



# **NOTICE AND MANAGEMENT INFORMATION CIRCULAR**

**For the Annual and Special Meeting  
of Shareholders to be held at**

The Delta Vancouver Suites  
550 West Hastings Street  
Vancouver, British Columbia  
on Thursday, December 13, 2007  
at 10:00 a.m. (Vancouver time)

**This booklet contains  
important information  
for Shareholders**



November 7, 2007

Dear fellow Shareholder,

It is my pleasure to invite you to attend the 2007 Annual and Special Meeting of Shareholders of Intrinsic Software International, Inc. The meeting will be held on Thursday, December 13, 2007 at 10:00 a.m. (Vancouver time) at the Delta Vancouver Suites in Vancouver, British Columbia.

The items of business to be considered at the meeting are described in the attached Notice of Annual and Special Meeting and Management Information Circular. During the meeting, we will also review Intrinsic's business during fiscal 2007 and our plans for the future. You will have the opportunity to ask questions and to meet your directors and executives.

Your participation at the shareholders' meeting is very important. Accordingly, whether or not you plan to attend, we encourage you to vote by following the voting instructions included on the enclosed form of proxy.

We look forward to seeing you at the meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenda", with a long, sweeping horizontal line extending to the right.

GLENDAM. DORCHAK  
Chairman and Chief Executive Officer  
Intrinsic Software International, Inc.

## **INTRINSYC SOFTWARE INTERNATIONAL, INC.**

### **NOTICE OF 2007 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

TAKE NOTICE that the Board of Directors of Intrinsyc Software International, Inc. (the "Corporation") has called an Annual and Special Meeting of Shareholders on Thursday, December 13, 2007 at 10:00 a.m. (Vancouver time) (the "Meeting") at the **Delta Vancouver Suites**, 550 West Hastings Street, Vancouver, British Columbia.

As a Shareholder, you are entitled to attend the Meeting and to cast one vote for each common share that you own. If you are a registered Shareholder and are unable to attend the Meeting, you will still be able to vote by completing the proxy form included with the Management Information Circular (the "Circular"). The Circular explains how to complete the proxy form and how the voting process works. **In order to vote at the Meeting, registered Shareholders must submit the proxy form to the Corporation's transfer agent, Computershare Investor Services Inc. ("Computershare") at its Toronto offices no later than 10:00 a.m. (Vancouver time)/1:00 p.m. (Toronto time) on Tuesday, December 11, 2007.**

**If you are a non-registered beneficial Shareholder, a proxy form will not usually be included with the Circular; instead, a voting information form (also known as a VIF) is usually enclosed. You must follow the instructions provided by your intermediary in order to vote your shares.**

The following business will be conducted at the Meeting:

1. to receive the audited financial statements of the Corporation for its fiscal year ended August 31, 2007 and the report of the auditors thereon;
2. to appoint Ernst & Young LLP as auditor of the Corporation for the coming year and to authorize the Board of Directors to fix the auditors' remuneration;
3. to elect the directors of the Corporation;
4. to consider and approve, by ordinary resolution, the amendment of the Corporation's Amended and Restated Incentive Stock Option Plan. The full text of this resolution is set out in Schedule "A" to the accompanying Circular; and
5. to transact such other business as may properly come before the Meeting.

**DATED** at Vancouver, British Columbia, this 7<sup>th</sup> day of November, 2007.

**BY ORDER OF THE BOARD OF DIRECTORS**



Glenda M. Dorchak  
Chairman and Chief Executive Officer  
Intrinsyc Software International, Inc.

## **INTRINSYC SOFTWARE INTERNATIONAL, INC. MANAGEMENT INFORMATION CIRCULAR**

All information in this Management Information Circular ("Circular") is current as of October 31, 2007 and expressed in Canadian dollars, unless otherwise indicated. Unless otherwise indicated or the context otherwise requires, the "Corporation" refers to Intrinsyc Software International, Inc.

This Circular is being sent by the management of the Corporation to the common shareholders (the "Shareholders") of INTRINSYC SOFTWARE INTERNATIONAL, INC. in connection with the solicitation of proxies to be voted at the Annual and Special Meeting of the Shareholders to be held on Thursday, December 13, 2007 (the "Meeting") and at any adjournment thereof, at the time and place and for the purposes set out in the Notice of Meeting.

The Circular's purpose is:

- to explain how you, as a Shareholder of the Corporation, can vote at the Meeting, whether in person or by transferring your vote to someone else to vote on your behalf;
- to request that you authorize the Corporation's Chairman (or her alternate) to vote on your behalf in accordance with your instructions set out on the proxy form;
- to inform you about the business to be conducted at the Meeting; and
- to give you important background information to assist you in deciding how to vote.

### **PROXY INFORMATION**

#### **SOLICITATION OF PROXIES**

Your vote is being solicited by the management of the Corporation.

The Corporation expects that the solicitation will be primarily by mail, but also may include telephone, email, fax or oral solicitations. Georgeson has been retained by Intrinsyc to provide proxy solicitation services to the Corporation. Under the terms of Georgeson's retainer, it will be paid a fee of up to approximately \$30,000 and will be reimbursed for certain customary and reasonable disbursements. Georgeson will also be indemnified against certain liabilities that may arise out of the performance of its proxy solicitation services.

If you have any questions about this Circular or how to vote, please contact Georgeson at +1 (888) 605-8406 or Intrinsyc's Corporate Secretary at +1 (604) 801-6461.

#### **VOTING AND APPOINTMENT OF PROXY**

Your rights to attend and vote at the Meeting depend on whether you are a **registered Shareholder** (that is, the shares of the Corporation are actually registered in your name) or a **non-registered beneficial Shareholder** (for example, a person who holds shares of the Corporation through a broker or a bank).

## **Registered Shareholders**

If you are a registered Shareholder, you may attend the Meeting in person. You may also appoint someone (known as a proxyholder) to represent you at the Meeting and vote on your behalf. If you complete and submit the proxy form without alteration, then you will have appointed the Corporation's Chairman (or her alternate) to attend the Meeting and vote on your behalf.

**You have the right to appoint a person or company to represent you at the Meeting other than the persons designated in the proxy form.** If you wish to appoint some other person or company to represent you at the Meeting, you may do so by striking out the names of the persons designated in the proxy form and inserting the name of the person or company to be appointed in the blank space provided and signing the proxy form.

If you wish to vote at the Meeting by proxy, you must either (a) complete the proxy form and return it to the Corporation's transfer agent, Computershare Investor Services Inc. ("Computershare"), or (b) follow the instructions in the proxy form to vote by telephone or on the Internet. In order to be valid, the telephone or Internet voting must be completed or the proxy form must be received by Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 10:00 a.m. (Vancouver time)/1:00 p.m. (Toronto time) on Tuesday, December 11, 2007, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays and holidays) before the time of such reconvened meeting. The deadline for the deposit of proxies may be waived by the Chairman of the Meeting at the Chairman's discretion without notice.

Even if you give a proxy, as a registered Shareholder, you may still attend and vote in person at the Meeting.

### ***Revoking your proxy***

A proxy is revocable. If you have given a proxy, you (or your attorney authorized in writing) may revoke the proxy by giving notice of the revocation in writing to Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), at any time up to and including the last business day before the Meeting or to the Chairman of the Meeting before any vote in respect of which the proxy is given.

The notice of the revocation must be signed as follows: (a) if you are an individual, then the notice must be signed by you or your legal personal representative or trustee in bankruptcy and (b) if you are a corporation, then the notice must be signed by the corporation or by a representative appointed for the corporation in accordance with the articles of the corporation.

## **Non-registered beneficial Shareholders**

If your common shares are not registered in your own name, then they are being held in the name of an intermediary (which is usually a trust company, a securities dealer or broker, a bank or another financial institution) or in the name of a clearing agency such as the Canadian Depository for Securities Limited. You are usually called either a non-registered or a beneficial Shareholder or owner. These shareholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

There are various procedures for voting your shares, and these procedures may vary among intermediaries and clearing agencies in ways over which the Corporation has no control. If you are a beneficial Shareholder, you should carefully follow the instructions of the intermediary or clearing agency, including instructions regarding when and where any voting instruction form or proxy form is to be delivered.

Typically, you will receive one of the following:

1. **A COMPUTERSHARE VOTING INSTRUCTION FORM.** This is a form also known as a VIF. If you receive a VIF and wish to vote at the Meeting, you must either (a) complete the VIF and return it to Computershare, or (b) follow the instructions in the VIF to vote by telephone or on the Internet. The telephone or Internet voting should be completed or the VIF should be received by Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 10:00 a.m. (Vancouver time)/1:00 p.m. (Toronto time) on Tuesday, December 11, 2007, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays and holidays) before the time of such reconvened meeting. If you wish also to attend the Meeting in person and vote (or have another person attend and vote on your behalf), you must follow the instructions in the VIF. Unless you follow these instructions you may not be permitted to attend the Meeting in person.
2. **A FACSIMILE SIGNED PROXY.** This is a proxy that has been signed by the intermediary (typically by a facsimile, stamped signature) and already indicates the number of common shares you beneficially own but that is otherwise uncompleted. You do not need to sign this form. If you receive a facsimile signed proxy and you wish to vote at the Meeting, you must properly complete the proxy and deposit it with Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 10:00 a.m. (Vancouver time)/1:00 p.m. (Toronto time) on Tuesday, December 11, 2007, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays and holidays) before the time of such reconvened meeting. If you wish also to attend the Meeting in person and vote (or have another person attend and vote on your behalf), simply strike out the names of the persons indicated in the proxy form and insert your (or such other person's) name in the blank space provided.
3. **A BROADRIDGE VOTING INSTRUCTION FORM.** This voting instruction form is provided by Broadridge in accordance with arrangements often made by brokers to delegate the responsibility for obtaining voting instructions to Broadridge. If you receive a Broadridge voting instruction form and wish to vote at the Meeting, you must return the Broadridge voting instruction form to Broadridge or follow the instructions on the form for telephone voting. Broadridge will tabulate the results and then provide instructions to Computershare respecting the voting of shares to be represented at the Meeting. You must return the voting instruction form to Broadridge or give the telephone voting instructions well in advance of the Meeting in order to have your shares voted. If you wish also to attend the Meeting in person and vote (or have another person attend and vote on your behalf), simply strike out the names of the persons indicated in the voting instruction form and insert your (or such other person's) name in the blank space provided.

If you have any questions about this Circular or how to vote, please contact Georgeson at +1 (888) 605-8406 or Intrinsic's Corporate Secretary at +1 (604) 801-6461.

### ***Revoking your proxy***

A non-registered holder may revoke a proxy or voting instruction form which has been given to an intermediary by written notice to the intermediary. In order to ensure that an intermediary acts upon a revocation of a proxy form or voting instruction form, the written notice should be received by the intermediary well in advance of the Meeting.

## **PROVISIONS RELATING TO VOTING OF PROXIES**

### **Voting By Show of Hands**

Voting at the Meeting generally will be by a show of hands, with each Shareholder or proxyholder present in person being entitled to one vote.

### **Voting By Poll**

Voting at the Meeting will be by poll only if a poll is:

- (a) requested by a Shareholder present at the Meeting in person or by proxy;
- (b) directed by the Chairman; or
- (c) required by law.

On a poll, each Shareholder and each proxyholder will have one vote for each common share held or represented by proxy.

### **Approval of Resolutions**

To approve a motion for an ordinary resolution, a simple majority of the votes cast in person or by proxy will be required.

### **Exercise of Discretion by Proxyholders**

A Shareholder may indicate the manner in which the persons named in the accompanying form of proxy are to vote with respect to a matter to be acted upon at the Meeting by marking the appropriate space. **If the instructions as to voting indicated in the proxy are certain, the shares represented by the proxy will be voted or withheld from voting in accordance with the instructions given in the proxy.**

**If the Shareholder specifies a choice in the proxy with respect to a matter to be acted upon, then the shares represented will be voted or withheld from the vote on that matter accordingly. If no choice is specified in the proxy with respect to a matter to be acted upon, the proxy confers discretionary authority with respect to that matter upon the proxyholder named in the accompanying form of proxy. It is intended that the proxyholder named by management in the accompanying form of proxy will vote the shares represented by the proxy in favour of each matter identified in the proxy and for the nominees of the Corporation's Board of Directors for directors and auditor.**

The accompanying form of proxy also confers discretionary authority upon the named proxyholder with respect to amendments or variations to the matters identified in the accompanying Notice of Meeting and with respect to any other matters which may properly come before the Meeting. As of the date of this Circular, management of the Corporation is not aware of any such amendments or variations, or any other matters, that will be presented for action at the Meeting other than those referred to in the accompanying Notice of Meeting. If, however, other matters that are not now

known to management properly come before the Meeting, then the persons named in the accompanying form of proxy intend to vote on them in accordance with their best judgment.

## **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Board of Directors of the Corporation has fixed October 31, 2007 as the record date for determining which Shareholders are entitled to vote at the Meeting. On October 31, 2007, the Corporation had 119,493,436 issued and outstanding common shares. Each share carries one right to one vote.

To the knowledge of the directors and senior officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over, common shares carrying more than 10% of the voting rights attached to the Corporation's issued and outstanding common shares, as at the date hereof.

## **MATTERS TO BE CONSIDERED AT THE MEETING**

### **1. PRESENTATION OF FINANCIAL STATEMENTS**

The audited financial statements of the Corporation for the year ended August 31, 2007, together with the report of the auditors thereon, will be placed before the Meeting. A copy of the Corporation's 2007 Annual Report accompanies this Circular and additional copies may be obtained from the Corporation, at 10<sup>th</sup> floor, 700 West Pender Street, Vancouver, British Columbia, V6C 1G8, attention: Corporate Secretary.

### **2. APPOINTMENT OF AUDITORS**

The Board of Directors of the Corporation recommends the appointment of Ernst & Young LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next Annual General Meeting of Shareholders at a remuneration to be fixed by the Board of Directors. Ernst & Young LLP, Chartered Accountants, were first appointed as auditors of the Corporation at the Annual General Meeting of the Shareholders held on December 11, 2003.

The persons named in the enclosed form of proxy, unless directed by the Shareholder completing the proxy to abstain from doing so, intend to vote for the appointment of Ernst & Young LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next Annual General Meeting of Shareholders at a remuneration to be fixed by the Board of Directors of the Corporation.

### **3. ELECTION OF DIRECTORS**

The persons named below are the nominees of management for election as directors. Each director elected will hold office until his or her successor is elected or appointed, unless his or her office is earlier vacated under any of the relevant provisions of the by-laws of the Corporation or the *Canada Business Corporations Act*. It is the intention of the persons named as proxyholders in the enclosed form of proxy to vote for the election to the Board of Directors of the persons named below. The management of the Corporation does not contemplate that any of such nominees will be unable to serve as a director; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, PROXIES IN FAVOUR OF MANAGEMENT DESIGNEES WILL BE VOTED FOR ANOTHER NOMINEE IN MANAGEMENT'S DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS OR HER PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING FOR THE ELECTION OF DIRECTORS.



The following table sets out the name of each of the persons proposed to be nominated for election as a director and the name of each of the persons whose term of office, if elected, shall continue after the Meeting; all positions and offices in the Corporation presently held by that person; that person's principal occupation at present; the period(s) during which that person has served as a director; and the number of shares of the Corporation that such person has advised are beneficially owned by him or her, directly or indirectly, or over which control or direction is exercised. The additional biographical information following the table sets out each person's principal occupation within the five preceding years.

### Nominees for Election to the Board of Directors

Name and residence	Position with the Corporation	Principal occupation	Director since	Shares owned <sup>(4)</sup>
<b>Glenda M. Dorchak</b> California, United States	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer of the Corporation	31 Jul 2006	80,000 common shares  1,175,000 stock options
<b>Thomas Bitove</b> <sup>(1)(2)(3)</sup> Ontario, Canada	Director	Corporate Director	15 Dec 2005	404,300 common shares  125,000 stock options
<b>George A. Duguay</b> <sup>(1)(2)</sup> Ontario, Canada	Director	President of G. Duguay Services Inc.	14 Apr 2003	256,375 common shares  225,000 stock options  20,000 warrants
<b>Robert J. Gayton</b> <sup>(1)(3)</sup> British Columbia, Canada	Director	Corporate Director	23 Feb 1995	35,000 common shares  75,000 stock options
<b>Joachim (Joe) Heel</b> <sup>(2)</sup> California, United States	Director	Senior Vice President, Global Storage Practice, Sun Microsystems	19 Feb 2007	0 common shares  100,000 stock options
<b>Ketan Kamdar</b> <sup>(3)</sup> California, United States	Director	VP Mobile and Wireless, Broadcom Corporation	11 Oct 2007	0 common shares  0 stock options
<b>Andrew J. McLeod</b> British Columbia, Canada	Director	Partner of Blake, Cassels & Graydon LLP (Vancouver office)	13 Dec 2006	200 common shares  100,000 stock options

**Note:**

- (1) Member, Audit Committee.
- (2) Member, Compensation Committee.
- (3) Member, Corporate Governance and Nominating Committee.
- (4) This information has been furnished by the respective individuals as at October 31, 2007.

## Background of the Nominees

Set forth below is a brief profile of each of the nominees for election as a director of the Corporation. Other than as set forth below, each nominee has held the same principal occupation for the last five years.

**Glenda M. Dorchak** is the Chairman of the Board and Chief Executive Officer of the Corporation. Prior to joining Intrinsic, Ms. Dorchak drove the strategic direction and product development for embedded communications and consumer electronics devices as the Vice President & General Manager of Intel Corporation's Consumer Electronics Group. Ms. Dorchak joined Intel in 2001 as Vice President and COO of its Communications Group playing a leading role in the consolidation of Intel's many communications technology businesses. Prior to her tenure at Intel, Ms. Dorchak served as Chairman and CEO of Value America, Inc., a leading online retailer that pioneered the sale of consumer products on the Internet. Ms. Dorchak began her career with IBM Canada in Vancouver, B.C., in 1974 and remained with IBM in Canada and the U.S. for over 20 years. She served in a variety of executive positions in sales, marketing and planning, including director of PC Direct and PC worldwide customer relationship marketing executive. Ms. Dorchak served as an independent Director on the Board of Directors of the Corporation in 2004 and 2005.

Ms. Dorchak is not a director of any public companies other than Intrinsic. Ms. Dorchak attended eight meetings or 100% of eligible meetings of the Board of Directors held between September 1, 2006 and August 31, 2007.

**Thomas Bitove** has a successful history of leadership in several corporate sectors, including the retail technology, hospitality and foodservices industries. Most recently, as Chairman of Wireless Airtime Direct Inc., Mr. Bitove was instrumental in the successful launch of a process that allows customers to use ATM bank machines as point-of-sale terminals. He also currently owns the distribution rights for the Red Bull Energy Drink throughout Ontario, Canada, one of the largest distributors in North America. Between 1989 and 2002, Mr. Bitove was CEO and President of Lettuce Serview LP and its successor companies. He successfully grew the business and sold it, together with the airport foodservice operations, to HMS Host, the world's foremost travel centre and air terminal food services company. Mr. Bitove has a BA in economics from the University of Western Ontario.

Mr. Bitove is not a director of any public companies other than Intrinsic. Mr. Bitove attended eight meetings or 100% of eligible meetings of the Board of Directors held between September 1, 2006 and August 31, 2007.

**George A. Duguay** is a senior executive with experience in the technology, financial services and resource industries. Since 1988, he has been the President of G. Duguay Services Inc, a partner of Duguay and Ringler Corporate Services until February 2006, a provider of corporate and financial administrative services to public companies. G. Duguay Services Inc. continues to act as a consultant to Duguay & Ringler Corporate Services. In addition, he was a founder of Equity Transfer & Trust Company, a provider of transfer agency and corporate trust services. He is presently Corporate Secretary of two public companies. For the period May 1993 to December 2004 he served as a Director of Genesis Microchip Inc., the world's leading supplier of display image processors listed on NASDAQ. Mr. Duguay is a Certified General Accountant and an associate of the Institute of Chartered Secretaries.

Mr. Duguay has been, since June 2007, a director of GA Capital Corp., which became a reporting issuer on October 11, 2007. Mr. Duguay attended eight meetings or 100% of eligible meetings of the Board of Directors of the Corporation held between September 1, 2006 and August 31, 2007.

**Robert J. Gayton, Ph.D, FCA**, holds a doctorate in Business from the University of California at Berkeley and was a former partner at Peat Marwick Mitchell. Dr. Gayton has directed the accounting and financial matters of public companies in the resource and non-resource fields since 1987.

Dr. Gayton currently serves as a director of seven public companies other than Intrinsic. Dr. Gayton attended seven meetings or 87.5% of eligible meetings of the Board of Directors held between September 1, 2006 and August 31, 2007.

**Joachim (Joe) Heel, Ph.D.**, possesses over thirteen years of experience managing senior executive relationships in the technology industry. He joined Sun Microsystems in September 2005 and currently serves as the Senior Vice President of Sun's Global Storage Practice. He is responsible for Sun's sales of storage products worldwide, representing approximately \$2.5 billion of revenue and 1200 employees. Prior to Sun Microsystems, Mr. Heel was a Partner in the High Tech practice at McKinsey & Company where he advised clients in the United States, Europe and Latin America on corporate strategy, operations, mergers and acquisitions, business development and organization design. Mr. Heel also started and led McKinsey's office in Miami and oversaw its Private Equity practice. Mr. Heel holds a Ph.D. in Computer Science from the Massachusetts Institute of Technology (MIT) and has published numerous academic papers.

Mr. Heel is also a director of another public company: World Fuel Services (INT). Mr. Heel attended five meetings or 100% of eligible meetings of the Board of Directors held between the date of his appointment to the Board of Directors on February 19, 2007 and August 31, 2007.

**Ketan Kamdar** has more than fifteen years of experience in the development, integration, and operations of wireless solutions in the wireless device, telecommunications infrastructure, wireless application, and semiconductor industries. He joined Broadcom in April 2005 and currently serves as a Vice President with global responsibility for Strategic Business Development with OEMs and ODMs, as well as interfacing worldwide with network operators, representing the Mobile Platforms and Wireless Connectivity Groups. Prior to Broadcom, he held several senior engineering and operational roles at AT&T Wireless/Cingular Wireless, most recently as the Vice President of the Device Development Group where he had corporate responsibility for directing, defining and commercializing mobile phones. Mr. Kamdar's experience and deep industry relationships will enable him to be a strong advisor as Intrinsic pursues opportunities to build strategic global partnerships around the Soleus development platform. Mr. Kamdar holds a Masters Degree in Electrical Engineering from Virginia Polytechnic Institute and State University, and earned his Bachelors Degree in Electronics and Telecommunications Engineering from Bombay University.

Mr. Kamdar is not a director of any public companies other than Intrinsic. Mr. Kamdar did not attend any meetings of the Board of Directors in the period September 1, 2006 and August 31, 2007 as he was not appointed to the Board of Directors until October 11, 2007.

**Andrew J. McLeod** is a partner with the law firm Blake, Cassels & Graydon LLP, based in Vancouver. In addition to providing corporate and securities law advice to the Corporation, Mr. McLeod acts for numerous companies and investors in the technology and various other industries in British Columbia. Mr. McLeod holds a law degree and Masters degree in Business Administration, both from the University of Alberta.

Mr. McLeod is not a director of any public companies other than Intrinsic. Mr. McLeod attended six meetings or 100% of eligible meetings of the Board of Directors held between December 13, 2006, the date of his election to the Board of Directors, and August 31, 2007.

## **Corporate Cease Trade Orders or Bankruptcies**

Except as disclosed in this Circular and below, none of the persons proposed as directors of the Corporation:

- a) is, at the date of this Circular, or has been, within 10 years before the date of this Circular, a director or executive officer of any 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 other issuer relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of the cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, or
  - (iii) 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
- b) has, within the 10 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 such person.

Glenda M. Dorchak, Chairman and Chief Executive Officer of the Corporation, was the Chief Executive Officer of Value America, a U.S. retailer, from November 1999 to December 2000. In the second quarter of its fiscal 2000 year, Value America filed for bankruptcy protection in the Commonwealth of Virginia. Value America's assets were sold to Merisel Inc. in December 2000.

Robert J. Gayton was director and officer of Newcoast Silver Mines Ltd. at the date of a Cease Trade Order issued by the British Columbia Securities Commission on September 30, 2003 and by the Alberta Securities Commission on October 31, 2003 for failure to file financial statements. The orders were revoked on October 23, 2003 and March 25, 2004, respectively.

## **4. AMENDMENTS TO THE INCENTIVE STOCK OPTION PLAN**

### **Background**

The Shareholders and directors of the Corporation have previously approved the current Incentive Stock Option Plan (the "Incentive Plan") under which directors, officers, employees and consultants of the Corporation may be granted stock options to acquire common shares. The Corporation adopted the Incentive Plan in 2006 and Shareholders approved this Incentive Plan at the 2006 annual and special meeting of shareholders. The principal purpose of the Incentive Plan is to provide a competitive and effective means to give Corporation personnel the opportunity to purchase stock in the Corporation. Granting equity is intended to assist the Corporation in attracting, retaining and motivating high calibre personnel whose contributions are important to the success of the Corporation. Capitalized terms not otherwise defined in this section shall have the meanings ascribed thereto in the Incentive Plan.

The Board of Directors or the Compensation Committee may determine, in its sole discretion, the vesting schedule applicable to each stock option, which vesting schedule will be set out in an option agreement whereby the Corporation grants a stock option to a person entitled to receive such stock option (the "Option Agreement"), and which will determine when a stock option becomes exercisable by the stock option holder. The current practice is to grant employee stock options with a life of five years from the date of grant, and vesting one-third (1/3) after the first year and one-twelfth (1/12) every quarter thereafter. These stock options are priced based on the closing price of the Corporation's shares on the trading day before grant.

The maximum number of common shares that may be issued under the Incentive Plan is currently 13,395,774. The total number of stock options currently issued under the Incentive Plan is 7,474,050, which represents 6.25% of the Corporation's currently issued and outstanding capital.

The maximum number of shares that may be issuable pursuant to the Incentive Plan, together with all of the Corporation's established or proposed share compensation arrangements (collectively, the "Incentive Plans") is currently 13,395,774.

The number of shares issuable to any one person entitled to receive stock options under the Incentive Plans shall not exceed 5% of the total number of issued and outstanding shares of the Corporation. The number of shares reserved for issuance to Insiders at any time and the number of shares issuable to all Insiders within a one year period under the Incentive Plans shall not exceed 10% of the issued and outstanding shares of the Corporation.

An option holder's entitlement to stock options under the Plan will cease once the option holder ceases to be a director, officer or service provider of the Corporation as a result of that option holder's death, disability or retirement. If the option holder is terminated for cause, any outstanding stock option held by such option holder on the date of termination, whether in respect of shares under the option that are vested or not, shall be cancelled as of that date. If the option holder ceases to be a director, officer or service provider of the Corporation as a result of early retirement, voluntary resignation, or termination other than for cause, the stock option held by such person shall be exercisable to acquire vested but unissued common shares at any time prior to the earlier of the expiry date of the stock option and 30 days from the date such option holder ceased to be a director, officer or service provider. Options that have not vested at that time shall not be exercisable and shall be cancelled.

Subject to the provisions of the *Business Corporations Act* (Canada) and, if required, subject to prior acceptance of the TSX, the Board of Directors of the Corporation may at any time or from time to time authorize the Corporation to provide financial assistance to an option holder, on such terms and conditions as the Board of Directors may determine, to assist such option holder in exercising his or her stock options, said financial assistance to be repayable with full recourse.

An option holder may not assign any of his or her rights under the Incentive Plan.

The price for common shares under each option shall not be less than the market price, being the closing price per common share on the applicable exchange for the last market trading day prior to the date it was determined to grant said stock option. The term for each option shall be set by the Board of Directors at the time of issue of the stock option but in any case shall not exceed 10 years after the date the option is granted.

The Board of Directors may at any time and from time to time and without shareholder approval, either prospectively or retrospectively, amend, suspend or terminate the Incentive Plan or any Option granted under the Plan, including, without limiting the generality of the foregoing, changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the Plan,

changes to the Exercise Price of Options, changes to the term of Options, changes regarding the right to exercise Options after termination and changes regarding the vesting of Options; provided however that:

- (a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Shares are listed;
- (b) no such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the existing rights of an Optionee with respect to any then outstanding Option, as determined by the Directors acting in good faith, without his or her consent in writing;
- (c) the Directors shall obtain shareholder approval of:
  - (i) any amendment to the maximum number of Shares in respect of which Options may be granted under the Plan;
  - (ii) any amendment that would reduce the exercise price of an outstanding Option of an Insider; and
  - (iii) any amendment that would extend the term of any Option granted under the Plan to an Insider beyond the Expiry Date.

The Board of Directors additionally has the right to issue or reserve for issuance to any director, senior officer or employee of the Corporation, any number of common shares as a discretionary bonus (the "Share Bonus Plan") to a maximum of 250,000 common shares, said common shares to be issued for no cash consideration. The shares reserved for issuance and issued under the Share Bonus Plan shall be subject to the limitations applicable to the Incentive Plans.

### **Proposed Amendments to the Incentive Plan**

#### *Conversion to a Fixed Percentage "Rolling" Plan*

At present, the Incentive Plan provides a maximum number of shares which may be issued of 13,395,774. Previously granted stock options have been exercised from time to time for the issuance of an aggregate of 4,173,191 common shares which, under the terms of the Incentive Plan, reduce the maximum number of shares that may be issued to 9,222,583 (being 7.72% of the currently issued and outstanding shares). Of these, 7,474,050 options (being 6.25% of the currently issued and outstanding shares) have been issued as at October 31, 2007, leaving a balance available for issue of 1,748,533. This negatively impacts the ability of the current Incentive Plan to act as a vehicle to attract and retain current and future directors, officers, employees and consultants.

In January 2005, the TSX amended its security-based compensation rules (the "TSX Rules") to permit listed companies to adopt "rolling" or "evergreen" stock option plans pursuant to which a fixed percentage of the issued and outstanding Shares of an issuer could be reserved for issuance upon the exercise of stock options, rather than a fixed maximum number of Shares to be reserved for this purpose.

The Board of Directors of the Corporation has considered this alternative and determined it is in the best interest of the Corporation to adopt a "rolling" stock option plan as this will give the Board increased flexibility to more closely align the interests of the directors, officers, employees and consultants of the Corporation with those of the shareholders of the Corporation and ensure ongoing investment by such persons in the Corporation. The Board recommends an amendment to the

Corporation's Incentive Plan (the "Amended and Restated Incentive Plan") to adopt a "rolling" plan which would reserve for issuance pursuant to stock options a maximum number of Shares equal to the lower of: (a) a rolling number equal to 10% of the issued and outstanding Shares on the date of grant, less one share, and (b) 30,000,000 Shares. The maximum number is required in order for the Amended and Restated Incentive Plan to qualify as an incentive plan for U.S. tax purposes. Shareholders will be asked at the Meeting to approve this amendment in the form of the resolution set forth in Schedule "A" to the Circular.

If the amendment to the Plan is approved at the Meeting and assuming the number of Shares issued and outstanding on the Record Date is the same on the date of the Meeting, the Corporation would have, effective on the date of the Meeting, an aggregate of 11,949,342 Shares reserved for issuance upon the exercise of options, representing 10% of the issued and outstanding Shares, less one share. Of these, 7,474,050 Shares would be reserved with respect to previous option grants and 4,475,292 Shares would be reserved for future grants. Thus, the amendments to the Incentive Plan will result in an immediate increase of 2,726,759 Shares reserved for future grants, which represents 2.28% of the current issued and outstanding common shares. The aforementioned aggregate number of shares reserved for issuance under the Amended and Restated Incentive Plan, if approved by shareholders, would represent a immediate reduction from the current Incentive Plan, in which 11.2% of issued and outstanding shares are reserved for issuance.

The Shares reserved for issuance and available for future grants under the "rolling plan" will fluctuate to reflect 10% of the issued and outstanding Shares, less one share, at the time of any specific grant, to a maximum of 30,000,000 Shares. In addition, any exercises of options will make new grants available under the Amended and Restated Incentive Plan, effectively resulting in a re-loading of the number of options available to grant under the Plan. Under the TSX Rules, any "rolling" stock option plan must be approved every three years by the Corporation's directors and shareholders.

#### *Cap on Non-Employee Director Participation*

The Board of Directors of the Corporation has considered the nature of eligible participants under the Incentive Plan and believes it is in the best interest of the Corporation to amend the Incentive Plan to limit participation by non-employee Directors. The Amended and Restated Incentive Plan would limit the number of Shares reserved for issuance to non-employee Directors to 1.5% of the total number of issued and outstanding Shares.

#### *Definition of Latest Expiry Date*

The TSX recognizes that many of its listed issuers are under self-imposed blackout periods from time-to-time, preventing officers, directors and employees from exercising options. Self-imposed blackout periods are an example of good corporate governance and trading practices and the restriction on amendment provisions adopted by the TSX was not intended to penalize listed issuers, and their insiders and employees, for this type of positive corporate behaviour. The Incentive Plan currently provides that the latest expiry date is a specific date which shall be no later than ten years from the date of grant. The Board of Directors believes that it is in the best interests of the Corporation to amend the Incentive Plan to provide for an expiration date that is "conditional" upon potential expiration during a blackout period. The amended definition provides that the expiration of the term of an Option may be the later of a fixed expiration date ("Fixed Term"), or the date that is 10 business days following the expiration of a blackout period should the Fixed Term expiration date fall within a blackout period.

### *Amendment Provisions*

The Board believes that it is in the best interests of the Corporation to amend the Incentive Plan to require shareholder approval with respect to amendments of the following nature:

- (a) any amendment to the maximum number of Shares in respect of which Options may be granted under the Incentive Plan;
- (b) any amendment that would reduce the exercise price of an outstanding Option;
- (c) any amendment that would extend the term of any Option granted under the Incentive Plan beyond the Expiry Date;
- (d) any cancellation and re-issue of Options;
- (e) any amendments to eligible participants that may permit the introduction or re-introduction of non-employee directors on a discretionary basis or amendments that increase limits previously imposed on non-executive director participation; and
- (f) any amendment which would permit Options granted under the Incentive Plan to be transferable or assignable other than for normal estate settlement purposes.

### *Additional Amendments*

The Board of Directors also proposes to amend certain other provisions of the Incentive Plan to conform the Incentive Plan to industry best practices and to comply with United States requirements with respect to qualified incentive stock option plans.

The proposed amendments to the Incentive Plan are indicated in the copy of the Amended and Restated Incentive Plan attached to this Circular as Schedule "B".

The proposed Amended and Restated Incentive Plan must be approved by a majority of not less than 50% of the votes cast by shareholders who, being entitled to do so, vote in person or by proxy on the resolution.

The full text of the resolution to amend the Incentive Plan is set out in Schedule "A" to this Circular.

### **Recommendation of the Directors**

At its meeting held on November 7, 2007, the Board of Directors of the Corporation unanimously approved, subject to shareholder approval, the Amended and Restated Incentive Plan attached hereto as Schedule "B". The Board of Directors of the Corporation has unanimously concluded that the proposed amendments to the Incentive Plan are in the best interest of the Corporation and its Shareholders, and recommends that Shareholders vote **IN FAVOUR** of the resolution to amend the Incentive Plan.

The Corporation has been advised that the directors and senior officers of the Corporation intend to vote all common shares held by them in favour of the amendment of the Incentive Plan.

The Toronto Stock Exchange has conditionally approved the proposed amendments to the Incentive Plan, subject to, among other things, receipt of shareholder approval.



## EXECUTIVE COMPENSATION

### COMPENSATION OF NAMED EXECUTIVE OFFICERS

The following table sets out all compensation paid in respect of the individuals who were, as at August 31, 2007, the Corporation's Chief Executive Officer, Chief Financial Officer, and the Corporation's three most highly compensated executive officers (the "Named Executive Officers") as defined under British Columbia securities laws whose total salary and bonus exceeded \$150,000 during the periods indicated.

#### SUMMARY COMPENSATION TABLE

Name and principal position as at 31 Aug 2007	Year	Annual compensation			Long-term compensation		Payments	All other compensation
		Salary	Bonus	Other	Securities under options granted (#)	Shares or units subject to resale restrictions		
Glenda Dorchak CEO	2007	\$ 353,524	\$ 196,402	\$ 4,585 <sup>(1)</sup>	325,000	\$ –	\$ –	\$ –
	2006	28,908	27,633	180 <sup>(2)</sup>	850,000	–	–	–
	2005	–	–	–	–	–	–	–
David Fischer Senior Director Finance & Acting CFO	2007	\$ 114,167	\$ 5,500	\$ 5,200 <sup>(2)</sup>	40,000	\$ –	\$ –	\$ –
	2006	33,776	–	1,300 <sup>(2)</sup>	10,000	–	–	–
	2005	–	–	–	–	–	–	–
Andrew Morden <sup>(4)</sup> Former CFO	2007	\$ 180,288	\$ 40,000	\$ 2,311 <sup>(2)</sup>	60,000	\$ –	\$ –	\$ –
	2006	183,333	40,000	2,160 <sup>(2)</sup>	105,000	–	–	–
	2005	161,846	45,500	2,040 <sup>(2)</sup>	120,000	–	–	–
Vincent Schiralli <sup>(5)</sup> Former President & COO	2007	\$ 320,667	\$ 80,000	\$ 3,467 <sup>(2)</sup>	20,000	\$ –	\$ –	\$ –
	2006	200,000	30,000	3,240 <sup>(2)</sup>	100,000	–	–	–
	2005	181,250	113,000	2,610 <sup>(2)</sup>	100,000	–	–	–
David Manuel EVP GM Global Engineering Operations	2007	\$ 186,500	\$ 60,000	\$ 13,066 <sup>(2)(3)</sup>	170,000	\$ –	\$ –	\$ –
	2006	166,667	57,000	22,526 <sup>(2)(3)</sup>	100,000	–	–	–
	2005	150,000	56,250	37,291 <sup>(2)(3)</sup>	75,000	–	–	–
Randy Kath CTO	2007	\$ 191,492	\$ 30,302	\$ –	205,000	\$ –	\$ –	\$ –
	2006	185,355	34,179	–	150,000	–	–	–
	2005	144,165	66,464	–	175,000	–	–	–

#### Notes:

- (1) Life insurance and tax preparation services.
- (2) Parking benefits.
- (3) Commissions based on the achievement of revenue targets.
- (4) Mr. Morden resigned as Chief Financial Officer of the Corporation, effective as of July 6, 2007.
- (5) Mr. Schiralli's tenure as President and COO ended on March 31, 2007 and on that date \$200,000 in compensation became payable to him. Mr. Schiralli continues to be engaged by the Corporation as a consultant.

## STOCK OPTIONS TO PURCHASE SECURITIES

The following table sets out all options granted to the Named Executive Officers during the most recently completed financial year.

### OPTION GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

Name	Number of securities under options granted	% of total options granted to employees in financial year	Exercise or base price	Market value of securities underlying options on the date of grant	Expiration date
Glenda Dorchak CEO	325,000	13.59%	\$0.65	\$0.65	June 18, 2012
David Fischer Senior Director Finance & Acting CFO	10,000 30,000	0.42% 1.25%	\$0.50 \$0.65	\$0.50 \$0.65	December 13, 2011 June 18, 2012
Andrew Morden Former CFO	60,000	2.51%	\$0.50	\$0.50	December 13, 2011
Vincent Schiralli Former President & COO	20,000	0.84%	\$0.50	\$0.50	December 13, 2011
David Manuel EVP GM Global Engineering Operations	60,000 110,000	2.51% 4.60%	\$0.50 \$0.65	\$0.50 \$0.65	December 13, 2011 June 18, 2012
Randy Kath CTO	60,000 145,000	2.51% 6.06%	\$0.50 \$0.65	\$0.50 \$0.65	December 13, 2011 June 18, 2012

The following table sets out the aggregate options exercised by the Named Executive Officers during the most recently completed financial year and the aggregate financial year-end value of unexercised options.

### AGGREGATED OPTION EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR END OPTION VALUES

Name	Securities acquired on exercise (#)	Aggregate value realized on the date of exercise (\$)	Unexercised options at year end (#)		Value of unexercised in-the-money options at year end <sup>(1)</sup>	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Glenda Dorchak CEO	Nil	Nil	283,333	891,667	\$Nil	\$Nil
David Fischer Senior Director Finance & Acting CFO	Nil	Nil	4,167	45,833	\$Nil	\$Nil
Andrew Morden Former CFO	64,167	\$10,908	Nil	Nil	\$Nil	\$Nil
Vincent Schiralli Former President & COO	Nil	Nil	541,667	78,333	\$1,000	\$Nil
David Manuel EVP GM Global Engineering Operations	Nil	Nil	238,750	226,250	\$Nil	\$Nil
Randy Kath CTO	Nil	Nil	235,417	294,583	\$Nil	\$Nil

**Note:**

- (1) In the Money Options are those options where the market value of the underlying securities as at the most recent fiscal year end exceeds the option exercise price. The closing market price of the Corporation's common shares on the TSX as at August 31, 2007 (i.e., the Corporation's fiscal year end) was \$0.50.

## **LONG TERM INCENTIVE PLAN (“LTIP”) AWARDS**

The Corporation does not have a LTIP in place. No awards were made to the Named Executive Officers under any LTIP during the most recently completed financial year.

## **OPTION AND SAR REPRICINGS**

There were no options or stock appreciation rights held by the Named Executive Officers that were repriced during the most recently completed financial year.

## **DEFINED BENEFIT OR ACTUARIAL PLAN DISCLOSURE**

The Corporation does not have defined benefit or actuarial plans in place, whether determined primarily by final compensation and years of service or not.

## **EMPLOYMENT, TERMINATION OF EMPLOYMENT AND CHANGE IN RESPONSIBILITIES CONTRACTS AT AUGUST 31, 2007**

The Corporation entered into an “at will” employment agreement with Glenda Dorchak made effective July 31, 2006, pursuant to which she serves as the Corporation’s Chief Executive Officer and Chairman of the Board of Directors. The agreement provides that Ms. Dorchak will receive an annual base salary of \$300,000 USD and is eligible to receive a performance bonus of up to \$175,000 USD. The payment of the performance bonus will be dependent upon Ms. Dorchak achieving objective performance standards mutually agreed between her and the Corporation’s Board of Directors. In the first year the bonus was paid in full in order to permit Ms. Dorchak to establish appropriate objectives for subsequent years. Ms. Dorchak also received a signing bonus of \$25,000 USD. Ms. Dorchak’s employment is at will; however, if Ms. Dorchak’s employment is terminated without cause she will receive one-year of salary plus benefits as severance and 50% of all outstanding unvested stock options shall immediately vest. If a change in control occurs and Ms. Dorchak’s employment is terminated within 12 months, she will receive 18 months salary as severance, and all outstanding unvested stock options shall immediately vest.

Until March 31, 2007, Mr. Schiralli was employed as President and Chief Operating Officer pursuant to an employment agreement effective January 1, 2004. The original agreement provided that Mr. Schiralli would receive an annual base salary of \$200,000 and was eligible to receive a performance bonus of up to \$150,000 based on the achievement of specific objectives. That agreement provided for severance payments totalling 12 months of his annual base salary. Mr. Schiralli was earning an annual base salary of \$200,000 at the date of termination of his employment. The Corporation entered into a separation agreement with Vincent Schiralli effective December 18, 2006, at which date Mr. Schiralli agreed to step down as the Corporation’s President and Chief Operating Officer effective March 31, 2007. Mr. Schiralli received \$200,000, paid in two equal instalments, the first of which was paid on May 15, 2007 and the second on August 31, 2007. Mr. Schiralli also received a pro-rated 2007 performance bonus of \$50,000 on June 29, 2007. Mr. Schiralli’s stock options continue to vest, and vested stock options continue to be exercisable.

The Corporation entered into an employment agreement with Andrew Morden effective September 13, 2004, as amended on March 15, 2005, pursuant to which he served as the Corporation’s Chief Financial Officer up to the effective date of his resignation from the Corporation on July 6, 2007. Mr. Morden received an annual base salary of \$190,000 as of the effective date of his resignation. Mr. Morden was also entitled to receive a bonus of up to \$70,000 based on the achievement of specific objectives.

The Corporation entered into an employment agreement with David Fischer effective May 10, 2006 pursuant to which he served as the Corporation's Director of Finance. Effective upon Mr. Morden's resignation, Mr. Fischer was appointed to the position of Senior Director of Finance and Acting Chief Financial Officer. Mr. Fischer currently receives an annual base salary of \$132,000. Mr. Fischer is also entitled to receive a performance bonus of up to \$26,400 based on the achievement of specific objectives. If Mr. Fischer's employment is terminated without cause, the Corporation will provide him with a period of notice (or pay in lieu thereof, plus benefits) based on the Employment Standards Act of BC plus an additional amount based on a formula reflecting his length of service to the Corporation. For greater than one year but less than three years of service, Mr. Fischer shall be entitled to receive an additional two weeks in salary and benefits, and for three or more years of service, his entitlement shall be three weeks, plus one additional week for each year of service in excess of three years, to a maximum of 16 weeks.

The Corporation entered into an employment agreement with Randy Kath effective April 26, 2004, pursuant to which he serves as the Corporation's Chief Technology Officer. Mr. Kath currently receives an annual base salary of \$165,000 USD. Mr. Kath is also entitled to receive a performance bonus of up to \$50,000 USD based on the achievement of specific objectives. If Mr. Kath's employment is terminated without cause, the Corporation will pay him one month of his annual salary per year of service prorated for partial years, to a maximum of three months of his base annual salary, in lieu of notice of termination of employment.

The Corporation entered into an employment agreement with David Manuel effective February 11, 2002. This agreement superseded prior agreement(s) in place since the start of Mr. Manuel's employment by the Corporation in 1999. Mr. Manuel is currently Executive Vice-President and General Manager of Global Engineering Operations and receives an annual base salary of \$185,000. Mr. Manuel is also entitled to receive a performance bonus of up to \$95,000 and may also receive bonuses or commissions for sales. If Mr. Manuel's employment is terminated without cause, the Corporation will pay him 12 months salary plus benefits. If a change of control occurs, Mr. Manuel's stock options vest immediately, regardless of whether his employment is terminated following the occurrence of a change of control.

## **COMPENSATION OF DIRECTORS**

The Board of Directors has resolved that, in addition to reimbursement for ordinary and necessary out of pocket expenses incurred in fulfillment of their duties, each non-executive director shall receive an annual retainer of \$10,000 paid quarterly, a meeting fee of \$1,500 for each Board of Directors meeting attended in person, \$750 for telephonic attendance at each Board of Directors meeting, and a meeting fee of \$750 for committee meetings. The Lead Independent Director shall receive a fee for acting in that capacity of \$6,000 per year (in addition to the aforementioned \$10,000 annual retainer), the Chairman of the Audit Committee shall receive an additional \$1,500 per quarter and the Chairman of each of the Corporate Governance and Nominating and Compensation Committees will receive an additional \$750 per quarter. Further, each director shall be compensated for additional activities performed at the direction of the Chairman of the Board or CEO at a rate equal to \$1,500 per day.

The non-executive members of the Board of Directors have received and may receive incentive stock options in accordance with the policies of the TSX and the Corporation's Incentive Plan. Currently, new non-executive directors receive 100,000 stock options upon appointment that vest as to one-third (1/3) on the date of issue, one-third (1/3) on the first anniversary and one-third (1/3) on the second anniversary. Existing non-executive directors receive an additional 25,000 stock options per year or on a pro rata basis based on the period served in the preceding year, vesting as to one-twelfth (1/12) per month from the date of issue.

## **COMPOSITION OF THE COMPENSATION COMMITTEE AND REPORT ON EXECUTIVE COMPENSATION**

The Compensation Committee currently consists of George Duguay (Chairman), Thomas Bitove and Joachim (Joe) Heel, all of whom are independent directors.

The purpose of the Compensation Committee is to:

- a. review and approve the corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those corporate goal and objectives, and determine (or make recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;
- b. make recommendations to the Board with respect to non-CEO officer extraordinary bonuses, director compensation, incentive compensation plans and equity-based plans; and
- c. review executive compensation disclosure before the Corporation publicly discloses this information.

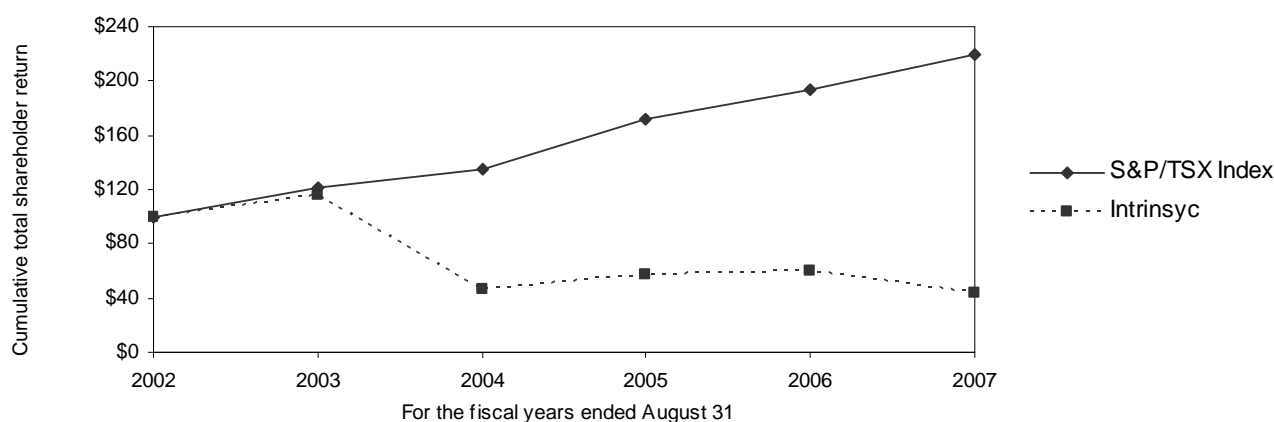
It is the policy of the Corporation to compensate its management, including the Chief Executive Officer, for performance using three forms of remuneration: base salary, cash bonus and stock option grants. Base salary is determined largely by reference to market conditions, following a review of comparable compensation packages for the position, together with an assessment of the responsibility and experience required for the position to ensure that it reflects the contribution expected from each member of management. Annual incentive cash and stock option awards will provide the opportunity for cash compensation and enhanced share value based upon exceptional individual and departmental performance, and the overall success of the Corporation in any given fiscal year. One of the factors taken into account when determining whether and how many new option grants would be made is the amount and terms of outstanding options. The payment of the CEO's performance bonus is dependent upon achieving objective performance standards mutually agreed between the CEO and the Corporation's Board of Directors. In respect of fiscal 2007, the CEO's performance bonus was paid in full pursuant to the terms of the employment agreement between the Corporation and Glenda Dorchak entered into as of July 31, 2006. See "Employment, Termination of Employment and Change in Responsibilities Contracts at August 31, 2007". Information regarding comparable salaries and overall compensation is derived from the knowledge and experience of the members of the Committee, from certain public information, and from outside consultants.

## PERFORMANCE GRAPH

The common shares of the Corporation currently trade on the Toronto Stock Exchange (“TSX”) under the symbol “ICS”.

The following chart compares the total cumulative shareholder return for \$100 invested in common shares of the Corporation on August 31, 2002 with the cumulative total return of the S&P/TSX Composite Index for the period from August 31, 2002 to August 31, 2007. The common share performance as set out in the graph does not necessarily indicate future price performance.

**Five Year Performance Chart**



<b>Fiscal years ended August 31</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Intrinsic common shares	\$100	\$117	\$46	\$57	\$60	\$43
S&P/TSX Composite Index	\$100	\$121	\$135	\$172	\$194	\$220

## **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth information regarding the Incentive Plan as of August 31, 2007:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Equity compensation plan approved by Shareholders	7,703,925	\$0.79	1,518,658
Equity compensation plans not approved by Shareholders	Nil	Nil	Nil
<b>Total</b>	<b>7,703,925</b>	<b>\$0.79</b>	<b>1,518,658</b>

As of October 31, 2007, the Corporation had 7,474,050 options issued and outstanding under the Plan.

## **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

No director, senior officer or executive officer, nor any proposed nominee for director, nor any associate of any of them, has been indebted to the Corporation at any time during the previous fiscal year.

## **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

Except as described herein, no director, nominee for director, senior officer or principal shareholder of the Corporation, or any associate or affiliate of such person, has any material interest, direct or indirect, in any material transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries. See also "Executive Compensation".

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

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

## **MANAGEMENT CONTRACTS**

The management functions of the Corporation are performed by the Corporation's directors and senior officers and the Corporation has no management agreements or arrangements under which such management functions are performed by persons other than the directors and senior officers of the Corporation.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Board of Directors and senior officers of the Corporation consider good corporate governance to be central to the effective operation of the Corporation. As part of the Corporation's commitment to effective corporate governance, the Board of Directors, with the assistance of the Corporate Governance and Nominating Committee, monitors changes in legal requirements and best practices.

The Board of Directors and the Corporation annually reviews the Corporation's system of corporate governance including its Corporate Governance Manual (the "Manual") to ensure its practices meet or exceed applicable legal and stock exchange requirements.

Set out below is a description of certain corporate governance practices of the Corporation, as required by NI 58-101.

## **BOARD OF DIRECTORS**

NP 58-201 recommends that boards of directors of reporting issuers be composed of a majority of independent directors. With six of the eight current directors considered independent, the Board of Directors is currently composed of a majority of independent directors. The six independent directors are: Thomas Bitove, George Duguay, Robert Gayton Joachim (Joe) Heel, Ketan Kamdar and

Andrew McLeod. One director is an executive officer of the Corporation: Glenda Dorchak, and one Director is a former member of management: Vincent Schiralli, and these directors are therefore not independent. Mr. Schiralli is not standing for re-election at the Corporation's 2007 Annual and Special Meeting of Shareholders. With six of the seven proposed directors considered independent, the new Board of Directors will also be composed of a majority of independent directors. The six independent proposed directors are: Thomas Bitove, George Duguay, Robert Gayton, Joachim (Joe) Heel, Ketan Kamdar and Andrew McLeod. The one non-independent proposed director is Glenda Dorchak.

The Corporation has taken steps to ensure that adequate structures and processes are in place to permit the Board of Directors to function independently of management. The directors may hold regularly scheduled meetings at least four times per year at which non-independent directors are not in attendance. Alternatively, the independent directors may meet during a portion of regularly scheduled Board of Directors meetings, provided that time is specifically scheduled and devoted to meeting without non-independent directors. From September 1, 2006 to August 31, 2007, five meetings of the independent directors were held. The Corporation has appointed Dr. Gayton as Lead Independent Director in order to ensure appropriate leadership for the independent directors. As Lead Independent Director, Dr. Gayton's role is to oversee and ensure the independence and separation between management and the Board of Directors.

The Corporation and the Board of Directors recognize the significant commitment involved in being a member of the Board of Directors. Accordingly, the Manual requires directors to report to the Chairman of the Governance and Nominating Committee all other directorships held and any other interest in or relationship with outside entities that could result in potential conflicts of interest. Currently, the following directors serve on the boards of directors of other public companies as listed below.

<b>Director</b>	<b>Public corporation board membership</b>
George Duguay	GA Capital Corp.
Dr. Robert Gayton	Amerigo Resources Ltd. Bravo Venture Group Inc. Canadian Zinc Corporation Nevsun Resources Ltd. Palo Duro Energy Inc. Quaterra Resources Inc. Western Copper Corporation
Joachim (Joe) Heel	World Fuel Servers (INT)

Between September 1, 2006 and August 31, 2007, the Board of Directors and its committees held the following number of meetings:

Board of Directors	8
Audit Committee	4
Compensation Committee	4
Corporate Governance and Nominating Committee	2
<b>TOTAL NUMBER OF MEETINGS HELD</b>	<b>18</b>



The attendance of the directors at such meetings was as follows:

<b>Director</b>	<b>Board meetings attended</b>	<b>Committee meetings attended</b>
Thomas Bitove	8 of 8	9 of 10
Glenda Dorchak	8 of 8	0 of 0
George Duguay	8 of 8	10 of 10
Robert Gayton	7 of 8	8 of 9
Joachim (Joe) Heel	5 of 5	0 of 0
Ketan Kamdar <sup>(1)</sup>	Not applicable	Not applicable
Andrew McLeod	6 of 6	0 of 0
Vincent Schiralli	8 of 8	0 of 0

**Note:**

(1) Mr. Kamdar joined the Board of Directors on October 11, 2007.

**Board Mandate**

The Board of Directors is responsible for the overall stewardship of the Corporation. The Board of Directors discharges this responsibility directly and through the delegation of specific responsibilities to committees of the Board of Directors.

The Mandate of the Board of Directors, which is attached hereto as Schedule “C”, falls into the following seven categories: selection of management, strategic planning, risk identification, communications, succession planning, internal controls and corporate governance, all as more particularly described in Section B of the Mandate.

**Position Descriptions**

The Board of Directors has developed position descriptions for the Chairman, the Lead Independent Director and the Chairman of each committee of the Board of Directors. The Board of Directors has also approved a position description for the Chief Executive Officer.

**Orientation and Continuing Education**

Responsibility for orientation and education programs for new directors is assigned to the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee ensures that all new directors receive a comprehensive orientation so that each new director fully understands the role of the Board of Directors and its committees, as well as the individual contribution individual directors are expected to make. The Board of Directors has adopted a policy for orientation of new directors.

The Corporate Governance and Nominating Committee is also responsible for arranging continuing education for directors in order to ensure that directors maintain and enhance the skill and knowledge necessary to meet their obligations as directors, as well as to ensure knowledge and understanding of the Corporation’s business remains current. The Board of Directors has adopted a policy for continuing education for directors.

## **Ethical Business Conduct**

The Board of Directors has created a Code of Business Conduct (the “Code”) for the Corporation’s directors, officers and employees. Directors, officers and employees are expected to act with honesty and integrity in all interactions with customers, suppliers, competitors, employees and others. A copy of the Code may be obtained by contacting the Corporation at the address given under “Additional Information” in this Circular.

The Audit Committee is responsible for reviewing the Code as well as programs that management has established to monitor compliance with the Code. In addition, the Corporate Governance and Nominating Committee is responsible for ensuring that standards of ethical conduct are developed and maintained.

The Board of Directors and the Audit Committee have also established a Whistleblower Policy to encourage employees, officers and directors to raise concerns regarding matters covered by the Code (including but not limited to accounting, internal controls or auditing matters) on a confidential basis free from discrimination, retaliation or harassment.

In addition, in order to ensure independent judgement in considering transactions/agreements in which a director/officer has a material interest, all related party transactions are reviewed and approved by the Audit Committee.

## **Nomination of Directors**

The Corporate Governance and Nominating Committee is currently comprised of Thomas Bitove (Chairman), George Duguay and Robert Gayton, all of whom are independent.

The purpose of the Governance and Nominating Committee is to:

- a) develop and recommend to the Board a set of corporate governance principles applicable to the Corporation;
- b) identify individuals qualified to become new Board members and to recommend to the Board new director nominees from time to time; and
- c) assist the Chairman in overseeing the process of evaluation of the Board, its committees and individual directors.

As described in its charter, the Corporate Governance and Nominating Committee is responsible for, among other things, identifying and evaluating candidates for the Board of Directors.

## **Compensation**

Information regarding the composition of the Compensation Committee, the responsibilities and operations of the Compensation Committee and the process by which compensation is determined, is discussed above in “Composition of the Compensation Committee and Report on Executive Compensation”.

## **Audit Committee of the Board of Directors**

The information regarding the Audit Committee required to be disclosed by Multilateral Instrument 52-110 – *Audit Committees* will be detailed in the Corporation’s 2007 Annual Information Form to be

filed in accordance with prescribed deadlines and thereafter be available from the Corporation or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Other Board of Directors' Committees**

The Corporation's Board of Directors does not have any committees, other than the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee.

### **Assessments**

The Board of Directors has adopted a Board review process which (a) provides directors with an opportunity once each year to evaluate the Board of Directors' and each Committee's performance and to make suggestions for its improvement; (b) provides an opportunity for the Board of Directors to comment on the Chairman's and the Lead Independent Director's leadership; and (c) provides an opportunity for the Lead Independent Director to evaluate each director's individual performance and to make suggestions for improvement. The review process relates directly to the description of the roles and responsibilities of the Board of Directors, each of its committees, the Chairman and each individual director.

The Board of Directors annually reviews and assesses the performance of the CEO. The formal assessment in respect of fiscal 2007 took place at a Board of Directors meeting held on November 7, 2007.

### **OTHER MATTERS**

Management of the Corporation is not aware of any other matters to come before the Meeting other than as set forth in the Notice of the Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgement on such matter.

Matters which may properly come before the Meeting shall be any matter not effecting change in the Articles or Bylaws of the Corporation, not effecting a change of control of the Corporation or not disposing of all or substantially all of the assets of the Corporation.

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Corporation at 10<sup>th</sup> floor, 700 West Pender Street, Vancouver, British Columbia, V6C 1G8, attention: Corporate Secretary, to request copies of the Corporation's annual report, financial statements and management's discussion and analysis. Information about the Corporation can also be found on its web site at [www.intrinsyc.com](http://www.intrinsyc.com). Financial information is provided in the Corporation's comparative consolidated financial statements and management's discussion and analysis for the fiscal year ended August 31, 2007.

## **BOARD APPROVAL AND STATEMENT OF DIRECTORS**

This Circular contains information as at October 31, 2007, except where another date is specified. The contents of this Circular have been approved and its mailing to each member of the Corporation entitled thereto and to the appropriate regulatory agencies has been authorized by the Board of Directors of the Corporation.

The foregoing contains no untrue statement of a material fact and does not omit 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

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read "Glenda M. Dorchak", with a long horizontal flourish extending to the right.

Glenda M. Dorchak  
Chairman and Chief Executive Officer  
Intrinsyc Software International, Inc.

## **SCHEDULE "A"**

### **TEXT OF RESOLUTION TO APPROVE THE AMENDED AND RESTATED INCENTIVE STOCK OPTION PLAN**

BE IT RESOLVED, as an ordinary resolution, that:

1. the Amended and Restated Incentive Stock Option Plan of the Corporation (the "Amended and Restated Incentive Plan"), as described in the Management Information Circular of the Corporation dated November 7, 2007 and which incorporates the amendments indicated in the form of Incentive Plan attached to this Circular as Schedule "B", be and the same is hereby approved; and
2. any director or officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

**SCHEDULE "B"**  
**THE AMENDED AND RESTATED INCENTIVE STOCK OPTION PLAN**

**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**(the "Company")**

**INCENTIVE STOCK OPTION PLAN**

**1. PURPOSE OF THE PLAN**

This Incentive Stock Option Plan has been established by the Company for directors, officers and Service Providers (as defined below) of the Company and its subsidiaries. The purpose of this Plan is to provide long term incentives to attract, motivate and retain directors and key employees of the Company and its affiliates who, in the judgement of the Board, will be largely responsible for its future growth and success.

**2. DEFINITIONS**

In this Plan, the following terms have the following meanings:

2.1 "Applicable Laws" means the legal requirements relating to stock option plans, if any, pursuant to the Securities Acts and the regulations thereunder of ~~British Columbia, Alberta and Ontario~~ each of the provinces of Canada, U.S. state corporate laws, U.S. federal and state and securities laws, the Code and the rules of any applicable Stock Exchange.

2.2 "Associate" means an associate as defined in the

2.3 Securities Act.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Business Day" means any day other than a Saturday, Sunday or a statutory holiday observed in the Province of British Columbia.

2.5 "Change of Control" means:

- (a) any Person, or combination of Persons acting jointly or in concert, acquiring or becoming the beneficial owner of, directly or indirectly, more than 50% of the voting securities of the Company, whether through the acquisition of previously issued and outstanding voting securities of the Company or of voting securities of the Company that have not been previously issued, or any combination thereof or any other transaction having a similar effect; and
- (b) amalgamation, merger or arrangement of the Company with or into another entity where the holders of Shares immediately prior to the transaction will hold less than 51% of the voting securities of the resulting entity upon completion of the transaction.

2.6 "Code" means the United States Internal Revenue Code of 1986, as amended.

- 2.7 "Company" means Intrinsic Software International, Inc., its successors and assigns, and any reference in the Plan to action by the Company means action by or under the authority of the Board or any person or committee that has been designated for the purpose by the Company including, without limitation, the Human Resources/Compensation Committee.
- 2.8 "Disability" means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:
- (a) being employed or engaged by the Company, its subsidiaries or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or its subsidiaries; or
  - (b) acting as a director or officer of the Company or its subsidiaries.
- 2.9 "Exchanges" means The Toronto Stock Exchange and any other stock exchange on which the Shares are listed.
- 2.10 "Expiry Date" means the date set by the Board under subsection 4.1 of the Plan, as the last date on which an Option may be exercised subject to section 5.1.
- 2.11 "Grant Date" means the date specified in an Option Agreement as the date on which an Option is granted.
- 2.12 "Human Resources/Compensation Committee" means the committee, as constituted from time to time, which may be appointed by the Board to, among other things, interpret, administer and implement the Plan, and includes any successor committee appointed by the Board for such purposes.
- 2.13 "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of section 422 of the Code, as designated in the applicable Option Agreement.
- 2.14 "Insider" means an insider as defined in the Securities Act, as amended from time to time.
- 2.15 "Joint Actor" means a person acting jointly or in concert with an offeror, as such term is defined in the Securities Act.
- 2.16 "Market Price" means, as of any date, the value of the Shares, determined as follows:
- (a) if the Shares are listed on the ~~Canadian~~ TSX Venture Exchange, the Market Price shall be the closing sales price for the Shares (or the closing bid, if no sales were reported) as quoted on such exchange for the market trading day immediately prior to the date of determination less any discount permitted by the Canadian Venture Exchange;
  - (b) if the Shares are listed on The Toronto Stock Exchange, the Market Price shall be the closing price per Share on The Toronto Stock Exchange for the last market trading day prior to the time of determination or, for the last market trading day the Shares were traded prior to the date of determination;

(c) \_\_\_\_\_ if the Shares are listed on an exchange other than the Canadian Venture Exchange or The Toronto Stock Exchange, the Market Price shall be the ~~average~~ closing sales price of the Shares (or the closing bid, if no sales were reported) as quoted on such exchange for the last market trading day prior to the time of determination; and

(d) \_\_\_\_\_ if the Shares are not listed on an exchange, the Market Price shall be determined in good faith by the Board.

2.17 "Non-Qualified Stock Option" means an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable Option Agreement.

2.18 "Option" means an option to purchase Shares granted pursuant to this Plan.

2.19 "Option Agreement" means an agreement, in the form attached hereto as Schedule "A", whereby the Company grants to an Optionee an Option, or an agreement, in the form attached hereto as Schedule "B", whereby the Company grants to a U.S. Optionee an Option, as the case may be.

2.20 "Optionee" means each of the directors, officers and Service Providers granted an Option pursuant to this Plan and their heirs, executors and administrators and, subject to the policies of the Exchange, an Optionee may also be a corporation wholly owned by an individual eligible for an Option grant pursuant to this Plan.

2.21 "Option Price" means the price per Share specified in an Option Agreement, adjusted from time to time in accordance with the provisions of section 6.

2.22 "Option Shares" means the aggregate number of Shares which an Optionee may purchase under an Option.

2.23 "Person" has the meaning ascribed thereto in the Securities Act, as amended from time to time.

2.24 "Plan" means this Incentive Stock Option Plan.

2.25 "Shares" means the common shares in the capital of the Company as constituted on the date of this agreement provided that, in the event of any adjustment pursuant to section 5, "Shares" shall thereafter mean the shares or other property resulting from the events giving rise to the adjustment.

2.26 "Securities Act" means the *Securities Act, R.S.B.C.*, c.418, as amended.

2.27 "Service Provider" means:

- (a) an employee or Insider of the Company or any of its subsidiaries;
- (b) any other person or company engaged to provide ongoing management or consulting services for the Company or for any entity controlled by the Company; and
- (c) any person who is providing ongoing management or consulting services to the Company or to any entity controlled by the Company indirectly through a company that is a Service Provider under subsection 2.27(b).



- 2.28 "Share Bonus Plan" means the Share Bonus Plan established pursuant to Part 7 hereof
- 2.29 "Stock Option Plan" means the Stock Option Plan established pursuant to Part 4 hereof.
- 2.30 "U.S. Optionee" means an Optionee who is a United States ~~Citizen~~citizen or resident within the meaning of the Code.
- 2.31 "U.S. Subsidiary" means a subsidiary of the Company within the meaning of section 424{0(f)} of the Code or any successor provision.
- 2.32 "Unissued Option Shares" means the number of Shares, at a particular time, which have been allotted for issuance upon the exercise of an Option but which have not been issued, as adjusted from time to time in accordance with the provisions of section 6, such adjustments to be cumulative.
- 2.33 "Unvested Option" means an Option that has not become exercisable in respect of a number of Option Shares by the Optionee pursuant to the terms of the Option Agreement.
- 2.34 "Vested Option" means that an Option has become exercisable in respect of a number of Option Shares by the Optionee pursuant to the terms of the Option Agreement.

### 3. **ADMINISTRATION OF THE PLAN**

- 3.1 The Plan shall be administered by the Board, or if the Board constitutes a Human Resources/Compensation Committee, by the Human Resources/Compensation Committee.
- 3.2 The Board, or if the Board constitutes a Human Resources/Compensation Committee, the Human Resources/Compensation Committee shall have the power, where consistent with the general purposes and intent of the Plan and subject to the specific provisions of the Plan and the policies of the Exchange from time to time in effect:
- (a) to establish policies and procedures for carrying out the purposes, provisions and administration of the Plan;
  - (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Option granted pursuant to the Plan, and any such interpretation, construction or termination made by the Board shall be final, binding and conclusive for all purposes;
  - (c) to determine which Eligible Persons are granted Options and to grant Options;
  - (d) to determine the number of Shares covered by each Option;
  - (e) to determine the Option Price;
  - (f) to determine the time or times when Options will be granted, vest and be exercisable;

- (g) to determine if the Shares that are subject to an option will be subject to any restrictions upon the exercise of such Option; and
- (h) to prescribe the form of the instruments relating to the grant, exercise and other terms of options.

3.3 A director of the Company to whom an Option may be granted shall not participate in the decision of the Board to grant such Option.

#### 4. **STOCK OPTION PLAN**

##### 4.1 Option Terms

The Board may from time to time authorize the issue of Options to directors, officers and Service Providers of the Company and its subsidiaries. The Option Price under each Option shall be not less than the Market Price. The Expiry Date for each Option shall be set by the Board at the time of issue of the Option ~~and; provided, however,~~ that if at any time the Expiry Date of an Option should be determined to occur either during a period in which the trading of Shares by the Optionee is restricted under the insider trading policy or other policy of the Company or within ten business days following such a period, such Expiry Date shall be deemed to be the date which is the tenth business day following the date of such expiry of such restriction. Subject to the foregoing, the Expiry Date shall not be more than ten years after the Grant Date. Options shall not be assignable (or transferable) by the Optionee.

##### 4.2 Limits on Shares Issuable on Exercise of Options

Subject to adjustment as provided below and in Section 6, the maximum number of Shares which may be issued pursuant to the Plan shall be ~~13,395,774. the lower of:~~ (a) a rolling number equal to 10% less one Share of the total issued and outstanding Shares from time to time; and (b) 30,000,000 Shares. For purposes of the foregoing, any Shares issued upon exercise of Options shall not reduce the percentage of Shares which may be issuable pursuant to Options granted under the Plan. If any Option is terminated, cancelled or has expired without being fully exercised, any un-issued Shares which have been reserved to be issued upon the exercise of the Options shall become available to be issued upon the exercise of Options subsequently granted under the Plan.

In addition, the maximum number of Shares which may be issuable pursuant to the Stock Option Plan and the Share Bonus Plan together with all of the Company's established or proposed share compensation arrangements other than those share compensation arrangements which do not require shareholder approval (collectively, the "Incentive Plans") shall be ~~13,395,774~~ not exceed a rolling number equal to 10% less one Share of the total issued and outstanding Shares from time to time, or such additional amount as may be approved from time to time by the shareholders of the Company. ~~The~~

Notwithstanding the foregoing, the following additional limitations apply:

- (a) the number of shares ~~Shares~~ issuable to any one Optionee under the Incentive Plans shall not exceed 5% of the total number of issued and outstanding Shares on a non diluted basis. ~~The;~~
- (b) the number of Shares which may be issuable under the Incentive Plans within a one year period to any one Optionee who is an Insider and any Associate of

such Insider, shall not exceed 5% of the total number of issued and outstanding Shares on a non diluted basis;

- (c) the number of Shares reserved for issuance to Insiders at any time, and the number of Shares issuable to all Insiders within any one year period under the Incentive Plans, shall not exceed 10% less one Share of the total number of issued and outstanding Shares on a non diluted basis; and
- (d) the number of Shares reserved for issuance to non-employee directors under the Plan at any time shall not exceed 1.5% of the total number of issued and outstanding Shares on a non-diluted basis.

#### 4.3 Option Agreement

Each Option shall be confirmed by the execution of an Option Agreement. Each Optionee shall have the option to purchase from the Company the Option Shares at the time and in the manner set out in the Plan and in the Option Agreement applicable to that Optionee. The execution of an Option Agreement shall constitute conclusive evidence that it has been completed in compliance with this Plan.

### 5. **EXERCISE OF OPTION**

#### 5.1 When Options May be Exercised

Subject to subsections 5.3 and 5.4, an Option may be exercised to purchase any number of Shares up to the number of Vested Unissued Option Shares at any time after the Grant Date up to 5:00 p.m. Vancouver time on the Expiry Date and shall not be exercisable thereafter; provided, however, that if at any time the Expiry Date should be determined to occur either during a period in which the trading of Shares by the Optionee is restricted under the insider trading policy or other policy of the Company or within ten business days following such a period, such date shall be deemed to be the date that is the tenth business day following the date of expiry of such restriction.

#### 5.2 Manner of Exercise

The Option shall be exercisable by delivering to the Company a notice specifying the number of Shares in respect of which the Option is exercised together with payment in full of the Option Price for each such Share. Upon notice and payment there will be a binding contract for the issue of the Shares in respect of which the Option is exercised, upon and subject to the provisions of the Plan. Delivery of the Optionee's cheque payable to the Company in the amount of the Option Price shall constitute payment of the Option Price unless the cheque is not honoured upon presentation in which case the Option shall not have been validly exercised.

#### 5.3 Vesting Option Shares

The Board or the Human Resources/Compensation Committee may determine, in its sole discretion, the vesting schedule applicable to each Option, which vesting schedule will be set out in the Option Agreement. The Board or the Human Resources/Compensation Committee may, in its sole discretion, and in certain circumstances, amend, abridge, or otherwise eliminate any vesting schedule as it applies to any Option issued to directors, officers or Service Providers pursuant to the Plan, so that any such Option, whether Vested or Unvested, may have an amended vesting schedule or may immediately vest and become exercisable.

#### 5.4 Termination of Employment

If an Optionee ceases to be a director, officer or Service Provider of the Company or one of the Company's subsidiaries, his or her Option shall be exercisable as follows:

(a) Death, Disability or Retirement

If the Optionee ceases to be a director, officer or Service Provider of the Company or subsidiary of the Company, due to his or her death, Disability or retirement in accordance with the Company's retirement policy in force from time to time, or, in the case of an Optionee that is a company, the death, Disability or retirement of the person who provides management or consulting services to the Company or to any entity controlled by the Company, the Option then held by the Optionee shall be exercisable to acquire Vested Unissued Option Shares at any time up to but not after the earlier of:

- (i) 365 days after the date of death, Disability or retirement; and
- (ii) the Expiry Date;

(b) Termination for Cause

If the Optionee, or in the case of an Option granted to an Optionee who falls under the definition of Service Provider set out in subsection 2.27(c), the Optionee's employer, ceases to be a director, officer or Service Provider of the Company or a subsidiary of the Company as a result of termination for cause, as that term is interpreted by the courts of the jurisdiction in which the Optionee, or, in the case of the Optionee who satisfies the definition of Service Provider set out in subsection 2.27(c) of the Optionee's employer, is employed or engaged; any outstanding Option held by such Optionee on the date of such termination, whether in respect of Option Shares that are Vested or not, shall be cancelled as of that date.

(c) Early Retirement, Voluntary Resignation or Termination Other than For Cause

If the Optionee, or in the case of an Option granted to an Optionee who falls under the definition of Service Provider set out in subsection 2.27, the Optionee's employer, ceases to be a director, officer or Service Provider of the Company or a subsidiary of the Company due to his or her retirement at the request of his or her employer earlier than the normal retirement date under the Company's retirement policy then in force or due to his or her termination by the Company other than for cause, or due to his or her voluntary resignation, the Option then held by the Optionee shall be exercisable to acquire Vested Unissued Option Shares at any time prior to the earlier of the Expiry Date and the date which is 30 days from the date on which the Optionee or, in the case of an Option granted to an Optionee who falls under the definition of Service Provider set out in subsection 2.27, the Optionee's employer, ceases to be a director, officer or Service Provider of the Company or subsidiary of the Company.

For greater certainty, an Option that had not become Vested in respect of certain Unissued Option Shares at the time that the relevant event referred to in this subsection 5.4 occurred, shall not be or become exercisable in respect to such Unissued Option Shares and shall be cancelled.

## 5.5 Effect of a Take Over Bid

If a *bona fide* offer (the "Offer") for Shares is made to the Optionee or to shareholders of the Company generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company, within the meaning of the Securities Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer. The Board, or if applicable, the Human Resources/Compensation Committee will have the sole discretion to amend, abridge or otherwise eliminate any vesting schedule so that Option Shares subject to such Option will become Vested whereupon the Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Option Shares received upon such exercise pursuant to the Offer. However, if:

- (a) the Offer is not completed within the time specified therein; or
- (b) all of the Option Shares tendered by the Optionee pursuant to the Offer are not taken up or paid for by the offeror in respect thereof,

then the Option Shares received upon such exercise, or in the case of clause (b) above the Option Shares that are not taken up and paid for, shall be returned by the Optionee to the Company and reinstated as authorized but Unissued and, if applicable, Unvested Option Shares and with respect to such returned Option Shares, the Option shall be reinstated as if it had not been exercised on the terms for such Option Shares becoming Vested shall be reinstated pursuant to subsection 5.3. If any Option Shares are returned to the Company under this subsection 5.5, the Company shall immediately refund the exercise price to the Optionee for such Option Shares.

## 5.6 Acceleration of Expiry Date

If at any time when an Option granted under the Plan remains unexercised with respect to any Unissued Option Shares, an Offer is made by an offeror, the Directors may, upon notifying each Optionee of full particulars of the Offer, declare all Option Shares issuable upon the exercise of Options granted under the Plan Vested and accelerate the Expiry Date for the exercise of all unexercised Options granted under the Plan so that all Options will either be exercised or expire prior to the date upon which Shares must be tendered pursuant to the Offer.

## 5.7 Effect of a Change of Control

If a Change of Control occurs, the Board, or if applicable, the Human Resources/Compensation Committee will have the sole discretion to amend, abridge or otherwise eliminate any vesting schedule so that Option Shares subject to each outstanding Option will become Vested, whereupon such Option may be exercised in whole or in part by the Optionee.

## 5.8 Exclusion From Severance Allowance Retirement Allowance or Termination Settlement

If the Optionee, or in the case of an Option granted to an Optionee who falls under the definition of Service Provider set out in subsection 2.27(c), the Optionee's employer, retires, resigns or is terminated from employment or engagement with the Company or any subsidiary of the Company, the loss or limitation, if any, pursuant to the Option

Agreement with respect to the right to purchase Option Shares which were not Vested at that time or which, if Vested, were cancelled, shall not give rise to any right to damages and shall not be included in the calculation of nor from any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.

5.9 Financial Assistance

Subject to the provisions of the Business Corporations Act (Canada) and, if required, subject to prior acceptance of the Exchanges, the Board of Directors of the Company may at any time or from time to time authorize the Company to provide financial assistance to an Optionee, on such terms and conditions as the Board of Directors may determine, to assist such Optionee in exercising his or her Options. Any financial assistance so provided will be repayable with full recourse.

5.10 Shares Not Acquired

Any Unissued Option Shares not acquired by an Optionee under an Option which has expired may be made the subject of a further Option pursuant to the provisions of the Plan.

6. **ADJUSTMENT OF OPTION PRICE AND NUMBER OF OPTION SHARES**

6.1 Share Reorganization

Whenever the Company issues Shares to all or substantially all holders of Shares by way of a stock dividend or other distribution, or subdivides all outstanding Shares into a greater number of Shares, or combines or consolidates all outstanding Shares into a lesser number of Shares (each of such events being herein called a "Shares Reorganization") then effective immediately after the record date for such dividend or other distribution or the effective date of such subdivision, combination or consolidation, for each Option:

- (a) the Option Price will be adjusted to a price per Share which is the product of
  - (i) the Option Price in effect immediately before that effective date or record; and
  - (ii) a fraction the numerator of which is the total number of Shares outstanding on that effective date or record date before giving effect to the Share Reorganization, and the denominator of which is the total number of Shares that are or would be outstanding immediately after such effective date or record date after giving effect to the Share Reorganization; and
- (b) the number of Unissued Option Shares will be adjusted by multiplying (i) the number of Unissued Option Shares immediately before such effective date or record date by (ii) a fraction which is the reciprocal of the fraction described in subsection (a)(ii).

6.2 Special Distribution

Subject to the prior approval of the Exchanges, whenever the Company issues by way of a dividend or otherwise distributes to all or substantially all holders of the Shares:

- (a) shares of the Company, other than the Shares;
- (b) evidences of indebtedness;
- (c) any cash or other assets, excluding cash dividends (other than cash dividends which the board of directors of the Company has determined to be outside the normal course); or
- (d) rights, options or warrants;

then to the extent that such dividend or distribution does not constitute a Share Reorganization (any of such non excluded events being herein called a "Special Distribution"), and effective immediately after the record date at which holders of Shares are determined for purposes of the Special Distribution, for each Option the Option Price will be reduced, and the number of Unissued Option Shares will be correspondingly increased, by such amount, if any, as is determined by the Board in its sole and unfettered discretion to be appropriate in order to properly reflect any diminution in value of the Shares as a result of such Special Distribution.

### 6.3 Corporate Reorganization

Whenever there is:

- (a) a reclassification of outstanding Shares, a change of Shares into other shares or securities, or any other capital reorganization of the Company, other than as described in subsections 6.1 or 6.2;
- (b) a consolidation, merger or amalgamation of the Company with or into another corporation resulting in a reclassification of outstanding Shares into other shares or securities or a change of Shares into other share or securities; or
- (c) a transaction whereby all or substantially all of the Company's undertaking and assets become the property of another corporation;

(any such event being herein called a "Corporate Reorganization") the Optionee will have an option to purchase (at the times, and subject to the terms and conditions set out in the Plan) and will accept on the exercise of such option, in lieu of the Unissued Option Shares which he would otherwise have been entitled to purchase, the kind and amount of shares or other securities or property that he would have been entitled to receive as a result of the Corporate Reorganization if, on the effective date thereof, he had been the holder of all Unissued Option Shares or if appropriate, as otherwise determined by the Directors.

### 6.4 Determination of Option Price and Number of Unissued Option Shares

If any questions arise at any time with respect to the Option Price or number of Unissued Option Shares deliverable upon exercise of an Option following a Shares Reorganization, Special Distribution or Corporate Reorganization, such questions shall be conclusively determined by the Company's auditors, or, if they decline to so act, any other firm of Chartered Accountants in Vancouver, British Columbia, that the Directors may designate and who will have access to all appropriate records and such determination will be binding upon the Company and all Optionees.

6.5 Regulatory Approval

Any adjustment to the Option Price or the number of unissued Option Shares purchasable under the Plan pursuant to the operation of any one of subsections 6.1, 6.2 or 6.3 is subject to the approval of the Exchanges and any other governmental authority having jurisdiction.

7. **SHARE BONUS PLAN**

7.1 Participants

The Board shall have the right, subject to subsection 7.2, to issue or reserve for issuance, for no cash consideration, to any ~~director~~, senior officer or employee of the Company or an affiliate of the Company or to an issuer, all of the voting securities of which are held by a director, senior officer or employee of the Company or an affiliate of the Company, any number of Shares as a discretionary bonus subject to such provisos and restrictions as the Board may determine. The price at which such Shares are issued shall be equal to (i) the Market Price or (ii) the Market Price less the applicable discount under the private placement rules of the Exchange, provided that if a discount is applied the Shares issued shall be subject to a 12 or 14 month hold period, whichever is applicable, as if the transaction had been structured as a private placement.

7.2 Number of Shares

Shares reserved for issuance and issued under the Share Bonus Plan shall be subject to the limitations set out in subsection 4.2. In addition to those limitations, (a) the number of Shares issuable under the Share Bonus Plan to any one Optionee that is employed by the Company in an investor relations capacity shall not exceed 2% of the total number of issued and outstanding Shares on a non diluted basis, and (b) Shares may not be issued to non-employee directors under the Share Bonus Plan. The aggregate maximum number of Shares issued under the Share Bonus Plan in each calendar quarter shall not exceed the lesser of 150,000 and such number of Shares as has an aggregate value of not more than \$50,000 based on the Market Price as at the end of that quarter PROVIDED THAT the aggregate maximum number of Shares issued under the Share Bonus Plan shall not exceed 250,000 Shares.

7.3 Necessary Approvals

The obligation of the Company to issue and deliver any Shares pursuant to an award made under the Share Bonus Plan will be subject to all necessary approvals of any securities regulatory authority having jurisdiction over the Shares.

8. **AMENDMENT AND TERMINATION OF THE PLAN**

8.1 The Directors shall have the power to, at any time and from time to time and without shareholder approval, either prospectively or retrospectively, amend, suspend or terminate the Incentive Plan or any Option granted under the Plan, including, without limiting the generality of the foregoing, changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the Plan, ~~changes to the Exercise Price of Options, changes to the term of Options, changes~~ regarding the right to exercise Options after termination in accordance with Section 5.4 and changes regarding the vesting of Options; provided however that:



- (a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Shares are listed;
- (b) no such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the existing rights of an Optionee with respect to any then outstanding Option, as determined by the Directors acting in good faith, without his or her consent in writing;
- (c) the Directors shall obtain shareholder approval of:
  - (i) any amendment to the maximum number of Shares specified in subsection 4.2 in respect of which Options may be granted under the Plan (other than pursuant to section 6);
  - (ii) any amendment that would reduce the exercise price of an outstanding Option ~~of an Insider~~ (other than pursuant to section 6); ~~and~~
  - (iii) any amendment that would extend the term of any Option granted under the Plan ~~to an Insider~~ beyond the Expiry Date;
  - (iv) any cancellation and re-issue of Options;
  - (v) any amendments to eligible participants that may permit the introduction or re-introduction of non-employee directors on a discretionary basis or amendments that increase limits previously imposed on non-employee director participation; and
  - (vi) any amendment which would permit Options granted under the Plan to be transferable or assignable other than for normal estate settlement purposes.

8.2 If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Directors and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Directors shall remain able to make such amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.

## 9. **ADDITIONAL PROVISIONS CONCERNING U.S. OPTIONEES**

9.1 Options granted to a U.S. Optionee will generally be Incentive Stock Options, provided however, that the Board may, at its discretion, at the time of the grant of the Options, make a determination as to whether the Options will be deemed Incentive Stock Options or Non Qualified Stock Options. ~~Notwithstanding the foregoing, an Option that is an Incentive Stock Option shall not be granted to an employee of a Subsidiary unless such Subsidiary is also a U.S. Subsidiary.~~

9.2 Options granted to an Optionee who is a United States citizen or resident within the meaning of the Code and who is not an employee of the Company or a U.S. Subsidiary ~~within the meaning of section 424(t) of the Code (or any successor provision)~~ will not be Incentive Stock Options. Any Option Agreement with such an

Optionee for a grant of Options under the Plan will state that the Options granted thereunder are Non Qualified Stock Options for U.S. income tax purposes.

9.3 In addition to the terms and conditions of Options granted under the Plan referred to in the preceding sections, Options granted to a U.S. Optionee that are granted by the Board as Incentive Stock Options will be subject to the following terms and conditions:

- (a) Options will be designated in the written Option Agreement, attached hereto as Schedule "B", between the Company and the U.S. Optionee as either Incentive Stock Options or Non Qualified Stock Options;
- (b) If the U.S. Optionee is directly or indirectly the beneficial owner of more than 10% of the combined voting power of all classes of shares in the capital of the Company or a Subsidiary at the time an Option is granted to the U.S. Optionee, the exercise price of such Option will be equal to at least 110% of the Market Price of the shares, as defined in section 2, and the term of the Option shall be five years from the date of grant thereof or such shorter term as may be provided in the Option Agreement;
- (c) Options may not be transferred, assigned or pledged in any manner other than by will or applicable laws of descent and distribution and shall be exercisable during the Optionee's lifetime only by the Optionee; ~~and~~
- (d) No Options may be granted after the date immediately preceding the tenth anniversary of the earlier of the date this Plan was adopted or was approved by the Company's shareholders, except that if an amendment and restatement of this Plan has subsequently been approved by the Company's shareholders, no Options may be granted after the date immediately preceding the tenth anniversary of the date of such subsequent approval; and
- (e) notwithstanding any other provision of this Plan, such Option by its terms must not be exercisable after the expiry of 10 years from the date the Option is granted.

9.4 If a U.S. Optionee is granted Options under the Plan, the Option Agreement with the U.S. Employee will contain acknowledgements by the U.S. Employee that:

- (a) notwithstanding a designation of Options granted to a U.S. Optionee as Incentive Stock Options, to the extent that the aggregate fair market value, determined as of the date such Options were granted, of the Shares issuable on exercise of Options which are exercisable for the first time by any U.S. Optionee during any calendar year exceeds U.S. \$100,000, such excess Options shall not be treated as Incentive Stock Options; and
- (b) in order for Options granted under the Plan to be treated as Incentive Stock Options:
  - (i) Shares purchased on the exercise of an Option must not be sold or otherwise disposed of within 2 years from the date the Option was granted, or within 1 year from the date the Option was exercised;
  - (ii) if a U.S. Optionee's employment with the Company terminates for any reason other than total disability or death as provided in (iii) or (iv), the

U.S. Optionee must maintain his status as a employee of the Company or Subsidiary at all times during the period beginning on the date the Option is granted and ending 3 months before the date an Option is exercised;

- (iii) if a U.S. Optionee's employment with the Company terminates because of "total disability," his or her Option must be exercised before the date 12 months after the date of termination. The term "total disability" means a medically determinable mental or physical impairment that is expected to result in death or has lasted or is expected to last for a continuous period of 12 months or more and that, in the opinion of the Company and two independent physicians, causes the Optionee to be unable to perform his or her duties as an employee, director, officer or consultant of the Employer and unable to be engaged in any substantial gainful activity. Total disability shall be deemed to have occurred on the first day after two independent physicians have furnished their written opinion of total disability to the Company and the Company has reached an opinion of total disability; and
  - (iv) if a U.S. Optionee dies while employed with the Company, his or her Option must be exercised within one year after the date of death.
- (c) The acknowledgement of the U.S. Optionee in (b)(ii) above does not confer upon the U.S. Optionee any right with respect to continuation of his employment relationship with the Company, nor will it interfere in any way with the Company's right to terminate his employment relationship at any time, with or without cause.

9.5 Unless and until Shares issuable upon the exercise of Options are registered under the United States Securities Act of 1933, Shares issued under this Plan to an Optionee who is a resident of the United States of America will contain the following legend, as amended or supplemented by applicable laws:

THE SECURITIES REPRESENTED ~~HEREBY~~ HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, OR OTHERWISE TRANSFERRED OR ASSIGNED EXCEPT (A) TO THE COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT, IF AVAILABLE, OR (C) INSIDE THE UNITED STATES (1) PURSUANT TO THE EXEMPTION FROM REGISTRATION ~~UNDER~~ THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS OR (2) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS, AND, IN CONNECTION WITH ANY TRANSFERS PURSUANT TO (C)(1) OR (C)(2) ABOVE, THE SELLER HAS FURNISHED TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING, REASONABLY SATISFACTORY TO THE COMPANY, TO THAT EFFECT.

9.6 Unless otherwise determined by the Board, if a U.S. Employee of the Company or any parent or subsidiary of the Company is a non exempt employee subject to the overtime compensation provisions of Section 7 of the United States Fair Labor

Standards Act (the "FLSA"), any option granted to that employee shall be subject to the following restrictions: (i) the option price shall be at least 85 percent of the Market Price of the Common Stock subject to the option on the date it is granted; and (ii) the option shall not be exercisable until at least six months after the date it is granted; provided, however, that this six month restriction on exercisability will cease to apply if the employee dies, becomes disabled or retires, there is a change in ownership of the Company, or in other circumstances permitted by regulation, all as prescribed in Section 7(e)(8)(B) of the FLSA.

9.7 Notwithstanding this section 89, the Company does not assume responsibility for the income or other tax consequences for Optionees or U.S. Optionees under the Plan and they are advised to consult their own tax advisors.

## 10. MISCELLANEOUS

### 10.1 Right to Employment

Neither this Plan nor any of the provisions hereof shall confer upon any Optionee any right with respect to employment or continued employment with the Company or any subsidiary of the Company or interfere in any way with the right of the Company or any subsidiary of the Company to terminate such employment.

### 10.2 Necessary Approval

The Plan shall be effective only upon the approval of the shareholders of the Company given by way of an ordinary resolution. Any Options granted under this Plan prior to such approval shall only be exercised upon the receipt of such approval. The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to the approval of the Exchanges and any governmental authority having jurisdiction. If any shares cannot be issued to any Optionee for any reason, including, without limitation, the failure to obtain such approval, then the obligation of the Company to issue such Shares shall terminate and any Option Price paid by the Optionee to the Company shall be immediately refunded to the Optionee by the Company.

### 10.3 Administration of the Plan

The Directors shall, without limitation, have full and final authority in their discretion, but subject to the express provisions of the Plan, to interpret the Plan and to make all other determinations deemed necessary or advisable in respect of the Plan. Except as set forth in subsection 6.4, the interpretation and construction of any provision of the Plan by the Directors shall be final and conclusive. Administration of the Plan shall be the responsibility of the appropriate officers of the Company and all costs in respect thereof shall be paid by the Company.

### 10.4 Income Taxes

As a condition of and prior to participation in the Plan any Optionee shall on request authorize the Company in writing to withhold from any remuneration otherwise payable to him or her any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of his or her participation in the Plan. If additional withholding is or becomes required (as a result of exercise of an option or as a result of disposition of shares acquired pursuant to exercise of an option) beyond any

amount deposited before delivery of the certificates, the Optionee shall pay such amount, in cash or by check, to the Company on demand. If the Optionee fails to pay the amount demanded, the Company or the Employer may withhold that amount from other amounts payable to the Optionee, including salary, subject to applicable law.

10.5 Form of Notice

A notice given to the Company shall be in writing, signed by the Optionee and delivered to the Secretary of the Company.

10.6 No representation or Warranty

The Company makes nor representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

10.7 Compliance with Applicable Law

If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by law or regulation of any regulatory body or Exchange having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

10.8 No Assignment

No Optionee may assign any of his or her rights under the Plan.

\* \* \*

Approved on April 4, 1997, amended on December 31, 1997, March 30, 1998, December 6, 2000, April 5, 2001, December 6, 2001, December 4, 2002, December 5, 2002, December 13, 2006 and December [●], 2007.

**SCHEDULE "A"**

**INTRINSYC SOFTWARE INTERNATIONAL, INC.**

**STOCK OPTION AGREEMENT**

**Canadian Optionees**

This Stock Option Agreement (the "Option Agreement") is entered into between Intrinsic Software International, Inc. (the "Company") and the Optionee named below pursuant to and on the terms and subject to the conditions of the Company's Incentive Stock Option Plan (the "Plan"). The terms of the option (the "Option"), in addition to those terms set forth in the Plan, are as follows:

1. **Optionee.** The Optionee is **«First name» «Last name»**
2. **Number of Shares.** The Optionee may purchase up to **«Number»** shares of the Common Stock of the Company (the "Option Shares") pursuant to this Option, as and to the extent that the Option vests and becomes exercisable as set forth in section 5 of the Option Agreement.
3. **Option Price.** The exercise price is Cdn **«Price»** per Share (the "Option Price").
4. **Date Option Granted.** The Option was granted on **«Date Granted»**.
5. **Term of Option.** The Option terminates on **«Expiry Date»** (the "Expiry Date").
6. **Vesting.** The Option shall vest and become exercisable for the number of shares set forth below according to the following vesting schedule, subject to the Optionee's maintenance of continuous status as an employee, director, officer or Service Provider of the Company.  
**«Vesting Terms»**
7. **Transfer of Option.** The Option cannot be transferred, assigned or pledged voluntarily or involuntarily, except by will or the applicable laws of descent and distribution and shall be exercisable during the Optionee's lifetime only by the Optionee.
8. **Inconsistency.** The Option Agreement is subject to the terms and conditions of the Plan and, in the event of any inconsistency or contradiction between the terms of the Option Agreement and the Plan, the terms of the Plan shall govern.

By signing this Agreement, the Optionee acknowledges that the Optionee has read and understands the Plan and agrees to the terms and conditions of the Plan and the Option Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Option Agreement as of \_\_\_\_\_, 20\_\_\_\_\_.

**INTRINSYC SOFTWARE  
INTERNATIONAL, INC.**

**Name: «First name» «Last name»**

**Name: \_\_\_\_\_**

**Signature: \_\_\_\_\_**

**Signature: \_\_\_\_\_**

Optionee

Authorized Signatory

## SCHEDULE "B"

THESE OPTIONS AND THE UNDERLYING SHARES OF COMMON STOCK HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE, AND ARE BEING OFFERED IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION UNDER THE ACT AND UNDER STATE SECURITIES LAWS.

### INTRINSYC SOFTWARE INTERNATIONAL, INC.

#### STOCK OPTION AGREEMENT

##### U.S. Optionees

This Stock Option Agreement (the "Option Agreement") is entered into between Intrinsic Software International, Inc. (the "Company") and the Optionee named below pursuant to and on the terms and subject to the conditions of the Company's Incentive Stock Option Plan (the "Plan"), which is incorporated by reference into and made a part of this Option Agreement. The terms of the option (the "Option"), in addition to the applicable terms set forth in the Plan, are as follows:

1. **Optionee.** The Optionee is **«First name» «Last name»**
2. **Number of Shares.** The Optionee may purchase up to **«Number»** shares of the Common Stock of the Company (the "Option Shares") pursuant to this Option, as and to the extent that the Option vests and becomes exercisable as set forth in section 5 of the Option Agreement.
3. **Option Price.** The exercise price is Cdn **«Price»** per Share (the "Option Price").
4. **Date Option Granted.** The Option was granted on **«Date Granted»**.
5. **Term of Option.** The Option shall continue in effect until **«Expiry Date»** (the "Expiry Date"), unless earlier terminated as provided in Section 5.4 of the Plan. The Option shall not be exercisable on or after the Expiry Date.
6. **Vesting.** The Option shall vest and become exercisable for the number of shares set forth below according to the following vesting schedule, subject to the Optionee's maintenance of continuous status as a director, officer or Service Provider of the Company.  
**«Vesting Terms»**
7. **Acknowledgements.** The Optionee acknowledges that:
  - (a) notwithstanding a designation of Options granted to a the Optionee as Incentive Stock Options, to the extent that the aggregate fair market value, determined as



of the date such Options were granted, of the Shares issuable on exercise of Options which are exercisable for the first time by any Optionee during any calendar year exceeds U.S. \$100,000, such excess Options shall not be treated as Incentive Stock Options; and

(b) in order for Options granted under the Plan to be treated as Incentive Stock Options:

(i) Shares purchased on the exercise of an Option must not be sold or otherwise disposed of within 2 years from the date the Option was granted, or within 1 year from the date the Option was exercised;

(ii) if an Optionee's employment with the Company terminates for any reason other than total disability or death as provided in (iii) or (iv), the Optionee must maintain his status as a employee of the Company or Subsidiary at all times during the period beginning on the date the Option is granted and ending 3 months before the date an Option is exercised;

(iii) if an Optionee's employment with the Company terminates because of "total disability," his or her Option must be exercised before the date 12 months after the date of termination. The term "total disability" means a medically determinable mental or physical impairment that is expected to result in death or has lasted or is expected to last for a continuous period of 12 months or more and that, in the opinion of the Company and two independent physicians, causes the Optionee to be unable to perform his or her duties as an employee, director, officer or Service Provider of the Employer and unable to be engaged in any substantial gainful activity. Total disability shall be deemed to have occurred on the first day after two independent physicians have furnished their written opinion of total disability to the Company and the Company has reached an opinion of total disability; and

(iv) if a Optionee dies while employed with the Company, his or her Option must be exercised within one year after the date of death.

8. **Transfer of Option.** The Option cannot be transferred, assigned or pledged voluntarily or involuntarily, except by will or the applicable laws of descent and distribution and shall be exercisable during the Optionee's lifetime only by the Optionee.

9. **Inconsistency.** The Option Agreement is subject to the terms and conditions of the Plan and, in the event of any inconsistency or contradiction between the terms of the Option Agreement and the Plan, the terms of the Plan shall govern.

[This Option is intended to be an Incentive Stock Option as defined in Section 422 of the Internal Revenue Code of 1986, as amended.]

[This Option will not be treated as an Incentive Stock Option as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and is therefore a Non-Qualified Option.]

By signing this Agreement, the Optionee acknowledges that the Optionee has read and understands the Plan and agrees to the terms and conditions of the Plan and the Option Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Option Agreement as of \_\_\_\_\_, 20\_\_\_\_\_.

**INTRINSYC SOFTWARE  
INTERNATIONAL, INC.**

**Name: «First name» «Last name»**

**Name: \_\_\_\_\_**

**Signature: \_\_\_\_\_**

**Signature: \_\_\_\_\_**

Optionee

Authorized Signatory

**SCHEDULE “C”**  
**OBLIGATIONS, DUTIES AND ROLES OF THE BOARD OF DIRECTORS OF**  
**INTRINSYC SOFTWARE INTERNATIONAL, INC.**

**A. OBLIGATIONS**

1. The Board of Directors (the “Board”) shall assume the responsibility for the stewardship of the Corporation and shall:
  - a. supervise the management of the business and affairs of the Corporation; and
  - b. act in accordance with the Corporation’s obligations contained in the Canada Business Corporations Act (the “CBCA”), the Securities Act of each province and territory of Canada and the various related rules, policies and instruments, the Toronto Stock Exchange’s governance guidelines, other applicable laws and the Corporation’s Articles and By-Laws (collectively, “Applicable Laws”).
2. The Board may delegate any matter to a committee of directors in compliance with Applicable Laws.

**B. BOARD MANDATE**

**Introduction**

In meeting its obligations, the Board shall act as a whole or as permitted by Applicable Laws through a committee of the Board. The Board’s mandate falls into the following seven categories:

**1. Selection of Management**

The Board has the responsibility for:

- a. appointing, monitoring and reviewing the performance of, approving the remuneration for, providing counsel and advice to and replacing the CEO;
- b. approving the appointment of all executive officers, taking into account the advice of the CEO; and
- c. to the extent feasible, satisfying itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Corporation.

**2. Strategic Planning**

The Board has the responsibility for:

- a. adopting a strategic planning process and approving, on at least an annual basis, a strategic plan that takes into account, among other things, the opportunities and risks of the Corporation’s business;
- b. monitoring the Corporation’s progress towards its goals, and to revise and alter its direction in light of changing circumstances; and
- c. taking action when the Corporation’s performance falls short of its goals or in other special circumstances (for example, mergers and acquisitions or changes in control).

### **3. Risk Identification**

The Board has the responsibility for identifying principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage those risks.

### **4. Communications**

The Board has the responsibility for:

- a. ensuring that the financial results of the Corporation are reported fairly and in accordance with Applicable Laws;
- b. ensuring the timely reporting of material information in compliance with Applicable Laws; and
- c. adopting a communications policy to ensure that communications to the public regarding the Corporation are timely, factual, accurate and broadly disseminated in accordance with Applicable Laws.

### **5. Succession Planning**

The Board has the responsibility for:

- a. planning for the succession of senior management, including appointing, training and monitoring; and
- b. planning for the succession of the directors.

### **6. Internal Controls**

The Board has the responsibility for ensuring that internal control and information management systems are implemented and maintained.

### **7. Corporate Governance**

The Board has the responsibility for:

- a. developing the Corporation's approach to corporate governance, including reviewing and amending as appropriate this Governance Manual;
- b. monitoring compliance with the corporate governance guidelines established in this Governance Manual; and
- c. confirming that the Corporation operates at all times in compliance with Applicable Laws and in accordance with high ethical and moral standards established by the Board from time to time.

## **C. CONSTITUTION AND ROLE OF THE BOARD OF DIRECTORS**

### **1. Board Composition**

#### **a. Constitution of the Board**

The Board shall be constituted with a majority of individuals who qualify as independent directors (as defined below).

If the Corporation has a significant shareholder, the Board shall include, at a minimum, a proportion of independent directors that fairly represents the investment in the

Corporation by shareholders other than the significant shareholder. For these purposes, “significant shareholder” has the meaning set out for “significant security holder” in National Instrument 58-101.

b. Board Membership

The Board is responsible for selecting nominees for appointment or election to the Board. On an annual basis in advance of the Corporation’s making nominations for election of directors at the Corporation’s annual shareholders meetings, the Board shall: (i) consider what competencies and skills the Board, as a whole, should possess; and (ii) assess what competencies and skills each existing director possesses. The Board delegates the nomination process to the Governance and Nominating Committee with the input from the Lead Independent Director (if any) and the CEO but the Board reserves for itself the responsibility for selecting the final nominees.

c. Board Size

Under Applicable Laws, the Board shall consist of not less than three directors and the number of directors may be fixed or changed from time to time by the Corporation’s shareholders by an ordinary resolution. The Board will annually consider its size and will increase or decrease the number of directors to facilitate more effective leadership and decision-making. The Board delegates such annual consideration to the Governance and Nominating Committee but the Board reserves for itself the responsibility for recommending to shareholders the size of the Board.

d. Independent Directors

A director is considered “independent” for the purposes of this Governance Manual if such director meets the meaning of independence set forth under paragraph (A) under the heading “Audit Committee Independent Directors”.

Under Applicable Laws, an “inside” director is a director who is an officer or employee of the Corporation or of any of its affiliates. The Corporation’s only inside directors shall be the CEO and the President. An “outside” director is a director who is not a member of management. Under Applicable Laws, an “unrelated” director is a director who is independent of management and is free from any business or other relationship, other than interests and relationships arising from shareholding, which could, or could be perceived to, materially interfere with the director’s ability to act in the Corporation’s best interest.

If a shareholder is in a position to control or influence control of the Corporation, that person is a “significant” shareholder. For purposes of assessing “relatedness”, a director who is a significant shareholder, or is a director with interests in or relationships with the significant shareholder is not considered a related director under Applicable Laws.

e. Audit Committee Independent Directors

Under Applicable Laws, a director shall be considered independent for the purposes of the Audit Committee if he or she meets the following requirements:

(A) Meaning of Independence

- (1) An Audit Committee member is independent if he or she has no direct or indirect material relationship with the Corporation.

- (2) For the purposes of subsection (1), a “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member’s independent judgement.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with the Corporation:
- (a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;
  - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;
  - (c) an individual who:
    - (i) is a partner of a firm that is the Corporation’s internal or external auditor,
    - (ii) is an employee of that firm, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation’s audit within that time;
  - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
    - (i) is a partner of a firm that is the Corporation’s internal or external auditor,
    - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation’s audit within that time;
  - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation’s current executive officers serves or served at that same time on the entity’s compensation committee; and
  - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than \$75,000 in direct compensation from the Corporation during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the Corporation solely because: (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or (b) he or she had a relationship identified in

subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.

- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
  - (a) remuneration for acting as a member of the board of directors or of any board committee of the Corporation, and
  - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member
  - (a) has previously acted as an interim chief executive officer of the Corporation, or
  - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the Corporation on a part-time basis.
- (8) For the purpose of section (A), the Corporation includes a subsidiary entity of the Corporation and a parent of the Corporation.

(B) Additional Independence Requirements

- (1) Despite any determination made under section (A), an individual who
  - (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
  - (b) is an affiliated entity of the issuer or any of its subsidiary entities,is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
  - (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

- (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

“Prescribed period” means the period prescribed by law and currently under the Multilateral Instrument 52-110 – Audit Committees it is the shorter of: (i) the period commencing on March 30, 2004 and ending immediately prior to the determination of independence; and (ii) the three year period ending immediately prior to the determination of independence.

## **2. Resignation or Withdrawal - Directors Who Change their Employment Responsibility**

Any director who changes the responsibility he or she held when elected or appointed to the Board should offer to resign from the Board. This will provide an opportunity for the Board to review and consider the continued appropriateness of that person’s Board membership under the changed circumstances. In carrying out this function, the Board shall consider the advice and input of the Governance and Nominating Committee.

## **3. Relationship with Management**

The Board functions independently of management. The role of the Chairman is to effectively provide leadership to the Board while the role of the CEO is to provide the day-to-day leadership and management of the Corporation. The role of the Lead Independent Director is to oversee and ensure the independence, and separation from management, of the Board.

## **4. Strategic Plan**

As noted in the Board’s mandate, the Board is ultimately responsible for adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the Corporation’s business. However, the initiative for developing and modifying the strategic plan and strategies to achieve these goals and objectives must come from the CEO and management. The Board may assist in the development of the strategies, act as a resource and contribute ideas but the CEO and management will lead this process.

## **5. Performance Evaluation**

### **a. CEO Evaluation**

One of the most important aspects of effective governance is the relationship between the CEO and the Board. It is crucial that the Board is fully informed and that the CEO has a forum for drawing on the wisdom and experience that exists within the Board. While it is expected that full and frank dialogue will exist between the CEO and the Board, a CEO review process should occur at least once a year to ensure that this communication takes place. This allows for a full and healthy dialogue between the Board and the CEO regarding corporate and individual performance.



b. Board, Committees and Individual Directors Evaluation

The Board is committed to evaluating its own performance and the performance of its Committees and individual directors on an annual basis. The review process is also an opportunity to provide input to each of the Chairman of the Board, the Lead Independent Director (if any) and the Chairman of each Committee on his or her performance.

**6. Meetings**

a. Number of Meetings

The Board will meet on a scheduled basis five times per year and more frequently if required.

b. Agenda

The Chairman, with the assistance of the Lead Independent Director (if any) and the CEO, will be responsible for establishing the agenda for Board meetings. The Chairman shall solicit from the members of the Board recommendations as to matters to be brought before the Board and shall ensure that such matters receive a fair hearing. A significant portion of each regularly scheduled Board meeting will be spent examining future plans and strategies for this purpose “future plans and strategies” is intended to be broader than strategic planning and includes without limitation future financial performance, future business operations and corporate development opportunities.

c. Guests at Board Meetings

Guests may be invited by the Board and CEO to make presentations to the Board. Should the CEO wish to invite other people as attendees on a regular basis, the CEO should first seek the concurrence of the Board.

d. Access to Senior Management

The Board encourages the CEO to bring into Board meetings employees who can provide additional insight into the items being discussed and/or who have potential in terms of management succession and should be given exposure to the Board.

e. Board Information - Regularly Scheduled Meetings

Not less than five business days prior to each regularly scheduled Board meeting, the Board should receive the following information from the Chairman and management: (i) an Agenda; (ii) a memo from the CEO outlining major accomplishments and issues; (iii) a summary of each agenda item that requires a thorough debate of various courses of action and concluding with management’s recommendations and summary of the risks, provided that if any matter is too sensitive to put on paper, the matter and any presentations with respect thereto will be discussed at the meeting.

f. Board Information - Non-Regularly Scheduled Meetings

Not less than two days prior to each non-regularly scheduled Board meeting, the Board shall receive from the Chairman and management the following: (i) an Agenda; (ii) a summary of each agenda item that requires a thorough debate of various courses of action and concluding with management’s recommendations and summary of the risks, provided that if any matter is too sensitive to put on paper, the matter and any presentations with respect thereto will be discussed at the meeting. Notwithstanding the foregoing, the Board understands that in extraordinary circumstances the required

delivery may be impractical, in which case the directors shall receive such materials sufficiently in advance of the meeting to enable the directors to fully and properly consider such materials.

## **7. Board Committees**

The Board shall adopt for each Board committee a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees) and manner of reporting to the Board.

Subject to Applicable Laws and any resolution of the Board, a committee may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Where neither the Board nor the committee has determined the rules or procedures to be followed by the committee, the rules and procedures set out in Sections 4 and 5.02 of the Corporation's By-Law No. 1, shall apply with necessary modifications.

The following shall apply to each Board committee:

### **a. Committee Membership**

Committee members are appointed by the Board on the recommendation of Governance and Nominating Committee in consultation with the Chairman and the Lead Independent Director (if any) and with consideration of the desires of individual Board members.

Consideration will be given to rotating committee members periodically.

Committee Chairmen are selected by the Board on the recommendation of the Governance and Nominating Committee.

### **b. Meeting Attendance**

A director who is not a member of a committee may attend meetings of such committee with the consent of the Chairman of the committee. A director who is not a member of a committee may not vote and may not be counted for the purposes of the quorum.

### **c. Committee Meetings and Agendas**

The committee Chairman, after consultation with committee members to the extent practicable, will determine the location, frequency and length of the meetings of the committee, provided that the Audit Committee shall meet at least four times per year. All other committees shall meet at least annually. The Chairman of the committee, in consultation with the CEO or the appropriate senior manager, will develop the committee's agenda.

### **d. Committee Responsibilities**

Committees should analyze, consistent with their Charter, strategies and policies that are developed by management. Committees may make recommendations to the Board but, unless specifically mandated to do so, do not take action or make decisions on behalf of the Board.

A committee may, from time to time, request assistance of external advisors who the committee requires to research, investigate and report on matters within a committee's term of reference.

e. Reporting

Each committee has a duty to report to the Board all matters that it considers to be important for Board consideration. All committee's minutes should be attached to the Board minutes and forwarded to each member of the Board by the Secretary in a timely manner.

**8. Director Compensation**

The Board shall establish the compensation of directors, after taking into account the recommendation of the Compensation Committee. The compensation should be generally in line with that paid by public companies of a similar size and type.

The Board encourages Board members to own shares in the belief that share ownership facilitates the directors' identification with the interests of the shareholders.

The Corporation shall maintain directors' and officers' liability insurance.

**9. Corporate Standards of Conduct**

The Board has the responsibility for ensuring that standards of conduct are established and monitored for compliance.

**10. Access to Outside Advisors**

Individual directors or a group of directors may engage an outside advisor at the expense of the Corporation in appropriate circumstances. The engagement of the outside advisor should be coordinated through the Chairman or the Lead Independent Director (if any) and be subject to Board approval.

**11. Meetings of Independent Directors**

The independent directors shall hold regularly scheduled meetings at least four times per year at which members of management and non-independent directors are not in attendance. In lieu of such meetings, the independent directors may meet during a portion of regularly scheduled Board meetings, provided that time is specifically scheduled and devoted to meeting without members of management.

**12. Orientation and Continuing Education of Directors**

The Board shall develop and provide an orientation and education program for new directors and shall provide continuing education opportunities for all directors. The Board delegates the orientation and continuing education process to the Governance and Nominating Committee.

## **Please direct all inquiries to:**

*Questions and Further Assistance*

If you have any questions about the information contained in this document or require assistance in completing your proxy form, please contact the proxy solicitation agent at:

The logo for Georgeson, featuring the word "Georgeson" in a blue serif font. The letter "G" is significantly larger than the other letters and has a decorative flourish at its base.

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