A. PURPOSE

The Board of Directors (the "Board") of ProPhotonix Limited (the "Company") has promulgated and adopted this Policy Governing Director Nominations and Shareholder - Board Communications (the "Policy") because it recognizes that the shareholders of the Company desire increased insight into the Company's director nominations process and greater ease of communication with the Board, and as such, the Company endeavors to apply this Policy.

B. IDENTIFYING AND EVALUATING DIRECTOR NOMINEES

1. *Responsible Committee*. The Nomination Committee (the "Nomination Committee") is responsible for identifying individuals qualified to become members of the Board and its committees and recommending that, in accordance with the Company's By-Laws, the Board elect such qualified individuals or select such qualified individuals for nomination for election at the next annual or other properly convened meeting of shareholders.

2. *Process for Consideration of Candidates for Nomination for Director*

- Identification of Candidates. The Nomination Committee shall identify candidates for director nominees through recommendations solicited from non-management directors, the Company's Chairman and Chief Executive Officer or other executive officers, through the use of search firms or other advisors, through recommendations submitted by shareholders pursuant to the procedures set forth in Section B.4 below or through such other methods as the Nomination Committee deems to be helpful.
- Evaluation Process. Once candidates have been identified, the Nomination Committee shall confirm that the candidates meet all of the independence requirements and minimum qualifications for director nominees, set forth in Sections C below, as well as any other criteria set forth in Section C below that the Nomination Committee considers relevant. The Nomination Committee may gather information about candidates through interviews, background checks or any other means that the Nomination Committee deems to be helpful in, and appropriate to, the evaluation process. The Nomination Committee shall then meet to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the Board. There shall be no difference in the manner by which the Nomination Committee evaluates director nominees, whether nominated by the Board or by a shareholder.
- Recommendation of Candidates to Board. Based on the results of the evaluation process, the Nomination Committee shall recommend to the Board the candidates it has identified and which it has, through its evaluation process, determined to be qualified for serving on the Board.

3. *Process for Consideration of Candidates for Appointment to Board Committees*

- Identification of Candidates. The Nomination Committee shall identify candidates for appointment to the committees of the Board through recommendations from the Company's Chairman and Chief Executive Officer or other executive officers or through such other methods as the Nomination Committee deems to be helpful.
- Evaluation Process. Once candidates have been identified, the Nomination Committee shall confirm that the candidates meet all of the independence requirements and minimum qualifications set forth in Section C below, as well as any other criteria set forth in Section C below that the Nomination Committee considers relevant. The Nomination Committee shall then meet to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the respective committees.
- Recommendations of Candidates to Board. Based on the results of the evaluation process, the Nomination Committee shall recommend to the Board the candidates it has identified for appointment to one or more

committees of the Board and which it has, through its evaluation process, determined to be qualified for serving on any such committees.

4. *Procedures for Recommendation of Nominees by Shareholders*
The Nomination Committee will consider candidates for director nominees who are recommended by shareholders of the Company. Shareholders, in submitting recommendations to the Nomination Committee for director candidates, shall follow the following procedures:

- The Nomination Committee must receive any such recommendation for nomination by a date not later than the close of business on the 120th calendar day prior to the date the Company's proxy statement was in connection with the previous year's annual meeting of shareholders or special meeting in lieu of annual meeting of shareholders.
- Such recommendation for nomination shall be in writing and shall include the following information:
    - name of the shareholder, whether an entity or an individual, making the recommendation;
    - a written statement disclosing such shareholder's beneficial ownership of the Company's shares;
    - name of the individual recommended for consideration as a director nominee;
    - a written statement from the shareholder making the recommendation stating why such recommended candidate would be able to fulfill the duties of a director;
    - a written statement from the shareholder making the recommendation stating how the recommended candidate meets the independence requirements established by the Nasdaq Stock Market, Inc. or any other exchange upon which the securities of the Company are traded (collectively, with the Nasdaq Stock Market, "Nasdaq");
    - a written statement disclosing the recommended candidate's beneficial ownership of the Company's shares; and
    - a written statement disclosing relationships between the recommended candidate and the Company which may constitute a conflict of interest.
- Nominations may be communicated to the Nomination Committee via U.S. Mail, courier or expedited delivery service to the address below:

ProPhotonix Limited
32 Hamsphire Road
Salem, New Hampshire 03079
Attn: Chair – Nomination Committee

- Once the Chair of the Nomination Committee receives any recommendation for a director nominee, the recommended director nominee shall be evaluated by the Nomination Committee and, if appropriate, may be recommended to the Board.

C. DIRECTOR QUALIFICATIONS AND SKILLS

The Company seeks directors who possess high standards of personal and professional integrity, and have demonstrated business judgment as well as other qualifications and skills described in this Section C. The Company believes that the backgrounds and qualifications of its directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. The Nomination Committee will consider these and other qualifications, skills and attributes when recommending candidates for the Board's selection as nominees for the Board and as candidates for appointment to the Board's committees. In addition, the Board will consider such qualifications, skills and attributes when considering whether to include any particular candidate in the Board's slate of recommended director nominees. Specific weights to particular criteria are not assigned and no particular criterion is a prerequisite for each prospective nominee. Nominees shall not be

discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability or any other basis proscribed by law and the Board shall consider the value of diversity of the Board.

1. *Board Qualifications*

- *Independence*. A majority of the members of the Board shall meet the independence requirements promulgated by Nasdaq.
- *Minimum Qualifications*. The Company requires its directors to possess certain minimum qualifications, including the following:
    - Adequate Experience. Nominees should have demonstrated business acumen, experience and ability to exercise sound judgments in matters that relate to the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision-making process of the Company
    - No Conflicts of Interest. Nominees must be free from any relationship that, in the opinion of the Board or the Committee, would interfere with, or have the appearance of interfering with, the exercise of his or her independent judgment as a member of the Board or of a Board committee, including any conflicts of interest stemming from his or her institutional or other affiliations, and candidates should be able to act in the interests of all shareholders.
- Other Qualities and Skills. The Company also considers the following qualities and skills in its selection of directors:
    - knowledge of the Company's business and industry;
    - prior education;
    - demonstrated ability to exercise sound business judgment;
    - reputation for integrity and high moral and ethical character;
    - potential to contribute to the diversity of viewpoints, backgrounds, or experiences of the Board as a whole;
    - age; and
    - diligence and dedication to the success of the Company.

2. *Limits on Other Board Memberships and Commitments*. The Company expects that a director's existing and future commitments will not materially interfere with such director's obligations to the Company. The Company recognizes that directors should limit the number of boards on which they serve so they can give proper attention to each board responsibility. However, the philosophy of the Company is not to set an invariant limit on the number of boards on which a director may serve. In the event a director wishes to join the board of another company, it is expected that the director will advise the Nomination Committee of his or her intention. The Nomination Committee will then determine whether the new commitment will allow the director to continue to fulfill his or her obligations to the Company.

3. *Incumbents*. For candidates who are incumbent directors, the re-nomination of such directors should not be viewed as automatic but should be based on continuing qualification under the criteria set forth above. In addition, the Nomination Committee and the Board shall consider the incumbent directors' past attendance at meetings and participation in and contributions to the activities of the Board and any committee. If such incumbent director has had a significant change in status, such as an employment change, the Nomination Committee and the Board shall also take this event into consideration.

4. *Amendments* . The Nomination Committee shall review and assess the adequacy of this Policy periodically in light of the requirements promulgated by Nasdaq and the SEC and any other governmental or regulatory authority to which the Company is subject. The Nomination Committee shall recommend to the Board any amendments or

modifications to this Policy that the Committee deems necessary or appropriate. The Company will disclose any material changes to this Policy in the Company's filings with the SEC as may be required.

D. SHARE HOLDER - BOARD COMMUNICATIONS

The Board provides to every shareholder the ability to communicate with the Board, as a whole, and with individual directors on the Board through an established process as follows:

1. For communication directed to the Board as a whole, shareholders may send such communication to the attention of the Clerk of the Company via U.S. Mail, courier or expedited delivery service to the address below:

Board of Directors
c/o ProPhotonix Limited
32 Hampshire Road
Salem, New Hampshire 03079
Attn: Clerk

The Clerk will promptly forward copies to all directors on the Board of any such communication received except for mass mailings, job inquiries, surveys, business solicitations or advertisements, personal grievances, matters as to which the Company tends to receive repetitive or duplicative communications, or patently offensive or otherwise inappropriate material.

2. For communication directed to an individual director in his or her capacity as a member of the Board, shareholders may send such communication to the individual director via U.S. Mail, courier or expedited delivery service to the address below:

[Name of Individual Director]
c/o ProPhotonix Limited
32 Hampshire Road
Salem, New Hampshire 03079
Attn: Clerk

The Clerk will promptly forward any such communication received to the director or directors to whom such communication is addressed, except for mass mailings, job inquiries, surveys, business solicitations or advertisements, personal grievances, matters as to which the Company tends to receive repetitive or duplicative communications, or patently offensive or otherwise inappropriate material.

Communications from an officer or director of the Company and proposals submitted by shareholders to be included in the Company's definitive proxy statement pursuant to Rule 14a-8 of the Exchange Act of 1934 (and related communications) will not be viewed as a shareholder communication. Communications from an employee or agent of the Company will be viewed as shareholder communication only if such communications are made solely in such employee's or agent's capacity as a shareholder