No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only be persons permitted to sell such securities. The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws, and, subject to certain exceptions, may not be offered, sold, or delivered within the United States of America, its possession and other areas subject to its jurisdiction or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act).

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary, HOMEQ Corporation, Suite 600, 45 St. Clair Avenue West, Toronto, Ontario M4V 1K9, Telephone: (416) 925-4757 or 1-888-665-1119, and are also available electronically at www.sedar.com.*

New Issue June 1, 2010

SHORT FORM BASE SHELF PROSPECTUS

HOMEQ CORPORATION

$150,000,000

Common Shares
Preferred Shares
and
Convertible Securities

HOMEQ Corporation ("HOMEQ" or the "Corporation") may from time to time, during the 25 months that this short form base shelf prospectus, including any amendments hereto (this "Prospectus") remains valid, offer and issue common shares of the Corporation ("Common Shares"), preferred shares of the Corporation ("Preferred Shares") and securities convertible into or exchangeable for Common Shares ("Convertible Securities" and, together with the Common Shares and Preferred Shares, the "Securities"), up to a total price of $150,000,000 (or its equivalent in any other currency used to denominate the Securities). The Securities may be offered in amounts, at prices and on terms to be set forth in an accompanying shelf prospectus supplement (a "Prospectus Supplement"). All shelf information omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus.

The specific terms of the Securities in respect of which this Prospectus is being delivered will be set forth in the applicable Prospectus Supplement and may include, where applicable: (i) in the case of Common Shares, the number of Common Shares offered, the offering price and any other specific terms; (ii) in the case of Preferred Shares, the designation of the particular series, the number of Preferred Shares offered, the offering price, any rights to receive dividends, the dividend rate, the dividend payment date, any terms for redemption at the option of HOMEQ or the holder, any exchange or conversion terms and any other specific terms; and (iii) in the case of Convertible Securities, the number of Convertible Securities offered, the offering price, the procedures for the conversion or exchange of such Convertible Securities into or for Common Shares and any other specific terms. The Canadian federal income tax considerations applicable to an offering of Preferred Shares or Convertible Securities will be disclosed in the applicable Prospectus Supplement. This Prospectus does not qualify for issuance debt securities, or securities convertible into or exchangeable for debt securities, in respect of which payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests including, for example, an equity or debt security or a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other item or formula, or any combination or basket of the foregoing items.

The outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange ("TSX") under the symbol "HEQ".

Unless otherwise indicated in a Prospectus Supplement, the Securities other than Common Shares will not be listed on any securities exchange. **Consequently, there may be no market through which the Preferred Shares or the Convertible Securities can be sold and purchasers may not be able to resell the Preferred Shares or the Convertible Securities purchased under this Prospectus. This may affect the pricing of the Preferred Shares and the Convertible Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Preferred Shares and the Convertible Securities and the extent of issuer regulation. See "Risk Factors – Investor Risks".**

An investment in the Securities is subject to a number of risks that should be considered by a prospective purchaser. See "Risk Factors".

It is important for holders of Securities ("Securityholders") to consider the particular risk factors that may affect the Corporation's operations. See, for example, "Property Risk", "Occupancy Risk", and "Interest Rate Risk" under "Risk Factors – Risks Relating to the Business". See "Risk Factors" for a description of the Corporation's assessment of those risk factors, as well as the potential consequences to Securityholders if a risk should materialize.

The Securities may be sold through underwriters or dealers purchasing as principals, directly to one or more purchasers (subject to obtaining any applicable exemption from registration requirements), or through agents. The names of any underwriters or agents involved in the sale of the Securities and their compensation will be set forth in the applicable Prospectus Supplement. In connection with any offering of Securities, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

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FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus may constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Prospectus, such statements use such words as "may", "will", "expect", "anticipate", "estimate", "internal", "believe", "plan" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this Prospectus. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including but not limited to, the factors discussed under "Risk Factors" such as underwriting risk for new reverse mortgages; spread interest risk, being the potential impact to HOMEQ's earnings and financial condition of changes to interest rates; operational risk; liquidity risk; legal and regulatory risk; derivative related risk; and reliance on relationships with financial institutions. The preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect HOMEQ's results. All such factors should be considered carefully, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, when making decisions with respect to HOMEQ and undue reliance should not be placed on HOMEQ's forward-looking statements. Although the forward-looking statements contained in this Prospectus are based upon what management of the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Prospectus, and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary, HOMEQ Corporation, Suite 600, 45 St. Clair Avenue West, Toronto, Ontario M4V 1K9, Telephone: (416) 925-4757 or by accessing the disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

The following documents filed by the Corporation with the securities commission or similar authority in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this Prospectus:

(a) annual information form of the Corporation dated March 30, 2010 (the "Annual Information Form");

(b) audited consolidated financial statements of the Corporation and the notes thereto for the year ended December 31, 2009, together with the report of the auditors thereon;

(c) management's discussion and analysis of the financial statements referred to in paragraph (b) above;

(d) unaudited comparative consolidated financial statements of the Corporations and the notes thereto for the three months ended March 31, 2010;

(e) management's discussion and analysis of the financial statements referred to in paragraph (d) above; and

(f) management information circular of the Corporation dated March 19, 2010 used in connection with the annual and special meeting of shareholders of the Corporation held on May 13, 2010 (the "Management Information Circular").

Any documents of the types referred to above, any material change reports (excluding confidential material change reports), and any business acquisition reports, all as filed by HOMEQ with the securities regulatory authorities in Canada after the date of this Prospectus and prior to the completion or withdrawal of any offering under any Prospectus Supplement, shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall be deemed to not constitute a part of this Prospectus, except as so modified or superseded.

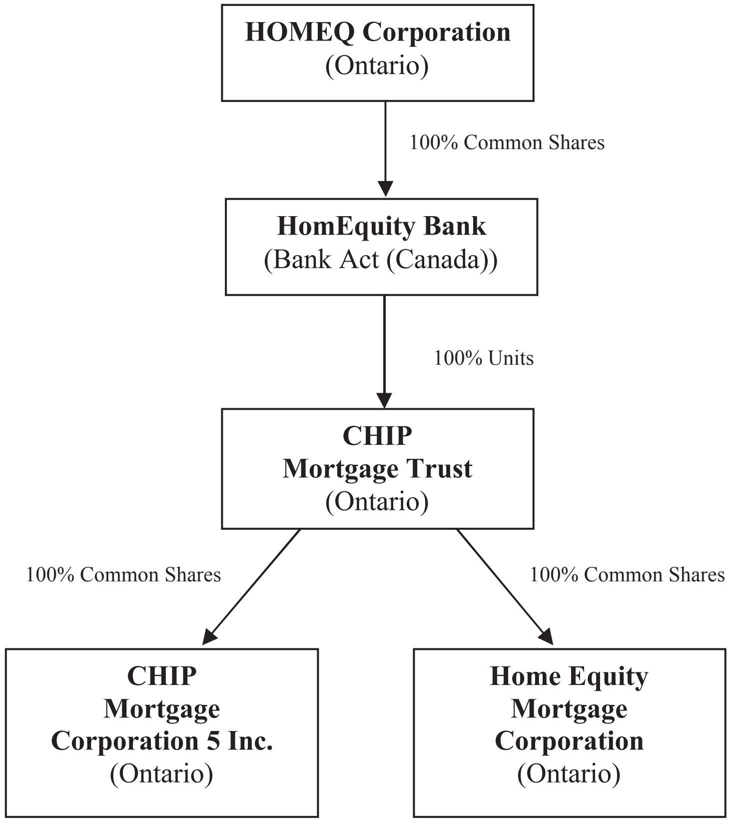
Upon a new annual information form and the related audited comparative consolidated financial statements together with the auditors' report thereon and management's discussion and analysis relating thereto being filed by the Corporation with, and where required, accepted by, the applicable securities regulatory authorities during the time that this Prospectus is valid, the previous annual information form, the previous audited comparative consolidated financial statements and all unaudited comparative consolidated financial statements, material change reports and information circulars filed prior to the commencement of the Corporation's financial year in respect of which the new annual information form was filed shall be deemed to no longer be incorporated by reference into this Prospectus for purposes of future offerings of Securities hereunder. Upon interim financial statements and accompanying management's discussion and analysis being filed by HOMEQ with, and where required, accepted by the applicable securities regulatory authorities during the currency of this Prospectus, all interim financial statements and accompanying management's discussion and analysis filed prior to the new interim financial statements shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Notes hereunder.

A Prospectus Supplement containing the specific terms applicable to the issuance of Securities and other information in relation to such issuance will be delivered, together with this Prospectus, to purchasers and will be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement, but only for the purposes of the offering of Securities to which such Prospectus Supplement pertains.

THE CORPORATION

Structure of the Homeq Group

The following diagram illustrates the organizational structure of HOMEQ and its related entities (the "HOMEQ Group").



HOMEQ

HOMEQ is the public corporation resulting from the reorganization of Home Equity Income Trust (the “Trust”) from a trust into a corporate holding company structure pursuant to a court approved plan of arrangement effective June 30, 2009 (the “Conversion”). Where the context requires, HOMEQ and the Trust are collectively referred to herein as “HOMEQ” or the “Corporation”.

The head and principal office of HOMEQ is located at 45 St. Clair Avenue West, Suite 600, Toronto, Ontario M4V 1K9.

Business Objective

HOMEQ is a national provider of reverse mortgages to homeowners aged 60 and over, Canada's fastest growing demographic segment. HomEquity (as defined below) originates reverse mortgages under the CHIP Home Income Plan brand. HomEquity has been the main underwriter of reverse mortgages in Canada since its predecessor, Canadian Home Income Plan Corporation (“CHIP”), pioneered the concept in 1986. The objective of HOMEQ is to increase net income and return on equity through the profitable growth of the mortgage portfolio.

History and Description of Business

HOMEQ commenced operations on August 8, 2002 when, in connection with the completion of the initial public offering of the Trust, it indirectly acquired a portfolio of more than 5,000 reverse mortgages originated by CHIP. Since the initial public offering of the Trust, HOMEQ’s portfolio has grown as a result of ongoing origination activities and from compound interest. At March 31, 2010, the portfolio numbered approximately 7,400 mortgages with an outstanding value of $905 million.

While the nature of the business has remained consistent during this time, it has developed in size and sophistication, and the marketing and underwriting criteria of the reverse mortgages have been subject to ongoing refinement in order to meet market and customer developments. Sales representatives have been added to under-serviced areas and marketing and collateral materials have been updated to reflect current trends.

On October 13, 2009, CHIP received its Letters Patent and Order to Commence as a federally regulated Schedule I bank under the name "HomEquity Bank" from the Minister of Finance. The continuance of CHIP as a bank was a strategic initiative that management believes will allow access to additional cost-effective and reliable sources of funding. Unless indicated otherwise, HomEquity Bank and its predecessor, CHIP, are collectively referred to herein as "HomEquity".

CHIP Mortgage Trust

CHIP Mortgage Trust ("CMT") is an unincorporated open-end investment trust established under the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated July 5, 2006, as supplemented. HOMEQ is the holder of all of the issued and outstanding trust units of CMT. The principal business address and registered head office of CMT is Suite 600, 45 St. Clair Avenue West, Toronto, Ontario M4V 1K9.

CMT issues medium-term debt for the purpose of funding its reverse mortgages which were originated by CHIP, HomEquity Bank's predecessor, and may also issue medium-term debt to acquire mortgages originated by HomEquity Bank and to repay outstanding indebtedness. All mortgages owned by CMT are registered in the name of Home Equity Mortgage Corporation ("HEMC") or CHIP Mortgage Corporation 5 Inc., each of which is a wholly-owned subsidiary of CMT, as nominee. CMT staggers its consolidated debt maturities to reduce refinancing risk and utilizes derivatives to better align interest rates between its current payment obligations and the interest rates accruing on its mortgage portfolio.

CMT's activities are restricted to: (a) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with (i) reverse mortgages and other residential reverse financial instruments, and (ii) any debt or equity securities of any corporation, partnership, trust or other person involved in the origination, holding, investment in, servicing or management of reverse mortgages or other residential reverse financial instruments; (b) borrowing funds for the purposes of CMT's activities; (c) temporarily holding cash and other permitted investments in connection with and for the purposes of its activities, including paying mortgage origination and servicing fees, administration and trust expenses, any amounts required in connection with the redemption or repurchase of units of CMT and making distributions to its unitholders, as well as maintaining any reserve account and the monies and investments therein from time to time; (d) issuing its units and debt securities and other securities (including securities convertible into or exchangeable for units of CMT) for any purpose; (e) repurchasing or redeeming units of CMT or other securities, subject to the provisions of CMT's declaration of trust and applicable law; (f) guaranteeing the obligations of any direct or indirect wholly-owned entity of CMT pursuant to any good faith debt for borrowed money incurred by any such entity and pledging securities held by CMT or any such entity, as the case may be as security for that guarantee; and (g) engaging in all activities ancillary or incidental to the foregoing.

HomEquity

HomEquity Bank, a wholly-owned subsidiary of HOMEQ, originates reverse mortgages and provides mortgage administration services on the reverse mortgage portfolio. HomEquity Bank issues Guaranteed Investment Certificate deposits to fund new mortgage originations which mortgages currently are retained by HomEquity. HomEquity may from time to time transfer reverse mortgages to CMT in the future. A reverse mortgage is a type of residential first mortgage that permits qualifying homeowners to convert a portion of their home equity into cash while remaining in their home. The advantage of a reverse mortgage, particularly to homeowners who have significant portions of their wealth tied up in their home, is that they are not required to repay any principal or accrued interest on such mortgage loan until the loan becomes due.

Reverse Mortgage Underwriting Criteria

HomEquity has developed reverse mortgage underwriting criteria which provide reasonable loan to value ratios for the homeowner while seeking to provide assurance that the value of the related property upon maturity will be sufficient to repay the reverse mortgage. HOMEQ believes that its underwriting criteria are conservative. The criteria include location, nature of the property, age of occupants, gender of occupants, regional valuation trends, initial and anticipated mortgage loan rates and property appreciation estimates. HomEquity originates reverse mortgages for borrowers aged 60 or over living in freehold or strata title properties located in most areas of Canada. Recreational properties, co-operatives and leaseholds, among others, are ineligible.

The loan becomes due on the earliest of (i) the time the home is sold, (ii) the time the home is permanently vacated by the mortgagors (as both spouses are typically mortgagors), (iii) 120 days following the death of the last surviving mortgagor, and (iv) demand for repayment after the occurrence of an event of default (including failure to pay property taxes, maintain insurance or keep the house in proper repair). However, no event of default will occur merely because the outstanding balance of the reverse mortgage exceeds the appraised value of the underlying property. Subject to a demand for repayment in the event of default, this allows homeowners to remain in the home as long as they wish or are able. When the loan becomes due, the reverse mortgage is repaid from the proceeds of the sale of the home or the mortgagors' estate and, if the home is sold, any excess value of the home belongs to the homeowner or the homeowner's estate. The right of CMT to receive principal and interest when due under the reverse mortgage is limited to the realized value of the property at such time and CMT has no additional recourse to the mortgagors or their estates.

Determination of Initial Loan Amount

The amount advanced to a homeowner under a reverse mortgage originated by HomEquity depends on a number of key factors such as the current and expected future value of the property, interest rate levels and the expected occupancy term ("EOT") of the homeowners. The underwriting process begins with a property appraisal completed by a certified appraiser qualified by the Appraisal Institute of Canada. As a first step in the determination of the initial loan amount, the initial appraised value is typically discounted by between 7.5% and 30% depending on the province, location, and property type (the resulting amount being referred to as the "Discounted Appraised Property Value").

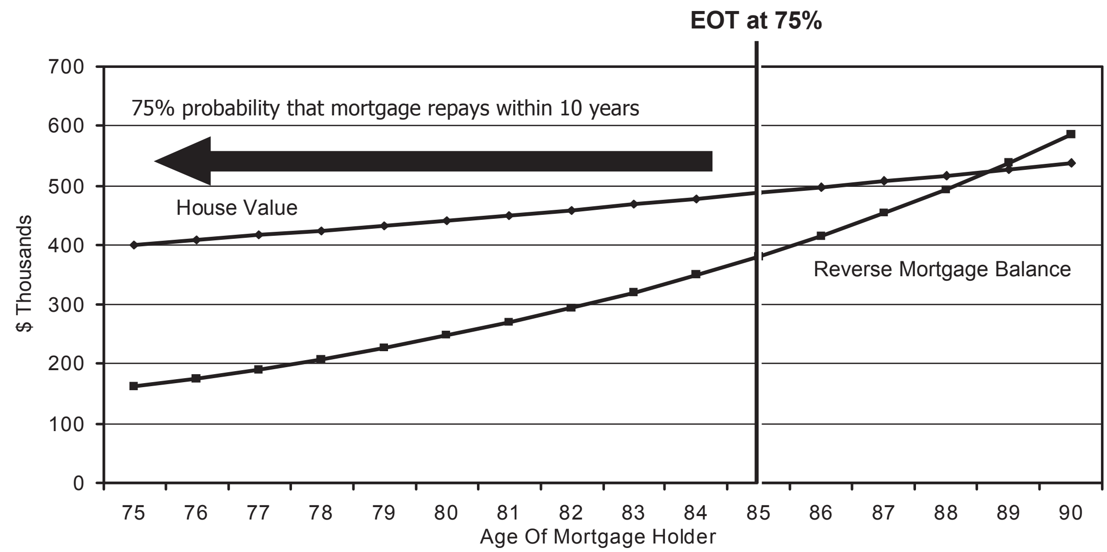
Once the appropriate Discounted Appraised Property Value has been determined, it is used in HomEquity's quote system to determine an initial loan amount. This quote system incorporates the Discounted Appraised Property Value with assumptions, which HomEquity believes are conservative, about the future level of interest rates, future housing price appreciation and the EOT of the prospective mortgagors.

EOT is a critical determinant in providing reverse mortgages as it estimates how long the mortgage balance will be outstanding, which, in turn, helps determine the value that must be recouped on the sale of the home. EOT is derived from a combination of life expectancy tables and the probability that homeowners will move out of the home prior to death. While one of the most significant benefits of the reverse mortgage to seniors is that it gives them the ability to continue to live in their home for the rest of their life, the HOMEQ Group's experience has shown that many homeowners move earlier. The HOMEQ Group has developed EOT tables for single males, single females and couples. The EOT tables are updated on an annual basis based upon, among other factors, the early move out experience of mortgages. The data gathered by the HOMEQ Group since 1986 on early move out patterns is a significant proprietary advantage in originating reverse mortgages.

In order to maintain a conservative approach to the calculation of the initial loan amount, HOMEQ currently assumes that: (i) interest rates in the future will be at least 2.0% higher than the rate for the initial term; (ii) property values will increase at approximately the rate of inflation; and (iii) occupancy at a 75% percentile EOT. A 75th percentile EOT means that there is a 75% probability that the actual occupancy of the borrower will be less than the EOT used in the calculation resulting in a lower initial loan amount than would be the case if a lower EOT percentile was applied. A lower initial loan, in turn, creates a greater likelihood that the outstanding mortgage balance will be less than the proceeds realized on the sale of the related property at maturity of the reverse mortgage. The HOMEQ Group has also implemented various restrictions as to initial value and loan-to-value of individual mortgages.

The following chart illustrates a typical reverse mortgage. In accordance with the terms of a reverse mortgage, no payments in respect of interest or principal on the mortgage are required to be made until maturity and as such the value of the reverse mortgage is expected to increase over time. In this example it is assumed that the initial mortgage amount is 25% of the appraised value of the property. HomEquity assumes an EOT at a 75th percentile when establishing the initial loan amount. As depicted in the following chart, at that EOT the value of the reverse mortgage would be equal to the Discounted Appraised Property Value. Because it is likely that the actual occupancy of the mortgagors will be less than the assumed EOT, the value of the reverse mortgage at the end of the term is likely to be less than both the Discounted Appraised Property Value and the appraised value of the property. Therefore, it is expected that the net proceeds from the sale of the home will be sufficient to repay the reverse mortgage. Of the approximately 16,000 reverse mortgages originated by HomEquity, the amount owing under the reverse mortgage at the end of the occupancy term has exceeded the net proceeds from the sale of the property in only 11 instances.

HOMEQ's Underwriting Model



Interest Rates

HomEquity currently offers mortgages with a choice of variable, six-month, one-year, three-year and five-year interest terms. The interest rates on mortgages originated since 2008 are set taking into account HomEquity's marginal cost of borrowing. The interest rate on mortgages originated prior to 2008 is determined at a spread of approximately 4.75% over the then prevailing equivalent period Government of Canada Treasury Bill or Bond rate.

Depending on the current balance of each reverse mortgage and the number of years outstanding, the spread rate may be subject to various discounts up to a maximum of 1.00%. These discounts were introduced in order to promote customer loyalty. The interest chargeable on the mortgage accrues daily, compounds semi annually (not in advance) and is due at the time that the principal becomes due. Prior to February 1997, all mortgages had a five-year interest term.

Repayment Rights

A reverse mortgage can be repaid at any time. A prepayment adjustment to compensate for the costs incurred in originating the reverse mortgage is applied to repayments during the first three years from the date of the advance. No prepayment adjustment is paid if the repayment results from the death of the mortgagor. The prepayment adjustment is reduced by 50% if the mortgagor enters a long-term care facility or retirement residence.

DESCRIPTION OF SECURITIES

The following descriptions set forth certain general terms and provisions of the Securities. HOMEQ may issue Securities either separately or together with other securities. The particular terms and provisions of each class or series of Securities HOMEQ may offer will be described in greater detail in the related Prospectus Supplement, which may provide information that is different from this Prospectus. HOMEQ reserves the right to include in a Prospectus Supplement specific variable terms pertaining to the Securities that are not within the descriptions set forth in this Prospectus.

The authorized capital of HOMEQ consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series. The summary below of the rights, privileges, restrictions and conditions attaching to the Common Shares and the Preferred Shares is subject to, and qualified by reference to, HOMEQ's articles and by-laws.

Common Shares

Holders of Common Shares are entitled to one vote per share at meetings of shareholders of HOMEQ, to receive dividends if, as and when declared by the Board of Directors of HOMEQ and to receive pro rata the remaining property and assets of HOMEQ upon its dissolution or winding-up, subject to the rights of any other class of shares having priority over the Common Shares.

The specific terms of any offering of Common Shares, including the number of Common Shares being offered, the offering price and any other specific terms, will be described in one or more Prospectus Supplements.

Preferred Shares

Each series of Preferred Shares shall consist of such number of shares having such rights, privileges, restrictions and conditions as may be determined by the Board of Directors of HOMEQ prior to the issuance thereof. Holders of Preferred Shares, except as required by law, will not be entitled to vote at meetings of shareholders of HOMEQ. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of HOMEQ, whether voluntary or involuntary, the Preferred Shares are entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares from time to time and may also be given such other preferences over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined at the time of creation of such series.

The specific terms of any offering of Preferred Shares, including the designation of the particular series, the number of Preferred Shares being offered, the offering price, any rights to receive dividends, the dividend rate, the dividend payment date, any terms for redemption at the option of HOMEQ or the holder, any exchange or conversion terms and any other specific terms, will be described in one or more Prospectus Supplements.

Convertible Securities

The Convertible Securities will be convertible or exchangeable into Common Shares. The Convertible Securities convertible or exchangeable into Common Shares may be offered separately or together with other Securities, as the case may be. Such Convertible Securities may include warrants, options or debt of HOMEQ convertible into or exchangeable for Common Shares.

The applicable Prospectus Supplement will include details of the agreement, indenture or other instrument pursuant to which such Securities will be created and issued. The following sets forth certain general terms and provisions of such Securities offered under this Prospectus.

The particular terms of each issue of such Securities will be described in the related Prospectus Supplement. This description will include, where applicable: (i) the number of such Securities offered; (ii) the price at which the such Securities will be offered; (iii) the procedures for the conversion or exchange of such Securities into or for Common Shares; (iv) the number of Common Shares that may be issued upon the conversion or exchange of such Securities; (v) the period or periods during which any conversion or exchange may or must occur; (vi) the designation and terms of any other Securities with which such Securities will be offered, if any; (vii) the gross proceeds from the sale of such Securities; (viii) material Canadian tax consequences of owning such Securities; and (ix) any other material terms and conditions of such Securities.

The Corporation will not offer Convertible Securities for sale separately to any member of the public in Canada unless the offering is in connection with and forms part of the consideration for an acquisition or merger transaction or unless the applicable prospectus supplement containing the specific terms of such Convertible Securities to be offered separately is first approved for filing by the securities commission or similar regulatory authority in each of the provinces of Canada where such Convertible Securities will be offered for sale.

SHAREHOLDER RIGHTS PLAN

The Board of Directors has adopted a shareholder rights plan (the "Rights Plan"), which is designed to encourage the fair treatment of shareholders of HOMEQ should a take-over bid be made for the Common Shares by providing the Board of Directors and the holders of Common Shares with additional time to evaluate any unsolicited take-over bid, and if appropriate, to pursue alternatives to maximize shareholder value. The Rights Plan will not prevent an offer made to all shareholders for all of their Common Shares.

Subject to the terms of the Rights Plan, the rights issuable under the Rights Plan will become exercisable where a party, together with any parties related to it, acquires or announces its intention to acquire 20% or more of the outstanding Common Shares without complying with the "Permitted Bid" provisions of the Rights Plan or without approval of the Board of Directors. Rights holders (other than the acquiring person and related persons) can purchase Common Shares at one-half the prevailing market price at the time the rights become exercisable.

Under the Rights Plan, a "Permitted Bid" is a bid that, among other things, is made to all holders of Common Shares and is open for acceptance for not less than 60 days. If at the end of the 60-day period, at least 50% of the outstanding Common Shares, other than those owned by the offeror and certain related parties, have been tendered, the offeror may take up and pay for the Common Shares but must extend the bid for a further period of not less than 10 days to allow the other holders of Common Shares to tender.

The Rights Plan was ratified by unitholders of the Trust at the annual and special meeting of unitholders held on April 30, 2009 and will remain in effect until the close of business on the date of termination of the annual meeting of the holders of Common Shares in 2012, subject to earlier termination or expiration of the Rights Plan in accordance with its terms.

The Rights Plan is available at www.sedar.com or on request from the Corporate Secretary of the Corporation.

USE OF PROCEEDS

Unless otherwise specified in a Prospectus Supplement that accompanies this Prospectus, the Corporation intends to apply the proceeds from the sale of the Securities for general purposes of the Corporation, including investments in its subsidiaries to fund future originations of new mortgages and to repay outstanding indebtedness. HOMEQ may, from time to time, issue Securities other than pursuant to this Prospectus.

MARKET FOR SECURITIES

The Common Shares are listed on the TSX under the symbol "HEQ". Unless otherwise indicated in a Prospectus Supplement, the Securities other than Common Shares will not be listed on any securities exchange. Consequently, there may be no market through which the Preferred Shares or the Convertible Securities can be sold and purchasers may not be able to resell the Preferred Shares or the Convertible Securities purchased under this Prospectus. See "Risk Factors – Investor Risks".

TRADING PRICE AND VOLUME

Effective June 30, 2009, upon completion of the Conversion, the Common Shares were listed and began trading on the TSX under the trading symbol "HEQ". Prior to the Conversion, the outstanding Units were listed and posted for trading on the TSX under the trading symbol "HEQ.UN". The following table sets forth the price range for, and trading volume of, the Units (prior to June 30, 2009) and the Common Shares (from and after June 30, 2009) as reported by the TSX for the periods indicated.

	Toronto Stock Exchange		
	High ($)	**Low ($)**	**Volume**
Month (2009)			
May	$ 5.95	$ 4.70	1,150,419
June	$ 5.98	$ 5.65	665,569
July	$ 6.09	$ 5.81	506,707
August	$ 7.35	$ 6.00	434,772
September	$ 7.15	$ 6.55	372,550
October	$ 8.00	$ 6.75	874,540
November	$ 7.23	$ 6.92	697,391
December	$ 7.04	$ 6.90	443,859
Month (2010)			
January	$ 8.05	$ 6.92	696,626
February	$ 8.03	$ 7.59	460,105
March	$ 8.16	$ 7.00	875,430
April	$ 7.20	$ 6.53	538,981
May (to May 31)	$ 6.82	$ 6.39	370,456

CHANGES TO THE CAPITAL OF THE CORPORATION

There have been no material changes in HOMEQ's share or loan capital on a consolidated basis since the date of the Interim Financial Statements. There are an aggregate of 14,061,049 Common Shares issued and outstanding as at the date hereof.

PLAN OF DISTRIBUTION

The Corporation may sell Securities: (i) through underwriters or dealers; (ii) directly to one or more purchasers (subject to obtaining any applicable exemption from registration requirements); or (iii) through agents. The Securities may be sold at fixed prices or at non-fixed prices, such as prices determined by reference to the prevailing price of the Securities in a specified market, at the market price prevailing at the time of sale or at prices to be negotiated with purchasers, which prices may vary as between purchasers and during the period of distribution of the Securities.

The Prospectus Supplement with respect to the Securities being offered thereby will set forth the terms of the offering of such Securities, including the name or names of any underwriters or agents, the purchase price of such Securities and the proceeds to the Corporation from such sale, any underwriting discounts and other items constituting underwriters' or agents' compensation, any public offering price and any discounts or concessions allowed or re-allowed or paid to dealers. Only underwriters or agents so named in the Prospectus Supplement are deemed to be underwriters or agents in connection with the Securities offered thereby.

If underwriters are used in the sale, the Securities may be acquired by the underwriters for their own account and may be resold, from time to time, in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of the sale. The obligations of the underwriters to purchase such Securities will be subject to certain conditions precedent. Any public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

In connection with any offering of Securities, the underwriters or dealers may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Securities have no been and will no be registered under the U.S. Securities Act*,* and may not be offered, sold or delivered within the United States of America, its possessions and other areas subject to its jurisdiction, or to, for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act).

RISK FACTORS

Prospective investors in a particular offering of Securities should carefully consider, in addition to the specific issues described below and information contained herein and in the Prospectus Supplement relating to that offering and the information incorporated by reference herein, the following factors:

Risks Relating to the Business

HOMEQ's business strategies and operations expose it to a range of risks that could adversely affect its business, financial condition and operating results. HOMEQ has adopted a risk management framework ("RMF") methodology. The RMF uses a systematic and proactive approach, identifying high priority risks which are continuously reviewed and assessed such that appropriate action can be taken to mitigate those risks over time.

In accordance with the RMF, HOMEQ performs regular monitoring of its risks, assessments, and related action plans. Senior management and the Board of Directors obtain information that allows them to keep informed regarding the effectiveness of the RMF. HOMEQ has created a Conduct Review and Risk Management Committee in order to satisfy the above and assist the Board of Directors in fulfilling its responsibilities.

Detailed below are the areas of risk that HOMEQ has identified and deemed to be its primary areas of exposure.

Underwriting Risk

In underwriting new reverse mortgages, HOMEQ uses a proprietary lending model to estimate the timing of mortgage repayment based on the age and sex of the borrower. This information, along with information on the type of the property and its location, is used to determine the amount to be lent. The initial mortgage amount is usually between 28% and 33% of the value of the house, substantially less than the 80% ratio commonly applied for a conventional bank mortgage.

The actual performance of each loan is reviewed on a monthly basis and compared to its expected performance over this time. Based on this review, underwriting inputs are refined if deemed appropriate and implemented on a go forward basis. In addition, the model is frequently stress tested using various scenarios. There is a risk in every case that a mortgage is funded in an amount that may result in the full amount of interest and principal not being recovered when the mortgage is due.

The following factors can result in amounts owing under the mortgage not being fully recoverable:

- **Property Risk**

One of the assumptions made at the time a reverse mortgage is underwritten concerns the rate of future price appreciation for the underlying property. A risk exists that the property might not appreciate in accordance with underwriting forecasts. The average rate of assumed appreciation used in the initial underwriting of the existing mortgage portfolio is approximately 1.5% per annum. According to data available from the Canadian Real Estate Association, over the past 20 years the rate of appreciation for residential real estate in Canada is approximately 4.0% per annum. HOMEQ currently uses a rate lower than the 20 year Canadian average as the future appreciation rate. In addition, the initial appraised value of every property is discounted, generally by 7.5% or more, depending on the province, location, and property type.

- **Occupancy Risk**

HOMEQ makes assumptions as to when borrowers will cease occupying their homes. To the extent that borrowers remain in their homes longer than expected, there is a risk that the amount owing on the reverse mortgage at the time the borrower moves or dies will exceed the value of property securing the reverse mortgage, thus resulting in a loss. The expected occupancy term for a borrower is determined based on a combination of industry standard mortality data and HOMEQ's proprietary data on the mobility of its clients at the 75% probability. This formula is closely monitored and compared to actual experience on an ongoing basis.

- **Interest Rate Risk**

An increasing interest rate environment could also result in a mortgage eventually compounding to a value greater than the value of the underlying property. For this reason, when an initial loan amount is determined, interest rates in the future are assumed to be at least 2% higher than the rate at the initial term.

Spread Interest Risk

HOMEQ's net interest income is derived from the spread between interest earned on the mortgage portfolio, and the interest paid on the debt and deposits used to fund the portfolio. Spread interest rate risk is the exposure or potential impact to HOMEQ's earnings and financial condition of changes in interest rates, resulting either from changes in the shape of the yield curve, absolute changes in interest rates across the yield curve or the quality of the assets on which interest is earned. The risk arises when assets and liabilities have mismatched re-pricing dates or are referenced to different underlying instruments.

Risks considered within the broader category of Spread Interest Risk include:

- Pricing/Mismatch Risk

This occurs when there are timing differences between:

- The interest reset dates on HOMEQ's assets and interest reset dates on its debt; and,
- The maturity dates of HOMEQ's assets and maturity dates on its debt.

Pricing risk resulting from timing differences between the interest reset dates on the mortgages and interest reset dates on HOMEQ's debt is managed through a matching process. Derivative instruments such as interest rate swaps and forward rate agreements are used to match the proportion of mortgages maturing in a period with a proportion of debt maturing in the same period. Derivative instruments are entered into with Schedule 1 Canadian chartered banks to reduce counterparty risk.

The objective of HOMEQ's hedging practices is to maintain a relatively stable spread between interest earned on the mortgages and interest paid on the debt used to fund them. HOMEQ has internal policies (interest rate risk management policies) regarding the extent of mismatch that it is prepared to accept and has quantified the potential risk involved.

- Basis Risk

Situations occur in which the difference between the Prime Rate and the rate on Government of Canada Treasury Bills, on which mortgage rates for a section of the Bank's mortgages are based, and the rate on Bankers' Acceptances, on which a section of the Bank's debt and hedging instruments are based, can deviate from historical norms. This situation can result in a reduction of spread.

- Cost of Debt Risk

Circumstances in the capital markets can cause an increase in credit spreads and/or underlying benchmarks which can result in an increase in the cost of debt used by HOMEQ to fund new mortgages or to replace maturing debt. Depending on the interest rate environment in existence at the time, HOMEQ may not be in a position to pass the increased costs on to customers which could result in a decrease in spread. The extent of this risk is quantified based on the extent of new debt issued in a year and various scenarios of increased price. HOMEQ mitigates this risk by staggering the maturities of its debt obligations.

Operational Risk

Operational risk involves breakdowns in internal controls and corporate governance which can lead to financial loss through a variety of means. To prevent and detect such occurrences, HOMEQ has implemented policies and procedures to manage and control business activity and specified risk.

Liquidity Risk

Liquidity risk is the potential that HOMEQ may not be capable of meeting its financial obligations when they are due to support the orderly continuation of operations. This can occur as a result of not being able to liquidate assets, payments not being received as expected, or funding not being obtained within the period of time required.

Factors leading to liquidity risk can include the following:

- Higher than expected withdrawals - A series of larger than expected redemption of deposits which exceed the amount of liquid assets and cash available from other sources can lead to a liquidity shortage;

- Access to Capital Markets - Periodically, as required, HOMEQ must issue various debt instruments to raise funds for the funding of reverse mortgages. Changes in general market conditions, fluctuations in markets for debt securities and other factors beyond the control of HOMEQ may affect its ability to raise funds as required;

- Uncertain Timing of Reverse Mortgages Cash Flows - Whereas the cash flows generated from a portfolio of reverse mortgages is generally predictable, the exact timing thereof is not contractually stipulated to a predetermined date. As a result, fluctuations in the rate of repayment can lead to near term excesses or deficiencies in liquidity; and,

- Concentration and Supply Risk - GIC broker supply risk may arise in the event that a few brokers account for a significant amount of HOMEQ's funding source. This can result in HOMEQ having to raise funds at above market rates or being forced to dispose of assets at below market value.

HOMEQ has a diversified range and proven source of funding alternatives and has created policies and procedures to ensure that cash flows are accurately predicted and monitored. Access to sufficient funding at the precise moment it is required cannot however be guaranteed. HOMEQ must therefore maintain a sufficient amount of liquid assets to fund its anticipated loan commitments, operations, deposit maturities and interest payments should a shortfall arise.

HOMEQ mitigates liquidity risk in CMT by issuing only highly rated debt, by using a syndicate of several dealers to issue debt, and by staggering the maturities of its debt obligations.

Legal and Regulatory Risk

Legal and regulatory risk is the risk of non-compliance by HomEquity with applicable regulatory and legal requirements.

HomEquity has developed and implemented a Legislative Compliance Management Framework in order to manage its regulatory risk.

Risks considered within the broader category of legal and regulatory risk include:

- Capital Risk

  The amount of capital required in relation to the size of HOMEQ's operations is determined by regulation and by the judgement of the Board of Directors of HOMEQ and senior management.

  The overall objective of capital management is to ensure that HOMEQ has sufficient capital to maintain its operations based on current activities and expected business developments in the future. At the same time HOMEQ must invest its capital to provide a return to shareholders commensurate with the risk of the business and comparable to other financial institutions.

  A risk exists that, as a result of the outcome of various occurrences, HOMEQ may find itself in a situation in which it no longer meets its capital requirements as determined by regulation and by the judgement of the Board of Directors and senior management.

  This risk is managed and controlled in accordance with HOMEQ's policies relating to its capital ratios and declaration of dividends.

- Money Laundering and Terrorist Financing Risk

  Money laundering is any act or attempted act to disguise the source of money or assets derived from criminal activity.

  Terrorist financing provides funds for terrorist activity, the main objective of which is to intimidate and threaten a population or compel a government to do something by intentionally killing, seriously harming or endangering a person, or causing substantial property damage.

  As a result of the above, HomEquity is required to comply with relevant legislation.

Derivative Related risk

Derivative instruments have either no or an insignificant market value at inception. They obtain value, increase or decrease, as relevant interest rates or credit prices change, such that the previously contracted terms of the derivative transactions have become more or less favourable than what can be negotiated under current market conditions for contracts with the same terms and the same remaining period to expiry.

The potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk. This market risk is mitigated as HOMEQ does not hold or use any derivative contracts for reasons other than for hedging purposes. No derivative contracts are held for speculative trading purposes.

Reliance on Relationships with Financial Institutions

HOMEQ has developed an extensive referral network in the broader financial service community, including distribution agreements with the largest Canadian banks. There can be no assurance that this referral network will be maintained. Furthermore, there is no assurance that any new distribution agreements entered into by HOMEQ will have terms similar to those contained in current arrangements with the banks. The termination or alteration of the referral network and distribution arrangements may adversely affect HOMEQ's ability to continue originating reverse mortgages, and its growth may be adversely affected as HOMEQ has specific strategies to manage the primary risks it has identified.

Risks Relating to the Securities

Liquidity and Price Fluctuation

The Corporation cannot predict the prices at which Securities will trade. The market price for the Securities may be affected by changes in general market conditions, fluctuations in the markets for equity securities and other factors beyond the control of the Corporation.

Unless otherwise indicated in a Prospectus Supplement, the Securities other than Common Shares will not be listed on any securities exchange. Consequently, there may be no market through which the Preferred Shares or the Convertible Securities can be sold and purchasers may not be able to resell the Preferred Shares or the Convertible Securities purchased under this Prospectus. This may affect the pricing of the Preferred Shares and the Convertible Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Preferred Shares and the Convertible Securities and the extent of issuer regulation.

Reliance on the Board of Directors

In assessing the risk of an investment in Securities, potential investors should be aware that they will be relying on the good faith, experience and judgment of the Board of Directors. Although investments made by the Corporation are carefully chosen based on the investment guidelines and reverse mortgage investment criteria adopted by the Board of Directors, there can be no assurance that such investments will earn a positive return in the short or long term or that losses may not be suffered by the Corporation from such investments.

Dilution

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series for that consideration and on those terms and conditions as shall be established by the Board of Directors without the approval of any holders of Common Shares or Preferred Shares. The holders of Common Shares and Preferred Shares will have no pre-emptive rights in connection with such further issues.

Uncertainty of Future Dividends

The Corporation's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, operating cash flow generated by the Corporation's subsidiaries, financial requirements for the HOMEQ Group's operations and the satisfaction of solvency tests imposed by the OBCA for the declaration and payment of dividends. There can be no assurance as to the payment of dividends on the Corporation's shares in the future or, if dividends are paid, as to the amount of such dividend payments.

LEGAL MATTERS

Certain legal matters relating to a particular offering of Securities will be passed upon on behalf of the Corporation by Fasken Martineau DuMoulin LLP. As of May 31, 2010, the partners and associates of Fasken Martineau DuMoulin LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Ernst & Young LLP, Chartered Accountants, Ernst & Young Tower, 222 Bay Street, Toronto, Ontario M5K 1J7.

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., at its principal office in Toronto, Ontario.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form base shelf prospectus of HOMEQ Corporation (the "Company") dated June 1, 2010 relating to the offering and issuance of Common Shares, Preferred Shares and Convertible Shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at December 31, 2009 and 2008, and the consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. Our report is dated March 4, 2010.

(Signed) Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
June 1, 2010.

CERTIFICATE OF THE CORPORATION

Date: June 1, 2010

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada.

(Signed) STEVEN K. RANSON President and Chief Executive Officer	(Signed) GARY KRIKLER Senior Vice President and Chief Financial Officer

By its Board of Directors

(Signed) HEATHER BRIANT Director	(Signed) GARY SAMUEL Director