*FORM 52-102F3*
*MATERIAL CHANGE REPORT*

1. *Reporting Issuer:*

   H.O. Financial Limited
   1067 Yonge Street
   Toronto, Ontario M4W 2L2

2. *Date of Material Change:*

   January 31, 2007

3. *Press Release:*

   Attached as Schedule "A" is a copy of the press release relating to the material change, which disseminated by CNW Group on January 31, 2007.

4. *Summary of Material Change:*

   H.O. Financial Limited (the "Corporation") announced on January 31, 2007 that the Corporation has entered into an amalgamation agreement providing for a going private transaction involving the indirect acquisition by Mandukwe Inc. ("Mandukwe"), a corporation wholly-owned by Geoffrey Matus, the Chairman of the Corporation's board of directors, and members of his immediate family, of all of the issued and outstanding common shares of the Corporation not already held by Mandukwe at a price of $1.03 per common share.

   A special meeting of shareholders of the Corporation will be held on or about February 27, 2007 to consider the proposed amalgamation and subsequent delisting of the Corporation's common shares from the TSX Venture Exchange. The proposed transactions are subject to the approval of 66 2/3% of the votes cast at the special meeting by shareholders present in person or by proxy, and a separate vote of a majority of the votes cast by the shareholders of the Corporation other than Geoffrey Matus, Mandukwe, Apollo Nominees Inc. and their respective affiliates and any other parties not eligible to vote in connection with minority approval of the amalgamation and the delisting as provided for in Ontario Securities Commission Rule 61-501.

5. *Full Description of Material Change:*

   For a full description of the material change, please see Schedule "A" attached.

6. *Reliance on subsection 7.1(2) or (3) of National Instrument 51-102:*

   Not applicable.

7. *Omitted Information:*

   Not Applicable.

8. *Executive Officer:*

The name and business telephone number of an executive officer of the Company who is knowledgeable about the material change referred to herein and this report is as follows:

Michael A. Eustace, Secretary
H. O. Financial Limited
37 Prince Arthur Avenue, Suite 300
Toronto, Ontario M5R 1B2

Telephone: 416-964-6200
FAX: 416-964-8779

9. *Date of Report:*

February 1, 2007

# SCHEDULE "A"

***NEWS RELEASE***

## H.O. FINANCIAL LIMITED ANNOUNCES SIGNING OF AMALGAMATION AGREEMENT IN CONNECTION WITH GOING PRIVATE TRANSACTION

**TSX Venture Exchange Trading Symbol: "HOF"**

Toronto, Ontario, January 31, 2007. H.O. Financial Limited (the "Corporation") today announced that the Corporation has entered into an amalgamation agreement providing for a going private transaction involving the indirect acquisition by Mandukwe Inc. ("Mandukwe"), a corporation wholly-owned by Geoffrey Matus, the Chairman of the Corporation's board of directors, and members of his immediate family, of all of the issued and outstanding common shares of the Corporation not already held by Mandukwe at a price of $1.03 per common share.

The price of $1.03 per common share offered by Mandukwe represents a premium of approximately 14.4% over the closing price of the common shares on the TSX Venture Exchange on January 16, 2007, the last day on which the common shares traded prior to the announcement of the approach by Mandukwe.

Following the receipt of the expression of interest from Mandukwe, the board of directors of the Corporation established a Special Committee of independent members of the board of directors of the Corporation consisting of Lionel Schipper (Chair), Craig Rimer and Justin Kramer. The Special Committee had a mandate to, among other things, pursue discussions regarding any proposal from Mandukwe to the extent the Special Committee considered advisable, to report its findings with respect to any proposed transaction to the board of directors and to make such recommendations to the board of directors as the Special Committee considered appropriate in the circumstances.

The Special Committee retained independent legal counsel, Stikeman Elliott LLP, and engaged LECG, LLC, to provide financial advice to the Special Committee in connection with the proposed transactions. At a meeting of the Board of Directors held today, the Special Committee unanimously recommended to the Board of Directors that that shareholders vote in favour of the special resolutions approving the amalgamation and subsequent delisting of the Corporation's common shares from the TSX Venture Exchange, despite the opinion of its financial advisor that the consideration offered to shareholders under the transaction is inadequate, from a financial point of view, to public shareholders.

Despite the fact that the Special Committee is of the view that the consideration offered to minority shareholders pursuant to the going private transactions is inadequate, from a financial point of view, there are a number of factors that led the Special Committee to the unanimous recommendation that the board of directors nonetheless recommend that shareholders vote in favour of the amalgamation and subsequent delisting of the common shares from the TSX Venture Exchange. The material factors which supported this conclusion were:

- The common shares are extremely illiquid. The transactions may be the only meaningful liquidity event available to minority shareholders in the foreseeable future.

- While a sale of the common shares to a third party or some other similar transaction could result in greater consideration being paid to the minority shareholders than the consideration under the transactions, no such transaction could occur without the approval of Mandukwe and Apollo Nominees Inc., the Corporation's largest shareholder, as they have a controlling interest in the Corporation. Mandukwe has advised the Special Committee it knows of no such sale opportunity and that it has no current intention of divesting any of its common shares to a third party.

- The transactions allow minority shareholders to dispose of their common shares at a premium to the pre-announcement price without the payment of brokerage commissions.

- The following procedural protections are in place in connection with the approval of the transactions:

    - in order to be effective, the transactions must be approved by at least two-thirds of the votes cast at a special meeting of shareholders and by a majority of the votes cast at the special meeting by minority shareholders; and

    - shareholders will have the right to dissent in respect of the transactions and receive the fair value of their common shares, in cash, through a court proceeding. In such a court proceeding, a court could determine that the fair value of the common shares is more than, equal to, or less than the value of the consideration offered under the transactions.

- Shareholders (other than Apollo Nominees Inc.) will be receiving cash consideration.

- In the event that the transactions do not go ahead because shareholders holding more than five percent of the common shares exercise their rights of dissent, half of the Special Committee's legal costs and half of the costs of the financial advisor to the Special Committee will be paid by Mandukwe.

- The directors of the Corporation, including the chair of the Special Committee, have all indicated that they propose to vote in favour of the transaction.

A special meeting of shareholders of the Corporation will be held on or about February 27, 2007 to consider the proposed amalgamation and subsequent delisting of the Corporation's common shares from the TSX Venture Exchange. The proposed transactions are subject to the approval of 66 2/3% of the votes cast at the special meeting by shareholders present in person or by proxy, and a separate vote of a majority of the votes cast by the shareholders of the Corporation other than Geoffrey Matus, Mandukwe, Apollo Nominees Inc. and their respective affiliates and any other parties not eligible to vote in connection with minority approval of the amalgamation and the delisting as provided for in Ontario Securities Commission Rule 61-501.

The terms and conditions of the proposed transactions, including copies of the opinion prepared by LECG, will be detailed in a management information circular to be mailed to shareholders of the Corporation as soon as practicable.

*-30-*

FOR FURTHER INFORMATION PLEASE CONTACT:
H.O. Financial Limited
Mr. Michael A. Eustace
Secretary
(416) 964-6200
(416) 964-8779 (FAX)



*This document contains statements about expected or anticipated future events and financial results that are forward looking in nature and, as a result, are subject to certain risks and uncertainties, such as general economic, market and business conditions, the regulatory process and actions, new legislation, competitive and general economic factors and conditions, uncertainties resulting from potential delays, the occurrence of unexpected events and the Corporation's capability to execute and implement its future plans. Actual results may differ materially from those projected by management. The Corporation undertakes no obligation to publicly update or revise any* *forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by law. There can be no assurance that the expression of interest, which is non-binding, will result in an offer for the outstanding shares of the Corporation on the basis described herein or otherwise, nor, should any formal offer be made for the shares of the Corporation, that the Special Committee will conclude that it is best interest of the Corporation or fair to shareholders from a financial perspective or otherwise, or that any such transaction would be completed.*

*(Not for dissemination in the United States or Europe or over United States or European wire services)*