

# **REKO INTERNATIONAL GROUP INC.**

*5390 Brendan Lane*

*Oldcastle, Ontario*

*NOR 1L0*

## *Notice of Annual General Meeting*

*December 2, 2010*

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the holders of the Common Shares of REKO INTERNATIONAL GROUP INC. (the "Company") will be held at the Holiday Inn Select, 1855 Huron Church Road, Windsor, Ontario on Thursday, December 2, 2010 at 3:00 p.m. (E.S.T.) for the following purposes:

- (1) to receive the consolidated financial statements of the Company for the year ended July 31, 2010 and the report of the auditors thereon;
- (2) to elect the Directors of the Company to hold office until their successors are elected or appointed at the next Annual General Meeting of the Company;
- (3) to appoint the auditors of the Company to hold office until the close of the next Annual General Meeting of the Company and to authorize the Directors to fix the remuneration to be paid to the auditors; and
- (4) to transact such other business as may properly be brought before the Meeting, or any adjournment thereof.

Shareholders who are unable to attend the meeting in person are requested to sign and date the enclosed form of proxy and return it in the manner explained in the instructions on such form for use at the meeting.

DATED at

Oldcastle, Ontario, this 18th day of October, 2010

By order of the Board of Directors

*"Diane St. John"*

Diane St. John  
Chief Executive Officer

## **REKO INTERNATIONAL GROUP INC.**

### **INFORMATION CIRCULAR**

Dated as of October 18, 2010

### **SOLICITATION OF PROXIES**

**THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF REKO INTERNATIONAL GROUP INC. (THE “COMPANY”) FOR USE AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY TO BE HELD AT THE HOLIDAY INN SELECT, 1855 HURON CHURCH ROAD, WINDSOR, ONTARIO ON THURSDAY, DECEMBER 2, 2010 AT 3:00 P.M. (E.S.T.) AND ANY ADJOURNMENT THEREOF (THE “MEETING”). THE SOLICITATION WILL BE BY MAIL BY MANAGEMENT OF THE COMPANY AND ITS COST WILL BE BORNE BY THE COMPANY.**

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

The persons named in the enclosed form of proxy are Directors and/or Officers the Company.

**As a shareholder of the Company, you have the right to appoint a person other than the persons named in the enclosed form of proxy to attend the Meeting and act as your proxy holder. If you do not want to appoint either person named in the enclosed form of proxy, you should insert, in the blank space provided, the name and address of the person whom you wish to appoint as proxy holder. That person need not be a shareholder of the Company.**

You may indicate the manner in which your appointee is to vote with respect to any specific item by checking the appropriate space on the enclosed form of proxy. If you wish to confer discretionary authority with respect to any item of business then the space opposite the item is to be left blank. The common shares in the capital of the Company (the “Common Shares”) represented by your proxy will be voted in accordance with your directions.

If you have given a proxy, you may later revoke it by: (a) signing a proxy bearing a later date and depositing it as provided under “Deposit of Proxy”, below; (b) signing and dating a written notice of revocation (in same manner as the enclosed form of proxy is required to be executed, as set out under “Validity of Proxy”, below) and faxing it to the office of the CIBC Mellon Trust Company, Att: Proxy Dept., at (416) 368-2502, or toll free fax at 1-866-781-3111; or delivering it in person, or by mail, to the registered office of the Company, Att: Corporate Secretary, 5390 Brendan Lane, Oldcastle, Ontario, N0R 1L0, or via fax to the registered office of the Company, Att: Corporate Secretary, at (519) 737-7732, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or to the Chair of the Meeting on the day of the Meeting; or (c) in any other manner provided by law. Such revocation will have effect only in respect of those matters upon which a vote has not already been cast pursuant to the authority conferred by the proxy.

### **PROXY INSTRUCTIONS**

**A proxy in the form of the enclosed will confer discretionary authority upon a proxy holder named therein with respect to the matter identified in the enclosed Notice of the Meeting, and with respect to amendments and variations thereto and any other matters that may properly be brought before the Meeting, or any adjournment thereof.**

Your shares represented by proxy will be voted or withheld from voting in accordance with your instructions on any ballot that may be called for. If you have specified with certainty, a choice with respect to any matter to be acted upon, your shares will be voted accordingly.

**If you do not provide voting instructions as specified above, your shares represented by the proxy will be voted as recommended by Management.**

### ***Validity of proxy***

Your proxy will not be valid unless it is dated and signed by you or by your attorney duly authorized in writing. In the case of a shareholder who is a company, a proxy will not be valid unless it is executed under its seal or by a duly authorized officer or agent of, or attorney for, such corporate shareholder. If an attorney or agent for an individual shareholder or joint shareholders executes a proxy by an officer, attorney, or other authority for a corporate shareholder, the instrument empowering the attorney, officer or agent, as the case may be, or a notarial copy thereof, should accompany the proxy.

### ***Deposit of proxy***

In order to be valid and effective, proxies must be delivered either by mail to CIBC Mellon Trust Company, Att: Proxy Dept., P.O. Box 721, Agincourt, Ontario M1S 0A1, or if the shareholder chooses, in person to the CIBC Mellon office, Att: Proxy Dept., at 320 Bay Street, Banking Hall Level, Toronto, Ontario, by no later than 1:00 p.m. (E.S.T.) on December 1, 2010, or delivered to the Chair of the Meeting prior to the commencement of the Meeting.

All non-registered shareholders who receive these materials through a broker or other intermediary should complete and return the materials in accordance with the instructions provided by such broker or other intermediary.

### ***Amendments or variations and other matters***

The management of the Company is not aware of any amendments to, or variations of, any of the matters identified in the enclosed Notice of Meeting or any other matter that may be brought before the Meeting. However, a proxy in the form of the enclosed form will confer discretionary authority upon a proxy holder named therein to vote on any amendments to, or variations of, any of the matters identified in the enclosed notice in addition to any other matter, which may properly be brought before the Meeting.

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

No director or executive officer of the Company at any time since the beginning of the Company's last completed financial year, no proposed nominee for election as a director nor any associate of any such director, officer or 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 Meeting, except as disclosed in the Management Information Circular. Furthermore, no informed person (as such term is defined under applicable securities laws), proposed nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed nominee has or had a material interest, direct or indirect, in any transaction since the beginning of the Company's last financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries or affiliates.

In the last two financial years, the Company has obtained legal services relating to commercial lending matters from Miller Canfield Paddock and Stone, LLP. Mr. Slopen, a current and proposed nominee for director, is a partner in that firm. During the current year, the Company incurred \$14,000 (2009: \$43,714) of legal fees from the firm.

## **VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES**

The Company is authorized to issue an unlimited number of Common Shares of which there are 6,420,920 issued and outstanding. Holders of Common Shares are entitled to one vote for each Common Share held. Holders of Common Shares of record at the close of business on October 18, 2010, are entitled to receive notice of and to vote at the Meeting.

The Reko Family Corporation, which is owned or controlled by Shirley Reko and/or trusts of which the beneficiaries are Shirley Reko and her children (one of whom is Diane St. John, the CEO and Board Chair of Reko International Group Inc.) and grandchildren beneficially own 3,448,263 Common Shares. Shirley Reko also beneficially owns an additional 208,027 Common Shares, which together with the Common Shares referred to in the immediately preceding sentence represent approximately 56.7% of the issued and outstanding Common Shares. To

the knowledge of the directors or officers of the Company, no other person beneficially owns, or exercises control or direction over more than 10% of the outstanding Common Shares.

**Share ownership by Directors, Officers and The Reko Family Corporation**

All of Reko's directors, officers and, direct and indirect, shareholders of The Reko Family Corporation owned beneficially or exercised control or direction over 3,869,545 Common Shares or approximately 60.3% of the Common Shares.

## **INFORMATION INCORPORATED BY REFERENCE AND ADDITIONAL INFORMATION**

This document is available on [www.sedar.com](http://www.sedar.com), along with all other documents incorporated by reference in this proxy circular. Upon request, any shareholder may request a copy of these documents, free of charge, by writing: Reko International Group Inc., Att: Investor Relations, 5390 Brendan Lane, Oldcastle, ON. NOR 1L0.

Additional information relating to the Company also may be found at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's consolidated financial statements and MD&A for 2010.

## **MATTERS TO BE ACTED UPON AT THE MEETING**

### ***Financial statements***

Management, on behalf of the Board, will submit to Reko shareholders at the Annual Meeting its Consolidated Financial Statements for the fiscal year ended July 31, 2010, together with the Independent Auditors' report thereon.

### ***Election of Directors***

The Company's articles of incorporation provide that the Board will consist of between three (3) and ten (10) directors. While shareholder approval is required to fix the number of directors outside this range, the Board is authorized to fix the number of directors within this range. In the current year, the Board is recommending seven (7) directors for election at the Annual General Meeting. The directors of the Company are elected each year at the Annual General Meeting of the Company and hold office until their successors are elected or appointed. The management of the Company and the persons named in the enclosed form of proxy intend to vote for the election of the nominees set out below. Each nominee is presently a director of the Company. Each director elected will hold office until the next Annual General Meeting of the Company unless he/she sooner ceases to hold office. Should such a vacancy occur between Annual General Meetings, the vacancy may be filled by the Board appointing a director to serve until the next Annual General Meeting.


### ***Independence***


The seven (7) nominees standing for election as directors of the Company at the Annual General Meeting are set forth below. Five (5) of the nominees (72%) are independent directors, while of the remaining two (2) directors, one (1) is a member of management (14%) and the other is deemed to not be independent on the basis that he has an ownership position in a supplier to the Company (14%). Refer to Corporate Governance Disclosure for a discussion of the factors considered in determining independence of the nominees listed below.


### ***Proposed nominees***


The following table sets forth information with respect to each of the nominees for director, including a brief biography, date first elected or appointed as a director of the Company, Board and Committee attendance, their Board compensation in the last year, the number of Reko securities owned, controlled or directed, indirectly or directly by each nominee and the total value of the securities as at the Record Date, as well as other public company boards on which the nominee currently serves or has recently served. None of these nominees serve together on the boards of other public companies.


Unless a shareholder instructs otherwise, the Reko officers whose names have been pre-printed on the form of proxy intend to vote FOR the nominees listed below. If for any reason a nominee becomes unable to stand for election as a director of Reko or if Management proposes any additional nominees for election as directors, the Reko officers whose names have been pre-printed on the form of proxy intend to vote for any substitute or additional nominee proposed by Management.

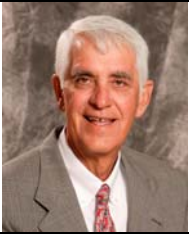
	<p>Mrs. St. John is the Chair of the Board, Chief Executive Officer and Secretary/Treasurer. She was appointed Chair and Chief Executive Officer on December 23, 2007. Mrs. St. John was appointed Secretary/Treasurer on November 21, 1984. Mrs. St. John's areas of expertise include the automotive industry, financial accounting and management.</p>		
	<p><b>Board &amp; Committees</b></p> <p>Board (1) 4 of 4 100%</p> <p>Strategic Planning 1 of 1 100%</p> <p>Annual General 1 of 1 100%</p> <p>IFRS education mtg. 1 of 1 100%</p> <p>(1) - Chair</p>	<p><b>Attendance</b></p>	<p><b>Securities Owned, Controlled or Directed</b></p> <p>Common shares (95,995 shares) (2) \$ 47,998</p> <p>Stock options (5,000 options) -</p> <hr/> <p><b>Total value of securities</b> \$ 47,998</p>
<p><b>Diane St. John,</b> Lakeshore, Ontario, Canada</p> <p><b>Director since:</b> 1984</p> <p><b>Independent director:</b> No</p>	<p><b>Other Public Company Boards/Committees</b></p>	<p><b>Board Compensation</b></p> <p>Annual fee \$ -</p> <p>Meeting fee 3,000</p> <hr/> <p><b>Total board compensation</b> \$ 3,000</p>	<p>(2) - Does not include 3,448,263 common shares held by Reko Family Corporation, of which Mrs. St. John is a director and officer, and a daughter of the controlling shareholder.</p>


	<p>Mr. Myers is currently an Executive-in-Residence at the College of Business Administration at the University of Akron. From May 1, 2009 to March 10, 2010, he was a Director of Myers Industries, Inc. From May 1, 2005 to May 1, 2009, he was the non-executive Chairman of the Board of Myers Industries, Inc. Mr. Myers' areas of expertise include the plastic molding industry, finance and management.</p>		
	<p><b>Board &amp; Committees</b></p> <p>Board 3 of 4 75%</p> <p>Compensation (1) 2 of 2 100%</p> <p>Strategic Planning 1 of 1 100%</p> <p>Annual General 0 of 1 0%</p> <p>IFRS education mtg. 1 of 1 100%</p> <p>(1) - Chair</p>	<p><b>Attendance</b></p>	<p><b>Securities Owned, Controlled or Directed</b></p> <p>Common shares (46,300 shares) \$ 23,150</p> <p>Stock options (5,000 options) -</p> <hr/> <p><b>Total value of securities</b> \$ 23,150</p>
<p><b>Stephen E. Myers,</b> Hudson, Ohio, USA</p> <p><b>Director since:</b> 1994</p> <p><b>Independent director:</b> Yes</p>	<p><b>Other Public Company Boards/Committees</b></p>	<p><b>Board Compensation</b></p> <p>Annual fee \$ 10,000</p> <p>Meeting fee 5,250</p> <hr/> <p><b>Total board compensation</b> \$ 15,250</p>	

	<p>Dr. Szonyi is President of Andrew J. Szonyi &amp; Associates Inc. He is a Licensed Professional Engineer and earned a PhD in engineering and an MBA, both from the University of Toronto. Dr. Szonyi's areas of expertise include the automotive industry, finance and business management, and he has served on the Boards of several public and private corporations in Canada and overseas.</p>		
	<p><b>Board &amp; Committees</b></p> <p>Board 4 of 4 100%</p> <p>Audit (1) 4 of 4 100%</p> <p>Strategic Planning 1 of 1 100%</p> <p>Annual General 1 of 1 100%</p> <p>IFRS education mtg. 1 of 1 100%</p> <p>(1) - Chair</p>	<p><b>Attendance</b></p>	<p><b>Securities Owned, Controlled or Directed</b></p> <p>Common shares (15,860 shares) \$ 7,930</p> <p>Stock options (5,000 options) -</p> <hr/> <p><b>Total value of securities</b> \$ 7,930</p>
<p><b>Dr. Andrew J. Szonyi,</b> Toronto, Ontario, Canada</p> <p><b>Director since:</b> 1996</p> <p><b>Independent director:</b> Yes</p>	<p><b>Other Public Company Boards/Committees</b></p> <p>Clearford Industries Inc. (TSX Venture) - Audit Chair</p>	<p><b>Board Compensation</b></p> <p>Annual fee \$ 15,000</p> <p>Meeting fee 9,250</p> <hr/> <p><b>Total board compensation</b> \$ 24,250</p>	

	<p>Mr. Sartz is the President of Viking Capital Corp. Mr. Sartz' areas of expertise include financial accounting, finance and corporate finance.</p>																												
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<p><b>John Sartz,</b> Ajax, Ontario, Canada</p> <p><b>Director since:</b> 1996</p> <p><b>Independent director:</b> Yes</p>	<table border="0"> <tr> <td colspan="2"><b>Other Public Company Boards/Committees</b></td> </tr> <tr> <td colspan="2">None</td> </tr> </table>	<b>Other Public Company Boards/Committees</b>		None		<table border="0"> <tr> <td colspan="2"><b>Board Compensation</b></td> </tr> <tr> <td>Annual fee</td> <td>\$ 10,000</td> </tr> <tr> <td>Meeting fee</td> <td>9,250</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td><b>Total board compensation</b></td> <td><b>\$ 19,250</b></td> </tr> </table>	<b>Board Compensation</b>		Annual fee	\$ 10,000	Meeting fee	9,250	<hr/>		<b>Total board compensation</b>	<b>\$ 19,250</b>													
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	<p>Mr. Slopen is a Partner at the law firm of Miller, Canfield, Paddock and Stone LLP. Miller, Canfield, Paddock and Stone LLP perform certain legal services for the Company. During the year, the Company paid Miller, Canfield, Paddock and Stone LLP \$14,000 for services rendered. As a result of this relationship, the Company has classified Mr. Slopen as a non-independent director. Mr. Slopen's areas of expertise include legal matters and corporate governance.</p>																												
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<p><b>Jeffrey M. Slopen,</b> Windsor, Ontario, Canada</p> <p><b>Director since:</b> 2000</p> <p><b>Independent director:</b> No</p>	<table border="0"> <tr> <td colspan="2"><b>Other Public Company Boards/Committees</b></td> </tr> <tr> <td colspan="2">None</td> </tr> </table>	<b>Other Public Company Boards/Committees</b>		None		<table border="0"> <tr> <td colspan="2"><b>Board Compensation</b></td> </tr> <tr> <td>Annual fee</td> <td>\$ 10,000</td> </tr> <tr> <td>Meeting fee</td> <td>6,750</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td><b>Total board compensation</b></td> <td><b>\$ 16,750</b></td> </tr> </table>	<b>Board Compensation</b>		Annual fee	\$ 10,000	Meeting fee	6,750	<hr/>		<b>Total board compensation</b>	<b>\$ 16,750</b>													
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	<p>Mr. Halula is a Corporate Director and Past Group Vice President of Worthington Custom Plastics. Mr. Halula's areas of expertise include manufacturing and finance.</p>																												
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<p><b>John R. Halula Sr.,</b> Naples, Florida, USA</p> <p><b>Director since:</b> 2000</p> <p><b>Independent director:</b> Yes</p>	<table border="0"> <tr> <td colspan="2"><b>Other Public Company Boards/Committees</b></td> </tr> <tr> <td colspan="2">Worthington Custom Plastics</td> </tr> </table>	<b>Other Public Company Boards/Committees</b>		Worthington Custom Plastics		<table border="0"> <tr> <td colspan="2"><b>Board Compensation</b></td> </tr> <tr> <td>Annual fee</td> <td>\$ 10,000</td> </tr> <tr> <td>Meeting fee</td> <td>9,250</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td><b>Total board compensation</b></td> <td><b>\$ 19,250</b></td> </tr> </table>	<b>Board Compensation</b>		Annual fee	\$ 10,000	Meeting fee	9,250	<hr/>		<b>Total board compensation</b>	<b>\$ 19,250</b>													
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	Mr. Neufeld is the President and Chief Executive Officer of Jamieson Laboratories. Mr. Neufeld is a Chartered Accountant and formerly a Partner at Ernst & Young LLP. He currently sits on the board of Enwin Utilities Ltd., the local energy provider. Mr. Neufeld's areas of expertise include financial accounting and management.		
	<b>Board &amp; Committees</b>	<b>Attendance</b>	
<b>Victor Neufeld,</b> Lakeshore, Ontario, Canada  <b>Director since:</b> 2004  <b>Independent director:</b> Yes	Board (1)	4 of 4	100%
	Compensation	2 of 2	100%
	Strategic Planning	1 of 1	100%
	Annual General	1 of 1	100%
	IFRS education mtg.	0 of 1	0%
	(1) - Lead Director		
<b>Other Public Company Boards/Committees</b>			
<b>Securities Owned, Controlled or Directed</b>			
Common shares (5,000 shares)		\$	2,500
Stock options (5,000 options)			
<b>Total value of securities</b>		\$	<b>2,500</b>
<b>Board Compensation</b>			
Annual fee		\$	15,000
Meeting fee		6,000	
<b>Total board compensation</b>		\$	<b>21,000</b>

**NOTES:**

- (1) During the past 10 years, none of the nominee directors was a director, chief executive officer, or chief financial officer of any issuer (including the Company) that was, during his or her tenure, the subject of a cease trade order or similar order or an order that denied that issuer access to any exemptions under securities legislation for a period of more than 30 consecutive days, or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver manager or trustee appointed to hold the assets of the issuer. During the past 10 years, none of the nominee directors has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the nominee director.
- (2) Individual directors have furnished information as to Common Shares and Stock Options beneficially owned by them or over which they exercise control or direction.
- (3) In calculating the Total Value of Securities, we have used the closing price of Reko International Group Inc. common shares on the Toronto Stock Exchange ("TSX") on the Record Date (\$0.50). In valuing stock options for purposes of calculating the Total Value of Securities, we have included only the in-the-money amount calculated based on the closing price of Reko International Group Inc. common shares on the Record Date.

***Appointment of Independent Auditor***

Based on the recommendations of the Audit Committee of the Board, the directors propose to appoint PricewaterhouseCoopers LLP as Reko's independent auditor and authorize the Audit Committee to fix the independent auditor's remuneration. PricewaterhouseCoopers LLP has been Reko's independent auditor since 2010.

Representatives of PricewaterhouseCoopers LLP are expected to attend the Annual General Meeting, will have the opportunity to make a statement, if they so desire, and are expected to be available to respond to appropriate questions. Refer to "Audit Committee Report" below for a summary of fees paid to PricewaterhouseCoopers LLP in respect of 2010 and Deloitte & Touche LLP in respect of 2009.



## BOARD AND BOARD COMPENSATION

### *Corporate governance*

The Board is committed to fostering a healthy governance culture at the Company. The Company believes that a healthy governance culture requires that directors be informed of both internal corporate and external developments that may affect the business and affairs of the Company and that an atmosphere of open communication, trust, candour, healthy debate and even constructive dissent be part of the corporate decision making and directorial oversight process. Mere formulaic or structural approaches to corporate governance issues, such as tests of independence, numerical guidelines for outside directors, number of directors, director age, number of committees, director incentive programs, number of formal meetings, and similar requirements are not themselves sufficient and, in some cases, not particularly helpful in ensuring that the board of directors of a public corporation fulfills its mandate of properly supervising the management of the Company, addressing potential conflict of interest situations and, in general, representing the interest of shareholders to encourage what they ultimately want, namely, good and proper corporate performance. Simply put, directors have statutory and fiduciary obligations to act honestly and in good faith with a view to the best interests of the Company. They also have a duty of care in making decisions, including being properly informed so they can perform the tasks their position entails. The Board demands that these standards are met by its members at all times.

The Board's authority is exercised in accordance with: (i) the *Business Corporations Act* (Ontario); (ii) the Company's articles of incorporation and by-laws; (iii) the Company's Code of Conduct ("Code"); (iv) the charters of the Board and the Board committees; and, (v) other applicable laws and regulations including those imposed on the Company by the Canadian Securities Administrators ("CSA") and the TSX (on which the Company's Common Shares are listed).

The Board approves all material decisions that affect the Company and its subsidiaries before they are implemented. The Board delegates to management the authority and responsibility for the day-to-day affairs of the Company and reviews management's performance. The Board expects management to manage the Company in a manner that enhances shareholder value, is consistent with the highest level of integrity and is within the law.

In April 2005, the Ontario Securities Commission ("OSC") adopted National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 – *Corporate Governance Guidelines* (NP 58-201, together with 58-101, the "CSA Guidelines"), providing corporate governance "best practices". In June 2005, the OSC issued Amendments to Multilateral Instrument 52-110 – *Audit Committees* ("MI 52-110") which introduced new standards for the composition of Audit Committees, as well as additional disclosure standards in respect of Audit Committees.

The CSA Guidelines as well as the evolving best practices in corporate governance, including amendments to MI 52-110, are considered by the Board in the context of the Company's objectives in order to implement the most effective corporate governance policies and practices for the Company. Under MI 52-110, a director is "independent" if he or she has no direct or indirect material relationship with the issuer. A material relationship is a relationship which could, in the view of the Board of Directors, reasonably interfere with the exercise of a director's independent judgment. By reference to MI 52-110, the OSC has established a specific list of material relationships which compromise a director's independence. The Company applies the standards set out in the OSC Guidelines, with a view to apprising investors of the Company's "best practices" approach to responsible corporate governance.

The Company is also subject to the requirements of Canadian provincial securities legislation, including those relating to the certification of financial and other information by the Company's principal executive officer and principal financial officer; oversight of the Company's external auditors; enhanced independence criteria for audit committee members; the pre-approval of permissible non-audit services to be performed by the Company's external auditors; and the establishment of procedures for the anonymous submission of employee complaints regarding the Company's accounting practices (commonly known as whistleblower procedures). In its consideration of evolving best practices in corporate governance matters, over the past several years among other matters discussed below, the Company has (i) adopted the Code of Conduct; (ii) established a confidential procedure for the anonymous submission to the Audit Committee of employee complaints regarding the Company's accounting practices; (iii)

established policies and procedures for audit committee pre-approval of services provided by the independent auditor; (iv) amended and updated the charter for the Audit Committee, which prescribes its mandate; (v) updated the charter for the Compensation Committee; and, (vi) established a Lead Director position.

Diane St. John, as the Chief Executive Officer and Chair of the Board of Reko, has particular responsibility for board related issues, in addition to her participation in corporate activities as a senior executive. These include: corporate governance matters; information meetings with directors; and, strategic direction and oversight of the Company. In addition, Board members are encouraged to independently review and comment on the business of the Company. Board committees can and do meet independently of management in fulfilling their mandates and making recommendations to the Board. The Lead Director role has been established to ensure appropriate procedures are followed. To assist in fostering proper input of independent directors and independent director participation in Board decisions, in addition to and apart from Board committee mandates, the Board has established a Lead Director position. The Lead Director's mandate is attached as Appendix B hereto.

### ***Board committees***

The Board of Directors has established two standing committees of directors: the Compensation Committee and the Audit Committee. The Board of Directors has established a charter for each committee. From time to time, special committees of the Board of Directors may be appointed to consider special issues, in particular, any issues that may involve related party transactions.

#### ***Compensation Committee***

The Compensation Committee oversees the overall corporate policy with respect to compensation and benefits and makes recommendations to the Board of Directors on, among other things, the compensation of senior management and the directors. In assessing compensation issues, the Compensation Committee reviews and examines in detail the performance of senior management.

The Compensation Committee and the Board as a whole periodically consider the compensation of directors and the Compensation Committee brings the resulting suggestions to the Board for its consideration. The Board and the Compensation Committee has considered appropriate compensation levels and mechanisms in view of recent economic developments.

#### ***Audit Committee***

The Audit Committee is composed of independent directors, as defined by MI 52-110. The Company believes the oversight responsibility of the Committee provides a key stewardship role for the Committee in the Company's financial disclosure issues, internal controls, risk management, corporate finance and related matters.

In reviewing the audited financial statements of the Company, the Committee discusses the quality, not just acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosure in the financial statements. In addition, the Committee discusses with the Company's auditors the overall scope and plans for their audit. The Committee meets with the auditors with and without management present, to discuss the results of their examination and the overall quality of the Company's financial reporting. The Committee also carefully reviews evolving audit committee regulations and best practices to ensure corporate alignment with the spirit and intent of such regulations and practices.

### ***Chief Executive Officer performance***

On an annual basis, the Company circulates a proposed strategic plan and budgets which are discussed and, if appropriate, adopted by the Board of Directors. These form the basis of the corporate objectives which the Chief Executive Officer is responsible for meeting. The Compensation Committee assesses management's performance and reviews its compensation.

### ***Shareholder feedback and communication***

The Company views its shareholders and investors as owners and partners, and senior management – the Chief Executive Officer, the Chief Financial Officer and the President and Chief Operating Officer – is committed to being accessible. They comprise the Company’s Disclosure Committee, and monitor all communications consistently and coherently. The Company also communicates regularly with its shareholders through annual and quarterly reports. At the Company’s Annual General Meeting of shareholders, a full opportunity is afforded for shareholders to ask questions concerning the Company’s business. Each shareholder and investor inquiry receives a prompt response from an appropriate officer of the Company. Information about the Company, including annual reports and interim financial reports, is also available on the Company’s website at [www.rekointl.com](http://www.rekointl.com) and at [www.sedar.com](http://www.sedar.com). In addition, the Company provides the opportunity for investors to pose questions of senior management, including the Chief Executive Officer, the Chief Financial Officer and the President and Chief Operating Officer through email to the Company’s website.

### ***Board of Directors’ expectations of management***

Management is responsible for the day-to-day operations of the Company and is expected to implement approved strategic business plans and initiatives within the context of authorized budgets and corporate policies and procedures. The information which management provides to the Board of Directors is critical. Management is expected to report regularly to the Board of Directors in a comprehensive, accurate and timely fashion on the business and affairs of the Company. The Board of Directors monitors the nature of the information requested by and provided to it so that it can effectively identify issues and opportunities for the Company. The Chair oversees the operation of the Board in a manner that ensure the Board can be adequately informed and can be an effective monitor.

At the same time, the Board recognizes that the operations of the Company, its strategies and ultimately, its success, will depend on management being successful. The Board’s job is to monitor and supervise, not to manage and operate the business, and it does not do so.

### ***Code of Conduct***

In January 2009, the Company approved the Code of Conduct in light of its continued commitment to honesty and integrity in the conduct of its business. The Code of Conduct applies to all its employees. In addition, all senior executives, divisional managers, and members of the finance, human resources and purchasing departments must disclose annually their compliance with the Code of Conduct for the previous year and provide written confirmation of their intention of compliance for the upcoming year.

### ***Compensation of Directors***

The schedule of retainers and fees payable to non-executive directors during 2010 and 2009 was approved by the Board effective September 23, 2010 and is set forth below.

<b>Description of Board Compensation</b>	<b>2010</b>	<b>2009</b>
Annual fee – payable in cash	\$10,000	\$10,000
Chair of the Audit Committee and Lead Director – payable in cash	\$15,000	\$15,000
Per meeting fee – Board or Compensation Committee	\$ 750	\$ 750
Per meeting fee – Audit Committee	\$ 1,000	\$ 1,000

Mrs. St. John was not paid any annual director fees nor was she granted any director options, as she was an employee of the Company or its subsidiaries during the year. Directors are entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings. The Board of Directors may award special remuneration to any director undertaking any special services on the Company’s behalf other than services

ordinarily required by a director. From time to time, options may be granted to directors as indicated under the Share Option Plan.

There is no requirement for the directors or executive officers to own any amount of Common Shares in the Company.

***Incentive award plans for non-executive directors***

To more closely align the interests of Directors with our shareholders, pursuant to our Amended and Restated Incentive Stock Option Plan (“Plan”), each of the Directors is entitled to receive grants of options at the discretion of the Compensation Committee and Board of Directors. Vesting under the Plan takes place immediately for non-executive directors and the options expire after five years.

**Financial Year Ended July 31, 2010**

Name and Principal Position	Year	Director fees	Share-based awards	Option-based awards	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation	Total Compensation
					Annual Incentive Plan	Long-Term Incentive Plans <sup>(1)</sup>			
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
John Halula	2010	19,250	Nil	Nil	Nil	Nil	Nil	Nil	19,250
	2009	18,500	Nil	Nil	Nil	2,300	Nil	Nil	20,800
Andrew Szonyi	2010	24,250	Nil	Nil	Nil	Nil	Nil	Nil	24,250
	2009	23,500	Nil	Nil	Nil	2,300	Nil	Nil	25,800
John Sartz	2010	19,250	Nil	Nil	Nil	Nil	Nil	Nil	19,250
	2009	18,500	Nil	Nil	Nil	2,300	Nil	Nil	20,800
Vic Neufeld	2010	21,000	Nil	Nil	Nil	Nil	Nil	Nil	21,000
	2009	21,000	Nil	Nil	Nil	2,300	Nil	Nil	23,300
Jeff Slopen	2010	16,750	Nil	Nil	Nil	Nil	Nil	Nil	16,750
	2009	16,750	Nil	Nil	Nil	2,300	Nil	Nil	19,050
Stephen Myers	2010	15,250	Nil	Nil	Nil	Nil	Nil	Nil	15,250
	2009	14,500	Nil	Nil	Nil	2,300	Nil	Nil	16,800

(1) - Represents fair value of stock option awards on grant.

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

The following table sets forth the details regarding incentive plan awards for each non-executive director of the Company outstanding as of July 31, 2010:

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 <sup>(1)</sup>	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
	(#)	(\$)		(\$)	(#)	(\$)
John Halula	2,000 3,000	1.50 1.16	09/25/13 06/09/14	Nil	Nil	Nil
Stephen Myers	2,000 3,000	1.50 1.16	09/25/13 06/09/14	Nil	Nil	Nil
Vic Neufeld	2,000 3,000	1.50 1.16	09/25/13 06/09/14	Nil	Nil	Nil
John Sartz	3,000 2,000	1.50 1.16	09/25/13 06/09/14	Nil	Nil	Nil
Jeff Slopen	3,000 2,000	1.50 1.16	09/25/13 06/09/14	Nil	Nil	Nil
Andrew Szonyi	3,000 2,000	1.50 1.16	09/25/13 06/09/14	Nil	Nil	Nil

#### NOTES:

- (1) – On July 31, 2010, the closing price of the Common Shares on the TSX was \$0.60. Value is calculated based on the difference between the market value of the Common Shares as at July 31, 2010 and the exercise price of the option.

**Value vested or earned during the financial year ended July 31, 2010**

The following table sets forth the details regarding the value vested or earned of incentive plan awards for each non-executive director for the financial year ended July 31, 2010:

Name	Option-based awards – Valued vested during the year	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
	(\$)	(\$)	(\$)
John Halula	Nil	Nil	Nil
Stephen Myers	Nil	Nil	Nil
Vic Neufeld	Nil	Nil	Nil
John Sartz	Nil	Nil	Nil
Jeff Slopen	Nil	Nil	Nil
Andrew Szonyi	Nil	Nil	Nil

## AUDIT COMMITTEE REPORT

Pursuant to Reko's by-laws and the Audit Committee's written Charter, the Committee provides assistance to the Board in fulfilling its oversight responsibilities to Reko's shareholders with respect to the integrity of Reko's financial statements and reports and financial reporting process.

The Committee also annually reviews and reassesses the adequacy of its written Charter. No material revisions were made to the Charter in 2010. The Charter is available as part of the Corporate Governance Disclosure in Appendix A hereto.

The Committee met 4 times during fiscal 2010, including 4 times with management and 4 times with representatives of the Independent Auditor, both together and independently.

### *Auditor independence*

The Committee has discussed with the Independent Auditor its independence from management and Reko, and has considered whether the provision of non-audit services is compatible with maintaining such independence. In order to ensure that such independence is not compromised by engaging it for other services, the Committee has established and maintains a process for the review and pre-approval of all services and related fees paid to the Independent Auditor. Pursuant to this pre-approval process, the Committee approved and Reko paid the following fees to the Independent Auditor for services provided in respect of fiscal 2010 and fiscal 2009:

Audit Fees	Fiscal 2010	Fiscal 2009
Audit Related Fees:		
Audit Services	\$87,500	\$105,000
Quarterly Reviews	22,500	22,500
Accounting Issues	--	10,500
Tax Fees:		
Compliance	25,000	23,000
Consulting	7,600	21,500
All Other Fees:		
Advisory Services	30,800	--
Research and Development Compliance Fees	--	144,402
	\$173,400	\$326,902

In order to further ensure the independence of the Independent Auditor, the Committee reviews and approves the hiring of partners, employees and former partners and employees of the Independent Auditor who were engaged on the Corporation's account within the three prior years.

### *Other reportable matters*

In connection with Reko's Consolidated Financial Statements and Management's Discussion and Analysis of Results of Operations and Financial Position ("MD&A") for the fiscal year ended July 31, 2010, the Committee has:

- Reviewed and discussed with senior management and the Independent Auditor the audited Consolidated Financial Statements and MD&A, together with the Annual Information Form in respect of 2010 and other forms and reports required to be filed with the Ontario Securities Commission in respect of the fiscal year ended July 31, 2010;
- Discussed with the Independent Auditor the matters required to be discussed by the Canadian Institute of Chartered Accountants Standard 5751 (Communications with Those Having Responsibility for the Financial Reporting Process) ("CICA Standard 5751");

- Received and reviewed with the Independent Auditor the written disclosures and related letter from the Independent Auditor required by CICA Standard 5751 and discussed with the Independent Auditor the independence of the Independent Auditor as Reko's auditor; and,
- Reviewed with the Independent Auditor its audit report on the Consolidation Financial Statements.

Management is responsible for the preparation and presentation of Reko's financial statements, the financial reporting process and the development and maintenance of its systems of internal accounting and administrative cost controls. PricewaterhouseCoopers, LLP is responsible for performing an independent audit on and issuing its reports in respect of Reko's consolidated financial statements in accordance with Canadian generally accepted auditing standards. The Committee's responsibility is to monitor and oversee these processes in accordance with its Charter and applicable law.

Based on these reviews and discussions, including reviewing of the Independent Auditor's audit report, the Committee has recommended to the Board and the Board has approved: the inclusion of the audited Consolidated Financial Statements in Reko's Annual Report; the MD&A; the Annual Information Form in respect of 2010; and, the other forms and reports required to be filed with the Ontario Securities Commission in respect of the fiscal year-ended July 31, 2010.

Submitted by the Audit Committee of the Board of Directors.

Andrew Szonyi, Audit Committee Chair  
John Halula, Audit Committee Member  
John Sartz, Audit Committee Member



## EXECUTIVE COMPENSATION

### *Compensation Discussion and Analysis*

#### *Composition of the Compensation Committee*

The members of the Compensation Committee in 2010 were and currently are Stephen Myers (Chair), Jeff Slopen and Victor Neufeld.

#### *Objectives of compensation program/strategy*

The Company's executive compensation arrangements for senior officers covers cash compensation and benefits and is designed to enable the Company to motivate, attract and retain highly qualified individuals to carry out the Company's objectives. The Company's objectives are to be a highly integrated, technology driven engineering and manufacturing firm providing engineered solutions for the automotive, aerospace and consumer product markets. Meeting these objectives has required and will continue to require attracting a team of executives who have expertise in manufacturing, innovation, strategy, legal and financial disciplines. The Board of Directors has developed compensation systems and packages for its executives geared to focusing them on first achieving a return to profitability and then achieving prudent, profitable growth for the Company over a multi-year period.

The Company has developed and encourages an entrepreneurial culture, with an emphasis on a centralized management and operational structure, and participation in the profitability of the Company both through direct profit participation and participation in the increased value of the enterprise reflected in its stock price. As the Company's profits increase and its share price appreciates, it is anticipated an executive's compensation will increase, providing an alignment of shareholder-owner interests and management interests as value is created for both. If profits decrease or if share price depreciates, an executive's overall compensation will generally decrease to base levels.

#### *Elements of compensation*

The key elements of the Company's compensation arrangements for its senior executives are governed by employment contracts with each executive. The Compensation Committee considers various factors when negotiating the compensation arrangements for its three senior executives: Mrs. St. John; Mr. Henwood; and, Mr. Merton. These factors are discussed in detail below and under the three principal components of compensation: (i) base salary; (ii) bonus awards; and (iii) equity participation. The Compensation Committee has delegated employment contract and salary decisions for all of its other employees to the Company's internal Compensation Committee ("ICC") comprised of the CEO, COO, CFO and HR manager, considering the same principles as utilized by the Compensation Committee and as described herein. Typically, compensation arrangements for such other employees involve a base salary and a bonus award. All equity awards are recommended by the CEO and approved by the Compensation Committee.

#### *Employment contracts*

The Company has entered into, or is in the process of formalizing, employment contracts with its senior executives to secure the services of its senior management group for a considerable time period so that the long-term objectives of the Company may be realized by the present senior executive team. Mr. Henwood entered into an employment contract with the Company in 2005. Mr. Merton entered into an employment contract with the Company in 2009. Mrs. St. John originally entered into an employment contract with the Company in 1994. With the substantial change in her duties in late 2007, her original employment contract required re-negotiation. This re-negotiation has not been completed but is expected to be completed after the Annual General Meeting.

These employment agreements provide for, among other things, industry standard covenants in favour of the Company, including covenants not to compete with the Company or solicit its employees for employment for a specified period following termination of their employment, as well as confidentiality covenants. These agreements set out their respective duties and responsibilities and provide that each executive is to receive a base salary, is entitled to receive an annual bonus in an amount equal to a percentage of consolidated net income before income tax of the Company and certain other benefits, including termination and change of control benefits, and medical,

dental, life and disability insurance. It has been the Company's traditional operating practice that a significant portion of the executive's compensation is fixed in nature.

### **Base salary**

Base salaries for fiscal 2010, a key component of executive compensation, are prescribed by the contracts referred to above to reflect: (i) individual performance and achievement; (ii) the increased responsibilities characterized by a public company; (iii) comparisons to compensation levels for senior executives in the automotive Tier II industry; and, (iv) compensation levels which such individuals could attract in the senior executive or professional market for their services. Mrs. St. John's base salary at the end of fiscal 2010 was \$200,000, Mr. Henwood's was \$235,000 (USD) and Mr. Merton's was \$200,000. Base salaries of our other employees, including the remaining NEOs, are set out in the employee's employment contract and are generally negotiated with the ICC.

On October 8, 2008, the Compensation Committee approved a pay increase from \$150,000 to \$200,000, effective February 1, 2009, and a pay increase from \$200,000 to \$225,000, effective August 1, 2009, for Mrs. St. John. At the request of Mrs. St. John, her August 1, 2009 pay increase to \$225,000 was temporarily deferred to reflect the then current market conditions and other internal compensation decisions. Mrs. St. John's August 1, 2009 pay increase to \$225,000 remains currently deferred.

### **Bonus**

A portion of the cash compensation for senior executives is in the form of direct profit participation, generally in the form of a percentage of pre-tax profit. As profits are increased, so is compensation. If profits decline, so does variable compensation. Thus, executives are encouraged to grow corporate profits, an objective that is aligned with the interests of the Company's stakeholders. Similar approaches to direct profit participation are present at other levels of the organization in addition to the executive level. For the senior executives, the negotiated percentages are provided in each of their employment contracts and do not fluctuate, although the amount of the bonus will fluctuate as profits fluctuate. The pre-tax profit calculation excludes extraordinary items, as determined by the Company's Independent Auditor. Both Mr. Henwood and Mr. Merton's employment contracts contain bonus calculations based on 0.8% of pre-tax profit up to \$5,000,000 and 0.4% thereafter. Mr. Henwood's contract does not contain a cap, whereas Mr. Merton's contains a \$100,000 cap on the bonus calculation. Mrs. St. John's bonus calculation has yet to be finalized, however in the interim it is equivalent to the percentages in Mr. Henwood and Mr. Merton's employment contracts.

For our divisional managers, bonuses are calculated based on a predetermined percentage of the divisional manager's salary, assuming various conditions are met, the most significant of which is the attainment of budgeted operating income for the division for which the manager is responsible. All other employees are entitled to participate in a bonus pool established as 3.1% of the operating income of the division in which they primarily work.

The underlying objective of our bonus structure is to encourage entrepreneurial management behaviour, to support the Company's operating structure, and to instil financial discipline, reflecting the fact that the employee's compensation is directly affected by the profitability of the operations over which he or she is responsible.

### **Equity participation**

A critical component of the senior executive's variable compensation is direct or indirect equity participation by senior executives. The Compensation Committee believes that executives must be motivated not simply to increase corporate profits, but the Company's stock price over the long-term as well, to the benefit of the shareholders. Senior executives are encouraged, but not required, to own shares directly or indirectly.

The Compensation Committee believes that incentive compensation in the form of stock option grants is and has been beneficial and necessary to attract and retain both senior executives and managerial talents at other levels given the significant compensation levels its executives were earning and could earn at other companies. In 2010, the Company neither granted nor were any options exercised by employees.

Option awards are discretionary, as approved by the Compensation Committee and Board of Directors. The CEO and Chair of the Board has in the past and in the future may request that options be granted for directors, senior executives, or other employees. The Compensation Committee and Board of Directors may consider a variety of factors in exercising its discretion, including the compensation philosophy and practices of the Company as

described herein: individual or collective management performance; industry compensation practices; previous grants of options; contributions to the Company's success, relative position, years of service; and general compensation trends.

#### Securities authorized for issuance under equity compensation plans

Amended and Restated Incentive Stock Option Plan, effective March 24, 1994, amended and revised September 26, 1997 (approved by security holders)	Number of Securities to be issued upon exercise of outstanding options	Weighted Average exercise price of outstanding options	Number of Securities remaining available for future issuance under equity compensation plans (excluding number currently outstanding)
	88,000	\$1.76	466,509

There are no equity compensation plans unapproved by security holders.

#### Chief Executive Officer's compensation

The current compensation level is based upon the CEO's leadership, performance and contributions, bearing in mind the principles of executive compensation set out above.

The CEO's compensation is currently based on an interim working arrangement with the Compensation Committee pending ultimate finalization shortly after the Company's Annual General Meeting. Under the terms of the interim working arrangement, the CEO is paid a base salary of \$200,000 and is eligible for the same bonus as the other senior executives, based on a percentage of the profitability of the Company.

The CEO's base salary is expected to increase to a level comparable to CEO's in other similar sized Canadian public companies. The knowledge of the appropriate salary level range resides within the expertise of the Compensation Committee and their market knowledge.

#### Compensation review

The Company believes that it has assembled a strong management team with the foregoing executives, along with other less senior members of the management team.

The Compensation Committee met two times over the past year to review executive compensation matters and the performance of its senior executive team. While the Compensation Committee does not determine the specific amount of the annual bonus, it approves it annually, and it is the Committee's view that tying bonus payments to a percentage of profits, together with discretionary equity awards, accurately reflect the executive's performance during the year. In negotiating the Employment Contracts of the senior executives and in making bonus and equity determinations, the Compensation Committee considers the skill, ability and experience of each individual executive and has relied in the past on third party research; analysis of compensation surveys; first-hand knowledge of compensation levels and practices in the automotive industry; and interviews with management. The Compensation Committee has concluded, after review of industry and company related criteria that members of Reko's senior executive team have performed acceptably given the current economic environment.

#### Final approval of all compensation matters

The Board retains final authority to accept (with or without modification) or reject any recommendation of the Compensation Committee.

**Summary compensation table**

The following table sets out all compensation for services in all capacities to the Company and its subsidiaries of those persons who were the Company's C.E.O., C.F.O., and its other three most highly compensated executive officers (the "Named Executive Officers").

The Canadian Securities Administrators have made significant changes to the requirements, content and format for executive compensation disclosure for issuers with financial years ending on or after December 31, 2008. Therefore the Company has disclosed compensation in the Summary Compensation Table below for the 2010 and 2009 fiscal year end in accordance with the new requirements. Compensation disclosure for prior years can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com) in the Company's Management Information Circular for those years.

**Financial Year Ended July 31, 2010**

Name and Principal Position	Year	Salary	Share-based awards	Option-based awards	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation <sup>(3)</sup>	Total Compensation
					Annual Incentive Plan <sup>(1)</sup>	Long-Term Incentive Plans <sup>(2)</sup>			
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Diane St. John, Chief Executive Officer	2010	200,000	Nil	Nil	Nil	Nil	Nil	5,448	205,448
	2009	<sup>(4)</sup> 172,842	Nil	Nil	4,140	2,300	Nil	9,279	188,561
Carl Merton, Chief Financial Officer	2010	200,000	Nil	Nil	Nil	Nil	Nil	1,369	201,369
	2009	<sup>(5)</sup> 196,019	Nil	Nil	4,390	2,760	Nil	4,779	207,948
Greg Henwood, Chief Operating Officer	2010	<sup>(6)</sup> 246,492	Nil	Nil	Nil	Nil	<sup>(6)</sup> 11,090	<sup>(6),(7)</sup> 83,670	341,352
	2009	<sup>(6)</sup> 297,557	Nil	Nil	4,140	2,760	<sup>(6)</sup> 611	<sup>(6),(7)</sup> 70,794	375,862
Tim Gallagher, Sales representative	2010	<sup>(6)</sup> 135,020	Nil	Nil	<sup>(6)</sup> 153,044	Nil	<sup>(6)</sup> 5,388	Nil	293,452
	2009	<sup>(6)</sup> 146,938	Nil	Nil	<sup>(6)</sup> 37,697	Nil	<sup>(6)</sup> 368	Nil	185,003
Derek Astbury, Divisional Manager, Concorde Machine Tool	2010	147,264	Nil	Nil	Nil	Nil	Nil	1,500	148,764
	2009	149,931	Nil	Nil	22,090	1,840	Nil	6,279	180,140

**NOTES:**

- (1) Amounts disclosed under the "Annual Incentive Plan" column represent cash bonuses, some of which are mandated by Employment Contracts. Bonus amounts for fiscal 2009 were paid in fiscal 2010. No bonuses related to fiscal 2010 were paid to Mrs. St. John, Mr. Merton, Mr. Henwood or Mr. Astbury.
- (2) Fair value of option grants during the year.
- (3) Perquisites and other personal benefits do not exceed the lesser of \$50,000 and 10% of total annual salary and bonuses for each of the designated NEOs. Amount includes payments made on behalf of NEOs for payments into the Group RRSP policy and payments for income tax equalization.
- (4) At July 31, 2009, Mrs. St. John's base salary was \$200,000.
- (5) At July 31, 2009, Mr. Merton's base salary was \$200,000.
- (6) Values in U.S. dollars have been converted to Canadian dollars using the average exchange rate for each year.
- (7) In fiscal 2007, the Company changed the physical location of Mr. Henwood's primary place of business to Canada. This change resulted in an increased tax burden to Mr. Henwood. The Company agreed to offset this additional tax burden by way of an annual adjustment to equalize him for his additional Canadian income taxes, as a result of working a portion of the year at Reko's Canadian facilities. Mr. Henwood's 2008 equalization was \$40,860 (USD) and was paid in fiscal 2009. A portion (\$6,000 USD) of Mr. Henwood's 2009 equalization was paid in fiscal 2009. In fiscal 2010, Mr. Henwood was paid \$37,269 (USD) related to his 2009 equalization and \$42,500 (USD) related to his 2010 equalization.

*Incentive plan awards*

**Outstanding share-based awards and option-based awards**

The Share Option Plan is intended to promote the interest of the Company and its shareholders by making provision for stock options as an additional incentive to attract, retain and motivate full-time officers, key employees and directors who will make important contributions to the success of the Company. Any option granted under the Share Option Plan is non-transferable and no person may be issued options, which in the aggregate represent five percent (5%) or more of the issued and outstanding Common Shares of the Company. The exercise price of an option granted under the Share Option Plan may not be lower than the market price of the subject shares at the time of grant, and not more than 650,000 Common Shares may be issued pursuant to all such options unless shareholder approval is obtained to increase such number. The Board of Directors may impose other conditions respecting any option granted, as it might consider appropriate or necessary. In connection with the administration of the Share Option Plan, the Board of Directors has determined that the Board may authorize the Company to make a loan to an option holder to provide the funds necessary to exercise the option. Such a loan may be for a term not exceeding five years and may bear interest at such rate, if any, which the Board of Directors determines to be appropriate. Options issued to outside directors are 100% exercisable in the first year. Options issued to employees become exercisable at a rate of 30%, 30%, and 40% in the first three years of a five-year term.

The following table provides certain information with respect to the incentive plan awards for each Named Executive Officer outstanding as of July 31, 2010:

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 <sup>(1)</sup>	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
	(#)	(\$)		(\$)	(#)	(\$)
Diane St. John, Chief Executive Officer	2,000 3,000	1.50 1.16	09/25/13 06/09/14	Nil	Nil	Nil
Carl Merton, Chief Financial Officer	3,000 3,000	1.50 1.16	09/25/13 06/09/14	Nil	Nil	Nil
Greg Henwood, Chief Operating Officer	3,000 3,000	1.50 1.16	09/25/13 06/09/14	Nil	Nil	Nil
Tim Gallagher, Sales representative	Nil	Nil	Nil	Nil	Nil	Nil
Derek Astbury, Divisional Manager, Concorde Machine Tool	5,000 2,000 2,000	3.27 1.50 1.16	12/07/11 09/25/13 06/09/14	Nil	Nil	Nil

**NOTES:**

(1) – On July 31, 2010, the closing price of the Common Shares on the TSX was \$0.60. Value is calculated based on the difference between the market value of the Common Shares as at July 31, 2010 and the exercise price of the option.

**Value vested or earned during the financial year ended July 31, 2010**

The following table sets forth the details regarding the value vested or earned of incentive plan awards for each Named Executive Officer for the financial year ended July 31, 2010:

<b>Name</b>	<b>Option-based awards – Valued vested during the year</b>	<b>Share-based awards – Value vested during the year</b>	<b>Non-equity incentive plan compensation – Value earned during the year <sup>(1)</sup></b>
	(\$)	(\$)	(\$)
Diane St. John, Chief Executive Officer	Nil	Nil	Nil
Carl Merton, Chief Financial Officer	Nil	Nil	Nil
Greg Henwood, Chief Operating Officer	Nil	Nil	Nil
Tim Gallagher, Sales representative	Nil	Nil	Nil
Derek Astbury, Divisional Manager, Concorde Machine Tool	Nil	Nil	Nil

**NOTES:**

(1) – Amounts disclosed under the “Non-equity incentive plan compensation” column include bonuses paid under Employment Contracts.

***Termination and change of control benefits***

The employment agreement with Mrs. St. John is currently under negotiation. In the interim, there is no provision for payment of non-statutory severance amounts or change of control benefits. The employment agreement with Mr. Henwood contains a provision for a severance payment, in the event of termination without cause, in the amount of the greater of 3 months wages and 1 month per year of service, to a maximum of 6 months wages. There is no provision for payment of any amount on a change of control. The employment agreement with Mr. Merton contains a provision for a severance payment, in the event of termination without cause, in the amount of 4 months wages plus an additional 2 months wages for each full year of service with the company, to a maximum of 12 months. In addition, the contract includes a change of control provision, which effectively doubles the severance or termination guarantee in a change of control situation followed by termination, for other than just cause, within a two-year period of such change in control. Mr. Henwood and Mr. Merton’s contracts include industry standard non-solicitation, non-compete, non-disparagement, and confidentiality clauses.

For purposes of these agreements, the term ‘change of control’ is defined to mean (i) the acquisition by any person, directly or indirectly of more than 50% of the Company’s outstanding Common Shares, other than The Reko Family Corporation or its affiliates or successors, (ii) any merger, arrangement or similar event where control is transferred, or (iii) any event whereby all or substantially all of the assets of the Company are sold to a third-party.

The maximum total amount potentially payable by Reko International pursuant to the employment contracts or arrangements of the Named Executive Officer’s is approximately \$0.5 million in the aggregate. No notice, retiring

allowance or other severance payment is required where the Company terminates employment for just cause or upon voluntary resignation, absent a change of control.

Name	Termination benefit	Change of control benefit	Total
	(\$)	(\$)	(\$)
Diane St. John, Chief Executive Officer	Nil	Nil	Nil
Carl Merton, Chief Financial Officer	<sup>(1)</sup> 166,167	<sup>(1)</sup> 166,167	333,334
Greg Henwood, Chief Operating Officer	<sup>(1), (2)</sup> 120,825	Nil	<sup>(2)</sup> 120,825
Tim Gallagher, Sales representative	Nil	Nil	Nil
Derek Astbury, Divisional Manager, Concorde Machine Tool	Nil	Nil	Nil

**NOTES:**

(1) – Represents maximum amount potentially due at any point during fiscal 2011.

(2) – Values in U.S. dollars have been converted to Canadian dollars using the year-end exchange rate.

***Pension plans***

The Company does not maintain a defined benefit pension plan for any of its employees, including the NEOs. The Company does offer a Group RRSP policy (“Canadian Policy”) and a 401(k) program (“U.S. Plan”) to its employees, in which certain of the NEOs participate.

The Canadian Policy provides a company contribution, up to a maximum of \$1,500 a year, based on years of service. The Company’s contribution is provided by the Company to the Group RRSP provider for application to the employee’s account. Once in the employee’s account, the investment decision and the decision of when to redeem the funds are both at the employee’s sole discretion. Accordingly, the Company does not believe that the contribution to its Group RRSP policy represents a defined contribution pension plan. Contributions made to the Group RRSP policy by the Company on behalf of the NEOs is disclosed in the other compensation column in the Executive Compensation chart on page 20.

The U.S. Plan provides a company contribution of 3% of the employee’s annual salary, exclusive of bonus, effective the day the employee joins the plan. Mr. Henwood joined the U.S. Plan on July 1, 2009. The Company believes that the U.S. Plan represents a defined contribution plan. In addition to the required disclosures below, the Company included its contributions to the U.S. Plan in the pension value column in the Executive Compensation chart on page 20.

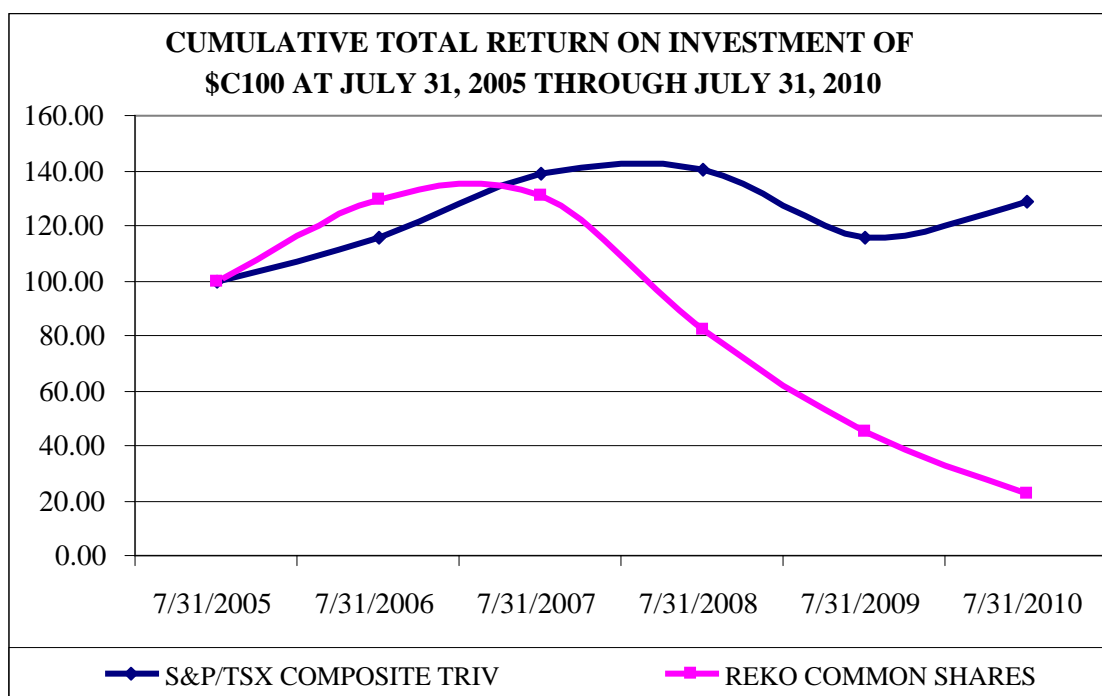
Name	Accumulated value at start of year (\$)	Compensatory (\$)	Non-compensatory (\$)	Accumulated value at year end (\$)
Greg Henwood, Chief Operating Officer	1,104	11,090	193,933	206,128
Tim Gallagher, Sales representative	1,122	5,388	24,738	31,248

Submitted by the Compensation Committee of the Board of Directors.

Stephen Myers, Compensation Committee Chair  
Jeffrey Slopen, Compensation Committee Member  
Victor Neufeld, Compensation Committee Member

### PERFORMANCE GRAPH

The following graph compares the change in the cumulative total shareholder return on the Common Shares of Reko with the cumulative return of the S&P TSX Composite Index during the period July 31, 2005 to July 31, 2010 on the assumption that the shareholder had purchased Common Shares having a value of \$100.00 on July 31, 2005.



In general terms, total executive compensation, excluding termination and severance payments, paid to our Named Executive Officers, has declined over this past year. As previously discussed, our compensation structure is focused on a fixed annual wage compensated minorly by a variable component. The change in this variable component over the past 5 years is reflective of the performance graph above.



## OTHER MATTERS

### *Indebtedness of Directors, Executive Officers, and Employees*

None of Reko's present or former directors or executive officers was indebted at any time during 2010 to Reko or its subsidiaries. None of Reko or its subsidiaries present or former employees was indebted at any time in 2010 to Reko or its subsidiaries in connection with the purchase of Reko's securities. As at the Record Date, the aggregate amount of indebtedness to Reko and its subsidiaries, incurred other than in connection with the purchase of securities of Reko was approximately \$7,000, in the case of present or former employees.

### *Other matters to be acted upon*

The management of the Company knows of no matters that may be brought before the Meeting other than those referred to in the Notice. However, if other matters are properly brought before the Meeting, the person's named in the attached proxy intend, in their discretion, to vote on them in accordance with the judgement of the person so voting.

## ADDITIONAL INFORMATION

### **Employee Share Purchase Assistance Plan**

The Employee Share Purchase Assistance Plan is designed to encourage and assist full-time employees of the Company to purchase Common Shares on a regular basis. Employees who have been continuously employed by the Company for at least one year are able to participate in the Employee Share Purchase Assistance Plan. On a quarterly basis, the Company purchases Common Shares for employees at a price equal to the market value of the Common Shares.

In order to assist the employees to acquire shares under this Plan, the Company provides interest-free loans, to be repaid through payroll deductions, amortized over 52 weeks. The aggregate amount of such share purchase loans outstanding at any such point in time cannot exceed \$25,000 for each employee.

During the year, the Company did not purchase any shares on the open market under the Plan on behalf of employees.

### **Normal Course Issuer Bid**

The Company did not have an open Normal Course Issuer Bid at any time during fiscal 2010.

### **Financial information**

Financial information is provided in the Company's comparative financial statements and MD&A for its most recently completed financial year.

### **Directors' and Officers' insurance**

Reko's directors' and officers' liability insurance continues in place for the upcoming year. This insurance provides, among other coverages, coverage up to \$20 million for officers and directors of Reko and its subsidiaries. This policy does not provide coverage for losses arising from the intentional breach of fiduciary responsibilities under statutory or common law or from violations of or the enforcement of pollutant laws and regulations. The aggregate premium payable in respect of the policy year was \$58,250.

### **Shareholder proposals and communications**

Proposals of shareholders intended to be presented at the Annual General Meeting of Shareholders to be held in calendar 2011 must be received by Reko at its principal executive offices for inclusion in its Management Information Circular/Proxy Statement on or before October 1, 2011.

### **Contacting the Board of Directors**

Shareholders wishing to communicate with any Director may do so by contacting Reko's corporate secretary at its corporate headquarters at 5390 Brendan Lane, Oldcastle, Ontario, N0R 1L0, telephone (519) 737-6974.

### **Approval of Circular**

The contents of this information circular have been approved and its mailing has been authorized by the Board of Directors of the Company.

### **Additional Information**

Additional information relating to the Company can be found under Reko's Company Profile at [www.sedar.com](http://www.sedar.com). For copies of documents (free of charge), please contact the Investor Relations Department at (519) 737-6974, or at 5390 Brendan Lane, Oldcastle, ON N0R 1L0, or via e-mail at [irelations@rekointl.com](mailto:irelations@rekointl.com).

Dated this 18th day of October, 2010

By order of the Board of Directors

*"Diane St. John"*

DIANE ST. JOHN  
Chair

## APPENDIX A

### Corporate Governance Disclosure

Details with respect to the identity of Directors who are Independent, identity of Directors who are not Independent and the basis for that determination, disclosures as to whether or not the majority of Directors are Independent, disclosures with respect to Directors who are presently Directors of other reporting issuers and disclosures with respect to the attendance records of each Director for all board meetings held since the beginning of our most recently completed financial year are included in pages 6, 7 and 8 and by reference hereto are considered disclosed herein.

We note that the Independent Directors of the Board do not hold regularly scheduled meetings but meet on an ad-hoc basis as and when it is determined relevant.

#### **Board Mandate**

##### **Mandate of the Board of Directors**

The directors are elected by the shareholders and are committed to the oversight of the assets and affairs of the Company, including responsibility for, to the extent feasible, satisfying itself as to the integrity of the CEO and other senior officers. The Board seeks to discharge this responsibility by reviewing, discussing and approving the Company's strategic planning and organizational structure to enhance and preserve the assets of the Company and the underlying value of the Company.

##### **Expectations of management**

The Board expects management to provide information in a timely manner and maintain processes, which enable the Board to identify issues, challenges, and opportunities for the Company and to otherwise discharge its responsibilities.

##### **Duties of Directors**

The Board discharges its responsibility for oversight by delegating to the Company's senior officers the responsibility for day-to-day management of the Company. The Board discharges its responsibilities both directly and through its committees: the Audit Committee and the Compensation Committee. In addition to these regular committees, the Board may appoint ad hoc committees periodically to address issues of a more short-term nature. The Board's primary roles are overseeing corporate performance and attempting to provide for the quality, depth and continuity of management needed to meet the Company's strategic objectives. Other principal duties include, but are not limited to, the following categories:

##### **Appointment of management and succession planning**

1. The Board is responsible for the appointment of the Chief Executive Officer and the other officers of the Company. The independent members of the Board are responsible for approving the compensation of the Chief Executive Officer and the other officers of the Company.
2. The Board, from time to time, delegates to senior management the authority to enter into transactions, such as financial transactions, subject to specified limits. Investments and other expenditures above the specified limits, and material transactions outside the ordinary course of business are reviewed by, and are subject to, the prior approval of the Board.

3. The Board oversees that succession-planning programs are in place, including programs to train and develop management. The Board is responsible for approving management's succession plans for the Chief Executive Officer and the other officers of the Company.

#### **Board organization**

4. The Board retains responsibility for managing its own affairs.
5. The Board may delegate to Board committees matters for which the Board is responsible. It retains ultimate responsibility for such delegated duties.

#### **Strategic planning**

6. The Board is responsible for reviewing the financial and strategic plans, if any, of the Company.
7. The Board will consider alternate strategies in response to possible change of control transactions or take-over bids with a view to maximizing value for shareholders.

#### **Monitoring of financial performance and other financial reporting matters**

8. The Board is responsible for reviewing and approving the annual audited consolidated financial statements and the interim consolidated financial statements, and the notes and Management's Discussion and Analysis accompanying such financial statements.
9. The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the Company's governing statute, including the payment of dividends, the issuance, purchase and redemption of securities, acquisitions and dispositions of material capital assets and material capital expenditures.

#### **Risk management**

10. The Board is dependent upon management for the identification of principal risks of the Company's business and is responsible for overseeing the implementation of appropriate systems to effectively monitor and manage those risks with a view to the long-term viability of the Company and achieving a proper balance between risks incurred and the potential return to the Company's shareholders.

#### **Environmental oversight**

11. The Board is responsible for the implementation of appropriate environmental stewardship and health and safety management systems that are sufficient within the terms and practices of its industries, to ensure compliance with applicable laws and Company policies.

#### **Policies and procedures**

12. The Board is responsible for:
  - (a) Approving and reviewing compliance with all significant policies and procedures by which the Company is operated; and
  - (b) Approving policies and procedures designed to ensure that the Company operates within applicable laws and regulations and in accordance with ethical and moral standards.

13. The Board shall enforce its policy respecting confidential treatment of the Company's proprietary information and the confidentiality of Board deliberations.

#### **Communications and reporting**

14. The Board has approved and will review, from time to time, as circumstances warrant, a Corporate Disclosure Policy to address communications with shareholders, employees, financial analysts, governments and regulatory authorities, the media and the communities in which the business of the Company is conducted.

15. The Board is responsible for:

- (a) Overseeing that the financial results and related, required legal disclosure are reported timely, fairly, and in accordance with generally accepted accounting principles; and

- (b) Overseeing the Company's implementation of systems to accommodate feedback from stakeholders.

#### **Corporate governance**

16. The Board is responsible for adopting and enforcing good corporate governance practices and processes. Annually, it reviews and approves the Statement of Corporate Governance Practices as found in the Proxy Circular.

#### **Integrity of internal controls and management information systems**

17. The Board is responsible for monitoring the efficiency and the integrity of the Company's internal controls and information systems.

The Board of Directors has reviewed this Mandate on September 23, 2010.

#### **Position descriptions**

The Board does not have written position descriptions for the CEO, Chair, or for the Chair of any board committee. Because of their experience levels, the aforementioned Chairs and CEO understands their role and responsibilities. All directors are responsible for regular board attendance and advance review of meeting materials. With the recent appointment of a Lead Director, it is expected that a committee including the Lead Director and Chairs of the Audit and Compensation Committees will develop a position description and annually evaluate the CEO's performance.

#### **Orientation and continuing education**

All new members are given copies of the Company's previous year's continuous disclosure documents to review prior to meeting with the Chair and another member of the Board. Discussions are held about the Company's operations and the requirements of Board participation.

Annually, each member is involved in the review of the mandate for either the full Board, or for the committee to which they belong, or both. Members of the Board are welcome to visit any of the Company's facilities at their convenience. Due to their tenure with the Board, many members are quite familiar with the Company's operations.

The Company will pay for continuing education for directors if they find appropriate programs related to their directorship.

### **Ethical business conduct**

Reko International Group Inc. has adopted a Code of Ethics. It is available on the Internet either under the Company's filings on SEDAR (www.sedar.com) or on the Reko website (www.rekointl.com) in the Investor Relations area. The Company also will send you a copy free of charge, if requested.

The Board monitors compliance with its Code of Ethics by reports from management, or from reports to the whistleblower line. The contact person for the whistleblower function is currently the Chair of the Audit Committee. The Board will therefore be well apprised of any concerns expressed by this means. To the knowledge of the Board, there have been no departures from the code. The Audit Chair is an independent director, and his contact information is available in the Whistleblower Policy. Any stakeholder may provide feedback to the Board through him.

Officers in attendance at Board meetings are expected to report any material changes or conflicts of interest, and directors are expected to abstain from voting on issues in which they have a material interest. The Board ensures that directors exercise independent judgement by asking directors with a material interest in transactions to abstain from voting. As well, when board members interact with management, they encourage and promote a culture of ethical business conduct.

### **Nomination of Directors**

Although the Board does not have a Nominating Committee, the Board has an objective nomination process, since any board members is free to submit names of potential new candidates when there is a board vacancy. The evaluation of those nominees would be done by the full board, with a view to enhancing the required competencies of the board at that point in time.

### **Compensation**

All compensation for directors and officers is approved through the Board's Compensation Committee. The Board determines compensation for the directors by reviewing the recommendations of the Board's Compensation Committee. They review the meeting fees and retainer fees relative to similar sized public companies, while also considering risks and responsibilities. Executive officers' compensation is also approved by the Board's Compensation Committee, based upon market factors and level of responsibility. The majority of the members of the Compensation Committee are independent. The non-independent director derives a non-significant amount of fees from the Company through his law practice, so the Committee can still maintain objectivity. Directors' compensation can be found on Pages 6, 7, & 8 of this circular, and named executive officers' compensation can be found on Page 19. There is no minimum-security ownership requirement for officers and directors.

### **Compensation Committee charter**

#### **Purpose**

The Compensation Committee is appointed by the Board of Directors to review and approve the Corporation's compensation and benefit programs and activities.

#### **Committee membership**

The Committee shall be comprised of at least three members, with a majority being independent directors. The member of the Committee who is not deemed independent's lack of independence is tied to a legal relationship with the Company and his non-independence is not viewed as impacting compensation issues.

## **Meetings**

The Committee shall meet as often as its members deem necessary to perform the Committee's responsibilities, but at least annually.

## **Committee responsibilities**

The Committee shall:

- Evaluate the performance of, and determine the compensation of, the CEO;
- Approve all salary, bonus, and long-term incentive awards for executive officers;
- Review and recommend all equity based compensation plans to the full Board and approve all grants and awards there under;
- Approve the annual committee report on executive compensation for inclusion in the Company's proxy circular.

The Committee will have the authority to retain compensation consultants and other professional advisors to assist it in carrying out its responsibilities.

The Committee will review and re-assess the adequacy of this charter annually.

The Compensation Committee has reviewed this Charter on June 3, 2010.

## **Audit Committee charter**

### *I. Audit Committee purpose*

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Identify and monitor the management of the principal risks that could impact the financial reporting of the Company;
- Monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance, as well as the Company's processes for identifying and reporting fraud or illegal acts;
- Monitor the independence and performance of the Company's external auditors and internal auditing department;
- Provide an avenue of communication among the external auditors, management, and the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

### *II. Audit Committee composition and meetings*

Audit Committee members shall meet the requirements of the Canada Business Corporations Act and the stock exchange on which the Company is listed. The Audit Committee shall be comprised of three or more

Board, each of whom shall be outside directors who are unrelated, free from any relationship that, in the opinion of the Board, may interfere with the exercise of his or her independent judgment as a member of the Committee or independence from management and the Corporation. All members of the Committee shall be financially literate, being defined as able to read and understand basic financial statements, and at least one member of the Committee shall have accounting or related financial management expertise.

Audit Committee members shall be appointed by the Board on recommendation from the nominating process. If an Audit Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate, with meetings to be free of time constraints. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting. For a portion of each meeting, this Committee meets privately in executive session with the external auditors and as a committee to discuss any matters that the Committee, or each of these groups, believe should be discussed as appropriate. In addition, the Committee, or at least its Chair, should communicate with management and the external auditors quarterly to review the Company's interim financial statements and significant findings based upon the auditors' review procedures.

### *III. Audit Committee responsibilities and duties*

#### **Review procedures**

1. Review and reassess the adequacy of this Charter at least annually and submit the Charter to the Board of Directors for approval.
2. Review the Company's quarterly and annual audited financial statements and management's discussion and analysis and other disclosure documents containing financial information that would likely be material to either the quarterly or annual statements prior to their approval by the Board and release to the public. Review should include discussion with management and external auditors of significant issues regarding accounting principles, practices and significant management estimates and judgments.
3. Annually, in consultation with management and external auditors, oversee the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the external auditors, together with management's responses. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that Management has done so. To this end, management is to provide the Audit Committee annually a formal report on internal control, which should set out the role of the external auditors and the internal auditor/controller/CFO in providing information and assurances to the Audit Committee.
4. Review the effectiveness of the overall process for identifying the principal business risks affecting financial reporting and the Company as a whole. Oversee the Company's management of the principal business risks and that they are complete and fairly presented and provide the Committee's view to the Board of Directors.
5. Review with financial management and the external auditors the Company's quarterly financial results and related documents prior to the release of earnings and/or the Company's quarterly financial statements prior to filing or distribution. Discuss any significant changes to the Company's accounting principles. The Chair of the Committee may represent the entire Audit Committee for purposes of this review.



6. Periodically, assess the adequacy of procedures for the review of public disclosure of financial information extracted or derived from the financial statements.

#### **External auditors**

7. The external auditors are ultimately accountable to the Audit Committee and the Board of Directors, as representatives of the shareholders. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the external auditors or approve any discharge of auditors when circumstances warrant.
8. The Audit Committee shall approve all auditing fees and other significant compensation to be paid to the external auditors. The Audit Committee has adopted a pre-approval policy for the engagement of non-audit services. Services less than \$5,000 Cdn. in value are pre-approved provided that the Audit Committee is advised of all such services.
9. On an annual basis, the Committee shall review and discuss with the external auditors all significant relationships they have with the Company that could impair the auditors' independence, as well as assess their working relationship with management.
10. Review the external auditors' audit plan – discuss and approve audit scope, staffing, locations, reliance upon management, and internal audit and general audit approach.
11. Prior to releasing the year-end earnings, discuss the results of the audit with the external auditors. Discuss certain matters with the auditors that are required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants.
12. Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting. Resolve disagreements between management and the external auditor regarding financial reporting.

#### **Legal compliance**

13. On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

#### **Other Audit Committee responsibilities**

14. Annually assess the effectiveness of the Committee against its Charter and report the results of the assessment to the Board.
15. Prepare and disclose a summary of the Charter to shareholders.
16. Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.
17. Maintain minutes of meetings and regularly report to the Board of Directors on significant results of the foregoing activities.
18. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls, or auditing matters and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

19. Review and approve the Company’s hiring policies regarding partners, employees and former partners and employees, of the present and former external auditors.

**Waivers**

20. The Audit Committee, at its sole discretion, may choose to waive disciplinary action in response to non-compliance with the Code. Reko International Group Inc. promptly will disclose any such waivers granted to any of its executive officers, senior financial officers, or directors as required under applicable law and regulations.

The Audit Committee has reviewed this Charter on June 3, 2010.

***Composition of the Audit Committee***

Andrew Szonyi, Chair	Independent	Financially Literate
John Halula, Sr.	Independent	Financially Literate
John Sartz	Independent	Financially Literate

**Other board committees**

During the year, an Executive Committee was formed comprised of the Lead Director, the Chair of the Audit Committee and the Chair of the Compensation Committee.

**Assessments**

To date, there have been no assessments of members of the Board. Once position descriptions have been completed, board assessments will be commenced.

**Board committees**

The full Board has assumed responsibility for Corporate Governance issues and has approved this statement of practices. As well, it is responsible to ensure that corporate objectives of the CEO are consistent with those of the Company’s stakeholders.

**Decisions requiring board approval**

In addition to those matters that must, by law, be approved by the Board, management is also required to seek Board approval for any disposition or purchase of a capital nature in excess of \$3,000,000. Management is also required to consult with the Board before entering into any venture, which is outside of the Company’s existing business.

**Expectations of management**

The information which management provides to the Board is critical. Directors must have confidence in the data gathering, analysis and reporting functions of management. The Audit Committee of the Board monitors the nature of information requested by, and provided to, the Board so that it is able to determine if the Board can be more effective identifying problems and opportunities for the Company.

## **APPENDIX B**

### **LEAD DIRECTOR MANDATE**

The independent directors of the board of directors of Reko International Group, Inc. (“Company”) are represented by an independent director (“Lead Director”) who is responsible to support the effective performance of the Independent Directors on the Board and with the Chair of the Audit Committee and Chair of the Compensation Committee, evaluate the performance of the Chief Executive Officer.

#### **RESPONSIBILITIES**

The Lead Director has the following responsibilities:

##### **With respect to Independent Director effectiveness**

- (1) Taking all reasonable steps to ensure that the Independent Directors work as a cohesive team within the Board and providing the leadership essential to achieve this.
- (2) Arranging for adequate resources being available to the Independent Directors (in particular timely and relevant information) to support their work.
- (3) Providing input on agenda items for Board of Director meetings that are requested by Independent Directors.

##### **With respect to Independent Director management**

- (4) Chairing meetings of the Independent Directors (outside of Board committee work of those Independent Directors).
- (5) Taking all reasonable steps to ensure that the conduct of Board meetings facilitates discussions and provides adequate time for effective study and discussion of the business under consideration by the Independent Directors.
- (6) Taking all reasonable steps to ensure that the Independent Directors meet periodically without management and other non-independent directors present.

##### **With respect to the relationship between the Board and the Independent Directors**

- (7) Taking all reasonable steps to ensure that the expectations of the Board toward the Independent Directors are clearly expressed, understood and respected.
- (8) Acting as liaison between the Board and the Independent Directors outside of normal Board committee mandates. This involves working closely with the Chair of the Board to ensure that the Company is building a healthy governance culture.

##### **With respect to the evaluation of the Chief Executive Officer’s performance**

- (9) Taking all reasonable steps to evaluate the performance of the Chief Executive Officer in light of performance against budget and current economic environments, jointly with the Chairs of the Audit and Compensation Committee.