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Jeffrey A. Dawson	First Floor 1675 Bathurst Street Toronto, Ontario M5P 3J8	Yes
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Timothy M. Gould	Suite 201 1220 Yonge Street Toronto, Ontario M4T 1W1	Yes
Michael C. Holiday	2784 Slough Street Mississauga, Ontario L4T 1G3	Yes
Owen B. Menzel	Suite 810, P.O. Box 4 1 First Canadian Place 100 King Street West Toronto, Ontario M5X 1A9	Yes
Chris G. Tambakis	Suite 2200 1 Queen Street East Toronto, Ontario M5C 2Z2	Yes

5. Check A or B  
Cocher A ou B



A) The amalgamation agreement has been duly adopted by the shareholders of each of the amalgamating corporations as required by subsection 176 (4) of the Business Corporations Act on the date set out below.

A) *Les actionnaires de chaque société qui fusionne ont dûment adopté la convention de fusion conformément au paragraphe 176 (4) de la Loi sur les sociétés par actions à la date mentionnée ci-dessous.*

or

ou



B) The amalgamation has been approved by the directors of each amalgamating corporation by a resolution as required by section 177 of the Business Corporations Act on the date set out below.

B) *Les administrateurs de chaque société qui fusionne ont approuvé la fusion par voie de résolution conformément à l'article 177 de la Loi sur les sociétés par actions à la date mentionnée ci-dessous.*

The articles of amalgamation in substance contain the provisions of the articles of incorporation of  
*Les statuts de fusion reprennent essentiellement les dispositions des statuts constitutifs de*

Not Applicable

and are more particularly set out in these articles.  
*et sont énoncés textuellement aux présents statuts.*

Names of amalgamating corporations <i>Dénomination sociale des sociétés qui fusionnent</i>	Ontario Corporation Number <i>Numéro de la société en Ontario</i>	Date of Adoption/Approval <i>Date d'adoption ou d'approbation</i> Year / année    Month / mois    Day / jour
First One Capital Inc.	2016371	2005/08/05
Red Media Corp.	2022191	2005/08/05

- 6. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.  
Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la société.

None.

- 7. The classes and any maximum number of shares that the corporation is authorized to issue:  
*Catégories et nombre maximal, s'il y a lieu, d'actions que la société est autorisée à émettre:*

The corporation is authorized to issue an unlimited number of common shares and an unlimited number of preference shares issuable in series.

- 4.
8. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:  
*Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions qui peut être émise en série:*

## A. COMMON SHARES

The common shares shall have attached thereto the following rights, privileges, restrictions and conditions:

### 1. Dividends

Subject to the prior rights of the holders of any other class or series of shares ranking senior to the common shares with respect to priority in the payment of dividends, the holders of common shares shall be entitled to receive dividends, and the corporation shall pay dividends thereon, as and when declared by the board of directors out of moneys properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine and all dividends which the directors may declare on the common shares shall be declared and paid in equal amounts per share on all common shares at the time outstanding.

### 2. Dissolution

In the event of the dissolution, liquidation or winding-up of the corporation, whether voluntary or involuntary, or any other distribution of assets of the corporation among its shareholders for the purpose of winding up its affairs, subject to the prior rights of the holders of any other class or series of shares ranking senior to the common shares with respect to priority in the distribution of assets upon dissolution, liquidation or winding-up, the holders of common shares shall participate rateably in equal amounts per share in the remaining property and assets of the corporation.

### 3. Voting

The holders of common shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have one vote for each common share held at any such meeting, except for meetings at which only holders of a specified class or series of shares of the corporation are entitled to vote separately as a class or series.

## B. PREFERENCE SHARES

The preference shares, as a class, shall have attached thereto the following rights, privileges, restrictions and conditions:

### 1. Directors' Authority to Issue in One or More Series

The board of directors may issue the preference shares at any time and from time to time in one or more series. Before the first shares of a particular series are issued, the board of directors shall fix the number of shares in such series and shall determine, subject to the limitations set out in the articles, the designation, rights, privileges, restrictions and

conditions to be attached to the shares of such series including, without limitation, the rate or rates, amount or method or methods of calculation of dividends thereon, the time and place of payment of dividends, whether cumulative or non-cumulative or partially cumulative and whether such rate, amount or method of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment of dividends, the consideration and the terms and conditions of any purchase for cancellation, retraction or redemption rights (if any), the conversion or exchange rights attached thereto (if any), the voting rights attached thereto (if any), and the terms and conditions of any share purchase plan or sinking fund with respect thereto. Before the issue of the first shares of a series, the board of directors shall send to the Director (as defined in the *Business Corporations Act* (Ontario)) articles of amendment containing a description of such series including the designation, rights, privileges, restrictions and conditions determined by the board of directors.

## 2. Ranking

No rights, privileges, restrictions or conditions attached to a series of preference shares shall confer upon a series a priority in respect of dividends or return of capital over any other series of preference shares then outstanding. The preference shares shall be entitled to priority over the common shares and over any other shares of the corporation ranking junior to the preference shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the corporation, whether voluntary or involuntary, or any other distribution of the assets of the corporation among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on a return of capital in respect of a series of preference shares are not paid in full, the preference shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided however, that in the event of there being insufficient assets to satisfy in full all such claims to dividends and return of capital, the claims of the holders of the preference shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends. The preference shares of any series may also be given such other preferences, not inconsistent with this section, over the common shares and over any other shares ranking junior to the preference shares as may be determined in the case of such series of preference shares.

## C. PREFERENCE SHARES, SERIES A

The first series of preference shares shall consist of an unlimited number of shares and shall be designated as preference shares, series A (the "Series A Shares"). The Series A Shares shall have attached thereto, in addition to the rights, privileges, restrictions and conditions attaching to the preference shares as a class, the following rights, privileges, restrictions and conditions:

## 1. Dividends

### 1.1 Cumulative Dividends

The holders of Series A Shares, in priority to the holders of the common shares and the holders of shares of any other class ranking junior to the Series A Shares, but subject to the prior rights of the holders of any class of shares ranking senior to the Series A Shares, shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors out of moneys properly applicable to the payment of dividends, fixed preferential cumulative dividends at the rate of 13.86% per annum on the Redemption Price (as defined below) per share. Such dividends shall be payable monthly on the first day of each month and shall accrue and be cumulative from the respective dates of issue. Such dividends shall be paid by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada (or, with the consent of any particular holder, by any other means of immediately available funds). If on any dividend payment date the dividend payable on such date is not paid in full on all the Series A Shares then issued and outstanding, such dividend, or the unpaid part thereof, shall be paid at a subsequent date or dates in priority to dividends on the common shares and any other shares ranking junior to the Series A Shares. The holders of Series A Shares shall not be entitled to any dividends other than or in excess of the preferential cumulative dividends provided herein.

### 1.2 Dividends Preferential

Except with the consent in writing of the holders of all the Series A Shares outstanding, no dividend shall at any time be declared or paid on or set apart for payment on the common shares or on any other shares ranking junior to the Series A Shares in any financial year unless and until the accrued preferential cumulative dividends on all the Series A Shares outstanding have been declared and paid or set apart for payment.

## 2. Liquidation, Dissolution or Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series A Shares shall be entitled to receive from the assets of the Corporation a sum equivalent to the aggregate Redemption Amount (as defined below) of all Series A Shares held by them respectively before any amount shall be paid or any assets of the Corporation distributed to the holders of any common shares or the holders of any shares ranking junior to the Series A Shares. After payment to the holders of the Series A Shares of the amount so payable to them as above provided, they shall not be entitled to share in any further distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

### 3. Redemption

#### 3.1 Redemption by Corporation

The Corporation may, upon giving notice as hereinafter provided, redeem at any time the whole or from time to time any part of the then outstanding Series A Shares from any one or more of the holders thereof as the board of directors may in its sole discretion determine on payment of \$0.90 (the "**Redemption Price**") for each share to be redeemed, plus all unpaid dividends which shall have accrued thereon and which shall be treated as accruing to but not including the date of such redemption, the whole constituting and being herein referred to as the "**Redemption Amount**".

#### 3.2 Idem

In the case of redemption of Series A Shares under the provisions of section 3.1, the Corporation shall at least 21 days (or, if all of the holders of the Series A Shares to be redeemed consent, such shorter period to which they may consent) before the date specified for redemption mail (or, with the consent of any particular holder, otherwise deliver) a notice in writing of the intention of the Corporation to redeem such Series A Shares to each person who at the record date for the determination of shareholders entitled to receive notice is a holder of Series A Shares to be redeemed. Such notice shall (subject to the consent of any particular holder referred to above) be mailed by letter, postage prepaid, addressed to each such holder at the holder's address as it appears on the records of the Corporation or if the address of any such holder not so appearing then to the last known address of such holder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount and the date on which redemption is to take place and if part only of the Series A Shares held by the person to whom the notice is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the holders of the Series A Shares to be redeemed the Redemption Amount thereof on presentation and surrender at the registered office of the Corporation or any other place designated in such notice of the certificates representing the Series A Shares called for redemption. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers in Canada (or, with the consent of any particular holder, by any other means of immediately available funds). If a part only of the Series A Shares represented by any certificate are redeemed a new certificate for the balance shall be issued at the expense of the Corporation. From and after the date specified for redemption in any such notice, the holders of the Series A Shares called for redemption shall cease to be entitled to dividends and shall not be entitled to exercise any of the rights of holders of Series A Shares in respect thereof unless payment of the Redemption Amount is not made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders of the Series A Shares shall remain unaffected. The Corporation shall have the right at any time after the mailing (or delivery, as the case may be) of notice of its intention to redeem any Series A Shares to deposit the Redemption Amount of the Series A Shares so called for redemption or of such of the said Series A Shares represented by certificates as have not at the date of such deposit been

surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or in any trust company in Canada, named in such notice, to be paid without interest to or to the order of the respective holders of Series A Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Series A Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total Redemption Amount so deposited against presentation and surrender of the said certificates held by them respectively and any interest allowed on such deposit shall belong to the Corporation.

#### **4. Voting Rights**

The holders of the Series A Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation but, except as otherwise provided by law, shall not be entitled to vote at any such meeting.

#### **D. RESTRICTIONS ON CLASS OR SERIES VOTING**

The holders of shares of a class or of a series of the Corporation are not entitled to vote separately as a class or series upon a proposal to amend the articles to:

- (a) increase or decrease any maximum number of authorized shares of such class or series, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of such class or series;
- (b) effect an exchange, reclassification or cancellation of the shares of such class or series; or
- (c) create a new class or series of shares equal or superior to the shares of such class or series.

- 9. The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows:  
*L'émission, le transfert ou la propriété d'actions est/n'est pas restreint. Les restrictions, s'il y a lieu, sont les suivantes:*

Not applicable.

- 10. Other provisions, (if any):  
*Autres dispositions, s'il y a lieu:*

The board of directors shall ensure that the business and operations of the corporation are conducted in an environmentally responsible and sensitive manner when making planning, purchasing and operating decisions; it being recognized that environmentally responsible business practices may have a higher initial cost, but that the long term benefits to the corporation and its shareholders will exceed any additional initial costs incurred.

The board of directors shall ensure that programs, guidelines and procedures are implemented to ensure full compliance with both the letter and spirit of all laws and regulations relating to the protection of the environment including, but not limited to:

- (a) the maximization of recycled content and responsible fibre sourcing, including the use of products that do not contain old-growth, endangered or virgin forest fibres;
- (b) the education and training of the corporation's employees to be environmentally responsible in the performance of their duties to the corporation;

- 11. The statements required by subsection 178(2) of the Business Corporations Act are attached as Schedule "A".  
*Les déclarations exigées aux termes du paragraphe 178(2) de la Loi sur les sociétés par actions constituent l'annexe "A".*
- 12. A copy of the amalgamation agreement or directors' resolutions (as the case may be) is/are attached as Schedule "B".  
*Une copie de la convention de fusion ou les résolutions des administrateurs (selon le cas) constitue(nt) l'annexe "B".*

10. Other provisions, if any:  
*Autres dispositions, s'il y a lieu:*

(Continued)


- (c) designating an employee of the corporation to be responsible for the identification, implementation and management of the corporation's environmentally responsible initiatives;
- (d) assessing the environmental practices of suppliers to the corporation;
- (e) providing incentives to employees, suppliers and customers of the corporation to ensure compliance with the corporation's programs, guidelines and procedures; and
- (f) such other areas of concern or matters as may, in the opinion of the board of directors, be appropriate having regard for the environmental programs, guidelines and policies of the corporation.

Where the board of directors determines that existing laws are not adequate to ensure the protection of the environment, it shall establish and implement additional quality standards for the corporation.


These articles are signed in duplicate.  
*Les présents statuts sont signés en double exemplaire.*

Names of the amalgamating corporations and signatures and descriptions of office of their proper officers.  
*Dénomination sociale des sociétés qui fusionnent, signature et fonction de leurs dirigeants régulièrement désignés.*

**FIRST ONE CAPITAL INC.**

Per:   
Owen B. Menzel  
Chief Executive Officer

**RED MEDIA CORP.**

Per:   
Roger O. Abbiss  
President and Chief Executive Officer


Schedule A-1

**Statement of Director or Officer**  
**Pursuant to Subsection 178 (2) of the *Business Corporations Act* (Ontario)**

I, OWEN B. MENZEL, of the City of Toronto, in the Province of Ontario, hereby state as follows:

1. This Statement is made pursuant to subsection 178(2) of the *Business Corporations Act* (Ontario) (the "Act").
2. I am the Chief Executive Officer of First One Capital Inc. (the "Corporation") and as such have knowledge of its affairs.
3. I have conducted such examinations of the books and records of the Corporation as are necessary to enable me to make the statements set forth below.
4. There are reasonable grounds for believing that:
  - (a) the Corporation is and the corporation to be formed by the amalgamation (the "Amalgamation") of the Corporation and Red Media Corp. will be able to pay its liabilities as they become due; and
  - (b) the realizable value of such amalgamated corporation's assets will not be less than the aggregate of its liabilities and stated capital of all classes.
5. There are reasonable grounds for believing that no creditor of the Corporation will be prejudiced by the Amalgamation.
6. The Corporation has not been notified by any creditor that it objects to the Amalgamation and, accordingly, subsection 178(2)(c) of the Act has no application.
7. Since the Corporation has not received any notice pursuant to subsection 178(2)(c) of the Act, subsection 178(2)(d) of the Act has no application in the present circumstances.

This Statement is made this 5<sup>th</sup> day of August, 2005.

  
\_\_\_\_\_  
**Owen B. Menzel**  
Chief Executive Officer

**Schedule A-2**

**Statement of Director or Officer  
Pursuant to Subsection 178 (2) of the *Business Corporations Act* (Ontario)**

I, ROGER O. ABBISS, of the Town of Dundas, in the Province of Ontario, hereby state as follows:

1. This Statement is made pursuant to subsection 178(2) of the *Business Corporations Act* (Ontario) (the "Act").
2. I am the President and Chief Executive Officer of Red Media Corp. (the "Corporation") and as such have knowledge of its affairs.
3. I have conducted such examinations of the books and records of the Corporation as are necessary to enable me to make the statements set forth below.
4. There are reasonable grounds for believing that:
  - (a) the Corporation is and the corporation to be formed by the amalgamation (the "Amalgamation") of the Corporation and First One Capital Inc. will be able to pay its liabilities as they become due; and
  - (b) the realizable value of such amalgamated corporation's assets will not be less than the aggregate of its liabilities and stated capital of all classes.
5. There are reasonable grounds for believing that no creditor of the Corporation will be prejudiced by the Amalgamation.
6. The Corporation has not been notified by any creditor that it objects to the Amalgamation and, accordingly, subsection 178(2)(c) of the Act has no application.
7. Since the Corporation has not received any notice pursuant to subsection 178(2)(c) of the Act, subsection 178(2)(d) of the Act has no application in the present circumstances.

This Statement is made this 5<sup>th</sup> day of August, 2005.



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**Roger O. Abbiss**  
President and Chief Executive Officer

**Schedule B**

**Amalgamation Agreement**

**FIRST ONE CAPITAL INC.**

**- and -**

**RED MEDIA CORP.**

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**AMALGAMATION AGREEMENT**

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**June 17, 2005**

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## AMALGAMATION AGREEMENT

THIS AMALGAMATION AGREEMENT made the 17<sup>th</sup> day of June, 2005,

BETWEEN:

**FIRST ONE CAPITAL INC.**, a body corporate incorporated under the laws of Ontario

(hereinafter called "**First One**")

- and -

**RED MEDIA CORP.**, a body corporate incorporated under the laws of Ontario

(hereinafter called "**Red Media**")

WHEREAS:

- A. First One and Red Media wish to amalgamate and continue as one corporation in accordance with the terms and conditions hereof;
- B. First One and Red Media are parties to a letter agreement dated March 18, 2005 (as amended on April 29, 2005, May 31, 2005 and June 15, 2005) setting out the principal terms of the proposed amalgamation;
- C. First One and Red Media wish to effect the amalgamation of their businesses through the amalgamation of First One with Red Media;
- D. the board of directors of First One and the board of directors of Red Media have determined that the amalgamation to be effected pursuant to this Agreement is advisable and in the best interests of First One and Red Media, respectively, and have approved and determined to recommend approval of the amalgamation and the other transactions contemplated herein to their respective shareholders; and
- E. the parties wish to enter into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to the proposed amalgamation;

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the above premises and of the covenants, agreements, representations and warranties hereinafter contained, the parties hereto agree as follows:

## ARTICLE 1- INTERPRETATION

### 1.1 Definitions

In this Agreement, unless there is something in the context or subject matter inconsistent therewith, the following defined terms shall have the meanings set forth below:

**"2006 Red Media Warrants"** means the 62,500 outstanding share purchase warrants of Red Media, as adjusted for any exercise after the date hereof, each entitling the holder thereof to acquire one Red Media Common Share at a price of \$0.40 per share until November 23, 2006, in accordance with their terms;

**"2007 Red Media Warrants"** means the (i) 3,683,494.5 outstanding share purchase warrants of Red Media, as adjusted for any exercise after the date hereof, and (ii) if applicable, the 492,307 share purchase warrants of Red Media issuable to subscribers pursuant to the Red Media Agency Agreement if Red Media does not meet the Liquidity Conditions (as that term is defined in the Red Media Agency Agreement) before 5:00 p.m. on July 7, 2005; each such share purchase warrant entitling the holder thereof to acquire one Red Media Common Share at a price of \$0.60 per share until January 7, 2007, in accordance with their terms;

**"Agreement"**, **"this Agreement"**, **"herein"**, **"hereby"**, **"hereof"**, **"hereunder"** and similar expressions mean or refer to this agreement and the schedules and any amendments hereto as a whole, and includes any agreement or instrument supplementary or ancillary hereto;

**"Amalco"** means the continuing corporation to be constituted upon completion of the Amalgamation, to be named "RedCity Search Company Inc.";

**"Amalco Common Shares"** means the common shares in the capital of Amalco;

**"Amalco First One Replacement Agent's Options"** means the 126,497 agent's options of Amalco to be issued in replacement for the 341,833 outstanding First One Agent's Options, as adjusted for any exercise after the date hereof, each entitling the holder to acquire one Amalco Common Share at a price of \$0.81081 per share until September 2, 2006, in accordance with their terms;

**"Amalco First One Replacement Options"** means the 249,830 stock options of Amalco to be issued pursuant to the Amalgamation in replacement for the outstanding 675,216 First One Options, as adjusted for any exercise after the date hereof, each entitling the holder to acquire one Amalco Common Share at a price of \$0.81081 per share until March 2, 2010, in accordance with their terms;

**"Amalco Preference Shares"** means the Preference Shares, issuable in series in the capital of Amalco;

**"Amalco Red Media Replacement Options"** means the 4,088,499 stock options of Amalco to be issued pursuant to the Amalgamation in replacement for the 4,088,499 outstanding Red Media Options, as adjusted for any exercise after the date hereof, each

entitling the holder to acquire one Amalco Common Share at prices ranging from \$0.20 to \$0.45 per share (being the exercise price of each such Red Media Option being replaced by an Amalco Red Media Replacement Option) until five years from the date of grant of each such Red Media Option being replaced by an Amalco Red Media Replacement Option, in accordance with their terms;

**"Amalco Red Media Replacement 2006 Warrants"** means the 62,500 share purchase warrants of Amalco to be issued in replacement for the 62,500 outstanding 2006 Red Media Warrants, as adjusted for any exercise after the date hereof, each entitling the holder to acquire one Amalco Common Share at a price of \$0.40 per share until November 23, 2006, in accordance with their terms;

**"Amalco Red Media Replacement 2007 Warrants"** means (i) the 3,683,494 share purchase warrants of Amalco to be issued in replacement for the 3,683,494.5 outstanding 2007 Red Media Warrants, as adjusted for any exercise after the date hereof, and (ii) if applicable, the 492,307 2007 Red Media Warrants issuable to subscribers pursuant to the Red Media Agency Agreement if Red Media does not meet the Liquidity Conditions (as that term is defined in the Red Media Agency Agreement) before 5:00 p.m. on July 7, 2005; each such share purchase warrant of Amalco entitling the holder to acquire one Amalco Common Share at a price of \$0.60 per share until January 7, 2007, in accordance with their terms;

**"Amalco Registrar and Transfer Agent"** means Equity Transfer Services Inc., and any other Person which may be appointed as registrar and transfer agent of Amalco from time to time;

**"Amalco Series A Preference Shares"** means the Preference Shares, series A in the capital of Amalco;

**"Amalco Stock Option Plan"** means the incentive stock option plan of Amalco to be approved by the First One Shareholders at the First One Meeting and by the Red Media Common Shareholders at the Red Media Meeting;

**"Amalgamation"** means the amalgamation of First One and Red Media pursuant to section 175 of the OBCA provided for herein.

**"Articles of Amalgamation"** means the articles of amalgamation with respect to the amalgamation of First One and Red Media in the form required by the OBCA, substantially in the form attached as Schedule "A";

**"Assessment"** has the meaning specified in section 3.2(h);

**"associate", "affiliate", "insider" and "promoter"** have the respective meanings ascribed thereto in the *Securities Act* (Ontario);

**"Business Day"** means any day other than a Saturday or Sunday or a day when banks in Toronto are not generally open for business;

**"Certificate of Amalgamation"** means the certificate of amalgamation for the Amalgamation issued by the Director pursuant to subsection 178(4) of the OBCA;

**"Closing"** means the closing of the Amalgamation;

**"Closing Date"** means the date of the Closing, which shall be within four Business Days following the date of the Meetings, or such other date as First One and Red Media may mutually agree, acting reasonably, and in any event not later than July 7, 2005;

**"Confidential Information"** has the meaning specified in section 8.15;

**"Director"** means the Director appointed under section 278 of the OBCA;

**"Dissenting Holder"** has the meaning specified in section 2.19;

**"Dissent Rights"** has the meaning specified in section 2.19;

**"Effective Date"** means the effective date of the Amalgamation, which shall be the date of the Certificate of Amalgamation and is expected to be July 7, 2005;

**"Employment Agreements"** means the employment, confidentiality and non-solicitation agreements between Amalco and each of Sites Media Inc. ("Sites"), Offsite Corporation ("Offsite") and Jeffrey R. G. Jackson to be delivered at the Closing, pursuant to which Jeffrey R.G. Jackson will agree to direct 100% of his and Sites and Offsite will agree to direct 100% of Roger O. Abbiss' and 80% of Blair H. Calder's, respectively, business time, efforts, business opportunities and growth ideas to Amalco, and pursuant to which each of the parties, and also, in the case of Sites and Offsite, Roger O. Abbiss and Blair H. Calder, respectively, will also agree to maintain confidentiality of the business and affairs of Amalco from the Closing Date without any limitation of time, such agreements to be in a form satisfactory to the parties thereto;

**"First One Agent's Options"** means the 341,833 outstanding agent's options of First One, as adjusted for any exercise after the date hereof, each entitling the holder to purchase one First One Common Share at a price of \$0.30 per share until September 2, 2006, in accordance with their terms;

**"First One Common Shares"** means the common shares in the capital of First One;

**"First One Escrow Agreement"** means the escrow agreement dated as of November 20, 2003 between Equity Transfer Services Inc. and certain security holders of First One;

**"First One Escrowed Shares"** means the 3,353,333 First One Common Shares held subject to the First One Escrow Agreement;

**"First One Letter of Transmittal"** means the letter of transmittal to be used by First One Shareholders for the purpose of surrendering certificates representing outstanding First One Common Shares and exchanging them for certificates representing the Amalco Common Shares;

**"First One Meeting"** means the annual and special meeting of First One Shareholders to approve the First One Special Resolution and certain other matters;

**"First One Options"** means the 675,216 outstanding stock options of First One, as adjusted for any exercise after the date hereof, each entitling the holder to purchase one First One Common Share at a price of \$0.30 per share until March 2, 2010, in accordance with their terms;

**"First One Public Disclosure"** has the meaning specified in section 4.1(w);

**"First One Registrar and Transfer Agent"** means Equity Transfer Services Inc., and any other Person which may be appointed as registrar and transfer agent of First One from time to time;

**"First One Shareholder"** means a holder of outstanding First One Common Shares;

**"First One Special Resolution"** means the special resolution of the First One Shareholders approving the Amalgamation, substantially in the form of Schedule "C";

**"First One Stock Option Plan"** means the current incentive stock option plan of First One;

**"Infringe"** has the meaning specified in section 4.2(gg);

**"Joint Information Circular"** means the joint information circular of First One and Red Media to be forwarded by First One to the First One Shareholders in connection with the First One Meeting and by Red Media to the Red Media Shareholders in connection with the Red Media Meeting;

**"Meetings"** mean the First One Meeting and the Red Media Meeting;

**"Non-Competition Agreements"** means the non-competition agreements between Amalco and each of Roger O. Abbiss, Jeffrey R.G. Jackson and Blair H. Calder to be executed and delivered at Closing pursuant to which such individuals will agree to not compete with Amalco for a period of one year;

**"OBCA" or "Act"** means the *Business Corporations Act* (Ontario), as from time to time amended or re-enacted and includes any regulations heretofore or hereafter made pursuant to the OBCA;

**"Person"** means a natural person, firm, corporation, trust, partnership, joint venture, governmental body or agency or association;

**"Policy"** means Policy 2.4 of the TSX Venture Corporate Finance Manual;

**"Qualifying Transaction"** has the meaning ascribed thereto under the Policy;

**"Red Media Agency Agreement"** means the amended and restated agency agreement dated February 3, 2005 between Red Media, McFarlane Gordon Inc. and Canaccord Capital Corporation relating to the offering by Red Media of up to 6,666,666 units, each unit consisting of one Red Media Common Share and one-half of one 2007 Red Media Warrant, at \$0.45 per unit;

**"Red Media Common Shares"** means the common shares in the capital of Red Media;

**"Red Media Common Shareholder"** means a holder of outstanding Red Media Common Shares;

**"Red Media Disclosure Letter"** means the letter dated as of the date of this Agreement from Red Media to First One containing disclosure of exceptions to the representations and warranties of Red Media hereunder and disclosure by Red Media to First One of certain other matters;

**"Red Media Intellectual Property Rights"** has the meaning specified in subsection 4.2(cc);

**"Red Media Letter of Transmittal"** means the letter of transmittal to be used by Red Media Shareholders for the purpose of surrendering certificates representing outstanding Red Media Common Shares, Red Media Preference Shares and Red Media Warrants, as the case may be, and exchanging them for certificates representing securities of Amalco into which such outstanding securities of Red Media are exchangeable or convertible;

**"Red Media Meeting"** means the annual and special meeting of Red Media Shareholders to approve the Red Media Special Resolution and certain other matters;

**"Red Media Options"** means the 4,088,499 outstanding stock options of Red Media, as adjusted for any exercise after the date hereof, each entitling the holder to purchase one Red Media Common Share at prices ranging from \$0.20 to \$0.45 per share and having expiry dates ranging from April 1, 2010 to March 1, 2012, in accordance with their terms;

**"Red Media Preference Shares"** means the Preference Shares, series B in the capital of Red Media;

**"Red Media Preference Shareholder"** means a holder of outstanding Red Media Preference Shares;

**"Red Media Principal Shareholder"** means Roger O. Abbiss;

**"Red Media Shareholder"** means a Red Media Common Shareholder or Red Media Preference Shareholder;

**"Red Media Special Resolution"** means the special resolutions of the Red Media Shareholders approving the Amalgamation, substantially in the form of Schedule "D";

**"Related Parties"** means promoters, officers, directors and other insiders of a company, and associates or affiliates thereof;

**"Termination Date"** has the meaning specified in section 7.2;

**"Time of Closing"** has the meaning specified in section 5.5(1);

“**TSX Venture**” means the TSX Venture Exchange Inc.; and

“**TSX Venture Escrow Agreement**” means the escrow agreement to be entered into among the Registrar and Transfer Agent, Amalco, certain First One Shareholders, the Red Media Principal Shareholder and certain other Red Media Shareholders in compliance with the requirements of TSX Venture and the Policy, with the securities subject to such agreement to be released as determined by TSX Venture.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into articles, sections and subsections is for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 Number, etc.

Words importing the singular number include the plural and vice versa, and words importing the use of any gender shall include all genders.

1.4 Date for Any Action

If any action required to be taken hereunder by any party hereto is not a Business Day in the place where an action is required to be taken, such action shall be required to be taken on the next succeeding Business Day in such place.

1.5 Rounding

In performing the various mathematical calculations required to be performed hereunder, all numbers shall be rounded to the nearest two decimal places.

1.6 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada.

1.7 Knowledge

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of First One or Red Media, as applicable, it shall be deemed to refer to the actual knowledge after having made due inquiry of the officers of the particular party.

1.8 Meanings

Words and phrases defined in the OBCA shall have the same meanings herein as in the OBCA, unless otherwise defined herein or the context otherwise requires. Unless otherwise specifically indicated or the context otherwise requires “include”, “includes” and “including” shall be deemed to be followed by the words “without limitation”.

1.9 Schedules

The following schedules are annexed to this Agreement and are hereby incorporated by reference into this Agreement and form part hereof:

Schedule "A" -	Articles of Amalgamation (form of)
Schedule "B" -	By-laws of Amalco (form of)
Schedule "C" -	First One Special Resolution (form of)
Schedule "D" -	Red Media Special Resolution (form of)

## ARTICLE 2 - AMALGAMATION

### 2.1 Amalgamation

On or before the Closing Date, subject to the terms and conditions of this Agreement, First One and Red Media shall take all steps required to complete the Amalgamation (excluding the filing of the Articles of Amalgamation with the Director) and, without limitation, use all reasonable efforts to apply for and to obtain the approval of their respective shareholders and all other consents, orders or approvals as counsel may advise are necessary or desirable for the implementation of the Amalgamation and the filing of the Articles of Amalgamation with the Director. Upon completion of the Closing, subject to the terms and conditions of this Agreement, First One and Red Media shall, on or before the Termination Date, take all steps required to complete the Amalgamation by the filing of the Articles of Amalgamation with the Director pursuant to section 178 of the Act.

### 2.2 Name

The name of Amalco shall be "RedCity Search Company Inc."

### 2.3 Registered Office

The registered office of Amalco shall be situated at 197 Spadina Avenue, 2<sup>nd</sup> Floor, Toronto, Ontario M5T 2C8.

### 2.4 Authorized Capital

Amalco shall be authorized to issue an unlimited number of Amalco Common Shares and an unlimited number of Amalco Preference Shares, which shall have the rights, privileges, restrictions and conditions set forth in the Articles of Amalgamation.

### 2.5 Restriction on Share Transfer

The transfer of shares of Amalco shall not be subject to any restrictions.

### 2.6 Number of Directors

The minimum number of directors of Amalco shall be three and the maximum number of directors of Amalco shall be 12. Subject to subsection 124(2) of the OBCA and until otherwise determined by special resolution, the directors of Amalco are empowered to determine the number of directors of Amalco and the number of directors to be elected at the annual meeting of the shareholders of Amalco within the minimum and maximum numbers specified in the Articles of Amalgamation.

### 2.7 First Directors

The number of first directors of Amalco shall be nine. The first directors of Amalco shall be:

<u>Name</u>	<u>Address for Service</u>
Roger O. Abbiss	197 Spadina Avenue, 2 <sup>nd</sup> Floor Toronto, Ontario M5T 2C8
Deborah A. Beedie	Suite 900 1 Robert Speck Parkway Mississauga, Ontario L4Z 3M3
Tomas Berinstein	1233 Dundas Street East Toronto, Ontario M4M 1S4
Jeffrey A. Dawson	First Floor 1675 Bathurst Street Toronto, Ontario M5P 3J8
Perry N. Dellelce	Suite 810, P.O. Box 4 1 First Canadian Place 100 King Street West Toronto, Ontario M5X 1A9
Timothy M. Gould	Suite 201 1220 Yonge Street Toronto, Ontario M4T 1W1
Michael C. Holiday	2784 Slough Street Mississauga, Ontario L4T 1G3
Owen B. Menzel	178 Ellis Avenue Toronto, Ontario M6S 2X2
Chris G. Tambakis	Suite 2200 1 Queen Street East Toronto, Ontario M5C 2Z2

The first directors shall hold office until the completion of the first annual meeting of the shareholders of Amalco, or until their successors are duly appointed or elected. The subsequent directors shall be elected each year thereafter as provided for in the Act, in the Articles of Amalgamation and in the by-laws of Amalco. The management and operation of the business and affairs of Amalco shall be under the control of the board of directors of Amalco as it is constituted from time to time.

## 2.8 First Auditors

The first auditors of Amalco shall be Segal & Partners LLP, Chartered Accountants, 2005 Sheppard Avenue East, Suite 500, Toronto, Ontario M2J 5B4. The first auditors of Amalco shall hold office until the completion of the first annual meeting of shareholders of Amalco following the Amalgamation or until their successor is appointed.

## 2.9 Fiscal Year

The fiscal year end of Amalco shall be June 30, subject to receipt of all necessary regulatory approvals.

## 2.10 Restrictions on Business

There shall be no restrictions on the business that Amalco may carry on.

## 2.11 Articles of Amalgamation and By-laws

The Articles of Amalgamation shall be in the form set forth as Schedule A hereto. The by-laws of Amalco shall not be the by-laws of either First One or Red Media, but shall be substantially in the form set forth in Schedule B hereto.

## 2.12 Effect of Certificate of Amalgamation

On the Effective Date:

- (a) the Amalgamation of First One and Red Media and their continuance as one corporation shall become effective;
- (b) the property of each of First One and Red Media shall continue to be the property of Amalco;
- (c) Amalco shall continue to be liable for the obligations of each of First One and Red Media;
- (d) any existing cause of action, claim or liability to prosecution of either First One or Red Media shall be unaffected;
- (e) any civil, criminal or administrative action or proceeding pending by or against either First One or Red Media may be continued to be prosecuted by or against Amalco;
- (f) a conviction against, or ruling, order or judgment in favour of or against, either First One or Red Media may be enforced by or against Amalco; and
- (g) the Articles of Amalgamation shall be deemed to be the articles of incorporation of Amalco and the Certificate of Amalgamation shall be deemed to be the certificate of incorporation of Amalco.

### 2.13 Manner of Conversion of Issued Securities

On the Effective Date:

- (a) each one Red Media Common Share shall be exchanged for one fully-paid and non-assessable Amalco Common Share;
- (b) each one Red Media Preference Share shall be exchanged for one fully-paid and non-assessable Amalco Series A Preference Share;
- (c) each one 2006 Red Media Warrant shall be replaced with/continued into one Amalco Red Media Replacement 2006 Warrant;
- (d) each one 2007 Red Media Warrant shall be replaced with/continued into one Amalco Red Media Replacement 2007 Warrant;
- (e) each one Red Media Option shall be replaced with/continued into one Amalco Red Media Replacement Option;
- (f) each one First One Common Share shall be exchanged for 0.37 of a fully-paid and non-assessable Amalco Common Share;
- (g) each one First One Agent's Option shall be replaced with/continued into 0.37 of an Amalco First One Replacement Agent's Option;
- (h) each one First One Option shall be replaced with/continued into 0.37 of an Amalco First One Replacement Option;
- (i) the aggregate stated capital of Amalco Common Shares shall be an amount equal to the aggregate paid-up capital for purposes of the *Income Tax Act* (Canada) of First One Common Shares and Red Media Common Shares immediately prior to such time, and such stated capital shall be allocated on an equal basis to each Amalco Common Share issued on the Amalgamation; and
- (j) the aggregate stated capital of Amalco Series A Preference Shares shall be an amount equal to the aggregate paid-up capital for purposes of the *Income Tax Act* (Canada) of Red Media Preference Shares immediately prior to such time, and such stated capital shall be allocated on an equal basis to each Amalco Series A Preference Share issued on the Amalgamation.

### 2.14 Fractional Securities

No fractional securities will be issued by Amalco and no cash will be paid in lieu thereof. Any fraction resulting will be rounded to the nearest whole number with fractions of one half or greater being rounded to the next higher whole number and fractions of less than one half being rounded to the next lower whole number.

### 2.15 Restrictions on Securities

The parties acknowledge and agree that the Amalco Common Shares, the Amalco Series A Preference Shares, the Amalco Red Media Replacement 2006 Warrants and the Amalco Red Media Replacement 2007 Warrants to be issued to holders of outstanding Red Media Common Shares, Red

Media Preference Shares, 2006 Red Media Warrants and 2007 Red Media Warrants, as the case may be, pursuant to section 2.13 will be subject to compliance with resale restrictions pursuant to applicable securities laws. In addition, certain of the Amalco Common Shares and Amalco Series A Preference Shares to be issued to certain First One Shareholders, the Red Media Principal Shareholder and certain other Red Media Shareholders specified by TSX Venture will be subject to the TSX Venture Escrow Agreement.

## 2.16 Certificates

On the Effective Date:

- (a) the holders of Red Media Common Shares shall cease to be holders of Red Media Common Shares and shall be deemed to be the holders of the Amalco Common Shares to which they are entitled in accordance with section 2.13, and:
  - (i) if Red Media has issued to a holder thereof a certificate representing such Red Media Common Shares, such holder may surrender such certificate representing Red Media Common Shares and a completed Red Media Letter of Transmittal to the Amalco Registrar and Transfer Agent; or
  - (ii) if Red Media has not issued to a holder thereof a certificate representing such Red Media Common Shares, the holder of such Red Media Common Shares shall deliver a Red Media Letter of Transmittal to the Amalco Registrar and Transfer Agent;

and, in each case, upon such surrender or delivery, shall be entitled to receive certificates representing the number of Amalco Common Shares to which they are entitled in accordance with section 2.13 as soon as practicable, but in any event no later than five Business Days following the Effective Date;

- (b) the holders of Red Media Preference Shares shall cease to be holders of Red Media Preference Shares and shall be deemed to be the holders of the Amalco Series A Preference Shares to which they are entitled in accordance with section 2.13, and:
  - (i) if Red Media has issued to a holder thereof a certificate representing such Red Media Preference Shares, such holder may surrender such certificate representing Red Media Preference Shares and a completed Red Media Letter of Transmittal to the Amalco Registrar and Transfer Agent; or
  - (ii) if Red Media has not issued to a holder thereof a certificate representing such Red Media Preference Shares, the holder of such Red Media Preference Shares shall deliver a Red Media Letter of Transmittal to the Amalco Registrar and Transfer Agent;

and, in each case, upon such surrender or delivery, shall be entitled to receive certificates representing the number of Amalco Series A Preference Shares to which they are entitled in accordance with section 2.13 as soon as practicable, but in any event no later than five Business Days following the Effective Date;

- (c) the registered holders of First One Common Shares shall cease to be holders of First One Common Shares and shall be deemed to be the holders of the Amalco Common Shares to which they are entitled in accordance with section 2.13, and the holders of certificates representing First One Common Shares may surrender such certificates to the Amalco Registrar and Transfer Agent, together with a completed First One Letter of Transmittal and, upon such surrender, shall be entitled to receive certificates representing the number of Amalco Common Shares to which they are entitled in accordance with section 2.13, as soon as practicable, but in any event no later than five Business Days following the Effective Date;
- (d) the holders of the First One Options and First One Agent's Options shall cease to be holders of such securities and shall be deemed to be the registered holders of the Amalco First One Replacement Options and the Amalco First One Replacement Agent's Options, respectively, to which they are entitled in accordance with section 2.13, and shall receive executed agreements or certificates, as applicable, evidencing such securities of Amalco;
- (e) the holders of the 2006 Red Media Warrants shall cease to be holders of 2006 Red Media Warrants and shall be deemed to be the registered holders of the Amalco Red Media Replacement 2006 Warrants to which they are entitled in accordance with section 2.13, and:
  - (i) if Red Media has issued to a holder thereof a certificate representing such 2006 Red Media Warrants, such holder may surrender such certificate representing 2006 Red Media Warrants and a completed Red Media Letter of Transmittal to Amalco; or
  - (ii) if Red Media has not issued to a holder thereof a certificate representing such 2006 Red Media Warrants, such holder may deliver a Red Media Letter of Transmittal to Amalco;and, in each case, Amalco shall deliver certificates evidencing the Amalco Red Media Replacement 2006 Warrants;
- (f) the holders of the 2007 Red Media Warrants shall cease to be holders of 2007 Red Media Warrants and shall be deemed to be the registered holders of the Amalco Red Media Replacement 2007 Warrants to which they are entitled in accordance with section 2.13, and:
  - (i) if Red Media has issued to a holder thereof a certificate representing such 2007 Red Media Warrants, such holder may surrender such certificate representing 2007 Red Media Warrants and a completed Red Media Letter of Transmittal to Amalco; or
  - (ii) if Red Media has not issued to a holder thereof a certificate representing such 2007 Red Media Warrants, such holder may deliver a Red Media Letter of Transmittal to Amalco;and, in each case, Amalco shall deliver certificates evidencing the Amalco Red Media Replacement 2007 Warrants; and

- (g) the holders of the Red Media Options shall cease to be holders of Red Media Options and shall be deemed to be the holders of the Amalco Red Media Replacement Options to which they are entitled in accordance with section 2.13 and shall receive executed agreements evidencing such Amalco Red Media Replacement Options.

#### 2.17 Lost Certificates

If any certificate which immediately prior to the Effective Date represented one or more outstanding First One Common Shares, First One Options, First One Agent's Options, Red Media Common Shares, Red Media Preference Shares, Red Media Options, 2006 Red Media Warrants or 2007 Red Media Warrants shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder thereof, as applicable, claiming such certificate to be lost, stolen or destroyed, the Amalco Registrar and Transfer Agent will issue in exchange for such lost, stolen or destroyed certificate, one or more certificates representing one or more Amalco Common Shares, Amalco Series A Preference Shares, Amalco First One Replacement Options, Amalco First One Replacement Agent's Options, Amalco Red Media Replacement Options, Amalco Red Media Replacement 2006 Warrants or Amalco Red Media Replacement 2007 Warrants, as applicable, in each case deliverable pursuant to section 2.13. When authorizing such payment in exchange for any lost, stolen, destroyed certificate, the holder to whom certificates representing such securities are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to Amalco and and/or its transfer agent in such sum as Amalco may direct or otherwise indemnify Amalco in a manner satisfactory to Amalco against any claim that may be made against Amalco with respect to the certificate alleged to have been lost, stolen or destroyed.

#### 2.18 Stock Option Plan

The stock option plan of Amalco shall be the Amalco Stock Option Plan, which stock option plan is to be approved by the First One Shareholders at the First One Meeting, the Red Media Common Shareholders at the Red Media Meeting, and TSX Venture and will be attached as a schedule to the Joint Information Circular.

#### 2.19 Dissent Rights

A registered holder of Red Media Common Shares, Red Media Preference Shares or First One Common Shares (a "**Dissenting Holder**") may exercise rights of dissent with respect to such Red Media Common Shares, Red Media Preference Shares or First One Common Shares, as the case may be, pursuant to and in the manner set forth in section 185 of the OBCA (the "**Dissent Rights**") in connection with the Amalgamation. A Dissenting Holder who duly exercises such Dissent Rights (including the sending of a notice of dissent to Red Media or First One, as applicable) ceases to have any rights as a holder of Red Media Common Shares, Red Media Preference Shares or First One Common Shares, as the case may be, other than the right to be paid the fair value of such Dissenting Holder's Red Media Common Shares, Red Media Preference Shares or First One Common Shares, as the case may be, pursuant to section 185 of the OBCA except in certain circumstances, including where:

- (a) such Dissenting Holder withdraws the notice of dissent before Red Media or First One, as applicable, makes an offer to such Dissenting Holder pursuant to subsection 185(15) of the OBCA, or

- (b) Red Media or First One, as the case may be, fails to make an offer to such Dissenting Holder in accordance with subsection 185(15) of the OBCA and such holder withdraws the notice of dissent.

In either of the circumstances described in clause (a) or (b), or if a Dissenting Holder is ultimately determined not to be entitled, for any reason, to be paid the fair value for its Red Media Common Shares, Red Media Preference Shares or First One Common Shares, as the case may be, a Dissenting Holder shall be deemed to have participated in the Amalgamation on the same basis as a non-Dissenting Holder.

## 2.20 Withholding Rights

Red Media, First One, the First One Registrar and Transfer Agent and the Amalco Registrar and Transfer Agent shall be entitled to deduct and withhold from any amount payable to any holder of a Red Media Common Share, Red Media Preference Share, 2006 Red Media Warrant, 2007 Red Media Warrant, Red Media Option, First One Common Share, First One Option, First One Agent's Option, Amalco Common Share, Amalco Series A Preference Share, Amalco Red Media Replacement Option, Amalco Red Media Replacement 2006 Warrant, Amalco Red Media Replacement 2007 Warrant, Amalco First One Replacement Option or Amalco First One Replacement Agent's Option such amounts as Red Media, First One, the First One Registrar and Transfer Agent, Amalco or the Amalco Registrar and Transfer Agent is required to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada) or any provision of federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the securities in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, Red Media, First One, the First One Registrar and Transfer Agent, Amalco or the Amalco Registrar and Transfer Agent shall sell or otherwise dispose of such portion of the amount as is necessary to provide sufficient funds to Red Media, First One, the First One Registrar and Transfer Agent, Amalco or the Amalco Registrar and Transfer Agent, as the case may be, to enable it to comply with such deduction or withholding requirement, and Red Media, First One, the First One Registrar and Transfer Agent, Amalco or the Amalco Registrar and Transfer Agent, as the case may be, shall notify the holder thereof and remit any unapplied balance of the next proceeds of such sale.

## ARTICLE 3 – COVENANTS

### 3.1 Covenants of Red Media

Red Media covenants and agrees with First One that it will not, from the date hereof to and including the Effective Date, except as contemplated by this Agreement or with the prior written consent of First One, such consent not to be unreasonably withheld:

- (a) declare, pay or set aside any dividends or provide for any distribution of its properties or assets, or make any payment by way of return of capital, to its shareholders;

- (b) split, combine or reclassify any outstanding shares;
- (c) enter into any material contract, other than in the ordinary course of business consistent with past practice as disclosed to First One;
- (d) redeem, purchase or offer to purchase any of its shares or other securities;
- (e) reorganize, amalgamate or merge with any other Person or other business organization whatsoever;
- (f) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any Person or other business organization or division or any assets or properties of a material nature;
- (g) incur or commit to incur any indebtedness for borrowed money, other than in the ordinary course of business consistent with past practice, or issue any debt securities;
- (h) issue or commit to issue any shares, or rights, warrants or options to purchase such shares, or any securities convertible into such shares, warrants or options, except pursuant to the issuance of securities issuable pursuant to the terms of securities outstanding on the date hereof;
- (i) except as may be contemplated under this Agreement, alter or amend in any way its constating documents or by-laws as the same exist at the date of this Agreement;
- (j) except as contemplated under this Agreement, take any action which would be outside the ordinary course of business or which may result in a material adverse change in its affairs including, without limiting the generality of the foregoing, the entering into of any employment, consultancy or severance agreements or other arrangements with any of its directors or officers;
- (k) sell, pledge, lease, dispose of, grant any interest in, encumber or agree to sell, pledge, lease, dispose of, grant any interest in or encumber any material component of its assets, other than in the ordinary course of business consistent with past practice;
- (l) engage in any business enterprise or other activity materially different from that carried on or intended to be carried on as at the date hereof;
- (m) enter into any transaction with or make payments to a party with which it does not deal at arm's length;
- (n) except as contemplated under this Agreement, grant any director, officer or employee who has a policy-making function any increase in compensation or in severance or termination pay (whether or not such compensation or pay is payable in cash), or enter into any employment or consulting agreement with any such director, officer or employee, or hire or promote any such person; or
- (o) perform any act or enter into any transaction or negotiation which might materially adversely interfere or be materially inconsistent with the consummation of the transactions contemplated under this Agreement.

### 3.2 Further Covenants of Red Media

Red Media covenants and agrees with First One that it will:

- (a) use all commercially reasonable efforts to obtain all necessary consents, assignments or waivers from third parties and amendments or terminations to any instrument or agreement and take such other measures as may be necessary to fulfil its obligations under and to carry out the transactions contemplated by this Agreement;
- (b) provide First One, on a timely basis, with all relevant information concerning it and its business, property, operations and financial statements for inclusion in the Joint Information Circular, and will execute a certificate to be attached to the Joint Information Circular certifying that all information concerning it contained in the Joint Information Circular constitutes full, true and plain disclosure of all material facts relating to the particular matters to be acted upon by the First One Shareholders at the First One Meeting concerning it, and that the information contained in the Joint Information Circular does not contain an untrue statement of a material fact with respect to it;
- (c) promptly notify First One if at any time before the Effective Time it becomes aware that the Joint Information Circular or a filing or an application described in subsection 3.2(k) contains any misrepresentation or any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or that otherwise requires an amendment or supplement to the Joint Information Circular or such filing or application; and in any such event, shall cooperate in the preparation of a supplement or amendment to the Joint Information Circular or such other document, as required and as the case may be, and, if required, shall cause the same to be distributed to the Red Media Shareholders;
- (d) subject to First One complying with subsection 3.4(b), ensure that the Joint Information Circular complies with all applicable laws and, without limiting the generality of the foregoing, that the Joint Information Circular does not contain any misrepresentation or any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made (other than with respect to any information relating to and provided by First One). Without limiting the generality of the foregoing, Red Media shall ensure that the Joint Information Circular complies with the Policy (unless otherwise exempted from all or a portion of the Policy by the TSX Venture) and applicable laws as they relate to Red Media, and provides the Red Media Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters to be placed before them at the Red Media Meeting;
- (e) on or before the Closing Date, convene the Red Media Meeting for the purpose of approving the Red Media Special Resolution, the Amalco Stock Option Plan, to elect directors and to appoint auditors;
- (f) recommend to the Red Media Shareholders the approval of the Red Media Special Resolution and the Amalco Stock Option Plan;

- (g) mail to its shareholders the Joint Information Circular and other documentation required in connection with the Red Media Meeting in accordance with applicable laws as soon as reasonably practicable;
- (h) solicit from the appropriate Red Media Shareholders proxies in favour of approval of the Red Media Special Resolution and the Amalco Stock Option Plan;
- (i) not adjourn, postpone or cancel (or propose adjournment, postponement or cancellation of) the Red Media Meeting without First One's prior written consent except as required by applicable laws or, in the case of adjournment, as may be required by the Red Media Shareholders as expressed by majority resolution;
- (j) except for proxies and other non-substantive communications with securityholders, furnish promptly to First One a copy of each notice, report, schedule or other document delivered, filed or received by it in connection with: (i) the Amalgamation; (ii) any filings under applicable laws; and (iii) any dealings with regulatory agencies in connection with the transactions contemplated herein;
- (k) make other necessary filings and applications under applicable federal and provincial laws and regulations required on the part of it in connection with the transactions contemplated herein, and take all reasonable action necessary to be in compliance with such laws and regulations;
- (l) use all commercially reasonable efforts to conduct its affairs so that all of its representations and warranties contained herein shall be true and correct on and as of the Closing Date and the Effective Date as if made on the Closing Date or the Effective Date, respectively, except to the extent that such representations and warranties require modification to give effect to the transactions contemplated herein;
- (m) within two Business Days of receiving any written audit inquiry, assessment, reassessment, confirmation or variation of an assessment, indication that an assessment is being considered, request for filing of a waiver or extension of time or any other notice in writing relating to taxes, interest, penalties, losses or tax pools (an "Assessment"), deliver to First One a copy thereof together with a statement setting out, to the extent then determinable, an estimate of the obligations, if any, of it on the assumption that such Assessment is valid and binding;
- (n) use all commercially reasonable efforts to cause each of the conditions precedent set forth in sections 5.1 and 5.3 to be complied with;
- (o) subject to the satisfaction of the conditions in sections 5.1 and 5.2, thereafter together with First One file with the Director the Articles of Amalgamation and such other documents as may be required to give effect to the Amalgamation on or before the Termination Date; and
- (p) notify First One immediately upon becoming aware that any of the representations and warranties of it contained herein are no longer true and correct in any material respect.

### 3.3 Covenants of First One

First One covenants and agrees with Red Media that it will not from the date hereof to and including the Effective Date, except as contemplated by this Agreement or with the prior written consent of Red Media, such consent not to be unreasonably withheld:

- (a) declare, pay or set aside any dividends or provide for any distribution of its properties or assets, or make any payment by way of return of capital, to its shareholders;
- (b) split, combine or reclassify any outstanding shares;
- (c) enter into any material contract;
- (d) redeem, purchase or offer to purchase any of its shares or other securities;
- (e) reorganize, amalgamate or merge with any other Person or other business organization whatsoever;
- (f) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any Person or other business organization or division, or any assets or properties;
- (g) incur or commit to incur any indebtedness for borrowed money, or issue any debt securities;
- (h) issue or commit to issue any shares, or rights, warrants or options to purchase such shares, or any securities convertible into such shares, warrants or options, except pursuant to the issuance of securities issuable pursuant to the terms of securities outstanding on the date hereof;
- (i) alter or amend in any way its constating documents or by-laws as the same exist at the date of this Agreement;
- (j) take any action which may result in a material adverse change in its affairs including, without limiting the generality of the foregoing, the entering into of employment, consultancy or severance agreements or other arrangements with any of its directors or officers;
- (k) sell, pledge, lease, dispose of, grant any interest in, encumber or agree to sell, pledge, lease, dispose of, grant any interest in or encumber any of its assets;
- (l) engage in any business enterprise or other activity, other than as contemplated herein and as required as a public company;
- (m) enter into any transaction with or make payments to a party or parties with whom it does not deal at arm's length, other than in the ordinary course of business consistent with past practice;
- (n) grant any director, officer or employee who has a policy-making function any increase in compensation or in severance or termination pay (whether or not such

compensation or pay is payable in cash), or enter into any employment or consulting agreement with any such director, officer or employee, or hire or promote any such person; or

- (o) perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated under this Agreement.

### 3.4 Further Covenants of First One

First One covenants and agrees with Red Media that it will:

- (a) use all commercially reasonable efforts to obtain all necessary consents, assignments or waivers from third parties and amendments or terminations to any instrument or agreement and take such other measures as may be necessary to fulfil its obligations under and to carry out the transactions contemplated by this Agreement;
- (b) provide Red Media, on a timely basis, with all relevant information concerning it and its business, property, operations and financial statements for inclusion in the Joint Information Circular, and will execute a certificate to be attached to the Joint Information Circular certifying that all information concerning it in the Joint Information Circular constitutes full, true and plain disclosure of all material facts relating to the particular matters to be acted upon by the Red Media Shareholders at the Red Media Meeting concerning it, and that the information contained in the Joint Information Circular does not contain an untrue statement of material fact with respect to it;
- (c) promptly notify Red Media if at any time before the Effective Time it becomes aware that the Joint Information Circular or a filing or an application described in subsection 3.4(k) contains any misrepresentation or any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or that otherwise requires an amendment or supplement to the Joint Information Circular or such filing or application; and in any such event, shall cooperate in the preparation of a supplement or amendment to the Joint Information Circular or such other document, as required and as the case may be, and, if required, shall cause the same to be distributed to the First One Shareholders or filed with the relevant securities regulatory authorities;
- (d) subject to Red Media complying with subsection 3.2(b), ensure that the Joint Information Circular complies with all applicable laws and, without limiting the generality of the foregoing, that the Joint Information Circular does not contain any misrepresentation or any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made (other than with respect to any information relating to and provided by Red Media). Without limiting the generality of the foregoing, First One shall ensure that the Joint Information Circular complies with the Policy (unless otherwise exempted from all or a portion of the Policy by the TSX Venture) and applicable laws as they relate to First One, and provides the First One Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters to be placed before them at the First One Meeting;

- (e) on or before the Closing Date, convene the First One Meeting for the purpose of approving the First One Special Resolution, the Amalco Stock Option Plan, to elect directors and to appoint auditors;
- (f) recommend to the First One Shareholders the approval of the First One Special Resolution and the Amalco Stock Option Plan;
- (g) mail to its shareholders the Joint Information Circular and other documentation required in connection with the First One Meeting in accordance with applicable laws as soon as reasonably practicable;
- (h) solicit from the First One Shareholders proxies in favour of approval of the First One Special Resolution and the Amalco Stock Option Plan;
- (i) shall not adjourn, postpone or cancel (or propose adjournment, postponement or cancellation of) the First One Meeting without Red Media's prior written consent except as required by applicable laws or, in the case of adjournment, as may be required by the First One Shareholders as expressed by majority resolution;
- (j) except for proxies and other non-substantive communications with securityholders, furnish promptly to Red Media a copy of each notice, report, schedule or other document delivered, filed or received by First One in connection with: (i) the Amalgamation; (ii) any filings under applicable laws; and (iii) any dealings with regulatory agencies in connection with the transactions contemplated herein;
- (k) make other necessary filings and applications under applicable federal and provincial laws and regulations required on the part of it in connection with the transactions contemplated herein, and take all reasonable action necessary to be in compliance with such laws and regulations;
- (l) use all commercially reasonable efforts to conduct its affairs so that all of its representations and warranties contained herein shall be true and correct on and as of the Closing Date and the Effective Date as if made on the Closing Date or the Effective Date, respectively, except to the extent that such representations and warranties require modification to give effect to the transactions contemplated herein;
- (m) within two Business Days of receiving any Assessment, deliver to Red Media a copy thereof together with a statement setting out, to the extent then determinable, an estimate of the obligations, if any, of it on the assumption that such Assessment is valid and binding;
- (n) use all commercially reasonable efforts to cause each of the conditions precedent set forth in sections 5.1 and 5.2 to be complied with;
- (o) subject to the satisfaction of the conditions precedent in sections 5.1 and 5.3, thereafter together with Red Media file with the Director the Articles of Amalgamation and such other documents as may be required to give effect to the Amalgamation on or before the Termination Date; and

- (p) notify Red Media immediately upon becoming aware that any of the representations and warranties of it contained herein are no longer true and correct in any material respect.

#### ARTICLE 4 – REPRESENTATIONS AND WARRANTIES

##### 4.1 Representations and Warranties of First One

First One represents and warrants to and in favour of Red Media as follows, and acknowledges that Red Media is relying upon such representations and warranties:

- (a) it is a corporation duly incorporated under the laws of Ontario and is a valid and subsisting corporation under the OBCA and is in compliance, in all material respects, with the requirements of the OBCA;
- (b) it is a “reporting issuer” as that term is defined in the applicable securities legislation in Alberta and Ontario, is not in default of the requirements of such legislation or the regulations and rules thereto or the policies and requirements of TSX Venture, and the issued and outstanding First One Common Shares are currently listed and posted for trading on TSX Venture;
- (c) no cease trade order has been issued against it or the First One Common Shares in any jurisdiction, and, to the knowledge of First One, no cease trade order is pending or threatened;
- (d) it has the requisite power, capacity and authority to enter into this Agreement on the terms and conditions herein set forth;
- (e) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been approved by the board of directors of First One and this Agreement constitutes a valid and binding obligation of First One enforceable against it in accordance with its terms, subject, however, to limitations imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance or injunction are granted at the discretion of a court of competent jurisdiction;
- (f) the authorized capital of First One consists of an unlimited number of First One Common Shares, of which only 6,752,160 and no more are issued and outstanding;
- (g) except for the First One Options, the First One Agent’s Options or pursuant to this Agreement, no Person has any agreement, option or right to acquire or capable of becoming an agreement for the purchase or acquisition of any of the unissued First One Common Shares or any other securities of First One, and there are no other outstanding securities or instruments which are convertible into or exchangeable for First One Common Shares;
- (h) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the knowledge of First One, threatened against or relating to it or affecting its properties or business which if determined adversely to it might materially and adversely affect its properties, business, future prospects or the financial condition, or the right of it to use, produce or sell its property or assets in whole or in part; and there is not presently

outstanding against it any judgment, injunction, rule or order of any court, governmental department, commission, agency or arbitrator;

- (i) it is a taxable Canadian corporation as defined in the *Income Tax Act* (Canada) and is not liable for any foreign, Canadian federal, provincial, municipal or local taxes, sales tax assessments, withholding taxes, employee or other remittances, or other imposts or penalties due and unpaid at the date hereof in respect of its income, capital, employees, business or property, or for the payment of any tax instalment due in respect of its current taxation year (but not including taxes accruing due) or any previous taxation years, and no such taxes, assessments, imposts, remittances or penalties are required to be reserved against; and all such taxes, assessments, imposts, remittances and penalties have been properly calculated by it, in all material respects; it is not in default in filing any returns or reports covering any Canadian federal, provincial, municipal or local taxes, assessments or other imposts in respect of its income, business or property and it has complied with all withholding, collection, remittance and other obligations under any applicable taxing statute;
- (j) it has not conducted any business, other than in accordance with the Policy, has never had any employees, and is not in breach of any laws, rules or regulations where a breach would have a material adverse affect on its affairs, assets or financial condition, or the transactions contemplated herein;
- (k) it has not experienced nor is it aware of any occurrence or event which has had, or might reasonably be expected to have, a materially adverse effect on its affairs or financial condition;
- (l) the entering into and performance of this Agreement and the transactions contemplated herein by First One will not violate:
  - (i) its constating documents or by-laws;
  - (ii) any agreement to which it is a party and will not give any person or company any right to terminate or cancel any agreement or any right enjoyed by it because of such agreement, and will not result in the creation or imposition of any lien, encumbrance or restriction of any nature whatsoever in favour of a third party upon or against it or its assets; or
  - (iii) any statute, regulation, by-law, order, judgment, or decree by which it is bound, except for such violations which would not have a material adverse effect on its financial condition, assets or affairs;
- (m) it has not incurred any obligation or liability, contingent or otherwise, for broker's fees, commissions or finder's fees or other similar fees in respect of the transactions contemplated herein;
- (n) since December 31, 2004, there has not been any material adverse change in its condition or operation or in its assets, liabilities or financial condition;
- (o) the audited financial statements of First One for the year ended December 31, 2004 and the notes thereto, are true and correct and present fairly, in all material respects, the financial position of First One as at such dates and the results of its operations and changes in financial position for the periods indicated in the said statements, and

have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of prior periods;

- (p) it has no material liabilities, contingent or otherwise, except those set out in the financial statements referred to in subsection 4.1(n), and it has not guaranteed or indemnified, or agreed to guarantee or indemnify, any debt, liability or other obligation of any Person, other than pursuant to (i) an agency agreement dated November 26, 2004 with Research Capital Corporation entered into in connection with its initial public offering, (ii) the registrar and transfer agency agreement dated March 25, 2004 with Equity Transfer Services Inc., and (iii) the First One Escrow Agreement;
- (q) other than as disclosed in its financial statements which will be contained in the Joint Information Circular and are referred to in subsection 4.1(o), it is not indebted to:
  - (i) any director, officer or shareholder;
  - (ii) any individual related to any of the foregoing by blood, marriage or adoption;  
or
  - (iii) any corporation controlled, directly or indirectly, by any one or more of those Persons referred to in subsections 4.1(q)(i) and (ii);
- (r) none of the Persons referred to in subsection 4.1(q) is indebted to First One;
- (s) no Person has any written or oral agreement, option, understanding or commitment or any right or privilege capable of becoming an agreement for the purchase, exchange, transfer or other disposition from First One of any of its assets;
- (t) the information concerning First One to be set forth in the Joint Information Circular will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make a statement therein not misleading in the light of the circumstances in which it will be made, and such information in the Joint Information Circular will constitute full, true and plain disclosure of all material facts relating to the particular matters concerning First One to be acted upon by the First One Shareholders at the First One Meeting;
- (u) the board of directors of First One has determined that the transactions contemplated by this Agreement are fair to the First One Shareholders and the holders of the First One Options and the First One Agent's Options and are in the best interests of First One and will recommend that the First One Shareholders vote in favour of the transactions contemplated by this Agreement;
- (v) no notices, reports or other filings are required to be made by First One with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by First One from, any governmental or regulatory authority, other than TSX Venture, and the usual filings under applicable Canadian securities laws, in connection with the execution and delivery of this Agreement by First One and the consummation of the transactions contemplated herein by it, the failure to make or obtain any or all of which is reasonably likely to have a material adverse effect on the financial condition of First One or could prevent, materially delay or materially burden the transactions contemplated by this Agreement;

- (w) since June 2, 2004, being the date on which First One became a reporting issuer, it has filed all required forms, reports documents (collectively, the "**First One Public Disclosure**") with the applicable Canadian regulatory authorities having jurisdiction; and none of the First One Public Disclosure filed with the applicable Canadian securities regulatory authorities having jurisdiction, at the time filed or as subsequently amended, contained any misrepresentation or any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading;
- (x) the Joint Information Circular will contain a list of all material contracts, agreements and commitments (whether written or oral) to which First One is a party, and all of such material contracts, agreements and commitments are in full force and effect;
- (y) there does not exist any state of facts which after notice or lapse of time, or both, will constitute a default or breach on the part of First One under any of the provisions contained in any of the material contracts, commitments or agreements referred to in subsection 4.1(x);
- (z) there are no contracts, agreements or engagements, either oral or written, providing for a fixed period of employment of any director, officer or senior employee of First One;
- (aa) it has no subsidiaries and holds no interest in any other company, partnership, joint venture or similar entity;
- (bb) the corporate records and minute books of First One contain complete and accurate minutes of all meetings of the directors and shareholders since its date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meetings, duly signed;
- (cc) the cash assets of First One as at March 31, 2005, net of liabilities incurred to March 31, 2005, were approximately \$1,038,00;
- (dd) none of the directors, officers or principal First One Shareholders is or has ever been subject to prior regulatory, criminal or bankruptcy proceedings in Canada or elsewhere;
- (ee) the amount of all expenses incurred by First One with respect to the Amalgamation is estimated by First One to be not more than \$120,000; and
- (ff) there are reasonable grounds for believing that First One is able to pay its liabilities as they become due and Amalco will be able to pay its liabilities as they become due, and there are reasonable grounds for believing that the realizable value of Amalco's assets will, immediately after the Effective Time, not be less than the aggregate of its liabilities and the stated capital of all classes of shares.

#### 4.2 Representations and Warranties of Red Media

Red Media represents and warrants to and in favour of First One as follows, and acknowledges that First One is relying upon such representations and warranties:

- (a) it is a corporation duly incorporated under the laws of Ontario and is a valid and subsisting corporation under the OBCA and is in compliance, in all material respects, with the requirements of the OBCA;
- (b) it has the requisite power, capacity and authority to enter into this Agreement on the terms and condition herein set forth;
- (c) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been approved by the board of directors of Red Media and this Agreement constitutes a valid and binding obligation of Red Media enforceable against it in accordance with its terms, subject, however, to limitations imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance or injunction are granted at the discretion of a court of competent jurisdiction;
- (d) it has no subsidiaries and holds no interest in any other company, partnership, joint venture or similar entity;
- (e) the authorized capital of Red Media is an unlimited number of Red Media Common Shares, of which only 23,608,594 and no more are issued and outstanding as of the date hereof; and an unlimited number of preference shares issuable in series, of which the first series, designated as series A, have been created and none of which are issued and outstanding as of the date hereof, and the second series, designated as series B, have been created and 944,444 and no more are issued and outstanding as at the date hereof;
- (f) except as set forth in the Red Media Disclosure Letter, other than the 2006 Red Media Warrants, 2007 Red Media Warrants, the Red Media Options or pursuant to this Agreement, no Person has any agreement, option or right to acquire or capable of becoming an agreement for the purchase or acquisition of any of the unissued Red Media Common Shares, Red Media Preference Shares or any other securities of Red Media, and there are no other outstanding securities or instruments which are convertible into or exchangeable for Red Media Common Shares or Red Media Preference Shares;
- (g) the information concerning Red Media to be contained in the Joint Information Circular will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make a statement therein not misleading in light of the circumstances in which it will be made, and such information in the Joint Information Circular will constitute full, true and plain disclosure of all material facts relating to the particular matters to be acted upon by the Red Media Shareholders at the Red Media Meeting;
- (h) except as set forth in the Red Media Disclosure Letter, there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, or, to the knowledge of Red Media, pending or threatened against or relating to Red Media, or affecting its properties or business which if determined adversely to Red Media might materially and adversely affect the properties, business, future prospects or the financial condition of Red Media, taken as a whole, or the right of Red Media to use, produce or sell its property or assets in whole or in part and there is not presently outstanding against Red Media

any material judgment, decree, injunction, rule or order of any court, governmental department, commission, agency or arbitrator;

- (i) Red Media is a taxable corporation as defined in the *Income Tax Act* (Canada) and is not liable, in any material respects, for any foreign, Canadian federal, provincial, municipal or local taxes, assessments, withholding taxes, employee or other remittances, or other imposts or penalties due and unpaid at the date hereof in respect of its income, employees, business or property, or for the payment of any tax instalment due in respect of its current taxation year (but not including taxes accruing due) or any previous taxation years, and no such taxes, assessments, imposts, remittances or penalties are required to be reserved against; and all such taxes, imposts, remittances and penalties have been properly calculated by Red Media, in all material respects; and, except as disclosed in the Red Media Disclosure Letter, Red Media is not in any material respect in default in filing any returns or reports covering any Canadian federal, provincial, municipal or local taxes, assessments or other imposts in respect of its income, business or property and Red Media has complied in all material respects with all withholding, collection, remittance and other obligations under any applicable taxing statute;
- (j) except as set forth in the Red Media Disclosure Letter, and required after the Amalgamation in respect of new tax and registration numbers, no notice, report or other filing is required to be made by Red Media with, nor is any consent, approval, registration, permit, order or authorization required to be obtained by Red Media from any third party or governmental entity in connection with the execution and delivery of this Agreement by Red Media, the performance of its obligations hereunder or the consummation by Red Media of the transactions contemplated hereby other than (a) the approval of the Red Media Special Resolution by the Red Media Shareholders, (b) such registrations and other actions required under applicable securities laws as are contemplated by this Agreement and registrations and applications required as a result of the formation of a new corporation on the Amalgamation, (c) any filings with the Director, and (d) any other consents, approvals, orders, authorizations, registrations, declarations or filings which, if not obtained or made, would not, individually or in the aggregate, have a material adverse effect on Red Media or prevent or materially impair Red Media's ability to perform its obligations hereunder;
- (k) Red Media is duly licensed, registered and qualified, in all material respects, and possesses all material certificates, authorizations, permits or licences issued by the appropriate regulatory authorities in the jurisdictions necessary to enable its business to be carried on as now conducted and to enable its property and assets to be owned, leased and operated as they are now, and all such licences, registrations and qualifications are in good standing, in all material respects;
- (l) since March 31, 2005, there has not been any material adverse change in its condition or operation or in its assets, liabilities or financial condition, except as will be disclosed in the Joint Information Circular;
- (m) the audited financial statements of Red Media for the three financial years ended March 31, 2005, and the notes thereto, are true and correct and present fairly, in all material respects, the financial position of Red Media, as at such dates and the results of its operations and changes in financial position for the period indicated in the said statements, and have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of prior periods;

- (n) other than as disclosed in the financial statements referred to in subsection 4.2(m) or as set forth in the Red Media Disclosure Letter, amounts owing to reimburse individuals for business expenses incurred and approved on behalf of Red Media and remuneration for services in the ordinary course of business, Red Media is not indebted to:
  - (i) any director, officer, employee or shareholder of Red Media;
  - (ii) any individual related to any of the foregoing by blood, marriage or adoption; or
  - (iii) any corporation controlled, directly or indirectly, by any one or more of those Persons referred to in subsections 4.2(o)(i) and (ii);
- (o) none of those Persons referred to in subsection 4.2(n) is indebted to Red Media;
- (p) except as set forth in the Red Media Disclosure Letter, to the best knowledge of Red Media, none of the directors or officers of Red Media (or such shareholders' respective principals) is or has ever been subject to prior regulatory, criminal or bankruptcy proceedings in Canada or elsewhere;
- (q) no Person has any written or oral agreement, option, understanding or commitment or any right or privilege capable of becoming an agreement for the purchase, exchange, transfer or other disposition from Red Media of any material part of its assets, except in the ordinary course of business of Red Media consistent with past practice;
- (r) except as disclosed in the Red Media Disclosure Letter, there will not be contracts, agreements or engagements of any director or officer of Red Media, either written or verbal, providing for a fixed period of employment;
- (s) the entering into and performance of this Agreement and the transactions contemplated herein by Red Media will not violate:
  - (i) its constating documents or by-laws;
  - (ii) any material agreement to which it is a party and will not give any Person any right to terminate or cancel any material agreement or any right enjoyed by it because of such agreement, and will not result in the creation or imposition of any material lien, encumbrance or restriction of any nature whatsoever in favour of a third party upon or against it or its assets; or
  - (iii) any statute, regulation, order, judgment or decree by which it is bound;
- (t) Red Media has not incurred any obligation or liability, contingent or otherwise, for broker's or finder's fees in respect of the transactions contemplated herein;
- (u) Red Media has no material liabilities, contingent or otherwise (except for those obligations and liabilities that will be set out in the Joint Information Circular or in the financial statements referred to in subsection 4.2(m) or thereafter incurred in the ordinary course of business, or as disclosed in the Red Media Disclosure Letter) and

it has not guaranteed or indemnified, or agreed to guarantee or indemnify, any debt, liability or other obligation of any Person other than in the ordinary course of business or pursuant to the Red Media Agency Agreement;

- (v) the Joint Information Circular will contain a list of all material contracts, agreements and commitments (whether written or oral) to which Red Media is a party, and all of such material contracts, agreements and commitments are in full force and effect and Red Media is not in default under any of such contracts, agreements or commitments, save and except for any breach or default which is not material or which has been waived by the other party to such contract, agreement or commitment;
- (w) there does not exist any state of facts which after notice or lapse of time, or both, will constitute a material default or breach on the part of Red Media under any of the provisions contained in any of the material contracts, commitments or agreements referred to in subsection 4.2(v);
- (x) the corporate records and minute books of Red Media contain, in all material respects, complete and accurate minutes of all meetings of the directors and shareholders since its date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meetings, duly signed;
- (y) Red Media maintains reasonably sufficient property, general liability and third party insurance and all of such insurance policies are in good standing and in the opinion of management of Red Media are sufficient, in all material respects, to protect Red Media against potential liabilities of the business of Red Media; Red Media does not maintain directors and officers liability insurance;
- (z) except as set forth in the Red Media Disclosure Letter, Red Media has good, valid and marketable title to the assets currently used in its business, real, personal and mixed, free and clear of all mortgages, liens, pledges, security interests, charges, claims, restrictions, accruals and other encumbrances and defects of title of any nature whatsoever, other than leases in respect of office equipment or as disclosed in the financial statements of Red Media referred to in subsection 4.2(m) and except as would not be material or as may have been entered into after the date of the relevant financial statements in the ordinary course of business;
- (aa) Red Media is not a party to, and has no obligations under, any collective bargaining agreement, and, to the knowledge of Red Media, there is no organizing activity involving Red Media pending or threatened by any labour union or group of employees and there are no proceedings pending or threatened with any governmental authority having jurisdiction over the business of Red Media, and no labour organization or group of employees of Red Media have made a pending demand for recognition;
- (bb) except for rights otherwise available for employees of Red Media at common law or by statute or as disclosed in the audited financial statements referred to in subsection 4.2(m), there is presently no material plan in place for retirement bonus, pension benefits, unemployment benefits, deferred compensation, service or termination pay or vacation that is contributed to or required to be continued to, by Red Media for the benefit of any current or former director, senior officer, or consultant of Red Media;

- (cc) Red Media owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and other proprietary rights and processes (collectively, the "**Red Media Intellectual Property Rights**") necessary for its business as now conducted and as presently proposed to be conducted, without any known infringement of the rights of others;
- (dd) no Red Media Intellectual Property Right which is material to the conduct of Red Media's business as currently conducted or as currently proposed to be conducted has been cancelled or is now involved in any dispute or litigation, and, to Red Media's knowledge, no such action is threatened;
- (ee) all of the licenses and sublicenses and consent, royalty or other agreements concerning Red Media Intellectual Property Rights which are material to the conduct of its business as currently conducted or as currently proposed to be conducted to which it is a party are valid and binding obligations of Red Media and, to Red Media's knowledge, the other parties thereto, enforceable in accordance with their terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights, general principles of equity that restrict the availability of equitable remedies, and to the extent that the enforceability of any indemnification may be limited by applicable laws, and there exists no event or condition which will result in a material violation or breach of or constitute (with or without due notice or lapse of time or both) a default by Red Media under any such license agreement;
- (ff) Red Media owns or has the valid rights to use all of the Red Media Intellectual Property Rights that are material to the conduct of its business as currently conducted or as currently proposed to be conducted (and had all rights necessary to carry out its former activities at such time such activities were being conducted), and has a valid and enforceable right to use all third party Red Media Intellectual Property Rights used or held for use in its business;
- (gg) to its knowledge, the conduct of its business as currently conducted does not infringe or otherwise impair or conflict with (collectively, "**Infringe**") any intellectual property rights of any third party or any confidentiality obligation owed to a third party, and the Red Media Intellectual Property Rights which are material to the conduct of its business as currently conducted or as currently proposed to be conducted are not being Infringed by any third party; there is no litigation or order pending or outstanding or, to its knowledge, threatened or pending that seeks to limit or challenge the ownership, use, validity or enforceability of any Red Media Intellectual Property Right and use of any Red Media Intellectual Property Right owned by a third party, and, to Red Media's knowledge, there is no valid basis for the same; Red Media has not received any communications alleging that it has violated or, by conducting its business as presently proposed, would violate any intellectual property or other proprietary right of any other Person, nor, without undertaking an investigation, is it aware of any basis therefor;
- (hh) no former or current employee, officer or consultant of Red Media has excluded works or inventions made prior to his or her employment with Red Media from his or her assignment of inventions pursuant to such employee, officer or consultant's proprietary information and inventions agreement; Red Media does not believe it is or will be necessary to utilize any inventions, trade secrets or

proprietary information of any of its employees made prior to their employment by Red Media, if any, except for inventions, trade secrets or proprietary information that have been duly and validly assigned to Red Media;

- (ii) Red Media has complied with all laws applicable to the Red Media Intellectual Property Rights and its use in the course of the business of Red Media, including those governing intellectual property rights; to the knowledge of Red Media, it has not included, or caused to be included, in the Red Media Intellectual Property Rights any material that it was wrongful or unlawful to include therein nor has any other Person done so;
- (jj) the Red Media Disclosure Letter contains a true and complete list of (i) all registered intellectual property comprising a part of the Red Media Intellectual Property Rights and (ii) all other material intellectual property, in each case broken down by Red Media-owned intellectual property and Red Media-licensed intellectual property, and includes details of all due dates for further filings, maintenance and other payments or other actions falling due in respect of the Red Media Intellectual Property Rights and the current status of the corresponding registrations, filings, applications and payments; all of the registration and applications arising from or relating to the Red Media Intellectual Property Rights are and remain valid and subsisting, are in good standing and have not been assigned; all fees, payments and filings due as of the date hereof have been duly made; none of the registrations and applications relating to the Red Media Intellectual Property Rights are, to the knowledge of Red Media, invalid or unenforceable;
- (kk) except as set forth in the Red Media Disclosure Letter, Red Media does not owe royalties or other payments to third parties which have become due in respect of the Red Media Intellectual Property Rights; all royalties or other payments set forth in the Red Media Disclosure Letter that shall have become payable prior to the Closing Date shall have been paid as of that date; Red Media will not owe any such payments or any similar payments as a result of the consummation of the transactions contemplated hereby;
- (ll) the board of directors of Red Media has determined that the transactions contemplated by this Agreement are fair to the Red Media Shareholders and the holders of the Red Media Warrants and the Red Media Options and are in the best interests of Red Media and will recommend that the Red Media Shareholders vote in favour of the transactions contemplated by this Agreement;
- (mm) except as disclosed in the financial statements referred to in subsection 4.2(m) or as set forth in the Red Media Disclosure Letter or as contemplated herein or in relation to employment arrangements, Red Media is not a party to any material contract, agreement or understanding with any officer, director, employee, shareholder or any other Person not dealing at arm's length with Red Media;
- (nn) Red Media maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit the preparation of financial statements in conformity with Canadian generally accepted accounting principles and to maintain accountability for assets; (iii) access to its assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is

compared with existing assets at reasonable intervals and appropriate action is taken with respect to differences; and (v) material information relating to Red Media is made known to those within Red Media responsible for the preparation of the financial statements during the period in which the financial statements have been prepared;

- (oo) there are no reasonable grounds for believing that a creditor of Red Media will be prejudiced by the Amalgamation; and
- (pp) there are reasonable grounds for believing that Red Media is able to pay its liabilities as they become due and Amalco will be able to pay its liabilities as they become due, and there are reasonable grounds for believing that the realizable value of Amalco's assets will, immediately after the Effective Time, not be less than the aggregate of its liabilities and the stated capital of all classes of shares.

#### 4.3 Survival of Representations and Warrants

The representations and warranties contained in this Agreement shall be true on the Closing Date as though they were made on the Closing Date and they shall survive the completion of the transactions contemplated under this Agreement in full force and effect for a period of one year. No party shall be under liability in respect of any claim for a breach of a representation and warranty if the facts or circumstances giving rise thereto are known to the other party at the date of this Agreement. For purposes of this Agreement, "known to the other party" or similar expressions mean the knowledge, information or belief, at the relevant time, of any of the party's directors, officers, or professional advisors.

### **ARTICLE 5 – CONDITIONS PRECEDENT AND OTHER MATTERS**

#### 5.1 Mutual Conditions Precedent

The respective obligations of the parties hereto to consummate the transactions contemplated herein are subject to the satisfaction, on or before the Closing Date, of the following conditions any of which may be waived by the mutual consent of the parties without prejudice to their rights to rely on any other or others of such conditions:

- (a) the First One Special Resolution shall have been approved by the First One Shareholders in accordance with the provisions of the OBCA;
- (b) the First One Special Resolution shall have been approved by the majority of the minority First One Shareholders as required by the Policy;
- (c) the Red Media Special Resolution shall have been approved by the Red Media Shareholders in accordance with the provisions of the OBCA;
- (d) the Amalco Stock Option Plan shall have been approved by the holders of Red Media Common Shareholders, the First One Shareholders and the TSX Venture;
- (e) all other necessary regulatory approvals shall have been obtained, including any approvals in connection with the issuance, distribution and first resale of the securities of Amalco contemplated herein;

- (f) there shall not exist any prohibition at law against the completion of the Amalgamation;
- (g) the TSX Venture shall have approved the issuance by Amalco of the Amalco First One Replacement Options and the Amalco Red Media Replacement Options in connection with the completion of the Amalgamation on the terms and conditions of the Amalco Stock Option Plan;
- (h) the TSX Venture shall have conditionally approved the listing on Tier 2 or 1 of the TSX Venture prior to the Effective Date of the Amalco Common Shares (i) to be issued pursuant to the Amalgamation as of the Effective Date, (ii) issuable upon exercise of the Amalco First One Replacement Options and the Amalco Red Media Replacement Options granted in accordance with this Agreement, (iii) issuable upon exercise of the Amalco Red Media Replacement 2006 Warrants to be issued in accordance with this Agreement, (iv) issuable upon the exercise of the Amalco Red Media Replacement 2007 Warrants, and (v) issuable upon exercise of the Amalco First One Replacement Agent's Options to be issued in accordance with this Agreement, subject, in each case, to compliance with the usual requirements of the TSX Venture;
- (i) Amalco, upon completion of the Amalgamation, shall meet the minimum original listing requirements of the TSX Venture and the TSX Venture shall have, prior to the Effective Date, issued its approval of the transactions contemplated herein;
- (j) TSX Venture shall have granted conditional approval to the Amalgamation as a Qualifying Transaction of First One;
- (k) the TSX Venture Escrow Agreement shall have been entered into with terms satisfactory to the parties thereto;
- (l) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement, including, without limitation the Amalgamation;
- (m) all consents, orders and approvals, including, without limitation, regulatory approvals, required or necessary or desirable for the completion of the transactions provided for in this Agreement shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, all on terms satisfactory to each of the parties hereto, acting reasonably; and
- (n) this Agreement shall not have been terminated in accordance with section 7.2.

## 5.2 Conditions to Obligations of Red Media

The obligation of Red Media to consummate the transactions contemplated herein is subject to the satisfaction, on or before the Closing Date, of the following conditions:

- (a) each of the acts and undertakings of First One to be performed on or before the Closing Date pursuant to the terms of this Agreement shall have been duly performed by First One;

- (b) no material adverse change in the business, affairs, assets or operations of First One shall have occurred between the date hereof and the Effective Date;
- (c) except as affected by the transactions contemplated herein, the representations and warranties of First One contained in section 4.1 shall be true in all material respects on the Closing Date with the same effect as though such representations and warranties had been made at and as of such time and Red Media shall have received a certificate to that effect, dated the Closing Date, from an officer of First One acceptable to Red Media, to the best of his knowledge, having made reasonable inquiry;
- (d) the covenants of First One contained in sections 3.3 and 3.4 shall have been complied with and Red Media shall have received a certificate of an officer of First One to such effect and outlining the cash on hand and liabilities of First One (including accrued fees payable) on the Closing Date;
- (e) First One shall have furnished Red Media with:
  - (i) certified copies of the resolutions passed by the board of directors of First One approving this Agreement and the consummation of the transactions contemplated herein;
  - (ii) certified copies of the First One Special Resolution and the resolution approving the Amalco Stock Option Plan as passed by the First One Shareholders at the First One Meeting;
  - (iii) a conditional approval letter from TSX Venture approving the Amalgamation upon the terms hereof as a Qualifying Transaction of First One, approving the listing of the Amalco Common Shares issued and outstanding on the Effective Date and the Amalco Common Shares issuable pursuant to the Amalgamation upon exercise of any securities of Amalco convertible or exercisable into Amalco Common Shares, as well as conditionally approving the Amalco Stock Option Plan, subject to the usual conditions; and
  - (iv) a certificate of First One Registrar and Transfer Agent outlining the number of issued and outstanding First One Common Shares;
- (f) the latest available audited financial statements of First One shall be true and correct and shall have been prepared in accordance with generally accepted accounting principles;
- (g) the completion of a due diligence review of First One to the satisfaction of Red Media;
- (h) the Amalco Stock Option Plan shall be in a form satisfactory to each of Red Media and First One;
- (i) the holders of not more than 10% of the issued and outstanding First One Common Shares shall have exercised, and not withdrawn, their dissent rights with respect to the Amalgamation pursuant to the Act;

- (j) since the date of this Agreement, no action, suit or proceeding shall have been taken before or by any Person against First One (whether or not purportedly on behalf of First One) that would, if successful, have a material adverse effect on First One, in the sole discretion of Red Media, acting reasonably; and
- (k) all other necessary corporate action shall have been taken by First One to permit the consummation of the Amalgamation and the transactions contemplated herein.

The conditions described above are for the exclusive benefit of Red Media and may be asserted by Red Media regardless of the circumstances, or may be waived by Red Media in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Red Media may have hereunder or at law.

### 5.3 Conditions to Obligations of First One

The obligations of First One to consummate the transactions contemplated herein are subject to the satisfaction, on or before the Closing Date, of the following conditions:

- (a) each of the acts and undertakings of Red Media to be performed on or before the Closing Date pursuant to the terms of this Agreement shall have been duly performed by Red Media;
- (b) no material adverse change in the business, affairs, financial condition or operations of Red Media shall have occurred between the date hereof and the Effective Date;
- (c) except as affected by the transactions contemplated herein, the representations and warranties of Red Media contained in section 4.2 shall be true in all material respects on the Closing Date with the same effect as though such representations and warranties had been made at and as of such time, and First One shall have received a certificate to such effect, dated the Closing Date, of a senior officer of Red Media to the best of his knowledge having made reasonable inquiry;
- (d) the covenants of Red Media contained in sections 3.1 and 3.2 shall have been complied with, and First One shall have received a certificate to such effect, dated the Closing Date, of a senior officer of Red Media;
- (e) Red Media shall have furnished First One with:
  - (i) certified copies of the resolutions passed by the board of directors of Red Media approving this Agreement and the consummation of the transactions contemplated herein; and
  - (ii) a certified copy of the Red Media Special Resolution as passed by the Red Media Shareholders at the Red Media Meeting;
- (f) the Non-Competition Agreements shall have been executed and delivered by the parties thereto other than Amalco and contain terms and conditions satisfactory to First One;

- (g) the Employment Agreements shall have been executed and delivered by the parties thereto other than Amalco and contain terms and conditions satisfactory to First One;
- (h) the completion of a due diligence review of Red Media to the satisfaction of First One;
- (i) the latest available financial statements of Red Media shall be true and correct and shall have been prepared in accordance with generally accepted accounting principles;
- (j) holders of not more than 10% of the issued and outstanding Red Media Common Shares or Red Media Preference Shares, each as a class and as the case may be, shall have exercised, and not withdrawn, their dissent rights with respect to the Amalgamation pursuant to the Act;
- (k) since the date of this Agreement, no action, suit or proceeding shall have been taken before or by any Person against Red Media (whether or not purportedly on behalf of Red Media) that would, if successful, have a material adverse effect on Red Media, in the sole discretion of First One, acting reasonably; and
- (l) all other necessary corporate action shall have been taken by Red Media to permit the consummation of the Amalgamation and the transactions contemplated herein.

The conditions described above are for the exclusive benefit of First One and may be asserted by First One regardless of the circumstances, or may be waived by First One in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which First One may have hereunder or at law.

#### 5.4 Merger of Conditions

The conditions set out in sections 5.1, 5.2 and 5.3 shall be conclusively deemed to have been satisfied, waived or released on the filing of the Articles of Amalgamation with the Director and such other documents as are required to be filed under the OBCA for acceptance by the Director to give effect to the Amalgamation, and the issuance by the Director of a Certificate of Amalgamation.

#### 5.5 Closing Matters

- (1) The completion of the transactions contemplated under this Agreement shall be closed at the offices of Red Media's counsel, Wildeboer Dellelce LLP, Suite 810, 1 First Canadian Place, 100 King Street West, Toronto, Ontario, at 10:00 a.m. (Toronto Time) (the "**Time of Closing**") the Closing Date.
- (2) Each of Red Media and First One shall deliver, at the Time of Closing, such customary certificates, resolutions, legal opinions and other closing documents as may be required by the other parties hereto, acting reasonably. For greater certainty, First One shall also deliver evidence that all regulatory and TSX Venture approvals have been obtained.

## ARTICLE 6 – NOTICES

### 6.1 Notices

All notices, requests and demands hereunder, which may or are required to be given pursuant to any provision of this Agreement, shall be given or made in writing and shall be delivered by courier, telecopier or e-mail as follows:

- (a) to First One, addressed to:

First One Capital Inc.  
41<sup>st</sup> Floor  
1 First Canadian Place  
100 King Street West  
Toronto, Ontario  
M5X 1B2

Attention: Owen B. Menzel  
Telecopier: 416-863-4592  
e-mail: ommenzel@sympatico.ca

with a copy to:

Fraser Milner Casgrain LLP  
Barristers & Solicitors  
41<sup>st</sup> Floor,  
1 First Canadian Place  
100 King Street West  
Toronto, Ontario  
M5X 1B2

Attention: Rubin Rapuch  
Telecopier: 416-863-4592  
e-mail: rubin.rapuch@fmc-law.com

- (b) to Red Media, addressed to:

Red Media Corp.  
2<sup>nd</sup> Floor, 1907 Spadina Avenue  
Toronto, Ontario  
M5C 2T8

Attention: Roger O. Abbiss  
Telecopier: 416-593-0676  
e-mail: roger@redtoronto.com

with a copy to:

Wildeboer Dellelce LLP  
Barristers & Solicitors  
Suite 810, 1 First Canadian Place, P.O Box 4  
100 King Street West  
Toronto, Ontario  
M5X 1A9

Attention: Susan L. Mitchell  
Telecopier: 416-361-4768  
e-mail: smitchell@wildlaw.ca

or to such other addresses and telecopier numbers as the parties may, from time to time, advise to the other parties hereto by notice in writing. All notices, requests and demands hereunder shall be deemed to have been received, if delivered by courier on the date of delivery and if sent by telecopier or e-mail, on the next Business Day after the telecopy was sent.

## ARTICLE 7 – AMENDMENT AND TERMINATION OF AGREEMENT

### 7.1 Amendment

This Agreement may, at any time and from time to time before or after the holding of the Meetings, be amended by written agreement of the parties hereto without, subject to applicable law, further notice to or authorization on the part of their respective shareholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the parties hereto;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the parties hereto; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment shall change the provisions hereof regarding the consideration to be received by securityholders of First One and the securityholders of Red Media without approval by such securityholders of First One and Red Media given in the same manner as required for the approval of the Amalgamation.

### 7.2 Rights of Termination

If any of the conditions contained in Article 5 shall not be fulfilled or performed by July 31, 2005 (the “**Termination Date**”) and such condition is contained in:

- (a) section 5.1, any of the parties hereto may terminate this Agreement by notice to the other party;

- (b) section 5.2, Red Media may terminate this Agreement by notice to First One; or
- (c) section 5.3, First One may terminate this Agreement by notice to Red Media.

If this Agreement is terminated as aforesaid, the party terminating this Agreement shall be released from all obligations under this Agreement, all rights of specific performance against such party shall terminate and, unless such party can show that the condition the non-performance of which has caused such party to terminate this Agreement was reasonably capable of being performed by the other party, then the other party shall also be released from all obligations hereunder; and further provided that any of such conditions may be waived in full or in part by either of the parties without prejudice to its rights of termination in the event of the non-fulfillment or non-performance of any other condition.

### 7.3 Notice of Unfulfilled Conditions

If First One or Red Media shall determine at any time prior to the Effective Date that it intends to refuse to consummate the Amalgamation or any of the other transactions contemplated hereby because of any unfulfilled or unperformed condition contained in this Agreement on the part of the other of them to be fulfilled or performed, First One or Red Media, as the case may be, shall so notify the other of them forthwith upon making such determination in order that such other of them shall have the right and opportunity to take such steps, at its own expense, as may be necessary for the purpose of fulfilling or performing such condition within a reasonable period of time, but in no event later than the Termination Date.

### 7.4 Mutual Termination

This Agreement may, at any time before or after the holding of the Meetings, but no later than the last Business Day immediately preceding the Effective Date, be terminated by mutual agreement of the directors of First One and Red Media without further action on the part of the First One Shareholders or the Red Media Shareholders, and, if the Amalgamation does not become effective on or before the Termination Date, either First One or Red Media may unilaterally terminate this Agreement, which termination will be effective upon a resolution to that effect being passed by its directors and notice thereof being given to the other of them.

## ARTICLE 8 – GENERAL

### 8.1 Stand Still Agreement

As long as this Agreement is in effect and except as contemplated herein, neither First One nor Red Media (including their respective directors, officers and agents) will solicit any discussions, expressions of interest, proposals or accept any offers from any Person relating to a possible merger, amalgamation, arrangement or relating to the sale of substantially all of the shares or assets, or any controlling equity interest of First One or Red Media, as applicable, provided however that the board of directors of First One and Red Media, as applicable, may take action or refrain from taking action as is appropriate to satisfy applicable fiduciary duties and further provided that First One and Red Media (including their directors, officers and agents) may solicit and accept offers if the Articles of Amalgamation are not filed with the Director on or before the Termination Date.

### 8.2 Disclosure of Alternative Transaction

In the event either Red Media or First One shall receive an unsolicited proposal, offer or expression of interest in connection with any of those matters referred to in section 8.1 on or before the

Termination Date, the recipient of such proposal, offer or expression of interest shall notify the other parties hereto and shall provide details of such proposal, offer or expression of interest to the other parties hereto.

### 8.3 Entire Agreement

The terms and provisions herein contained and the schedules hereto constitute the entire agreement between the parties and shall supersede all previous oral or written communications including, without limitation, the letter agreement between the parties dated March 18, 2005.

### 8.4 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

### 8.5 Investigation

Any investigation by a party hereto and its advisors shall not mitigate, diminish or affect the representations and warranties of the other party of this Agreement.

### 8.6 Waiver and Modification

Red Media and First One may waive or consent to the modification of, in whole or in part, any inaccuracy or any representation or warranty made to them hereunder or in any document to be delivered pursuant hereto and may waive or consent to the modification of any of the covenants or agreements herein contained for their respective benefit or waive or consent to the modification of any of the obligations of the other parties hereto. Any waiver or consent to the modification of any of the provisions of this Agreement, to be effective, must be in writing executed by the party granting such waiver or consent.

### 8.7 No Personal Liability

(1) No director, officer, employee or agent of First One shall have any personal liability whatsoever to Red Media under this Agreement, or any other document delivered in connection with the Amalgamation on behalf of First One.

(2) No director, officer, employee or agent of Red Media shall have any personal liability whatsoever to First One under this Agreement, or any other document delivered in connection with the Amalgamation on behalf of Red Media.

### 8.8 Third Party Beneficiaries

Nothing in this Agreement, express or implied, shall be construed to create any third party beneficiaries.

### 8.9 Assignment

No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other party hereto.

#### 8.10 Public Disclosure

The parties agree to consult with each other before making any public disclosure or announcement of or pertaining to this Agreement, and that any such disclosure or announcement shall be mutually satisfactory to all parties; provided, however, this section shall not apply in the event any party hereto is advised by its counsel that certain disclosures or announcements, which the other parties after reasonable notice will not consent to, are required to be made by applicable laws, stock exchange rules or policies of regulatory authorities having jurisdiction.

#### 8.11 Expenses

Whether or not the Amalgamation is completed, First One and Red Media shall each pay for their respective costs and expenses, including legal and account costs, incurred in connection with the Amalgamation. Red Media shall also pay 50% of the costs of the sponsor retained by First One in connection with obtaining TSX Venture approval of the Amalgamation, up to a maximum of \$25,000, whether or not the Amalgamation is completed.

#### 8.12 Time of Essence

Time shall be of the essence of this Agreement.

#### 8.13 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, and the parties hereto irrevocably attorn to the jurisdiction of the courts of the Province of Ontario.

#### 8.14 Severability

If any provisions contained in this Agreement shall be declared invalid, illegal or unenforceable by a court or other lawful authority of competent jurisdiction, this Agreement shall continue in force with respect to the enforceable provisions and all rights and remedies accrued under the enforceable provisions shall survive any such declaration, and any non-enforceable provision shall to the extent permitted by law be replaced by a provision which, being valid, comes closest to the intention underlying the invalid, illegal and unenforceable provision.

#### 8.15 Confidentiality

Each of Red Media and First One will provide such information as to its financial condition, business, properties, title, assets and affairs (including any material contracts) as may reasonably be requested by the other party. Such information which:

- (a) has not become generally available to the public; or
- (b) was not available to a party or its representatives on a non-confidential basis before the date of this letter; or
- (c) does not become available to a party or its representatives on a non-confidential basis from a person who is not, to the knowledge of the party or its representatives, otherwise bound by confidentiality obligations to the provider of such information or

otherwise prohibited from transmitting the information to the party or its representatives;

will be kept confidential by each party and shall constitute confidential information (the "**Confidential Information**"). No Confidential Information may be released to third parties without the consent of the provider thereof, except that the parties hereto agree that they will not unreasonably withhold such consent to the extent that such Confidential Information is compelled to be released by legal process or must be released to regulatory bodies and/or included in public documents.

8.16 Further Assurances

Each party hereto shall, from time to time, and at all times hereafter, at the request of the other parties hereto, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

8.17 Counterparts and Facsimile Copies

This Agreement may be executed in separate counterparts, and all such counterparts when taken together shall constitute one agreement. The parties shall be entitled to rely on delivery of a facsimile copy of the executed Agreement and such facsimile copy shall be legally effective to create a valid and binding Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

**FIRST ONE CAPITAL INC.**

Per: \_\_\_\_\_

Owen B. Menzel  
Chief Executive Officer and Chief Financial  
Officer

**RED MEDIA CORP.**

Per: \_\_\_\_\_

Roger O. Abbiss  
President and Chief Executive Officer

**Schedule "A"**

**Articles of Amalgamation (form of)**

Please see attached.



Tomas Berinstein	1233 Dundas Street East Toronto, Ontario M4M 1S4	Yes
Jeffrey A. Dawson	First Floor 1675 Bathurst Street Toronto, Ontario M5P 3J8	Yes
Perry N. Dellelce	Suite 810, P.O. Box 4 1 First Canadian Place 100 King Street West Toronto, Ontario M5X 1A9	Yes
Timothy M. Gould	Suite 201 1220 Yonge Street Toronto, Ontario M4T 1W1	Yes
Michael C. Holiday	2784 Slough Street Mississauga, Ontario L4T 1G3	Yes
Owen B. Menzel	Suite 810, P.O. Box 4 1 First Canadian Place 100 King Street West Toronto, Ontario M5X 1A9	Yes
Chris G. Tambakis	Suite 2200 1 Queen Street East Toronto, Ontario M5C 2Z2	Yes

5. Check A or B  
Cocher A ou B

- A) The amalgamation agreement has been duly adopted by the shareholders of each of the amalgamating corporations as required by subsection 176 (4) of the Business Corporations Act on the date set out below.
- A) *Les actionnaires de chaque société qui fusionne ont dûment adopté la convention de fusion conformément au paragraphe 176 (4) de la Loi sur les sociétés par actions à la date mentionnée ci-dessous.*

or  
ou

- B) The amalgamation has been approved by the directors of each amalgamating corporation by a resolution as required by section 177 of the Business Corporations Act on the date set out below.
- B) *Les administrateurs de chaque société qui fusionne ont approuvé la fusion par voie de résolution conformément à l'article 177 de la Loi sur les sociétés par actions à la date mentionnée ci-dessous.*

The articles of amalgamation in substance contain the provisions of the articles of incorporation of  
*Les statuts de fusion reprennent essentiellement les dispositions des statuts constitutifs de*

Not Applicable

and are more particularly set out in these articles.  
*et sont énoncés textuellement aux présents statuts.*

Names of amalgamating corporations <i>Dénomination sociale des sociétés qui fusionnent</i>	Ontario Corporation Number <i>Numéro de la société en Ontario</i>	Date of Adoption/Approval <i>Date d'adoption ou d'approbation</i> Year / année    Month / mois    Day / jour
First One Capital Inc.	2016371	2005/08/05
Red Media Corp.	2022191	2005/08/05

6. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.  
*Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la société.*

None.

7. The classes and any maximum number of shares that the corporation is authorized to issue:  
*Catégories et nombre maximal, s'il y a lieu, d'actions que la société est autorisée à émettre:*

The corporation is authorized to issue an unlimited number of common shares and an unlimited number of preference shares issuable in series.

8. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:

*Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions qui peut être émise en série:*

**A. COMMON SHARES**

The common shares shall have attached thereto the following rights, privileges, restrictions and conditions:

**1. Dividends**

Subject to the prior rights of the holders of any other class or series of shares ranking senior to the common shares with respect to priority in the payment of dividends, the holders of common shares shall be entitled to receive dividends, and the corporation shall pay dividends thereon, as and when declared by the board of directors out of moneys properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine and all dividends which the directors may declare on the common shares shall be declared and paid in equal amounts per share on all common shares at the time outstanding.

**2. Dissolution**

In the event of the dissolution, liquidation or winding-up of the corporation, whether voluntary or involuntary, or any other distribution of assets of the corporation among its shareholders for the purpose of winding up its affairs, subject to the prior rights of the holders of any other class or series of shares ranking senior to the common shares with respect to priority in the distribution of assets upon dissolution, liquidation or winding-up, the holders of common shares shall participate rateably in equal amounts per share in the remaining property and assets of the corporation.

**3. Voting**

The holders of common shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have one vote for each common share held at any such meeting, except for meetings at which only holders of a specified class or series of shares of the corporation are entitled to vote separately as a class or series.

**B. PREFERENCE SHARES**

The preference shares, as a class, shall have attached thereto the following rights, privileges, restrictions and conditions:

**1. Directors' Authority to Issue in One or More Series**

The board of directors may issue the preference shares at any time and from time to time in one or more series. Before the first shares of a particular series are issued, the board of directors shall fix the number of shares in such series and shall determine, subject to the limitations set out in the articles, the designation, rights, privileges, restrictions and

conditions to be attached to the shares of such series including, without limitation, the rate or rates, amount or method or methods of calculation of dividends thereon, the time and place of payment of dividends, whether cumulative or non-cumulative or partially cumulative and whether such rate, amount or method of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment of dividends, the consideration and the terms and conditions of any purchase for cancellation, retraction or redemption rights (if any), the conversion or exchange rights attached thereto (if any), the voting rights attached thereto (if any), and the terms and conditions of any share purchase plan or sinking fund with respect thereto. Before the issue of the first shares of a series, the board of directors shall send to the Director (as defined in the *Business Corporations Act* (Ontario)) articles of amendment containing a description of such series including the designation, rights, privileges, restrictions and conditions determined by the board of directors.

## **2. Ranking**

No rights, privileges, restrictions or conditions attached to a series of preference shares shall confer upon a series a priority in respect of dividends or return of capital over any other series of preference shares then outstanding. The preference shares shall be entitled to priority over the common shares and over any other shares of the corporation ranking junior to the preference shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the corporation, whether voluntary or involuntary, or any other distribution of the assets of the corporation among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on a return of capital in respect of a series of preference shares are not paid in full, the preference shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided however, that in the event of there being insufficient assets to satisfy in full all such claims to dividends and return of capital, the claims of the holders of the preference shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends. The preference shares of any series may also be given such other preferences, not inconsistent with this section, over the common shares and over any other shares ranking junior to the preference shares as may be determined in the case of such series of preference shares.

## **C. PREFERENCE SHARES, SERIES A**

The first series of preference shares shall consist of an unlimited number of shares and shall be designated as preference shares, series A (the "**Series A Shares**"). The Series A Shares shall have attached thereto, in addition to the rights, privileges, restrictions and conditions attaching to the preference shares as a class, the following rights, privileges, restrictions and conditions:

## **1. Dividends**

### **1.1 Cumulative Dividends**

The holders of Series A Shares, in priority to the holders of the common shares and the holders of shares of any other class ranking junior to the Series A Shares, but subject to the prior rights of the holders of any class of shares ranking senior to the Series A Shares, shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors out of moneys properly applicable to the payment of dividends, fixed preferential cumulative dividends at the rate of 13.86% per annum on the Redemption Price (as defined below) per share. Such dividends shall be payable monthly on the first day of each month and shall accrue and be cumulative from the respective dates of issue. Such dividends shall be paid by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada (or, with the consent of any particular holder, by any other means of immediately available funds). If on any dividend payment date the dividend payable on such date is not paid in full on all the Series A Shares then issued and outstanding, such dividend, or the unpaid part thereof, shall be paid at a subsequent date or dates in priority to dividends on the common shares and any other shares ranking junior to the Series A Shares. The holders of Series A Shares shall not be entitled to any dividends other than or in excess of the preferential cumulative dividends provided herein.

### **1.2 Dividends Preferential**

Except with the consent in writing of the holders of all the Series A Shares outstanding, no dividend shall at any time be declared or paid on or set apart for payment on the common shares or on any other shares ranking junior to the Series A Shares in any financial year unless and until the accrued preferential cumulative dividends on all the Series A Shares outstanding have been declared and paid or set apart for payment.

## **2. Liquidation, Dissolution or Winding Up**

In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series A Shares shall be entitled to receive from the assets of the Corporation a sum equivalent to the aggregate Redemption Amount (as defined below) of all Series A Shares held by them respectively before any amount shall be paid or any assets of the Corporation distributed to the holders of any common shares or the holders of any shares ranking junior to the Series A Shares. After payment to the holders of the Series A Shares of the amount so payable to them as above provided, they shall not be entitled to share in any further distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

### 3. Redemption

#### 3.1 Redemption by Corporation

The Corporation may, upon giving notice as hereinafter provided, redeem at any time the whole or from time to time any part of the then outstanding Series A Shares from any one or more of the holders thereof as the board of directors may in its sole discretion determine on payment of \$0.90 (the "**Redemption Price**") for each share to be redeemed, plus all unpaid dividends which shall have accrued thereon and which shall be treated as accruing to but not including the date of such redemption, the whole constituting and being herein referred to as the "**Redemption Amount**".

#### 3.2 Idem

In the case of redemption of Series A Shares under the provisions of section 3.1, the Corporation shall at least 21 days (or, if all of the holders of the Series A Shares to be redeemed consent, such shorter period to which they may consent) before the date specified for redemption mail (or, with the consent of any particular holder, otherwise deliver) a notice in writing of the intention of the Corporation to redeem such Series A Shares to each person who at the record date for the determination of shareholders entitled to receive notice is a holder of Series A Shares to be redeemed. Such notice shall (subject to the consent of any particular holder referred to above) be mailed by letter, postage prepaid, addressed to each such holder at the holder's address as it appears on the records of the Corporation or if the address of any such holder not so appearing then to the last known address of such holder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount and the date on which redemption is to take place and if part only of the Series A Shares held by the person to whom the notice is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the holders of the Series A Shares to be redeemed the Redemption Amount thereof on presentation and surrender at the registered office of the Corporation or any other place designated in such notice of the certificates representing the Series A Shares called for redemption. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers in Canada (or, with the consent of any particular holder, by any other means of immediately available funds). If a part only of the Series A Shares represented by any certificate are redeemed a new certificate for the balance shall be issued at the expense of the Corporation. From and after the date specified for redemption in any such notice, the holders of the Series A Shares called for redemption shall cease to be entitled to dividends and shall not be entitled to exercise any of the rights of holders of Series A Shares in respect thereof unless payment of the Redemption Amount is not made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders of the Series A Shares shall remain unaffected. The Corporation shall have the right at any time after the mailing (or delivery, as the case may be) of notice of its intention to redeem any Series A Shares to deposit the Redemption Amount of the Series A Shares so called for redemption or of such of the said Series A Shares represented by certificates as have not at the date of such deposit been

surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or in any trust company in Canada, named in such notice, to be paid without interest to or to the order of the respective holders of Series A Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Series A Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total Redemption Amount so deposited against presentation and surrender of the said certificates held by them respectively and any interest allowed on such deposit shall belong to the Corporation.

#### **4. Voting Rights**

The holders of the Series A Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation but, except as otherwise provided by law, shall not be entitled to vote at any such meeting.

#### **D. RESTRICTIONS ON CLASS OR SERIES VOTING**

The holders of shares of a class or of a series of the Corporation are not entitled to vote separately as a class or series upon a proposal to amend the articles to:

- (a) increase or decrease any maximum number of authorized shares of such class or series, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of such class or series;
- (b) effect an exchange, reclassification or cancellation of the shares of such class or series; or
- (c) create a new class or series of shares equal or superior to the shares of such class or series.

9. The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows:  
*L'émission, le transfert ou la propriété d'actions est/n'est pas restreint. Les restrictions, s'il y a lieu, sont les suivantes:*

Not applicable.

10. Other provisions, (if any):  
*Autres dispositions, s'il y a lieu:*

The board of directors shall ensure that the business and operations of the corporation are conducted in an environmentally responsible and sensitive manner when making planning, purchasing and operating decisions; it being recognized that environmentally responsible business practices may have a higher initial cost, but that the long term benefits to the corporation and its shareholders will exceed any additional initial costs incurred.

The board of directors shall ensure that programs, guidelines and procedures are implemented to ensure full compliance with both the letter and spirit of all laws and regulations relating to the protection of the environment including, but not limited to:

- (a) the maximization of recycled content and responsible fibre sourcing, including the use of products that do not contain old-growth, endangered or virgin forest fibres;
  - (b) the education and training of the corporation's employees to be environmentally responsible in the performance of their duties to the corporation;
11. The statements required by subsection 178(2) of the Business Corporations Act are attached as Schedule "A".  
*Les déclarations exigées aux termes du paragraphe 178(2) de la Loi sur les sociétés par actions constituent l'annexe "A".*
12. A copy of the amalgamation agreement or directors' resolutions (as the case may be) is/are attached as Schedule "B".  
*Une copie de la convention de fusion ou les résolutions des administrateurs (selon le cas) constitue(nt) l'annexe "B".*

10. Other provisions, if any:  
*Autres dispositions, s'il y a lieu:*

(Continued)

- (c) designating an employee of the corporation to be responsible for the identification, implementation and management of the corporation's environmentally responsible initiatives;
- (d) assessing the environmental practices of suppliers to the corporation;
- (e) providing incentives to employees, suppliers and customers of the corporation to ensure compliance with the corporation's programs, guidelines and procedures; and
- (f) such other areas of concern or matters as may, in the opinion of the board of directors, be appropriate having regard for the environmental programs, guidelines and policies of the corporation.

Where the board of directors determines that existing laws are not adequate to ensure the protection of the environment, it shall establish and implement additional quality standards for the corporation.

These articles are signed in duplicate.  
*Les présents statuts sont signés en double exemplaire.*

Names of the amalgamating corporations and signatures and descriptions of office of their proper officers.  
*Dénomination sociale des sociétés qui fusionnent, signature et fonction de leurs dirigeants régulièrement désignés.*

**FIRST ONE CAPITAL INC.**

Per: \_\_\_\_\_  
Owen B. Menzel  
Chief Executive Officer

**RED MEDIA CORP.**

Per: \_\_\_\_\_  
Roger O. Abbiss  
President and Chief Executive Officer

**Schedule "B"**

**By-laws of Amalco**

Please see attached.

## **BY-LAW NO. 1**

A by-law relating generally to the transaction of the business and affairs of **REDCITY SEARCH COMPANY INC.**

### **CONTENTS**

Section One	- Interpretation
Section Two	- Business of the Corporation
Section Three	- Borrowing and Debt Obligations
Section Four	- Directors
Section Five	- Committees
Section Six	- Officers
Section Seven	- Protection of Directors, Officers and Others
Section Eight	- Shares
Section Nine	- Dividends and Rights
Section Ten	- Meetings of Shareholders
Section Eleven	- Notices
Section Twelve	- Effective Date

BE IT ENACTED as a by-law of the Corporation as follows:

**SECTION ONE  
INTERPRETATION**

1.01  
requires:

DEFINITIONS. In the by-laws of the Corporation, unless the context otherwise

requires:

“**Act**” means the *Business Corporations Act* (Ontario) and any statute that may be substituted therefor, as from time to time amended;

“**appoint**” includes “**elect**” and vice versa;

“**articles**” means the articles of amalgamation of the Corporation filed on August 5, 2005, as from time to time amended, supplemented or restated;

“**board**” means the board of directors of the Corporation and “**director**” means a member of the board;

“**by-laws**” means this by-law and all other by-laws of the Corporation from time to time in force and effect;

“**Corporation**” means the corporation formed by the articles under the Act and named “**RedCity Search Company Inc.**”;

“**day**” means a clear day and a period of days shall be deemed to commence on the day following the event that began the period and shall be deemed to terminate at midnight of the last day of the period except that if the last day of the period falls on a Sunday or holiday the period shall terminate at midnight of the day next following that is not a Sunday or a holiday;

“**meeting of shareholders**” includes an annual or other general meeting of shareholders and a special meeting of shareholders;

“**non-business day**” means Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act* (Ontario), as from time to time amended;

“**recorded address**” means in the case of a shareholder his address as recorded in the register of shareholders; and in the case of joint shareholders the address appearing in the register of shareholders in respect of such joint holding or the first address so appearing if there are more than one; and in the case of an officer, auditor or member of a committee of the board, his latest address as recorded in the records of the Corporation; and in the case of a director, his latest address as recorded in the records of the Corporation or in the most recent notice filed under the *Corporations Information Act* (Ontario), as amended, whichever is more current;

**“signing officer”** means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by or pursuant to section 2.04;

**“special meeting of shareholders”** includes a meeting of any class, classes or series of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders;

**“unanimous shareholder agreement”** means a written agreement among all the shareholders of the Corporation or among all such shareholders and one or more persons who are not shareholders, or a written declaration of the beneficial owner of all of the issued shares of the Corporation, that restricts, in whole or in part, the powers of the directors to manage or supervise the management of the business and affairs of the Corporation, as from time to time amended;

Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; words imparting the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

WHERE ANY PROVISION IN THESE BY-LAWS CONFLICTS WITH ANY PROVISION OF A UNANIMOUS SHAREHOLDER AGREEMENT, THE PROVISION OF SUCH UNANIMOUS SHAREHOLDER AGREEMENT SHALL GOVERN.

## **SECTION TWO BUSINESS OF THE CORPORATION**

2.01 REGISTERED OFFICE. Until changed in accordance with the Act, the registered office of the Corporation shall be within the municipality or geographic township within Ontario initially specified in the articles and thereafter as the shareholders may from time to time determine by special resolution, and at such location therein as the board may from time to time determine by resolution.

2.02 CORPORATE SEAL. The Corporation may have one or more different seals, which may be adopted or changed from time to time by resolution of the board. Until changed by resolution of the board, the Corporation shall carry on business without a seal.

2.03 FINANCIAL YEAR. The financial year of the Corporation shall end on such date in each year as shall be determined from time to time by resolution of the directors.

2.04 EXECUTION OF INSTRUMENTS. Subject to section 2.05, deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any one director or officer of the Corporation. The board may, from time to time, direct by resolution the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any authorized signing officer may affix the corporate seal of the Corporation, if any, to any instrument requiring same.

2.05           BANKING ARRANGEMENTS. The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions, delegations, powers or designations of authority to any one or more persons as the board may from time to time prescribe or authorize.

2.06           VOTING RIGHTS IN OTHER BODIES CORPORATE. The signing officers of the Corporation may execute and deliver instruments of proxy and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the person or persons signing or arranging for them. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07           DIVISIONS. The board may cause the business and operations of the Corporation or any part thereof to be divided or segregated into one or more divisions upon such basis, including without limitation, character or type of business or operations, geographical territories, product lines or goods or services as the board may consider appropriate in each case. From time to time the board or, if authorized by the board, the chief executive officer may authorize, upon such basis as may be considered appropriate in each case:

- (a)       SUB-DIVISION AND CONSOLIDATION – The further division of the business and operations of any such division into sub-units and the consolidation of the business and operations of any such divisions and sub-units;
- (b)       NAME – The designation of any such division or sub-unit by, and the carrying on of the business and operations of any such division or sub-unit under, a name other than the name of the Corporation; provided that the Corporation shall set out its name in legible characters in all contracts, invoices, negotiable instruments and orders for goods and services issued or made by or on behalf of the Corporation; and
- (c)       OFFICERS – The appointment of officers for any such division or sub-unit, the determination of their powers and duties, and the removal of any such officer so appointed without prejudice to such officer's rights under any employment contract or in law, provided that any such officers shall not, as such, be officers of the Corporation, unless expressly designated as such.

### **SECTION THREE BORROWING AND DEBT OBLIGATIONS**

3.01 **BORROWING POWER.** Without limiting the borrowing powers of the Corporation as set forth in the Act, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money on the credit of the Corporation;
- (b) issue, reissue, sell or pledge bonds, debentures, notes or other similar obligations, secured or unsecured, of the Corporation;
- (c) to the extent permitted by the Act, give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person; and
- (d) charge, mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

3.02 **DELEGATION.** The board may from time to time delegate to a committee of the board, one or more of the directors and officers of the Corporation, or any other person as may be designated by the board all or any of the powers conferred on the board by section 3.01 or by the Act to such extent and in such manner as the board shall determine at the time of each such delegation.

### **SECTION FOUR DIRECTORS**

4.01 **NUMBER OF DIRECTORS AND QUORUM.** Until changed in accordance with the Act, the board shall consist of the number of directors within the minimum and maximum number of directors provided for in the articles, as is determined by special resolution or, if such special resolution empowers the board to determine the number, by a resolution of the board; provided, however, that in the latter case the directors may not, between meetings of shareholders, increase the number of directors on the board to a total number greater than one and one-third times the number of directors required to have been elected at the last annual meeting of shareholders. The quorum for the transaction of business at any meeting of the board shall consist of a majority of the number of directors determined in the manner set forth above; provided that where the board consists of fewer than three directors, all directors shall constitute a quorum at any meeting of the board.

4.02 **QUALIFICATION.** The following persons are disqualified from being a director of the Corporation: (i) a person who is less than 18 years of age, (ii) a person who is of unsound

mind and has been so found by a court in Canada or elsewhere, (iii) a person who is not an individual, or (iv) a person who has the status of bankrupt. A director need not be a shareholder. A majority of the directors shall be resident Canadians but where the Corporation has only one or two directors that director or one of the two directors, as the case may be, shall be a resident Canadian.

4.03 ELECTION AND TERM. The election of directors shall take place at the first meeting and each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. The election may be by ordinary resolution. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

4.04 REMOVAL OF DIRECTORS. Subject to the provisions of the Act, the shareholders may by ordinary resolution of passed at an annual or special meeting called for such purpose remove any director or directors from office and the vacancy created by such removal may be filled at the same meeting failing which, provided a quorum remains in office, it may be filled by the board. Where the holders of any class or series of shares of the Corporation have an exclusive right to elect one or more directors, a director so elected may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series.

4.05 VACATION OF OFFICE. A director ceased to hold office when, (i) the director dies, (ii) the director is removed from office by the shareholders, (iii) the director ceases to be qualified for election as a director, or (iv) the director's written resignation is received by the Corporation or, if a time is specified in such resignation, at the time so specified, whichever is later.

4.06 VACANCIES. Subject to the provisions of the Act, a quorum of the board may fill a vacancy in the board, except a vacancy resulting from an increase in the number or, except as set out hereunder, in the maximum number of directors, as the case may be, or a failure to elect the number of directors required to be elected at any meeting of shareholders. Where the articles provide for a minimum and maximum number of directors and a special resolution has been passed empowering the directors to determine the number of directors, the directors may not, between meetings of shareholders, appoint an additional director if, after such appointment, the total number of directors would be greater than one and one-third times the number of directors required to have been elected at the last annual meeting of shareholders. In the absence of a quorum of the board, or if the vacancy has arisen from a failure of the shareholders to elect the number of directors required by section 4.01, the directors then in office shall forthwith call a special meeting of shareholders to fill the vacancy and, if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder.

4.07 ACTION BY THE BOARD. Subject to any unanimous shareholder agreement, the board shall manage or supervise the management of the affairs and business of the Corporation. Subject to sections 4.08 and 4.09, the powers of the board may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as

a quorum remains in office. Where the Corporation has only one director, that director may constitute a meeting.

4.08 CANADIAN MAJORITY AT MEETINGS. The board shall not transact business at a meeting, other than filling a vacancy in the board, unless a majority of the directors present are resident Canadians, except where:

- (a) a resident Canadian director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) a majority of resident Canadian directors would have been present had that director been present at the meeting.

4.09 MEETINGS BY TELEPHONE. If all the directors of the Corporation present at or participating in a meeting consent, a meeting of the board or of a committee of the board may be held by means of telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in such meeting by such means is deemed for the purposes of the Act to be present at that meeting. Any consent so given shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board.

4.10 PLACE OF MEETINGS. Meetings of the board may be held at any place within or outside Ontario and, in any financial year of the Corporation, any or all of the meetings of the board may be held at any place outside Canada.

4.11 CALLING OF MEETINGS. Meetings of the board shall be held from time to time at such place at such time and on such day as the board, the chairperson of the board, the president or any two directors may determine.

4.12 NOTICE OF MEETING. Notice of the time and place of each meeting of the board shall be given in the manner provided in section 11.01 to each director, not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified. A director may in any manner and at any time waive a notice of or otherwise consent to a meeting of the board and, subject to the Act, attendance of a director at a meeting of the board is a waiver of notice of the meeting.

4.13 FIRST MEETING OF NEW BOARD. Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.14 ADJOURNED MEETING. Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.15 REGULAR MEETINGS. The board may appoint a day or days in any month or months for regular meetings at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings of the board shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified..

4.16 CHAIRPERSON. The chairperson of any meeting of the board shall be the first named of such of the following officers as have been appointed and who is a director and is present at the meeting: chairperson of the board, managing director (if any), president or a vice-president. If no such officer is present, the directors present shall choose one of their number to be chairperson.

4.17 VOTES TO GOVERN. At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes, the chairperson of the meeting shall not be entitled to a casting vote.

4.18 CONFLICT OF INTEREST. A director of the Corporation who is a party to, or who is a director or an officer of, or has a material interest in, any person who is a party to, a material contract or transaction or proposed material contract or transaction with the Corporation, shall disclose the nature and extend of his or her interest at the time and in the manner provided by the Act. Any such contract or transaction or proposed contract or transaction shall be referred to the board or shareholders for approval even if such contract is one that in the ordinary course of the Corporation's business would not require approval by the board or the shareholders. Such director shall not vote on any resolution to approve such contract or transaction or proposed contract or proposed transaction unless the material contract or transaction is:

- (a) an arrangement by way of security for money lent to or obligations undertaken by the director for the benefit of the Corporation or an affiliate;
- (b) one relating primarily to his or her remuneration as a director, officer, employee or agent of the Corporation or an affiliate;
- (c) one for indemnity or insurance as specified under the Act; or
- (d) one with an affiliate.

Despite the foregoing prohibition on voting by such a director, the director may be present at and counted to determine the presence of a quorum at the relevant meeting of directors as provided in the Act.

4.19 REMUNERATION AND EXPENSES. Subject to any unanimous shareholder agreement, the directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee

thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

4.20 **RESOLUTION IN WRITING BY DIRECTORS.** A resolution in writing signed by all the directors entitled to vote on that resolution at a meeting is as valid as if it had been passed at a meeting of the directors unless a written statement or written representation with respect to the subject matter of the resolution is submitted by a director or the auditor, respectively, in accordance with the Act. A resolution in writing may be signed by the directors in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same resolution in writing, and by a director using a facsimile signature, in which case the other directors, the Corporation and the shareholders are entitled to rely on such facsimile signature as conclusive evidence that such resolution in writing has been duly executed by such director.

4.21 **ONLY ONE DIRECTOR.** Where the Corporation has only one director, that director may constitute a meeting.

## **SECTION FIVE COMMITTEES**

5.01 **COMMITTEES OF THE BOARD.** The board may appoint one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board except those powers which pertain to items which, under the Act, a committee of the board has no authority to exercise. A majority of the members of any such committee shall be resident Canadians.

5.02 **EXECUTIVE COMMITTEE.** Whenever the board consists of more than six directors, the board may appoint an executive committee of the board to be composed of not fewer than three directors. The executive committee may exercise all of the powers of the board, except those powers which pertain to items which, under the Act, a committee of the board has no authority to exercise.

5.03 **TRANSACTION OF BUSINESS.** Subject to the provisions of section 4.09, the powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at such place or places designated in section 4.10

5.04 **ADVISORY COMMITTEES.** The board may from time to time appoint such advisory bodies as it may deem advisable.

5.05 **PROCEDURE.** Unless otherwise determined by the board, each committee and advisory body shall have power to fix its quorum at not less than a majority of its members, to elect its chairperson, and to regulate its procedure.

5.06 LIMITS ON AUTHORITY. Despite any other provision of the by-laws, no managing director and no committee of directors has authority to:

- (a) submit to the shareholders any question or matter requiring the approval of the shareholders;
- (b) fill a vacancy among the directors or in the office of auditor or appoint or remove any of the chief executive officers, however designated, the chief financial officer, however designated, the chairperson or the president of the Corporation;
- (c) subject to the Act, issue securities except in the manner and on the terms authorized by the directors;
- (d) declare dividends;
- (e) purchase, redeem or otherwise acquire shares issued by the Corporation;
- (f) pay a commission referred to in the Act;
- (g) approve a management information circular referred to in the Act;
- (h) approve a take-over bid circular, directors' circular or issuer bid circular referred to in the *Securities Act* (Ontario);
- (i) approve any financial statements referred to in the Act and the *Securities Act* (Ontario);
- (j) approve an amalgamation between the Corporation and (i) its holding body corporate, (ii) any one or more of its subsidiaries, and (iii) any one or more corporations where the Corporation and any such corporation are subsidiaries of the same holding body corporate; and
- (k) adopt, amend or repeal by-laws.

## SECTION SIX OFFICERS

6.01 APPOINTMENT. Subject to any unanimous shareholder agreement, the board may from time to time elect or appoint a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer, and such other officers as the board may determine, including one or more assistants to any of the officers so elected or appointed. The board may specify the duties of and, in accordance with the by-laws and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to sections 6.02 and 6.03, an officer may but need not be a director, and one person may hold more than one office.

6.02 CHAIRPERSON OF THE BOARD. The board may from time to time also appoint a chairperson of the board who shall be a director. If so appointed, the board may assign to the chairperson any of the powers and duties that are by any provisions of the by-laws assigned to the managing director or to the president, and the chairperson shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. If appointed, the chairperson of the board shall, if present, preside at all meetings of the board and, in the absence of the president, at all meetings of shareholders. During the absence or disability of the chairperson of the board, the chairperson's duties shall be performed and the chairperson's powers exercised by the managing director (if any) or by the president.

6.03 MANAGING DIRECTOR. The board may from time to time also appoint a managing director who shall be a resident Canadian and a director. If appointed, the managing director shall be the chief executive officer and, subject to the authority of the board, shall have general supervision of the business and affairs of the Corporation; and shall, subject to the provisions of the Act and section 5.05, have such other powers and duties as the board may specify. During the absence or disability of the president, or if no president has been appointed, the managing director shall also have the powers and duties of that office.

6.04 PRESIDENT. If appointed, the president shall be the chief operating officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation; and shall have such other powers and duties as the board may specify. During the absence or disability of the managing director, or if no managing director has been appointed, the president shall also have the powers and duties of that office and shall be the chief executive officer.

6.05 VICE-PRESIDENT. A vice-president shall have such other powers and duties as the board or the chief executive officer may prescribe.

6.06 SECRETARY. The secretary shall attend and be the secretary of all meetings of the board (or arrange for another individual to so act), shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat. The secretary shall give or cause to be given, as and when instructed, all notices to directors, shareholders, auditors and members of committees of the board. The secretary shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and shall have such other duties as the board or the chief executive officer may prescribe.

6.07 TREASURER. The treasurer shall keep proper accounting records in compliance with the Act and, under the direction of the board, shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation. The treasurer shall render to the board whenever required an account of all transactions as treasurer and of the financial position of the Corporation; and shall have such other duties as the board or the chief executive officer may prescribe.

6.08            **POWERS AND DUTIES OF OTHER OFFICERS.** The powers and duties of all other officers of the Corporation shall be such as the terms of their engagement call for or as the board or the chief executive officer may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.09            **VARIATION OF POWERS AND DUTIES.** The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

6.10            **TERM OF OFFICE.** The board, in its discretion, may remove any officer of the Corporation, without prejudice to any officer's rights under any employment contract. Otherwise each officer elected or appointed by the board shall hold office until his successor is elected or appointed, or until such officer's earlier resignation.

6.11            **TERMS OF EMPLOYMENT AND REMUNERATION.** The terms of employment and the remuneration of an officer elected or appointed by the board shall be settled by the board from time to time.

6.12            **CONFLICT OF INTEREST.** An officer shall disclose such officer's interest in any material contract or transaction or proposed material contract or transaction with the Corporation in accordance with section 4.18 and the Act.

6.13            **AGENTS AND ATTORNEYS.** The board shall have power to appoint agents or attorneys for the Corporation within or outside Canada with such powers of management, administration or otherwise (including the power to sub-delegate) as may be thought fit, subject to the provisions of the Act.

6.14            **FIDELITY BONDS.** The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their power and duties, in such form and with such surety as the board may from time to time determine.

## **SECTION SEVEN PROTECTION OF DIRECTORS, OFFICERS AND OTHERS**

7.01            **LIMITATION OF LIABILITY.** Every director and officer of the Corporation in exercising his powers and discharging his duties shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, receipts, neglects or defaults of any other director, officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by order of the board for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the

bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on the part of such director or officer, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of such director's or officer's office or in relation thereto; unless the same are occasioned by such director's or officer's own wilful neglect or fault, provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability imposed upon such director or officer by the Act.

7.02 INDEMNITY. Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if:

- (a) he or she acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.

The Corporation shall also indemnify such person in such other circumstances as the Act permits or requires. Nothing in the by-laws shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of the by-laws.

7.03 INSURANCE. Subject to the limitations contained in the Act, the Corporation may purchase and maintain insurance for the benefit of any person referred to in section 7.02 against such liabilities and in such amounts as the board may from time to time determine and as are permitted by the Act.

## SECTION EIGHT SHARES

8.01 ALLOTMENT. Subject to the Act, the articles and any unanimous shareholder agreement, the board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such time and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as provided by the Act.

8.02 COMMISSIONS. The board may from time to time authorize the Corporation to pay a reasonable commission to any person in consideration of such person purchasing or

agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.03           TRANSFER AGENTS AND REGISTRARS. The board may from time to time appoint, for each class of securities issued by the Corporation, (a) a trustee, transfer agent or other agent to keep the securities register and the register of transfers and one or more persons to keep branch registers, and (b) a registrar, trustee or agent to maintain a record of issued security certificates and, subject to the Act, one person may be appointed for the purposes of clauses (a) and (b) in respect of all securities of the Corporation or any class or classes thereof. The board may at any time terminate such appointment.

8.04           REGISTRATION OF A SHARE TRANSFER. Subject to the provisions of the Act, no transfer of a share shall be registered in a securities register except upon surrender of the certificate representing such share with an endorsement which complies with the Act made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine or, if no certificate has been issued by the Corporation in respect of such share, unless a duly executed instrument of transfer in respect thereof has been declined to the Corporation or its transfer agent, as the case may be, and effective as the board may from time to time prescribe, upon payment of all applicable taxes and any reasonable fee, not to exceed \$3.00, prescribed by the board, upon compliance with such restrictions on transfer as are authorized by the articles and upon satisfaction of any lien referred to in section 8.05.

8.05           LIEN FOR INDEBTEDNESS. The Corporation shall have a lien on the shares registered in the name of a shareholder or the shareholder's legal representative for a debt of the shareholder owed to the Corporation, to the extent of such debt; and such lien may be enforced, subject to any other provision of the articles or to any unanimous shareholder agreement, by the sale of the shares thereby affected or by any other action, suit, remedy or proceeding authorized or permitted by law or by equity and, pending such enforcement, the Corporation may refuse to register a transfer of the whole or any part of such shares.

8.06           NON-RECOGNITION OF TRUSTS. The Corporation shall be entitled to treat the registered holder of a share as the person exclusively entitled to vote, to receive notices, to receive any interest, dividend or other payments in respect of the shares, and otherwise to exercise all the rights and powers of a holder of the share.

8.07           SHARE CERTIFICATES. Every shareholder is entitled, at the option of such shareholder, to a share certificate in respect of the shares held by such shareholder that complies with the Act or to a non-transferable written acknowledgement of the shareholder's right to obtain a share certificate from the Corporation in respect of the shares held by such shareholder. A share certificate shall be signed in accordance with section 2.04 and need not be under the corporate seal; provided that, unless the board otherwise orders, certificates representing shares in respect of which a transfer agent or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent or registrar. The signature of one of the signing officers or, in the case of share certificates which are not valid unless countersigned by or on behalf of a transfer agent or registrar, the signatures of both signing officers may be printed

or mechanically reproduced upon share certificates and every such printed or mechanically reproduced signature shall for all purposes be deemed to be the signature of the officer whose signature is so reproduced and shall be binding upon the Corporation. If a share certificate contains a printed or mechanically reproduced signature of an individual, the Corporation may issue the share certificate notwithstanding that the individual has ceased to hold office and the share certificate is as valid as if such individual were in office at the date of its issue.

8.08 REPLACEMENT OF SHARE CERTIFICATES. The board or any officer or agent designated by the board may in its or such person discretion direct the issue of a new share certificate in lieu of and upon cancellation of a share certificate that has been mutilated or in substitution for a share certificate that has been lost, apparently destroyed or wrongfully taken on payment of such fee, not exceeding \$3.00, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.09 JOINT SHAREHOLDERS. If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

8.10 DECEASED SHAREHOLDERS. In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof, except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agent.

## **SECTION NINE DIVIDENDS AND RIGHTS**

9.01 DIVIDENDS. Subject to the provisions of the Act and the articles, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation or options or rights to acquire fully paid shares of the Corporation.

9.02 DIVIDEND CHEQUES. A dividend payable in money shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at the registered holder's recorded address, unless such holder otherwise directs. In the case of joint holders, the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address, or to the first recorded address if there are more than one. The mailing of such cheque, unless the same be not paid on due presentation, shall satisfy and discharge the

liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

9.04 NON-RECEIPT OF CHEQUES. In the event of non-receipt of any dividend cheque by the person to whom it is sent, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.05 RECORD DATE FOR DIVIDENDS AND RIGHTS. The board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities; and notice of any such record date, unless waived in accordance with the Act, shall be given not less than seven days before such record date in the manner provided for by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

9.06 UNCLAIMED DIVIDENDS. Any dividend unclaimed after a period of two years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

## SECTION TEN MEETINGS OF SHAREHOLDERS

10.01 ANNUAL MEETINGS. Subject to the provisions of section 94 of the Act, the annual meeting of shareholders shall be held at such time and on such day in each year and, subject to section 10.03, at such place as the board, the chairperson of the board, the managing director (if any) or the president may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors (unless the Corporation is exempted under the Act from appointing an auditor), and for the transaction of such other business as may properly be brought before the meeting.

10.02 SPECIAL MEETINGS. The board, the chairperson of the board, the managing director (if any) or the president (provided the president is a director) shall have power to call a special meeting of shareholders at any time.

10.03 PLACE OF MEETINGS. Subject to the articles and any unanimous shareholder agreement, meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the head office is situate or, if the board shall so determine, at some other place within or outside Ontario.

10.04 MEETING HELD BY ELECTRONIC MEANS. The persons who are authorized to call a meeting of shareholders may determine that the meeting shall be held, in accordance with the Act, by means of a telephonic, electronic or other communications facility that permits all participants to communicate instantaneously and simultaneously with each other during the meeting. Any shareholder who, through those means, votes at the meeting or establishes a communications link to the meeting shall be deemed for the purposes of the Act to be present at the meeting.

10.05 NOTICE OF MEETINGS. Notice of the time and place of each meeting of shareholders shall be given in the manner provided in Section Eleven not less than 21 nor more than 50 days before the date of the meeting to each director, to the auditor, and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than the consideration of minutes of an earlier meeting, consideration of the financial statements and auditor's report thereon (if any), election of directors and re-appointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasonable judgment thereon and shall state the text of any special resolution or by-law to be submitted to the meeting. A shareholder and any other person entitled to attend a meeting of shareholders may in any manner waive notice of or otherwise consent to a meeting of shareholders, and, subject to the Act, attendance of any such shareholder or any such other person is a waiver of notice of the meeting.

10.06 LIST OF SHAREHOLDERS ENTITLED TO NOTICE. For every meeting of shareholders, the Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting in accordance with the Act. If a record date for the meeting is fixed pursuant to section 10.07, the shareholders listed shall be those registered at the close of business on such record date. If no record date is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given or, where no such notice is given, on the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the central securities register is maintained and at the meeting for which the list was prepared. Where a separate list of shareholders has not been prepared, the names of persons appearing in the securities register at the requisite time as the holder of one or more shares carrying the right to vote at such meeting shall be deemed to be a list of shareholders.

10.07 RECORD DATE FOR NOTICE. The board may fix in advance a date, preceding the date of any meeting of shareholders by not more than 50 days and not less than 21 days, as the record date for the determination of the shareholders entitled to notice of the meeting, and notice of any such record date shall, unless waived in accordance with the Act, be given not less than seven days before such record date, by newspaper advertisement in the manner provided in the Act. If no record date is so fixed, the record date for the determination of the shareholders entitled to receive notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given or, if no notice is given, the day on which the meeting is held.

10.08 MEETINGS WITHOUT NOTICE. A meeting of shareholders may be held without notice at any time and any place permitted by the Act or the articles (a) if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held, and (b) if the auditors and the directors are present or waive notice of, or otherwise consent to, such meeting being held; so long as such shareholders, auditors or directors present are not attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. At such meeting any business may be transacted which the Corporation at a meeting of shareholders may transact.

10.09 CHAIRPERSON, SECRETARY AND SCRUTINEERS. The chairperson of any meeting of shareholders shall be the first named of such of the following officers as have been appointed and who is present at the meeting: managing director, president, chairperson of the board, or a vice-president who is a shareholder. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairperson. If the secretary of the Corporation is absent, the chairperson shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairperson with the consent of the meeting.

10.10 PERSONS ENTITLED TO BE PRESENT. The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and the auditor of the Corporation, if any, and others who, although not entitled to vote, are entitled or required under any provision of the Act, the articles or the by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairperson of the meeting or with the consent of the meeting.

10.11 PARTICIPATION IN MEETING BY ELECTRONIC MEANS. Any person entitled to attend a meeting of shareholders may participate in the meeting, in accordance with the Act and the by-laws, by means of telephonic, electronic or other communications facilities that permits all participants to communicate instantaneously and simultaneously with each other during the meeting, provided the Corporation makes available such telephonic, electronic or communications facility. A person participating in such a meeting is deemed to be present at the meeting and may vote, in accordance with the Act, by means of the telephonic, electronic or other communications facilities that the Corporation has made available for that purpose.

10.12 QUORUM. Subject to the Act and to section 10.24, a quorum for the transaction of business at any meeting of shareholders shall be one person present in person and holding or representing by proxy not less than 10% of the outstanding shares entitled to vote at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented by proxy may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.

10.13        **RIGHT TO VOTE.** Subject to the provisions of the Act as to authorized representatives of any other body corporate or association, at any meeting of shareholders for which the Corporation has prepared the list referred to in section 10.06, every person who is named in such list shall be entitled to vote the shares shown thereon opposite his name at the meeting to which such list relates except to the extent that, where the Corporation has fixed a record date in respect of such meeting pursuant to section 10.07, such person has transferred any shares after such record date and the transferee, having produced properly endorsed certificates evidencing such shares or having otherwise established that the transferee owns such shares, has demanded not later than 10 days before the meeting that the transferee's name be included in such list. In any such case, the transferee shall be entitled to vote the transferred shares at the meeting. At any meeting of shareholders for which the Corporation has not prepared the list referred to in section 10.06, every person shall be entitled to vote at the meeting who at the time is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

10.14        **RECORD DATE FOR VOTING.** The board may fix in advance a date preceding the date of any meeting of shareholders by not more than 48 hours, excluding non-business days, as the record date for the determination of the shareholders entitled to vote at the meeting, and notice of any such record date shall be specified in the notice of such meeting of shareholders or the information circular prepared in connection therewith (if any). If no record date is so fixed, the record date for the determination of the shareholders entitled to vote at the meeting shall be at the close of business on the day immediately preceding the day on which the meeting is held.

10.15        **PROXYHOLDERS AND REPRESENTATIVES.** Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be a shareholder, to attend and act as the shareholder's representative at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or the shareholder's attorney or, if the shareholder is a body corporate, by an officer or attorney of such shareholder duly authorized, and shall conform to the requirements of the Act. Alternatively, a shareholder which is a body corporate or association may authorize by resolution of its directors or governing body an individual to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chairperson of the meeting. Any such proxyholder or representative need not be a shareholder.

10.16        **TIME FOR DEPOSIT OF PROXIES.** The board may fix in advance a time, not exceeding 48 hours (excluding non-business days) preceding the time of any meeting or adjourned meeting of shareholders, before which time proxies to be used at that meeting must be deposited with the Corporation or an agent thereof, and any period of time so fixed shall be specified in the notice calling the meeting. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice, unless it has been received by the secretary of the Corporation or by the chairperson of the meeting or any adjournment thereof prior to the time of voting.

10.17 JOINT SHAREHOLDERS. If two or more persons hold shares jointly, any one of them present in person or represented by proxy at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if more than one of those persons are present in person or represented by proxy and vote, they shall vote together as one the shares jointly held by them.

10.18 VOTES TO GOVERN. At any meeting of shareholders every question shall, unless otherwise required by the articles, the by-laws or by law, be determined by the majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairperson of the meeting shall not be entitled to a second or casting vote.

10.19 SHOW OF HANDS. Subject to the provisions of the Act, any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairperson of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be *prima facie* evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

10.20 BALLOTS. On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chairperson of the meeting or any person who is present and entitled to vote, whether as shareholder, proxyholder or representative, on such questions at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairperson of the meeting shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken, each person present shall be entitled, in respect of the shares which such person is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.21 ELECTRONIC VOTING. Despite sections 10.19 and 10.20, voting at a meeting of shareholders may be held, by telephonic or electronic means, if the Corporation makes available such a communications facility, provided the facility (i) enables the votes to be gathered in a manner that permits their subsequent verification, and (ii) permits the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each person entitled to vote on the question voted.

10.22 ADJOURNMENT. The chairperson at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. Subject to the Act, if a meeting of

shareholders is adjourned by one or more adjournment for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

10.23 RESOLUTION IN WRITING BY SHAREHOLDERS. A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting is as valid as if it had been passed at a meeting of the shareholders unless a written statement or written representation with respect to the subject matter of the resolution is submitted by a director or the auditor, respectively, in accordance with the Act. A resolution in writing may be signed by the shareholders in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same resolution in writing, and by a shareholder using a facsimile signature, in which case the other shareholders, the Corporation and the directors are entitled to rely on such facsimile signature as conclusive evidence that such resolution in writing has been duly executed by such shareholder.

10.24 ONLY ONE SHAREHOLDER. Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or duly represented by proxy constitutes a meeting.

## SECTION ELEVEN NOTICES

11.01 METHOD OF GIVING NOTICES. Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the regulations thereunder, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given (i) if delivered personally to the person to whom it is to be given, or (ii) if delivered to such person's recorded address, or (iii) if mailed to such person at such person's recorded address by prepaid air or ordinary mail, or (iv) if sent to such person at such person's recorded address by any means of prepaid transmitted or recorded communication. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as provided above; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box and deemed to have been received on the fifth day after mailing; and a notice sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee in accordance with any information believed by the secretary to be reliable.

11.02 NOTICE TO JOINT HOLDERS. If two or more persons are registered as joint holders of any share, any notice shall be addressed to all of such joint holders but notice address to one of such persons shall be sufficient notice to all of them.

11.03 UNDELIVERED NOTICES. If any notice given to a shareholder pursuant to section 11.01 is returned on three consecutive occasions because the shareholder cannot be found, the Corporation shall not be required to give any further notices to such shareholder until the shareholder informs the Corporation in writing of the shareholder's new address.

11.04 COMPUTATION OF TIME. In computing the date when notice must be given under any provision of the by-laws requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

11.05 OMISSIONS AND ERRORS. The accidental omission to give any notice to any shareholder, director, officer, auditor, or member of a committee of the board, or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof, shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.06 PERSONS ENTITLED BY DEATH OR OPERATION OF LAW. Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom such person derives his or her title to such share prior to such person's name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which the person became so entitled) and prior to such person furnishing to the Corporation to proof of authority or evidence of such person's entitlement prescribed by the Act.

11.07 WAIVER OF NOTICE. Any shareholder, proxyholder, representative, other person entitled to attend a meeting of shareholders, director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to such person under any provision of the Act, the regulations thereunder, the articles, the by-laws or otherwise and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be.

## **SECTION TWELVE EFFECTIVE DATE**

12.01 EFFECTIVE DATE. This by-law shall come into force upon the formation of the Corporation.



5. **Check A or B**  
**Cocher A ou B**

A) The amalgamation agreement has been duly adopted by the shareholders of each of the amalgamating corporations as required by subsection 176 (4) of the Business Corporations Act on the date set out below.

A) *Les actionnaires de chaque société qui fusionne ont dûment adopté la convention de fusion conformément au paragraphe 176 (4) de la Loi sur les sociétés par actions à la date mentionnée ci-dessous.*

or

ou

B) The amalgamation has been approved by the directors of each amalgamating corporation by a resolution as required by section 177 of the Business Corporations Act on the date set out below.

B) *Les administrateurs de chaque société qui fusionne ont approuvé la fusion par voie de résolution conformément à l'article 177 de la Loi sur les sociétés par actions à la date mentionnée ci-dessous.*

The articles of amalgamation in substance contain the provisions of the articles of incorporation of  
*Les statuts de fusion reprennent essentiellement les dispositions des statuts constitutifs de*

Not Applicable

and are more particularly set out in these articles.  
*et sont énoncés textuellement aux présents statuts.*

Names of amalgamating corporations <i>Dénomination sociale des sociétés qui fusionnent</i>	Ontario Corporation Number <i>Numéro de la société en Ontario</i>	Date of Adoption/Approval <i>Date d'adoption ou d'approbation</i> Year / année    Month / mois    Day / jour
First One Capital Inc.	2016371	2005/08/05
Red Media Corp.	2022191	2005/08/05

6. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.  
Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la société.

None.

7. The classes and any maximum number of shares that the corporation is authorized to issue:  
*Catégories et nombre maximal, s'il y a lieu, d'actions que la société est autorisée à émettre:*

The corporation is authorized to issue an unlimited number of common shares and an unlimited number of preference shares issuable in series.

8. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:

*Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions qui peut être émise en série:*

### **A. COMMON SHARES**

The common shares shall have attached thereto the following rights, privileges, restrictions and conditions:

#### **1. Dividends**

Subject to the prior rights of the holders of any other class or series of shares ranking senior to the common shares with respect to priority in the payment of dividends, the holders of common shares shall be entitled to receive dividends, and the corporation shall pay dividends thereon, as and when declared by the board of directors out of moneys properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine and all dividends which the directors may declare on the common shares shall be declared and paid in equal amounts per share on all common shares at the time outstanding.

#### **2. Dissolution**

In the event of the dissolution, liquidation or winding-up of the corporation, whether voluntary or involuntary, or any other distribution of assets of the corporation among its shareholders for the purpose of winding up its affairs, subject to the prior rights of the holders of any other class or series of shares ranking senior to the common shares with respect to priority in the distribution of assets upon dissolution, liquidation or winding-up, the holders of common shares shall participate rateably in equal amounts per share in the remaining property and assets of the corporation.

#### **3. Voting**

The holders of common shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have one vote for each common share held at any such meeting, except for meetings at which only holders of a specified class or series of shares of the corporation are entitled to vote separately as a class or series.

### **B. PREFERENCE SHARES**

The preference shares, as a class, shall have attached thereto the following rights, privileges, restrictions and conditions:

#### **1. Directors' Authority to Issue in One or More Series**

The board of directors may issue the preference shares at any time and from time to time in one or more series. Before the first shares of a particular series are issued, the board of directors shall fix the number of shares in such series and shall determine, subject to the limitations set out in the articles, the designation, rights, privileges, restrictions and

- 9. The Issue, transfer or ownership of shares is/ls not restricted and the restrictions (if any) are as follows:  
*L'émission, le transfert ou la propriété d'actions est/n'est pas restreint. Les restrictions, s'il y a lieu, sont les suivantes:*

Not applicable.

- 10. Other provisions, (if any):  
*Autres dispositions, s'il y a lieu:*

The board of directors shall ensure that the business and operations of the corporation are conducted in an environmentally responsible and sensitive manner when making planning, purchasing and operating decisions; it being recognized that environmentally responsible business practices may have a higher initial cost, but that the long term benefits to the corporation and its shareholders will exceed any additional initial costs incurred.

The board of directors shall ensure that programs, guidelines and procedures are implemented to ensure full compliance with both the letter and spirit of all laws and regulations relating to the protection of the environment including, but not limited to:

- (a) the maximization of recycled content and responsible fibre sourcing, including the use of products that do not contain old-growth, endangered or virgin forest fibres;
- (b) the education and training of the corporation's employees to be environmentally responsible in the performance of their duties to the corporation;

- 11. The statements required by subsection 178(2) of the Business Corporations Act are attached as Schedule "A".  
*Les déclarations exigées aux termes du paragraphe 178(2) de la Loi sur les sociétés par actions constituent l'annexe "A".*

- 12. A copy of the amalgamation agreement or directors' resolutions (as the case may be) is/are attached as Schedule "B".  
*Une copie de la convention de fusion ou les résolutions des administrateurs (selon le cas) constitue(nt) l'annexe "B".*

These articles are signed in duplicate.  
*Les présents statuts sont signés en double exemplaire.*

Names of the amalgamating corporations and signatures and descriptions of office of their proper officers.  
*Dénomination sociale des sociétés qui fusionnent, signature et fonction de leurs dirigeants régulièrement désignés.*

**FIRST ONE CAPITAL INC.**

Per: \_\_\_\_\_  
Owen B. Menzel  
Chief Executive Officer

**RED MEDIA CORP.**

Per: \_\_\_\_\_  
Roger O. Abbiss  
President and Chief Executive Officer

## Schedule "C"

### First One Special Resolution (form of)

**BE AND IT IS HEREBY RESOLVED AS A SPECIAL RESOLUTION OF SHAREHOLDERS THAT:**

1. the amalgamation of First One and Red Media (the "Amalgamation") pursuant to the provisions of the *Business Corporations Act* (Ontario) (the "OBCA") be and the same is hereby authorized and approved;
2. the Amalgamation Agreement dated as of June 16, 2005 between First One and Red Media, subject to such amendments, if any, as may be approved by the directors of First One, be and is hereby approved and adopted and the directors of First One be and are hereby authorized to make any such amendments;
3. any director or officer of First One is hereby authorized and empowered, acting for in the name of and on behalf of First One, to execute or cause to be executed, under the seal of First One or otherwise, and to deliver or cause to be delivered any and all such documents and instruments and to do or to cause to be done all such other acts and things as, in the opinion of such director or officer, may be necessary or desirable in order to fulfil the intent of the foregoing paragraphs of this resolution including, without limitation, the filing of articles of amalgamation under the OBCA; and
4. notwithstanding that this special resolution has been duly passed by the shareholders of First One, the directors of First One be, and they hereby are, authorized and empowered to revoke this special resolution at any time before the issue of a certificate of amalgamation and to determine not to proceed with the Amalgamation of First One and Red Media, without further approval of the shareholders of First One.

## SCHEDULE "D"

### Red Media Special Resolution (form of)

**BE AND IT IS HEREBY RESOLVED AS A SPECIAL RESOLUTION OF SHAREHOLDERS THAT:**

1. the amalgamation of First One and Red Media (the "**Amalgamation**") pursuant to the provisions of the *Business Corporations Act* (Ontario) (the "**OBCA**") be and the same is hereby authorized and approved;
2. the Amalgamation Agreement dated June 16, 2005 between First One and Red Media, subject to such amendments, if any, as may be approved by the directors of Red Media, be and is hereby approved and adopted and the directors of Red Media be and are hereby authorized to make any such amendments;
3. any director or officer of Red Media is hereby authorized and empowered, acting for in the name of and on behalf of Red Media, to execute or cause to be executed, under the seal of Red Media or otherwise, and to deliver or cause to be delivered any and all such documents and instruments and to do or to cause to be done all such other acts and things as, in the opinion of such director or officer, may be necessary or desirable in order to fulfil the intent of the foregoing paragraphs of this resolution including, without limitation, the filing of articles of amalgamation under the OBCA; and
4. notwithstanding that this special resolution has been duly passed by the shareholders of Red Media, the directors of Red Media be, and they hereby are, authorized and empowered to revoke this special resolution at any time before the issue of a certificate of amalgamation and to determine not to proceed with the Amalgamation of First One and Red Media, without further approval of the shareholders of Red Media.