

SPECTRAL | U Medical | NI

SPECTRAL MEDICAL INC.
(formerly Spectral Diagnostics Inc.)

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Management Information Circular (this “**Circular**”) is furnished in connection with the **solicitation of proxies by and on behalf of the management of Spectral Medical Inc.** (“**Spectral**” or the “**Company**”) for use at the annual and special meeting (the “**Meeting**”) of holders (“**Shareholders**”) of common shares in the capital of the Company (“**Shares**”) to be held on May 12, 2015 at the offices of Stikeman Elliott LLP, Suite 5300, 199 Bay Street, Toronto, Ontario M5L 1B9 at 4:00 p.m. (Toronto time) and any adjournments or postponements thereof for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Shareholders (the “**Notice of Meeting**”). The solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by directors, officers or employees of the Company. The cost of such solicitation will be borne by the Company.

The Company will not be using the notice-and-access mechanism under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* for distribution of the Meeting Materials to Shareholders.

Unless otherwise specified herein, the information contained herein is given as of March 24, 2015.

VOTING PROCEDURES

Who Can Vote

You are entitled to vote if you are a Shareholder of record as of the close of business on April 7, 2015, (the “**Record Date**”). All such Shareholders will be entitled to one vote at the Meeting for each Share held except to the extent that such Shareholder has transferred any of such Shares after the Record Date and the transferee of any of such Shares produces properly endorsed Share certificates or otherwise establishes ownership thereof and makes a written demand not later than seven clear days before the Meeting to be included in the list of Shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote such Shares.

How to Vote

Regardless of how many Shares are owned by any particular Shareholder, the board of directors of the Company (the “**Board**”) encourages all Shareholders to vote. Please use the enclosed voting instruction form (a “**VIF**”) or proxy accompanying this circular to vote using one of the options set out in the chart below. Voting is quick and easy.

REGISTERED SHAREHOLDERS (YOU HOLD A PHYSICAL SHARE CERTIFICATE REGISTERED IN YOUR NAME. THERE ARE 4 WAYS TO VOTE USING THE ENCLOSED PROXY)			
1. VOTE BY INTERNET Go to: www.investorvote.com and vote using your Control # located on the front of your proxy. Follow the voting instructions on screen.	2. VOTE BY TELEPHONE: Call toll-free English 1-866-732-8683 and vote using your Control # located on your proxy.	3. VOTE BY FAX: Mark, sign and date your proxy form and return it by facsimile to toll free in North America 1-866-249-7775 or 1-416-263-9524	4. VOTE BY MAIL: Mark, sign and date your proxy form and return it in the enclosed postage-paid envelope
CANADIAN BENEFICIAL SHAREHOLDERS (YOU HOLD SHARES THROUGH A CANADIAN BANK, BROKER OR INTERMEDIARY) THERE ARE 4 WAYS TO VOTE USING YOUR VOTING INFORMATION FORM			
1. VOTE BY INTERNET: Go To: WWW.PROXYVOTE.COM and vote using the 16 digit control number located on your VIF.	2. VOTE BY TELEPHONE: Call toll-free English 1-800-474-7493 or French 1-800-474-7501 and vote using the 16 digit control number located on your VIF	3. VOTE BY FAX: Mark, sign and date your VIF and return it by facsimile to 1-905-507-7793 or 1-514-281-8911	4. VOTE BY MAIL: Mark, sign and date your VIF and return it in the enclosed postage-paid envelope.
UNITED STATES BENEFICIAL SHAREHOLDERS (YOU HOLD SHARES THROUGH A BANK, BROKER OR INTERMEDIARY)THERE ARE 3 WAYS TO VOTE USING YOUR VOTING INFORMATION FORM			
1. VOTE BY INTERNET: Go To: WWW.PROXYVOTE.COM and vote using the 16 digit control number located on your VIF.	2. VOTE BY TELEPHONE: Call the toll-free number listing on your VIF and vote using the 16 digit control number located on your VIF	3. VOTE BY MAIL: Mark, sign and date your VIF and return it in the enclosed postage-paid envelope.	

BOARD RECOMMENDATION

The Board recommends that Shareholders vote “**FOR**”:

- (i) Each of the proposed director nominees, whose names are set forth in the Circular;
- (ii) The reappointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditor of the Company, to hold office until the next annual meeting of Shareholders, and for the authorization for the directors to fix the auditor’s remuneration; and
- (iii) The Stock Option Plan Resolution (as defined herein).

REGISTERED SHAREHOLDERS

Registered Shareholders (“**Registered Shareholders**”) are Shareholders whose name appears directly on the share register of the Company maintained by the Company’s transfer agent, Computershare Investor Services Inc., as the direct holders of Shares. Only Registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Registered Shareholders who are unable to attend the

Meeting or any adjournment thereof in person are encouraged to vote by completing the enclosed form of proxy or, alternatively, by telephone, or over the internet, in each case in accordance with the enclosed instructions. A proxy will not be valid for use at the Meeting unless the completed form of proxy is deposited to the Corporate Secretary of the Company or to the Company's transfer agent, Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, before 4:00 p.m. (Toronto Time) on May 8, 2015 or, if the Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) preceding the day and time the adjourned Meeting is reconvened. Late proxies may be accepted or rejected by the chairman of the Meeting (the "**Chair**") in his discretion, and the Chair is under no obligation to accept or reject any particular late proxy.

The form of proxy accompanying this Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to matters identified in the Notice of Annual and Special Meeting accompanying this Circular and any other matters that may properly come before the Meeting. As at the date of this Circular, Spectral's management is not aware of any such amendments or variations, or of other matters to be presented for action at the Meeting.

NON-REGISTERED SHAREHOLDERS (BENEFICIAL SHAREHOLDERS)

The information in this section is of significant importance to Shareholders who do not hold their Shares in their own name. Shares beneficially owned by non-registered Shareholders ("**Non-Registered Shareholders**") are registered either:

- (i) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Shareholder deals with in respect of the Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or
- (ii) in the name of a depository (a "**Depository**", such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

Non-Registered Shareholders, wishing to vote their Shares, must instruct their Intermediary or Depository to vote their Shares on their behalf. Shares of a Non-Registered Shareholder will not be voted at the Meeting unless the Non-Registered Shareholder instructs its Intermediary or Depository to do so. The Intermediary or Depository must receive a Non-Registered Shareholder's voting instructions in sufficient time for the Intermediary or Depository to act on them. Non-Registered Shareholders that wish to vote in person at the Meeting must carefully follow the steps provided by their Intermediary or Depository to appoint themselves or another representative to vote at the Meeting.

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Company has distributed copies of the Notice of Meeting, this Circular and the form of proxy (collectively, the "**Meeting Materials**") to the clearing agencies, Intermediaries and Depository for onward distribution to Non-Registered Shareholders. The Company has elected to pay for the delivery of Meeting Materials to Non-Registered Shareholders. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders.

If you are a Non-Registered Shareholder of the Company, your Intermediary will send you a VIF or form of proxy accompanying this Circular. The VIF will instruct the Intermediary how to vote your Shares at the Meeting on your behalf. You must follow the instructions from your Intermediary to vote. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications Solutions, Canada ("**Broadridge**"). Broadridge typically mails a VIF to the Non-Registered Shareholders and asks Non-Registered Shareholders to return the VIF to Broadridge (in some cases the completion of the VIF may be by telephone or the internet). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting.

A Non-Registered Shareholder may also receive, on occasion, a form of proxy that has already been signed by the Intermediary (typically by a facsimile, stamped signature) and is restricted as to the number of Shares beneficially owned by that particular Non-Registered Shareholder. This form of proxy is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting it. In this case, the Non-Registered Shareholder who wishes to submit a proxy should otherwise properly complete the form of proxy and deliver it to the Company c/o Computershare Investor Services Inc. as provided above.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Shares that they beneficially own. Should a Non-Registered Shareholders who receives one of the above forms wish to vote at the Meeting in person, such Non-Registered Shareholders should strike out the names of the designated proxyholders and insert the Non-Registered Shareholder's name in the blank space provided.

In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary or Depository including those regarding when and where the proxy or proxy authorization form is to be delivered and may be revoked.

Additionally, the Company may utilize the Broadridge QuickVote™ service to assist eligible Non-Registered Shareholders with voting their Shares. There are two kinds of Non-Registered Shareholders: (i) those who object to their name being made known to the issuers of securities that they own (called "OBOs" or Objecting Beneficial Owners) and (ii) those who do not object (called "NOBOs" or Non-Objecting Beneficial Owners).

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy are senior officers of the Company. **A Shareholder has the right to appoint a person, other than the persons specified in the accompanying form of proxy, who need not be a Shareholder, to attend and act for him or her and on his or her behalf at the Meeting. A Shareholder desiring to appoint some other person as his or her proxy holder may do so by either inserting such person's name in the blank space provided in the form of proxy or by completing another legal form of proxy** and, in either case, delivering the completed proxy to the Corporate Secretary of the Company or to the Company's transfer agent, Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, before 4:00 p.m. (Toronto Time) on May 8, 2015 or, if the Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) preceding the day and time the adjourned Meeting is reconvened. Non-Registered Shareholders should carefully follow the procedures provided by their Intermediary to appoint themselves or someone else to represent their Shares at the Meeting. A Non-Registered Shareholder's Intermediary requires sufficient time to submit any proxies to Computershare Investor Services Inc. before the voting deadline.

A Shareholder executing the enclosed form of proxy has the right to revoke it under Subsection 110(4) of the *Business Corporations Act* (Ontario) ("**OBCA**"). A Shareholder may revoke a proxy as to any matter on which a vote has not already been cast pursuant to the authority conferred by such proxy and may do so: (a) by completing and signing a proxy bearing a later date and depositing it as aforesaid; (b) by depositing an instrument in writing revoking the proxy executed by the Shareholder, or by his or her attorney authorized in writing, before 4:00 p.m. (Toronto time) on May 8, 2015 or, if the Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) preceding the day and time the adjourned Meeting is reconvened; or (c) in any other manner permitted by law. Please note, only a registered shareholder can revoke a proxy. Non-Registered Shareholders should follow the instructions provided by their Intermediary or Depository. A Non-Registered Shareholder may revoke a VIF given to an Intermediary by written notice to the Intermediary, except that an Intermediary may not act on a revocation of a VIF which is not received by the Intermediary in sufficient time prior to the Meeting.

EXERCISE OF DISCRETION BY PROXIES

The management representatives named in the accompanying form of proxy will vote the Shares in respect of which they are appointed or will withhold such Shares from voting in accordance with the direction of the Shareholders appointing them.

In the absence of such direction, such Shares will be voted in favour of the matters set out in the Notice of Meeting. The accompanying form of proxy confers discretionary authority upon the persons named therein to vote in accordance with his or her best judgment with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting and any reconvened Meeting. At the date of this Circular, management of the Company knows of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

As at the date hereof, other than as disclosed herein, to the knowledge of the directors and senior officers of the Company, none of the directors or officers of the Company who have been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than (i) the election of directors and (ii) the re-approval of the Company's Amended Stock Option Plan V (the "Stock Option Plan").

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at March 24, 2015, the Company had 179,755,741 Shares issued and outstanding. Except as otherwise expressly set forth herein, all Shareholders of record at the close of business on the Record Date will be entitled to one vote at the Meeting for each Share held except to the extent that such Shareholder has transferred any of such Shares after the Record Date and the transferee of any of such Shares produces properly endorsed Share certificates or otherwise establishes ownership thereof and makes a written demand not later than seven clear days before the Meeting to be included in the list of Shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote such Shares. Shareholders who are entitled to participate in the Stock Option Plan are not entitled to vote on the Stock Option Plan Resolution (as defined below).

Two persons present in person or represented by proxy at the Meeting holding not less than 25 per cent of the Shares entitled to vote at the Meeting constitute a quorum for the transaction of business at the Meeting.

Other than as set forth below, as of the date hereof, to the knowledge of the directors and executive officers of the Company, no persons or corporations beneficially own, or exercise control or direction over, directly or indirectly, 10% or more of the issued and outstanding Shares:

- (i) Toray Industries, Inc., and/or its affiliates, ("**Toray**") owns 33,731,513 Shares representing approximately 18.8% of the issued and outstanding Shares (calculated on a non-diluted basis) as at December 31, 2014. In addition, pursuant to the exercise by the Company on March 14, 2015 of the call right (the "**Call Right**") previously granted to the Company by Toray, on or about April 1, 2015 Toray is expected to acquire a further 9,041,592 Shares from the Company at a subscription price of \$0.553 per Share, for net proceeds of \$5 million. Following the issuance of such Shares to Toray, and the issuance of the additional Shares to Birch Hill in connection with the exercise of their anti-dilution rights as outlined below, Toray will beneficially own and control 42,773,105 Shares, or 22.4%, of the currently issued and outstanding Shares, calculated on a non-diluted basis.
- (ii) Birch Hill Equity Partners Management Inc. ("**Birch Hill**") acts as the general partner of each of Birch Hill Equity Partners IV, LP, Birch Hill Equity Partners (US) IV, LP, and Birch Hill Equity Partners (Entrepreneurs) IV, LP (collectively, "**LPs**"). Birch Hill, on behalf of the LPs, owns directly

32,715,345 Shares representing approximately 18.2% of the issued and outstanding Shares (calculated on a non-diluted basis) as at December 31, 2014. In addition, following the exercise by the Company of the Call Right, and in connection with the exercise by Birch Hill of their anti-dilution rights, on or about April 1 2015, Birch Hill is expected to acquire a further 2,007,872 Shares at a subscription price of \$0.553 per Share, for net proceeds of \$1.1 million.

BUSINESS OF THE MEETING

1. FINANCIAL STATEMENTS AND AUDITOR'S REPORT

At the Meeting, the financial statements for the year ended December 31, 2014 and the auditor's report thereon will be presented by management of the Company. Such financial statements are contained in the Annual Report of the Company, copies of which have been mailed, together with the Meeting Materials, to Shareholders.

2. ELECTION OF DIRECTORS

The articles of the Company (the "**Articles**") provide that the Board shall consist of a minimum of three and a maximum of ten directors. The Board has been empowered to determine from time to time by resolution the number of directors within that provided for in the Articles.

The Board currently consists of six directors. Directors are elected annually at the annual Shareholder meeting and their term of office expires at the next annual Shareholder meeting, unless earlier terminated.

Toray is entitled to nominate one director to the Board for so long as Toray owns in the aggregate not less than 10% of the issued and outstanding Shares (on a non-diluted basis). Mr. Koichiro Takeshita is the Toray representative.

Birch Hill is entitled to nominate one director to the Board for so long as Birch Hill owns in the aggregate not less than 5% of the issued and outstanding Shares (on a non-diluted basis). Mr. William Stevens is the Birch Hill representative.

Medwell Capital Corp. ("Medwell") is entitled to nominate one director to the Board for so long as Medwell and its affiliates own in the aggregate not less than 5% of the issued and outstanding Shares (on a non-diluted basis). Mr. Kevin Giese has been the Medwell nominee. As of March 24, 2015, Medwell did not meet the ownership threshold to nominate a director.

Six nominees are proposed for election to hold office until the next annual meeting of Shareholders or until their successors are duly elected or appointed in accordance with the by-laws of the Company. **Unless contrary instructions are indicated on the form of proxy or voting instruction form, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the election of the nominees whose names are set forth below.** Management of the Company does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy will exercise discretionary authority to vote for the election of any other person or persons as directors unless they have been otherwise instructed on the form of proxy.

On April 15, 2013, the Board adopted a majority voting policy providing that if any proposed nominee receives a greater number of votes "withheld" from his or her election than votes "for" such election, then such nominee is expected to offer to resign. The Nomination & Governance Committee will review any such offer of resignation and make a recommendation to the Board. The Board will determine whether to accept the resignation and will announce its decision within 90 days following the shareholders' meeting. If the Board rejects the offer, it will disclose the reasons why. If the Board accepts the offer, it may appoint a new director to fill the vacancy. The policy would not, however, apply in circumstances involving contested director elections.

The following table and the notes thereto set out the name, province or state and country of residence of each person proposed to be nominated for election as a director of the Company; all of the major positions and offices held in the Company by such person; the principal occupation or employment of such person; the year in which such person became a director of the Company or a predecessor of the Company; and the number of Shares and options to acquire Shares that each director has advised the Company that he beneficially owns, or controls or directs, directly or indirectly, as at the date of this Circular. The Company has not independently verified such information.

Name Province/State and Country of Residence and Principal Occupation	Director Since	Number of Shares Beneficially Owned⁽¹⁾	Options to Acquire Shares Held⁽²⁾
MR. ANTHONY BIHL III ⁽³⁾⁽⁵⁾ Connecticut, USA CEO of Bioventus LLC	March 2008	275,000	250,000
MR. KEVIN GIESE ⁽⁴⁾⁽¹¹⁾ Alberta, Canada Director, President & CEO, Medwell Capital Corp.	March 2010	3,047,350 ⁽⁸⁾	250,000
MR. GUILLERMO HERRERA ⁽⁶⁾⁽⁷⁾⁽⁹⁾ Illinois, USA Independent Business Consultant	September 2006	75,000	250,000
MR. WILLIAM STEVENS ⁽⁴⁾⁽⁷⁾ Toronto, Canada President of GS Investment Corp.	September 2014	223,637 ⁽¹²⁾	125,000
MR. KOICHIRO TAKESHITA ⁽⁶⁾ Kanagawa, Japan Director, Medical Device Division, Toray Industries, Inc.	May 2013	-	-
DR. PAUL M. WALKER Ontario, Canada Director, President & CEO of the Company	April 2001	1,456,950 ⁽¹⁰⁾	1,900,000

Notes:

- (1) Information as to Shares beneficially owned is based on information provided by the respective nominees and has not been verified by the Company.
- (2) Each option is exercisable on its terms for one Share.
- (3) Chairman of the Board of Directors
- (4) Member of the Finance & Audit Committee.
- (5) Chairman of the Human Resources & Compensation Committee.
- (6) Member of the Nomination & Governance Committee.
- (7) Member of the Human Resources & Compensation Committee.
- (8) These Shares are held by Queensbury Ventures Inc., a company controlled by Mr. Giese and by Mr. Giese directly.
- (9) Chairman of the Finance & Audit Committee.

(10) These Shares are held by 1464672 Ontario Inc., a company controlled by Dr. Walker and by Dr. Walker directly.

(11) Chairman of the Nomination & Governance Committee.

(12) Includes Shares held by Mr. Stevens directly and those over which he has control or direction.

A brief biography of each nominee follows:

Paul Walker

Dr. Walker, M.D., Ph.D., F.R.C.S.C., has served as the Company's President and Chief Executive Officer and as a director since April 2001. Previously, he held the position of Chief Operating Officer of Toronto General Hospital, and was Surgeon in Chief and Vice President of the Surgical Directorate of the University Hospital Network in Toronto, Ontario. Dr. Walker was an active Vascular Surgeon and the Director of the Intensive Care Program, and Professor of Medicine and Laboratory Medicine at the University of Toronto. He received his M.D. from the University of Western Ontario, his Ph.D. from the Salgrenska University of Göteborg, Sweden, and is a graduate of the Advanced Management Program from Harvard School of Business as well as the Advanced Program for Chiefs of Clinical Services from Harvard School of Public Health.

Anthony Bihl III

Mr. Bihl has served on the Board since March 2008. Mr. Bihl is an experienced executive with more than 30 years in leadership of global healthcare businesses including a broad base of operational, financial, and senior executive positions. Mr. Bihl is currently the CEO of Bioventus LLC, a global provider of ortho biologic products, effective December 2, 2013. He also serves as a director on the board of Greatbatch Inc. From 2011 to 2012, Mr. Bihl was Group President of American Medical Systems ("AMS"), a subsidiary of Endo Pharmaceuticals, in Minneapolis, Minnesota. From 2008 to 2011, Mr. Bihl was the President and Chief Executive Officer of AMS. From 2000 to 2007, Mr. Bihl served in various senior leadership positions at Bayer Healthcare Diagnostics Division including Vice President of Finance, Senior Vice President of Business Planning and Administration, and President, Diagnostics Division. Subsequently, he was Chief Executive Officer of Siemens DX upon the acquisition of Bayer's Diagnostics Division by Siemens AG.

Kevin Giese

Mr. Giese has served on the Board since March 2010 and is President & Chief Executive Officer and a director of Medwell. Mr. Giese has over 20 years of corporate leadership experience as a Director, Chief Executive Officer and Chief Financial Officer, with 12 years' experience in biotech. He was a founder of BioMS Medical Corp., which received the international Scripps award for its technology licensing deal with Eli Lilly, and was named Biotech Company of the Year in Canada in 2008. He has been a member of the board of directors of BioAlberta, an advisory member of the Institute of Corporate Directors (Canada) and has received awards for entrepreneurship from BioAlberta and Ernst & Young. Mr. Giese has a B.A. (economics), a law degree and an M.B.A.

Guillermo Herrera

Mr. Herrera has served on the Board since September 2006. Mr. Herrera is a seasoned global healthcare executive with more than 30 years of experience. He is the former chairman and founder of Pinnacle Biologics Inc. Previously, Mr. Herrera spent 24 years at Abbott Laboratories, most recently serving as Senior Vice President, International Operations and President of Abbott International. In this role, he was accountable for international commercial operations including sales and marketing of pharmaceutical, nutritional and hospital products in markets outside the U.S. In 2004, Mr. Herrera joined Rosetta Partners LLC as the partner and principal in charge of the private equity division. Mr. Herrera received a B.A. in industrial economics from the Universidad del Valle, Colombia and his M.B.A. from the Kellogg Graduate School of Management at Northwestern University.

William Stevens

Mr. Stevens has served on the Board since September 2014. Mr. Stevens brings over 20 years of experience in the capital markets and investment industry to the Company. He is currently the President of GS Investment Corp, and was Managing Director of Westerkirk Capital Corp., both private investment management companies. He has held senior roles in investment banking and private equity and has a successful track record of value creation for shareholders. Mr. Stevens' educational background includes an M.B.A from the Harvard University Graduate School of Business Administration.

Koichiro Takeshita

Mr. Takeshita has served on the Board since May 2013. Mr. Takeshita has been Director, Medical Device Division of Toray since 2010. Mr. Takeshita joined Toray in 1983 and has over 20 years of experience in the clinical development of pharmaceutical products and medical devices. He was also a Technical Representative of Toray in its European Headquarters in London from 1991 to 1996. Mr. Takeshita received a bachelor's degree in pharmaceutical science from the University of Tokyo.

Other than as set out in this Circular, to the knowledge of management, no proposed director or a holding company of such proposed director has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Other than as set out in this Circular, no proposed director of the Company:

- (i) is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that,
 - a. was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
 - b. was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;
- (ii) is, as 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 (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (iii) 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 proposed director.

No proposed director has been subject to:

- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

3. REAPPOINTMENT OF AUDITOR

Unless contrary instructions are indicated on the form of proxy or voting instruction form, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the reappointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditor of the Company, to hold office until the next annual meeting of Shareholders, and for the authorization of the directors to fix the auditor's remuneration. PricewaterhouseCoopers LLP, and their predecessor Coopers & Lybrand, has been the auditor of the Company since its incorporation in 1991.

4. RE-APPROVAL OF THE STOCK OPTION PLAN

In 1999, the Company established the Stock Option Plan to secure for the Company and Shareholders the benefits of the incentive inherent in Share ownership by directors, officers, employees, advisors and consultants to the Company who could have a significant impact on the future growth and success of the Company. In May 2007, Shareholders approved an amendment to the Stock Option Plan to increase the maximum number of Shares that may be issued under the Stock Option Plan to 10% of the number of issued and outstanding Shares from time to time. The Stock Option Plan was re-approved by the Shareholders at the special meeting of Shareholders held on February 26, 2010 and at the annual and special meeting of Shareholders held on June 25, 2012. In accordance with TSX policies, the Stock Option Plan is due for re-approval prior to June 25, 2015.

During the 2012 fiscal year, the Board approved certain amendments to the Stock Option Plan to deal with the Canada Revenue Agency withholding and remittance requirements that came into force on January 1, 2011 as well as certain amendments of a "housekeeping" nature. Pursuant to the terms of the Stock Option Plan, Shareholder approval for such amendments was not required.

The complete text of the Stock Option Plan is attached as Schedule "A" to this Circular. A summary of the material terms of the Stock Option Plan is provided below under the heading "*Equity Compensation Plans – Stock Option Plan*". Pursuant to Section 613(a) of the TSX Company Manual, Shareholders must re-approve all unallocated options issuable pursuant to any security based compensation arrangement that does not have a fixed maximum aggregate of securities issuable every three years.

As such, the Company is seeking disinterested Shareholder approval of the re-adoption of the Stock Option Plan. For this purpose, "disinterested Shareholders" are Shareholders other than those persons or entities who are Shareholders and are entitled to participate in the Stock Option Plan. The requirement for disinterested Shareholder approval will be satisfied by approval of a majority of the votes cast on the resolution approving the re-adoption of the Stock Option Plan by disinterested Shareholders.

If disinterested Shareholders do not confirm and approve all of the unallocated options, rights or other entitlements with respect to treasury issuances under the Stock Option Plan at the Meeting, all options currently outstanding under the Stock Option Plan will be unaffected. However, the Company will be unable to grant and issue any additional options under the Stock Option Plan and any outstanding options that expire or are cancelled thereafter will not be available for re-grant until such time as Shareholder approval is obtained.

At the Meeting, disinterested Shareholders will be asked to consider and, if deemed appropriate, to approve, with or without variation, the following ordinary resolution (the "**Stock Option Plan Resolution**"), to approve the unallocated option, rights or other entitlements with respect to treasury issuances under the Stock Option Plan and the grant of options until May 12, 2018, being the date that is three (3) years from the date of the Meeting, subject to such amendments, variations or additions as may be approved at the Meeting:

“BE IT RESOLVED as an ordinary resolution that:

THAT the Stock Option Plan, in the form attached as Schedule A to the Circular, is hereby ratified, approved and re-adopted as the stock option plan of the Company;

THAT all unallocated options issuable under the Stock Option Plan are hereby confirmed and approved;

THAT the Company shall have the ability to continue granting options under the Stock Option Plan until May 12, 2018, being the date that is three (3) years from the date of the Meeting;

THAT upon the valid exercise of any options granted under the Stock Option Plan, the Shares shall be issued from treasury as fully paid and non-assessable Shares; and

THAT any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.”

To be effective, the Stock Option Plan Resolution must be approved by not less than a simple majority of the votes cast by disinterested Shareholders present in person or represented by proxy and entitled to vote at the Meeting. The Board believes that the foregoing is in the best interests of the Company and therefore unanimously recommends that disinterested Shareholders vote “For” the Stock Option Plan Resolution. **Unless a disinterested Shareholder directs that his or her Shares are to be voted against this resolution, the management representatives named in the accompanying form of proxy intend to vote FOR the Stock Option Plan Resolution.**

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Company’s executive compensation program is designed to provide short and long-term rewards to executive officers and other employees that are consistent with individual and corporate performance and the employee’s contribution to Spectral’s objectives. The objectives of the Company with respect to compensation of executive officers are to provide compensation levels necessary to attract and retain high quality executives and to motivate key executives to contribute to the success of the Company. These objectives are to be met by the principal components of the Company’s executive compensation program, as set out in greater detail below.

The total compensation plan for senior executives of the Company includes four components: base salary, annual discretionary cash bonus, annual benefits and a long-term component based on stock options.

The Company does not intend to make any significant changes to its compensation policies and practices in the next financial year.

Base Salary

Base salary is reflective of responsibilities and annual increases should, at a minimum, reflect inflationary pressures and changes in duties. At the date of hire, base salary is determined using a number of factors including industry comparators and relevant experience and is set out in the employment agreement. Annual increases are determined based upon reference to data on compensation levels of executives in comparable companies (i.e. public companies in the drug development/biotech/health care sector) as well

as annual performance evaluation and underlying economic circumstances. The Human Resources & Compensation Committee recommends the annual base salary increases for the Chief Executive Officer and the direct reports of the Chief Executive Officer to the Board for approval.

Annual Incentive Plans and Benefits

Cash bonuses are awarded to recognize the achievement of annual corporate objectives and to recognize contributions that enhance the intrinsic value of the Company. Benefits commensurate with those paid to senior officers of companies of similar size and scope to the Company are paid to Spectral's executive officers.

The annual incentive plan is a cash performance plan under which a payment is made to executives following the end of the Company's fiscal year, based on the achievement of established Company and individual goals. Generally, management of the Company prepares an annual business plan, comprised of a budget and corporate/strategic and financial objectives, which is reviewed and approved by the Board. Bonuses are generally paid to management if the corporate/strategic and financial objectives in such business plan are achieved by the Company, as evaluated at the end of the year by the Human Resources & Compensation Committee. The Human Resources & Compensation Committee may also recommend bonuses based on other criteria where circumstances merit. The Board can exercise discretion, either to award compensation absent attainment of the relevant performance goals or to reduce or increase the size of any award or payout. The Board did not exercise any discretion in this regard during 2014.

The annual objectives of the Company are presented to the Human Resources & Compensation Committee early in the fiscal year and regular updates are provided to the Human Resources & Compensation Committee by the Chief Executive Officer during the year. Following the completion of the fiscal year, the Chief Executive Officer presents an evaluation of corporate performance versus objectives to the Human Resources & Compensation Committee. The Chief Executive Officer also presents the recommended incentive plan payments for each of his direct reports to the Human Resources & Compensation Committee with reference to the achievement of individual objectives. The Board, on recommendation from the Human Resources & Compensation Committee, has final approval of the amounts paid to the Chief Executive Officer and his direct reports under the annual incentive plan.

The Board, upon the recommendations of the Human Resources & Compensation Committee, considers the implications of any risks associated with the Company's compensation policies and practices. On an annual basis, the Compensation Committee reviews the compensation of, among others, the Named Executive Officers (as defined under the heading "Summary Compensation Table" below), including bonuses, and presents their recommendations to the Board for evaluation, review and approval. The Board has not identified any risks arising from the Company's compensation policies or practices that could encourage a Named Executive Officer to take inappropriate or excessive risks.

Stock Options

The long-term component of compensation for executive officers, including the Chief Executive Officer, is based on stock options. This component of compensation is intended to reinforce management's commitment to long-term improvements in Spectral's performance and increased Shareholder value. The Stock Option Plan provides for initial option grants upon hire. Thereafter, options may be granted based upon the recommendations of the Human Resources & Compensation Committee. The Chief Executive Officer recommends the amount of option grants for each of his direct reports to the Human Resources & Compensation Committee. The Human Resources & Compensation Committee, after making any revisions deemed necessary, recommends the option grants to the Board for approval. Previous grants of options are taken into account when considering new grants because the Stock Option Plan is subject to certain limits. The maximum number of Shares that may be reserved for issuance on the exercise of options is 10% of the number of Shares issued and outstanding from time to time. In addition, the maximum number of Shares which may be reserved for issuance to any one optionee under the Stock Option Plan, together with any Shares reserved for issuance pursuant to employment agreements and/or other stock option and/or purchase plans of the Company, may not exceed 5% of the number of Shares issued and outstanding at the

time of the grant. See “Equity Compensation Plans – Stock Option Plan” below.

Directors and officers are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of the Shares granted as compensation or held, directly or indirectly, by the director or officer.

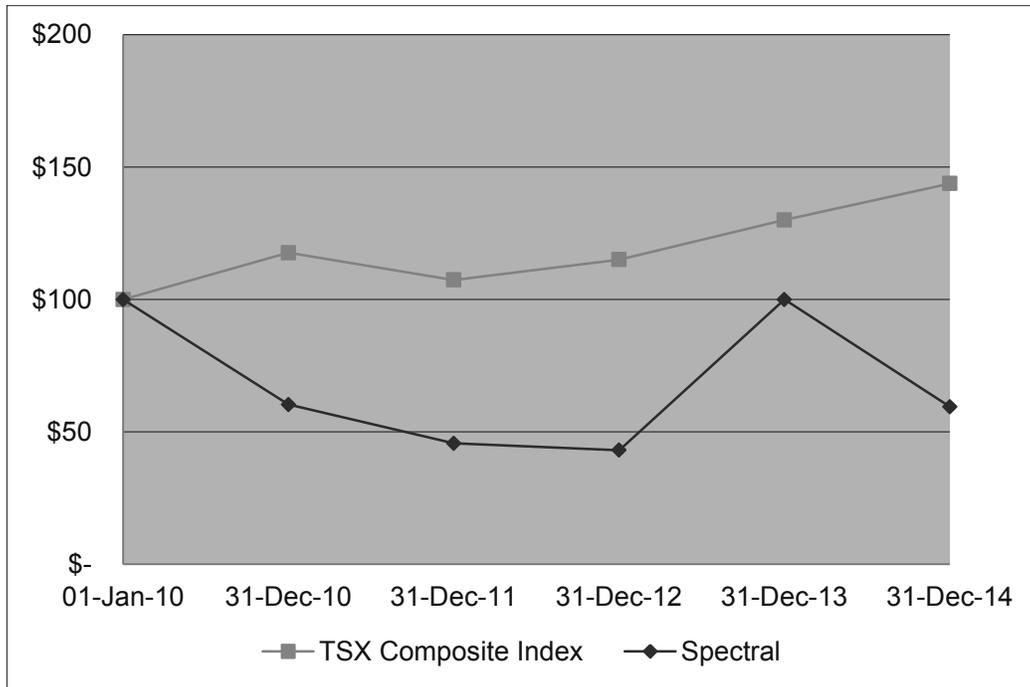
Compensation of the Chief Executive Officer

The total compensation package available for the Chief Executive Officer includes a base salary, a discretionary-bonus component, benefits and a long-term component based on stock options. Compensation is based upon the factors outlined above, including a comparison with compensation of senior officers of companies of similar size and scope to Spectral and the performance of Spectral. The Chief Executive Officer’s compensation is determined in accordance with the procedures outlined above.

Performance Graph

The Shares are listed and posted for trading on the TSX under the symbol “EDT” and on the OTCQX in the U.S. under the symbol “EDTXF”.

The following line graph compares the Company’s total Shareholder return for \$100 invested in Shares on January 1, 2010 with the cumulative total return on the TSX Composite Index for the five most recently completed financial years of the Company.



	January 1	December 31				
	2010	2010	2011	2012	2013	2014
Closing Price of Shares on the	\$0.58	\$0.35	\$0.265	\$0.25	\$0.58	\$0.35

TSX						
Company Return	\$100.00	\$60.34	\$45.69	\$43.10	\$100.00	\$59.48
TSX Composite Index Return	\$100.00	\$117.61	\$107.36	\$115.08	\$130.03	\$143.75

The performance trend shown by the above graph does not reflect the trend in the Company's compensation to Named Executive Officers reported over the same period. The market price of the Shares, like the share prices of many publicly traded biotechnology companies, has historically been highly volatile. The Company's compensation policies and practices are benchmarked to those of other companies in similar industries.

Summary Compensation Table

The following table provides a summary of all compensation paid or payable to the Chief Executive Officer, the Executive Vice President, Chief Financial Officer & Corporate Secretary, the Vice President of Sales & Marketing, and the Vice President of Clinical Development (collectively referred to as the "Named Executive Officers") during the years ended December 31, 2014, 2013, and 2012.

Name and Principal Position	Fiscal Year	Salary (\$)	Option-Based Awards ⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation ⁽²⁾ (\$)	All Other Compensation ⁽³⁾ (\$)	Total Compensation (\$)
Paul M. Walker President & Chief Executive Officer⁽⁴⁾	2014	425,993	96,610	148,750	21,000	692,353
	2013	424,899	58,333	255,000	21,000	759,232
	2012	413,584	56,736	60,000	21,000	551,320
Anthony Businkas Executive Vice President, Chief Financial Officer & Corporate Secretary	2014	266,245	36,110	55,700	45,000	403,055
	2013	265,562	21,774	88,000	45,000	420,336
	2012	258,491	20,977	22,500	45,000	346,968
Gualtiero Guadagni⁽⁵⁾ Vice President Sales & Marketing	2014	185,769	13,554	25,900	12,000	237,223
	2013	117,788	7,838	23,100	7,523	156,249
	2012	N/A	N/A	N/A	N/A	N/A
Debra M. Foster Vice President Clinical Development	2014	202,326	24,152	25,200	7,200	258,878
	2013	201,827	14,583	61,000	7,200	284,610
	2012	196,453	14,184	11,400	7,200	229,237

(1) The options granted to Named Executive Officers in 2014 vested at one quarter of the grant amount at the time of the grant. The balance of the options vests equally as to one-twelfth on each successive quarter such that all such options will be fully vested on January 3, 2017. The grants for 2014 were made on January 3, 2014 and the dollar value is based upon the Share price of \$0.58 and a Black Scholes' factor of 74.89%.

The options granted to Named Executive Officers in 2013 vested at one quarter of the grant amount at the time of the grant. The balance of the options vests equally as to one-twelfth on each successive quarter such that all such options will be fully vested on

February 7, 2016 and May 1, 2016 respectively. The grants for 2013 were made on February 7, 2013 and May 1, 2013 and the dollar value is based upon the Share price of \$0.215 and \$0.20 and a Black Scholes' factor of 85.99% and 84.88% respectively.

The options granted to Named Executive Officers in 2012 vested at one quarter of the grant amount at the time of the grant. The balance of the options vests equally as to one-twelfth on each successive quarter such that all such options will be fully vested on January 17, 2015. The grants for 2012 were made on January 17, 2012 and the dollar value is based upon the Share price of \$0.275 and a Black Scholes' factor of 89.74%.

- (2) Non-equity incentive plan compensation consists of annual cash bonuses.
- (3) For each Named Executive Officer, the amount includes a car allowance except with respect to Dr. Walker who does not receive a car allowance. For Dr. Walker and Mr. Businskas, this amount also includes annual RRSP contributions.
- (4) Dr. Walker is a director as well as an executive officer. Dr. Walker does not receive any additional compensation for his role as director.
- (5) Dr. Guadagni joined the Company in May 2013.

Executive Employment Agreements

The Company entered into employment agreements with each of Dr. Paul M. Walker (President & Chief Executive Officer), Mr. Anthony Businskas (Executive Vice President, Chief Financial Officer & Corporate Secretary), Ms. Debra Foster (Vice President Clinical Development) and Dr. Gualtiero Guadagni (Vice President Sales & Marketing).

Under the terms of their respective employment agreements with the Company, Dr. Walker, Mr. Businskas, Ms. Foster and Dr. Guadagni are each entitled to an annual base salary, bonuses and grants of stock options (if approved by the Board upon the Company meeting certain performance targets), participation in benefit plans, a car allowance, and reimbursement of reasonable out-of-pocket expenses incurred in performing their respective duties as officers of the Company. The employment agreements have indefinite terms.

Termination without Cause Payments

Dr. Walker is entitled to a payment equal to two times the sum of his then current annual salary and RRSP contribution. He is also entitled to a continuation of benefits for a two year period (the "**CEO Notice Period**") from the effective date of termination. All unvested options will continue to vest in accordance with the original vesting schedule during the CEO Notice Period. Vested, unexpired options can be exercised up until the last day of the CEO Notice Period. Any unexercised options will expire on the last day of the CEO Notice Period.

Mr. Businskas is entitled to a payment equal to the sum of his then current annual salary, RRSP contribution, car allowance, and the average of his actual annual bonus over the preceding two years.

Ms. Foster is entitled to a payment equal to the sum of her then current annual salary, car allowance, and the average of her actual annual bonus over the preceding two years.

Each of Mr. Businskas and Ms. Foster will also be entitled to a continuation of benefits for a one year period (the "**NEO Notice Period**") from the effective date of termination. All unvested options will continue to vest in accordance with the original vesting schedule during the NEO Notice Period. Vested, unexpired options can be exercised up until the last day of the NEO Notice Period. Any unexercised options will expire on the last day of the NEO Notice Period.

Dr. Guadagni is entitled to payment equal to the sum of his then current annual base salary, car allowance, the average of his actual annual bonus over the preceding two years, multiplied by a specified notice period (the "**Vice President Sales & Marketing Notice Period**"), from the effective date of termination. The Vice President Sales & Marketing Notice Period shall mean (i) three months if Dr. Guadagni's employment is terminated within one year; (ii) six months if Dr. Guadagni's employment is terminated after one year but on or before two years; (iii) one year if Dr. Guadagni's employment is terminated after two years. Dr. Guadagni will also be entitled to a continuation of benefits for a period equal to the Vice President Sales & Marketing

Notice Period. All unvested options will continue to vest in accordance with the original vesting schedule during the Vice President Sales & Marketing Notice Period. Vested, unexpired options can be exercised up until the last day of the Vice President Sales & Marketing Notice Period.

Termination following a Change of Control Event

Dr. Walker is entitled to a payment equal to two times the sum of (i) his then current annual salary, (ii) RRSP contribution, (iii) the average of his actual annual bonus in the preceding two years, and (iv) the value of benefit plan contributions that would be required to maintain participation in the group health plan for one year. All of Dr. Walker's unvested options will automatically vest and he will be entitled to exercise any unexpired options until their expiry date in accordance with the terms and conditions of the Stock Option Plan.

Mr. Businkas is entitled to a payment equal to one and one-half times the sum of (i) his then current annual salary, (ii) RRSP contribution, (iii) car allowance, (iv) the average of his actual annual bonus in the preceding two years, and (v) the value of benefit plan contributions that would be required to maintain participation in the group health plan for one year.

Ms. Foster is entitled to a payment equal to the sum of (i) her current annual salary, (ii) car allowance, (iii) the average of her actual annual bonus in the preceding two years, and (iv) the value of benefit plan contributions that would be required to maintain participation in the group health plan for one year.

All of Mr. Businkas and Ms. Foster's unvested options will automatically vest and any unexpired options will be exercisable until their expiry date in accordance with the terms and conditions of the Stock Option Plan.

Executive Compensation Review

The executive employment agreements described above became effective January 1, 2011 following the approval of the Board and based on the recommendations of an independent executive compensation review completed by Lane Caputo Compensation Inc. in 2010.

The review consisted of a comparison of compensation practices benchmarked against a group of relevant peer companies ranging from approximately half of the Company's size as measured by market capitalization to roughly double the Company's size.

The peer group was comprised of biotechnology companies with operations in similar stages of development to the Company. Like Spectral, the majority of the peer companies are leading a product through Phase III clinical trials, with the remaining companies well along in Phase II trials. The peer companies are all publicly traded and proxy circular compensation data is available for their highest paid positions.

In addition, compensation data from a salary survey of North American-based companies in the biotechnology and life sciences industries was used as a cross-check to the data from the peer group and to benchmark positions that are not typically disclosed in continuous disclosure documents.

The following elements of compensation were compared against Spectral's peer group:

1. Salary (either actual or estimated 2010 levels of compensation);
2. Bonus as a percentage of salary (the average of the three most recent actual annual bonuses paid, where three years of history was available);
3. Total cash compensation (estimated 2010 salary plus average annual bonus); and
4. Equity participation (average grant of stock options and other full-value, equity-based incentives).

There have been no further independent compensation reviews and none are currently planned.

Incentive Plan Awards

Other than grants of options under the Stock Option Plan, the Company does not compensate its executives with share-based awards.

Outstanding Option-Based Awards

The following table sets forth the details of all option-based awards granted to Named Executive Officers that are outstanding at December 31, 2014:

Name	Number of Shares Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-Money Options (\$)
Paul M. Walker President & Chief Executive Officer	475,000	0.40	March 2, 2015	-
	400,000	0.315	March 15, 2016	12,000
	300,000	0.285	January 17, 2017	18,000
	400,000	0.21	February 7, 2018	54,000
	400,000	0.60	January 3, 2019	-
Anthony Businkas Executive Vice President, Chief Financial Officer & Corporate Secretary	475,000	0.40	March 2, 2015	-
	150,000	0.315	March 15, 2016	4,500
	110,000	0.285	January 17, 2017	6,600
	150,000	0.21	February 7, 2018	20,250
	150,000	0.60	January 3, 2019	-
Gualtiero Guadagni Vice President Sales & Marketing	100,000	0.20	May 1, 2018	14,500
	66,000	0.60	January 3, 2019	-
Debra M. Foster Vice President Clinical Development	175,000	0.40	March 2, 2015	-
	100,000	0.315	March 15, 2016	3,000
	75,000	0.285	January 17, 2017	4,500
	37,500	0.21	February 7, 2018	5,063
	100,000	0.60	January 3, 2019	-

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of all option-based awards granted to Named Executive Officers that vested during the financial year ended December 31, 2014 and the value of all non-equity incentive plan compensation earned by Named Executive Officers during such year:

Name	Option-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
Paul M. Walker President & Chief Executive Officer	96,610	148,750
Anthony Businkas Executive Vice President, Chief Financial Officer & Corporate Secretary	36,110	55,700
Gualtiero Guadagni Vice President Sales & Marketing	13,554	25,900
Debra M. Foster Vice President Clinical Development	24,152	25,200

Pension Plan Benefits

The Company does not maintain any defined benefit pension plans or defined contribution pension plans.

Termination and Change of Control Benefits

The termination benefits to which the Named Executive Officers are entitled are set out above under “*Executive Employment Agreements*”. The following are the amounts of the severance payments that would have been made to each of the Named Executive Officers in the event of a termination without cause by the Company as at December 31, 2014: Paul Walker, \$890,720; Anthony Businkas, \$382,075; Debra Foster, \$256,671; and Gualtiero Guadagni, \$119,036 (or \$1,323,299; \$589,378; \$269,198; and \$128,104, respectively, in the event of a change of control of the Company which results in a material change to the Named Executive Officer’s duties).

Human Resources & Compensation Committee

The Human Resources & Compensation Committee is currently comprised of the following three directors: Anthony P. Bihl III, Guillermo Herrera and William Stevens, all of whom are independent directors. The Human Resources & Compensation Committee’s responsibilities include: (i) reviewing and making recommendations to the Board with respect to compensation of the Chief Executive Officer, and (ii) making recommendations to the Board with respect to non-Chief Executive Officer compensation, incentive compensation plans and equity-based plans.

In order to ensure that the compensation process remains objective: (i) the Board is required to review and evaluate all recommendations put forward by the Human Resources & Compensation Committee; (ii) both the Board and the Human Resources & Compensation Committee hold “in camera” sessions at which non-independent directors are not present.

Each of the Human Resources & Compensation Committee members has experience that is relevant to his responsibilities in executive compensation. See the biographies above under “Election of Directors”.

Director Compensation

On an annual basis, the Human Resources & Compensation Committee reviews the adequacy and form of compensation of the directors and the Chairman of the Board, to ensure the compensation realistically reflects the responsibilities and risks involved in being an effective director, and makes appropriate recommendations to the Board for approval.

Director Compensation Table

The following table presents the details of all compensation provided to directors of the Company for the year ended December 31, 2014:

Name	Fees Earned (\$)	Option-Based Awards⁽¹⁾ (\$)	All Other Compensation (\$)	Total (\$)
Anthony Bihl III	82,887	17,694	Nil	100,581
Kevin Giese	48,250	17,694	Nil	65,944
Guillermo Herrera	58,045	17,694	Nil	75,739
William Stevens⁽³⁾	8,625	12,109	Nil	20,734
Koichiro Takeshita	Nil	Nil	Nil	Nil
Laine Woollard⁽²⁾	32,625	17,694	Nil	50,319

(1) The options granted to directors in 2014 vested at the time of the grant. The grants for 2014 were made on January 3, 2014 and October 15, 2014. The dollar value is based upon the Share option fair value of \$0.58 and \$0.29; and a Black Scholes' factor of 74.89% and 67.42% respectively.

(2) Mr. Woollard resigned his position effective September 24, 2014.

(3) Mr. Stevens became director effective September 24, 2014.

Lane Caputo Compensation Inc. also reviewed director compensation in 2010. Directors' compensation as of January 1, 2011 reflects the recommendations of Lane Caputo Compensation Inc. following such review. In the review, the following elements of compensation were compared against the peer group:

1. Annual retainer;
2. Board and committee meeting fees;
3. Committee retainer; and
4. Equity based compensation.

Each director who is not a full-time employee of the Company receives an annual retainer of \$22,500 and \$1,500 for attendance at each of the meetings of the Board and its committees, except for meetings that are less than one hour in length. In addition, committee members receive a retainer of \$5,000 for their membership in the Finance & Audit Committee and \$1,250 for each of the Nomination & Governance Committee and the Human Resources & Compensation Committee. In recognition of their additional responsibilities, the Chairman of the Board and the Lead Independent Director each receives double the annual retainer of a director (\$45,000) and the Chairman of the Finance & Audit Committee receives double the committee member retainer amount (\$10,000) in recognition of the additional responsibilities. The Chairman of the Nomination & Governance Committee and the Human Resources & Compensation Committee each receives an annual retainer of \$5,000. Dr. Walker is compensated in his role as Chief Executive Officer; he receives no additional compensation for his role as a director.

All directors are reimbursed for their reasonable out-of-pocket travel and other expenses incurred in attending meetings of the Board or any committee thereof. No options granted to directors were forfeited unexercised during the 2014 fiscal year. Directors and officers of the Company are covered by insurance in respect of liability that may be incurred by them for acting in such capacity, unless the liability arises because such director or officer fails to act honestly and in good faith with a view to the best interests of the Company. See below under “*Directors and Officers Insurance*”.

Outstanding Option-Based Awards

The following table sets forth the details of all outstanding option-based awards granted to non-executive directors of the Company that are outstanding as at December 31, 2014:

Name	Number of Shares Underlying Unexercised Options	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-Money Options (\$)
Anthony Bihl III	50,000	0.40	March 2, 2015	-
	50,000	0.315	March 15, 2016	1,500
	50,000	0.285	January 17, 2017	3,000
	50,000	0.21	February 7, 2018	6,750
	50,000	0.60	January 3, 2019	-
Kevin Giese	75,000	0.61	March 10, 2015	-
	50,000	0.315	March 15, 2016	1,500
	50,000	0.285	January 17, 2017	3,000
	50,000	0.21	February 7, 2018	6,750
	50,000	0.60	January 3, 2019	-
Guillermo Herrera	50,000	0.40	March 2, 2015	-
	50,000	0.315	March 15, 2016	1,500
	50,000	0.285	January 17, 2017	3,000
	50,000	0.21	February 7, 2018	6,750
	50,000	0.60	January 3, 2019	-
William Stevens	75,000	0.30	October 15, 2014	3,375

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of all option-based awards granted to non-executive directors that vested during the financial year ended December 31, 2014. No non-equity incentive plan compensation earned was earned by any directors during the financial year ended December 31, 2014:

Name	Option-Based Awards – Value Vested During the Year (\$)
Anthony Bihl III	17,694
Kevin Giese	17,694
Guillermo Herrera	17,694
William Stevens	12,109
Laine Woollard	17,694

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS AS OF DECEMBER 31, 2014

Equity Compensation Plan Information

Plan Category	Number of Shares to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of Shares remaining available for future issuance under equity compensation plans
Equity compensation plans approved by Shareholders	5,566,000	\$0.37	12,407,724 ⁽¹⁾
Equity compensation plans not approved by Shareholders	N/A	N/A	N/A
Total	5,566,000	\$0.37	12,407,724

(1) Under the Stock Option Plan the aggregate number of Shares issuable is equal to 10% of the total number of Shares issued and outstanding from time to time.

The Company has two types of stock-based compensation plans. The first is a plan established for its employees (excluding officers and employee directors), the Company's 1998 Employee Stock Purchase Plan (the "**Stock Purchase Plan**"). The second is the Stock Option Plan.

The Company grants options to officers and directors under the Stock Option Plan. Options are granted and approved by the Board on the recommendation of the Human Resources & Compensation Committee and are granted at the market price of the Shares on the business day immediately preceding the day of the grant of such options. The vesting and expiry date of the options vary and are determined by the Board at the time of the grant.

The following table sets out the respective exercise prices and expiry dates for the above noted options:

Number of Options Granted	Exercise Price	Expiry Date
1,267,500	0.40	March 2, 2015

Number of Options Granted	Exercise Price	Expiry Date
150,000	0.61	March 10, 2015
1,055,000	\$0.315	March 15, 2016
685,000	\$0.285	January 17, 2017
75,000	\$0.20	May 18, 2017
787,500	\$0.21	February 7, 2018
100,000	\$0.20	May 1, 2018
355,000	\$0.38	August 12, 2018
916,000	\$0.60	January 3, 2019
100,000	\$0.32	October 1, 2019
75,000	\$0.30	October 15, 2019

During the 2014 fiscal year, 222,500 options were exercised, no options expired and 210,000 options were forfeited/cancelled.

As at December 31, 2014, options to purchase an aggregate of 5,566,000 Shares were outstanding and unexercised. Options to purchase an aggregate 12,407,724 Shares remain available for grant under the Stock Option Plan.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No executive officers, directors, employees, former executive officers, directors or employees of the Company, nor any of its subsidiaries are indebted to the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this Circular, no informed person of the Company, any proposed director of the Company or any associate or affiliate of such persons has had any material interest, direct or indirect, in any transaction of the Company during the last fiscal year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

Strong, effective corporate governance is a necessary foundation to improved performance and Shareholder confidence and is a key commitment of the Company.

As our Shareholders are aware, a series of guidelines, rules, regulations, listing standards and legislation has been passed or adopted over the last several years to assist companies in establishing best practices and to address concerns about governance. These include National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”) and National Policy 58-201 – *Corporate Governance Guidelines* (“NP 58-201”) passed by the Canadian Securities Administrators.

The Board believes that its effectiveness is a combination of structure, membership and process; and individual director effectiveness is a combination of competence, behaviour and independence.

In developing Spectral’s policies and practices, the Board and the Nomination & Governance Committee have carefully considered the Board’s structure, membership and its processes.

Set out below are certain key policies and practices that are, in the Company’s view, essential in creating a Board and committees of the Board that can function effectively, add value to the Company and evidence the various roles and shared responsibilities of management of the Company and the Board.

Board Membership and Independence

The Company believes that a strong and independent Board is fundamental to effective corporate governance and accordingly all of the Company's current and proposed directors, with the exception of Dr. Walker, are independent. Brief biographies of the directors are included earlier in this Circular and indicate the breadth, scope and diversity of their experience, all of which makes a major contribution to the Company, its operations and evolving needs. The independent directors of the Company meet, without the non-independent directors or management of the Company in attendance, after every regularly scheduled Board meeting. Accordingly, the independent directors met 8 times during 2014 without the non-independent directors or management of the Company.

Mr. Anthony Bihl III is an independent Chairman of the Board and reports to the Board and to the Shareholders. The Chairman of the Board is charged with the responsibility of leading the Board and organizing it to function in partnership with, but independently of, management of the Company in order to facilitate the achievement of the goals of the Company, including sustainable growth and maximizing Shareholder value. The Chairman is also charged with providing appropriate oversight of the management of the ongoing business and affairs of the Company, and fostering and supporting ethical and responsible decision making.

The Nomination & Governance Committee reviews Board composition and meets on a regular basis.

Directorships with Other Reporting Issuers

Mr. Giese is a director of Medwell Capital Corp. (TSX: MWC).

Position Descriptions

The Board has developed written position descriptions for the Chairman of the Board and, the Chair of each of the committees of the Board and the President & Chief Executive Officer. The position descriptions are as follows:

Chairman of the Board of Directors

The prime responsibility of the Chairman of the Board is to provide leadership to the Board to enhance Board effectiveness. The Chairman serves at the pleasure of and reports to the Board. The Board has ultimate accountability for supervision of the management of the Company. Critical to meeting this accountability is the relationship between the Board, management, Shareholders and other stakeholders. The Chairman, as the presiding member, must ensure that these relationships are effective, efficient and further the best interests of the Company.

The Chairman is tasked to:

- a. along with the Chief Executive Officer, establish the agenda for meetings of the Board and the annual general meeting and special meetings of Shareholders;
- b. chair meetings of the Board and the annual general meeting;
- c. oversee the Board's discharge of its duties assigned to it by law, in the constating documents of the Company and the Company's Corporate Governance Guidelines ;
- d. work with the Chief Executive Officer, as appropriate, as a counselor and provide advice on major policy issues;
- e. together with the Chief Executive Officer, represent the Company to employees, Shareholders and other stakeholders;
- f. develop a good working relationship between the office of the Chairman, the president and Chief Executive Officer, and the Board to assure open communications, cooperation, interdependence, mutual trust, respect, and commonality of purpose;
- g. take steps to foster the Board's understanding of its responsibilities and boundaries with management;

- h. ensure that procedures to govern effective and efficient conduct of the Board's work are in effect;
- i. ensure that the agenda and materials for annual and special meetings of Shareholders are prepared and distributed;
- j. ensure the distribution of information to the Board in a manageable form, with sufficient time for adequate review;
- k. in collaboration with the Chief Executive Officer, ensure data requested by directors or Board Committees is provided and meets their needs; and
- l. carry out other duties as requested by the Board.

Nomination & Governance Committee Chair

The prime responsibility of the Chairman of the Nomination & Governance Committee is to provide leadership to the Nomination & Governance Committee to ensure that the Nomination & Governance Committee is organized properly, functions effectively, and meets its obligations and responsibilities in accordance with its mandate. The Nomination & Governance Committee is required to meet as many times as required to carry out its responsibilities effectively. Critical to meeting this accountability is ensuring that the Company has in place an appropriate and effective system of corporate governance.

The Chairman of the Nomination & Governance Committee is tasked to:

- a. set the tone for the Nomination & Governance Committee work;
- b. in consultation with Chief Executive Officer and other members of senior management, develop the agendas and ensure all required business is brought before the Nomination & Governance Committee to enable the Nomination & Governance Committee to carry out its responsibilities;
- c. chair Nomination & Governance Committee meetings;
- d. ensure meeting information is distributed to committee members with sufficient time for adequate review;
- e. oversee the logistics of the Nomination & Governance Committee's operations and ensure compliance with the Nomination & Governance Committee terms of reference; and
- f. report to the full Board on the Nomination & Governance Committee's decisions and recommendations.

Human Resources & Compensation Committee Chair

The prime responsibility of the Chairman of the Human Resources & Compensation Committee is to provide leadership to the Compensation Committee and to ensure that the Human Resources & Compensation Committee is organized properly, functions effectively, and meets its obligations and responsibilities in accordance with its mandate. The Human Resources & Compensation Committee is required to meet as many times as required to carry out its responsibilities effectively. Critical to meeting this accountability is ensuring that the Company has in place an appropriate system of compensation.

The Chairman of the Human Resources & Compensation Committee is tasked to:

- a. set the tone for the Human Resources & Compensation Committee work;
- b. in consultation with Chief Executive Officer and other members of senior management, develop the agendas and ensure all required business is brought before the Human Resources & Compensation Committee to enable it to carry out its responsibilities;
- c. chair the Human Resources & Compensation Committee meetings;
- d. ensure meeting information is distributed to Human Resources & Compensation Committee members with sufficient time for adequate review;
- e. oversee the logistics of Human Resources & Compensation Committee's operations and ensure compliance with the Human Resources & Compensation Committee terms of reference; and
- f. report to the full Board on the Human Resources & Compensation Committee's decisions and recommendations.

Finance & Audit Committee Chair

The prime responsibility of the Chairman of the Finance & Audit Committee is to provide leadership to the Finance & Audit Committee to ensure that it is organized properly, functions effectively, and meets its obligations and responsibilities in accordance with its mandate.

The Finance & Audit Committee is required to meet as many times as required to carry out its responsibilities effectively. Critical to meeting this accountability is the relationship between the Finance & Audit Committee, management, and the external auditor. The Chairman of the Finance & Audit Committee must ensure that these relationships are effective, efficient and further the best interests of the Company.

The Chairman of the Finance & Audit Committee shall:

- a. set the tone for the Finance & Audit Committee work;
- b. in consultation with Chief Executive Officer and other members of senior management, develop the agendas and ensure all required business is brought before the Finance & Audit Committee to enable the committee to carry out its responsibilities;
- c. chair Finance & Audit Committee meetings;
- d. ensure meeting information is distributed to Finance & Audit Committee members with sufficient time for adequate review;
- e. oversee the logistics of Finance & Audit Committee's operations and ensure compliance with the Finance & Audit Committee terms of reference; and
- f. report to the full Board on the Finance & Audit Committee's decisions and recommendations.

President & Chief Executive Officer

The prime responsibility of the President & Chief Executive Officer is to develop and implement a corporate strategy which is expected to make Spectral a leader in the management of endotoxemia related diseases, focusing initially on the treatment of septic shock. The President & Chief Executive Officer is tasked to:

- a. prepare and submit an annual business plan to the Board for approval;
- b. make regular enhancements and modifications to the corporate strategy as market conditions change, as the Company grows and as other factors become significant;
- c. pursue new business developments in core product areas, as well as related areas;
- d. ensure that an implementation plan is in place achieve the corporate strategy and that the plan is carried through;
- e. effectively manage the growth of the Company during normal periods and during periods of significant change;
- f. manage all staff and ensure that the staff is highly productive through personal growth programs and by fostering excellent morale and a progressive corporate culture;
- g. ensure that an effective corporate top management team exists with provision for succession;
- h. maintain a climate which attracts, retains and motivates top quality managers;
- i. develop a finance strategy for raising capital and managing cash flows;
- j. be accountable for the Company's consistent achievement of its financial objectives and goals;
- k. be accountable for meeting all legal and regulated obligations as required, and ensure all actions on behalf of the Company comply with applicable laws;
- l. ensure the Company has an appropriate internal control environment for financial reporting, achievement of corporate objectives and compliance with applicable laws;
- m. report activities to the Board and present new business opportunities with cost and benefit justifications for the purposes of planning capital investment (where required);
- n. manage relationships with major suppliers with the objectives of optimizing costs and ensure a mutually beneficial arrangement, continuity and, where required, mutual growth;
- o. develop and manage alliances and partnerships with complimentary organizations to further market penetration in areas which cannot be dealt with solely by the Company;
- p. ensure that regulatory environments are addressed within the Company's corporate strategy and implementation plans;
- q. serve as the chief spokesperson for the Company and ensure that the Company is properly marketed to its various publics; and

- r. perform such additional duties and functions as may be reasonably requested from time to time by the Chairman of the Board or the Board itself.

Board Orientation and Continuing Education

New directors are introduced to the business of the Company through an initial orientation program, including meetings with the senior executives and tours of the business operations, so that they have a clear understanding of such business operations, and the Company can more effectively leverage their capability in the context of such business. New directors receive a Board orientation binder containing relevant historical material to assist them in learning about the Company, the role of the Board, its committees and its directors. The Board holds meetings each year at which management of the Company reviews with the Board its strategies, business plans, opportunities and risks. In addition, the Board periodically receives relevant articles and reports regarding the diagnostics and health markets and the Company's particular business, strategy and governance.

Board and Director Assessments

Like any process, corporate governance practices must be reviewed on a regular basis to ensure that the practices remain relevant and effective for the Company. In that regard, each of the directors completes a confidential questionnaire evaluating the Board and its committees annually. The questionnaires are reviewed by the Chair of the Nomination & Governance Committee. In addition, the Nomination & Governance Committee reviews the performance of the Board members annually. These assessments consider, in the case of the Board or a committee thereof, its mandate and/or key responsibilities and, in the case of individual directors, any applicable position description and the competencies and skills such director is expected to bring to the Board. The results of these reviews are reported to and discussed with the Board. The Nomination & Governance Committee also regularly reviews and evaluates its practices against various governance guidelines and best practices.

Term Limits

The Nomination & Governance Committee has established guidelines on the term of directors. Board members should anticipate serving for an initial period of three years. However, the Company has not adopted formal term limits for directors on the Board or other mechanisms of Board renewal. Overall tenure is based upon a member's continuing contribution, the ongoing needs of the Company and annual election by the Shareholders. The Nomination & Governance Committee reviews on a regular basis the makeup of the Board and particular skill sets which would be beneficial to the overall strategy and evolving business requirements of the Company. These skill sets include medicine/science, information technology, marketing and sales, general management, business, finance, government relations, academia, human resources, and governance. In addition, the Nomination & Governance Committee assesses each director in order to ensure that the Board is balanced between highly experienced directors with long-term institutional knowledge and those with a fresh perspective. The Board is of the view that such a review process is more effective than implementing terms limits or other mechanisms of Board renewal (such as a mandatory retirement age).

Women on the Board and in Executive Offices

The Company has not adopted a written policy specifically relating to the identification and nomination of women directors nor does the Board or the Nomination & Governance Committee consider the level of representation of women on the Board or in executive positions when nominating candidates for election to the Board or when making executive officer appointments. Instead, the Board and the Nomination & Governance Committee evaluates potential nominees to the Board by reviewing the qualifications of the nominee, irrespective of gender, and determines their relevance by taking into consideration the then current Board composition and the anticipated skills required to round out the capabilities of the Board. Similarly, the Board assesses candidates for executive positions with the Company based on experience,

skill and merit. However, the Company values diversity, including, without limitation, diversity of experience, perspective, education, race, gender and national origin as part of its overall business strategy.

The Board has not set specific targets as to the number of women board members it will maintain or the number of women executive positions it will maintain given the relatively small number of directors it currently has and the infrequent turnover of directors and executive officers.

As at the date of this Circular, no women are members of the Board and one woman holds an executive position, representing approximately 25% of such positions.

Meetings and Strategic Planning

The Board is actively involved on an ongoing basis in reviewing, providing input on and approving the Company's overall strategic plan, business plan and any strategic investments. The frequency of Board meetings depends upon the state of Spectral's operations and the opportunities and challenges which the Company faces. In addition to the formal meetings, there are informal consultations between senior management and directors. There were eight formal meetings of the Board during the year ended December 31, 2014.

Summary of Board and Committee Meetings Held During 2014

Board	8
Finance & Audit Committee	4
Human Resources & Compensation Committee	1
Nomination & Governance Committee	1

Summary of Director Attendance During 2014

Director	Board Meetings Attended	Finance & Audit Committee Meetings Attended	Human Resources & Compensation Committee Meetings Attended	Nomination & Governance Committee Meetings Attended
Mr. A. Bihl III ⁽¹⁾	8 of 8	4 of 4	1 of 1	1 of 1
Mr. K. Giese ⁽²⁾	8 of 8	4 of 4	1 of 1	1 of 1
Mr. G. Herrera ⁽³⁾	8 of 8	4 of 4	1 of 1	0 of 1
Mr. W. Stevens ⁽⁴⁾	2 of 8	N/A	N/A	N/A
Dr. K. Takeshita ⁽⁵⁾	7 of 8	N/A	N/A	N/A
Dr. P. Walker	8 of 8	N/A	N/A	N/A
Mr. L. Woollard ⁽⁶⁾	7 of 8	N/A	N/A	1 of 1

(1) Mr. Bihl is the Chairman of the Board and of the Human Resource & Compensation Committee. He was a member of the Finance & Audit Committee and Nomination and Governance Committee until November 27, 2014 and attended all meetings up to that date.

(2) Mr. Giese became Chairman of the Nomination & Governance Committee on November 27, 2014. He was a member of the Human Resources & Compensation Committee until November 27, 2014. He is a member of the Finance & Audit Committee.

- (3) Mr. Herrera is the Chairman of the Finance and Audit Committee. He is also a member of the Human Resources & Compensation Committee and the Nomination & Governance Committee.
- (4) Mr. Stevens became a member of the Board on September 23, 2014 and attended all meetings since then. He became a member of the Finance & Audit Committee and the Human Resources and Compensation Committee on November 27, 2014 and attended all meetings since then.
- (5) Dr. Takeshita became a member of the Nomination & Governance Committee on November 27, 2014.
- (6) Mr. Woollard resigned his position effective September 23, 2014 and attended all meetings up to that date.

Risk Management

The Board plays a significant oversight role in risk management, principally through the Finance & Audit Committee and the Human Resources & Compensation Committee. Risk is identified and managed at the corporate level and is reviewed with such committees on a regular basis and reported to the Board.

Shareholder Communications

Spectral has a Disclosure Committee consisting of the Chief Executive Officer, the Chief Financial Officer and the Chairman of the Board with the objective of having a clear and effective process to provide timely, accurate, consistent and non-selective disclosure of all material information to all of the Company's stakeholders. This Committee reviews and, where appropriate, approves all material external communications.

In addition, the Board and/or the Finance & Audit Committee reviews and approves material Company filings including this Circular, the annual report, the annual information form, interim and annual financial statements and management's discussion and analysis thereon and financial press releases.

Further information on the Company can be found at www.sedar.com. In addition, Shareholders can contact the Company's transfer agent, Computershare Investor Services Inc., at 1-800-564-6253. Current Share prices, financial reports, recent press releases and annual reports are accessible on the Company's website at www.spectraldx.com or by contacting Mr. Ali Mahdavi, Spinnaker Capital Markets Inc. at 416-962-3300 or AM@spinnakercmi.com.

The Board

The Board has the statutory duty to manage or supervise the management of the business and affairs of the Company. In carrying out such duties and exercising their powers, each director is required to act honestly and in good faith with a view to the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The directors are also given the right to delegate certain of their duties and responsibilities to committees of the Board. A description of the committees to which the Board has delegated certain duties and responsibilities as well as a description of those duties and responsibilities follows. The principal duties and responsibilities which have been retained by the Board include contributing to the formulation of and approving strategic plans; monitoring Company performance and the execution of its business plans; reviewing the Company's financial performance; reporting and disclosure; approving the annual financial statements of the Company; obtaining reasonable assurance as to the adequacy of the internal controls; approving all significant Company transactions; appointing the Chairman, Chief Executive Officer and senior executives of the Company and planning their succession on the recommendation of the Human Resources & Compensation Committee; overseeing the identification of the principal risks to the Company and the implementation of appropriate processes and systems to manage such risks; and reviewing and approving key policies developed by management around ethical conduct, compliance, and practices. The text of the Board's written mandate, entitled "Corporate Governance Guidelines and Practices", is set out in Schedule "B" to this Circular.

The Committees

The Board does not have an executive committee, but has created and delegated some of its duties to three standing committees of the Board: the Finance & Audit Committee; the Human Resources & Compensation Committee; and the Nomination & Governance Committee. Each of the committees has a written mandate which sets out its principal duties and responsibilities, all of which are reviewed annually. The Finance & Audit Committee and the Nomination & Governance Committees are comprised entirely of independent directors. The Human Resources & Compensation Committee is comprised of two independent and one non-independent director.

A summary of the key responsibilities of each of the standing committees is set out in Schedule “C” to this Circular.

Trading in Company Securities

The Company has established blackout periods during which securities of the Company cannot be traded by insiders of the Company, including directors and senior officers. In addition, to the extent that the Company is engaged in material undisclosed activities, additional blackout periods are formally imposed. These blackout periods apply to all securities whether held directly or in any equity compensation plan. There are no separate blackout periods related to non-insider equity compensation plan participants. Directors and senior officers are required to report any trading in securities of the Company within the requisite period required under the *Securities Act* (Ontario).

Equity Ownership Guidelines for Directors and Officers

In November, 2013, the Company adopted share ownership guidelines (the “**Guidelines**”) for directors and officers, to be effected at the discretion of the Board, the details of which are described below:

Under the Guidelines, non-officer directors of the Company should, upon the later of: (a) five years after November 1, 2013, or (b) within five years of joining the Board, own, and continue to own while a director, a combination of the number of Shares and notional units under a deferred share unit or similar plan of the Company, with a market value equal to two times the annual director retainer (“Board Target Ownership”). Directors should own 20% of the Board Target Ownership by June 30, 2014, or within one year of joining the Board. As of the date of this Circular, the Board Target Ownership has been met. The Guidelines do not apply to any Board member holding a Board seat as designate of a significant shareholder of the Company, who is authorized to vote that shareholder’s Shares on all Board matters, as appropriate.

Under the Guidelines, officers of the Company should, upon the later of: (a) five years after November 1, 2013, or (b) within five years of initially becoming an officer of the Company own, and continue to own while an officer of the Company, a combination of the number of Shares and notional units under a restricted share unit or similar plan of the Company, with a market value equal to the Officer Target Ownership outlined below. The Officer should own 20% of the Officer Target Ownership by June 30, 2014 or within one year of initially becoming an officer of the Company. As of the date of this Circular, the Officer Target Ownership has been met.

Officer	Officer Target Ownership (Base Salary Multiple)
CEO	2.0 X
CFO	1.0 X
Other Officers	0.5 X

“Market value” is determined at any time or from time to time for purposes of the Guidelines based on the number of the Shares and/or notional units, as applicable, owned or to be owned and using the highest price of the Shares on the TSX during the previous twelve month period.

Equity Compensation Plans

The equity compensation plans that the Company has in place reflect the recommendations of the independent compensation review completed by Lane Caputo Compensation Inc. during 2010. All equity compensation plans of the Company which provide for the issuance of Shares from treasury to participants have been approved by the Board and the TSX. Pursuant to the TSX rules, any changes to such plans may require Shareholder approval.

Stock Option Plan

Below is a summary of the material terms of the Stock Option Plan, as required by Section 613(d) of the TSX Company Manual:

- (a) Eligible participants in the Stock Option Plan include consultants, employees, executives or directors of the Company, or an affiliated entity or a consultant's consultant company or partnership, or an RRSP or RRIF of such consultants, employees, executives or directors.
- (b) The maximum number of Shares that may be issued under the Stock Option Plan is 10% of the number of issued and outstanding Shares from time to time. As a result, any increase in the issued and outstanding number of Shares will result in an increase in the available number of the Shares issuable under the Stock Option Plan, and any exercises of options, warrants or other convertible securities of the Company will make new grants available under the Stock Option Plan, effectively resulting in a re-loading of the number of options available to grant under the Stock Option Plan.

As of the date of this Circular, the current maximum number of Shares that may be issued under the Stock Option Plan is currently 17,973,724 (the "**Current Plan Maximum**"); Options to purchase an aggregate of 5,566,000 Shares are currently outstanding and unexercised (representing approximately 31% of the Current Plan Maximum and approximately 3.1% of the Shares currently outstanding). Options to purchase an aggregate of 12,407,724 Shares remain available for grant under the Stock Option Plan (representing approximately 69% of the Current Plan Maximum).

- (c) The Human Resources & Compensation Committee administers the Stock Option Plan, designates from time to time those directors, officers, employees, advisors and consultants to the Company to whom options are to be granted and determines the number of Shares covered by such options. Options are granted by the Company pursuant to recommendations of the Human Resources & Compensation Committee and approval of the Board.

No member of the Human Resources & Compensation Committee is entitled, during the tenure of his or her membership on the Human Resources & Compensation Committee, to participate in the Stock Option Plan (except where options are granted to all or substantially all of the Board members), but such member is entitled to exercise any options granted to him or her before such person became a member of the Human Resources & Compensation Committee.

- (d) The total number of Shares to be optioned to any optionee under the Stock Option Plan, together with any Shares reserved for issuance under employment agreements and employee stock option purchase plans or any other option plans to such optionee cannot exceed 5% of the issued and outstanding Shares at the date of the grant of the option.
- (e) The Human Resources & Compensation Committee, or in its absence the Board, is responsible for determining the exercise price of options granted under the Stock Option Plan. However, options granted under the Stock Option Plan must have an exercise price of not less than the closing price of the Shares on the TSX on the last business day

preceding the date on which the option grant is approved by the Human Resources & Compensation Committee. In the event that the Shares did not trade on such business day, the exercise price will be the average of the bid and ask prices in respect of the Shares at the close of trading on such date.

- (f) Subject to the other provisions of the Stock Option Plan, the specific terms of an option grant including the number of Shares subject to each option, the exercise price, the vesting period, the expiration date of each option, the extent to which each option is exercisable from time to time during the term of the option are determined by the Human Resources & Compensation Committee or, in its absence, the Board; provided however, that if no specific determination is made by the Human Resources & Compensation Committee or the Board, as the case may be, with respect to the expiration of options, each option will, subject to any other specific provisions of the Stock Option Plan, be exercisable for a maximum term of 10 years from the date the option is granted. Notwithstanding the foregoing, in no event may the term of an option granted under the Stock Option Plan exceed 10 years from the date of grant.
- (g) Unless the Compensation Committee or the Board, as the case may be, decides otherwise: (i) options granted under the Stock Option Plan terminate on the earlier of (i) the expiration date of the option or (ii) 30 days following the date on which the optionee ceases to be eligible to participate in the Stock Option Plan (including, resignation, retirement or termination without cause); (ii) upon the death of an optionee, all options held by the optionee may, subject to the terms of the option grant and any other terms of the Stock Option Plan, be exercised by the legal personal representative(s) of the estate of the optionee during the first six months following the date of the death of the optionee, but only to the extent that the optionee was entitled to exercise such option at the date of death and at the date of exercise; and (iii) if, before the expiry of an option in accordance with its terms, the employment of an optionee by the Company or by a subsidiary is terminated for legal cause, all unexercised options held by the optionee will terminate immediately.
- (h) An option granted under the Stock Option Plan is personal to the optionee and is non-assignable.
- (i) The Board may from time to time amend the Stock Option Plan or the terms of any previously granted option without obtaining the approval of the Shareholders, provided that, except pursuant to applicable laws, no such amendment to the terms of any previously granted option may, except as expressly provided in the Stock Option Plan, or with the written consent of the optionee, adversely alter or impair the terms or conditions of such option previously granted to such optionee under the Stock Option Plan. Notwithstanding the foregoing, Shareholder approval is required for the following amendments to the Stock Option Plan: (i) a change in the number or percentage of Shares reserved for issuance under the Stock Option Plan; (ii) a reduction of the exercise price of an option held by any optionee who is an insider or the cancellation and reissue of options; (iii) an extension beyond the original expiry date of an option held by any optionee; (iv) an increase to the maximum number of Shares that may be issued to insiders within a one-year period or which would increase the maximum number of Shares issuable to more than 10% of the outstanding Shares; (v) permitting options to be transferable or assignable other than for normal course estate settlement purposes; and (vi) a change to the amendment provisions of the Stock Option Plan.

Pursuant to Section 613(a) of the TSX Company Manual, Shareholders must re-approve any security based compensation arrangement that does not have a maximum aggregate of securities issuable and all unallocated options issuable pursuant thereto every three years.

Business Conduct and Ethics

The Company's business conduct and ethics are embodied in certain core values, including mutual trust, respect for people, integrity and commitment to excellence. At Spectral, ethical behaviour is the

responsibility of all employees, not simply that of senior officers. A copy of the Company's code of ethics and business conduct (the "**Code**") can be obtained by contacting the Company at 1-888-426-4264.

Directors are required to notify management of the Company in writing of the existence of any personal or professional relationships which may create a conflict of interest with the Company or with a customer, supplier or other outside party. In addition, directors are required to disclose to the Board any material interest in any proposed transaction/agreement to be entered into by the Company which is subject to Board approval.

The Company's directors, officers, employees and consultants have a responsibility to report any conduct or proposed conduct reasonably believed to be in violation of the Code promptly to the Corporate Secretary of the Company. The Corporate Secretary is required to report any suspected violation of the Code to the Human Resources & Compensation Committee for investigation. The Human Resources & Compensation Committee in turn reports to the Board. On an annual basis, the Board undertakes a self-assessment of its governance practices including compliance with the Code. Management of the Company is also interviewed in connection with such assessment. The Corporate Secretary of the Company is the contact person for employees, officers, and directors who may wish to report any suspected violations of the Code. Employees are asked if they are aware of any violations during annual performance reviews and senior management make enquiries at each of its regularly scheduled meetings. To date there have been no reports of any suspected violations of the Code.

Nomination Committee Process

The Company's current governance practices address a number of the disclosure rules including the requirement for a nomination committee, a nomination committee charter and confirmation as to independence of the committee's members under applicable listing standards.

In addition, Spectral's Nomination & Governance Committee reviews the composition of the Board on a regular basis, taking into account a number of factors, including the evolving needs of the Company, and the breadth and depth of experience of the Board members. Potential nominees for the Board currently come from a number of sources including recommendations of existing independent Board members, senior management and outside search firms.

All proposed candidates are reviewed by members of the Nomination & Governance Committee, the Chairman of the Board and certain members of senior management. Such review takes into consideration the competencies and skills of any proposed candidate as well as the ability to devote the necessary amount of time to Board member duties. The final decision as to whether such candidates are proposed to the Shareholders as nominees is made by the Board.

Director Independence

It is the objective of the Board that all non-employee directors meet the criteria for independence as set out in applicable securities laws. In addition, the Company's Corporate Governance Guidelines and Practices require that members of the Finance & Audit Committee satisfy the independence requirements under applicable securities laws for members of audit committees.

Based upon the information provided by the directors, the Board has determined that all of the directors, other than Dr. Walker, who is also the Chief Executive Officer, are independent.

Shareholder Communications with the Board

Shareholders and other interested parties may communicate directly with the Board or the independent directors. All communications should be in writing and should be directed to the Chairman of the Board c/o Spectral Medical Inc., 135 The West Mall, Unit 2, Toronto, Ontario, M9C 1C2 or to the Corporate Secretary at Spectral Medical Inc., 135 The West Mall, Unit 2, Toronto, Ontario, M9C 1C2 or by e-mail to: tbusinkas@spectraldx.com.

The sender should indicate in the address whether it is intended for the entire Board, the independent directors as a group, or an individual director. Each communication intended for the Board or independent directors received by the Chairman or Corporate Secretary will be forwarded to the intended recipients subject to compliance with instructions from the Board in effect from time to time concerning the treatment of inappropriate communications.

Overall Approach

The Board and senior management believe that the Company's current governance practices are appropriate and comply in all material respects with applicable statutory, regulatory and exchange requirements.

DIRECTORS AND OFFICERS INSURANCE

Spectral's directors and officers insurance was renewed in January 2015. The amount of the annual premium paid by Spectral was \$81,918; no amount was payable by the directors or officers in respect of such insurance. The insurance policy is subject to a \$30 million limit, both per claim and in the aggregate. A \$50,000 deductible applies to each claim up to \$10 million made by the Company on its own behalf and on behalf of each director and officer insured for corporate indemnity. A nil deductible applies to all other claims.

ADDITIONAL INFORMATION

Shareholders who wish additional information should contact Computershare Investor Services Inc. toll-free at 1-800-564-6253, locally at 514-982-7555 or by email at service@computershare.com with any questions regarding the deposit of proxies.

Financial information is provided in the Company's comparative annual financial statements and MD&A for the fiscal year ended December 31, 2014. The Company has complied with Section 5.1 of National Instrument 52-110 – *Audit Committees*, and the disclosure required by Form 52-110F1 is included in the Company's Annual Information Form on pages 23 and 24 under the heading, "Finance and Audit Committee".

Additional information relating to the Company is available on SEDAR at www.sedar.com. Shareholders may also contact the Company at 1-888-426-4264 to request copies of the Company's current annual report, annual information form, financial statements, MD&A and other continuous disclosure documents filed by the Company.

APPROVAL

The contents and the sending of this Circular have been approved by the Board and a copy of the Circular has been sent to each director of the Company, the auditor of the Company and each Shareholder entitled to notice of the Meeting.

DATED at Toronto, Ontario, the 24th day of March, 2015.

Anthony Businkas

Executive Vice President, Chief Financial Officer, and Corporate Secretary

Schedule "A": Amended Stock Option Plan V

ARTICLE I – PURPOSE OF PLAN

- 1.1 The purpose of the Plan is to secure for the Corporation and its shareholders the benefits of the incentive inherent in share ownership by eligible persons who, in the judgment of the board, could have a significant impact on the future growth and success of the Corporation. It is generally recognized that share option plans aid in retaining and encouraging directors, officers and employees of exceptional ability, advisors and consultants to the Corporation and its affiliated entities because of the opportunity offered to them to acquire a proprietary interest in the Corporation.

ARTICLE II - DEFINED TERMS

Where used herein, the following terms shall have the following meanings, respectively:

- 2.1 **"affiliated entity"** has the meaning attributed thereto in National Instrument 45-106 – Prospectus and Registration Exemptions;
- 2.2 **"Board"** means the board of directors of the Corporation;
- 2.3 **"Business Day"** means any day, other than a Saturday or a Sunday, on which the Toronto Stock Exchange is open for trading;
- 2.4 **"Committee"** shall have the meaning attributed thereto in Article III hereof;
- 2.5 **"Corporation"** means Spectral Medical Inc. and includes any successor corporation thereto;
- 2.6 **"Eligible Persons"** means any consultant, employee, executive or director of the Corporation or an affiliated entity or a consultant's consultant company or partnership, an RRSP or RRIF established by or for the consultant or under which the consultant is a beneficiary, a subsidiary (as defined by National Instrument 45-106 – Prospectus and Registration Exemptions) of the employee or an RRSP or RRIF established by or for the employee or under which the employee is the beneficiary, or a subsidiary of the executive or an RRSP or RRIF established by or for the executive or director or under which the executive or director is the beneficiary, as such terms are defined in National Instrument 45-106 – Prospectus and Registration Exemptions;
- 2.7 **"Exercise Price"** means the price per Share at which Shares may be purchased under the Option, as the same may be adjusted from time to time in accordance with Article VIII hereof;
- 2.8 **"Market Price"** at any date in respect of Shares shall be the closing price of such Shares on The Toronto Stock Exchange (or if such Shares are not then listed and posted for trading on The Toronto Stock Exchange, on such other stock exchange on which the Shares are listed and posted for trading) on the last Business Day preceding the date on which the Option grant is approved by the Committee. In the event that such Shares did not trade on such Business Day, the Market Price shall be the average of the bid and ask prices in respect of such Shares at the close of trading on such date. In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Price in respect thereof shall be the fair market value of such Shares as determined by the Board in its sole discretion;
- 2.9 **"Option"** means an option to purchase Shares granted under the Plan;
- 2.10 **"Optionee"** means a person to whom an Option has been granted;

- 2.11 **“Plan”** means this Stock Option Plan V, as embodied herein, as the same may be amended or varied from time to time; and
- 2.12 **“Shares”** means the common shares of the Corporation, or, in the event of an adjustment contemplated by Article VIII hereof, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment.

ARTICLE III — ADMINISTRATION OF PLAN

- 3.1 **Committee:** The Plan shall be administered by the Compensation Committee of the Corporation (the **“Committee”**), or, in its absence, the Board.
- 3.2 **Powers:** In administering the Plan, the Committee or the Board, as the case may be, shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:
- (i) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
 - (ii) to interpret and construe the Plan and to determine all questions arising out of the Plan and an Option granted pursuant to the Plan, and any such interpretation, construction or termination so made shall be final, binding and conclusive for all purposes;
 - (iii) to determine which Eligible Persons are to receive Options; and to grant Options;
 - (iv) to determine the number of Shares covered by each Option;
 - (v) to determine the Exercise Price;
 - (vi) to determine the time or times when Options will be granted and exercisable;
 - (vii) to determine if the Shares that are subject to an Option will be subject to any restrictions upon the exercise of such Option; and
 - (viii) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options.
- 3.3 **Stock Option Agreement:** No grant of Options hereunder shall be effective unless the recipient thereof signs such acknowledgement or agreement as the Committee or the Board, as the case may be, deems necessary to evidence such recipient’s acknowledgement of the terms of such Options.
- 3.4 **Restrictions on Grants:** No member of the Committee shall, during the currency of his membership on the Committee, be entitled to participate in the Plan (save and except for any Options granted to all or substantially all of the members of the Board), but he or she shall be entitled to exercise during that time any Options granted to him or her before he or she became a member of the Committee.

ARTICLE IV — SHARES SUBJECT TO PLAN

- 4.1 The aggregate number of Shares issuable under this Plan shall not exceed 10% of the total number of Shares issued and outstanding from time to time.

ARTICLE V — ELIGIBILITY, GRANT AND TERMS OF OPTIONS

- 5.1 **Grant:** Subject to Section 3.4, Options may be granted to Eligible Persons.
- 5.2 **Committee:** Options may be granted by the Corporation pursuant to recommendations of the Committee to the extent that such recommendations are approved by the Board.
- 5.3 **Terms:** Subject as herein and as otherwise specifically provided for in this Plan, the number of Shares subject to each Option, the Exercise Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Committee or in its absence the Board; provided, however, that if no specific determination is made by the Committee or the Board, as the case may be, with respect to the expiration of Options, each Option shall, subject to any other specific provisions of the Plan, be exercisable for a period of ten (10) years from the date the option is granted to the Optionee.
- 5.4 **Exercise Price:** The Exercise Price with respect to Shares that are the subject of any Option shall in no circumstances be lower than the Market Price of the Shares at the date of the grant of the Option.
- 5.5 **Maximum Term:** In no event may the term of an Option exceed ten (10) years from the date of the grant of the Option.
- 5.6 **Maximum Grant:** The total number of Shares to be optioned to any Optionee under this Plan together with any Shares reserved for issuance under employment agreements and employee stock option purchase plans or any other options plans to such Optionee shall not exceed 5% of the total issued and outstanding Shares at the date of the grant of the Option.
- 5.7 **Non-Assignability:** An Option is personal to the Optionee and is non-assignable.

ARTICLE VI — TERMINATION OF EMPLOYMENT OR DEATH

- 6.1 **General:** Subject to sections 6.2 and 6.3 hereof and to any express resolution passed by the Committee or Board, as the case may be, with respect to an Option, an Option, and all rights to purchase Shares pursuant thereto, shall expire and terminate thirty (30) days following the Optionee ceasing to be an Eligible Person or on the expiry date of the Option, whichever shall first occur. For greater clarity, ceasing to be an Eligible Person includes the resignation, retirement or termination without cause of the Optionee as an employee of the Corporation or any affiliated entity.
- 6.2 **Death:** Upon the death of an Optionee, all Options held by the Optionee may, subject to the terms thereof and any other terms of the Plan, be exercised by the legal personal representative(s) of the estate of the Optionee during the first six (6) months following the date of the death of the Optionee, but only to the extent that the Optionee was entitled to exercise such Option at the date of death and at the date of exercise.
- 6.3 **Termination for Cause:** If, before the expiry of an Option in accordance with its terms, the employment of an Optionee by the Corporation or by any affiliated entity shall be terminated for legal cause, all unexercised Options held by such an Optionee shall terminate forthwith.
- 6.4 **Change of Duties:** For greater clarity, Options shall not be affected by any change of duties of the Optionee so long as he remains an Eligible Person, or by the Optionee ceasing to be a director of the Corporation where the Optionee continues to be employed on a full or part-time basis by, or continues to be an officer or director of the Corporation or an affiliated entity.

ARTICLE VII — EXERCISE OF OPTIONS

- 7.1 **Exercise:** Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its registered head office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full of the Exercise Price of the Shares to be purchased and, if required by the Corporation, the amount necessary to satisfy any applicable tax withholding or remittance obligations under applicable law. Upon the exercise of an Option, the Optionee shall have withheld at source all applicable taxes and other withholdings required by law on the benefit realized upon the exercise. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable period of time following the receipt of such notice and payment.
- 7.2 **Restrictions on Exercise:** Notwithstanding any of the provisions contained in the Plan or in any Option, the Corporation's obligation to issue Shares to an Optionee pursuant to the exercise of any Option shall be subject to:
- (i) completion of such registration or other qualification of such Shares or obtaining approval of such governmental authority as the Corporation shall reasonably determine on advice of counsel to be necessary or advisable in connection with the authorization, issuance or sale thereof;
 - (ii) the admission of such Shares to listing on any stock exchange on which the Shares may then be listed; and
 - (iii) the receipt from the Optionee of such representations, agreements and undertakings, including as to future dealings in such Shares, as the Corporation or its counsel determines to be reasonably necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.
- 7.3 **Withholding Obligations:** The Corporation may withhold from any amount payable to an Optionee, either under this Plan or otherwise, such amounts as are required by law to be withheld or deducted as a consequence of his or her exercise of Options or other participation in this Plan ("**Withholding Obligations**"). The Corporation shall have the right, in its discretion, to satisfy any Withholding Obligations by:
- (i) selling or causing to be sold, on behalf of any Optionee, such number of Shares issued to the Optionee on the exercise of Options as is sufficient to fund the Withholding Obligations;
 - (ii) retaining the amount necessary to satisfy the Withholding Obligations from any amount which would otherwise be delivered, provided or paid to the Optionee by the Corporation, whether under this Plan or otherwise;
 - (iii) requiring the Optionee, as a condition of exercise of any Option, to (A) remit the amount of any such Withholding Obligations to the Corporation in advance; (B) reimburse the Corporation for any such Withholding Obligations; or (C) cause a broker who sells Shares acquired by the Optionee on behalf of the Optionee to withhold from the proceeds realized from such sale the amount required to satisfy any such Withholding Obligations and to remit such amount directly to the Corporation; and/or
 - (iv) making such other arrangements as the Corporation may reasonably require.
- 7.4 **Power of Attorney & Optionee Acknowledgements:** The sale of Shares by the Corporation, or by a broker engaged by the Corporation (the "**Broker**"), in accordance with section 7.3 hereof will be made on the exchange on which the Shares are then listed for trading. The Optionee consents

to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares on his or her behalf and acknowledges and agrees that:

- (i) the number of Shares sold shall, at a minimum, be sufficient to fund the Withholding Obligations net of all selling costs, which costs are the responsibility of the Optionee and which the Optionee hereby authorizes to be deducted from the proceeds of such sale;
- (ii) in effecting the sale of any such Shares, the Corporation or the Broker will exercise its sole judgement as to the timing and the manner of sale and will not be obligated to seek or obtain a minimum price;
- (iii) neither the Corporation nor the Broker will be liable for any loss arising out of any sale of such Shares including any loss relating to the pricing, manner or timing of such sales or any delay in transferring any Shares to an Optionee or otherwise; and
- (iv) the sale price of Shares will fluctuate with the market price of the Shares and no assurance can be given that any particular price will be received upon any sale.

ARTICLE VIII — ADJUSTMENTS

- 8.1 Appropriate adjustments in the number of Shares subject to the Plan, and as regards Options granted or to be granted in the number of Shares optioned and in the Exercise Price shall be made by the Board to give effect to adjustments in the number of shares of the Corporation resulting from subdivision, consolidation or reclassification of the Shares, the payment of stock dividends by the Corporation (other than dividends in the ordinary course) or other relevant changes in the capital of the Corporation that occur subsequent to the date of the approval of the Plan by the Board.

ARTICLE IX — AMENDMENT OR DISCONTINUANCE OF PLAN

- 9.1 The Board may from time to time amend, suspend, terminate or discontinue this Plan and/or the terms of any previously granted Option, without obtaining the approval of the shareholders of the Corporation, provided that, except pursuant to applicable laws, no such amendment to the terms of any previously granted Option may, except as expressly provided In the Plan, or with the written consent of the Optionee, adversely alter or impair the terms or conditions of such Option previously granted to such Optionee under this Plan.
- 9.2 Any amendment to this Plan or to the terms of any option previously granted is subject to compliance with all applicable laws, rules, regulations and policies of any securities regulatory authority, stock exchange or other governmental entity having jurisdiction over the Corporation, including receipt of any required approval from such securities regulatory authority, stock exchange or such other governmental entity.
- 9.3 Without limiting the generality of the foregoing (other than as set forth in Section 9.3(i) to (vi) below) and notwithstanding Sections 9.1 and 9.2 and any other section of this Plan (other than as set forth in Section 9.3(i) to (vi) below), unless specifically required by any securities regulatory authority, stock exchange or other governmental entity having jurisdiction over the Corporation, the Board may make any of the following amendments to the Plan and/or any option previously granted without obtaining shareholder approval:
- (i) amendments of a “housekeeping” nature;
 - (ii) amendments to any provisions relating to the granting or exercise of options, including but not limited to provisions relating to the term, termination, amount and payment of the Exercise Price, vesting period, expiry or adjustment of options provided that, without shareholder approval, such amendment does not entail:

- (i) a change in the number or percentage of Shares reserved for issuance under the Plan;
 - (ii) a reduction of the Exercise Price of an Option held by any Optionee who is an insider or the cancellation and reissue of Options;
 - (iii) an extension beyond the original expiry date of an Option held by any Optionee;
 - (iv) an increase to the maximum number of Shares that may be issued to insiders within a one-year period or which would increase the maximum number of Shares issuable to more than 10% of the Corporation's outstanding issue;
 - (v) permitting Options to be transferable or assignable other than for normal course estate settlement purposes; or
 - (vi) a change to the amendment provisions of the Plan;
- (iii) the addition or amendment of terms relating to the provision of financial assistance to Optionees or resulting in Optionees receiving any securities of the Corporation while no cash consideration is received by the Corporation, including pursuant to a cashless exercise feature;
 - (iv) any amendment in respect of the persons eligible to participate in the Plan, provided that, without shareholder approval, such amendment does not permit the introduction or reintroduction of non-employee directors on a discretionary basis or increase limits previously imposed on non-employee director or insider participation;
 - (v) the addition of a deferred or restricted share unit or any other provision which results in participants receiving any securities of the Corporation or rights thereto while no cash consideration is received by the Corporation;
 - (vi) such amendments as are necessary for the purpose of complying with any changes in any relevant law, rule, regulation, securities regulatory authority, stock exchange or other governmental entity having jurisdiction over the Corporation; or
 - (vii) amendments to correct or rectify any ambiguity, defective provision, error or omission in the Plan.

ARTICLE X — MISCELLANEOUS PROVISIONS

- 10.1 **Rights:** The holder of an Option shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by such Option until such holder shall have exercised such Option in accordance with the terms of the Plan (including tendering payment in full of the Exercise Price of the Shares in respect of which the Option is being exercised) and the Corporation shall have issued such Shares to the Optionee in accordance with the terms of the Plan.
- 10.2 **Continuation of Employment:** Nothing in the Plan or any Option shall confer upon any Optionee any right to continue in the employ of the Corporation or under any other agreement with the Corporation or any affiliated entity of the Corporation or affect in any way the right of the Corporation or any such affiliated entity to terminate his or her employment or other agreement at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute any agreement, or an expression of intent, on the part of the Corporation or any such affiliated entity to extend the employment or other agreement of any Optionee beyond that time that he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any affiliated entity, or beyond the time at which he would otherwise be retired or

terminated pursuant to the provisions of any contract of employment or service with the Corporation or affiliated entity.

- 10.3 **Gender:** References herein to any gender shall include all genders.
- 10.4 **Interpretations:** The Plan will be governed by and construed in accordance with the laws in effect in the Province of Ontario.
- 10.5 **Compliance with Applicable Law:** If any provision of the Plan or any Option contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange having authority over the Corporation or Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

ARTICLE XI — SHAREHOLDER AND REGULATORY APPROVAL

- 11.1 The Plan shall be subject to the approval of the shareholders of the Corporation to be given by a resolution passed at a meeting of the shareholders of the Corporation and to acceptance by The Toronto Stock Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval is given.

Schedule “B”: Corporate Governance Guidelines

The Board of Directors of Spectral Medical Inc. (“**Spectral**”) is responsible for overseeing the effective management of the Company’s business. In carrying out those responsibilities, the Board has the authority and duty to protect and enhance the Company’s assets in the interests of all stakeholders.

The Board recognizes that Board effectiveness is an interplay of structure, membership and process and individual Director effectiveness is an interplay of independence, competence and behaviour. The Board’s responsibility is an active one and the involvement and commitment of each Director, as evidenced by attendance, preparation and participation at meetings are essential ingredients in the overall success of the Company.

This document summarizes certain guidelines and practices of Spectral’s Board of Directors relating to matters of corporate governance. These guidelines are not meant to be static and will be reviewed and evaluated on a regular basis and modified as determined by the Nomination & Governance Committee to meet the changing needs of the Company and regulatory requirements.

1. Chair of the Board and CEO

The Board has separated the roles of Chair and CEO. Currently, the Company has an independent, Non-Executive Chair of the Board (“**Chair**”). The Chair is appointed by the independent Board on the recommendation of the Nomination & Governance Committee.

2. Lead Independent Director

The Board has determined that at such time as the Chair is not an independent Director that a Director who is independent should serve as “Lead Independent Director”. The Lead Independent Director would chair regular meetings of the independent Directors and would assume other responsibilities, which the independent Directors may from time to time designate. The Lead Independent Director would be appointed by the independent Board on the recommendation of the Nomination & Governance Committee.

3. Director Responsibilities

In discharging his or her duties, each Director shall act honestly and in good faith with a view to the best interests of the Company; and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

4. Board Composition

The Board believes and the Company’s by-laws provide that a majority of the Directors should be independent of the Company. Independent means free from any relationship which could materially interfere with his or her ability to act in the best interests of the Company as determined by the Board or a Committee thereof, in accordance with applicable regulatory Governance Guidelines and Standards (currently OSC and TSX). In addition, the Board believes that there should generally be no more than one or two non-independent Directors.

5. Board Size

The Articles of the Company provide for a minimum of three and a maximum of ten Directors. The Board believes at this time, given the size and scope of the Company’s Business, that seven Directors is the right number to provide the depth, breadth and diversity of expertise and experience required, while allowing for efficient operation and decision-making. The Board has the ability to increase or decrease its size, within the limits set out in its Articles. The Nomination & Governance Committee reviews the size and composition of the Board annually and makes recommendations to the Board when it believes a change would be in the best interests of the Company.

6. Board Meeting Agendas

The Chair and the CEO, in consultation with the Corporate Secretary, develop the agenda for each Board meeting. Notice of the principal matters to be addressed at all Board meetings are distributed to Directors in advance of each meeting, and all Board members are free to suggest additions to meeting topics. The Chair will establish the agenda items for meetings of the independent Directors.

7. Board Meetings

Information and reports pertaining to Board meeting agenda items are generally circulated to the Directors a week in advance of the meeting. Materials are prepared in a way to focus attention on critical issues to be considered by the Board. Reports may be presented during Board meetings by members of the Board, senior management and/or staff, or by invited outside advisors.

Directors are expected to attend all meetings of the Board and the Committees upon which they serve, to come to such meetings fully prepared, and to remain in attendance for the duration of the meeting. Where a Director's absence from a meeting is unavoidable, the Director should, as soon as practicable after the meeting, contact the Board Chair, the Committee Chair, the CEO, or the Corporate Secretary for a briefing on the substantive elements of the meeting.

8. Regular Attendance of Non-Directors at Board Meetings

The Board appreciates the value of having certain members of senior management attend each Board meeting to provide information and opinion to assist the Directors in their deliberations and to allow Directors to evaluate the calibre of the senior management team. The CEO will seek the Board's concurrence in the event of any proposed change to the management attendees at Board meetings. Management attendees will not attend the portion of each meeting, which is reserved for discussion among the independent Directors only.

9. Executive Sessions of Independent Directors

The independent Directors of the Board will meet separately, as determined by the Chair or, if there is a Lead Independent Director, by the Lead Independent Director.

10. Board Contacts with Senior Management

All of the Directors have open access to the Company's senior management. It is expected that Directors will exercise judgement to ensure that their contacts with senior management are carried out in such a manner as to limit such management's distraction from the Company's business operations. Written communications from Directors to members of senior management will be copied to the Chair and to the CEO. The Board also encourages individual Directors to make themselves available for consultations with senior management outside Board meetings in order to provide specific advice and counsel on subjects where such Directors have special knowledge and experience.

11. Board Compensation

The compensation program for Directors is reviewed and agreed to on an annual basis by the Nomination & Governance Committee, with the opportunity to obtain assistance from outside consultants. Overall compensation is established based on a comparator peer group of companies as determined from time to time by the Committee.

12. Delegation and Committees of the Board

In carrying out its duties, the Board has established and delegated certain responsibilities to separate Committees of the Board. The current Committees of the Board are Finance & Audit; Human Resources & Compensation; and Nomination & Governance. Each of the Committees operates under a separate and distinct mandate approved by the Board, which describes both the structure of the Committee and its duties and responsibilities and each is comprised entirely of independent Board members.

13. Committee Members

Committee membership is approved by the Board in consultation with the Chair and the CEO and upon recommendation of the Nomination & Governance Committee.

14. Committee Composition

Members of the Committees of the Board shall be appointed from among the members of the Board.

15. Committee Meetings

The schedule of meetings of each Committee will be determined by its Chair and its members, based upon an annual work plan designed to discharge the responsibilities of the Committee as set out in its mandate. The Chair of the Committee will develop the agenda for each Committee meeting through consultation as appropriate with members of management, staff and the Committee. Each Committee will report to the Board on the results of each Committee meeting. Minutes will be prepared for all Committee meetings and copies provided to all Board members.

16. Board Review of "Independence" of Directors

Directors will notify the Chair of the Nomination & Governance Committee of their employment affiliations, including both director and committee memberships, in other organizations, in order to enable the Committee to assess their independence and/or the continued appropriateness of their membership under the circumstances.

The Committee will review on an annual basis any relationships between Directors and the Company, which might be construed in any way to compromise the designation of any Director as being independent of the Company. The objective of such review will be to determine the existence of any material relationships, to ensure that the composition of the Board remains such that the majority of the Directors are independent and that where any such relationships exist, the Director is acting appropriately.

17. Criteria for Board Membership

The Nomination & Governance Committee will review each year the composition and general and specific criteria applicable to candidates to be considered for nomination to the Board. The objective of this review will be to maintain the composition of the Board in a way, which provides the best mix of skills and experience to guide the long term strategy and ongoing business operations of the Company. This review will take into account such common characteristics such as personal integrity, good judgment, high ethics and standards, outstanding ability in their individual fields of expertise and a willingness to devote necessary time to Board matters.

The Company does not have a policy limiting the number of other public company boards of directors upon which a director may sit, in general. However, the Nomination & Governance Committee shall consider the number of other public company board and other boards (or comparable governing bodies) on which a prospective nominee is a member.

Although the Company does not impose a limit on outside directorships, it does recognize the substantial time commitments attendant to Board membership and expects that the members of its Board be fully committed to devoting all such time as is necessary to fulfill their Board responsibilities, both in terms of preparation for, and attendance and participation at meetings.

18. Selection of New Director Candidates

The Board is responsible for identifying suitable candidates to be recommended for election to the Board by the shareholders. The Nomination & Governance Committee has been given the responsibility in consultation with the Chair and CEO of gathering the names of potential nominees, screening their qualifications against the current skill and experience needs of the Board and making recommendations in this regard to the full Board. All Directors are encouraged to identify potential candidates and to provide their names to the Chair of the Committee. In addition, independent search firms shall be engaged as appropriate to assist in identifying potential candidates.

An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the Chair or the Chair of the Nomination & Governance Committee.

19. New Director Orientation and Continuing Education

New Directors will be provided with an orientation and education program which will include written information about the duties and obligations of Directors, the business of the Company, material policies, meetings and discussion with senior management and other Directors, and tours of the Company's operations. When first appointed to a Board Committee, Directors will be offered appropriate information and orientation to prepare them to participate effectively in the work of the Board or any Committee to which

they are appointed. Continuing education will include meeting with local management, regular receipt of articles, reports and other papers regarding the diagnostics market, presentations related to industry trends, markets, opportunities in such markets and governmental and regulatory changes impacting the Company.

20. Assessing Corporate Governance Practices and the Board's Performance

The Nomination & Governance Committee, with the assistance of the Chair and Corporate Secretary, is responsible for conducting annual assessments of the effectiveness of the Company's governance practices and conducting a self-assessment of the overall performance of the Board and its Committees and reporting on the same to the Board. In addition, the Chair of the Board and the Chair of the Nomination & Governance Committee shall review on an annual basis the performance of individual members of the Board and the Chair of the Board, in consultation with the Chairs of the Committees, the performance of Members of each Committee. It is expected that the result of such reviews will be to identify any areas where the Directors believe the governance practices can be improved or where the Directors and/or management believe that the Board could make a better collective contribution to overseeing the affairs of the Company. Items identified through this process as requiring improvement will become an accountability of senior management and/or the Chair or Committee and regular monitoring and progress reports provided to the Nomination & Governance Committee.

21. Withhold Votes for Directors at Shareholder Meetings

The Nomination & Governance Committee will take into account the number of withheld votes by shareholders with respect to a Director in determining his or her candidacy for re-election at the next annual meeting.

22. Term Limits for Directors

Directors should anticipate serving on the Board for an initial period of three-years. Over-all, tenure will be based upon a Directors' continuing contribution, the over-all requirements of the Company and annual election by the shareholders.

23. Evaluation of the CEO

The Human Resource & Compensation Committee conducts an annual review of the performance of the CEO as measured against objectives established mutually in advance by the Committee and the CEO. The evaluation will also be used by the Committee in its deliberations concerning the CEO's annual compensation, which shall be reviewed and approved by the Board.

24. Management Development and Succession Planning

The Board expects that management development should be an ongoing process and that a report be prepared on such activity annually and provided to the Human Resource & Compensation Committee.

The Committee shall review on an annual basis the succession plans of the Company at the senior management level, including the CEO, and shall report thereon to the Board.

The Board shall review such plans annually and provide input thereon to the Committee.

25. Board Communication with Stakeholders

The Board believes that it is the function of management to speak for the Company in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. It is understood that the Chair or other individual Directors may from time to time be requested by management to assist with such communications. If communications from stakeholders are made to the Chair or to other individual independent Directors, management will be informed. The Board, either directly or through the Finance & Audit Committee, approves the content of the Company's major communications to shareholders and the investing public, including the annual and interim Financial Statements and corresponding Press Releases, the annual and interim Management's Discussion and Analysis, the Proxy Circular, the Annual Information Form and any prospectuses which may be issued.

26. Corporate Strategy

The Board believes that management is responsible for the development of long-term corporate strategy, while the role of the Board is to review, question and validate, and ultimately to approve the strategies proposed by management and to monitor progress against such strategies. A dedicated meeting of the Board will be held annually to address long-term corporate strategy and management shall report to the Board on a regular basis any events both internal or external which might impact such strategy.

27. Shareholder Communication with the Board

Shareholders and other interested parties may communicate directly with the Board or the independent Directors. All communications should be in writing and should be directed to either the Company's Chair at Spectral Medical Inc., 135 The West Mall, Unit 2, Toronto, Ontario, M9C 1C2 or to the Corporate Secretary at Spectral Medical Inc., 135 The West Mall, Unit 2, Toronto, Ontario, M9C 1C2 or by e-mail to tbusinkas@spectraldx.com

Matters relating to the Company's accounting, internal accounting controls or auditing matters will be referred to the Chair of the Audit Committee.

Matters relating to Board or executive compensation will be referred to the Chair of the Human Resources & Compensation Committee.

Other matters will be referred to the Board Chair.

To further facilitate communication between the Company's shareholders and the Board, all Directors standing for re-election and all new Director nominees are encouraged to attend the annual meeting of shareholders.

28. Individual Directors Engaging Outside Advisors

The Charters for the Board and each of the Committees provide the Board or a Committee with the right to engage outside advisors at the expense of the Company. Any Board or Committee member wishing to engage an outside advisor should discuss such engagement with the Chair, the CEO and, if applicable, the Chair of the relevant Committee.

Schedule “C”: Key Board and Committee Responsibilities

BOARD OF DIRECTORS

- contribute to the formulation of and approve strategic plans;
- monitor Company performance and the execution of its business plans;
- oversee the identification by management of the principal risks of the Company's businesses as well as the implementation, by management, of appropriate processes and systems to manage such risks;
- appoint the CEO and approve the appointment of the Senior Executives of the Company and review their performance and compensation and plan for their succession upon recommendation of the Human Resources & Compensation Committee;
- review and approve management's recommendations regarding major decisions and actions, including acquisitions, divestitures, financings and capital expenditures;
- review and approve key policies developed by management on various issues such as ethics, compliance, communications and public disclosures and review, approve and monitor compliance with policies adopted by the Board;
- oversee the Company's public communication policies and their implementation, including disclosure of material information, investor relations and shareholder communications;
- oversee, with the Finance & Audit Committee, financial reporting and disclosure of the Company to obtain reasonable assurance that:
 - the Company complies with all applicable laws and regulations of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure; and
 - the accounting policies and practices, significant judgments and disclosures which underlie or are incorporated in the Company's financial statements are appropriate having regard to the Company's businesses; and
- review and approve the annual financial statements, financial reporting and disclosure and obtain reasonable assurance as to the integrity of the Company's internal control and management system.

FINANCE & AUDIT

- **Independent Auditor**
 - recommend to the Board the appointment or replacement of the independent auditor;
 - establish the compensation of the independent auditor;
 - have the independent auditor report directly to the Finance & Audit Committee;
 - determine the extent of involvement of the independent auditor in reviewing unaudited quarterly financial results;
 - meet with the independent auditor prior to the annual audit to discuss the planning, scope and staffing of the audit;
 - approve the selection of the senior audit partners having primary responsibility for the audit;
 - provide for the periodic rotation of the senior audit partners having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;
 - at least on an annual basis, evaluate the qualifications, performance and independence of the independent auditor and the senior audit partners having primary responsibility for the audit; and
 - pre-approve all auditing services and permitted non-audit services performed by the independent auditor.
- **Financial Reporting**

- prior to their public release and filing with securities regulatory agencies, review and discuss with management and the independent auditor the:
 - press release;
 - consolidated financial statements and notes thereto;
 - management's discussion and analysis; and
 - results of any independent auditor's review requested/approved by the Committee.
- review the Company's unaudited quarterly financial results including:
 - any significant judgments made in the preparation of financial statements;
 - any significant disagreements among management and the independent auditor in connection with the preparation of financial statements;
 - significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements;
 - critical accounting policies and practices;
 - integrity of the Company's financial reporting processes; and
 - any correspondence with regulators or governmental agencies and any published reports, which raise material issues regarding the Company's financial statements or accounting policies.
- **Year-end Audit**
 - review of the Company's audited financial results, including:
 - all matters described above with respect to unaudited quarterly financial results;
 - results of the independent audit; and
 - all matters required to be discussed by Statement of Auditing Standards No. 61.
- **Annual Proxy Statement and Regulatory Filings**
 - issue any reports required of the Audit Committee to be included in the Company's annual proxy statement; review and recommend to the Board the approval of all material documents filed with securities regulatory agencies including:
 - Consolidated Year-end Financial Statements;
 - Annual Information Form; and
 - Prospectuses.
- **Related Party Transactions and Off-Balance Sheet Structure**
 - review all related-party transactions and, if deemed appropriate, recommend approval of any particular transaction to the Board; and
 - review all material off-balance sheet structures, which the Company is a party to.
- **Internal Controls, Risk Management and Legal Matters**
 - consider the effectiveness of the Company's internal controls over financial reporting and related information technology security and control;
 - discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures; and
 - review with management, and if necessary, the Company's counsel, any legal matter which could reasonably be expected to have a material impact on the Company's financial statements or accounting policies.
- **Capital Structure, Investment and Cash Management Policies, Disclosure Policy**
 - review and approve any changes to the Company's capital structure;
 - review and approve the Company's investment and cash management policy; and
 - review and approve the Company's disclosure policy.
- **"Whistle Blower" and Related Procedures**

- establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
- **Review of Charter and Self-Assessment**
 - review and reassess annually the adequacy of the Committee's Charter; and
 - review annually the Committee's own performance.
- **Reporting to the Board**
 - make regular reports to the Board, but not less frequently than quarterly.

HUMAN RESOURCES & COMPENSATION COMMITTEE

- **Human Resources**
 - review of human resources development and organization structure and approve any significant programs or changes to structure.
- **Succession Planning**
 - review and report to the Board on the Company's succession planning process for the CEO and senior officers reporting to the CEO.
- **Compensation**
 - review compensation principles and practices and approve any significant changes to such principles and practices;
 - review and make recommendations to the Board on the compensation of the CEO;
 - review and report to the Board on annual objectives against which to assess the CEO and on its assessment of the CEO's performance against those objectives;
 - review and approve the compensation of senior officers reporting to the CEO;
 - evaluate periodically the competitiveness of the cash and equity compensation programs for senior management and initiate action or make recommendations to the Board as appropriate;
 - review all employee compensation and stock equity plans including Short-Term Incentive Plan, Mid-Term Incentive Plan, Stock Option Plan, Stock Purchase Plans and approve changes to such plans, provided that any plan amendments which will have a material cost increase or material effect on the Company or the participants requires Board approval;
 - administer the Company's Employee Stock Option Plan, Stock Purchase Plan, Mid-Term Incentive Plan and such other equity based plans as may be delegated to it from time to time by the Board; and
 - report on an annual basis to the Board and Shareholders, the policies of the Committee for determining executive compensation.
- **Director Compensation**
 - review and recommend to the Board, the form and adequacy of compensation for independent Directors.
- **Review of Charter and Self-Assessment**
 - review and reassess annually the adequacy of the Committee's Charter; and
 - review annually the Committee's own performance.
- **Report to the Board**
 - the Chair of the Committee or designate shall report to the Board after each meeting the significant matters addressed by the Committee at such meeting.

NOMINATION & GOVERNANCE COMMITTEE

- **Corporate Governance**
 - develop and recommend to the Board, corporate governance guidelines applicable to the Company;
 - annually review the corporate governance guidelines and practices of the Company and, if appropriate, recommend changes to such guidelines and practices to the Board or management;
 - monitor the appropriateness of the Company's governance systems with regard to external governance standards and with emphasis on "continuous improvement";
 - review regularly the effectiveness of the Board and its committees in meeting its governance objectives and in its relationship with management; and
 - review any shareholder proposal received by the Company and recommend to the Board the Company's response.

- **Nominating**
 - review the makeup and needs of the Board, identify and recommend candidates for Board membership;
 - establish the criteria for membership; such criteria should cover, among other things, diversity, experience, skill set and the ability to act on behalf of shareholders;
 - in consultation with the Board and CEO and, on an ongoing basis, maintain a database of potential candidates;
 - utilize such outside agencies or third parties at the cost of the Company, as the Committee deems necessary to assist in identifying potential candidates; and
 - recommend to the Board the annual nominees to the Board for presentation to the Shareholders.

- **Director Indemnification and D&O Insurance**
 - review and recommend to the Board the appropriateness and adequacy of the policy of indemnification of directors. In that regard, the Chair of the Committee and the Chair of the Audit Committee shall consult in connection with any renewal or change to the Directors' and Officers' liability insurance coverage.

- **Review of Charter and Self-Assessment**
 - review and reassess annually the adequacy of the Committee's Charter; and
 - review annually the Committee's own performance.

- **Report to the Board**
 - the Chair of the Committee or designate shall report to the Board after each meeting the significant matters addressed by the Committee at such meeting.

Date: **March 24, 2015**

"Mr. Anthony Businskas" (signed)

Mr. Anthony Businskas
 Chief Financial Officer
 Spectral Medical Inc.

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