



## NUVO RESEARCH INC.

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the Annual and Special Meeting of Shareholders (the “Meeting”) of **NUVO RESEARCH INC.** (the “Corporation”) will be held on Thursday, April 30, 2009 at 9:00 a.m. (Toronto time) at the TSX Broadcast Centre, 130 King Street West, Toronto, Ontario, M5X 1J2 for the following purposes:

- (1) to receive the audited financial statements of the Corporation for the fiscal year ended December 31, 2008, together with the auditors’ report thereon;
- (2) to elect directors of the Corporation for the ensuing year;
- (3) to appoint auditors of the Corporation for the ensuing year and to authorize the directors to fix their remuneration;
- (4) to consider and, if thought advisable, approve, with or without variation, an ordinary resolution, as more particularly set out in the Management Information Circular accompanying this Notice, authorizing the Corporation to implement one or more warrant incentive programs (the “Programs”), subject to the conditions and limitations set out in the Management Information Circular, which Programs, if implemented, will be designed to encourage the early exercise of up to 19,807,294 warrants (the “November 2009 Warrants”), up to 3,161,483 warrants (the “June 2009 Warrants”) and/or up to 33,878,166 warrants (the “July 2009 Warrants”); and
- (5) to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

DATED at Mississauga, Ontario this 18<sup>th</sup> day of March, 2009.

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read "Daniel Chicoine", is written over a small circular stamp.

Daniel Chicoine  
Chairman

Shareholders who are unable to attend the Meeting in person are entitled to be represented at the Meeting by proxy and are requested to complete, date, sign and return the enclosed form of proxy to the Transfer Agent of the Corporation, CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario M1S 0A1, ATTN. PROXY DEPARTMENT, no later than 12:00 p.m. (Toronto time), on Wednesday, April 29, 2009 or in the case of any adjournment of the Meeting, no later than 5:00 p.m. (Toronto time), on the business day immediately preceding the date of such adjournment.

# NUVO RESEARCH INC.

## MANAGEMENT INFORMATION CIRCULAR

### SOLICITATION OF PROXIES

**This management information circular (the "Circular") is furnished in connection with the solicitation of proxies by the management of Nuvo Research Inc. (the "Corporation") for use at the Annual and Special Meeting of Shareholders of the Corporation (the "Meeting") to be held on Thursday, April 30, 2009 at 9:00 a.m. (Toronto time) at the TSX Broadcast Centre, 130 King Street West, Toronto, Ontario, M5X 1J2 and at any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.**

The Corporation will bear the cost of soliciting proxies. Proxies may be solicited by mail and the directors, officers or regular employees of the Corporation may solicit proxies personally, by telephone or by fax. **The solicitation of proxies by this Circular is being made by or on behalf of management of the Corporation.** None of these individuals will receive any extra compensation for such efforts. The Corporation will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for any reasonable expenses incurred in sending proxy material to beneficial owners of shares and requesting authority to execute proxies.

Copies of the Corporation's latest annual information form (together with the documents incorporated therein by reference), the comparative financial statements of the Corporation for the fiscal year ended December 31, 2008 together with the report of the auditors thereon, management's discussion and analysis of the Corporation's financial condition and results of operations for the fiscal year ended December 31, 2008, and this Circular are available upon request from the Corporation without charge to the security holder. The information contained herein is given as at March 18, 2009, except where otherwise noted.

### ***APPOINTMENT AND REVOCATION OF PROXIES***

#### **Registered Holders**

A registered shareholder is a shareholder who holds common shares of the Corporation ("Common Shares") in his, her or its own name (that is, not in the name of, or through an intermediary such as, among others, a bank, trust company, securities dealer or broker, or a trustee or administrator of self-administered RRSPs, RRIFs, RESPs and similar plans (an "Intermediary")).

**A registered shareholder may attend the Meeting and cast one vote for each Common Share registered in the name of such registered shareholder on any and all resolutions put before the Meeting. A registered shareholder who is unable to attend the Meeting, or does not wish to personally cast his, her or its vote(s), may authorize another person at the Meeting to vote on his, her or its behalf. This is known as voting by proxy.** The form of proxy enclosed with the Circular may be used by registered shareholders to authorize another person to vote on their behalf at the Meeting.

The persons named in the form of proxy are directors and/or officers of the Corporation. A shareholder of the Corporation who wishes to appoint some other person to represent him, her or it at the Meeting may do so by striking out the names of the persons specified in the form of proxy and inserting the name of the person to be appointed in the blank space so provided.

To be valid, completed proxies must be delivered to the transfer agent of the Corporation, CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario M1S 0A1, ATTN. PROXY DEPARTMENT no later than 12:00 p.m. (Toronto time) on Wednesday, April 29, 2009 or in the case of any adjournment of the Meeting, no later than 5:00 p.m. (Toronto time) on the business day immediately preceding the date of such adjournment, or to the Chairperson of the meeting at any time prior to the commencement of the meeting or any adjournment thereof.

A registered shareholder who executes and returns a form of proxy may revoke it by depositing an instrument in writing executed by such shareholder or such shareholder's attorney authorized in writing at the head office of the Corporation, 7560 Airport Road, Unit 10, Mississauga, Ontario, L4T 4H4, Attention: Daniel Chicoine, Chairman, at any time up to and including the last business day preceding the Meeting or any adjournment thereof or by depositing such instrument in writing with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

### **Non-Registered Holders**

**Information set forth in this section is very important to persons who hold Common Shares other than in their own names.** Only registered holders of Common Shares of the Corporation, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a holder (a "Non-Registered Holder") are registered either:

- (a) in the name of an Intermediary that the Non-Registered Holder deals with in respect of the shares; or
- (b) in the name of a depository (or "Depository" such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

**Such Intermediary is the registered holder of the Non-Registered Holder's Common Shares and is the entity legally entitled to vote these shares at the Meeting.** In order for a Non-Registered Holder to vote his, her or its Common Shares at the Meeting, they must carefully follow the procedures and instructions received from the Intermediary.

In accordance with the requirements of Canadian securities law, the Corporation has distributed copies of the Notice of Meeting, this Circular, the form of proxy and the Report to Shareholders for the fiscal year ended December 31, 2008 (collectively, the "meeting materials") to Depositories and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the meeting materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive meeting materials will 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 Common Shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with the Corporation c/o CIBC Mellon Trust Corporation, P.O. Box 721, Agincourt, Ontario M1S 0A1, ATTN. PROXY DEPARTMENT, as described above; or
- b) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder and returned to the Intermediary in accordance with the directions on the voting instruction form (which may in some cases permit the completion of the voting instruction form by telephone or online).

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Although Non-Registered Holders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of an Intermediary, a Non-Registered Holder may attend the Meeting as proxy holder for the registered shareholder (i.e. the Intermediary) and vote their Common Shares in that capacity. A Non-Registered Holder who wishes to attend and vote at the Meeting in

person and indirectly vote his or her Common Shares as proxy holder for the registered holder (or have another person attend and vote on behalf of the registered holder), should strike out the names of the persons named in the proxy and insert the name of the Non-Registered Holder in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. ***In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.***

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive meeting materials and to vote that is not received by the Intermediary at least seven days prior to the Meeting.

#### **VOTING AND EXERCISE OF DISCRETION BY PROXIES**

All properly executed forms of proxy, not previously revoked, will be voted or withheld from voting at the Meeting in accordance with the instructions contained therein on any ballot that may be called for. **Forms of proxy containing no instructions regarding the matters specified therein will be voted in favour of such matters. In the event, not presently anticipated, that any other matter is brought before the Meeting and is submitted to a vote, the form of proxy may be voted in accordance with the judgment of the persons named therein.** The form of proxy also confers discretionary authority in respect of amendments to or variations in all matters that may properly come before the Meeting.

#### ***RECORD DATE***

The board of directors of the Corporation (the “Board”) has fixed March 13, 2009 as the record date (the “Record Date”) for determining the shareholders entitled to receive notice of the Meeting and, accordingly, only shareholders of record on the Record Date are entitled to receive notice of and vote at the Meeting, except that a transferee of Common Shares after the Record Date shall be entitled to vote at the meeting if s/he produces properly endorsed certificates for such shares or otherwise establishes that s/he owns such shares, and has requested not later than two clear days before the meeting that the Transfer Agent of the Corporation, CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario M1S 0A1, ATTN. PROXY DEPARTMENT, include his or her name in the list of shareholders entitled to vote at the Meeting, such list having been prepared as of the Record Date.

#### **Interest of Certain Persons in Matters to be Acted Upon**

None of the Corporation’s directors or senior officers, or any associate or controlled corporation of any such person has any direct or indirect material interest in any of the matters to be acted upon at the Meeting other than in respect of the “special business” described herein.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

As of the Record Date, the Corporation had outstanding 331,487,754 Common Shares, each carrying one vote.

To the knowledge of the directors and officers of the Corporation, as of the Record Date, no person beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to the outstanding Common Shares.

## BUSINESS TO BE TRANSACTED AT THE MEETING

### FINANCIAL STATEMENTS AND AUDITORS' REPORT

Management, on behalf of the Board, will submit to the shareholders at the Meeting the audited consolidated financial statements of the Corporation for the fiscal year ended December 31, 2008, and the report of the auditors thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken. The audited consolidated financial statements and Auditors' report form part of the Report to Shareholders for the fiscal year ended December 31, 2008 which is being mailed to shareholders with the Notice and this Circular and which is available at [www.sedar.com](http://www.sedar.com).

### ELECTION OF DIRECTORS

The persons named in the enclosed form of proxy intend to vote for the election of the seven nominees to the Board whose names are set forth below.

Management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason at or prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting or until his successor is elected or appointed.

The following table sets forth the names of all persons proposed to be nominated by management for election as director, all positions and offices with the Corporation now held by them, if applicable, their principal occupations or employment, the point in time at which they became directors of the Corporation and the number of Common Shares and convertible securities of the Corporation beneficially owned, directly or indirectly, by each of them or over which each of them exercises control or direction as of March 18, 2009.

In addition, the table sets forth the members of the Corporation's Compensation and Corporate Governance Committee, and Audit Committee.

<u>Name and Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number of Common Shares Beneficially Owned</u>	<u>Value of Convertible Debentures Purchased (\$)</u>	<u>Number of Warrants Held</u>
Daniel Chicoine <sup>(6)</sup> Ontario, Canada	Chairman of the Board of the Corporation	September 21, 2004	771,626	300,000 <sup>(4)</sup>	500,100 <sup>(5)</sup>
David A. Copeland <sup>(2,3,8)</sup> Ontario, Canada	Private Business Consultant and Member of the Board of Directors of various private companies	September 21, 2004	Nil	100,000 <sup>(4)</sup>	166,700 <sup>(5)</sup>
Anthony E. Dobranowski <sup>(1,2,7)</sup> Ontario, Canada	Private Business Consultant	September 21, 2004	200,000	Nil	Nil
Dr. Henrich R.K. Guntermann Aachen, Germany	President and Chief Executive Officer of the Corporation	September 21, 2004	Nil	Nil	Nil
Dr. Klaus von Lindeiner <sup>(1,2)</sup> Munich, Germany	Private Business Consultant	September 21, 2004	50,000	Nil	Nil
John C. London Ontario, Canada	Vice Chairman and Secretary of the Corporation	September 21, 2004	404,570	100,000 <sup>(4)</sup>	166,700 <sup>(5)</sup>
Dr. Jacques Messier <sup>(1)</sup> Saskatchewan, Canada	Director, Veterinary Teaching Hospital, University of Saskatchewan	September 21, 2004	950	Nil	Nil

Notes:

- (1) Member of the Compensation and Corporate Governance Committee.
- (2) Member of Audit Committee.
- (3) Lead Director of the Board of Directors.
- (4) Debentures are convertible into Common Shares at a conversion price of \$0.138 per share, subject to adjustment in certain circumstances. Prior to conversion, the debentures bear interest at an annual rate of 5.00%, calculated and payable semi-annually in arrears on May 16 and November 16. These debentures mature on November 16, 2010.
- (5) Each purchase warrant allows the holder thereof to acquire one Common Share at a price of \$0.48 until November 16, 2009, subject to adjustment in certain circumstances.
- (6) Daniel Chicoine was a director of NRI Industries Inc. (“NRI”), a company primarily involved in the manufacture of rubber and plastic components for automotive and industrial applications, until August 23, 2006, when he resigned. This company filed for protection pursuant to the Companies' Creditors Arrangement Act (“CCAA”) on September 5, 2006. On April 27, 2007, subsequent to the sale of substantially all of the assets of NRI, the CCAA proceedings were terminated and NRI filed an assignment into bankruptcy and in July 2008 the government cancelled the Corporation’s charter for cause.
- (7) Anthony Dobranowski is a trustee of Heating Oil Partners Income Fund. Subsequent to certain of its subsidiaries filing for creditor protection in the U.S. and Canada, the units of the fund were delisted from the Toronto Stock Exchange on November 7, 2005. In March 2006, the OSC issued an issuer cease trade order in respect of the units of the fund and it remains in default with the OSC. The debtors joint plan of reorganization was approved by the U.S. bankruptcy court on June 26, 2006 and Heating Oil Partners Income Fund relinquished all equity interest in the reorganized subsidiaries under the approved plan of reorganization.
- (8) David Copeland was Chairman of the board of directors of Triton Electronik Inc., a group of Canadian companies primarily involved in electronic contract design and manufacturing services, until January 15, 2009, when he resigned. This group of companies filed for protection pursuant to the CCAA on January 28, 2009.

Each of the directors of the Corporation has been engaged for more than five years in his present principal occupation or in other capacities with the corporation or organization (or predecessor thereof) in which he currently holds his or her principal occupation, with the exception of the following: Henrich Guntermann, who in 2004 held the position of President of BioAlliance AG, a German-based life sciences private equity and consulting firm; Daniel Chicoine, who in 2004 was Vice-President, Finance and Chief Financial Officer of Cosma International, a division of Magna International Inc., an international automotive parts manufacturer; John C. London, who from 2004 to January 2006 was President and Chief Executive Officer of PowerCart Systems Inc. a designer and manufacturer of mobile power systems for wireless devices; Dr. Jacques Messier, who in 2004 was President of the National Income Protection Plan, a start-up company specializing in the management of short-term disability, and from 2004 to January 2007 was General Manager of The Semex Alliance, a developer and marketer of genetic technologies, products and services, and since 2008 is Director of the Veterinary Teaching Hospital at the University of Saskatchewan; and Anthony Dobranowski, who from 2004 to 2005 held various senior executive positions at Tesma International Inc., a publicly traded subsidiary of Magna International Inc., and from 2005 to September 2007 was Vice President of Magna International Inc.

## **APPOINTMENT OF AUDITORS**

At the Meeting, shareholders will be asked to appoint BDO Dunwoody LLP as the auditors of the Corporation (the “Auditors”), based on the recommendations of the Audit Committee and the Board. BDO Dunwoody LLP was appointed as the Auditors by the Audit Committee and the Board on December 16, 2005 following the resignation of Schwartz Levitsky Feldman LLP. The persons named in the accompanying form of proxy will, in the absence of specific instructions to withhold from voting on the proxy, vote for the appointment of BDO Dunwoody LLP as the Auditors of the Corporation to hold office until the next annual meeting of shareholders of the Corporation and to authorize the Audit Committee of the Board to fix the Auditors’ remuneration.

## **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of the Corporation, other than as disclosed elsewhere in this Circular, no director or officer of the Corporation, any subsidiary or any insider, nominee director, shareholder owning more than ten percent of the Common Shares, or any associate or affiliate of any of the foregoing has had any interest in any transaction since the commencement of the Corporation’s last financial year or in any

proposed transaction that has materially affected or would materially affect the Corporation or any of its subsidiaries.

## **STATEMENT OF EXECUTIVE COMPENSATION**

On September 18, 2008, the Canadian Securities Administrators announced the adoption of new rules under Form 51-102F6 *Statement of Executive Compensation*. The effective date of the new rules is December 31, 2008. The following disclosure has therefore been prepared in compliance with the new rules.

### **Compensation Discussion and Analysis**

Under Form 51-102F6, the Corporation's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and each of the three most highly compensated executive officers or other individuals are termed Named Executive Officers ("NEOs") for whom the Corporation must disclose certain financial and other information relating to compensation. The NEOs of the Corporation for the year ended December 31, 2008 are: (i) Henrich Guntermann; (ii) James Moulds; (iii) Daniel Chicoine; (iv) John London and (v) Bradley Galer.

#### **a) Objective of Compensation Program**

Within the Corporation, remuneration is designed to encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short and long-term. Compensation is directly tied to corporate and individual performance.

The level of base salary for each NEO at this stage of the Corporation's development is determined by the level of responsibility and the importance of the position to the Corporation, all with a view to being consistent with industry norms. Options to acquire Common Shares are designed to give each optionee an interest in preserving and maximizing shareholder value in the longer term, to enable the Corporation to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance. In the view of the Compensation and Corporate Governance Committee, options align the interests of executive officers with the longer term interests of shareholders. In determining the number of Common Shares subject to each option, the Compensation and Corporate Governance Committee gives consideration to the individual's present and potential contribution to the success of the Corporation.

The Compensation and Corporate Governance Committee and the Board from time to time retain independent compensation consultant who reviews the structure and value of compensation packages paid to the senior management to ensure that they are effective, competitive and comparable to similar companies. The Board has retained and obtained executive compensation reports and recommendations from Aon Consulting in 2005 and from Towers Perrin in 2007. The Compensation and Corporate Governance Committee and the Board also take into consideration the Corporation's financial and clinical targets and past performance.

#### **b) What the Compensation Program is Designed to Reward**

Plans and programs are designed so as to constitute adequate reward for services and incentive for the senior management team to implement both short-term and long-term strategies aimed at creating economic value for the Corporation and increasing share value. The Corporation utilizes an annual business planning process that identifies annual corporate and departmental goals which are reviewed and approved by the Board. The executive management team's performance, including the performance of the NEOs, is reviewed relative to achievement of these goals.

### **c) Elements of Compensation Program, Determination of Amounts for each Element, Rationale for Amounts of each Element**

In the Corporation's case, the major elements of the executive compensation program are base salary, incentives based on performance of the Corporation and achievement of its goals, a package of medical benefits, a car allowance and long-term incentives through the share incentive plan (the "Share Incentive Plan"), which consists of a share option plan (the "Share Option Plan"), a share purchase plan (the "Share Purchase Plan") and a share bonus plan (the "Share Bonus Plan"). The compensation policies and guidelines for the NEOs are recommended by the Chairman and Vice Chairman and approved by the Compensation and Corporate Governance Committee and the Board.

#### **Base Salary**

Salaries for the NEOs and other senior executives are paid within a salary range established on the basis of the level of responsibility of the executive relative to other positions in the Corporation and the executive's salary relative to the base salaries paid by comparable organizations.

#### **Share Incentive Plan**

The Corporation maintains a Share Incentive Plan pursuant to which the Corporation may issue shares or grant options to the NEOs and other key personnel. The Board believes that the Share Incentive Plan is a key component of compensation and seeks to integrate compensation incentives with the development and successful execution of strategic and operating plans. The Corporation's Share Incentive Plan is designed to support the achievement of the Corporation's performance objectives and to ensure that the NEOs interests are aligned with the success of the Corporation. The Share Incentive Plan consists of a Share Option Plan, a Share Purchase Plan and a Share Bonus Plan. The Share Incentive Plan is administered by the Board based on recommendations of the Compensation and Corporate Governance Committee. The Share Incentive Plan or any options granted pursuant to the Share Incentive Plan may be amended or modified, provided that any such amendment or modification which would (i) materially increase the benefits under the Share Incentive Plan or any options granted pursuant to the Share Incentive Plan; (ii) increase the number of Common Shares which may be issued pursuant to the Share Incentive Plan (other than by permitted adjustments described in the Share Incentive Plan); or (iii) materially modify the requirements as to eligibility for participation in the Share Incentive Plan, shall only be effective upon such amendment or modification being approved by the shareholders of the Corporation if required by the TSX or any other applicable regulatory authority.

#### **The Share Option Plan**

Under the Share Option Plan, options for the purchase of Common Shares may be granted to the NEOs, employees and directors of the Corporation and designated affiliates. Options are granted at the discretion of the Board. In determining the number of Common Shares subject to each option, consideration is given to the individual's recent and potential contribution to the success of the Corporation and its affiliates and the number and timing of options previously granted to the individual. The exercise price per share may not be less than the closing price of the Common Shares trading on the TSX on the last trading day immediately preceding the day the option is granted. Each option has a term of not more than ten years, and, unless otherwise agreed to by the Board, becomes exercisable as to 33.3% of the Common Shares subject to it, on a cumulative basis, at the end of each of the first, second and third years following the date of grant (such that the option only becomes fully exercisable three years from the date of grant). If a participant (a "Participant") in the Share Option Plan were to die, any option held by such Participant at the date of his or her death shall become immediately exercisable and shall be exercisable by the person to whom the rights of the option shall pass in accordance with the terms of the Participant's will. No rights under the Share Option Plan and no option awarded pursuant thereto are assignable or transferable by any Participant other than pursuant to a will or by the laws of

descent and distribution. If a Participant ceases to be a director or employee of the Corporation, as the case may be, for any reason (other than death) (such event being a “Termination”), except as otherwise provided in an employment contract or directors resolution, such Participant may, but only within 60 days following Termination, exercise his or her options to the extent such Participant was entitled to exercise such options at the date of such Termination.

On September 21, 2005 shareholders approved an amendment to the Share Incentive Plan increasing the maximum number of shares reserved for issue pursuant to the Share Option Plan to 10% of the then Issued and Outstanding Shares, on a fully diluted basis (as defined below). As a result, 43,748,074 Common Shares were authorized (subject to regulatory approval) as eligible for issuance pursuant to the Share Option Plan. 1,009,931 Common Shares have been issued pursuant to the exercise of options granted since the adoption of the Share Incentive Plan in 1995, and 33,794,568 options have been issued and remain outstanding as at March 18, 2009.

“Issued and Outstanding Shares, on a fully diluted basis”, for the purposes of the Share Incentive Plan, means the total number of Common Shares issued and outstanding, assuming the exercise of any conversion, exchange or purchase rights attached to any securities of the Corporation, other than stock options that entitle the holder to purchase or otherwise acquire Common Shares, with or without payment.

#### **The Share Purchase Plan**

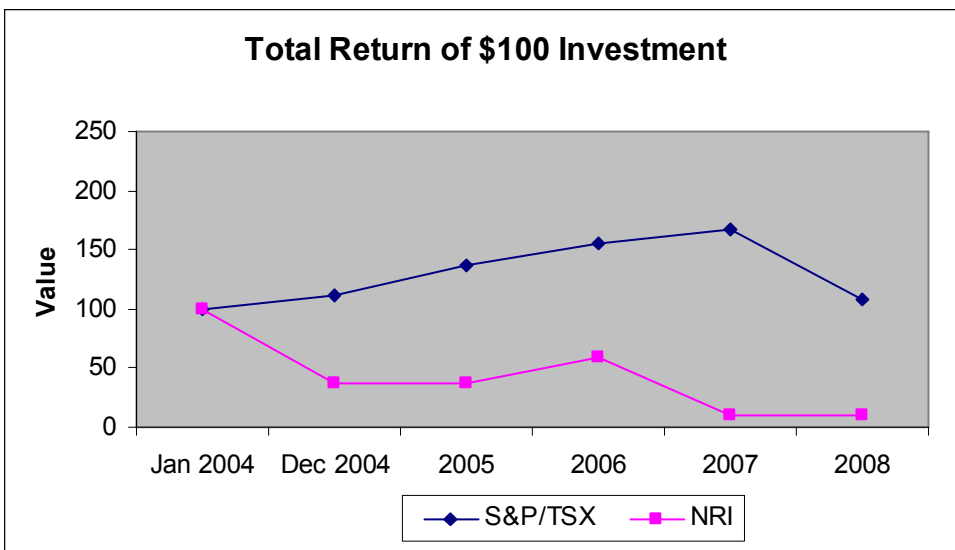
Under the Share Purchase Plan, the NEOs and employees of the Corporation or designated affiliates thereof are entitled to contribute up to 10% of their annual basic salary. The Corporation matches each participant’s contribution by issuing Common Shares, having a value equal to the aggregate amount contributed by the participating employee. Common Shares are issued under the Share Purchase Plan at the weighted average price of the Common Shares on the TSX for the calendar quarter in respect of which such Common Shares are being issued. On September 21, 2005 shareholders approved an amendment to the Share Purchase Plan increasing the maximum number of Common Shares that may be issued under the Share Purchase Plan to 3% of the then Issued and Outstanding Shares, on a fully diluted basis. As of March 18, 2009, 13,124,422 Common Shares were eligible (subject to regulatory approval) for issuance pursuant to the Share Purchase Plan. Since the adoption of the Share Incentive Plan 7,410,881 shares have been issued.

#### **The Share Bonus Plan**

The Share Bonus Plan permits Common Shares to be issued as a discretionary bonus to the NEOs, employees and directors of the Corporation, as well as designated affiliates. Persons who perform services for the Corporation are also eligible to receive shares in lieu of cash compensation. On September 21, 2005 shareholders approved an amendment to the Share Bonus Plan increasing the maximum number of shares reserved for issuance pursuant to the Share Bonus Plan to 2% of the then Issued and Outstanding Shares, on a fully diluted basis. As of March 18, 2009, 8,749,615 Common Shares were eligible (subject to regulatory approval) for issuance pursuant to the Share Bonus Plan and 2,404,183 Common Shares had been issued.

## Performance Graph

The following graph compares the yearly percentage change in the cumulative total shareholder return on the Common Shares from January 1, 2004 to December 31, 2008, with the cumulative total return of the S&P/TSX Composite Index during the same period, assuming a \$100 initial investment (and the re-investment of any dividends).



Year	Jan 2004	Dec 2004	2005	2006	2007	2008
	\$	\$	\$	\$	\$	\$
<b>S&amp;P/TSX</b>	100	111	136	156	167	108
<b>NRI</b>	100	37	38	59	10	10

The trend shown by the above performance graph shows a decrease in cumulative shareholder return from 2004 to 2008. The trend in the Corporation's compensation to the NEOs is generally divergent from the trend shown in the performance graph. In the life sciences industry, and particularly in drug development, shareholder returns are typically created by the achievement of certain pre-clinical, clinical and regulatory approval milestones. The Corporation's most significant milestone in its history is scheduled to occur on August 5, 2009, which date it is anticipated that the U.S. Food and Drug Administration (the "FDA") will advise the Corporation on the approvability of its lead drug, Pennsaid, for sale and marketing in the United States.

## Summary Compensation Table

The following table sets forth the annual compensation, including total compensation, for the financial year ended December 31, 2008 for each of the NEOs of the Corporation.

### Summary Compensation Table

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation <sup>(1)</sup> (\$)		All other compensation <sup>(2)</sup> (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans		
Henrich Guntermann President and CEO	2008	343,750	Nil	Nil	Nil	Nil	15,000	358,750
James Moulds Vice President Finance and CFO	2008	216,300	Nil	Nil	86,500	Nil	9,600	312,400
Daniel Chicoine Chairman	2008	343,750	Nil	Nil	Nil	Nil	15,000	358,750
John London Vice Chairman	2008	343,750	Nil	Nil	Nil	Nil	15,000	358,750
Bradley Galer Vice President General Manager, Pain Group, fqubed, Inc. (Nuvo Subsidiary)	2008	US225,000	Nil	Nil	US100,000	Nil	US9,600	US334,600

Notes:

- (1) Represents a bonus which was approved for payment relating to 2008 calendar year performance.
- (2) Represents payment received as an annual car allowance.

## Incentive Plan Awards

### Outstanding Share-based Awards and Option-based Awards

The following table indicates for each of the NEOs all awards outstanding at the end of the 2008 financial year.

Name	Option-based awards				Share-based awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)
Henrich Guntermann President and CEO	3,500,000	\$0.135	Nov 7, 2017	Nil	Nil	Nil
	2,000,000	\$0.20	Sep 21, 2015			
	830,000	\$0.30	Dec 17, 2014			
	100,000	\$0.39	Sep 21, 2014			
	50,000	\$0.39	Sep 21, 2009			
James Moulds Vice President Finance and CFO	1,600,000	\$0.135	Nov 7, 2017	Nil	Nil	Nil
	600,000	\$0.38	Jun 29, 2016			
Daniel Chicoine Chairman	3,500,000	\$0.135	Nov 7, 2017	Nil	Nil	Nil
	2,000,000	\$0.20	Sep 21, 2015			
	1,380,000	\$0.30	Dec 17, 2014			
	100,000	\$0.39	Sep 21, 2014			
	50,000	\$0.39	Sep 21, 2009			
John London Vice Chairman	3,500,000	\$0.135	Nov 7, 2017	Nil	Nil	Nil
	2,000,000	\$0.20	Sep 21, 2015			
	930,000	\$0.30	Dec 17, 2014			
	100,000	\$0.39	Sep 21, 2014			
	50,000	\$0.39	Sep 21, 2009			
Bradley Galer Vice President General Manager, Pain Group, fqubed, Inc. (Nuvo Subsidiary)	2,000,000	\$0.135	Nov 7, 2017	Nil	Nil	Nil
	200,000	\$0.39	Nov 13, 2016			

## Incentive-Plan Awards – Value Vested or Earned during the Year

The following table indicates for each of the NEOs the value on vesting of all awards and the bonus payout during the 2008 financial year.

Name	Option-based awards – Value during the year on vesting (\$)	Share-based awards – Value during the year on vesting (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Henrich Guntermann	Nil	Nil	Nil
James Moulds	Nil	Nil	Nil
Daniel Chicoine	Nil	Nil	Nil
John London	Nil	Nil	Nil
Bradley Galer	Nil	Nil	Nil

## Performance Based Options

In 2007, the Company issued 10,500,000 options at a weighted average exercise price of \$0.135 that vest upon the achievement of performance related milestones as determined by the Board of Directors at the time of issuance. These milestones include criteria measured by product related goals, such as regulatory approval and the signing of licensing partners in specific territories. The cost of these options was measured at fair value on the date of grant and is being amortized over their expected life of two years. The milestones have yet to be achieved.

## Employment Agreements

Following the election of the Corporation's Board of Directors at the annual shareholders meeting on September 21, 2004, the Board appointed a new president and chief executive officer, Dr. Henrich Guntermann. That appointment was made on September 22, 2004. In November 2004, directors Daniel Chicoine and John London officially joined Nuvo's management team as chairman and vice chairman, respectively.

On December 17, 2004, the Board of Directors of the Corporation, on recommendation of the Compensation and Corporate Governance Committee, approved terms of employment that were incorporated into employment agreements dated April 29, 2005 between the Corporation and each of Dr. Guntermann and Messrs. Chicoine and London. The employment agreements for Dr. Guntermann and Mr. London were stated to be effective December 1, 2004. The employment agreement for Mr. Chicoine was stated to be effective January 1, 2005. Under the terms of these agreements, if Dr. Guntermann, Mr. Chicoine or Mr. London are terminated for cause, they will not be entitled to any payment or compensation from the Corporation. If they are terminated without cause, they will each be entitled to receive a retiring allowance equal to twelve months of their base salary and automobile allowance payable either in a lump sum or in twelve equal monthly installments commencing within thirty days after the day of termination. The payout for each of the above named NEOs would be \$358,750. In the event of a change of control of the Corporation (defined as (i) an acquisition of 30% or more of the Common Shares by any person or group together with a change of 30% or more of the members of the Board within 12 months thereafter or (ii) a de facto change of control), for a period of twelve months thereafter, any termination of their employment by the Corporation for any reason, shall entitle each of them to receive a lump sum payment of \$717,500 equal to two times the amount that they would have received if their employment was terminated without cause. In addition, upon such change of control, each of them have the right, for a period of twelve months thereafter, to terminate their employment by providing the Corporation with written notice of termination, and upon doing so they will be entitled to a payment of the amount set out in the preceding

sentence. Upon a change of control, any options, rights, warrants or other entitlements for the purchase or acquisition of shares in the Corporation that are not then exercisable shall be fully vested and accelerated so that they become immediately exercisable for 180 days. Each of Dr. Guntermann and Messrs. Chicoine and London receive an annual base salary of \$343,750 and an annual car allowance of \$15,000.

The Corporation has also entered into employment agreements with its other NEOs including; Mr. James Moulds, the Corporation's vice president, finance and chief financial officer; and Dr. Bradley Galer, vice president and general manager, of the Corporation's Pain Group. Mr. Moulds is employed by the Corporation. Dr. Galer is employed by the Corporation's wholly owned subsidiary, fqubed, Inc. Under the terms of Mr. Moulds' employment agreement, if terminated for cause, he will not be entitled to any payment or compensation from the Corporation. If the Corporation terminates Mr. Moulds without cause, he will be entitled to receive a retiring allowance of \$225,900 equal to twelve months of his base salary and an automobile allowance payable either in a lump sum or in twelve equal monthly installments commencing within thirty days after the day of termination. In the event of a change of control of the Corporation (as defined in the preceding paragraph), for a period of twelve months thereafter, any termination of his employment by the Corporation for any reason, shall entitle Mr. Moulds to receive a lump sum payment of \$451,800 equal to two times the amount that he would have received if terminated without cause. In addition, upon such change of control, he will have the right, for a period of twelve months thereafter, to terminate his employment by providing the Corporation with written notice of termination, and upon doing so he will be entitled to payment of the amount set out in the preceding sentence. Upon a change of control, any options, rights, warrants or other entitlements for the purchase or acquisition of shares in the Corporation that are not then exercisable shall be fully vested and accelerated so that they become immediately exercisable for 180 days. Mr. Moulds receives an annual salary of \$216,300 and an annual car allowance of \$9,600. Under the terms of Dr. Galer's employment agreement, if terminated for cause, he will not be entitled to any payment or compensation. If the Corporation's subsidiary fqubed, Inc. terminates Dr. Galer without cause, he will be entitled to receive a retiring allowance of US\$234,600 equal to twelve months of his base salary and an automobile allowance payable either in a lump sum or in twelve equal monthly installments commencing within thirty days after the day of termination. In the event of a change of control of the Corporation (as defined in the preceding paragraph), for a period of twelve months thereafter, any termination of his employment by the Corporation for any reason, shall entitle Dr. Galer to receive a lump sum payment of US\$469,200 equal to two times the amount that he would have received if terminated without cause. In addition, upon such change of control, he will have the right, for a period of twelve months thereafter, to terminate his employment by providing fqubed, Inc. with written notice of termination, and upon doing so he will be entitled to payment of the amount set out in the preceding sentence. Upon a change of control, any options, rights, warrants or other entitlements for the purchase or acquisition of shares in the Corporation that are not then exercisable shall be fully vested and accelerated so that they become immediately exercisable for 180 days. Dr. Galer receives an annual salary of US\$225,000 and an annual car allowance of US\$9,600.

### **Compensation of Directors**

Directors are compensated for their services through a combination of retainer fees, meeting attendance fees, share-based awards and stock options. Share-based awards and stock options are described in the Statement of Executive Compensation section.

The annual aggregate compensation for each independent director during 2008 was comprised of a combination of cash and the fair value attributed to the grant of options as follows: \$5,000 annual retainer; \$1,000 for each Board meeting attended in person or \$500 if attended by telephone; \$500 for each committee meeting attended in person or \$250 if attended by telephone; and the grant of options having a value based on the Black-Scholes valuation method. On May 6, 2008 each independent director was granted the option to acquire 174,764 Common Shares at an exercise price of \$0.125 as part of their

compensation for the following one-year period. The exercise price of these options represents the closing price of the Common Shares on the TSX on the date prior to the grant. Directors are also reimbursed for expenses incurred in attending Board and committee meetings or otherwise in the performance of their duties.

### **Independent Directors' Compensation for the Fiscal Year Ended December 31, 2008**

Name	Year	External Directors' Fees (\$)	Share-based awards (\$)	Option-based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation		All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans		
David Copeland	2008	12,000	Nil	9,402	Nil	Nil	Nil	21,402
Anthony Dobranowski	2008	13,500	Nil	9,402	Nil	Nil	Nil	22,902
Klaus von Lindeiner	2008	13,000	Nil	9,402	Nil	Nil	Nil	22,402
Jacques Messier	2008	13,000	Nil	9,402	Nil	Nil	Nil	22,402

Notes:

- (1) These options were granted on May 6, 2008, are for a term of ten years and vest immediately. The exercise price of the option was the closing price of the Common Shares on the TSX on the date prior to the grant.

### **Directors' & Officers' Liability Insurance**

The Corporation annually renews and purchases insurance coverage for directors' and officers' liability. The current term (December 1, 2008 to November 30, 2009) premium of \$105,000 covers directors' and officers' liability for \$15,000,000, with self-insured retention of \$100,000 per loss. This premium is paid entirely by the Corporation.

### **SPECIAL BUSINESS**

#### **WARRANT INCENTIVE PROGRAMS**

The Corporation is seeking approval (as it did at its 2007 and 2008 annual meetings) to implement one or more warrant incentive programs (the "Programs"), subject to the conditions and limitations set out below, which Programs, if implemented, will be designed to encourage the early exercise of up to 19,807,294 warrants (the "November 2009 Warrants"), up to 3,161,483 warrants (the "June 2009 Warrants") and up to 33,878,166 warrants (the "July 2009 Warrants"). The November 2009 Warrants were issued as part of a financing completed in November 2004 and can be exercised at \$0.48 until November 16, 2009. The June 2009 Warrants were issued as part of a financing completed in June 2006 and can be exercised at \$0.50 until June 20, 2009. The July 2009 Warrants were issued as part of a financing completed in July 2007 and can be exercised at \$0.30 until July 13, 2009. To the extent that the Corporation offers one or more such Programs and warrant holders take advantage of the opportunity offered, the Corporation believes that the early exercise of the warrants will provide the Corporation with additional capital to continue to execute its current business plan. It is anticipated at this time that the proceeds of any early exercise will fund capital requirements relating to the development and commercialization of the Corporation's pharmaceutical products.

On January 6, 2009, the Corporation announced a warrant incentive program designed to encourage the early exercise of the November 2009 Warrants, June 2009 Warrants and July 2009 Warrants. Specifically, the Corporation amended the terms of the warrants so that, upon payment of the reduced exercise price of \$0.125 (which represents the volume weighted average trading price of Nuvo common shares over the five days prior to announcement of the program) and surrender of the holder's warrant in accordance with applicable procedures, the holder will be entitled to receive one common share of Nuvo. Nuvo has provided the holders of the warrants until 5:00 p.m. (Toronto time) on April 3, 2009 to exercise

their warrants under the offer. If a holder does not exercise his or her warrants prior to April 3, 2009, the warrants will continue to be exercisable for common shares of Nuvo on the same terms as previously existed. Shortly after April 3, 2009, the Corporation will announce the results of this program.

### **Shareholder Approval**

Pursuant to the requirements of the Toronto Stock Exchange, the implementation of one or more Programs requires the approval of a majority of the votes cast by the shareholders of the Corporation, excluding shareholders who are also warrant holders (the “Disinterested Shareholders”) at the Meeting.

The number of Common Shares held by shareholders who are also warrant holders will be excluded for the purposes of the Disinterested Shareholders’ vote. The number of such Common Shares is not known by the Corporation as of the date of this Circular.

At the Meeting, shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, a resolution, in the form set out in Appendix A to this Circular (the “Early Warrant Exercise Resolution”), subject to such amendments, variations or additions as may be approved at the Meeting, approving the Corporation being able to implement one or more Programs.

The directors of the Corporation recommend the adoption of the Early Warrant Exercise Resolution. To be effective, the Early Warrant Exercise Resolution must be approved by not less than a majority of the votes cast by the Disinterested Shareholders present in person, or represented by proxy, at the Meeting. Unless otherwise indicated, the persons designated as proxy holders in the accompanying form of proxy will vote the Common Shares represented by such form of proxy, properly executed, for the Early Warrant Exercise Resolution.

The text of the Early Warrant Exercise Resolution to be submitted to shareholders at the Meeting is set out at Appendix A to this Circular.

**Unless otherwise instructed by a shareholder, the persons named in the accompanying form of proxy will vote “FOR” the Early Warrant Exercise Resolution.**

### **STATEMENT OF CORPORATE GOVERNANCE**

In June 2005, the Canadian Securities Administrators adopted National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices (“NI 58-101”), to assist companies in establishing best practices and to address concerns about corporate governance. Pursuant to NI 58-101, each reporting issuer, such as the Corporation, must disclose on an annual basis, the corporate governance practices that it has adopted.

#### **1. Board of Directors**

##### *a) Disclosure of the identity of directors who are independent.*

Within the meaning of NI 58-101, four of the seven directors meet all requisite independence requirements. The four independent directors of the Corporation are: Mr. David Copeland, private investor; Mr. Anthony Dobranowski, private business consultant; Dr. Klaus von Lindeiner, private consultant and Dr. Jacques Messier, Director, Veterinary Teaching Hospital, University of Saskatchewan.

*b) Disclosure of the identity of directors who are not independent, and the basis for that determination.*

Within the meaning of NI 58-101, three of the seven directors are not independent. The three non-independent directors of the Corporation are: Mr. Daniel Chicoine, chairman of the Corporation, Mr. John London, vice chairman and secretary of the Corporation and Dr. Henrich Guntermann, president and chief executive officer of the Corporation.

*c) Disclosure of whether or not a majority of directors are independent.*

Four of the Corporation's seven directors are independent; their sole relationship with the Corporation is as a member of the Board and in some cases, as shareholders.

*d) Identification of any director who is presently a director of any other reporting issuer.*

The following directors are also directors of reporting issuers in the jurisdictions set out below:

Name	Company	Jurisdiction
David Copeland	B.E.S.T Total Return Fund Inc.	Ontario
Anthony Dobranowski	Heating Oil Partners Income Fund <sup>(1)</sup>	Ontario

Notes:

- (1) Subsequent to certain subsidiaries of Heating Oil Partners Income Fund filing for creditor protection in the U.S. and Canada, the units of the fund were delisted from the Toronto Stock Exchange on November 7, 2005. In March 2006, the OSC issued an issuer cease trade order in respect of the units of the fund and it remains in default with the OSC. The debtors joint plan of reorganization was approved by the U.S. bankruptcy court on June 26, 2006 and Heating Oil Income Fund relinquished all equity interests in the reorganized subsidiaries under the approved plan of reorganization.

*e) Disclosure of whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.*

At each quarterly meeting of the Board, the independent directors meet without the attendance of non-independent directors and management so their performance and other matters can be discussed and assessed by the independent directors.

*f) Disclosure of whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, identify the independent chair or lead director, and describe his or her role and responsibilities.*

The chair of the Board, Daniel Chicoine, is not an independent director. The Board has appointed Mr. David Copeland, an independent director, as the lead director. Mr. Copeland's main role is to ensure that the Board functions independently of management.

*g) Disclosure of the attendance record of each director for all board meetings held since the beginning of the most recently completed financial year.*

During the fiscal year ended December 31, 2008, the Board met 8 times. The number of meetings attended by each director is set out below:

	Meetings Attended (#)
Daniel Chicoine	8
John London	8
Henrich Guntermann	8
David Copeland	6
Klaus von Lindeiner	8
Anthony Dobranowski	8
Jacques Messier	8

## **2. Mandate of the Board**

*Disclosure of how the board delineates its role and responsibilities.*

The Board is responsible for the overall stewardship of the Corporation. It oversees the Corporation's business and affairs and the conduct of business by executive management, establishes or approves all corporate policies, approves all major business transactions, reviews the performance of executive management and in conjunction with management, ensures the protection of the Corporation's assets. The Board delineates its role and responsibilities by communicating the role of the Board and of management in communications to senior management.

On September 21, 2004, shareholders of the Corporation elected a new Board. The immediate priority for the new Board was to install a new executive management team and focus efforts on restructuring the Corporation's operations in an effort to ensure its long-term survival. The Board has also focused the Corporation's efforts on creating financial stability, completing studies required for the resubmission to the U.S. FDA of the Corporation's application for approval of Pennsaid<sup>®</sup> and conducting the research and development necessary to ensure that the Corporation has a pipeline of products in addition to Pennsaid<sup>®</sup>.

The Board has increased its focus on longer-term strategic initiatives, including corporate governance practices. Management is responsible for developing long-term strategies for the Board's consideration. The Board's role in this process includes:

- Ensuring that an appropriate strategic planning process is in place;
- Reviewing and approving strategic plan(s); and,
- Monitoring management's success in implementing strategic plan(s) and corporate objectives.

The Board will continue to discharge its supervisory role by reviewing and approving the Corporation's quarterly and annual financial statements and the annual budget.

The Board expects management to be responsible for day-to-day operations of the Corporation and the efficient management of initiatives within the approved strategic framework. The Board as a whole remains abreast of the Corporation's business through communications, reports and presentations from management at regular Board meetings. It invites corporate officers to attend these Board meetings and describe matters within their areas of expertise. The Board expects management to report short-term

results and long-term goals, on a frequent and timely basis. The Board receives regular input and reports from management through the chairman, the vice chairman, and the president and chief executive officer, as well as from the chief financial officer and other senior management.

The Board reviews and approves the general parameters for the financial capitalization of the Corporation, financing transactions for the purposes of borrowing money or raising capital, major acquisitions and dispositions and other significant matters affecting the Corporation including any that fall outside the ordinary course of the Corporation's business. The Board is also responsible for ensuring that management identifies the principal risks inherent in the Corporation's business and takes appropriate steps to manage those risks.

### **3. Position Descriptions**

*a) Disclosure of whether or not board has developed written position descriptions for its chairperson and the chairs of each board committee. If the board has not developed such written position descriptions disclosure of how the board delineates the role and responsibilities of such positions.*

No written position description has been developed for the chair of the Board or for the chairs of each Committee. The primary roles and responsibilities of the chairman of the Board are:

The chairman is responsible for setting the agenda for, and chairing meetings of, the Board. The chairman is responsible for the management, development and effective performance of the Board and provides leadership to the Board in all aspects of its work. The chairman is also a member of the Executive Management Committee (as defined below) consisting of the chairman, the vice chairman and corporate secretary, the president and chief executive officer and the vice president, finance and chief financial officer and performs a liaison role between the Executive Management Committee and the Board. The Board has also appointed a lead director who is responsible for ensuring that the Board and particularly the independent directors operate independently of management.

The primary role and responsibility of the chair of each committee of the Board is to: (i) ensure that the Committee fulfills its mandate, as determined by the Board; (ii) chair meetings of the committee; (iii) report thereon to the Board; and (iv) act as liaison between the committee and the Board and, if appropriate, management of the Corporation.

*b) Disclosure of whether the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, describe how the board delineates the role and responsibilities of the CEO.*

No written position description has been developed for the CEO. Day-to-day executive management of the Corporation is managed by an executive management committee (the "Executive Management Committee") consisting of the chairman, the vice chairman and corporate secretary, the president and chief executive officer, and the vice president, finance and chief financial officer. All managers report to and are supervised by one of the members of the Executive Management Committee. Major decisions respecting the day-to-day operations of the Corporation are made by the Executive Management Committee. The Executive Management Committee reviews the progress of the projects within the Corporation to ensure that the strategic plans approved by the Board are executed and implemented in a timely and effective manner. The Executive Management Committee members are in constant contact with each other, but also frequently meet on a formal basis to discuss and review matters affecting the Corporation.

#### **4. Orientation and Continuing Education**

- a) Description of what measures the board takes to orient new directors regarding:*
- i) the role of the board, its committees and its directors*
  - ii) the nature and operation of the Corporation's business*

The Compensation and Corporate Governance Committee has the mandate to ensure the provision of an orientation and continuing education program for new directors. No new directors have been added since the current Board was elected in September of 2004 and a formal orientation program has not yet been established.

- b) Description of what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, description of how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.*

The Board does not formally provide continuing education to its directors. The directors are experienced board members. The directors are provided materials in advance of each meeting that provide them with information relating to matters to be discussed at that meeting. As well, the directors meet regularly with management who are expected to keep them updated on developments concerning the business.

#### **5. Ethical Business Conduct**

- a) Disclosure of whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:*
- i) disclosure of how a person or company may obtain a copy of the code*
  - ii) description of how the board monitors compliance with its code, or if the board does not monitor compliance, whether and how the board satisfies itself regarding compliance with its code*
  - iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code*

The Corporation has adopted a Code of Business Conduct and Ethics (the "Code") applicable to directors, officers and employees. The purpose of the Code is to:

- Promote honest and ethical conduct
- Promote avoidance of conflicts of interest
- Promote full, fair, accurate, timely and understandable disclosure
- Promote compliance with applicable governmental laws, rules and regulations
- Promote the prompt internal reporting to an appropriate person of violation of the Code

All employees, officers and directors are provided with a copy of the Code, and required to sign an acknowledgement that they have read and agree to comply with the terms. A copy of the Code may be obtained from the Corporation's web site [www.nuvoresearch.com](http://www.nuvoresearch.com).

The Compensation and Corporate Governance Committee has been given the mandate to monitor the Board's compliance with the Code.

*b) Description of any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.*

Under the Ontario Business Corporations Act (the "OBCA"), to which the Corporation is subject, a general notice to the directors is generally required to be sent by a director or officer disclosing that he or she is a director or officer of or has a material interest in a person. It is the policy of the Corporation that an interested director or officer excuse himself or herself from the decision-making process (including discussions relating to the contract or transaction) pertaining to a contract or transaction in which he or she has an interest, other than in the case of certain permitted matters, such as matters related to his or her compensation as a director, permitted under the OBCA.

*c) Description of any other steps the board takes to encourage and promote a culture of ethical business conduct.*

The Board is aware and encourages management's practice of holding meetings with all the Corporation's employees during which senior management provides updates on the state of the Corporation's business. Where appropriate, these meetings are also used to remind employees of their responsibility under corporate policies, including the Code.

## **6. Nomination of Directors**

*a) Description of the process by which the board identifies new candidates for board nomination.*  
*b) Disclosure of whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed of entirely independent directors, description of the steps the board takes to encourage an objective nomination process.*

The Board was elected in September 2004. Since that date, the Board has not yet established a formal process for identifying new candidates for the Board and has not established a committee for nominating new directors.

## **7. Compensation**

*a) Description of the process by which the board determines the compensation for the Corporation's directors and officers.*

The Board has appointed a Compensation and Corporate Governance Committee whose mandate is to review and recommend compensation for directors and officers. The Compensation and Corporate Governance Committee obtains written reports from compensation consultants for the purpose of ensuring that compensation for directors and officers of the Corporation is consistent with that of comparable companies.

*b) Disclosure of whether or not the board has a compensation committee composed entirely of independent directors.*

The Compensation and Corporate Governance Committee is comprised entirely of independent directors. The members of the Committee are: Jacques Messier, Anthony Dobranowski and Klaus von Lindeiner.

*c) If the board has a compensation committee, description of the responsibilities, powers and operation of the compensation committee.*

The Compensation and Corporate Governance Committee is responsible for reviewing the level and form of compensation of the Corporation's directors, officers and senior executives, as well as changes to the overall compensation program for Corporation executives and all incentive compensation plans, including the Corporation's Share Incentive Plan. The Committee meets periodically and makes recommendations to the Board regarding all of these matters.

*d) If a compensation consultant or advisor has, at any time since the beginning of the Corporation's most recently completed financial year, been retained to assist in determining the compensation for any of the Corporation's directors and officers, disclosure of the identity of the consultant or advisor and summary of the mandate for which they were retained.*

In 2008, the Corporation retained the services of Towers Perrin to review and make recommendations with respect to compensation for independent directors. Based on the recommendation of Towers Perrin, compensation for independent directors was amended effective January 1, 2009.

## **8. Other Board Committees**

*If the board has standing committees other than the audit, compensation and nominating committees, identification of the committees and description of their function.*

The Board has established a Compensation and Corporate Governance Committee. The Committee is comprised of three independent directors: Mr. Anthony Dobranowski, Dr. Klaus von Lindeiner and Dr. Jacques Messier. The Compensation and Corporate Governance Committee responsibilities include monitoring ongoing regulatory changes to corporate governance practices, including rules of Canadian securities regulatory authorities. The Compensation and Corporate Governance Committee reviews the Corporation's corporate governance practices, considers changes in policies and practices and makes recommendations to the Board and management. The Compensation and Corporate Governance Committee has reviewed the contents of the Corporate Governance section of this Circular and has approved of the responses.

## **9. Assessment**

*Disclosure of whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.*

The Compensation and Corporate Governance Committee has been given the mandate to assess the effectiveness of the Board, its directors and its Committees; however, it has not yet conducted its first such assessment.

## **OTHER BUSINESS**

At the time of this Circular, the Corporation knows of no matter to come before the Meeting other than the matters referred to in the accompanying Notice of Meeting.

## **AUDIT COMMITTEE**

Information concerning the audit committee of the Corporation can be found in the Corporation's Annual Information Form dated February 26, 2009 and available at [www.sedar.com](http://www.sedar.com).

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available at [www.sedar.com](http://www.sedar.com). Financial information related to the Corporation is provided in its comparative financial statements for the fiscal year ended December 31, 2008 and management's discussion and analysis thereon.

The Corporation's Report to Shareholders for the fiscal year ended December 31, 2008, containing the Corporation's consolidated financial statements for the fiscal year ended December 31, 2008, is being mailed to the shareholders of the Corporation with the Notice of Meeting and this Circular.

## **BOARD APPROVAL**

The contents and mailing of this Circular have been approved by the directors of the Corporation.

BY ORDER OF THE BOARD OF DIRECTORS



Daniel Chicoine  
Chairman

Mississauga, Ontario  
March 18, 2009

## APPENDIX A

### Resolution of the Shareholders

#### Early Warrant Exercise Resolution

BE IT RESOLVED AS AN ORDINARY RESOLUTION OF THE SHAREHOLDERS THAT:

1. the Corporation be authorized to implement one or more warrant incentive programs (the “Programs”), subject to the conditions and limitations set out below, which Programs, if implemented, will be designed to encourage the early exercise of up to 19,807,294 warrants (the “November 2009 Warrants”), up to 3,161,483 warrants (the “June 2009 Warrants”) and/or up to 33,878,166 warrants (the “July 2009 Warrants”), as further described in the management information circular dated March 18, 2009;
2. any Program shall be subject to the following conditions and limitations:
  - i. the new exercise price would not be more than a 15% discount to the market price of the common shares of the Corporation on the date of public announcement of the change in the exercise price of the warrants,
  - ii. the exercise period for the exercise of the warrants will commence on a specified date after the public announcement of the Program and end on a date 30 to 75 days thereafter,
  - iii. as an inducement to a warrant holder to exercise his or her warrants, the Corporation would be permitted to issue up to one-half of a new warrant (a “New Warrant”) for each existing warrant exercised; however, the exercise price for any such New Warrant would be not less than the market price of the common shares of Nuvo on the date of public announcement of the change in the exercise price of the warrants and the expiry date of such New Warrant would be not more than 24 months from the date that the Program terminates,
  - iv. disclosure would be made by press release 10 business days before the date that any warrant holder could take advantage of the Program,
  - v. insiders would be precluded from participating in the Program,
  - vi. the Corporation would not be permitted to implement Programs on more than three occasions without seeking further approval of its shareholders and this shareholder approval, if granted, would expire at the next meeting of the shareholders of the Corporation,
  - vii. any specific implementation of a Program would be subject to TSX approval; and
3. each director and officer of the Corporation be and is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to this resolution, the execution and delivery of any such document or the doing of any such other act or thing being conclusive evidence of such determination.