

**STOCK OPTION PLAN  
OF  
TORONTO CLEANTECH CAPITAL INC.**

**1. Purpose**

The purpose of the Stock Option Plan (the “**Plan**”) of **Toronto Cleantech Capital Inc.**, a corporation incorporated under the *Business Corporations Act* (British Columbia) (the “**Corporation**”) is to advance the interests of the Corporation by encouraging the directors, senior officers, employees and consultants of the Corporation, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Corporation (the “**Shares**”), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

**2. Administration**

This Plan shall be administered by the board of directors of the Corporation or by a special committee of the directors appointed from time to time by the board of directors of the Corporation pursuant to rules of procedure fixed by the board of directors (such committee or, if no such committee is appointed, the board of directors of the Corporation, is hereinafter referred to as the “**Board**”). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the directors.

Subject to the provisions of this Plan, the Board shall have authority to construe and interpret this Plan and all option agreements entered into thereunder, to define the terms used in this Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to this Plan and to make all other determinations necessary or advisable for the administration of this Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in this Plan and on their legal personal representatives and beneficiaries.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

**3. Stock Exchange Rules**

All options granted pursuant to this Plan shall be subject to rules and policies of any stock exchange or exchanges on which the Shares of the Corporation are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the “**Exchange**”).

In particular, during the time that the Corporation is a Capital Pool Company (as defined in Policy 2.4 of the Exchange), this Plan is subject to Section 7 of Policy 2.4 of the Exchange as it relates to the issuance of options.

**4. Shares Subject to Plan**

Subject to adjustment as provided in Section 17 hereof, the Shares offered under this Plan shall consist of the Corporation’s authorized but unissued common shares. Subject to Section 10 hereof, the aggregate number of Shares issuable upon the exercise of all options granted under this Plan shall not exceed 10% of the issued and outstanding common shares of the Corporation from time to time. If any option granted

hereunder expires or terminates for any reason in accordance with the terms of this Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

## **5. Maintenance of Sufficient Capital**

The Corporation shall at all times during the term of this Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of this Plan.

## **6. Eligibility and Participation**

Directors, senior officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or company that provides management services to the Corporation or its subsidiaries (“**Management Company Employees**”) shall be eligible for selection to participate in this Plan (such persons hereinafter collectively referred to as “**Participants**”). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by this Plan in the same manner as if the options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Shares subject to each option. In the case of employees or consultants of the Corporation or Management Company Employees, the option agreements to which they are party must contain a representation of the Corporation and that Participant that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or its subsidiaries.

A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the Board shall so determine.

## **7. Exercise Price**

- (a) The exercise price of the Shares subject to each option is determined by the Board, subject to applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be less than the Discounted Market Price (as defined in Policy 1.1 of Exchange).
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange and the option is granted, the exercise price of an option may only be reduced if at least 6 months have elapsed since the later of the date of the commencement of the term, the date the Corporation’s shares commenced trading or the date the exercise price was reduced. In the case of options held by insiders of the Corporation (as defined in the policies of the Exchange), the exercise price of an option may be reduced only if disinterested shareholder approval is obtained.

## **8. Number of Optioned Shares**

- (a) The number of Shares subject to an option granted to any one Participant is determined by the Board, but no one Participant shall be granted an option which exceeds the maximum number permitted by the Exchange.

- (b) The aggregate number of options granted to any single Participant in a twelve-month period must not exceed 5% of the issued common shares of the Corporation unless the Corporation has obtained disinterested shareholder approval in respect of such grant and the grant meets all other applicable Exchange requirements.
- (c) The aggregate number of options granted to any single consultant of the Corporation in a twelve-month period must not exceed 2% of the issued common shares of the Corporation.
- (d) The aggregate number of options granted to all persons retained to provide investor relations activities must not exceed 2% of the issued common shares of the Corporation in any twelve month period. Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least twelve (12) months with no more than  $\frac{1}{4}$  of the options vesting in any 3 month period.

## **9. Duration of Option**

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and subject to earlier termination as provided in Sections 13 and 14, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange. For greater certainty, if the Corporation is listed on the TSX Venture Exchange, the maximum term may not exceed ten (10) years.

## **10. Corporation as a Capital Pool Company**

Pursuant to Policy 2.4 of the Exchange, as may be amended from time to time, during the time that the Corporation is a Capital Pool Company the following restrictions apply:

- (a) the aggregate number of Shares issuable upon the exercise of all options granted under this Plan shall not exceed 10% of the common shares of the Corporation issued and outstanding at the closing of the Corporation's initial public offering ("**IPO**");
- (b) the aggregate number of Shares issuable upon exercise of all options granted under this Plan to any director or officer of the Corporation shall not exceed 5% of the common shares of the Corporation issued and outstanding at the closing of the IPO;
- (c) the aggregate number of Shares issuable upon the exercise of all options granted under this Plan to all technical consultants of the Corporation shall not exceed 2% of the common shares of the Corporation issued and outstanding at the closing of the IPO;
- (d) the exercise price of the options cannot be less than the greater of the IPO share price and the Discounted Market Price;
- (e) no options may be granted to a person providing investor relations activities, promotional or marketing services;
- (f) options granted to any person that does not continue as a director, officer, technical consultant or employee of the Resulting Issuer (as defined in Policy 2.4 of the Exchange), have a maximum term of the later of 12 months after the Completion of the Qualifying Transaction (as such term is defined in Policy 2.4 of the Exchange) and 90 days after the Optionee ceases to become a director, officer, technical consultant or employee of the Resulting Issuer;

- (g) no options granted pursuant to this Plan may be exercised prior to the Completion of the Qualifying Transaction unless the person exercising such options agrees in writing to deposit the Shares acquired into escrow until the issuance of the Final Exchange Bulletin (as defined in Policy 2.4 of the Exchange); and
- (h) no options may be granted pursuant to this Plan unless the optionee first enters into a CPC Escrow Agreement (as defined in Policy 2.4 of the Exchange) agreeing to deposit the options, and the Shares acquired pursuant to the exercise of such options, into escrow until the issuance of the Final Exchange Bulletin (as defined in Policy 2.4 of the Exchange).

## **11. Option Period, Consideration and Payment**

- (a) The option period is a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any option as provided in Sections 13 and 14.
- (b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.
- (c) Subject to any vesting restrictions imposed by the Board, options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, no options may be exercised under this Plan until this Plan is approved by a resolution duly passed by the shareholders of the Corporation.
- (d) Except as set forth Sections 13 and 14, no option may be exercised unless the Participant is, at the time of such exercise, a director, officer, consultant, or employee of the Corporation or any of its subsidiaries, or a Management Company Employee of the Corporation or any of its subsidiaries.
- (e) The exercise of any option is contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares of the Corporation unless and until the certificates for Shares issuable pursuant to options under this Plan are issued to him or them under the terms of this Plan.

## **12. Exchange Hold Period**

In addition to any resale restrictions under securities laws and any other circumstance for which the Exchange Hold Period (as defined in Policy 1.1 of the Exchange) may apply, where the exercise price of any options granted pursuant to this Plan is at a discount to the Market Price (as defined in Policy 1.1 of the Exchange), all such options and any Listed Shares (as defined in Policy 1.1 of the Exchange) under such options exercised prior to the expiry of the Exchange Hold Period must be legended with the Exchange Hold Period commencing on the date such options were granted.

## **13. Ceasing To Be a Director, Officer, Consultant or Employee**

- (a) Subject to subsection 13(b), if a Participant ceases to be a director, officer, consultant, employee of the Corporation, or its subsidiaries, or ceases to be a Management Company Employee, for any reason (other than death), such Participant may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Corporation.
- (b) If the Participant does not continue to be a director, officer, consultant, employee of the Resulting Issuer upon completion of the Corporation's Qualifying Transaction (as such terms are defined in the policies of the Exchange), the options granted hereunder must be exercised by the Participant within the later of twelve (12) months after completion of the Qualifying Transaction and 90 days after the Participant ceases to become a director, officer, consultant or employee of the Resulting Issuer.
- (c) Nothing contained in this Plan, nor in any option granted pursuant to this Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Corporation or of any of its subsidiaries or affiliates.

#### **14. Death of Participant**

Notwithstanding Section 13, in the event of the death of a Participant, the option previously granted to him shall be exercisable only within the one (1) year after such death and then only:

- (a) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that such Participant was entitled to exercise the option at the date of his death.

#### **15. Rights of Optionee**

No person entitled to exercise any option granted under this Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such option until certificates representing such Shares are issued and delivered.

#### **16. Proceeds from Sale of Shares**

The proceeds from the sale of Shares issued upon the exercise of options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

#### **17. Adjustments**

If the outstanding common shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation or another corporation or entity through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, any adjustments relating to the Shares optioned or issued on exercise of options and the

exercise price per Share as set forth in the respective stock option agreements shall be made in accordance to the terms of such agreements.

Adjustments under this Section 17 shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Share are required to be issued under this Plan on any such adjustment.

## **18. Transferability**

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of this Plan are neither transferable nor assignable unless specifically provided herein or the extent, if any, permitted by the Exchange. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

## **19. Amendment and Termination of Plan**

Subject to the policies, rules and regulations of any lawful authority having jurisdiction (including any exchange on which the Common Shares are listed for trading), the Board may at any time, without further action by the shareholders, amend this Plan or any option granted hereunder in such respects as it may consider advisable and, without limiting the generality of the foregoing, it may do so to ensure that options granted hereunder will comply with any provisions respecting stock options in the income tax or other laws in force in any country or jurisdiction of which a person to whom an option has been granted may from time to time be resident or citizen or the Board may at any time, without action by shareholders, terminate this Plan. The Board may not, however, without the consent of the option holder, alter or impair any of the rights or obligations under any option theretofore granted.

## **20. Necessary Approvals**

The ability of a Participant to exercise options and the obligation of the Corporation to issue and deliver Shares in accordance with this Plan is subject to any approvals that may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any option exercise price paid to the Corporation returned to the Participant.

## **21. Effective Date of Plan**

This Plan has been adopted by the Board, subject to the approval of the Exchange, and if so approved, subject to the discretion of the Board, this Plan becomes effective upon such approvals being obtained.

## **22. Interpretation**

This Plan is governed by and construed in accordance with the laws of the Province of British Columbia.