



## **Notice of Meeting**

### **Management Information Circular**

**for the**

### **Annual Meeting of Shareholders**

**to be held**

**Monday, May 25, 2009**

**3:00 p.m.**

**at**

**Toronto Stock Exchange**

**130 King Street West,**

**Toronto, Ontario**

# HAMMOND POWER SOLUTIONS INC.

## ANNUAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN THAT** the Annual Meeting of Shareholders of **Hammond Power Solutions Inc.** (hereinafter called the "Corporation") will be held at **the Toronto Stock Exchange, (The Gallery)** 130 King Street West, Toronto, Ontario, on **Monday, May 25, 2009**, at the hour of **3:00 p.m. (Toronto time)** for the following purposes:

1. to receive the Annual Report, including the financial statements for the period ending December 31, 2008, together with the report of the auditors thereon;
2. to elect Directors;
3. to appoint KPMG LLP, Chartered Accountants, as auditors and to authorize the Directors to fix their remuneration;
4. to transact all such further and other business as may properly come before the meeting or any adjournment thereof.

Accompanying this notice is a Management Information Circular, a form of Proxy and a copy of the Annual Report of the Corporation.

Shareholders who are unable or who are not expecting to be present in person at the meeting are requested to date, complete, sign and return to the address indicated, the form of proxy wherein persons selected by the Directors are named as proxy holders. **HOWEVER, IF ANY SHAREHOLDER CHOOSES TO APPOINT A PERSON OR PERSONS OTHER THAN THE ONES SO NAMED, THE NAME OF SUCH PERSON, WHO NEED NOT BE A SHAREHOLDER, SHOULD BE INSERTED IN THE BLANK SPACE PROVIDED FOR THIS PURPOSE AND THE OTHER NAMES STRICKEN.**

Please indicate on the form of proxy how you want your vote recorded with respect to each of the items noted thereon by inserting an "X" in the appropriate box. **UNLESS OTHERWISE INDICATED, YOUR SHARES WILL BE VOTED IN FAVOUR OF SUCH ITEMS.**

Dated at Guelph, Ontario, this 27<sup>th</sup> day of March, 2009.

By order of the Board of Directors of the Corporation.



Chris R. Huether  
Chief Financial Officer and Corporate Secretary

**HAMMOND POWER SOLUTIONS INC.**  
**MANAGEMENT INFORMATION CIRCULAR**

**FORWARD LOOKING INFORMATION**

This Management Information Circular may contain forward-looking information that reflect the current expectations of management about the future results, performance, achievements, prospects or opportunities for Hammond Power Solutions Inc. and the transformer business. These statements generally can be identified by use of forward looking words such as “may”, “will”, “expect”, “estimate”, “anticipate”, “believe”, “project”, “should” or “continue” or the negative thereof or similar variations. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond Hammond Power Solutions Inc.’s control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

Examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

**(A) the current “financial market” turmoil particularly in North America and also on a global basis may impact the end-use customers’ ability to secure financing for capital projects and operating lines of credit, resulting in lower sales volumes;**

**(B) our ability to begin operation of the expanded plant and warehouse in Granby, Quebec in the second quarter of 2009 is subject to the risk and uncertainty including that construction of the plant is delayed and other economic conditions resulting in the reduced sales volumes;**

**(C) our key competitive advantages of the broadest product capabilities and most engineering resources against our competitors is subject to the risk and uncertainty including: our competitors strengthening their manufacturing resources and capabilities; and**

**(D) reduced demand for transformer products as a result of the softer global commodity markets such as gas, oil and mining.**

We do not have an intention to update any forward-looking information, except as required by applicable securities laws. Any forward-looking information in this Management Information Circular represents our views as of the date of this Management Information Circular and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. **There can be no assurance that any forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on any such forward-looking information.** For a list of factors that could affect Hammond Power Solutions Inc., see “risk factors” highlighted in materials filed with the securities regulatory authorities in Canada from time to time.

## **SOLICITATION OF PROXIES**

**THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED TO THE SHAREHOLDERS OF HAMMOND POWER SOLUTIONS INC. (HEREINAFTER CALLED THE "CORPORATION") IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF THE CORPORATION FOR USE AT THE ANNUAL MEETING OF THE SHAREHOLDERS OF THE CORPORATION (THE "SHAREHOLDERS") REFERRED TO IN THE NOTICE OF MEETING ACCOMPANYING THIS MANAGEMENT INFORMATION CIRCULAR TO BE HELD ON THE 25<sup>th</sup> DAY OF MAY, 2009 AT THE PLACE AND TIME AND FOR THE PURPOSES SET FORTH IN THE AFOREMENTIONED NOTICE AND AT ANY AND ALL ADJOURNMENTS THEREOF (THE "ANNUAL MEETING").** It is expected that the solicitation of proxies by management of the Corporation will be primarily by mail. Proxies may also be solicited personally by regular employees, officers and directors of the Corporation at nominal cost. The cost of solicitation by management will be borne by the Corporation.

## **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy are members of the management of the Corporation. **A SHAREHOLDER MAY APPOINT A PROXY HOLDER OTHER THAN THE PERSONS DESIGNATED IN THE ACCOMPANYING FORM OF PROXY TO ATTEND AND ACT ON BEHALF OF THE SHAREHOLDERS AT THE ANNUAL MEETING.** A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON OR COMPANY TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO EITHER BY INSERTING SUCH PERSON'S OR COMPANY'S NAME IN THE BLANK SPACE PROVIDED IN THE ACCOMPANYING FORM OF PROXY AND STRIKING OUT THE NAMES OF THE PERSONS SPECIFIED OR BY COMPLETING ANOTHER PROPER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY IN ACCORDANCE WITH THE INSTRUCTIONS PRINTED ON THE ACCOMPANYING FORM OF PROXY.

A Shareholder who has given a proxy may revoke it either (a) by signing or having an authorized attorney sign a proxy bearing a later date and delivering it in accordance with the printed instructions aforementioned, or (b) by signing or having an authorized attorney sign a written notice of revocation and by delivering it to the Corporation or an agent thereof prior to the commencement of the Annual Meeting or as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by handing it to the Chairman of the Annual Meeting.

A person named as a proxy need not be a Shareholder to vote the shares to be voted by the form of proxy in which he or she is named. THE NOTES PRINTED ON THE FORM OF PROXY ACCOMPANYING THE NOTICE OF MEETING SHOULD BE READ CAREFULLY AND THE INSTRUCTIONS SET OUT THEREIN FOLLOWED.

## **EXERCISE OF DISCRETION BY PROXIES**

If the enclosed form of proxy is properly completed and returned, the person named in the proxy will vote or withhold from voting the shares represented by the proxy in accordance with the instructions of the Shareholder appointing him or her as indicated on the form of proxy or as otherwise instructed in writing on any ballot or vote that may be called for, and, if the Shareholder specifies a choice, such choice will be voted accordingly. WHERE NO CHOICE IS INDICATED ON THE FORM OF PROXY, NOR CONTRARY WRITTEN INSTRUCTIONS RECEIVED, AN AFFIRMATIVE VOTE WILL BE CAST IN RESPECT OF MATTERS PROPERLY BEFORE THE ANNUAL MEETING.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of the matters set out in the form of proxy and on all other matters which may properly come before the Annual Meeting. As of the date hereof, the management of the Corporation knows of no such amendment or variation nor of any matter to come before the said Annual Meeting other than the matters referred to in the Notice of Annual Meeting.

## **Non-Registered Shareholders**

Only registered shareholders or duly appointed proxy holders are permitted to vote at the Annual Meeting. Many shareholders of the Corporation are “non-registered” shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. A person is not a registered shareholder (a “Non-Registered Holder”) in respect of shares which are held either: (a) in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder 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 RRSP’s, RRIF’s, RESP’s, TFSA’s and similar plans); or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.), of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice of Meeting, this Management Information Circular and the Proxy (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them.

Intermediaries will frequently use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder and must be completed, but not signed, by the Non-Registered Holder and deposited with Computershare Investor Services Inc.; or
- (b) more typically, be given a voting instruction form (often called a “proxy authorization form”) which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.

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

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **1. Presentation of the Financial Statements and the Auditor’s Report Thereon**

The audited consolidated financial statements of the Corporation and its subsidiaries for the year ended December 31, 2008 and the report of the auditor thereon will be presented by management. These are contained in full in the Annual Report of the Corporation, copies of which have been mailed to shareholders, as requested, of the Corporation with this Management Information Circular.

## **2. Election of Directors**

Currently, there are five directors of the Corporation who are elected annually. Unless such authority is withheld, the persons named in the enclosed form of proxy intend to vote for the election of a Board of Directors comprising the nominees whose names are set forth below. Management of the Corporation does not contemplate that any of the nominees will be unable to serve as director but should that occur for any reason prior to the Annual Meeting, the person named in the enclosed form of proxy reserves the right to vote for another nominee in his discretion. Subject to the above comments, each director elected will hold office until the next annual meeting of the Corporation or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the by-laws of the corporation.

The following table and notes thereto state the names of all the persons proposed to be nominated by management of the Corporation for election as directors, their place of residence, their principal occupations or employment and the date on which each became a director of the Corporation. The table also sets out the number of shares of the Corporation or of any subsidiary of the Corporation beneficially owned, directly or indirectly, or controlled or directed by each of them as at the date hereof.

<b>Name, Place of Residence and Principal Occupation</b>	<b>Director Since</b>	<b>Number of shares owned or controlled, directly or indirectly</b>
<b>WILLIAM G. HAMMOND</b> Guelph, Ontario, Canada Chairman and Chief Executive Officer of the Corporation	January 2001	Class A 992,366 (Note 1) Class B 2,778,300
<b>ZOLTAN D. SIMO</b> Oakville, Ontario, Canada Company Director	January 2001	Class A 77,600
<b>DONALD H. MACADAM</b> Port Dover, Ontario, Canada Chief Executive Officer, MBVax Bioscience Inc. (a manufacturer of therapeutic cancer vaccine)	May 2001	Class A 21,300
<b>DOUGLAS V. BALDWIN</b> Gormley, Ontario, Canada President, AMPCon Inc. (a management consulting and investment Company)	March 2004	Class A 24,800
<b>GRANT C. ROBINSON</b> Guelph, Ontario, Canada Managing Partner, Robinson & Company LLP (a Chartered Accounting Firm specializing in entrepreneurial business transactions)	May 2007	Class A 8,700

All Directors have held the same positions for the last 5 years with the exception of Douglas V. Baldwin, who was the former President and CEO of Electro-Federation Canada until December 31, 2005, and Donald H. MacAdam, who prior to October, 2005 was President of A360 Inc., a management consulting company.

**Note 1:** William G. Hammond owns directly or indirectly 244,256 Class A Subordinate Voting Shares. In addition, William G. Hammond beneficially owns all the shares of Arathorn Investments Inc., which owns 748,110 Class A Subordinate Voting Shares and 2,778,300 Class B Common Shares of the Corporation.

The information as to the shares of the Corporation beneficially owned, were controlled or directed, directly or indirectly, by the directors, not being within the knowledge of the Corporation, has been provided by each director.

### **Audit Committee**

The Audit Committee is comprised of the independent directors, Donald H. MacAdam, Zoltan D. Simo, Douglas V. Baldwin and Grant C. Robinson. The Chair of the Audit Committee is Douglas V. Baldwin. For further information regarding the Audit Committee, please see the Corporation's Annual Information Form dated March 27, 2009, which can be accessed through the System for Electronic Document Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com).

### **Compensation Committee**

The Compensation Committee is comprised of the independent directors, Donald H. MacAdam, Zoltan D. Simo, Douglas V. Baldwin and Grant C. Robinson. The Chair of the Compensation Committee is Zoltan D. Simo. (See – "Statement of Executive Compensation" – page 9).

### **Corporate Governance Committee**

All directors are members of the Corporate Governance Committee. The Chair of the Corporate Governance Committee is Grant C. Robinson.

The Corporation does not have an Executive Committee of its Board of Directors.

### **3. Appointment of Auditors**

Unless such authority is withheld, the persons named in the enclosed form of proxy intend to vote for re-appointment of KPMG LLP, Chartered Accountants, Waterloo, Ontario, as auditors of the Corporation (first appointed in 2001) to hold office until the next Annual Meeting of the Corporation and to authorize the directors to fix their remuneration.

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

No person, who has been a director or executive officer of the Corporation during the past financial year of the Corporation and no person who is a proposed nominee for election as a director of the Corporation or any associate or affiliate of such director, executive officer or proposed nominee, 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 Annual Meeting.

## **VOTING SHARES**

The Corporation has authorized capital of an unlimited number of Class A Subordinate Voting Shares and an unlimited number of Class B Common Shares, each without par value. As at the date hereof there were issued and outstanding 8,942,000 Class A Subordinate Voting Shares and 2,778,300 Class B Common Shares. The holders of record of the Class A Subordinate Voting Shares and the Class B Common Shares on April 13, 2009 ( the "Record Date" ) , are entitled to receive notice of and to vote at the Annual Meeting and at any adjournment thereof. A transferee of Class A Subordinate Voting Shares or Class B Common Shares acquired after such record date will be entitled to vote such shares at the Annual Meeting or any adjournment thereof if such transferee produces properly endorsed certificates for such shares, or otherwise establishes that he or she owns such shares, and demands, at least ten business days before the Annual Meeting, to be included on the list of shareholders entitled to vote at the Annual Meeting. The failure of any shareholder to receive notice of the Annual Meeting shall not deprive such shareholders of voting at the Annual Meeting. Each Class A Subordinate Voting Share carries the right to one vote representing approximately 44.6% of the aggregate voting rights of the Corporation.

## **VOTING SHARES (Cont'd)**

Each Class B Common Share carries the right to four votes. Each holder of Class B Common Shares is entitled to vote at the Annual Meeting, except to the extent that he or she has transferred ownership of such shares after the Record Date.

In the event of a "take-over-bid" (as defined in the *Securities Act* (Ontario)) being made for the Class A Subordinate Voting Shares or the Class B Common Shares which results in either the W. G. Hammond Family (defined below) or any Acceptable Successor (defined below) ceasing to beneficially own, directly or indirectly, shares of the Corporation carrying not less than 50% of the votes attaching to all issued shares of the Corporation, each Class A Subordinate Voting Share shall be deemed to have been converted into one Class B Common Share.

"W. G. Hammond Family" means any one or more of William G. Hammond, his spouse, estate, issue or heirs, any trustee, executor, administrator or personal representative of his estate, or any corporation which any one or more of the foregoing together control within the meaning of the *Securities Act* (Ontario); and

"Acceptable Successor" means any person or persons acting jointly or in concert who beneficially own, directly or indirectly, such number of Class A Subordinate Voting Shares, Class B Common Shares or any other class or series of shares of the Corporation to which are attached not less than 50% of the votes attaching to all issued shares of the Corporation, provided that all such Class B Common Shares so owned by such person or persons which have been acquired from the Corporation, the W. G. Hammond Family or another Acceptable Successor have been acquired,

- (i) at a price or for consideration of a value not exceeding the then current price (as defined in the articles of the Corporation) of the Class A Subordinate Voting Shares on a published market (as defined in the articles), plus 15%; or
- (ii) in a transaction or series of transactions including the making of a general offer for Class A Subordinate Voting Shares (A) at a price or for consideration of a value not less than the price or value, and on terms not less favourable than terms, applying to the purchase of the Class B Common Shares, on a share for share basis, and (B) comprising the lesser of all the Class A Subordinate Voting Shares or that number of Class A Subordinate Voting Shares equal to the number of Class B Common Shares acquired multiplied by four.

As at the date hereof, Arathorn Investments Inc. beneficially owns 2,778,300 Class B Common Shares of the Corporation, representing 100% of the issued and outstanding Class B Common Shares of the Corporation and 748,110 Class A Subordinate Voting Shares of the Corporation, representing approximately 8.4% of the issued and outstanding Class A Subordinate Voting Shares of the Corporation. All of the issued and outstanding shares of Arathorn Investments Inc. are owned by William G. Hammond, CEO & Chairman of the Corporation. In total, William G. Hammond beneficially owns, directly or indirectly, 992,366 Class A Subordinate Voting shares of the Corporation, representing approximately 11.1% of the issued and outstanding Class A Subordinate Voting shares of the Corporation.

To the best of the knowledge of the directors and executive officers of the Corporation, the foregoing are all the persons or companies beneficially owning, or controlling or directing, directly or indirectly, 10% or more of the voting rights attached to all issued and outstanding shares of the Corporation.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Composition of Compensation Committee**

For the fiscal year ending December 31, 2008, the Compensation Committee consisted of Donald H. MacAdam, Zoltan D. Simo, Douglas V. Baldwin and Grant C. Robinson.

## **Compensation Discussion and Analysis**

While the Board of Directors of the Corporation has not adopted a written policy concerning the compensation of executive officers, it has developed a consistent approach and philosophy relating to executive compensation. The overriding objectives in the determination of executive compensation are the need to provide total compensation packages that will attract and retain qualified and experienced executives, reward the executives for the contribution to the overall success of the Corporation and integrate the longer term interest of the executives with the investment objectives of the Corporation's shareholders.

The Compensation Committee is responsible for evaluating compensation for executive officers and reviewing the salaries, bonuses and long-term incentives of the executive officers of the Corporation, including the named executive officers, on an annual basis.

All executive compensation including compensation for the CEO are based on market assessments of competitive rates.

Executive compensation at the Corporation consists of the following three elements:

### **Base Salary**

The primary emphasis of the Corporation's compensation packages is to ensure that base salaries are competitive and consistent with those being paid for positions of similar responsibility in companies of comparable size and complexity. The base salaries for the executive officers are benchmarked to local markets and are set within an appropriate range to reflect the employee's level of responsibility and performance.

### **Stock Option Plan**

The Corporation also has a Stock Option Plan (the "Plan") for officers, directors, and senior management of the Corporation prepared in compliance with the requirements of the Toronto Stock Exchange and approved by the Corporation's shareholders. The Plan is administered by the Board of Directors. The purpose of the Plan is to improve the Corporation's long-term financial success by closely aligning the participants' personal interests with those of the Corporation's shareholders. Subject to the provisions of the Plan, the Board of Directors determines and designates from time to time the individuals to whom options are to be granted, the number of common shares to be optioned and other terms and conditions of the stock option grant. The Board of Directors determines the number of stock options awarded based on the financial performance of the Company, individual performance and considers previous stock options granted.

### **Annual Performance Incentive**

The purpose of this incentive is to provide performance based compensation for the achievement of the annual financial, operational and strategic objectives incorporated in the Company's Annual Business Plan. Named Executive Officers and senior managers of the Corporation participate in the management incentive plan whereby these officers and managers may receive additional compensation based on performance. The annual incentive plan is approved by the Board of Directors. There are two elements to the plan: I) Earnings per share (EPS) and II) Return on Net Assets (RONA). There is minimum threshold target set annually for each metric and the percentage earned is structured on an escalating basis; the higher the achieved result, the higher the percentage payout. The entitlement in each year, payable in cash in the subsequent year, for officers and managers is based on pre-determined annual performance metrics. The distribution of the incentive fund to the participating members may include a subjective assessment of the individual's performance. In February 2009, payments amounting to \$868,400 were made to executive officers and senior managers (in total 16 employees) for services rendered in 2008. In February 2008, payments amounting to \$744,871 were made to executive officers and senior managers (in total 16 employees) for services rendered in 2007.

## Summary Compensation Table

The following table provides a summary of compensation earned by the Chairman and Chief Executive Officer, President and the Chief Financial Officer & Corporate Secretary of the Corporation (the "Named Executive Officers").

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) Note 1	Non-equity incentive plan compensation (\$)		Pension value (\$) Note 2	All other compensation (\$) Note 3	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
W.G. Hammond Chairman & CEO	2008	314,984	Nil	72,300	131,200	Nil	8,175	9,744	536,403
	2007	272,231	Nil	Nil	136,000	Nil	7,410	9,404	425,045
	2006	257,686	Nil	16,450	128,900	Nil	6,285	10,188	419,509
C.R. Huether CFO & Corporate Secretary	2008	166,989	Nil	36,150	69,600	Nil	6,674	6,766	286,179
	2007	152,255	Nil	Nil	61,100	Nil	6,090	7,011	226,456
	2006	145,357	Nil	16,450	65,300	Nil	5,814	8,545	241,466

### Note 1:

Mr. Hammond was granted 15,000 stock options on March 6, 2008 and 5,000 stock options on December 5, 2006. Mr. Huether was granted 7,500 stock options on March 6, 2008 and 5,000 stock options on December 5, 2006. The fair value of the options issued was estimated at the date of the grant, using Black-Scholes Options Pricing Model. The weighted average fair value of stock options granted on March 6, 2008 was \$ 4.82 per share. The weighted average value of stock options granted on December 5, 2006 was \$3.29 per share. The fair value at the March 6, 2008 and December 5, 2006 grants for those Named Executive Officers was \$72,300 and \$16,450 respectively for Mr. Hammond and \$36,150 and \$16,450 respectively for Mr Huether.

### Note 2:

The Named Executive Officers participated in the Company's Group RRSP plan. Under the plan for Ontario employees the Company matches 50% of the employee's contributions based on 2 - 5% of their annual earnings.

### Note 3:

Amounts disclosed under, "All other compensation" covers payments made by the Corporation for automobile leases.

## Incentive Plan Awards

### - Outstanding option-based and share-based awards

The following table sets out the option-based incentive awards outstanding at December 31, 2008 for the Named Executive Officers.

Name	Option-based awards				Share-based awards	
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards that have not vested (\$)
W.G. Hammond Chairman & CEO	30,000	\$1.93	July 22, 2012	161,000	Nil	Nil
	5,000	\$6.00	December 5, 2013	6,500		
	15,000	\$13.64	March 6, 2015	Nil		
C.R. Huether CFO & Corporate Secretary	18,000	\$1.93	July 22, 2012	96,660	Nil	Nil
	5,000	\$6.00	December 5, 2013	6,500		
	7,500	\$13.64	March 6, 2015	Nil		

- **Value vested or earned during the year**

Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
W.G. Hammond Chairman & CEO	\$200	Nil	\$131,200
C.R. Huether CFO & Corporate Secretary	\$200	Nil	\$69,660

**Pension Plan**

The Corporation has defined contribution pension plans which are available to virtually all of its employees. Under the defined contribution pension plans, the Corporation is required to match the contributions of the members based on 2 - 5% of their annual earnings. All contributions accumulate in the pension fund based on the investment growth of the fund. The Corporation also has a contributory defined benefit pension plan (see Note 17 of the Consolidated Financial Statements), which covers the former hourly employees of the Baraboo, Wisconsin plant.

The following table sets out the Defined Contribution Pension Plan as at December 31, 2008 for the Named Executive Officers.

Name	Accumulated value at start of year (\$)	Compensatory (\$) Note 1	Non-compensatory (\$) Note 2	Accumulated value at end of year (\$)
W.G. Hammond Chairman & CEO	485,131	8,175	(102,892)	390,414
C.R. Huether CFO & Corporate Secretary	119,523	6,674	(22,162)	104,035

Note 1. These amounts represent the Company's contribution, matching the employee contribution based on 2-5% of annual earnings.

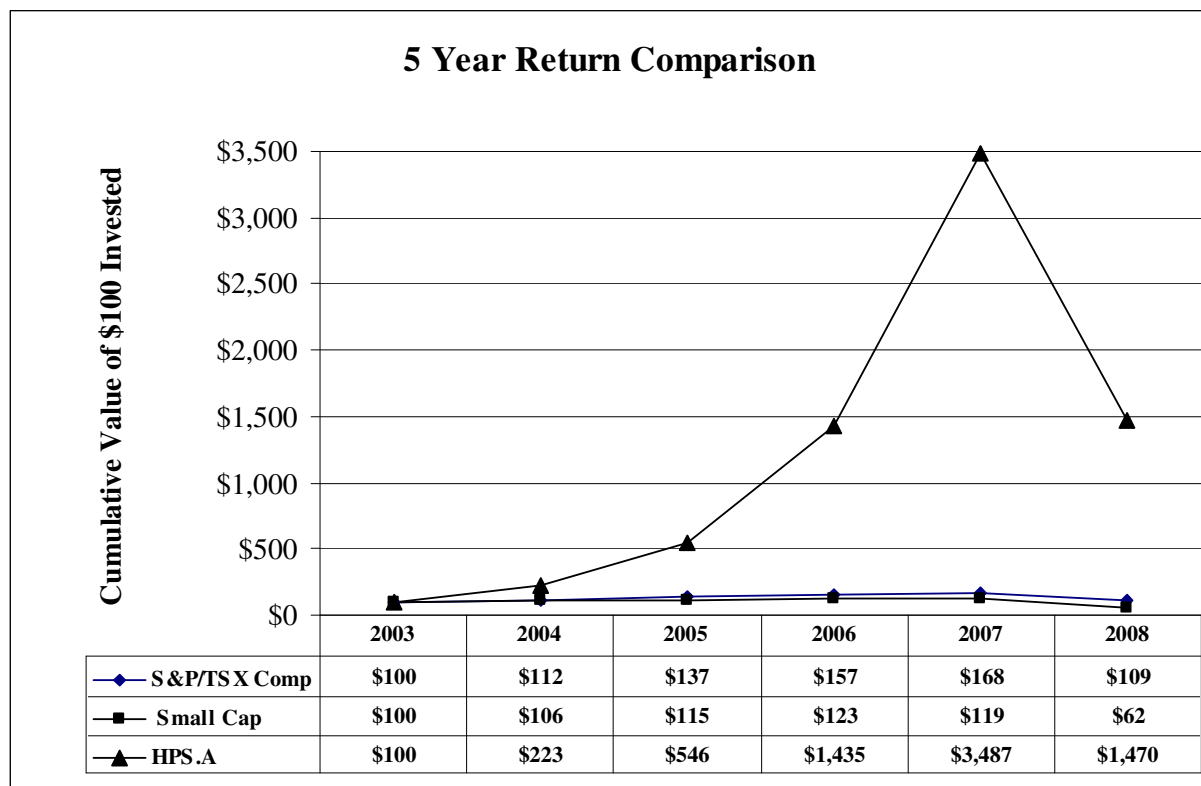
Note 2. These amounts include the employee contribution together with the increase (decrease) in the investment earnings for the year ended December 31, 2008.

**Management Contracts and Termination and Change of Control Benefits**

The Named Executive Officers are not covered by management contracts and there is no defined policy with regard to termination and change of control benefits.

## Performance Graph

The following graph assumes that \$100 was invested from December 31, 2003 to December 31, 2008 in the Corporation's Class A Subordinate Voting Shares and the S&P/TSX Composite and Small Cap Indices.



## Director Compensation

Directors, who are also employees of the Corporation, do not receive any directors' fees. Independent directors receive \$15,000 each per annum for services as a director, \$1,000 attendance/teleconference fee for each meeting and \$1,500 for each multi session meeting. The total remuneration paid to the directors in respect of services for 2008 was \$95,000 (in 2007, \$96,500 was paid).

The following table sets forth all compensation earned for the fiscal year ended December 31, 2008 by the independent members of the Company's Board of Directors.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Zoltan D. Simo	24,000	Nil	24,100	Nil	Nil	Nil	48,100
Donald H. MacAdam	24,000	Nil	24,100	Nil	Nil	Nil	48,100
Douglas V. Baldwin	23,500	Nil	24,100	Nil	Nil	Nil	47,600
Grant C. Robinson	23,500	Nil	48,200	Nil	Nil	Nil	71,700

**Note 1:**

Mr. Simo, Mr. MacAdam and Mr. Baldwin each were granted 5,000 stock options and Mr. Robinson was granted 10,000 stock options on March 6, 2008. The fair value of the options issued was estimated at the date of the grant, using Black-Scholes Options Pricing Model. The weighted average fair value of stock options granted on March 6, 2008 was \$ 4.82 per share. The fair value of the March 6, 2008 options for Mr. Simo, Mr. MacAdam and Mr. Baldwin was \$24,100 and \$48,200 for Mr. Robinson.

There were six Board meetings held in the 2008 fiscal year and all of the members of the Board attended all meetings in person or by tele-conferencing.

There were four Board meetings held in the 2008 fiscal year where the independent directors met without the attendance of the non-independent director.

**Incentive Plan Awards****Outstanding option-based and share-based awards**

The following table sets out the awards outstanding at December 31, 2008 for members of the Board of Directors.

Name	Option-based awards				Share-based awards	
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards that have not vested (\$)
Zoltan D. Simo	5,000	\$13.64	March 6, 2015	Nil	Nil	Nil
Donald H. MacAdam	10,000	\$1.93	July 22, 2012	53,700	Nil	Nil
	5,000	\$6.00	December 5, 2013	6,500	Nil	Nil
	5,000	\$13.64	March 6, 2015	Nil	Nil	Nil
Douglas V. Baldwin	5,000	\$6.00	December 5, 2013	6,500	Nil	Nil
	5,000	\$13.64	March 6, 2015	Nil	Nil	Nil
Grant C. Robinson	10,000	\$13.64	March 6, 2015	Nil	Nil	Nil

**Value vested or earned during the year**

There was no value in the option-based awards vesting during the year for the Board of Director

**Indebtedness of Directors and Officers**

No director, proposed nominee for election as director, executive officer or senior officer of the Corporation or any associate or its subsidiaries thereof is or has been indebted to the Corporation at any time during 2008

**Directors and Officers' Liability Insurance**

Under existing policies of insurance, the Corporation is entitled to be reimbursed for indemnity payments it is required or permitted to make to directors and officers, which are in excess of \$50,000 deductible per occurrence, to a maximum of \$15,000,000 in each policy year. The directors and officers of the Corporation are insured for losses arising from claims against them for certain of their acts, errors or omissions for which the Corporation does not indemnify them, to a maximum of \$15,000,000 in each policy year. As at the date hereof, all of the directors and officers of the Corporation and its subsidiaries are included as insured parties under the policies. All premiums for the policies are paid by the Corporation. The annual premium paid for these policies in fiscal 2008 was \$48,364. The premiums for these policies are not allocated between the directors and officers as separate groups.

## Securities Authorized for Issuance under Equity Compensation Plan

The following table sets forth certain information as of December 31, 2008, with respect to compensation plans under which equity securities of the Corporation are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining for future issuance under equity compensation plan
Stock Option Plan approved by Shareholders	219,500	\$5.90	455,500

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Management is not aware of any interest of informed persons in material transactions with the Corporation.

## CORPORATE GOVERNANCE PRACTICES

The Board of Directors and senior management of the Corporation consider good corporate governance to be central to the effective operation of the Corporation. As part of the Corporation's commitment to effective corporate governance, the Board of Directors monitors changes in legal requirements and best practices.

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

## BOARD OF DIRECTORS

A majority of the members of the Board of Directors are independent directors. An independent director is defined as a director who has no direct or indirect material relationship with the Corporation, being a relationship which could be reasonably expected to interfere with the exercise of a director's independent judgment. Mr. William G. Hammond is considered to be non-independent by virtue of his employment with the Corporation. The Board believes the extensive knowledge of Mr. Hammond of the Corporation's business and affairs is beneficial to the other directors and their participation as directors contributes to the effectiveness of the Board. Messrs. MacAdam, Simo, Baldwin and Robinson are considered to be independent directors. These determinations were made by the Board based upon an examination of the factual circumstances of each director and consideration of any interests, business or relationships, which any director may have with the Corporation.

The independent directors from time to time hold meetings at which the non-independent director and members of management are not in attendance. The independent directors are free to hold such meetings as deemed appropriate, and communicate with each other regularly on an informal basis and seek outside professional advice if deemed necessary.

The Chairman of the Board, Mr. Hammond, is not an independent director, nor does the Corporation have a designated lead director. Leadership for the independent directors is assumed by each member depending upon the particular issue at hand, and their relative level of expertise in that area.

While Mr. Hammond acts both as the Corporation's Chief Executive Officer and as Chairman of the Board, the Board of Directors has concluded that adequate structures and processes are in place to permit it to function independently of management and that the knowledge, experience and qualifications of the independent directors are sufficient to ensure that the Board functions independently of management.

## **Board of Directors (cont'd)**

The Board meets regularly without members of management present. In addition, Mr. Hammond's role is more heavily weighted towards activities traditionally associated with a non-executive Chairman assuming greater responsibility in the day to day operations of the Corporation.

The Corporation and the Board of Directors recognize the significant commitments involved in being a member of the Board of Directors.

## **Board Mandate**

The Board of Directors is responsible for the overall stewardship of the Corporation. This responsibility is discharged by the Board through supervision of its officers and their management of the business and affairs of the Corporation and by:

- Overseeing the Corporation's strategic planning process;
- Recognizing the principal risks to the Corporation's business and ensuring that systems to monitor and manage those risks are implemented;
- Managing and overseeing the Corporation's succession planning process, including the appointment, training and appraisal of senior officers of the Corporation;
- Overseeing the Corporation's policy for communication with shareholders, the investment community, the media, governments and the general public;
- Overseeing the integrity of the Corporation's internal control and management information systems; and
- Protecting interests of the minority shareholder.

## **Position Descriptions**

The Board of Directors has charged management with the responsibility for the effective management of the Corporation within the strategic framework established by the Board with the principal objective of enhancing shareholder value.

The Board has developed written position descriptions for the chair of each board committee and for the CEO of the corporation.

## **Orientation and Continuing Education**

Responsibility for orientation programs for new directors is assigned to the Chairman of the Board. The Governance Committee's duties include ensuring the adequacy of the orientation and education program for the new member. The Chairman reviews with each new member (i) certain information and materials regarding the Corporation, including the role of the Board of Directors and its committees and (ii) the legal obligations of a director of the Corporation. The Chairman, on an ongoing basis, also reviews the professional development and experience of all board members to ensure the directors maintain the skill and knowledge necessary to meet their obligations as directors. The Chairman educates the new directors of the corporation regarding the nature and operation of the Corporation's business through a series of formal meetings and review of operational information and business strategies.

## **Ethical Business Conduct**

The Corporation has adopted a code of conduct, ethics and values (the “Code”) ensuring a high standard of ethics, personal conduct, integrity and professionalism. The Code sets out in detail the core values and the principles by which the Corporation is governed and address topics such as: honesty, integrity, ethical behaviour, confidentiality, mutual respect, conduct and conflict of interest.

Management is responsible for communicating the Code to all officers and employees and keeping the Board informed about such compliance. The Code is communicated to directors on an informal basis. The Code is available on the Corporation’s intranet or in hard copy upon request.

The Board of Directors and the Audit Committee have established a Whistleblower Policy to encourage employees, officers and directors to bring forward any matters of concern. This policy has been distributed to all employees and is posted on the Corporation’s intranet. The Board of Directors and the Audit Committee perform ongoing reviews as to the compliance of the Code.

In order to ensure that the directors exercise independent judgment in considering transactions and agreements, the Board has a standing policy that all members are required to declare any conflicts of interest with issues or situations as they arise. This would include transactions and agreements in which a director or an officer has a material interest.

## **Corporate Governance Committee / Nomination of Directors**

The Corporate Governance Committee is currently composed of all directors, Messrs. William G. Hammond, Douglas V. Baldwin, Donald H. MacAdam, Zoltan D. Simo and Grant C. Robinson, a majority of whom are independent directors. The Committee has general responsibility for identifying new candidates for board nomination and for developing the approach of the Corporation to matters of corporate governance. The Committee ensures that it has an objective nominations process by interviewing, reviewing and discussing potential Board candidates independently and collectively and ratifying the Committee’s nominations to the Board.

The Committee is responsible for:

- Reviewing annually the mandates of the Board and its committees;
- Recommending procedures to permit the Board to function independently of management;
- Assessing whether the Corporation has implemented appropriate systems of internal control and procedures to ensure compliance with legal, ethical and regulatory requirements and whether these systems are operating effectively;
- Establishing selection criteria for Board membership;
- Assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, including considering the appropriate size of the Board; and
- Administering and updating an orientation and education program for new Board members.

## **Compensation Committee**

The Compensation Committee is currently composed of the independent directors, Douglas V. Baldwin, Donald H. MacAdam, Zoltan D. Simo and Grant C. Robinson. The Committee is responsible for making recommendations to the Board on the annual salary, bonus and other benefits of the executive officers of the Corporation.

The Compensation Committee approves the compensation levels for all the executive officers of the Corporation. The Compensation Committee is also responsible in general for reviewing the design and competitiveness of the Corporation’s compensation and benefit programs.

The Compensation Committee manages the principal components of the executive compensation, salary and annual incentives, which are paid in cash. These components form a comprehensive strategy designed to achieve the following objectives:

## **Compensation Committee (cont'd)**

- i. to attract and retain a highly qualified senior management by offering competitive salaries; and
- ii. to motivate performance by tying incentive compensation to the achievement of pre-determined goals.

The Committee is also responsible for assessing compensation for the Board of Directors and reviewing and making recommendations to the Board concerning the Corporation's policies in the area of management prerequisites and concerning the management succession process. The Committee ensures that the Corporation complies with regulatory requirements with respect to executive compensation in its public disclosure documents. The Compensation Committee's mandate also includes evaluating directors' compensation in light of risks and responsibilities involved in being an effective director of the Corporation.

## **Board Committees**

The Board of Directors has established three standing committees: the Audit Committee, Compensation Committee, and Corporate Governance Committee. Internal guidelines have been adopted by the Board which require that committees of the Board be composed of independent directors, unless it deems the appointment of a non-independent director or an officer to be in the best interest of the Corporation.

## **Disclosure Policy**

The Disclosure Policy is reviewed by the Board of Directors and executive officers. The Corporation is committed to providing timely, accurate and balanced disclosure of all material information relating to the Corporation, consistent with legal and regulatory requirements. The mandate of the Disclosure Policy is to raise awareness of the Corporation's approach and commitment to disclosure among the Corporation's directors, management and employees.

## **Assessment**

The Corporate Governance Committee is responsible for assessing the effectiveness of the Board, its committees and individual directors. The Corporate Governance Committee reviews the effectiveness of the Board, the committee's and the directors annually.

## **ADDITIONAL INFORMATION**

Financial information is provided in the Corporation's comparative financial statements and management discussion and analysis for its most recently completed financial year. This information and additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Shareholders may also e-mail the Corporation at [ir@hammondpowersolutions.com](mailto:ir@hammondpowersolutions.com) or by contacting Mr. William G. Hammond, Chairman and CEO or Mr. Chris R. Huether, CFO and Corporate Secretary @ 519-822-2441 to request copies of the Corporation's financial statements and Management's Discussion and Analysis.

The Corporation's website is [www.hammondpowersolutions.com](http://www.hammondpowersolutions.com).

## **GENERAL**

Unless otherwise specified, information contained herein is given as of March 27, 2009. The management knows of no matters to come before the Annual Meeting other than the matters referred to in the Notice of Meeting. If any matters which are not now known should properly come before the Annual Meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgement of the person voting it.

The contents and the sending of this Management Information Circular have been approved by the Board of Directors.

DATED this 27th day of March, 2009

A handwritten signature in black ink, appearing to read "Christopher R. Huether", written in a cursive style.

Christopher R. Huether  
Corporate Secretary and Chief Financial Officer