UNDERWRITING AGREEMENT

December 12, 2001

Basis100 Inc.
33 Yonge Street
Suite 900
Toronto, ON, M5E 1G4

Attention: Mr. Gary Bartholomew,
Chairman and Chief Executive Officer

Dear Sirs:

We understand that Basis100 Inc. (the "**Corporation**") proposes to issue and sell $20,000,000 aggregate principal amount 6.00% convertible unsecured debentures due December 30, 2006 of the Corporation having the attributes described in Schedule "A" attached to this Agreement (the "**Debentures**"). Upon and subject to the terms and conditions contained herein, Griffiths McBurney & Partners ("**GMP**") and Paradigm Capital Inc. (collectively, the "**Underwriters**" and each an "**Underwriter**") hereby offer to purchase from the Corporation and the Corporation hereby agrees to sell to the Underwriters, all but not less than all of the Debentures, for an aggregate purchase price of $20,000,000 (the "**Purchase Price**"). The Debentures will be issued pursuant to a trust indenture (the "**Indenture**") to be dated the Closing Date (as hereinafter defined).

In consideration of the agreement of the Underwriters to purchase the Debentures and to offer them to the public pursuant to the Prospectus (as hereinafter defined), the Corporation agrees to pay to the Underwriters, at the Time of Closing (as hereinafter defined), a fee (the "**Underwriters' Fee**") equal to 6.00% of the aggregate principal amount of the Debentures or $60.00 per $1,000 principal amount of Debentures, being an aggregate fee of $1,200,000.

Terms and Conditions

The following are additional terms and conditions of this agreement between the Corporation and the Underwriters:

1. **Definitions.** Where used in this agreement or in any amendment hereto, the following terms shall have the following meanings, respectively:

"affiliate" has the meaning ascribed thereto in the *Business Corporations Act* (Ontario);

"Agreement" means the agreement resulting from the acceptance by the Corporation of the offer made by the Underwriters by this letter;

“associate” has the meaning ascribed thereto in the *Business Corporations Act* (Ontario);

“business day” means a day, other than a Saturday, a Sunday or a day on which chartered banks are not open for business in Toronto, Ontario,

“Closing Date” means December 21, 2001 or such earlier or later date as may be agreed to in writing by the Corporation and the Underwriters, each acting reasonably;

“Common Shares” means the common shares in the capital of the Corporation;

“distribution” means distribution or distribution to the public, as the case may be, for the purposes of the Securities Laws or any of them;

“Documents Incorporated by Reference” means the documents specified in Schedule “B”;

“Historical Financial Statements” means: (i) audited consolidated comparative financial statements of the Corporation as at December 31, 2000 and December 31, 1999, and for each of the fiscal years ended December 31, 2000, December 31, 1999 and the period ended December 31, 1998 and related notes thereto, prepared in accordance with Canadian generally accepted accounting principles, together with the auditor’s report thereon; and (ii) the unaudited consolidated financial statements of the Corporation as at and for the nine-month periods ended September 30, 2001 and September 30, 2000 and related notes thereto, prepared in accordance with Canadian generally accepted accounting principles in each case as incorporated by reference into the Prospectus;

“material change” has the meaning ascribed thereto in the *Securities Act* (Ontario);

“material fact” has the meaning ascribed thereto in the *Securities Act* (Ontario);

“misrepresentation” has the meaning ascribed thereto in the *Securities Act* (Ontario);

“Mutual Reliance Procedures” means the mutual reliance review system procedures provided for under National Policy 43-201, Mutual Reliance Review System for Prospectuses and Initial AIFs of the Securities Commissions and the securities regulatory authorities of the territories of Canada;

“Offering Documents” has the meaning ascribed thereto in Subsection 6(a)(ii);

“POP System” means the prompt offering qualification system established by National Instrument 44-101 of the Canadian Securities Administrators;

“Preliminary Prospectus” means the preliminary short form prospectus of the Corporation in the English language dated December 12, 2001 to be approved, signed and certified in accordance with the Securities Laws relating to the qualification for distribution of the Debentures under the Securities Laws in all the Qualifying Jurisdictions through the Underwriters, including all of the Documents Incorporated By Reference;

"Prospectus" means the (final) short form prospectus of the Corporation in the English language to be approved, signed and certified in accordance with the Securities Laws relating to the qualification for distribution of the Debentures under the Securities Laws in all the Qualifying Provinces through the Underwriters, including all of the Documents Incorporated By Reference;

"Qualifying Jurisdictions" means the Province of Ontario;

"Securities Commission" means the applicable securities commission or regulatory authority in each of the Qualifying Jurisdictions;

"Securities Laws" means, collectively, the applicable securities laws of each of the Qualifying Jurisdictions and the respective regulations and rules made thereunder together with all applicable published policy statements, blanket orders and rulings of the Securities Commissions and all discretionary orders or rulings, if any, of the Securities Commissions made in connection with the transactions contemplated hereunder;

"Standard Listing Conditions" has the meaning ascribed thereto in Subsection 5(a)(v);

"Subsequent Disclosure Documents" means any financials statements, management information circulars, annual information forms, material change reports or other documents issued by the Corporation after the date of this Agreement that are required to be incorporated by reference into the Prospectus;

"subsidiary" means a subsidiary for the purposes of the *Business Corporations Act* (Ontario);

"Subsidiary" has the meaning ascribed thereto in Subsection 8(c);

"Supplementary Material" means, collectively, any amendment to the Prospectus, any amendment or supplemental prospectus or ancillary materials that may be filed by or on behalf of the Corporation under the Securities Laws relating to the distribution of the Debentures thereunder;

"Time of Closing" means 8:00 a.m. (Toronto time) on the Closing Date, or such other time on the Closing Date as may be agreed to by the Corporation and the Underwriters;

"to the best of the Corporation's knowledge" means the actual knowledge of Gary Bartholomew, Chairman and Chief Executive Officer and Lance McIntosh, Chief Financial Officer after reasonable inquiry;

"TSE" means the Toronto Stock Exchange;

"Underlying Shares" means the Common Shares in the capital of the Corporation issuable upon the conversion, redemption or maturity of the Debentures in accordance with the terms and conditions of the Indenture; and

“United States” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

Any reference in this Agreement to a Section or Subsection shall refer to a Section or Subsection of this Agreement.

All words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties referred to in each case require and the verb shall be construed as agreeing with the required word and/or pronoun.

All dollar amounts herein are in Canadian dollars.

The following are the schedules attached to this Agreement, each of which is deemed to be a part hereof and are hereby incorporated by reference:

Schedule “A” - Attributes of the Debentures
Schedule “B” - Documents Incorporated by Reference
Schedule “C” - United States Offers and Sales

2. **Attributes of the Debentures.** The Debentures to be issued and sold by the Corporation hereunder shall be duly and validly created and issued by the Corporation and, when issued and sold by the Corporation, such Debentures shall have the rights, privileges, restrictions and conditions set out in the Indenture that conform in all material respects to the rights, privileges, restrictions and conditions set forth in the Prospectus, subject to such modifications or changes (if any) prior to the Closing Date as may be agreed to in writing by the Corporation and the Underwriters.

3. **Filing of Prospectus.**

(a) The Corporation shall:

(i) not later than December 12, 2001 (or other later date or dates as may be agreed to in writing by the Corporation and the Underwriters) have:

(A) prepared and filed the Preliminary Prospectus and other required documents with the Securities Commissions under the Securities Laws, elected the Mutual Reliance Procedures and designated the Province of Ontario as the designated and principal jurisdiction thereunder; and

(B) obtained a decision document from the Ontario Securities Commission, as principal regulator, under the Mutual Reliance Procedures evidencing that a receipt has been issued with respect to the Preliminary Prospectus from each of the Securities Commissions; and

(ii) forthwith after any comments with respect to the Preliminary Prospectus have been received from the Securities Commissions but not later than December 17, 2001 (or such later date as may be agreed to in writing by the Corporation and the Underwriters), to prepare, file and obtain a decision document from the Ontario Securities Commission, as principal regulator, for the Prospectus from each of the Securities Commissions or fulfilled all legal requirements to enable the Debentures to be offered and sold to the public in Canada through the Underwriters or any other investment dealer or broker registered to transact such business in the applicable Qualifying Jurisdictions contracting with the Underwriters in accordance with Section 4 hereof.

(b) Prior to the filing of the Prospectus and thereafter, during the period of distribution of the Debentures, prior to the filing of any Subsequent Disclosure Documents, the Corporation shall have allowed the Underwriters to participate fully in the preparation of, and to approve the form and content of, such documents and shall have allowed the Underwriters to conduct all due diligence investigations which they may reasonably require in order to fulfil their obligations as underwriters and in order to enable them to execute the certificate required to be executed by them at the end of such documents.

4. **Distribution and Certain Obligations of the Underwriters.**

(a) The Underwriters shall, and shall require any investment dealer or broker (other than the Underwriters) with which the Underwriters have a contractual relationship in respect of the distribution of the Debentures (each, a "**Selling Firm**") to agree to, comply with the Securities Laws in connection with the distribution hereof and shall offer the Debentures for sale to the public directly and through Selling Firms upon the terms and conditions set out in the Prospectus and this Agreement. The Underwriters shall, and shall require any Selling Firm to, offer for sale to the public and sell the Debentures only in those jurisdictions where they may be lawfully offered for sale or sold. The Underwriters shall: (i) use all reasonable efforts to complete and cause each Selling Firm to complete the distribution of the Debentures as soon as reasonably practicable; and (ii) promptly notify the Corporation when, in their opinion, the Underwriters and the Selling Firms have ceased distribution of the Debentures and provide a breakdown of the number of Debentures distributed in each of the Qualifying Jurisdictions where such breakdown is required for the purpose of calculating fees payable to the Securities Commissions.

(b) The Underwriters shall, and shall require any Selling Firm to agree to, distribute the Debentures in a manner which complies with and observe all applicable laws and regulations in each jurisdiction into and from which they may offer to sell the Debentures or distribute the Prospectus or any Supplementary Material in connection with the distribution of the Debentures and will not, directly or indirectly, offer, sell or deliver any Debentures or deliver the Prospectus or any

Supplementary Material to any person in any jurisdiction other than in the Qualifying Jurisdictions except in a manner which will not require the Corporation to comply with the registration, prospectus, filing, continuous disclosure or other similar requirements under the applicable securities laws of such other jurisdictions or pay any additional governmental filing fees which relate to such other jurisdictions. Subject to the foregoing, the Underwriters and any Selling Firm shall be entitled to offer and sell the Debentures in the United States solely pursuant to an applicable exemption or exemptions from the registration requirements of the *United States Securities Act of 1933*, as amended, and in Europe. Any offer or sale of the Debentures in the United States or to U.S. persons will be made in accordance with Schedule "C" which forms part of this Agreement.

(c) For the purposes of this Section 4, the Underwriters shall be entitled to assume that the Debentures are qualified for distribution in any Qualifying Jurisdiction where a receipt or similar document for the Prospectus shall have been obtained from the applicable Securities Commission (including a receipt document for the Prospectus issued under the Mutual Reliance Procedures) following the filing of the Prospectus unless otherwise notified in writing;

(d) The Corporation and the Underwriters agree that Schedule "C" to this Agreement entitled "United States Offers and Sales" is incorporated by reference in and shall form part of this Agreement; and

(e) Notwithstanding the foregoing provisions of this Section 4, an Underwriter will not be liable to the Corporation under this Section 4 with respect to a default under this Section 4 or Schedule "C" by another Underwriter or another Underwriter's United States broker-dealer affiliate, as the case may be. However, each Underwriter shall be liable to the Corporation under this Section 4 or Schedule "C" with respect to any breach by it or its United States broker-dealer affiliates of this Section 4 or of the United States selling restrictions set forth in Schedule "C".

5. **Deliveries on Filing and Related Matters.**

(a) The Corporation shall deliver to the Underwriters:

(i) at the Time of Closing, a copy of the Preliminary Prospectus and the Prospectus in the English language signed and certified by the Corporation as required by the Securities Laws;

(ii) at the Time of Closing, a copy of any Supplementary Material required to be filed by the Corporation in compliance with Securities Laws;

(iii) concurrently with the filing of the Prospectus with the Securities Commissions, a comfort letter dated the date of the Prospectus, in form and substance satisfactory to the Underwriters, acting reasonably, addressed to the Underwriters and the directors of the Corporation from the auditors of the Corporation, Deloitte & Touche, LLP, with respect to financial and accounting information relating to the Corporation contained in the Prospectus, which letter shall be based on a review by Deloitte & Touche, LLP within a cut-off date of not more than two business days prior to the date of the letter, which letter shall be in addition to the auditors' consent letter and comfort letter addressed to the Securities Commissions in the Qualifying Jurisdictions;

(iv) as soon as practicable after the Preliminary Prospectus, the Prospectus and any Supplementary Material are prepared, the private placement memorandum incorporating the Preliminary Prospectus, the Prospectus or any Supplementary Material, as the case may be, prepared for use in connection with the offering for sale of the Debentures in the United States (the "**U.S. Private Placement Memorandum**"), and, forthwith after preparation, any amendment to the U.S. Private Placement Memorandum; and

(v) prior to the filing of the Prospectus with the Securities Commissions, copies of correspondence indicating that the application for the listing and posting for trading on the TSE of the Debentures and Underlying Shares issuable upon maturity, redemption or conversion of the Debentures have been conditionally approved subject only to satisfaction by the Corporation of such post-closing conditions imposed by the TSE (the "**Standard Listing Conditions**").

(b) ***Supplementary Material***

The Corporation shall also prepare and deliver promptly to the Underwriters signed copies of all Supplementary Material. Concurrently with the delivery of any Supplementary Material, the Corporation shall deliver to the Underwriters, with respect to such Supplementary Material, a comfort letter substantially similar to those referred to in Section 5(a)(iiii).

(c) ***Representations as to Prospectus and Supplementary Material***

Delivery of the Preliminary Prospectus, the Prospectus and any Supplementary Material by the Corporation shall constitute the representation and warranty of the Corporation to the Underwriters that:

(i) all information and statements (except information and statements relating solely to the Underwriters) contained and incorporated by reference in the Preliminary Prospectus or the Prospectus or any Supplementary Material, as the case may be, are, at the respective dates of delivery thereof, true and correct and contain no misrepresentation and, on the respective dates of delivery thereof, the Preliminary Prospectus, the Prospectus or any Supplementary Material constitute full, true and plain disclosure of all material facts relating to the Corporation and the Debentures;

(ii) no material fact or information has been omitted therefrom (except facts or information relating solely to the Underwriters) which is required to be stated in such disclosure or is necessary to make the statements or information contained in such disclosure not misleading in light of the circumstances under which they were made; and

(iii) except with respect to any information relating solely to the Underwriters, such documents comply with the requirements of the Securities Laws in Canada.

Such deliveries shall also constitute the Corporation's consent to the Underwriters' use of the Preliminary Prospectus, the Prospectus and any Supplementary Material in connection with the distribution of the Debentures in compliance with this Agreement unless otherwise advised in writing.

(d) ***Commercial Copies***

(i) The Corporation shall cause commercial copies of the Preliminary Prospectus, the Prospectus and any Supplementary Material in the English language to be delivered to the Underwriters without charge, in such numbers and in such cities in the Qualifying Jurisdictions as the Underwriters may reasonably request by oral instructions to the Corporation's financial printer of the Preliminary Prospectus and the Prospectus given forthwith after the Underwriters have been advised that the Corporation has complied with the Securities Laws in the Province of Ontario and pursuant to Section 3. Such delivery shall be effected as soon as possible and, in any event, on or before a date which is one business day after compliance with applicable Securities Laws in Ontario pursuant to Section 3 with respect to the Preliminary Prospectus and the Prospectus, and on or before a date which is two business days after the Securities Commissions issue receipts or accept for filing, as the case may be, of any Supplementary Material. The Corporation shall cause to be delivered to the Underwriters, as soon as practicable after preparation thereof, without charge, in such numbers and at such locations as the Underwriters may reasonably request, commercial copies of the U.S. Private Placement Memorandum and any amendments thereto.

(ii) The Corporation shall cause to be provided to the Underwriters, without charge, such number of copies of any documents incorporated by reference in the Preliminary Prospectus, the Prospectus or any Supplementary Material as the Underwriters may reasonably request for use in connection with the distribution of the Debentures.

(e) During the period commencing on the date hereof and until completion of the distribution of the Debentures, the Corporation will promptly provide to the Underwriters drafts of any press releases of the Corporation for review by the Underwriters and the Underwriters' counsel prior to issuance.

6. **Material Change.**

(a) The Corporation shall promptly inform the Underwriters (and if requested by the Underwriters, confirm such notification in writing) during the period prior to the Underwriters notifying the Corporation of the completion of the distribution of the Debentures in accordance with Section 4(a) hereof of the full particulars of:

(i) any material change known to the Corporation in the assets, liabilities (contingent or otherwise), business, affairs, operations or capital of the Corporation and its subsidiaries taken together as a whole; or

(ii) any change in any material fact known to the Corporation contained in the Preliminary Prospectus, the Prospectus or any Supplementary Material (collectively, the "**Offering Documents**") or whether any event or state of facts has occurred after the date hereof, which, in any case, is, or may be, of such a nature as to render any of the Offering Documents untrue or misleading in any material respect or to result in any misrepresentation in any of the Offering Documents, or which would result in the Prospectus or any Supplementary Material not complying (to the extent that such compliance is required) with the laws, regulations or published policies of the Securities Commission of any Qualifying Jurisdiction.

(b) The Corporation will comply with Section 57 of the *Securities Act* (Ontario) and with the comparable provisions of the other Securities Laws, and the Corporation will prepare and file promptly any Supplementary Material which may be necessary and will otherwise comply with all legal requirements necessary to continue to qualify the Debentures for distribution in each of the Qualifying Jurisdictions.

(c) In addition to the provisions of Subsections 6(a) and 6(b) hereof, the Corporation shall in good faith discuss with the Underwriters any change, event or fact contemplated in Subsections 6(a) and 6(b) and known to the Corporation which is of such a nature that there is or could be reasonable doubt as to whether notice should be given to the Underwriters under Subsection 6(a) hereof and shall consult with the Underwriters with respect to the form and content of any amendment proposed to be filed by the Corporation, it being understood and agreed that no such amendment shall be filed with any Securities Commission prior to the review thereof by the Underwriters and their counsel, acting reasonably.

7. **Regulatory Approvals.** Prior to the filing of the Prospectus with the Securities Commissions, the Corporation shall file or cause to be filed with the TSE all necessary documents and shall use its commercially reasonable best efforts to ensure that the Debentures and Underlying Shares issuable upon conversion of the Debentures are conditionally listed on the TSE subject only to the Standard Listing Conditions.

8. **Representations and Warranties of the Corporation.** The Corporation represents and warrants that:

(a) each of the Corporation and its Subsidiaries is a corporation constituted and validly existing under the laws of the jurisdiction in which it was incorporated, amalgamated or continued, as the case may be;

(b) each of the Corporation and its Subsidiaries has the requisite corporate power, authority and capacity to own, lease, or own and lease and to operate its property and assets including all material licences or other similar rights necessary to carry on the business customarily carried on by it;

(c) the following is a list of the Corporation's material subsidiaries (the "**Subsidiaries**" and each a "**Subsidiary**"), the jurisdiction of incorporation of each such Subsidiary and the Corporation's percentage ownership (direct or indirect) in each such Subsidiary:

Subsidiaries

Online Mortgage Explorer Inc.	Ontario	100%
Basis100 Corporation	California	100%

(d) the Corporation owns, directly or indirectly, the percentage of the issued and outstanding shares of each of the Subsidiaries set forth in Subsection 8(c), in each case free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever (other than mortgages, liens, charges, pledges and/or security interests granted to its principal lender and other permitted liens as its principal lender permits) and, except as contemplated in the Prospectus, no person, firm or corporation has any agreement option, right or privilege (whether pre-emptive or contractual) capable of becoming an agreement, for the purchase from the Corporation or any of its subsidiaries any interest in any of the shares in the capital of any Subsidiary owned by the Corporation;

(e) except as otherwise described in the Prospectus, each of the Corporation and its Subsidiaries holds all requisite material licences, registrations, qualifications permits and consents necessary or appropriate for carrying on its business as currently carried on and all such licences, registrations, qualifications, permits and consents are valid and subsisting and in good standing in all material respects;

(f) except as disclosed in the Prospectus, each of the Corporation and its Subsidiaries has good and marketable title to all of its assets including all material licences, free and clear of all charges, hypothesis, mortgages, encumbrances or other liens (other than mortgages, liens, charges, pledges and/or security interests granted to its principal lenders and such other permitted liens as its principal lenders permits);

(g) except as otherwise described in the Prospectus, there is no action, proceeding or investigation (whether or not purportedly on behalf of the Corporation or any of its Subsidiaries) pending or, to the best of the Corporation's knowledge, threatened against or affecting the Corporation or any of its Subsidiaries at law or in equity, or before or by any federal, provincial, municipal or other governmental department, commission, board or agency, regulatory authority, domestic or foreign, which is, or could reasonably be expected to, result in any material change in the business or in the condition (financial or otherwise) of the Corporation and its Subsidiaries, or their properties or assets (taken together as a whole), or which questions the validity of any action taken or to be taken by the Corporation pursuant to or in connection with this Agreement;

(h) the Historical Financial Statements:

  (i) have been prepared in accordance with Canadian generally accepted accounting principles ;

  (ii) present fairly, in all material respects, the financial position of the Corporation as at the dates thereof and the results of its operations and the changes in its cash flows for the periods then ended; and

  (iii) other than the Unaudited Consolidated Financial Statements of the Corporation as at and for the nine month periods ended September 30, 2001 and September 30, 2000, have been audited by independent public accountants;

(i) there has never been any reportable disagreement or event (within the meaning of National Policy Statement No. 31) with the present or any former auditors of the Corporation;

(j) to the best of the Corporation's knowledge, none of the directors or senior officers of the Corporation, any known holder of more than 10% of any class of securities of the Corporation or any known associate or affiliate of any of the foregoing has any interest, directly or indirectly, in any transaction contemplated by this Agreement except as otherwise described in the Prospectus;

(k) the Corporation and its subsidiaries have filed or will file all necessary tax returns and notices and have paid or made provision for all applicable taxes of whatever nature for all tax years up to and including the year ended December 31, 2000 to the extent such taxes have become due and the Corporation is not aware of any material tax deficiencies or material interest or penalties accrued or accruing, thereon with respect to itself or its Subsidiaries which have not otherwise been provided for by the Corporation;

(l) no domestic or foreign taxation authority has asserted or to, to the best of the Corporation's knowledge, threatened to assert any assessment, claim or liability for taxes due or to become due in connection with any review or examination of the tax returns of the Corporation or any of its subsidiaries (including, without limitation, any predecessor companies) filed for any year which would have a material adverse effect on the assets or properties, business, results of operations, prospects or condition (financial or otherwise) of the Corporation and its Subsidiaries (on a consolidated basis);

(m) the Corporation and its subsidiaries own or possess the right to use all material patents, trademarks, trademark registrations, service marks, service mark registrations, trade names, copyrights, licenses, inventions, trade secrets and rights described in the Prospectus as being owned by them or any of them or necessary for the conduct of their respective businesses, and the Corporation is not aware of any claim to the contrary or any challenge by any other person to the rights of the Corporation and its subsidiaries with respect to the foregoing. The Corporation's business, including that of its subsidiaries, as now conducted does not, and as currently proposed to be conducted will not, infringe or conflict with in any material respect patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses or other intellectual property or franchise right of any person. Except as described in the Prospectus, no claim has been made against the Corporation alleging the infringement by the Corporation of any patent, trademark, service mark, trade name, copyright, trade secret, license in or other intellectual property right or franchise right of any person;

(n) the Corporation is a reporting issuer not in default under the Securities Laws of each Qualifying Jurisdiction; where applicable, the Corporation is in compliance with its timely disclosure obligations under the Securities Laws in all of the Qualifying Jurisdictions and under the rules of the TSE and, without limiting the generality of the following, there has not occurred any material adverse change in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation and its subsidiaries (taken together as a whole) which has not been publicly disclosed; all the statements set forth in the public disclosure documents which have been filed pursuant to the "continuous disclosure" requirement of Securities Laws are true, correct, and complete in all material respects and do not contain any misrepresentation as of the date of such statements and the Corporation has not filed any confidential material change reports since the date of such statements which remain confidential at the date hereof;

(o) the execution and delivery of this Agreement and the Indenture and the performance of the transactions contemplated hereby have been duly authorized by all necessary corporate action of the Corporation and this Agreement has been duly executed and delivered by the Corporation and constitutes, and at the Time of Closing, the Indenture will have been duly executed and delivered and will constitute a valid and binding obligation of the Corporation each enforceable against the Corporation in accordance with their respective terms, provided that enforcement thereof may be limited by laws affecting creditors' rights generally, that specific performance and other equitable remedies may only be granted in the discretion of a court of competent jurisdiction and that the proviso relating to indemnity, contribution and waiver of contribution may be unenforceable;

(p) except for the voting trust agreement dated April 21, 1999, as amended, among QFG Holdings Limited, Anthony Humble, Jason Smith, Gary Bartholomew and David Campbell and as otherwise described in the Prospectus, to the knowledge of the Corporation, no agreement is in force or effect which in any manner affects the voting or control of any of the securities of the Corporation or any of its Subsidiaries;

(q) the authorized capital of the Corporation consists solely of an unlimited number of Common Shares, of which, as at November 30, 2001, 29,766,729 Common Shares were issued and outstanding as fully paid and non-assessable and no person, firm or corporation (except the Underwriters pursuant hereto and employees, officers, directors and consultants of the Corporation and its subsidiaries who, as at November 30, 2001, collectively held options to acquire an aggregate of 5,671,801 Common Shares) had (or continues to have) any agreement or option, or right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option, for the purchase from the Corporation of any unissued shares of the Corporation, except as otherwise described in the Prospectus;

(r) the execution and delivery of this Agreement or the Indenture, the fulfilment of the terms hereof or the Indenture by the Corporation and the issuance, sale and delivery of the Debentures to be issued and sold by the Corporation at the Time of Closing do not and will not:

    (i) require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange, Securities Commission or other third party, except such as have been obtained or such as may be required (and shall, without guaranteeing same, be obtained prior to the Time of Closing) under applicable Securities Laws or stock exchange regulations, nor

    (ii) result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:

(A) any of the terms, conditions or provisions of the articles, by-laws or resolutions of the shareholders, directors or any committee of directors of the Corporation or any of its Subsidiaries or any material indenture, agreement or instrument to which the Corporation or any of its Subsidiaries is a party or by which it or they are contractually bound; or

(B) any statute, rule, regulation or law applicable to the Corporation or any of its subsidiaries, including, without limitation, the Securities Laws, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Corporation or its subsidiaries;

(s) except as otherwise described in the Prospectus, the Corporation is not aware of any legislation or proposed legislation which it anticipates will materially and adversely affect the business, affairs, operations, assets, liabilities (contingent or otherwise) of the Corporation and its Subsidiaries considered as a whole;

(t) the Debentures to be issued and sold as hereinbefore described have been, or prior to the Time of Closing will be, authorized for issuance and, when issued pursuant to this Agreement and the Indenture, will have been duly created, issued, authenticated and delivered and will constitute valid and legally binding obligations of the Corporation entitled to the benefits of the Indenture provided that enforcement thereof may be limited by laws affecting creditors' rights generally, that specific performance and other equitable remedies may only be granted in the discretion of a court of competent jurisdiction and that the proviso relating to indemnity, contribution and waiver of contribution may be unenforceable and all statements made in the Prospectus describing such securities will be accurate in all material respects;

(u) no default exists under and no event has occurred which, after notice or lapse of time or both, or otherwise, would constitute a default under or breach of, by the Corporation, its Subsidiaries or any other person, any material obligation, agreement, covenant or condition contained in any contract, indenture, trust, deed, mortgage, loan agreement, note, lease or other agreement or instrument to which the Corporation or any of its subsidiaries is a party or by which any of them or any of their respective properties may be bound. No order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Debentures or any other security of the Corporation has been issued or made by any Securities Commission or stock exchange or any other regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or are pending or, to the best of the Corporation's knowledge, contemplated or threatened by any such authority or under any Securities Laws;

(v) except as provided herein, there is no person, firm or corporation acting for the Corporation entitled to any brokerage or finder's fee in connection with this Agreement or any of the transactions contemplated hereunder;

(w) the Corporation is eligible to file a short form prospectus in each of the Qualifying Jurisdictions and on the date of and upon filing of the Preliminary Prospectus there will be no documents required to be filed under the Securities Laws in connection with the offering of Debentures that will not have been filed as required, subject only to satisfaction of all applicable post-filing requirements;

(x) the financial statements, press releases, material change reports, management information circulars or annual information forms filed by or on behalf of the Corporation since December 31, 2000 with any Securities Commission or the TSE, taken together as a whole, did not contain a misrepresentation, determined as at the date of filing, which has not been corrected;

(y) the minute books and records of the Corporation and its Subsidiaries made available to counsel for the Underwriters in connection with its due diligence investigation of each of the Corporation and its Subsidiaries for the periods from their respective dates of incorporation to the date of examination thereof are all of the minute books and records of the Corporation and its Subsidiaries, respectively and contain copies of all proceedings (or certified copies thereof) of the shareholders, the boards of directors and all committees of the boards of directors of the Corporation and its Subsidiaries to the date of review of such corporate records and minute books and there have been no other meetings, resolutions or proceedings of the shareholders, board of directors or any committees of the boards of directors of the Corporation and any of its Subsidiaries to the date of review of such corporate records and minute books not reflected in such minute books and other records, other than those which have been disclosed to the Underwriters or which are not material in the context of the Corporation and its Subsidiaries, on a consolidated basis;

(z) with respect to each premises which is material to the Corporation on a consolidated basis and which the Corporation or any of its Subsidiaries occupies as tenant (the "**Leased Premises**"), the Corporation or such Subsidiary occupies the Leased Premises and has the exclusive right to occupy and use the Leased Premises and each of the leases pursuant to which the Corporation and/or its Subsidiaries occupies the Leased Premises is in good standing and in full force and effect;

(aa) there has not been and there is not currently any labour disruption or conflict which is adversely affecting or could adversely affect, in a material manner, the carrying on of the Corporation's or any Subsidiaries' business, considered as a whole;

(bb) the Corporation has procured and maintains adequate insurance against all insurable risks which are material to the Corporation and its Subsidiaries, considered as a whole;

(cc) except in compliance with applicable legislation, the Corporation has not used any of its property or facilities to generate, manufacture, process, distribute, use, treat, store, dispose of, transport or handle any pollutants, contaminants, chemicals or industrial toxic or hazardous waste or substances ("**Hazardous Substances**");

(dd) except in compliance with applicable legislation, the Corporation has not caused or permitted the release, in any manner whatsoever, of any Hazardous Substances on or from any of its properties or assets or any such release on or from a facility owned or operated by third parties but with respect to which the Corporation is or may reasonably be alleged to have material liability or has received any notice that it is potentially responsible for a federal, provincial, municipal or local clean-up site or corrective action under any applicable laws, statutes, ordinances, by-laws, regulations or any orders, directions or decisions rendered by any ministry, department or administrative regulatory agency relating to the protection of the environment, occupational health and safety or otherwise relating dealing with Hazardous Substances;

(ee) the Corporation intends to use the net proceeds of the offering of Debentures pursuant to this Agreement in the manner specified in the Prospectus under the caption "Use of Proceeds";

(ff) the Underlying Shares have been authorized for issuance and, when issued and delivered pursuant to the terms of the Indenture, will constitute validly issued, fully-paid and non-assessable shares;

(gg) the form and terms of the Debentures will conform, in all material respects, to the descriptions thereof in the Prospectus and the Indenture;

(hh) the Indenture will comply with the provisions of the *Business Corporations Act* (Ontario); and

(ii) CIBC Mellon Trust Company, at its principal office in Toronto, Ontario, will be duly appointed as the registrar and transfer agent in respect of the Debentures and Common Shares by the time of filing of the Prospectus.

9. **Covenants of the Corporation.** The Corporation covenants and agrees with the Underwriters that the Corporation:

(a) will advise the Underwriters, promptly after receiving notice thereof, of the time when the Preliminary Prospectus, the Prospectus and any Supplementary Material has been filed and decision documents therefor have been obtained and will provide evidence reasonably satisfactory to the Underwriters of each such filing and copies of such decision documents;

(b) will advise the Underwriters, promptly after receiving notice or obtaining knowledge thereof, of: (i) the issuance by any Securities Commission of any order suspending or preventing the use of the Preliminary Prospectus, the Prospectus or any Supplementary Material; (ii) the suspension of the qualification of the Debentures in any of the Qualifying Jurisdictions; (iii) the institution, threatening or contemplation of any proceeding for any such purposes; or (iv) any requests made by any Securities Commission for amending or supplementing the Preliminary Prospectus or the Prospectus or for additional information, and will use its commercially reasonable efforts to prevent the issuance of any order referred to in (i) above and, if any such order is issued, to obtain the withdrawal thereof as quickly as possible;

(c) the Corporation will use its reasonable best efforts to maintain its status as a "reporting issuer" (or the equivalent thereof) not in default of the requirements of the Securities Laws of each of the Qualifying Jurisdictions which have such a concept to the date which is one year following the Closing Date;

(d) the Corporation will use its reasonable best efforts to maintain the listing of the Debentures and Common Shares (or any shares or securities, whether of the Corporation or another company or entity, into which the Underlying Shares may from time to time be converted, reclassified or exchanged) on the TSE or such other recognized stock exchange or quotation system as the Underwriters may approve, acting reasonably, to the date that is one year following the date of issuance of any Underlying Shares so long as the Corporation meets the minimum listing requirements of the TSE or such other exchange or quotation system; and

(e) the Corporation will use its reasonable best efforts (including, without limitation, making application to the Securities Commissions of each Qualifying Jurisdiction for all consents, orders and approvals necessary) to ensure that all Underlying Shares may be traded by the holders thereof in each of the Qualifying Jurisdictions free of any statutory resale restriction or hold period (subject to the provisions of paragraph 2.5 of Ontario Securities Commission Multilateral Instrument 45-102 Resale of Securities (as the same may from time to time be amended, superceded or replaced) and the analogous provisions of the Securities Laws of the other Qualifying Jurisdictions), for a period of not less than one year following the date of issuance of any Underlying Shares.

10. **Conditions of Closing.** The obligation of the Underwriters to purchase the Debentures shall be subject to the following:

(a) the Corporation shall cause its counsel, Fraser Milner Casgrain LLP, to deliver to the Underwriters and their counsel a legal opinion dated and delivered the Closing

Date, in form and substance satisfactory to the Underwriters and their counsel, acting reasonably, that:

(i) the Corporation is a "reporting issuer", or its equivalent, in each of the Qualifying Jurisdictions and it is not on the list of defaulting reporting issuers maintained pursuant to the requirements of the Securities Laws in any of the Qualifying Jurisdictions;

(ii) each of the Corporation and its Subsidiaries is a corporation existing under the laws of the jurisdiction in which it was incorporated, amalgamated or continued, as the case may be;

(iii) each of the Corporation, and its Subsidiaries has all requisite corporate power to carry on its business as now conducted and to own, lease and operate its property and assets and to execute, deliver and perform its obligations under this Agreement;

(iv) the authorized capital of the Corporation consists of an unlimited number of Common Shares;

(v) all of the issued and outstanding shares of the Subsidiaries are registered in the name of the Corporation;

(vi) the Corporation has all necessary corporate power and capacity (i) to execute and deliver this Agreement and the Indenture and perform its obligations under this Agreement and the Indenture, (ii) to create, issue and sell the Debentures, and (iii) to issue the Underlying Shares in accordance with the terms of the Indenture;

(vii) all necessary corporate action has been taken by the Corporation to authorize the execution and delivery by the Corporation of this Agreement and the Indenture and the performance of its obligations under this Agreement and the Indenture;

(viii) all necessary corporate action has been taken by the Corporation to authorize and issue the Debentures to the Underwriters on the terms and conditions of this Agreement and the Indenture and to issue the Underlying Shares in accordance with the terms of the Indenture;

(ix) each of this Agreement and the Indenture has been executed and delivered by the Corporation and constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, subject to such standard qualifications as counsel to the Corporation and the Underwriters may mutually agree;

(x) none of the issuance, offering and sale of the Debentures to the Underwriters by the Corporation pursuant to this Agreement, or the execution, delivery and performance by the Corporation of its obligations under this Agreement and the Indenture conflict with or result in a breach or violation of any of the terms and provisions of, or constitute a default under, the articles of incorporation or by-laws of the Corporation;

(xi) CIBC Mellon Trust Company has been duly appointed the trustee under the Indenture and the transfer agent and registrar for the Common Shares and the transfer agent for Debentures;

(xii) the certificates representing the Debentures have been certified by the Trustee and as certified, such Debentures constitute legal, valid and binding obligations of, and are enforceable, in accordance with their terms, against the Corporation, subject to such standard qualifications as counsel to the Corporation and the Underwriters may mutually agree;

(xiii) the attributes of the Debentures conform in all material respects to the descriptions thereof in the Prospectus and the Indenture;

(xiv) the Debentures and Underlying Shares will, on the Closing Date, be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (other than, in the case of the Debentures, those trusts governed by deferred profit sharing plans for which any employer is the Corporation, or is a corporation which does not deal at arm's length with the Corporation) and registered education savings plans. Based on an officer's certificate provided by the Corporation, the Debentures and Underlying Shares will not constitute "foreign property" to deferred income plans and certain other persons who are generally exempt from tax;

(xv) the statements set forth in the Prospectus under the caption "Certain Canadian Federal Income Tax Considerations", insofar as they purport to describe the provisions of the laws referred to therein, are fair summaries of the matters discussed therein;

(xvi) the TSE has conditionally approved the listing on the TSE of the Debentures and the Underlying Shares issuable upon maturity, redemption or conversion of the Debentures, subject to the Corporation fulfilling the Standard Listing Conditions;

(xvii) all documents have been filed and all requisite proceedings have been taken and all approvals, permits, consents and authorizations of the appropriate regulatory authorities under the Securities Laws have been obtained by the Corporation to duly qualify the Debentures for distribution in each of the Qualifying Jurisdictions through registrants registered under the Securities Laws of such provinces (or pursuant to exemptions from the registration requirements of the Securities Laws of such provinces), provided that such registrants have complied with the relevant provisions of such applicable laws;

(xviii) the issue by the Corporation of Underlying Shares upon the exercise by holders of the Debentures of the conversion rights attached thereto is exempt from, or is not subject to, the prospectus and registration requirements of the laws of each of the Qualifying Jurisdictions and no prospectus or other documents are required to be filed, proceedings taken, or approvals, permits, consents or authorizations obtained under Securities Laws in any of the Qualifying Jurisdictions, provided that, where applicable, no commission or other remuneration is paid or given to others in respect of such distribution except for administrative, ministerial or professional services, as applicable, or for services performed by a registered dealer or broker or by a person or company registered for trading in securities, as applicable and subject to the exceptions generally provided for in such opinion; and

(xix) the first trade in, or resale of, as applicable, Underlying Shares issued upon the exercise by holders of the Debentures of the conversion rights attached thereto is exempt from, or is not subject to, the prospectus requirements of the Securities Laws of each of the Qualifying Jurisdiction and no filing, proceeding or approval will need to be made, taken or obtained under such laws in connection with any such trade, subject to the exceptions generally provided for in such opinions.

In connection with such opinion, counsel to the Corporation may rely on the opinions of local counsel in the Qualifying Jurisdictions acceptable to counsel to the Underwriters, acting reasonably, as to the qualification for distribution of the Debentures or opinions may be given directly by local counsel of the Corporation with respect to those items and as to other matters governed by the laws of jurisdictions other than the province in which they are qualified to practise and may rely, to the extent appropriate in the circumstances, as to matters of fact on certificates of officers of the Corporation and others;

(b) for purposes of Schedule “C”, if any Debentures are sold by any Selling Firm in transactions requiring an exemption from the registration requirements under the *United States Securities Act of 1933*, as amended, the Corporation shall cause a favourable legal opinion to be delivered by its U.S. counsel to the Underwriters and their counsel to the effect that no registration of the Debentures are required under the *United States Securities Act of 1933*, as amended, such opinion to be subject to such qualifications and assumptions as the Underwriters and their counsel may agree, acting reasonably;

(c) the Underwriters shall have received a certificate dated the Closing Date signed by the Chairman and Chief Executive Officer of the Corporation or any other senior officer of the Corporation as may be acceptable to the Underwriters, in form and content satisfactory to the Underwriters' counsel, acting reasonably, attaching a true and complete copy of:

(i) the articles and by-laws of the Corporation;

(ii) the resolutions of the Corporation's board of directors relevant to the issue and sale of the Debentures to be issued and sold by the Corporation and the authorization of the other agreements and transactions contemplated herein; and

(iii) the incumbency and signatures of signing officers of the Corporation.

(d) the Corporation shall cause its auditors, Deloitte & Touche LLP, to deliver to the Underwriters a comfort letter, dated the Closing Date, in form and substance satisfactory to the Underwriters, acting reasonably, bringing forward to a date not more than two business days prior to the Closing Date the information contained in the comfort letter referred to in Subsection 5(a)(iii) hereof;

(e) the Corporation shall deliver to the Underwriters, at the Time of Closing, certificates dated the Closing Date addressed to the Underwriters and signed by the Chairman and Chief Executive Officer of the Corporation and the Chief Financial Officer of the Corporation, or such other senior officer(s) of the Corporation as may be acceptable to the Underwriters, certifying for and on behalf of the Corporation and without personal liability, after having made due enquiries, to the effect that:

(i) the Corporation has complied in all respects with all the covenants and satisfied all the terms and conditions of this Agreement on its part to be complied with and satisfied at or prior to the Time of Closing;

(ii) the representations and warranties of the Corporation contained herein are true and correct in all respects as at the Time of Closing, with the same force and effect as if made on and as at the Time of Closing after giving effect to the transactions contemplated hereby; and

(iii) decision documents have been issued by the Securities Commissions in the Qualifying Jurisdictions for the Prospectus and no order, ruling or determination having the effect of ceasing the trading or suspending the sale of the Common Shares of the Corporation or the Debentures to be issued and sold by the Corporation has been issued and no proceedings for such purpose have been instituted or are pending or, to the knowledge of such officers, contemplated or threatened; and

(iv) since the respective dates as of which information is given in the Prospectus (A) there has been no material change (actual, anticipated, contemplated or threatened, whether financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation and its Subsidiaries on a consolidated basis, and (B) no transaction has been entered into by any of the Corporation or its Subsidiaries which is material to the Corporation and its Subsidiaries on a consolidated basis, other than as disclosed in the Prospectus;

(f) the Underwriters shall have received copies of correspondence indicating that the Corporation has obtained all necessary approvals for the Debentures and the Underlying Shares to be conditionally listed on the TSE, subject only to the Standard Listing Conditions;

(g) the Indenture shall have been executed and delivered by the Corporation and CIBC Mellon Trust Company in form and substance satisfactory to the Underwriters, acting reasonably, having regard to the description thereof set forth in the Prospectus; and

(h) the Corporation shall cause to be delivered to the Underwriters, at the Time of Closing, undertakings in favour of the Underwriters of such principal shareholders, directors and officers of the Corporation as GMP may reasonably require agreeing not to sell, transfer, assign, pledge or otherwise dispose of any securities of the Corporation, owned, directly or indirectly, by such principal shareholders, directors or officers for a period of 60 days following the Closing Date.

11. **Closing.** The closing of the purchase and sale of the Debentures shall be completed at the Time of Closing at the offices of Fraser Milner Casgrain LLP, Toronto, or at such other place as the Corporation and the Underwriters may agree in writing. At the Time of Closing, the Corporation shall deliver to the Underwriters:

(a) one definitive certificate representing the aggregate principal amount of Debentures acquired by purchasers resident in the Qualifying Jurisdictions in global, fully registered form for deposit in the book-based system administered by The Canadian Depository for Securities Limited, registered in the name of CDS & Co. as nominee for The Canadian Depository for Securities Limited or as otherwise directed by GMP not less than 48 hours prior to the Time of Closing;

(b) one or more definitive certificates representing the aggregate principal amount of Debentures acquired by purchasers resident in jurisdictions other than the Qualifying Jurisdictions registered in such names and denominations as GMP may notify the Corporation not less than 48 hours prior to the Time of Closing; and

(c) one or more certified cheques or bank drafts payable to "Griffiths McBurney & Partners", on behalf of the Underwriters, representing the Underwriters' Fees payable by the Corporation to the Underwriters as provided in the second paragraph of this Agreement against payment by the Underwriters to the Corporation of the purchase price for the Debentures being issued and sold by them hereunder by certified cheque or bank draft (or a net certified cheque or bank draft delivered by GMP payable to the Corporation representing the gross proceeds of the offering less the fees and expenses payable by the Corporation to the Underwriters).

12. **Restrictions on Further Issues or Sales**. During the period commencing the date hereof and ending on the day which is 90 days following the Closing Date, the Corporation shall not, directly or indirectly, without the prior written consent of GMP, such consent not to be unreasonably withheld or delayed, issue or announce any offer, sale or other issuance of any Common Shares or any securities convertible into or exchangeable for Common Shares other than pursuant to:

(a) currently outstanding rights, or agreements, including options, warrants and other convertible securities and any rights which have been granted or issued subject to necessary regulatory approval;

(b) currently outstanding options granted to officers, directors, employees or consultants of the Corporation or any subsidiary thereof pursuant to the Corporation's existing stock option plan as detailed, and as such plan may be amended as proposed, in the Corporation's most recent proxy information circular (collectively, the "**Option Plan**");

(c) pursuant to the Option Plan;

(d) any acquisition of a business, whether by way of purchase of shares or assets, merger, plan of arrangement, amalgamation or otherwise; or

(e) in the event that the offering of Debentures contemplated herein closes with less than $20,000,000 of gross proceeds, the Corporation maintains the right to issue Common Shares, or some other security convertible into Common Shares not ranking senior to the Debentures, up to an amount which, when combined with the gross proceeds of this offering, equates to $20,000,000.

13. **Indemnification**.

(a) The Corporation shall fully indemnify and save harmless each of the Underwriters and their respective affiliates, their respective directors, officers, employees and agents (collectively, the "**Indemnified Parties**" and individually an "**Indemnified Party**") from and against all losses (other than losses of profit), claims, damages, liabilities, costs and expenses, (including the reasonable fees and expenses of the Underwriters' counsel that may be incurred in advising with respect to or defending such claim), caused by or arising directly or indirectly from or in consequence of:

(i) any breach by the Corporation of its covenants or obligations hereunder;

(ii) any information or statement (except any information or statement relating solely to the Underwriters or either of them) contained in any of the Offering Documents (including, for greater certainty, the Documents Incorporated by Reference and any Subsequent Disclosure Documents) being or being alleged to be a misrepresentation;

(iii) any order made or any inquiry, investigation or proceeding instituted, threatened or announced by any court, securities regulatory authority, stock exchange or by any other competent authority, based upon any untrue statement, omission or misrepresentation or alleged untrue statement, omission or misrepresentation (except a statement, omission or misrepresentation relating, solely to the Underwriters or any of them) contained in any of the Offering Documents or any other document or material filed or delivered by the Corporation pursuant to this Agreement, preventing or restricting the trading in or the sale or distribution of the Debentures or the Common Shares; or

(iv) the non-compliance or alleged non-compliance by the Corporation with any Securities Laws including the Corporation's non-compliance or any alleged non-compliance with any statutory requirement to make any document available for inspection.

(b) If any claim contemplated by this Section shall be asserted against any of the Indemnified Parties, or if any potential claim contemplated by this Section shall come to the knowledge of any of the Indemnified Parties, the Indemnified Party concerned shall notify in writing the Corporation as soon as possible of the nature of such claim (provided that any failure to so notify in respect of any potential claim shall affect the liability of the Corporation under this Section only to the extent that the Corporation is prejudiced by such failure). The Corporation shall, subject as hereinafter provided, be entitled (but not required) to assume the defence on behalf of the Indemnified Party of any suit brought to enforce such claim; provided that the defence shall be through legal counsel selected by the Corporation and acceptable to the Indemnified Party, acting reasonably, and no admission of liability shall be made by the Corporation or the Indemnified Party without, in each case, the prior written consent of all the Indemnified Parties affected and the Corporation, in each case such consent not to be unreasonably withheld. An Indemnified Party shall have the right to employ separate counsel in any such suit and participate in the defence thereof but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless:

(i) the Corporation fails to assume the defence of such suit on behalf of the Indemnified Party within twenty days of receiving notice of such suit;

(ii) the employment of such counsel has been authorized by the Corporation; or

(iii) the named parties to any such suit (including any added or third parties) include the Indemnified Party and the Corporation and the Indemnified Party and the Corporation shall have been advised in writing by counsel that representation of the Indemnified Party by counsel for the Corporation is inappropriate as a result of the potential or actual conflicting interests of those represented;

(in each of cases (i), (ii) or (iii), the Corporation shall not have the right to assume the defence of such suit on behalf of the Indemnified Party, but the Corporation shall only be liable to pay the reasonable fees and disbursements of one firm of separate counsel for all Indemnified Parties. In no event shall the Corporation be required to pay the fees and disbursements of more than one set of counsel for all Indemnity Parties in respect of any particular claim or set of claims).

(c) The Corporation hereby acknowledges and agrees that, with respect to Sections 13 and 14 hereof, the Underwriters are contracting on their own behalf and as agents for their affiliates, directors, officers, employees and agents and their respective directors, officers, employees and agents (collectively, the "**Beneficiaries**"). In this regard, each of the Underwriters shall act as trustee for the Beneficiaries of the covenants of the Corporation under Sections 13 and 14 hereof with respect to the Beneficiaries and accepts these trusts and shall hold and enforce such covenants on behalf of the Beneficiaries.

(d) The rights of indemnity contained in Section 13 shall not enure to the benefit of the Underwriters or any other Indemnified Party if the Corporation has complied with the provisions of Section 6 hereof and the person asserting any claim contemplated by this Section was not provided with a copy of the Prospectus or Supplementary Material which corrects any untrue statement or information, misrepresentation or omission which is the basis of such claim and which is required under the Securities Laws, to be delivered to such person by the Underwriters or members of their banking or selling group (if any).

14. **Contribution**

(a) In order to provide for just and equitable contribution in circumstances in which indemnity provided in Section 13 hereof would otherwise be available in accordance with its terms but is, for any reason not solely attributable to any one or more of the Indemnified Parties, held to be unavailable to or unenforceable by the Indemnified Parties or enforceable otherwise than in accordance with its terms, the Underwriters and the Corporation shall contribute to the aggregate of all claims, damages, liabilities, costs and expenses and all losses (other than losses of profits) of the nature contemplated in Section 13 hereof and suffered or incurred by the Indemnified Parties in proportions such that the Underwriters shall be responsible for the portion represented by the percentage that the total Underwriters' fee payable to the Underwriters bears to the aggregate purchase price of the Debentures as determined pursuant to the provisions hereof, and the Corporation shall, subject to paragraph (b) of this Section, be responsible for the balance, whether or not it has been sued or sued separately; provided that the Underwriters shall not in any event be liable to contribute, in the aggregate, any amount in excess of such total fee or any portion thereof actually received. However, no party who has engaged in any fraud, fraudulent misrepresentation or negligence shall be entitled to claim contribution from any person who has not engaged in such fraud, fraudulent misrepresentation or negligence.

(b) For greater certainty, the Corporation shall not have any obligation to contribute pursuant to this Section 14 in respect of any claim except to the extent the indemnity given by it in Section 13 hereof would have been applicable to such claim in accordance with its terms, had such indemnity been found to be enforceable and available to the Indemnified Parties.

(c) The rights to contribution provided in this Section shall be in addition to and not in derogation of any other right to contribution which the Indemnified Parties may have by statute or otherwise at law provided that paragraphs (a) and (b) of this Section shall apply, *mutatis mutandis*, in respect of such other right.

(d) If an Indemnified Party has reason to believe that a claim for contribution may arise, the Indemnified Party shall give the Corporation notice thereof in writing, but failure to so notify shall not relieve the Corporation of any obligation which it may have to the Indemnified Party under this Section provided that the Corporation is not prejudiced by such failure, and the right of the Corporation to assume the defence of such Indemnified Party shall apply as set out in Section 13 hereof, *mutatis mutandis*.

15. **Expenses.** Whether or not the purchase and sale of the Debentures shall be completed (other than as a result of a default by any of the Underwriters), all expenses of or incidental to the creation, issuance and delivery of the Debentures and of or incidental to all matters in connection with the transactions herein set out shall be borne by the Corporation including, without limitation:

(a) all expenses of or incidental to the creation, issue, sale or distribution of the Debentures and the filing of the Preliminary Prospectus and the Prospectus; payable in connection with the qualification for distribution of the Debentures;

(b) the fees and expenses of the auditors, counsel to the Corporation and all local counsel (including GST on all of the foregoing) and of the trustee under the Indenture and the transfer agent for the Common Shares;

(c) all costs incurred in connection with the preparation, translation, filing and printing of the Preliminary Prospectus, the Prospectus, any Supplementary Material and the share certificates contemplated hereunder; and

(d) the reasonable out-of-pocket expenses of the Underwriters and the fees and expenses of the Underwriters' legal counsel.

All fees and expenses incurred by the Underwriters or on their behalf shall not exceed $75,000 and shall be payable by the Corporation immediately upon receiving an invoice therefor from the Underwriters and shall be payable whether or not the offering of Debentures contemplated herein is completed.

16. **All Terms to be Conditions**. The Corporation agrees that the conditions contained in Section 10 will be complied with insofar as the same relate to acts to be performed or caused to be performed by the Corporation and that it will use its commercially reasonable efforts to cause all such conditions to be complied with. Any breach or failure to comply with any of the conditions set out in Section 10 shall entitle the Underwriters to terminate their obligation to purchase the Debentures, by written notice to that effect given to the Corporation at or prior to the Time of Closing. It is understood that the Underwriters may waive, in whole or in part, or extend the time for compliance with, any of such terms and conditions without prejudice to the rights of the Underwriters in respect of any such terms and conditions or any other or subsequent breach or non-compliance, provided that to be binding on the Underwriters any such waiver or extension must be in writing.

17. **Termination by Underwriters in Certain Events.**

(a) Each Underwriter shall also be entitled to terminate its obligation to purchase the Debentures by written notice to that effect given to the Corporation at or prior to the Time of Closing if:

(i) *material change* - there shall be any material change in the affairs of the Corporation, or there should be discovered any previously undisclosed material fact required to be disclosed in the Preliminary Prospectus, Prospectus or amendment thereto or there should occur a change in a material fact contained in the Preliminary Prospectus, Prospectus or amendment thereto, in each case which, in the reasonable opinion of the Underwriters (or any of them), has or would be expected to have a significant adverse effect on the market price or value of the Common Shares or the Debentures; or

(ii) *disaster out* - (A) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) is commenced, announced or threatened or any order made by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality including, without limitation, the TSE or any securities regulatory authority or any law or regulation is enacted or changed which in the opinion of the Underwriters (or any of them), acting reasonably, operates to prevent or restrict the trading of the Common Shares or materially and adversely affects or will materially and adversely affect the market price or value of the Common Shares or the Debentures; or (B) if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the opinion of the Underwriters seriously adversely affects, or involves, or will, or could reasonably be expected to, seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Corporation and its Subsidiaries taken as a whole.

(b) If this agreement is terminated by either of the Underwriters pursuant to Subsection 17(a), there shall be no further liability on the part of such Underwriter or of the Corporation to such Underwriter, except in respect of any liability which may have arisen or may thereafter arise under Sections 13, 14 and 15.

(c) The right of the Underwriters or either of them to terminate their respective obligations under this Agreement is in addition to such other remedies as they may have in respect of any default, act or failure to act of the Corporation in respect of any of the matters contemplated by this Agreement. A notice of termination given by one Underwriter under this Section 17 shall not be binding upon the other Underwriter.

18. **Obligations of the Underwriters to be Several**. Subject to the terms and conditions hereof, the obligation of the Underwriters to purchase the Debentures shall be several and not joint. The percentage of the Debentures to be severally purchased and paid for by each of the Underwriters shall be as follows:

Griffiths McBurney & Partners	-	80%
Paradigm Capital Inc.	-	20%

If an Underwriter (a "**Refusing Underwriter**") shall not complete the purchase and sale of the Purchased Shares which such Underwriter has agreed to purchase hereunder for any reason whatsoever, the other Underwriter (the "**Continuing Underwriter**") shall be entitled, at its option, to purchase all but not less than all of the Debentures which would otherwise have been purchased by such Refusing Underwriter. If the Continuing Underwriter does not elect to purchase the balance of the Debentures pursuant to the foregoing:

(a) the Continuing Underwriter shall not be obliged to purchase any of the Debentures that any Refusing Underwriter is obligated to purchase; and

(b) the Corporation shall not be obliged to sell less than all of the Debentures,

and the Corporation shall be entitled to terminate its obligations under this agreement arising from their acceptance of this offer, in which event there shall be no further liability on the part of the Corporation to the Continuing Underwriter, except pursuant to the provisions of Sections 13, 14 and 15. Nothing in this Agreement shall oblige any U.S. affiliate of any of the Underwriters to purchase the Debentures. Any U.S. broker dealer who makes any offers or sales of the Debentures to U.S. persons will do so solely as an agent for an Underwriter.

19. **Notices.** Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered to,

in the case of the Corporation,

Basis100 Inc.
33 Yonge Street
Suite 900
Toronto, ON, M5E 1G4

Telecopy No. 416.364.2028
Attention: Chief Executive Officer

with a copy of any such notice to:

Fraser Milner Casgrain LLP
1 First Canadian Place
100 King Street West
41st Floor
Toronto, ON, M5X 1B2

Telecopy No. 416.863.4592
Attention: Heather Zordel

in the case of GMP to:

Griffiths McBurney & Partners
145 King Street West
Suite 1100
Toronto, ON, M5H 1J8

Telecopy No. 416.943.6160
Attention: Daniel Bruno

in the case of Paradigm Capital Inc. to:

Paradigm Capital Inc.
95 Wellington Street West
Suite 2101
Toronto, ON, M5J 2N7

Telecopy No.: 416.631.6050
Attention: Larry Jeremias

and with a copy of any such notice to:

Wildeboer Rand Thomson Apps & Dellelce, LLP
Suite 810, P.O. Box 4
1 First Canadian Place
Toronto, ON, M5X 1A9

Telecopy No. 416.361.1790
Attention: Robert Wortzman

The Corporation and the Underwriters may change their respective addresses for notices by notice given in the manner aforesaid. Any such notice or other communication shall be in writing, and unless delivered personally to the addressee or to a responsible officer of the addressee, as applicable, shall be given by telecopy and shall be deemed to have been given when (i) in the case of a notice delivered personally to a responsible officer of the addressee, when so delivered, and (ii) in the case of a notice delivered or given by telecopy on the first business day following the day on which it is sent.

20. **Miscellaneous.**

(a) Except with respect to Sections 13, 14, 17 and 18, all transactions and notices on behalf of the Underwriters hereunder or contemplated hereby may be carried out or given on behalf of the Underwriters by GMP and GMP shall in good faith discuss with the other Underwriters the nature of any such transactions and notices prior to giving effect thereto or the delivery thereof, as the case may be.

(b) This Agreement shall enure to the benefit of, and shall be binding upon, the Underwriters and the Corporation and their respective successors and legal representatives.

(c) This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

(d) Time shall be of the essence hereof and, following any waiver or indulgence by any party, time shall again be of the essence hereof.

(e) The words “hereunder”, “hereof” and similar phrases mean and refer to the agreement formed as a result of the acceptance by the Corporation of this offer by the Underwriters to purchase the Debentures.

(f) All representations, warranties, covenants and agreements of the Corporation and the Underwriters herein contained or contained in documents submitted pursuant to this Agreement and in connection with the transaction of purchase and sale herein contemplated shall survive the purchase and sale of the Debentures and the termination of this agreement and shall continue in full force and effect for the benefit of the Underwriters or the Corporation, as the case may be, regardless of any subsequent disposition of the Debentures or any investigation by or on behalf of the Underwriters with respect thereto for a period of three years following the Closing Date. The Underwriters and the Corporation shall be entitled to rely on the representations and warranties of the Corporation or the Underwriters, as the case may be, contained herein or delivered pursuant hereto notwithstanding any investigation which the Underwriters or the Corporation may undertake or which may be undertaken on the Underwriters’ behalf.

(g) Each of the parties hereto shall be entitled to rely on delivery of a facsimile copy of this Agreement and acceptance by each such party of any such facsimile copy shall be legally effective to create a valid and binding agreement between the parties hereto in accordance with the terms hereof.

(h) This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

(i) It is understood that the terms and conditions of this Agreement supersede any previous verbal or written agreement between the Underwriters and the Corporation with respect to this offering and including, without limitation, the bid letter between the Underwriters and the Corporation dated December 3, 2001, as amended and effective December 4, 2001.

[Remainder of Page Intentionally Left Blank]

If this letter accurately reflects the terms of the transactions which we are to enter into and are agreed to by you, please communicate your acceptance by executing the enclosed copies of this letter where indicated and returning them to us.

Yours very truly

GRIFFITHS MCBURNEY & PARTNERS

By: *"J. Robert Fraser"*
Authorized Signing Officer

PARADIGM CAPITAL INC.

By: *"John M. Warwick"*
Authorized Signing Officer

Accepted and agreed to by each of the undersigned as of the date of this letter first written above.

BASIS100 INC.

By: *"Gary Bartholomew"*
Authorized Signing Officer

SCHEDULE "A"

Attributes of the Debentures

Issuer:	Basis100 Inc. (the "Corporation").
Issue:	$20,000,000.
Price:	100% plus accrued interest, if any.
Maturity:	December 30, 2006 (the "Maturity Date").
Interest:	The rate of interest per annum will be 6.00% from the date of issue, payable semi-annually. The Corporation will satisfy the interest payments, in cash, on June 30 and December 30, commencing June 30, 2002. There shall be no deduction for non-resident withholding tax from interest payments made to non-resident Debentureholders. Should such withholding tax be payable, the Corporation shall be responsible for "grossing-up" interest payments so that non-resident Debentureholders receive a net amount equal to the amount of interest they would have received had no withholding tax been payable.
Conversion:	The Debentures will be convertible into Common Shares at the holder's option at any time prior to the close of business on the earlier of the Maturity Date and the last business day prior to the date specified for redemption. The conversion price will be $3.75 for each Common Share, subject to adjustment in certain circumstances.
Listing:	The Corporation shall list the Debentures and the Common Shares on The Toronto Stock Exchange (the "TSE").
Redemption and Purchase / Forced Conversion:	The Debentures will not be redeemable before December 30, 2004. On or after December 30, 2004 to and including the Maturity Date, the Corporation may, at its option, subject to providing not more than 60 and not less than 30 days' prior notice, redeem the Debentures, in whole or, from time to time, in part, at par plus accrued and unpaid interest provided that the weighted average closing price of the Common Shares on the TSE during the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given is not less than 150% of the Conversion Price. The Corporation, may, subject to applicable regulatory approval, elect to satisfy its obligation to repay the principal amount of all or any part of the Debentures on redemption by delivery of that number of freely tradeable Common Shares obtained by dividing the principal amount of the Debentures by 95% of the weighted average closing price of the Common Shares on the Exchange for the period of 20 trading days ending five trading days before the redemption of the Debentures. If the Corporation intends to satisfy its obligation with Common

Shares, the Corporation must have a minimum market capitalization of $100 million for all of the trading days in the period comprised of 20 trading days ending five trading days before the notice of redemption is given by the Corporation. At the time that the notice of redemption is given by the Corporation, the Corporation must indicate whether it will be satisfying its obligation by way of cash or Common Shares.

Settlement Option on Maturity: At the option of the Corporation, if the Corporation is not in default on any indebtedness for borrowed money, it may elect to pay the principal amount of the Debentures outstanding at maturity on the Maturity Date in freely tradeable Common Shares of the Corporation subject to any required regulatory approval, including the prior written consent of the TSE. If the Corporation intends to satisfy its obligations with Common Shares, the Corporation must have a minimum market capitalization of $100 million for all of the trading days in the period comprised of 20 trading days ending five trading days prior to the date upon which notice of the Corporation's intent to settle in Common Shares is given. For that purpose, Common Shares will be valued at 95% of the weighted average closing price of the Common Shares on the TSE for the period of 20 trading days ending five trading days before the Maturity Date. Notification of the intent to settle in Common Shares must be made 40 days prior to maturity.

Purchase for Cancellation: The Corporation may purchase Debentures for cancellation in the market or by tender or private contract at any time, subject to any required regulatory approval.

Take Over Protection: In the event of a Change of Control in the Corporation, the Corporation shall offer to purchase all of the outstanding Debentures immediately prior to the Change of Control at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the repurchase date. For the purposes hereof, a "Change of Control" shall be deemed to have occurred at such time as any person (including a person's affiliates and associates), becomes the beneficial owner, directly or indirectly, or exercises control or direction over Common Shares, carrying in excess of 50.1% of the total voting rights attached to the Common Shares.

SCHEDULE "B"

Documents Incorporated by Reference

(a) the Annual Information Form of the Corporation dated December 7, 2001 for the period ended September 30, 2001;

(b) Management's Discussion and Analysis of Financial Condition and Results of Operations of the Corporation for the fiscal year ended December 31, 2000 contained in the 2000 Annual Report of the Corporation;

(c) the audited Consolidated Financial Statements of the Corporation as at December 31, 2000 and December 31, 1999, and for each of the fiscal years ended December 31, 2000 and 1999 and related notes thereto, together with the accompanying auditors' report;

(d) the audited Consolidated Financial Statements of the Corporation as at December 31, 1999 and December 31, 1998, and for the fiscal year ended December 31, 1999 and the period from the date of incorporation of the Corporation, October 16, 1998, to December 31, 1998, together with the accompanying auditors' report;

(e) the unaudited Interim Consolidated Financial Statements of the Corporation as at, and for, the nine months ended September 30, 2001 and September 30, 2000 and related notes thereto, including Management's Discussion and Analysis of Financial Condition and Results of Operations of the Corporation relating thereto;

(f) the Management Information Circular of the Corporation dated April 2, 2001 prepared in connection with the Annual and Special Meeting of Shareholders of the Corporation held on May 3, 2001, except the sections entitled "Report on Executive Compensation", "Performance Graph" and "Corporate Governance";

(g) the Material Change Report of the Corporation dated June 8, 2001 relating to a multi-year contract that the Corporation entered into with Royal Bank of Canada in connection with the use of the Corporation's HomeBASE mortgage technology;

(h) the Material Change Report of the Corporation dated June 27, 2001 relating to the acquisition by the Corporation of a minority interest in CanDeal.ca Inc. in exchange for the license to use the Corporation's BasisXchange software;

(i) the audited Financial Statements of Solimar.Net (prior to the acquisition by Basis100) as at December 31, 1999 and December 31, 1998, and for each of the fiscal years ended December 31, 1999 and 1998 and related notes thereto, together with the accompanying auditors' report, included in the (final) prospectus dated May 30, 2000 of the Corporation filed to qualify the distribution of 5,000,000 Common Shares;

(j) the *Pro Forma* Unaudited Consolidated Statement of Operations of the Corporation for the year ended December 31, 1999 and related notes thereto, together with the accompanying compilation report, included in the (final) prospectus dated May 30, 2000 of the Corporation filed to qualify the distribution of 5,000,000 Common Shares; and

(k) the Material Change Report of the Corporation dated December 4, 2001 relating to the offering of Debentures.

SCHEDULE "C"

UNITED STATES OFFERS AND SALES

As used in this Schedule C, capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the underwriting agreement to which this Schedule is annexed (the "Agreement") and the following terms shall have the meanings indicated:

"1933 Act" means the *United States Securities Act of 1933*, as amended;

"1934 Act" means the *United States Securities Exchange Act of 1934*, as amended;

"Debentures" means the convertible debentures having the attributes described in Schedule A of this Agreement.

"Common Shares" means the Common Shares without par value in the capital of the Corporation issuable upon conversion, redemption, repurchase or maturity of the Debentures.

"Directed Selling Efforts" means "directed selling efforts" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Debentures and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of the Debentures;

"Foreign Issuer" shall have the meaning ascribed thereto in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means any issuer which is (a) the government of any country other than the United States, of any political subdivision thereof or a national of any country other than the United States; or (b) a corporation or other organization incorporated under the laws of any country other than the United States, except an issuer meeting the following conditions: (1) more than 50 percent of the outstanding voting securities of such issuer are held of record either directly or through voting trust certificates or depositary receipts by residents of the United States; and (2) any of the following: (i) the majority of the executive officers or directors are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;

"General Solicitation or General Advertising" means "general solicitation or general advertising" as used in Rule 502(c) under the 1933 Act, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising or in other any manner involving a public offering within the meaning of Section 4(2) of the 1933 Act;

"Qualified Institutional Buyer" means a qualified institutional buyer as that term is defined in Rule 144A;

"Regulation D" means Regulation D under the 1933 Act;

"Regulation S" means Regulation S under the 1933 Act;

"Rule 144A" means Rule 144A under the 1933 Act;

"SEC" means the United States Securities and Exchange Commission;

"Substantial U.S. Market Interest" means "substantial U.S. market interest" as that term is defined in Regulation S;

"United States" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia; and

"U.S. Person" means a "U.S. person" as that term is defined in Regulation S.

1. Representations, Warranties and Covenants of the Underwriters

The Underwriters acknowledge that the Debentures and the Common Shares have not been and will not be registered under the 1933 Act and may be offered and sold only in transactions exempt from or not subject to the registration requirements of the 1933 Act and state securities or "Blue Sky" laws. Accordingly, neither the Underwriters nor any of their affiliates, nor any person acting on their behalf, has made or will make any Directed Selling Efforts in the United States with respect to the Debentures or the Common Shares.

Each of the Underwriters represents, covenants and agrees to and with the Corporation that:

(a) It has not offered and sold, and will not offer and sell, any Debentures forming part of its allotment as described in Section 18 of the Agreement except (a) in an offshore transaction in accordance with Rule 903 of Regulation S or (b) in the United States in accordance with Rule 144A as provided in paragraphs 1(c) through (h) below.

(b) It has not entered and will not enter into any contractual arrangement with respect to the distribution of the Debentures, except with its affiliates, any selling group members or with the prior written consent of the Corporation. It shall require each selling group member to agree, for the benefit of the Corporation, to comply with, and shall use its best efforts to ensure that each selling group member complies with, the same provisions of this Schedule as apply to the Underwriters as if such provisions applied to such selling group member.

(c) All offers and sales of Debentures in the United States shall be made through Griffiths McBurney & Partners' U.S. registered broker-dealer affiliate in compliance with all applicable U.S. broker-dealer requirements. Such broker-dealer affiliate is a Qualified Institutional Buyer.

(d) Offers and sales of Debentures in the United States shall not be made by any form of General Solicitation or General Advertising or in any manner involving a public offering within the meaning of Section 4(2) of the 1933 Act.

(e) Offers to sell and solicitations of offers to buy the Debentures shall be made in accordance with Rule 144A only to persons reasonably believed to be Qualified Institutional Buyers that are purchasing for their own account or for the account of a Qualified Institutional Buyer with respect to which they exercise sole investment discretion.

(f) All purchasers of the Debentures in the United States shall be informed that the Debentures and the Common Shares have not been and will not be registered under the 1933 Act and are being offered and sold to such purchasers in reliance on the exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder.

(g) Each offeree in the United States shall be provided with a U.S. placement memorandum (the "U.S. Memorandum") including the Preliminary Prospectus and/or the Prospectus at or prior to the time of purchase of any Debentures.

(h) Any offer, sale or solicitation of an offer to buy Debentures that has been made or will be made in the United States was or will be made only to Qualified Institutional Buyers in transactions that are exempt from registration under applicable state securities laws.

(i) At closing, Griffiths McBurney & Partners, together with its U.S. broker-dealer affiliate selling Debentures in the United States, will provide a certificate, substantially in the form of Exhibit B to this Schedule "C" relating to the manner of the offer and sale of the Debentures in the United States.

(j) Griffiths McBurney & Partners shall cause its U.S. broker-dealer affiliate to agree, for the benefit of the Corporation, to the same provisions as are contained in paragraphs 1 and 2 of this Schedule "C".

2. Mutual Covenants and Agreements

Each Underwriter and the Corporation covenant to and agree with each other that the confidential U.S. private placement memorandum for the offering of the Debentures and the Common Shares in the United States shall contain disclosure in substantially the form set forth below:

> "The Debentures and the Common Shares of the Corporation issuable upon the conversion, redemption, repurchase or maturity of the Debentures have not been and will

not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and are being offered within the United States exclusively to Qualified Institutional Buyers (as defined in rule 144A under the Securities Act). Each purchaser of Debentures offered in this offering is hereby notified that the offer and sale of Debentures to it is being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A, Regulation S, or another exemption provided thereunder.

Each U.S. purchaser will, by its purchase of such Debentures, be deemed to have represented, warranted and agreed for the benefit of the Corporation and the Underwriters as follows:

(a) it is aware that the Debentures and the Common Shares have not been and will not be registered under the 1933 Act and that the offer and sale of Debentures to it is being made in reliance on Rule 144A;

(b) it is a Qualified Institutional Buyer and is acquiring the Debentures for its own account or for the account of a Qualified Institutional Buyer with respect to which it exercises sole investment discretion and not with a view to any resale, distribution or other disposition of the Debentures or the Common Shares in violation of United States federal or state securities laws;

(c) it acknowledges that it has not purchased the Debentures as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media, or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;

(d) it understands that if it decides to offer, sell or otherwise transfer any of the Debentures or the Common Shares, such Debentures and Common Shares may be offered, sold or otherwise transferred in accordance with applicable state securities laws and only, (i) to the Corporation, (ii) outside the United States in accordance with Rule 904 of Regulation S under the 1933 Act, or (iii) within the United States in accordance with (A) Rule 144A to a person the seller reasonably believes is a Qualified Institutional Buyer that is purchasing for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that the offer, sale or transfer is being made in reliance on Rule 144A or (B) the exemption from registration under the 1933 Act provided by Rule 144 thereunder, if available;

(e) it understands and acknowledges that upon the original issuance thereof, and until such time as the same is no longer required under applicable requirements of the 1933 Act or applicable state securities laws, certificates representing the Debentures and the Common Shares, and all certificates issued in exchange therefor or in substitution thereof, shall bear the following legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933,

AS AMENDED (THE "U.S. SECURITIES ACT") OR UNDER ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF BASIS100 INC. (THE "CORPORATION") THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (C) INSIDE THE UNITED STATES IN ACCORDANCE WITH (1) RULE 144A UNDER THE U.S. SECURITIES ACT, (2) RULE 144 UNDER THE U.S. SECURITIES ACT, IF AVAILABLE. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA. A NEW CERTIFICATE, BEARING NO LEGEND, DELIVERY OF WHICH WILL CONSTITUTE "GOOD DELIVERY" MAY BE OBTAINED FROM CIBC MELLON TRUST COMPANY, THE TRANSFER AGENT AND REGISTRAR OF THE CORPORATION, UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO CIBC MELLON TRUST COMPANY AND THE CORPORATION, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT.";

provided, that if Debentures or the Common Shares are being sold under paragraph 2(d)(ii) above, and provided that the Corporation is a "Foreign Issuer" within the meaning of Regulation S at the time of sale, the legend may be removed by providing a declaration to CIBC Mellon Trust Company as registrar and transfer agent, as set forth in Exhibit A hereto (or as the Corporation may prescribe from time to time); and provided, further, that, if any such securities are being sold under paragraph 2(d)(iii)(B) above, the legend may be removed by delivery to CIBC Mellon Trust Company of an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation, that such legend is no longer required under applicable requirements of the 1933 Act or state securities laws; and

(f) it consents to the Corporation making a notation on its records or giving instructions to any transfer agent and registrar of the Debentures and Common Shares in order to implement the restrictions on transfer set forth and described herein."

3. Representations, Warranties and Covenants of the Corporation

The Corporation represents, warrants, covenants and agrees that:

(a) The Corporation is a Foreign Issuer with no Substantial U.S. Market Interest with respect to the Debentures or the Common Shares; (b) the Corporation is not now and as a result of the sale of Debentures contemplated hereby will not be, an "investment company" as defined in the United States Investment Company Act of 1940, as amended; (c) none of the Corporation, any of its affiliates, or any person acting on its or their behalf has made or will make any Directed Selling Efforts in the United States, or has engaged or will engage in any form of General Solicitation or General Advertising in connection with the offer or sale of the Debentures in the United States; and (d) neither the Debentures nor the Common Shares are, and as of the Time of Closing neither will be, and no securities of the same class as the Debentures or the Common Shares are or will be, (i) listed on a national securities exchange in the United States registered under Section 6 of the 1934 Act, (ii) quoted in an "automated inter-dealer quotation system", as such term is used in the 1934 Act, or (iii) convertible or exchangeable at an effective conversion premium (calculated as specified in paragraph (a)(6) of Rule 144A) of less than ten percent for securities so listed or quoted.

(b) The Debentures and Common Shares satisfy the requirements set forth in Rule 144A(d)(3) under the 1933 Act.

(c) For so long as any of the Debentures or Common Shares which have been sold in the United States in reliance upon Rule 144A are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the 1933 Act, and if the Corporation is not subject to and in compliance with the reporting requirements of Section 13 or Section 15(d) of the 1934 Act or exempt from such reporting requirements pursuant to Rule 12g3-2(b) thereunder, the Corporation will provide to any holder of such Debentures or Common Shares which have been sold in the United States in reliance upon Rule 144A, or to any prospective purchaser of such Debentures or Common Shares designated by such holder, upon the request of such holder or prospective purchaser, at or prior to the time of resale, the information required to be provided by Rule 144A(d)(4) under the 1933 Act (so long as such requirement is necessary in order to permit holders of the Debentures or the Common Shares to effect resales under Rule 144A).

EXHIBIT A TO SCHEDULE "C"
FORM OF DECLARATION FOR REMOVAL OF LEGEND

TO: CIBC Mellon Trust Company
as registrar and transfer agent
for the Securities of
Basis100 Inc.
320 Bay Street
P.O. Box 1
Toronto, ON, M5H 4A6

The undersigned (A) acknowledges that the sale of _________ Securities of Basis100 Inc. (the "Corporation"), represented by certificate numbers ___________ to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "1933 Act") and (B) certifies that (1) it is not an affiliate of the Corporation (as defined in Rule 405 under the 1933 Act), (2) the offer of such Securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of a "Designated Offshore Securities Market" as defined in Rule 902 of Regulation S under the 1933 Act and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, (3) neither the seller nor any affiliate of the seller nor any person acting on any of their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such Securities, (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as such term is defined in Rule 144(a)(3) under the 1933 Act), and (5) the contemplated sale is not a transaction, or part of a series of transactions which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the 1933 Act. Terms used herein have the meanings given to them by Regulation S .

Dated:

By:___________________________
Name:
Title:

EXHIBIT B TO SCHEDULE "C"

UNDERWRITER'S CERTIFICATE

In connection with the private placement in the United States of the 6% Convertible Subordinated Debentures due December 30, 2006 (the "Debentures") of Basis100 Inc. (the "Corporation") pursuant to the Underwriting Agreement dated as of December 4, 2001 among the Corporation and the Underwriters named therein (the "Underwriting Agreement"), each of the undersigned does hereby certify as follows:

(i) Griffiths McBurney & Partners (USA) Corp. is a duly registered broker or dealer with the United States Securities and Exchange Commission and is a member of and is in good standing with the National Association of Securities Dealers, Inc. on the date hereof;

(ii) each offeree was provided with a copy of the confidential U.S. private placement memorandum, which includes (A) the Canadian final prospectus dated December ______, 2001 relating to the offering of the Debentures; (B) the documents incorporated by reference therein; and (C) a confidential U.S. covering memorandum for the offering of the Debentures in the United States;

(iii) immediately prior to transmitting such confidential U.S. private placement memorandum, which includes the documents itemized in paragraph (ii) above, to such offerees, we had reasonable grounds to believe and did believe that each offeree was a Qualified Institutional Buyer (as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "1933 Act")) and, on the date hereof, we continue to believe that each U.S. person purchasing Debentures from us is a Qualified Institutional Buyer;

(iv) no form of general solicitation or general advertising (as those terms are used in Regulation D under the 1933 Act) was used by us, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Debentures in the United States; and

(v) the offering of the Debentures in the United States has been conducted by us in accordance with the terms of the Underwriting Agreement.

Terms used in this certificate have the meanings given to them in the Underwriting Agreement unless otherwise defined herein.

DATED this day of December , 2001.

GRIFFITHS MCBURNEY & PARTNERS

By: ______________________________
Name:
Title:

GRIFFITHS MCBURNEY & PARTNERS (USA) CORP.

By: ______________________________
Name:
Title: