considering all relevant facts for the purposes of arriving at an opinion as to the range of the Fair Market Value of SOL. The valuation methodology employed by Capital West requires the development of long-range financial forecasts for SOL, which reflects numerous assumptions regarding the impact of general economic and industry conditions on future financial results. While Capital West believes the assumptions used are appropriate in the circumstances, some or all of the assumptions may prove to be incorrect.

The Fair Market Value of a business interest with active operations is generally determined to be the greater of the value that can be substantiated based on a capitalization of the anticipated flow of future income or that which the owner would receive should the business be liquidated.

The Fair Market Value of a business interest generating a level of profitability commensurate with the assets employed should be based on an income or cash flow approach to value. A going concern valuation approach is future-oriented and intended to capture the present value of the expected financial performance of the subject matter being valued. If, on the other hand, it is determined that the business cannot produce a level of income sufficient to justify continuing to hold the assets and that investors would benefit more by liquidating the business than by operating it, the value to be placed on the business should be its liquidation value.

The Fair Market Value of SOL was analyzed on a going concern basis. In the opinion of Capital West, a going concern approach is appropriate for SOL due to the following factors:

- Revenue and profitability of SOL prior to its recent financial difficulties;
- SOL's recent restructuring and efforts to re-focus the business to eliminate administrative costs and improve profitability;
- Prospects for revenue growth and profitability in the near term; and
- Forecasted growth in the industry and markets served by SOL, specifically for off-grid solar powered lighting in emerging markets of the developing world.



In preparing the valuation of SOL, Capital West considered a number of different valuation methodologies:

- discounted value of future cash flows;
- capitalization of maintainable discretionary cash flow;
- comparable company analysis; and
- precedent transactions.

Upon reviewing the applicability of the various valuation methodologies, Capital West concluded that the discounted cash flow methodology was the most appropriate for valuing SOL.

SOL was not profitable in the most recent two fiscal years and therefore the capitalization of maintainable discretionary cash flow is not appropriate.

As part of its investigation and analysis carried out in preparation of the Valuation and Fairness Opinion, Capital West reviewed SOL's historical operating results for the last five years, the year-to-date results, the budgets for the year ending December 31, 2014 as prepared by management, as well as the financial forecasts for the years ending December 31, 2015 to 2019 as prepared by management.

13.0 SOL VALUATION ANALYSIS

Discounted Cash Flow ("DCF") Approach

Capital West considered the *discounted cash flow approach* ("DCF") in determining the Fair Market Value of SOL. The DCF methodology reflects the growth prospects and risks inherent in SOL's business by taking into account the amount, timing and relative certainty of projected unlevered free cash flows expected to be generated by SOL.

The DCF approach requires a period by period projection of the cash flow from operations, of sustaining capital reinvestment and of working capital requirements, but before debt service costs ("Unlevered Free Cash Flows"), as well as the determination of an appropriate discounting factor. The residual or terminal value of the business at the conclusion of the forecasting period must also be determined, usually on the capitalization of earnings or cash flow basis.

Two main components required for the DCF analysis include developing a view of the projected Unlevered Free Cash Flows and determining an appropriate discount rate to derive the net present values of these cash flows. The possibility that some of the assumptions utilized in the DCF analysis will prove to be inaccurate is one factor involved in the determination of the discount rates to be used in establishing a range of values.

Capital West's DCF approach involved discounting to a present value SOL's projected unlevered after-tax free cash flows from fiscal 2014 through 2019 as provided in management's forecasts, including a terminal value determined at December 31, 2019.

Management's Forecast

Management of SOL prepared a detailed budget for the fiscal year ending December 31, 2014. In addition, SOL's management prepared a longer term forecast for the five years ending December 31, 2015 to 2019 based on an overall sales growth assumption, projected gross margin and sales, general and administration expenses forecasted based on the fiscal 2014 budget.

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SOL's management has utilized the following primary assumptions in preparing its forecast:

- Sales growth of 20% in fiscal 2015 and 10% thereafter through the forecast period;
- Increase in gross profit margin to 36.7% in fiscal 2014, further increasing to 38% in fiscal 2015 and being held constant at 38% thereafter through the forecast period; and
- Sales expenses to increase 6% per annum throughout the forecast period, marketing expenses to increase 8% per annum, research and development expenses to increase 6% per annum, inside sales and customer support to increase at 5% per annum, and general administrative expenses to increase at 2% per annum.

As the business is primarily project based, there can be a significant amount of uncertainty in regards to timing and likelihood of projects going forward in any one fiscal period and sales can vary from one period to another.

Based on discussions with management and independent research, Capital West used management's forecast to determine the unlevered after-tax free cash flows of SOL. As part of this process, Capital West reviewed historical revenue growth, historical gross profit margins and management's estimated capital expenditure requirements to assess the reasonability of management's forecast.

A summary of SOL's financial projections are set out in the table below:

US \$000's For the years ended Dec. 31,	2014B	2015F	2016F	2017F	2018F	2019F
Sales	13,021	15,625	17,188	18,906	20,797	22,877
Sales Growth %	21.6%	20.0%	10.0%	10.0%	10.0%	10.0%
Gross profit	4,773	5,938	6,531	7,184	7,903	8,693
Gross Margin %	36.7%	38.0%	38.0%	38.0%	38.0%	38.0%
EBITDA	650	1,529	1,868	2,287	2,757	3,285
Margin	5.0%	9.8%	10.9%	12.1%	13.3%	14.4%

Summary of Unlevered Free Cash Flows

For the purpose of deriving projected unlevered after-tax free cash flows for use in the DCF analysis, Capital West reviewed management's forecast and relevant underlying assumptions, including sales growth, gross profit margins, and both overall growth in EBITDA as well as the increase in the EBITDA margin as a percentage of sales.

Capital West utilized management's forecast and underlying assumptions for the purpose of establishing projected unlevered after-tax cash flows for use in the DCF analysis.

From the forecast EBITDA outlined in the preceding table, provisions were made for cash income taxes, annual capital expenditure requirements and changes to working capital.

The major assumptions used in developing the unlevered after-tax free cash flows are outlined below:

- SOL is currently tax exempt as a Florida S corporation due to the fact income is taxed in the hands of the shareholders, but upon completion of the Proposed Transaction SOL will become a taxable corporation and therefore we have calculated cash income taxes at a combined federal and state tax rate of 35% of taxable income;
- Capital expenditures of \$175,000 in fiscal 2014, \$360,000 in fiscal 2015 and \$240,000 thereafter based on management's forecast; and
- Growth in non-cash working capital in proportion to forecasted sales estimated at approximately 16% of annual sales.

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The following is a summary of the unlevered after-tax free cash flow projections used in the DCF analysis of SOL:

US \$000's For the years ending Dec 31,	2014B	2015F	2016F	2017F	2018F	2019F
EBITDA	650	1,529	1,868	2,287	2,757	3,285
Less: Cash income taxes	(154)	(462)	(581)	(728)	(892)	(1,077)
Less: Annual CAPX	(175)	(360)	(240)	(240)	(240)	(240)
Changes in working capital	(577)	(404)	(251)	(276)	(304)	(334)
Unlevered free cash flow	(256)	303	796	1,043	1,321	1,634

Discount Rates

The projected unlevered after-tax free cash flows were discounted based on the estimated weighted average cost of capital ("WACC") for SOL.

We utilized the build up approach to determine an appropriate WACC. This approach calculates WACC based on an assumed optimal capital structure for SOL. The optimal capital structure was chosen based upon a review of the capital structures of comparable public companies, our knowledge of the industry and SOL's historical capital structure. We believe that for the purposes of the Valuation, the prudent assumption of the optimal capital structure in today's economic environment for SOL would be 100% equity.

The cost of equity was developed using the build up approach with reference to the ten year Government of Canada bond rate and an appropriate equity risk premium reflecting, amongst other things, the following considerations:

- rates of return available on alternative investment opportunities;
- highly competitive and fragmented nature of the solar powered lighting industry;
- forecast revenue growth as compared to historical revenue growth;
- forecast EBITDA growth and margin as compared to historical EBITDA growth and margin;
- project dependent sales growth;
- sales growth dependence on international sales and the inherent uncertainty of international projects;
- variability and uncertainty of cash flows;
- level of rigour in management's forecasting process; and
- dependence of sales on one primary product segment.

Capital West also considered the CAPM approach in determining SOL's cost of equity. The CAPM approach takes a risk free rate of return and adds an equity risk premium that is adjusted by a relevant, company specific Beta (a measure of relative risk or volatility). To estimate SOL's specific Beta, Capital West reviewed publicly traded comparable company Betas. These Betas spanned a significant range and are not directly comparable to SOL. As such, Capital West did not rely on the CAPM approach to determine relevant discount rates but did utilize this approach to check the reasonability of the cost of equity estimated for SOL.

Based on the factors that it considered relevant, Capital West utilized WACC rates of 21.0% to 23.0%.

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Terminal Value

To calculate the terminal value at the end of the forecast period, the estimated EBITDA in the terminal year was capitalized at capitalization multiples between 3.8x and 4.2x, commensurate with the risks associated with achieving the projected EBITDA in the terminal year. The resulting terminal value was then discounted to present value at the appropriate WACC rates.

Discounted Cash Flow Values

The table below sets out the calculation of the estimated enterprise value of SOL based on the foregoing. The Unlevered Free Cash Flows discussed above were discounted at WACC rates of between 21.0% and 23.0% to calculate the present value of the Unlevered Free Cash Flows. The present value of the terminal value was then added to derive the enterprise value of SOL, which is estimated to be in the range of \$5.8 to \$6.7 million.

In calculating the Fair Market Value of SOL, Capital West has not adjusted for cash or shareholder notes payable as at December 31, 2013. It is our understanding that SOL will be restructured prior to closing the Proposed Transaction such that the shareholder notes payable will be converted to shareholder's equity and SOL will be delivered on a cash free, debt free basis at closing.

Capital West converted the resultant Fair Market Value of SOL in US\$ to Canadian dollars at the exchange rate prevailing as of the Valuation Date. Based on the foregoing, the Fair Market Value of SOL in Canadian dollars is in the range of \$6.5 (CAD) million to \$7.5 (CAD) million.

US \$000's Year ending Dec 31,	Unlevered Free Cash Flow	Low	High
WACC		23.0%	21.0%
2014	(256)	(230)	(232)
2015	303	222	228
2016	796	475	494
2017	1,043	505	535
2018	1,321	521	560
2019	1,634	523	573
Present value of the unlevered free cash flows		2,016	2,158
Present value of the terminal value		3,758	4,529
Enterprise value		5,774	6,687
Add: Cash		-	-
Less: Interest-bearing debt		-	-
Estimated Fair Market Value - USD		5,774	6,687
Exchange rate - March 21, 2014		1.12	1.12
Estimated Fair Market Value - CAD		6,495	7,522

Sensitivity analysis

As part of the DCF analysis, Capital West performed sensitivity analysis on certain key assumptions; forecasted revenue growth and WACC discount rates. The following table outlines the results of the sensitivity analysis on SOL's Fair Market Value in Canadian dollars:

Fair Market Value CAD \$000's					
Revenue Growth Rate	WACC				
	20.0%	21.0%	22.0%	23.0%	24.0%
7.5%	6,176	5,732	5,332	4,972	4,645
10.0%	8,124	7,522	6,982	6,495	6,054
12.5%	10,234	9,461	8,767	8,142	7,577
15.0%	12,518	11,557	10,696	9,921	9,222

14.0 MARKET BASED VALUATION APPROACHES

In addition to the DCF analysis employed by Capital West above, we also considered two market based approaches to value; the comparable companies trading approach and precedent transactions approach.

There were no true comparable companies and/or precedent transactions to Carmanah and SOL. Capital West tested the reasonableness of its conclusions under the DCF analysis against implied valuations of large solar energy and lighting company multiples, multiples in precedent transactions involving electrical and telecom component and equipment companies, and against its experience of selling small and mid-market companies.

Comparable Companies Trading Approach

The *comparable companies trading approach* is a relative valuation approach that evaluates the value of a company or asset using the trading and financial metrics of other comparable companies or assets determined to have similar characteristics to the subject company.

In applying the comparable companies trading approach, Capital West reviewed the public market trading multiples of selected solar energy and lighting companies as at the Valuation Date which Capital West believes to be most comparable to Carmanah and SOL.

Capital West reviewed nine companies as outlined below. Given the differences in operating and financial characteristics of the companies examined, including scale, business mix, margins, growth prospects and inherent business risks, Capital West concluded that none of the companies were truly comparable to Carmanah or SOL.

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The table below provides a summary of the comparable companies identified by Capital West and their respective implied multiples of Enterprise Value (“EV”) to trailing twelve months (“TTM”) Revenue as at the Valuation Date.

Comparable Companies (in US\$ millions unless otherwise noted)						
Company Name	HQ	Description	Enterprise Value	EBITDA Margin	3 Yr Rev. CAGR	EV/REVENUE TTM
Orion Energy Systems, Inc.	Manitowoc, WI	Orion Energy Systems, Inc. engages in the research, development, design, manufacture, marketing, and implementation of energy management systems.	\$ 132	7.6%	10.0%	1.3 x
Endo Lighting Corp.	Osaka, Japan	Endo Lighting Corp. manufactures and sells lighting fixtures worldwide.	\$ 386	14.3%	29.9%	1.0 x
Dialight PLC	Newmarket, UK	Dialight Plc, together with its subsidiaries, manufactures and sells signals and lighting products, and components primarily in the United Kingdom, North America, rest of Europe, and internationally.	\$ 460	13.2%	9.8%	2.1 x
Canadian Solar Inc.	Guelph, ON	Canadian Solar Inc., together with its subsidiaries, engages in the design, development, manufacture, and sale of solar power products worldwide.	\$ 2,615	12.8%	3.4%	1.6 x
Trina Solar Limited	Changzhou, China	Trina Solar Limited, an integrated solar power products manufacturer, engages in the design, development, manufacture, and sale of photovoltaic (PV) modules worldwide.	\$ 1,781	3.7%	-1.5%	1.0 x
LSI Industries Inc.	Cincinnati, OH	LSI Industries Inc. provides corporate visual image solutions.	\$ 182	3.4%	2.3%	0.6 x
Real Goods Solar, Inc.	Louisville, CO	Real Goods Solar, Inc. operates as a residential and commercial solar energy engineering, procurement, and construction company in the United States.	\$ 215	-9.2%	9.4%	2.2 x
Energy Focus, Inc.	Solon, OH	Energy Focus, Inc. designs, develops, manufactures, markets, and installs energy-efficient lighting systems and solutions in the United States and internationally.	\$ 35	-13.9%	-2.7%	1.3 x
First Solar, Inc.	Tempe, AZ	First Solar, Inc. provides solar energy solutions worldwide.	\$ 5,763	20.8%	8.9%	1.7 x
Median						1.3 x
Average, excluding outliers						1.2 x

Source: CapitalIQ

Precedent Transactions Approach

The *precedent transactions approach* considers transaction multiples in the context of the purchase or sale of a comparable company or asset. The prices paid for similar companies and assets and the implied multiples provide a general measure of value. These multiples include a premium for control of the comparable company or asset.

In applying the precedent transactions valuation approach, Capital West reviewed the available public information with respect to transactions in the electrical and telecom components equipment sector in North America over the past five years which we believe to be relevant. In its review Capital West considered the characteristics of the entities involved, including, amongst other things, size, revenue mix, profitability, growth prospects, capital structure, and other factors inherent in the precedent transactions including, but not limited to the economic environment at the time of the transaction.

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Precedent Transactions (\$ in US millions unless otherwise noted)

Transaction Date	Target Co	Buyer Co	EV	EV/TTM
				Rev
22-May-2013	Harris Manufacturing	Orion Energy Systems, Inc	11.1	0.8x
29-Oct-2012	Prestolite Wire LLC	General Cable Corp.	59.5	0.4x
27-Jun-2012	NEPTCO Incorporated	Chase Corporation	63.0	0.7x
25-Feb-2012	Varisystems Inc.	Teledyne Technologies Inc.	34.9	1.2x
17-Nov-2011	Valpey Fisher Corp.	CTS Corporation	15.9	1.1x
8-Sep-2011	ICON International, Inc.	Endo Lighting Corp.	11.0	0.9x
2-Dec-2010	Technology Research Corporation	Coleman Cable, Inc.	43.1	1.3x
17-Dec-2010	Cole Hersee Company	Littelfuse Inc.	48.3	1.1x
5-Nov-2010	Swiger Coil Systems, LLC	Westinghouse Air Brake Tech	43.0	1.2x
1-Oct-2009	Electronic Cable Specialists, Inc.	Carlisle Interconnect Tech	42.4	0.8x
Average				0.9x
Median				1.0x

Source: CapitalIQ

Based on the DCF analysis of SOL discussed above and SOL's sales for the year ended December 31, 2013, SOL's implied EV/TTM Revenue multiple is 0.6x.

The implied EV/TTM Revenue multiple of SOL is a discount to the valuation metrics from the comparable companies trading approach and the precedent transactions approach discussed above, but is reasonable given the characteristics of SOL compared to the subject companies and precedent transactions.

15.0 VALUATION CONCLUSION

Based upon and subject to the foregoing analysis, assumptions, restrictions and such other factors as Capital West considered relevant, Capital West is of the opinion that, as of the Valuation Date, the Fair Market Value of SOL is in the range of \$6.5 (CAD) million to \$7.5 (CAD) million.

16.0 FAIRNESS OPINION

Approach to Fairness

In considering the fairness, from a financial point of view, of the Proposed Transaction to the shareholders of Carmanah other than the Related Party Shareholder, Capital West considered a number of factors including, but not limited to the following:

- a comparison of the range of Fair Market Value for SOL as determined above to the value of Carmanah;
- a comparison of the implied value of the share consideration offered under the Proposed Transaction to the range of Fair Market Value of SOL determined above;
- the relative contribution of Carmanah and SOL to historical and budgeted sales and gross profit;
- the current statement of financial position of Carmanah and SOL;
- the synergies and other material benefits from the Proposed Transaction; and
- such other qualitative and quantitative factors, information, investigations and analyses considered necessary or appropriate in the circumstances.

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Capital West's role was limited to providing the Valuation and Fairness Opinion on the Proposed Transaction and we did not review any other alternatives available to Carmanah.

Comparison of the Relative Fair Market Values

Under the terms of the Proposed Transaction, SOL's shareholders will be issued 38,163,176 shares. After accounting for the recent Placement, SOL's shareholders will hold 24.1% of Carmanah's total common shares outstanding after closing of the Proposed Transaction. This is within the range of the proportionate ratio of the Fair Market Value of SOL as determined by Capital West in the Valuation to the value of Carmanah.

Comparison of the Consideration Offered to SOL's Valuation

The implied consideration of the common shares of Carmanah to be issued under the Proposed Transaction based on the 30 day VWAP of Carmanah as at March 21, 2014, the last trading day prior to the announcement of the Proposed Transaction, is \$7.4 (CAD) million. This represents a premium of 5.7% over the midpoint of the range of the Fair Market Value of SOL as determined by Capital West in the Valuation.

Relative Contribution to Sales and Gross Profit

For the year ended December 31, 2013 SOL contributed 29% of sales and 33% of gross profit on a pro forma basis to the combined entity. For the three years ending December 31, 2012 to 2014 SOL is contributing an average of 28% of sales and 29% of gross profit on a pro forma basis to the combined entity.

Minority Approval

Capital West understands that a special meeting of Carmanah shareholders will be held to consider the Proposed Transaction, the implementation of which will require, among other things, the approval of a majority of the votes cast at such meeting by the shareholders of Carmanah other than the Related Party Shareholder as determined under MI 61-101.

Synergies and Other Material Benefits of the Proposed Transaction

The Proposed Transaction between Carmanah and SOL will allow the combined entity to operate as a profitable outdoor solar powered lighting business under the current market conditions while poised for growth and emergence as the leader in the industry.

The rationale for the Proposed Transaction includes the following material benefits and synergies:

- Carmanah management determined to discontinue its Outdoor Lighting segment in the first quarter of the fiscal year ended December 31, 2014 if the Proposed Transaction did not proceed. This would have resulted in the elimination of \$4 million in annual sales;
- Remove the inefficiencies of Carmanah and SOL competing for the same sales opportunities;
- Rationalize the overall product mix by reducing the number of overlapping and competing products;
- Reduce manufacturing costs by moving all manufacturing/assembly of products to SOL's facility; and
- Reduction in sales, marketing and overhead expenses by eliminating overlapping personnel and adopting a new marketing and communication strategy.

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P A R T N E R S

Fairness Opinion Conclusion

Based upon and subject to the foregoing and such other matters as we considered relevant, Capital West is of the opinion that, as of the date hereof, the Proposed Transaction is fair, from a financial point of view, to the shareholders of Carmanah other than the Related Party Shareholder.

Yours truly,



CAPITAL WEST PARTNERS