ARRANGEMENT AGREEMENT

BETWEEN

MONACO ACQUISITION INC.

-AND-

HOMEQ CORPORATION

March 30, 2012

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ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT dated March 30, 2012,

B E T W E E N:

Monaco Acquisition Inc., a corporation existing under the laws of Ontario ("**Purchaser**")

- and -

HOMEQ Corporation, a corporation existing under the laws of Ontario (the "**Company**")

WHEREAS, Purchaser desires to acquire all of the Company Shares (as hereinafter defined);

AND WHEREAS the board of directors of the Company (the "**Board of Directors**") has determined, after consultation with its legal advisor and Financial Advisor, that the Arrangement (as hereinafter defined) is fair to the Company Shareholders (as hereinafter defined) and that the transactions contemplated in the Arrangement are in the best interests of the Company; and the Board of Directors unanimously has resolved to support the Arrangement and to unanimously recommend acceptance of the Arrangement to the Company Shareholders, all on the terms and subject to the conditions contained herein;

AND WHEREAS all of the members of the Board of Directors and the Senior Officers who beneficially own Company Shares or own any securities convertible into, or exchangeable or exercisable for Company Shares have concurrently with the execution and delivery of this Agreement entered into the Lock-Up Agreements;

THIS AGREEMENT WITNESSES THAT in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereto covenant and agree as follows:

ARTICLE I
INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

"**ACM**" has the meaning ascribed thereto in Section 5.4(c);

"**Acquisition Proposal**" means (a) any (i) merger, amalgamation, business combination, take-over bid, tender offer, arrangement, consolidation, recapitalization, reorganization, liquidation, dissolution, winding up, distribution, share exchange or other similar transaction involving the Company and/or one or more of its subsidiaries the assets or revenues of which, individually or in the aggregate, constitute 20% or more of the consolidated assets or consolidated revenues, as applicable, of the Company and its subsidiaries, taken as a whole, (ii) direct or indirect sale or acquisition of assets of the Company and/or one or more of its subsidiaries representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of the Company and its subsidiaries, taken as a whole, (or any lease, long-term supply agreement or other arrangement having the same economic effect), (iii) direct or indirect sale or acquisition of 20% or more of the voting or equity securities (or securities convertible into or exercisable for voting or equity securities) of the Company and/or one or more of its subsidiaries or rights or interests therein or thereto), or similar transactions involving the Company and/or one or more of its subsidiaries or (b) a proposal, offer, inquiry or request for discussions or negotiations relating to, or public announcement or other public disclosure of an intention to do, any of the foregoing, directly or indirectly, or any modification or proposed modification of any of the foregoing, excluding, in each case the Arrangement or any transaction to which Purchaser or any of its affiliates is a party and any transaction involving only the Company and/or one or more of its subsidiaries, but including for greater certainty any increase or improvement to an Acquisition Proposal; provided that for the purpose of the definition of "**Superior Proposal**", the references in this definition of "Acquisition Proposal" to "20% or more of the voting or equity securities" shall be deemed to be references to "all of the voting or equity securities", and the references to "20% or more of the consolidated assets or contributing 20% or more of the consolidated revenues" shall be deemed to be references to "all or substantially all of the consolidated assets";

"**affiliate**" has the meaning ascribed thereto in National Instrument 45-106 of the Canadian Securities Administrators;

"**Agreement**" means this Arrangement Agreement, including all schedules, and all amendments or restatements hereof (if any);

"**Arrangement**" means the proposed arrangement under Section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with this Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Company and Purchaser, each acting reasonably;

"**Arrangement Resolution**" means the special resolution approving the Plan of Arrangement to be considered at the Company Meeting, substantially in the form and content of Schedule C hereto, and any amendment or variation thereto made in accordance with the provisions of this Agreement or made at the direction of the Court in the Interim Order;

"**Articles of Arrangement**" means the articles of arrangement of the Company in respect of the Arrangement, to be sent to the Director pursuant to the OBCA after the Final Order is made, which shall be in a form and content satisfactory to the Company and Purchaser, acting reasonably;

"**Bank Act**" means the *Bank Act* (Canada), S.C. 1991, c. 46, as amended, and includes the regulations promulgated thereunder;

"**Bank Act Approval**" has the meaning ascribed thereto in Schedule A hereto;

"**Board of Directors**" has the meaning ascribed thereto in the recitals;

"**business day**" means any day, other than a Saturday, a Sunday or a day on which commercial banks are closed in Toronto, Canada;

"**Certificate of Arrangement**" means the certificate or other confirmation of filing giving effect to the Arrangement to be issued by the Director pursuant to section 183(2) of the OBCA after the Articles of Arrangement have been filed;

"**Change in Recommendation**" has the meaning ascribed thereto in Section 7.2(1)(iii);

"**CMT**" means CHIP Mortgage Trust, an unincorporated open-end investment trust established under the laws of the Province of Ontario;

"**Collective Agreements**" means collective agreements and related documents including benefit agreements, letters of understanding, letters of intent and other written communications with bargaining agents, trade unions, councils of trade unions, employee bargaining agencies, affiliated bargaining agents or employee associations by which the Company or any of its subsidiaries is bound;

"**Company**" means HOMEQ Corporation, a corporation existing under the laws of Ontario;

"**Company Circular**" means the notice of the Company Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto, to be sent to, among others, the Company Shareholders in connection with the Company Meeting, as amended, supplemented or otherwise modified from time to time;

"**Company Financial Statements**" has the meaning ascribed thereto in Section 1.8 of Schedule E hereto;

"**Company Meeting**" means the special meeting of Company Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider, among other things, the Arrangement Resolution;

"**Company Plans**" has the meaning ascribed thereto in Section 1.21 of Schedule E hereto;

“**Company Rights Plan**” means the Shareholder Rights Plan Agreement dated March 11, 2009 between the Company and Computershare Trust Company of Canada;

“**Company Shareholders**” means the registered or beneficial holders of Company Shares (other than Purchaser and any of its affiliates), as the context requires;

“**Company Shares**” means the common shares in the capital of the Company;

“**Company’s Disclosure Letter**” means the disclosure letter delivered by the Company to Purchaser immediately prior to the execution of this Agreement;

“**Company’s Public Disclosure Record**” means all reports, schedules, forms, statements and other documents (including exhibits and other information incorporated therein) filed by the Company with any Securities Authorities after January 1, 2011 and before the date hereof that are available to the public on SEDAR;

“**Competition Act**” means the *Competition Act* (Canada), R.S.C. 1985, c. C-34, as amended, and includes the regulations promulgated thereunder;

“**Competition Act Clearance**” has the meaning ascribed thereto in Schedule A hereto;

“**Confidentiality Agreement**” means the letter agreement dated January 31, 2012 between Purchaser and the Company;

“**Consideration**” means $9.50 in cash per Company Share;

“**Contract**” means any contract, license, lease, mortgage, franchise, agreement, commitment, understanding or obligation, whether written or oral, to which the Company or any of its subsidiaries is a party or by which any of them, or any of their respective properties or assets, may be bound and, for greater certainty, shall exclude Company Plans;

“**Court**” means the Ontario Superior Court of Justice (Commercial List);

“**Customer Agreements**” has the meaning ascribed thereto in Section 1.37 of Schedule E hereto;

“**D&O Insurance**” has the meaning ascribed thereto in Section 7.8(1);

“**Depository**” means Computershare Investor Services Inc.;

“**Director**” means the Director appointed pursuant to Section 278 of the OBCA;

“**Dissent Rights**” means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement;

"**DSU Plan**" means the Company Directors' Deferred Share Plan for non-executive directors dated June 30, 2009;

"**DSUs**" means the deferred shares granted under the DSU Plan;

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement;

"**Effective Time**" has the meaning ascribed thereto in the Plan of Arrangement;

"**Employees**" means each individual who is actively employed by the Company or any of its subsidiaries, including any employee who is on vacation or sick leave or jury duty, pregnancy or parental leave, or on other authorized leave of absence, family or workers' compensation leave, disability leave or military leave as of the Effective Date, whether paid or unpaid, and any independent contractors of the Company or any of its subsidiaries;

"**Employment Contracts**" means all written Contracts, other than Company Plans, relating to the employment of an Employee, or providing for retention, termination, severance or change of control benefits;

"**Encumbrance**" (and any grammatical variation thereof) includes any mortgage, pledge, assignment, charge, lien, claim, hypothec, security interest, adverse claim or encumbrance;

"**Environmental Condition**" means an exceedence of applicable soil or ground water standards set by a Governmental Entity provided such exceedence would reasonably be expected to result in a material liability;

"**Environmental Laws**" means any and all federal, provincial, municipal or local statutes, regulations, orders, by-laws or ordinances relating to pollution or protection of the environment, including those relating to emissions, discharges or releases of Hazardous Materials;

"**Existing Mortgages**" means the Reverse Mortgages held by HomEquity Bank or CMT as at the date hereof;

"**Fairness Opinion**" means the opinion of RBC Dominion Securities Inc., a member company of RBC Capital Markets, financial advisor to the Company, to the effect that, as of the date of such opinion, the Consideration under the Arrangement is fair, from a financial point of view, to Company Shareholders;

"**Final Order**" means the final order of the Court in a form acceptable to the Company and Purchaser, each acting reasonably, approving the Arrangement as such order may be amended by the Court (with the consent of both the Company and Purchaser, each acting reasonably) at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and Purchaser, each acting reasonably) on appeal;

"**Financial Advisor**" means RBC Capital Markets;

"**Financial Advisor Letter**" has the meaning ascribed thereto in Section 1.36 of Schedule E hereto;

"**Financial Indebtedness**" means any obligation or liability (whether accrued, absolute, contingent or otherwise) (i) for senior debt and subordinated debt and for any other borrowed money, and other indebtedness evidenced by notes, bonds, debentures or other instruments (and including all outstanding principal, prepayment premiums, if any, and accrued interest, fees and expenses related thereto), (ii) under capital leases or purchase money obligations, (iii) any amounts owed with respect to drawn letters of credit, and (iv) any guarantees, indemnities or similar obligation in respect of obligations or liabilities of the type described in clauses (i) through (iii) above;

"**GAAP**" means Canadian generally accepted accounting principles, including those principles stated in the Handbook of the Canadian Institute of Chartered Accountants, prior to December 31, 2010 and IFRS after such date;

"**Governmental Entity**" means (a) any supranational, international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, office, Crown corporation, commission, commissioner, board, bureau or agency, whether domestic or foreign (including OSFI), (b) any subdivision, agent or authority of any of the foregoing, and (c) any quasi-governmental or private body, including any tribunal, commission, stock exchange, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority (including the TSX);

"**Hazardous Materials**" mean any pollutant, contaminant, waste of any nature, hazardous substance, hazardous material, hazardous recyclable, toxic substance, dangerous substance or dangerous good as defined, judicially interpreted, or identified in any Environmental Laws;

"**HomEquity Bank**" means HomEquity Bank, a bank incorporated and existing under the Bank Act, and a wholly-owned subsidiary of the Company;

"**IFRS**" means International Financial Reporting Standards, which are issued by the International Accounting Standards Board, as adopted in Canada;

"**Indemnified Person**" has the meaning ascribed thereto in Section 7.8;

"**Intellectual Property**" means (i) all trademarks, service marks, Internet domain names, trade dress and trade names, registrations and applications for registration of the foregoing, and the goodwill associated therewith and symbolized thereby; (ii) patents and patent applications; (iii) confidential and proprietary information, including trade secrets and know-how; and (iv) copyrights and registrations and applications for registration of the foregoing;

"**Interim Order**" means the interim order of the Court in a form acceptable to the Company and Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Company Meeting, as the same may be amended by the Court with the consent of the Company and Purchaser, each acting reasonably;

"**Law**" or "**Laws**" means all federal, provincial, state, municipal, regional and local laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, certificates, ordinances, judgments, injunctions, determinations, awards, decrees, legally binding codes, policies or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, including the Bank Act, the guidelines, guidance notes, advisories, rulings, rules and guides of OSFI, whether or not having the force of law; and the term "applicable" with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are binding upon or applicable to such Party or its assets;

"**Lock-Up Agreements**" means the voting and support agreements dated the date hereof between Purchaser, on the one hand, and each of the directors of the Company and the Senior Officers, on the other hand, pursuant to which such directors and the Senior Officers have agreed, among other things, to support the Arrangement and to vote the Company Shares beneficially owned by them in favour of the Arrangement Resolution in accordance with the terms of such agreements;

"**Material Adverse Effect**" means any fact or state of facts, change, circumstance, effect, event or development that, individually or in the aggregate, is, or would reasonably be expected to (i) be materially adverse to the business, operations, results of operations, capital, properties, assets, liabilities, obligations or financial condition of the Company and its subsidiaries, taken as a whole; or (ii) prevent or materially delay or, impair the ability of the Company to consummate the Arrangement on a timely basis in accordance with the terms of this Agreement, except that none of the following, either alone or in combination, shall be considered in determining whether there has been a "Material Adverse Effect" or a breach of a representation, warranty, covenant or agreement that is qualified by the term "Material Adverse Effect": (a) facts or state of facts, changes, circumstances, effects, events or developments affecting the political, economic, financial or regulatory conditions in general in Canada , including changes in the credit, interest rate and currency markets and continued weakness in general economic conditions; (b) facts or state of facts, changes, circumstances, effects, events or developments arising from or out of terrorism, war (whether or not declared), armed hostilities, riots, insurrection, civil disorder, military conflicts, political instability or other armed conflict, national calamity, crisis or emergency, natural disaster, or any governmental response to any of the foregoing, in each case, whether occurring within or outside of Canada; (c) facts or state of facts, changes, circumstances, effects, events or developments arising from or out of the execution, announcement or performance of this Agreement or the consummation of the transactions contemplated hereby, including any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of the Company with any of its customers, employees, executives, shareholders, financing sources, distributors or suppliers arising as a consequence of the same; (d) facts or state of facts, changes, circumstances, effects, events or developments arising from or out of any change in Law or generally accepted accounting principles or accounting rules or the interpretation thereof applicable to the industry in which the Company operates (and any changes resulting therefrom); (e) facts or state of facts, changes, circumstances, effects, events or developments arising from or out of any action taken by or omission of the Company in accordance with this Agreement or with the prior written consent of Purchaser; (f) any facts or state of facts, change, circumstances, effect, event or development generally affecting the industries or markets in which the Company operates; (g) any change in the trading price or any change in the trading volume of the Company Shares or any suspension of trading in securities generally or on the TSX; (h) the failure of the Company to meet or achieve the results set forth in any internal projection; except in the case of clauses (a), (b), (d) and (f) to the extent that the Company and its subsidiaries, taken as a whole, is disproportionately affected thereby as compared with other participants in the industry in which the Company operates, and provided that, in each case, the causes underlying any change or failure referred to in clause (g) or (h) (other than those in clauses (a) to (f) above) may be taken into account in determining whether a Material Adverse Effect has occurred, and that references in this Agreement to dollar amounts are not intended to be and shall not be deemed to be illustrative or interpretative for purposes of determining whether a Material Adverse Effect has occurred;

"**Material Contract**" means any Contract that: (a) if terminated or modified would or would reasonably be expected to have a Material Adverse Effect; (b) provides for obligations or entitlements of the Company and/or its subsidiaries exceeding $300,000 per annum; (c) has a term in excess of 24 months and which is not terminable by the Company or its subsidiaries upon notice of six (6) months or less; (d) is a joint venture or similar agreement, (e) is a Contract with a third party that contains a material most favoured nations or similar clause, a right of first referral, or a right of first offer clause, in each case, in favour of the third party; (f) is a Contract that contains any non-competition or similar obligations or that restricts in any material way the business of the Company or any of its subsidiaries as currently conducted; (g) relates to any Material Financial Indebtedness of the Company and/or its subsidiaries; (h) relates to the disposition or acquisition by the Company or any of its subsidiaries after the date hereof of material assets or an ownership interest in a material business or pursuant to which the Company or any of its subsidiaries has any material ownership or participation interest in any other person or other business enterprise other than the Company's subsidiaries; (i) relates to the acquisition or sale by the Company or any of its subsidiaries of any operating business or the capital stock or other ownership or participation interest of any other person and under which the Company or any of its subsidiaries has any material continuing liability or obligation, including the Financial Advisor Letter; (j) Real Property Leases; (k) is a financial risk management Contract, including currency, commodity or interest related derivative or hedge contracts; (l) is a mortgage origination referral partnership agreement with a key referral partner; (m) is an agreement to which CMT is a party or by which its assets are bound other than engagement letters with financial advisors in respect of which the transactions contemplated by the letter have been completed; or (n) is a Contract under which the Company or any of its subsidiaries has received a licence to use any third party Intellectual Property Rights that are material to the business of the Company or any of its subsidiaries, provided, that the term "Material Contracts" shall not include any Existing Mortgage;

"**material fact**" has the meaning ascribed thereto in the Securities Act;

"**Material Financial Indebtedness**" means any Financial Indebtedness with a principal amount (or a payment obligation on a marked-to-market basis) in excess of $250,000;

"**Mailing Deadline**" has the meaning ascribed thereto in Section 2.4(1);

"**MD&A**" has the meaning ascribed thereto in Section 1.8 of Schedule E hereto;

"**Meeting Deadline**" has the meaning ascribed thereto in Section 2.3(1);

"**misrepresentation**" has the meaning ascribed thereto in Section 2.4(2);

"**MI 61-101**" means Multilateral Instrument 61-101 of the Canadian Securities Administrators;

"**Mortgage Criteria**" has the meaning ascribed thereto in the Reverse Mortgage Sale and Servicing Agreement;

"**OBCA**" means the *Business Corporations Act* (Ontario);

"**OSFI**" means the office of the Superintendent of Financial Institutions Canada;

"**Option**" means an option to purchase one Company Share granted or governed under the Option and SAR Plan;

"**Option and SAR Plan**" means the Option and Share Appreciation Rights Plan dated March 4, 2010;

"**Order**" means any writ, judgment, injunction, decree, determination, award or similar order of any Governmental Entity (whether preliminary or final);

"**ordinary course of business**", or any similar reference, means, with respect to an action taken by the person, that such action is consistent with the past practices of such person and is taken in the ordinary course of the normal day-to-day business and operations of such person;

"**Outside Date**" means December 31, 2012, subject to the right of the Company or Purchaser to postpone the Outside Date for up to an additional 60 days (in 30 day increments) if one or more of the Regulatory Approvals have not been obtained and none of such remaining Regulatory Approvals have been denied by a non-appealable decision of a Governmental Entity, by giving written notice to the other Parties to such effect no later than 5:00 p.m. (Toronto time) on the date that is not less than 15 days (or such earlier date as is practicable in the circumstances) prior to the original Outside Date (and any subsequent Outside Date), or such later date as may be agreed to in writing by the Parties;

"**Parent Guarantee**" means the guarantee from each of Birch Hill Equity Partners IV, LP, Birch Hill Equity Partners (US) W, LP, Birch Hill Equity Partners (Entrepreneurs) IV, LP to the Company;

"**Parties**" means the Company and Purchaser, and "**Party**" means any of them;

"**Pension Plan**" means a registered "pension plan" as defined in the Tax Act;

"**Permit**" means any license, permit, certificate, consent, order, grant, approval, classification, registration, or other authorization of and from any Governmental Entity;

"**Permitted Encumbrances**" means, with respect to the Company and its subsidiaries:

(a) statutory liens for Taxes not yet due or payable or which the Company or its subsidiaries owing such Taxes is contesting in good faith but only for so long as such contestation effectively postpones enforcement of any such liens or Taxes, or if adequate reserves with respect thereto are maintained in the appropriate financial statements;

(b) statutory liens incurred or deposits made in the ordinary course of the business of the Company and its subsidiaries in connection with workers' compensation, unemployment insurance and similar legislation, but only to the extent that each such statutory lien or deposit relates to amounts not yet due;

(c) security given by the Company or any of its subsidiaries to a public utility or any Governmental Entity when required in the ordinary course of business of the Company and its subsidiaries;

(d) undetermined or inchoate construction, mechanics or repair or storage liens arising in the ordinary course of the business of the Company and its subsidiaries, with respect to amounts which are not yet due and a claim for which has not been filed or registered pursuant to applicable Law or of which notice in writing has not been given to the Company or its subsidiaries;

(e) any reservations or exceptions contained in the original grants from a Governmental Entity;

(f) easements, including rights of way for, or reservations or rights of others relating to, sewers, water lines, gas lines, pipelines, electric lines, telegraph and telephone lines and other similar services and any registered restrictions or covenants that run with the land, provided that there has been compliance with the material provisions thereof and that they do not in the aggregate materially detract from the ability to use the real property subject to Real Property Leases and will not materially and adversely affect the ability of the Company and its subsidiaries to carry on their business as it has been carried on in the past;

(g) zoning by-laws, ordinances or other restrictions as to the use of real property, and agreements with other persons registered against title to the real property subject to Real Property Leases, provided that they do not in the aggregate materially detract from the ability to use the real property subject to Real Property Leases and will not materially and adversely affect the ability of the Company and its subsidiaries to carry on their business as it has been carried on in the past; and

(h) such other defects or irregularities of title as do not materially and adversely detract from the value or interfere with the use of the properties or assets subject thereto or affected thereby;

"**person**" means any natural person, partnership, limited partnership, limited liability partnership, joint venture, syndicate, sole proprietorship, company or corporation (with or without share capital), limited liability corporation, unlimited liability company, joint stock company, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Entity or other entity however designated or constituted and pronouns have a similarly extended meaning;

"**Personal Information**" means the type of information regulated by Privacy Laws and collected, used, disclosed or retained by the Company or any of its subsidiaries;

"**Plan of Arrangement**" means the plan of arrangement, substantially in the form of Schedule D hereto, and any amendments or variations thereto made in accordance with Section 9.9 hereof or Section 5.2 of the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Company and Purchaser, each acting reasonably;

"**Pre-Acquisition Reorganization**" has the meaning ascribed thereto in Section 5.3(k);

"**Privacy Laws**" means all applicable federal, provincial, state, municipal or other laws governing the collection, use, disclosure and retention of Personal Information, including the *Personal Information Protection and Electronic Documents Act* (Canada);

"**Privacy Policies**" means all privacy data protection and similar policies adopted or used by the Company or any of its subsidiaries in respect of Personal Information, including any complaints process;

"**Purchaser**" means Monaco Acquisition Inc., a corporation existing under the laws of Ontario;

"**Purchaser Confidential Information**" has the meaning ascribed thereto in Section 5.4(a);

"**Real Property Leases**" means the leases, subleases and other similar agreements (and all amendments or modifications thereto) under which the Company or any of its subsidiaries uses or occupies or has the right to use or occupy, now or in the future, any real property;

"**Regulatory Approvals**" means those approvals, certificates, rulings, consents, orders, clearances, exemptions and permits (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities as set out in Schedule A hereto;

"**Related Property**" means, in respect of any Reverse Mortgage, the property mortgaged, charged or hypothecated by such Reverse Mortgage;

"**Representatives**" means the officers, directors, employees, financial advisors, legal counsel, accountants and other agents and representatives of a Party;

"**Requisite Approval**" means the approval of Company Shareholders in accordance with Section 2.2(b), as may be modified by the Interim Order;

"**Response Period**" has the meaning ascribed thereto in Section 7.3(1)(c);

"**Returns**" means all reports, forms, schedules, elections, estimates, declarations of estimated Tax, information statements and returns relating to, or required to be filed in connection with, any Taxes;

"**Reverse Break Fee**" has the meaning ascribed thereto in Section 7.4(2);

"**Reverse Mortgage**" has the meaning ascribed thereto in the Reverse Mortgage Sale and Servicing Agreement;

"**Reverse Mortgage Sale and Servicing Agreement**" means the Reverse Mortgage Sale and Servicing Agreement between CHIP Mortgage Trust and Canadian Home Income Plan Corporation dated July 1, 2008;

"**RSU Plan**" means the Company Amended and Restated Restricted Share Plan dated November 2, 2011, as amended on December 2, 2011 and as further amended on January 24, 2012;

"**RSUs**" means the restricted shares granted under the RSU Plan;

"**Securities Act**" means the *Securities Act* (Ontario);

"**Securities Authorities**" means the Ontario Securities Commission and the applicable securities commissions and other securities regulatory authorities in each of the other provinces of Canada;

"**Securities Laws**" means the Securities Act and all other applicable Canadian provincial securities Laws and the rules and regulations and published policies under or relating to the foregoing securities Laws and applicable stock exchange rules and listing standards of the TSX;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval described in National Instrument 13-101- *System for Electronic Document Analysis and Retrieval* - of the Canadian Securities Administrators and available for public view at www.sedar.com;

"**Senior Officers**" means Steven Ranson, Gary Krikler and Greg Bandler;

"**Statutory Plans**" means statutory plans or social security which the Company or any of its subsidiaries is required to participate in or comply with, including the Canada and Quebec Pension Plans and plans administered pursuant to applicable health tax, workplace safety insurance and employment insurance legislation;

"**Subject Laws**" has the meaning ascribed thereto in Section 1.27 of Schedule E hereto;

"**subsidiary**" or "**subsidiaries**" means, with respect to any person, any entity, whether incorporated or unincorporated (a) of which such person or any other subsidiary of such person is a general partner (excluding partnerships, the general partnership interests of which held by such person or any subsidiary of such person do not have a majority of the voting interests in such partnership), or (b) at least a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the board of directors or other persons performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such person or by any one or more of its subsidiaries, or by such person and one or more of its subsidiaries and, in the case of the Company, includes CMT;

"**Superior Proposal**" means an unsolicited *bona fide* written Acquisition Proposal made by an arm's length third party to the Company or the Company Shareholders in writing after the date hereof (a) that is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal; (b) that is not subject to any due diligence or access condition; (c) that is not subject to any financing condition and in respect of which the funds or other consideration necessary to complete the Acquisition Proposal are or will be available to fund completion of the Acquisition Proposal at the time and on the basis set out therein, as reasonably determined by the Board of Directors in its good faith judgment, after receiving the advice of its outside legal counsel and financial advisors; (d) that did not result from a breach of Section 7.2; and (e) that the Board of Directors determines, in its good faith judgment, after receiving the advice of its outside legal counsel and financial advisors and after taking into account all of the terms and conditions of such Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal, would if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable, from a financial point of view, to Company Shareholders than the Arrangement (after giving effect to any changes to the terms and conditions of the Arrangement and this Agreement proposed by Purchaser in response to such Acquisition Proposal pursuant to Section 7.3);

"**Superior Proposal Notice**" has the meaning ascribed thereto in Section 7.3(1)(b);

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, and includes the regulations promulgated thereunder;

"**Taxes**" means all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any Governmental Entity, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal, provincial and state income taxes), capital taxes, payroll and employee withholding taxes, employment insurance, social insurance taxes (including Canada Pension Plan payments), sales and use taxes, goods and services tax, harmonize sales tax, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers' compensation premiums or charges, pension assessment and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which one of the Parties or any of its subsidiaries is required to pay, withhold or collect;

"**Termination Fee**" has the meaning ascribed thereto in Section 7.4(1);

"**Third Party Approvals**" means those consents, approvals and notices required from any third party as set out in Schedule B hereto;

"**Transaction Personal Information**" has the meaning ascribed thereto in Section 9.10;

"**TSX**" means the Toronto Stock Exchange; and "**unanimous**" or "**unanimously**" means, with respect to any action taken by the Board of Directors regarding a particular matter, that all members of the Board of Directors have determined, approved, resolved or voted in favour of, as applicable, such matter, other than those directors, who shall have abstained from voting solely due to his or her interest in the Arrangement as set forth in Section 1.4 of Schedule E hereto, provided the same shall have been disclosed to Purchaser.

1.2 Interpretation Not Affected by Headings

The division of this Agreement into Articles, Sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. Unless the contrary intention appears, references in this Agreement to an Article, Section, subsection, paragraph or Schedule by number or letter or both refer to the Article, Section, subsection, paragraph or Schedule, respectively, bearing that designation in this Agreement.

1.3 Number and Gender

In this Agreement, unless the contrary intention appears, words importing the singular include the plural and vice versa, and words importing gender include all genders.

1.4 Date for Any Action

If any period expires on a day which is not a business day or any event or condition is required by the terms of this Agreement to occur or to be fulfilled on a day which is not a business day, such period shall expire or such event or condition shall occur or be fulfilled, as the case may be, on the next succeeding day which is a business day;

1.5 Currency

Unless otherwise stated, all references in this Agreement to sums of money are expressed in, and all payments provided for herein shall be made in Canadian dollars, and "US$" refers to United States dollars and "C$" refers to Canadian dollars.

1.6 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement in respect of the Company and its subsidiaries shall have the meanings attributable thereto under GAAP and all determinations of an accounting nature in respect of the Company and its subsidiaries required to be made shall be made in a manner consistent with GAAP consistently applied.

1.7 Knowledge

In this Agreement, unless otherwise stated, references to "the knowledge of the Company" and phrases of similar import mean and shall be limited to the actual knowledge, without inquiry, of

Steven Ranson, Gary Krikler, Scott Cameron or Celia Cuthbertson, in their capacity as officers of the Company, and not in their personal capacity.

1.8 Schedules

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

Schedule A	-	Regulatory Approvals
Schedule B	-	Third Party Approvals
Schedule C	-	Arrangement Resolution
Schedule D	-	Plan of Arrangement
Schedule E	-	Representations and Warranties of the Company
Schedule F	-	Representations and Warranties of Purchaser

1.9 Other Definitional and Interpretive Provisions

(a) References in this Agreement to the words "include", "includes" or "including" shall be deemed to be followed by the words "without limitation" whether or not they are in fact followed by those words or words of like import.

(b) The words "hereof", "herein", "hereto", "hereunder" and "hereby" and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(c) Any capitalized terms used in any exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement.

(d) Any reference to a number of days shall refer to calendar days unless business days are specified;

(e) References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any person include the successors and permitted assigns of that person.

(f) References to a particular statute or law shall be to such statute or law and the rules, regulations and published policies made thereunder, as in force as at the date of this Agreement, and as the same may be amended, re-enacted, consolidated or replaced from time to time, and any successor statute or law thereto, unless otherwise expressly provided, supplements or supersedes any such statute or law or any such rule, regulation or policy.

(g) The Parties agree that they have been represented by outside legal counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any Law, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

ARTICLE II THE ARRANGEMENT

2.1 Arrangement

(1) The Company and Purchaser agree that the Arrangement will be implemented in accordance with and subject to the terms and conditions contained in this Agreement and the Plan of Arrangement. The Company and Purchaser agree that the Arrangement shall result in the acquisition by Purchaser of all of the Company Shares on the basis of the cash payment of the Consideration for each Company Share (other than Company Shares held by Purchaser or any of its affiliates).

(2) The Company confirms that the Board of Directors has unanimously determined, after consultation with its legal advisor and its Financial Advisor and receipt of the Fairness Opinion, that the Arrangement is fair to the Company Shareholders and that the transactions contemplated in the Arrangement are in the best interests of the Company; and the Board of Directors unanimously has resolved to support the Arrangement and to unanimously recommend acceptance of the Arrangement to the Company Shareholders, all on the terms and subject to the conditions contained herein.

2.2 Interim Order

The Company agrees that as soon as reasonably practicable after the date hereof, the Company shall apply in a manner reasonably acceptable to Purchaser pursuant to Section 182 of the OBCA and, in cooperation with Purchaser, prepare, file and diligently pursue an application for the Interim Order, which shall provide, among other things:

(a) for the class of persons to whom notice is to be provided in respect of the Arrangement and the Company Meeting and for the manner in which such notice is to be provided;

(b) that the requisite approval for the Arrangement Resolution shall be (i) two-thirds of the votes cast on the Arrangement Resolution by Company Shareholders present in person or represented by proxy at the Company Meeting, and (ii) such other approvals as are required by MI 61-101 for purposes of the Arrangement, each Company Share entitling the holder thereof to one vote on the Arrangement Resolution;

(c) that, in all other respects, the terms, restrictions and conditions of the Company's articles and by-laws as in effect as of the date hereof, including quorum requirements and all other matters, shall apply in respect of the Company Meeting;

(d) for the grant of the Dissent Rights;

(e) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;

(f) that the Company Meeting may be adjourned or postponed from time to time by the Company without the need for additional approval of the Court;

(g) confirmation of the record date for the purposes of determining the Company Shareholders entitled to receive material and vote at the Company Meeting in accordance with the Interim Order; and

(h) that the record date for Company Shareholders entitled to notice of and to vote at the Company Meeting will not change in respect of any adjournment(s) or postponement(s) of the Company Meeting.

2.3 The Company Meeting

(1) Subject to the terms of this Agreement and the Interim Order, the Company agrees to convene and conduct the Company Meeting as soon as reasonably practicable and in any event will hold the Company Meeting no later than May 30, 2012 (the "**Meeting Deadline**"), in accordance with the Interim Order, the Company's articles and by-laws as in effect on the date hereof and applicable Laws, and not postpone or adjourn the Company Meeting except (i) as required for quorum purposes or by applicable Law or by a Governmental Entity or (ii) for the purpose of attempting to obtain the requisite approval of the Arrangement Resolution, in each case, without Purchaser's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed), or cancel the Company Meeting without Purchaser's prior written consent.

(2) Subject to the terms of this Agreement, the Company will use commercially reasonable efforts to solicit proxies in favour of the Arrangement Resolution, including, if so requested by Purchaser, (i) using dealer and proxy solicitation services, and (ii) co-operating with any persons engaged by Purchaser to solicit proxies in favour of the Arrangement Resolution.

(3) The Company will give notice to Purchaser of the Company Meeting and allow Purchaser's representatives and legal counsel to attend the Company Meeting.

(4) The Company will, or will instruct its transfer agent and registrar to, advise Purchaser as Purchaser may reasonably request, and at least on a daily basis on each of the last seven (7) business days prior to the date of the Company Meeting, as to the aggregate tally of the proxies received by the Company in respect of the Arrangement Resolution.

(5) The Company will promptly advise Purchaser of any written notice of dissent or purported exercise by any registered holder of Company Shares of Dissent Rights received by the Company in relation to the Arrangement Resolution and any withdrawal of Dissent Rights received by the Company and, subject to applicable Laws, will provide Purchaser with an opportunity to

review and comment upon any written communications sent by or on behalf of the Company to any registered holder of Company Shares exercising or purporting to exercise Dissent Rights in relation to the Arrangement Resolution and participate in any discussions, negotiations or proceedings with or including any such holder. The Company shall not settle any claims with respect to Dissent Rights without Purchaser's prior written consent.

2.4 <u>The Company Circular</u>

(1) Subject to compliance by Purchaser of Section 2.4(4), as promptly as reasonably practicable after the execution of this Agreement, the Company shall prepare and complete, in consultation with Purchaser, the Company Circular together with any other documents required by the OBCA, the Bank Act, applicable Securities Laws or any other applicable Laws in connection with the Company Meeting and the Arrangement, and the Company shall, as promptly as reasonably practicable after obtaining the Interim Order, cause the Company Circular and other documentation required in connection with the Company Meeting to be filed and to be sent to each Company Shareholder and other persons with a targeted date of April 23, 2012, and in any event on or before May 4, 2012 (the "**Mailing Deadline**") as required by and in accordance with the Interim Order and applicable Laws (for the purposes of this Section 2.4, "**Company Circular**" shall include such other documentation), in each case so as to permit the Company Meeting to be held within the time required by Section 2.3(1).

(2) The Company shall ensure that the Company Circular complies in all material respects with all applicable Laws, and, without limiting the generality of the foregoing, that the Company Circular will not, at the time of mailing, contain 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 (a "**misrepresentation**") (other than with respect to any information furnished by Purchaser or its affiliates in writing) and shall provide Company Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters to be placed before them at the Company Meeting. The Company Circular will include (i) subject to Section 8.2(1)(e), the unanimous recommendation of the Board of Directors that Company Shareholders vote in favour of the Arrangement Resolution, (ii) the terms and conditions of the Plan of Arrangement and (iii) the Fairness Opinion.

(3) Purchaser and its legal counsel shall be given a reasonable opportunity to review and comment on drafts of the Company Circular and other documents related thereto, and reasonable consideration shall be given to any comments made by Purchaser and its legal counsel, provided that all information relating solely to Purchaser included in the Company Circular shall be in form and content satisfactory to Purchaser, acting reasonably. The Company shall provide Purchaser with a final copy of the Company Circular prior to mailing to the Company Shareholders.

(4) Purchaser will furnish to the Company all such information concerning itself as may be reasonably required by the Company in the preparation of the Company Circular and other documents related thereto, and Purchaser shall ensure that no such information will contain any

untrue statement of a material fact or omit to state a material fact required to be stated in the Company Circular in order to make any information so furnished or any information concerning itself not misleading in light of the circumstances in which it is disclosed. Purchaser shall indemnify and save harmless the Company, its subsidiaries and their respective Representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses to which the Company, any subsidiary of the Company or any of their respective Representatives may be subject or may suffer, in any way caused by, or arising directly or indirectly, from or in consequence of: (a) any misrepresentation or alleged misrepresentation in any information included in the Company Circular that is provided by Purchaser or its Representatives for the purpose of inclusion in the Company Circular or otherwise approved by Purchaser; and (b) any order made, or any inquiry, investigation or proceeding by any Securities Authority or other Governmental Entity, to the extent based on any misrepresentation or any alleged misrepresentation in any information related to Purchaser and provided by Purchaser or its representatives for the purpose of inclusion in the Company Circular or otherwise approved by Purchaser. The Company hereby confirms that it is acting as agent and trustee on behalf of the individuals specified in this Section 2.4(4).

(5) Each of the Parties shall promptly notify the other Parties if at any time before the Effective Date it becomes aware (in the case of the Company only with respect to the Company and in the case of Purchaser only with respect to Purchaser) that the Company Circular or any amendment or supplement thereto contains an 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 Company Circular, and the Parties shall co-operate in the preparation of any amendment or supplement to the Company Circular, as required or appropriate, and the Company shall, subject to compliance by Purchaser of Section 2.4(4), promptly mail or otherwise publicly disseminate any amendment or supplement to the Company Circular to Company Shareholders and, if required by the Court or applicable Laws, file the same with the applicable Securities Authorities and as otherwise required.

(6) In the event that the Company provides a notice to Purchaser regarding an Acquisition Proposal pursuant to Subsection 7.2(3) prior to the mailing of the Company Circular then, if requested by Purchaser within one (1) business day of the receipt by Purchaser of such notice, the Mailing Deadline will be extended until the date that is five (5) business days following the earlier of (i) written notification from the Company to Purchaser that the Board of Directors has determined that the Acquisition Proposal is not, and is not reasonably expected to result in, a Superior Proposal, and (ii) the date on which the Company and Purchaser enter into amended agreement pursuant to Section 7.3 which results in the Acquisition Proposal in question not being a Superior Proposal. In the event that the Mailing Deadline is so extended, the Meeting Deadline and the Outside Date shall be extended by the same number of days as the Mailing Deadline has been extended and, if requested by Purchaser, the Company Meeting shall be postponed or adjourned to a date specified by Purchaser that is not later than the Meeting Deadline (as so extended).

2.5 Options, RSUs, and DSUs

(1) Subject to the terms and conditions of this Agreement, pursuant to the Arrangement, all Options whether vested or unvested will be cancelled by the Company in exchange for a cash payment by the Company to each holder of an Option, in respect of each Option held by such holder, of the amount, if any, equal to the Consideration less the applicable exercise price and net of all Taxes required to be withheld in respect of each Option and the Company shall take all such reasonable steps as may be necessary or desirable to give effect to the foregoing.

(2) Subject to the terms and conditions of this Agreement, pursuant to the Arrangement, (a) all rights under the RSU Plan to receive Company Shares that are currently held in trust for the benefit of the holders of RSUs, whether vested or unvested, shall immediately vest and each Company Share held in trust for the benefit of a holder of an RSU shall be deemed to be distributed to such holder without any further act or formality, and (b) all other rights under the RSU Plan, whether vested or unvested, will be disposed of and surrendered by the holders thereof to the Company in exchange for a cash payment by the Company to each holder of an RSU, in respect of each RSU held by such holder, of an amount equal to the Consideration net of all Taxes required to be withheld with respect to each RSU and the Company shall take all such reasonable steps as may be necessary or desirable to give effect to the foregoing.

(3) Subject to the terms and conditions of this Agreement, pursuant to the Arrangement, all DSUs will be disposed of and surrendered by the holders thereof to the Company in exchange for a cash payment by the Company to each holder of a DSU, in respect of each DSU held by such holder, of an amount equal to the Consideration net of all Taxes required to be withheld in respect of such DSU and the Company shall take all such reasonable steps as may be necessary or desirable to give effect to the foregoing.

2.6 Elections Regarding Options

Purchaser and the Company each acknowledge and agree that the Company and all persons not dealing at arm's length with the Company will forego any deduction under the Tax Act with respect to the cash payment to be made by the Company to holders of Options as described in Section 2.5 of this Agreement and pursuant to the Plan of Arrangement who are otherwise eligible to claim the deduction pursuant to paragraph 110(1)(d) of the Tax Act with respect to such payment. To effect the foregoing, the Company shall timely comply with the requirements described in subsection 110(1.1) of the Tax Act, including making and filing appropriate elections and delivering written notice of such elections to such holders of the Options in accordance with the requirements set out in the Tax Act.

2.7 Final Order

If the Interim Order is obtained, the Arrangement Resolution is passed at the Company Meeting as provided for in the Interim Order and as required by applicable Law and the condition in Section 6.1(c) has been satisfied or waived by each of the Parties, and subject to the terms of this

Agreement, the Company shall as soon as reasonably practicable thereafter take all steps necessary or desirable to submit the Arrangement to the Court and diligently pursue an application for the Final Order pursuant to Section 182 of the OBCA.

2.8 <u>Court Proceedings</u>

Purchaser and the Company will cooperate in seeking the Interim Order and the Final Order, including by Purchaser providing to the Company on a timely basis any information required to be supplied by Purchaser concerning itself in connection therewith. The Company will provide legal counsel to Purchaser with reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, and will give reasonable consideration to all such comments. The Company will also provide legal counsel to Purchaser on a timely basis with copies of any notice of appearance and evidence served on the Company or its legal counsel in respect of the application for the Interim Order and the Final Order or any appeal therefrom. Subject to applicable Laws, the Company will not file any material with the Court in connection with the Arrangement or serve any such material, and will not agree to modify or amend materials so filed or served, except as contemplated hereby or with Purchaser's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed); provided that nothing herein shall (i) require Purchaser to agree or consent to any increase in Consideration or other modification or amendment to such filed or served materials that expands or increases Purchaser's obligations set forth in any such filed or served materials or under this Agreement or (ii) limit the Company's ability to take any and all steps, including the filing of all manner of documents with any Governmental Entity, to enforce its rights hereunder.

2.9 <u>Articles of Arrangement and Effective Date</u>

(1) The Articles of Arrangement shall implement the Plan of Arrangement. The Articles of Arrangement shall include the form of the Plan of Arrangement attached to this Agreement as Schedule D, as it may be amended in accordance with the terms hereof. Subject to the Interim Order, the Final Order and any applicable Law, the Company agrees to amend the Plan of Arrangement at any time prior to the Effective Time in accordance with Section 9.9 of this Agreement to add, remove or amend any steps or terms determined to be necessary or desirable by Purchaser, acting reasonably, provided that the Plan of Arrangement shall not be amended in any manner which (a) is prejudicial to the Company, the Company securityholders or other persons bound by the Plan of Arrangement or is inconsistent with the provisions of this Agreement or would result in the Company incurring any obligations or liabilities, (b) creates a reasonable risk of delaying, impairing or impeding in any material respect the receipt of any Regulatory Approval or the satisfaction of any condition set forth in Article VI hereof, and (c) would require the Company to take any action in contravention of any applicable Law or the Company's articles or by-laws.

(2) On the third business day after the satisfaction or, where not prohibited, the waiver by the applicable Party or Parties in whose favour the condition is, of the conditions (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited, the waiver by the applicable Party or Parties in whose favour

the condition is, of those conditions as of the Effective Date) set forth in Article VI, unless another time or date is agreed to in writing by the Parties, the Articles of Arrangement shall be filed by the Company with the Director, provided that the Company shall not be required to file Articles of Arrangement with the Director unless it has received written confirmation of funding referred to in Section 2.10. From and after the Effective Time, the Plan of Arrangement will have all of the effects provided by applicable Law, including the OBCA. The closing of the transactions contemplated hereby will take place at the offices of McCarthy Tétrault LLP, Suite 5300, Toronto Dominion Bank Tower, 66 Wellington Street West, Toronto, Ontario or at such other location as may be agreed upon by the Parties.

2.10 Payment of Consideration

Purchaser will, following receipt of the Final Order and prior to the filing by the Company of the Articles of Arrangement with the Director, provide the Depository (i) with sufficient funds in escrow (the terms and conditions of such escrow to be satisfactory to the Company, acting reasonably) to pay the Consideration for all of the Company Shares (other Company Shares held by Purchaser or any of its affiliates) to be acquired pursuant to the Arrangement in accordance with the Plan of Arrangement and (ii) on behalf of the Company, with sufficient funds in escrow (the terms and conditions of such escrow to be satisfactory to the Company, acting reasonably) to pay the aggregate amount payable for all of the Options, RSUs and DSUs to be cancelled pursuant to the Arrangement in accordance with Section 2.5.

2.11 Public Communications

The Company and Purchaser agree to co-operate in the preparation of presentations, if any, to Company Shareholders regarding the Arrangement. The Parties agree to make a joint press release with respect to this Agreement and the transactions contemplated herein forthwith after the date hereof. Thereafter, no Party shall issue any press release or otherwise make public statements with respect to this Agreement or the Arrangement without the consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed) other than any reasonable disclosure required in order to obtain consents from the counterparties to Contracts relating to the acquisition by Purchaser of the Company Shares; provided, however, that the foregoing shall be subject to each Party’s overriding obligation to make any disclosure or filing required under applicable Laws, and the Party making any such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other Party and reasonable opportunity for the other Party to review or comment on the disclosure or filing (other than with respect to confidential information contained in such disclosure or filing), and if such prior notice is not possible, to give such notice immediately following the making of any such disclosure or filing, and provided further, that the Company shall notify Purchaser prior to any disclosure by the Company with regard to an Acquisition Proposal. Notwithstanding the foregoing, the Company may make internal announcements to employees and have discussions with shareholders and financial analysts and other stakeholders so long as such statements and announcements are consistent with the previous press releases, public disclosures or public statements made by the Company or Purchaser and do not violate the provisions of Section 7.2. The Parties consent to this Agreement being filed on SEDAR.

2.12 List of Securityholders

At the reasonable request of Purchaser from time to time, and in compliance with applicable Laws, the Company shall provide Purchaser with a list of the registered Company Shareholders and all other securityholders of the Company, together with their addresses and respective holdings of Company Shares and all other securities of the Company, and with a list of the names and addresses and holdings of all persons having rights issued by the Company to acquire Company Shares and other securities of the Company (including holders of Options, RSUs and DSUs), and a list of non-objecting beneficial owners of Company Shares and all other securityholders of the Company, together with their addresses and respective holdings of Company Shares and all other securities of the Company. The Company shall from time to time require that its registrar and transfer agent furnish Purchaser with such additional information, including updated or additional lists of Company Shareholders and lists of holdings and other assistance as Purchaser may reasonably request.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

3.1 Representations and Warranties

Except as disclosed in the Company's Public Disclosure Record and in the Company's Disclosure Letter, the Company hereby represents and warrants to and in favour of Purchaser as set forth in Schedule E hereto.

3.2 Disclaimer of Additional Representations and Warranties

Purchaser agrees and acknowledges that, except as set forth in this Agreement, neither the Company nor any other persons on behalf of the Company makes any representation or warranty, express or implied, at law or in equity, with respect to the Company, its subsidiaries, their respective businesses, the past, current or future financial condition or any of their assets, liabilities or operations, or their past, current or future profitability or performance, individually or in the aggregate, and any such other representations or warranties are hereby expressly disclaimed. Without limiting the generality of the foregoing, the Company expressly disclaims any representation or warranty that is not set forth in this Agreement.

3.3 Survival of Representations and Warranties

The representations and warranties of the Company contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

4.1 Representations and Warranties

Purchaser hereby represents and warrants to and in favour of the Company as set forth in Schedule F hereto.

4.2 Disclaimer of Additional Representations and Warranties

The Company agrees and acknowledges that, except as set forth in this Agreement, neither Purchaser nor any other persons on behalf of Purchaser makes any representation or warranty, express or implied, at law or in equity, with respect to Purchaser, its subsidiaries, their respective businesses, the past, current or future financial condition or any of their assets, liabilities or operations, or their past, current or future profitability or performance, individually or in the aggregate, and any such other representations or warranties are hereby expressly disclaimed. Without limiting the generality of the foregoing, Purchaser expressly disclaims any representation or warranty that is not set forth in this Agreement.

4.3 Survival of Representations and Warranties

The representations and warranties of Purchaser contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

ARTICLE V
COVENANTS OF COMPANY AND PURCHASER

5.1 Covenants of the Company Regarding the Conduct of Business

The Company covenants and agrees that during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except as set forth in the Company's Disclosure Letter or unless Purchaser shall consent in writing (such consent not to be unreasonably withheld, conditioned or delayed) or except as is otherwise expressly permitted or specifically contemplated by this Agreement or the Arrangement or except as is otherwise required by applicable Law:

(a) the business of the Company and its subsidiaries shall be conducted only in the ordinary course of the business of the Company and its subsidiaries, and the Company and its subsidiaries shall not take any action except in the ordinary course of the business of the Company and its subsidiaries, and the Company shall use commercially reasonable efforts to maintain and preserve its and its subsidiaries' business organization, assets, employees, goodwill and business relationships;

(b) the Company shall not, and shall not permit any of its subsidiaries to, directly or indirectly: (i) amend its articles, charter or by-laws or other comparable organizational documents or the Company Rights Plan; (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of the securities of any subsidiary of the Company owned by a person other than the Company or its subsidiaries, other than (A) dividends or other distributions or payments between two or more wholly-owned subsidiaries of the Company or between any of its wholly-owned subsidiaries and the Company or (B) dividends, distributions or payments declared prior to the date hereof and set forth in Section 5.1(b) of the Company's Disclosure Letter; (iii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares of the Company or its subsidiaries, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of the Company or its subsidiaries, other than (A) the issuance of Company Shares or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of the Company pursuant to the Options or the rights to acquire Company Shares pursuant to the Company Plans outstanding on the date hereof and set forth in Section 1.5 of Schedule E or (B) transactions between two or more wholly-owned subsidiaries of the Company or between the Company and any of its wholly-owned subsidiaries; (iv) redeem, purchase or otherwise acquire any of its outstanding securities other than (A) is required by the terms of such securities, (B) with respect to any Financial Indebtedness as is required by the terms of such indebtedness, or (C) in transactions between two or more wholly-owned subsidiaries of the Company or between the Company and any of its wholly-owned subsidiaries; (v) amend the terms of any of its securities, other than to provide for accelerated vesting and any such other amendments to give effect to the Arrangement; (vi) adopt a plan of liquidation or resolution providing for the liquidation or dissolution of the Company or any of its subsidiaries; (vii) split, combine or reclassify any of the Company Shares or shares of a subsidiary; (viii) reorganize, amalgamate or merge with any other person; or (viii) enter into, modify or terminate any Contract with respect to any of the foregoing;

(c) the Company shall not, and shall not permit any of its subsidiaries to, directly or indirectly: (i) sell, pledge, lease, dispose of or encumber any material assets of the Company or of any subsidiary, other than security granted by CMT in the ordinary course of business of CMT to secure its outstanding Financial Indebtedness; (ii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment either by the purchase of securities, contributions of capital (other than to wholly-owned subsidiaries) or property transfer, or purchase of any property or assets of any other person (other than a wholly-owned subsidiary), if any of the foregoing would be material to the Company; (iii) settle any material litigation or claims; (iv) waive, release, grant or transfer any rights of material value; (v) make any changes in financial accounting methods, principles, policies or practices, except as required, in each case, by GAAP or by applicable Law; (vi) enter into, or waive, release, grant, transfer, exercise, modify or amend any contractual rights under (A) any Material Contract, or (B) any Contracts or other transactions with any officer or director of the Company or any of its subsidiaries; or (vi) authorize or propose any of the foregoing, or enter into or modify any Contract to do any of the foregoing;

(d) other than as is required to comply with Company Plans, Employment Contracts or Contracts existing as of the date hereof and described in Section 5.1(d) of the Company's Disclosure Letter, copies of which have been made available to Purchaser, neither the Company nor any of its subsidiaries shall grant to any officer or director of the Company or any of its subsidiaries an increase in compensation in any form, grant any general salary increase, take any action with respect to the grant of any change of control, severance or termination pay to or enter into any employment agreement with any officer or director of the Company or any of its subsidiaries, increase any benefits payable to any officer or director of the Company or its subsidiaries under its current severance or termination pay policies, or adopt or materially amend any Company Plan provided that the Company may and may permit any of its subsidiaries, to expend or commit to expend amounts with respect to, (i) amounts payable upon a change of control of the Company or any of its subsidiaries pursuant to the Employment Contracts, amounts payable in connection with bonus, long term incentive awards (including the Option and SAR Plan, the RSU Plan, the DSU Plan or other compensation) and/or (ii) amounts payable in connection with fees, penalties or other amounts arising from change of control provisions, in any case outside of the ordinary course of the business of the Company and its subsidiaries;

(e) the Company shall use commercially reasonable efforts to cause the current insurance (or re-insurance) policies maintained by the Company and any of its material subsidiaries, including directors' and officers' insurance, not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally or internationally recognized standing having comparable deductibles and providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

(f) the Company shall not, and shall not permit any of its subsidiaries to, commence any litigation (other than litigation in connection with the collection of accounts receivable, foreclosure actions or to enforce the terms of this Agreement or the Confidentiality Agreement or as a result of litigation commenced against the Company or any of its subsidiaries); and

(g) the Company shall not, and shall not permit any of its subsidiaries to (i) make, rescind or change any election with respect to Taxes, (ii) file any amended Returns, settle any Tax claim or dispute or waive or extend the statute of limitations relating to any Taxes of the Company or any of its subsidiaries, or (iii) enter into any closing agreement regarding Taxes, surrender any right to claim a material refund of Taxes or amend any of its transfer pricing policies.

5.2 <u>Adjustment to Consideration in the Event of Distributions</u>

If, on or after the date hereof, the Company sets a record date for any dividend or other distribution on the Company Shares which is prior to the Effective Time or declares or pays any dividend or other distribution on the Company Shares prior to the Effective Time, other than the dividend on Company Shares declared on March 5, 2012 and payable on April 13, 2012, (a) to the extent that the amount of such dividend or distribution per Company Share does not exceed the Consideration per Company Share, the Consideration per Company Share shall be reduced by the amount of such dividend or distribution, and (b) to the extent that the amount of such dividend or distribution per Company Share exceeds the Consideration per Company Share, the Company will place such excess amount in escrow with an independent escrow agent acceptable to Purchaser, acting reasonably, for the account of Purchaser or another person designated by Purchaser.

5.3 <u>Covenants of the Company Regarding the Arrangement</u>

The Company shall perform, and shall cause its subsidiaries to perform, all obligations required to be performed by the Company or any of its subsidiaries under this Agreement, co-operate with Purchaser in connection therewith, and do all such other reasonable acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in this Agreement and, without limiting the generality of the foregoing, the Company shall and, where appropriate, shall cause its subsidiaries to:

(a) apply for and use commercially reasonable efforts to obtain all Regulatory Approvals relating to the Company or any of its subsidiaries, which are typically applied for by an entity being acquired and, in doing so, keep Purchaser reasonably informed as to the status of the proceedings related to obtaining the Regulatory Approvals, including (i) providing legal counsel to Purchaser with copies of all related applications and notifications in draft form, except for those containing private personal data of directors and employees of the Company and except as prohibited by applicable Laws, (ii) permit legal counsel to Purchaser to review, in draft form, and incorporate Purchaser's reasonable comments in any communication to be given by the Company or its legal counsel to any Governmental Entity with respect to obtaining the Regulatory Approvals for the transactions contemplated by this Agreement, (iii) promptly furnishing legal counsel to Purchaser with copies of notices or other formal communications received by Company from, or given by the Company to, any Governmental Entity with respect to the transactions contemplated by this Agreement, and (iv) not participate in any meeting or discussion expected to address substantive matters related to the transactions contemplated hereby, either in person or by telephone, with any Governmental Entity in connection with the proposed transactions without first informing Purchaser and unless, to the extent not prohibited or discouraged by such Governmental Entity, the Company gives Purchaser a reasonable opportunity to attend and observe. Under no circumstances shall the Company make any commitments, provide any undertakings or assume any obligations, in each case, that are or would be reasonably expected to be material to the Company or Purchaser, without the prior written consent of Purchaser;

(b) use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to the Company's obligations hereunder as set forth in Article VI to the extent the same are within its control and to take, or cause to be taken, all other reasonable action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the Arrangement, including using commercially reasonable efforts to: (i) obtain all Regulatory Approvals required to be obtained by the Company or its subsidiaries; (ii) effect all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by the Company or its subsidiaries in connection with the Arrangement; and (iii) cooperate with Purchaser in connection with the performance by it of its obligations hereunder, including promptly providing to legal counsel to Purchaser all information reasonably required by Purchaser or a Governmental Entity to obtain the Regulatory Approvals and grant access to Purchaser and its counsel to all regulatory information concerning the Company or any of its subsidiaries, to the extent permitted by applicable Law. Subject to the terms and conditions herein provided, the Company shall not knowingly take or cause to be taken any action which would reasonably be expected to prevent or materially delay the consummation of the transactions contemplated hereby;

(c) subject to obtaining an irrevocable and complete release and discharge from all claims and potential claims in respect of the period prior to the Effective Time in favour of each member of the Board of Directors and the boards of directors of the Company's subsidiaries and confirmation that insurance coverage is maintained as anticipated by Section 7.8, use commercially reasonable efforts to assist in effecting the resignations of each member of the Board of Directors and the boards of directors of the Company's subsidiaries (in each case to the extent requested by Purchaser), and causing them to be replaced by persons nominated by Purchaser effective as at the Effective Time;

(d) use commercially reasonable efforts to obtain, and to assist Purchaser with respect to obtaining, as applicable, all consents, waivers or approvals under all Contracts, including waivers required in connection with any change of control provisions contained in any agreements or other arrangements with respect to Material Financial Indebtedness of the Company or any of its subsidiaries;

(e) use commercially reasonable efforts to defend all lawsuits or other legal, regulatory or other proceedings against the Company or its subsidiaries challenging or affecting this Agreement or the consummation of the transactions contemplated hereby;

(f) cooperate with Purchaser and use commercially reasonable efforts to take, or cause to be taken, all actions and do or cause to be done all things, reasonably necessary, proper or advisable on its part under applicable Laws and the policies of the TSX to enable the delisting by the Company of the Company Shares from the TSX, upon or after the Effective Time;

(g) except as prohibited by applicable Laws, promptly notify Purchaser of the occurrence of any of the following or any matter or event that has resulted, or is reasonably likely to result, in (in the case of clause (i), to the knowledge of the Company) (i) any notice or other communication from any person (other than a Governmental Entity) alleging that the consent of such person is required in connection with the Arrangement or any of the other transactions contemplated by this Agreement and (ii) any actions, suits, claims, investigations or proceedings commenced or, to the knowledge of the Company, threatened against, relating to or involving or otherwise affecting the Company or any of its subsidiaries that, if pending on the date of this Agreement, would have been required to be disclosed in the Company's Disclosure Letter, or that relate to the consummation of the Arrangement or any of the other transactions contemplated by this Agreement;

(h) immediately defer the separation time of the Company Rights Plan and continue to defer such separation time unless otherwise requested by Purchaser;

(i) on or immediately prior to the Effective Time, take all such actions as may be necessary to render the Company Rights Plan inoperative or ineffective as regards the Plan of Arrangement;

(j) promptly (and in any event within 24 hours) advise Purchaser orally and, if then requested, in writing of any fact or state of facts, change, circumstance, effect, event or development that has a Material Adverse Effect or resulted in any material adverse change in any fact set forth in the Company's Disclosure Letter; and

(k) at the request of Purchaser, which request shall be communicated by written notice to the Company at least twenty (20) business days prior to the Effective Date (other than non-material changes to any previous request made prior to such 20 business day period), cooperate with Purchaser in structuring, planning and implementing any reorganization (including for tax purposes) of their respective capital, assets and corporate structure or such other planning as Purchaser may request, acting reasonably (each a "**Pre-Acquisition Reorganization**"), provided that: (i) any element of a Pre-Acquisition Reorganization shall not materially delay, impair or impede the completion of the Arrangement; (ii) all elements of a Pre-Acquisition

Reorganization shall be effective on a date that is no earlier than three (3) days prior to the Effective Date and in any event not prior to obtaining the Final Order and all Regulatory Approvals; (iii) none of the Company or any subsidiary of the Company shall be required to take any action that could result in Taxes being imposed on, or any adverse Tax or other consequences to, any Company Shareholder incrementally greater than the Taxes or other consequences to such Company Shareholder resulting from the consummation of the Plan of Arrangement in the absence of the Pre-Acquisition Reorganizations; (iv) any Pre-Acquisition Reorganization shall not unreasonably interfere in the ongoing operations of the Company or any subsidiary of the Company; (v) any Pre-Acquisition Reorganization shall not require the Company or any subsidiary of the Company to contravene any applicable Laws, their respective organizational documents or any Contract of the Company; (vi) any Pre-Acquisition Reorganization shall not become effective unless Purchaser shall have waived or confirmed in writing the satisfaction of all conditions in its favour under this Agreement and shall have confirmed in writing that it is prepared promptly and without condition to proceed with the Arrangement; (vii) none of the elements of a Pre-Acquisition Reorganization, shall, in the aggregate, reduce or change the form of the Consideration provided for under the Arrangement; (viii) any Pre-Acquisition Reorganization shall not require the Company to obtain the prior approval of the Company Shareholders in respect to such Pre-Acquisition Reorganization other than at the Company Meeting; (ix) any Pre-Acquisition Reorganization has received the approval or consent of OSFI, if required; (x) any Pre-Acquisition Reorganization does not negatively affect the rating of CMT's senior or subordinated debt by DBRS Limited; and (xi) such cooperation does not require the directors', officers' or employees of the Company or any subsidiary of the Company to take any action in any capacity other than as a director, officer or employee, as applicable. In addition, Purchaser shall indemnify, defend and save harmless the Company, any subsidiary of the Company and their respective Representatives from and against any and all liabilities, losses, damages, claims, costs, expenses, interest, awards, judgments and penalties suffered or incurred by any of them in connection with or as a result of any element of a Pre-Acquisition Reorganization or as a result of the reversal (where such reversal is reasonably necessary) of any element of a Pre-Acquisition Reorganization. Purchaser shall upon request by the Company advance all reasonable out-of-pocket expenses incurred by the Company or any subsidiary of the Company or, promptly upon request by the Company, reimburse the Company or any subsidiary of the Company for all reasonable out-of-pocket costs incurred by the Company or any subsidiary of the Company in connection with any actions taken by the Company or any subsidiary of the Company in accordance with this Section 5.3(k). Without limiting the generality of the foregoing, none of the representations, warranties or covenants of the Company shall be deemed to apply to, or be deemed to be breached or violated by or as a result of, any of the transactions requested by Purchaser pursuant to this Section 5.3(k); it being acknowledged by Purchaser that these actions could require the consent of third parties under applicable Contracts.

This Section 5.3(k) shall survive the consummation of the Arrangement and is intended to be for the benefit of, and shall be enforceable by, each Representative and his or her heirs, executors, administrators and personal representatives and shall be binding on the Company and its successors and assigns and, for such purpose, the Company hereby confirms that it is acting as agent and trustee on behalf of each subsidiary and Representative.

5.4 Covenants of Purchaser Regarding the Performance of Obligations

Purchaser shall perform all obligations required to be performed by it under this Agreement, co-operate with the Company in connection therewith, and do all such other reasonable acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in this Agreement and, without limiting the generality of the foregoing, Purchaser shall:

(a) apply for and use commercially reasonable efforts to obtain all Regulatory Approvals relating to it which are typically applied for by an acquirer and, in doing so, keep the Company informed as to the status of the proceedings related to obtaining the Regulatory Approvals, including (i) providing legal counsel to the Company with copies of all related applications and notifications in draft form, except for those containing confidential information or private personal data of (A) current or prospective directors and employees of Purchaser, (B) prospective directors of HomEquity Bank, or (C) Purchaser or any of its affiliates or their respective investors (collectively, the "**Purchaser Confidential Information**"), and except as prohibited by applicable Laws; (ii) permitting legal counsel to the Company to review, in draft form, and incorporate the Company's reasonable comments (to the extent provided without undue delay) in any communication to be given by Purchaser to any Governmental Entity with respect to obtaining the Regulatory Approvals for the transactions contemplated by this Agreement; (iii) promptly furnishing legal counsel to the Company with copies of notices or other communications received by Purchaser from, or given by Purchaser to, any Governmental Entity with respect to the transactions contemplated by this Agreement; provided that copies of the foregoing said communications may be provided to the Company with any Purchaser Confidential Information redacted therefrom; and (iv) not participating in any meeting or discussion expected to address substantive matters related to the transactions contemplated hereby, either in person or by telephone, with any Governmental Entity in connection with the proposed transactions without first informing the Company and unless, to the extent not prohibited or discouraged by such Governmental Entity, Purchaser gives the Company and/or its legal counsel a reasonable opportunity to attend and observe; provided that Purchaser may exclude the Company and its legal counsel from any such meeting or discussion where any Purchaser Confidential Information is being discussed; provided that for greater certainty, nothing contained in this Agreement shall restrict or limit Purchaser from making such commitments or providing such undertakings or assuming such obligations as it considers necessary or desirable in order to obtain the Regulatory Approvals or any sanctions, rulings, consents, orders, exemptions, permits and other approvals required by applicable antitrust or competition Law. Subject to the terms and conditions herein provided, Purchaser shall not knowingly take or cause to be taken any action which would reasonably be expected to prevent or materially delay the consummation of the transactions contemplated hereby;

(b) use all commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder as set forth in Article VI to the extent the same are within its control and to take, or cause to be taken, all other reasonable action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the Arrangement, including using commercially reasonable efforts to: (i) effect all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by it in connection with the Arrangement; (ii) co-operate with the Company in connection with the performance by it and its subsidiaries of their obligations hereunder; and (iii) obtain Regulatory Approvals;

(c) ensure that all business plans for HomEquity Bank that Purchaser or its affiliates provides to OSFI or the Minister of Finance (Canada) in connection with the transactions contemplated hereby shall, except as discussed with the Company, be substantially consistent with HomEquity Bank's business plan, which has been made available to Purchaser prior to the date hereof, and none of such business plans shall include a projected Asset to Capital Multiple ("**ACM**") that is in excess of HomEquity Bank's internal target for the maximum ACM, set forth in writing to Purchaser prior to the date hereof;

(d) use commercially reasonable efforts to defend all lawsuits or other legal, regulatory or other proceedings against Purchaser or its affiliates challenging or affecting this Agreement or the consummation of the transactions contemplated hereby;

(e) take all necessary action to ensure that it has sufficient funds to carry out its obligations under this Agreement, the Plan of Arrangement and the other elements of the transaction and to pay related fees and expenses and it shall, on or before the Effective Date, provide the Depository (i) with sufficient funds to pay in full the Consideration for all Company Shares (other than Company Shares held by Purchaser or any of its affiliates) and (ii) on behalf of the Company, with sufficient funds to pay the aggregate amount payable for all of the Options, RSUs and DSUs to be cancelled pursuant to the Arrangement in accordance with Section 2.5; and

(f) except as prohibited by applicable Laws, promptly notify the Company of the occurrence of any of the following or any matter or event that has resulted, or is reasonably likely to result, (in the case of clause (i), to the knowledge of Purchaser) (i) any notice or other communication from any person (other than a Governmental

Entity) alleging that the consent of such person is required in connection with the Arrangement or any of the other transactions contemplated by this Agreement; and (ii) any actions, suits, claims, investigations or proceedings commenced or, to the knowledge of Purchaser, threatened against, relating to or involving or otherwise affecting Purchaser or its affiliates that relate to the consummation of the Arrangement or any of the other transactions contemplated by this Agreement.

5.5 Mutual Covenants

Subject to the terms and conditions of this Agreement, the Parties shall use their commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Law to consummate the transactions contemplated by this Agreement as soon as practicable, including:

(a) obtaining and maintaining all approvals, clearances, consents, registrations, permits, authorizations and other confirmations required to be obtained from any Governmental Entity or other third party that are necessary, proper or advisable to consummate the transactions contemplated by this Agreement, including the Regulatory Approvals;

(b) taking appropriate action to oppose, lift or rescind any injunction or restraining or other order seeking to stop, or otherwise adversely affecting its ability to consummate, the Arrangement and to defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging this Agreement or the consummation of the transactions contemplated hereby; and

(c) carrying out the terms of the Interim Order and Final Order applicable to it and using commercially reasonable efforts to comply promptly with all requirements which applicable Laws may impose on it or its subsidiaries or affiliates with respect to the transactions contemplated hereby.

ARTICLE VI
CONDITIONS

6.1 Mutual Conditions Precedent

The obligations of the Parties to complete the transactions contemplated by this Agreement are subject to the fulfillment or waiver, on or before the Effective Time, of each of the following conditions precedent, each of which may only be waived with the mutual consent of the Parties:

(a) the Arrangement Resolution shall have received the Requisite Approval at the Company Meeting in accordance with the Interim Order;

(b) the Interim Order and the Final Order shall each have been obtained on terms consistent with this Agreement, and shall not have been set aside or modified in a manner unacceptable to the Company and Purchaser, acting reasonably, on appeal or otherwise;

(c) the Regulatory Approvals shall have been obtained on terms acceptable to Purchaser;

(d) no statute, rule, regulation or Order shall have been enacted or temporary or permanent restraining order or preliminary or permanent injunction or other Order shall have been entered or issued, by any Governmental Entity in each case that has the effect of making the Arrangement illegal or otherwise preventing or prohibiting consummation of the Arrangement; and

(e) this Agreement shall not have been terminated in accordance with its terms.

6.2 Additional Conditions Precedent to the Obligations of Purchaser

The obligations of Purchaser to complete the transactions contemplated by this Agreement shall also be subject to the fulfillment or waiver of each of the following conditions precedent (each of which is for the exclusive benefit of Purchaser and may be waived by Purchaser):

(a) all covenants of the Company under this Agreement to be performed on or before the Effective Time shall have been duly performed by the Company in all material respects and Purchaser shall have received a certificate of the Company addressed to Purchaser and dated the Effective Date, signed on behalf of the Company by a senior executive officer of the Company (on the Company's behalf and without personal liability), confirming the same as at the Effective Date;

(b) the representations and warranties of the Company set forth in Article III shall be true and correct without regard to any Material Adverse Effect or other materiality qualifications contained in them, as of the Effective Time, as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except to the extent that the failure or failures of such representations and warranties to be so true and correct, individually or in the aggregate, would not result in a Material Adverse Effect, and the representations and warranties of the Company in Section 1.5(a), (b), (d) and (e) of Schedule E shall be true and correct in all respects and the representations and warranties of the Company in Section 1.5(c) of Schedule E shall be true and correct in all material respects; and Purchaser shall have received a certificate of the Company addressed to Purchaser and dated the Effective Date, signed on behalf of the Company by a senior executive officer of the Company (on the Company's behalf and without personal liability), confirming the same as at the Effective Date;

(c) the holders of not more than 10% of the outstanding Company Shares shall have exercised Dissent Rights;

(d) there shall be no action, investigation, proceeding or litigation pending or threatened by any person in any jurisdiction to: (i) cease trade, enjoin, prohibit, or impose any material limitations, damages or conditions on, Purchaser's ability to acquire, hold or exercise full rights of ownership over any Company Shares, including the right to vote any Company Shares; (ii) prohibit or materially limit the ownership or operation by Purchaser of the business or assets of Purchaser, the Company or of any of their respective subsidiaries, or compel Purchaser to dispose of or hold separate any material portion of the business or assets of Purchaser, the Company or of any of their respective subsidiaries as a result of the Arrangement; or (iii) materially delay the consummation of the Arrangement, or if the Arrangement is consummated, which is reasonably likely to have a Material Adverse Effect;

(e) the Third Party Approvals shall have been obtained; and

(f) since the date hereof, there shall not have been or occurred a Material Adverse Effect.

6.3 Additional Conditions Precedent to the Obligations of the Company

The obligations of the Company to complete the transactions contemplated by this Agreement shall also be subject to the fulfillment or waiver of the following conditions precedent (each of which is for the exclusive benefit of the Company and may be waived by the Company):

(a) all covenants of Purchaser under this Agreement to be performed on or before the Effective Time shall have been duly performed by Purchaser in all material respects and the Company shall have received a certificate of Purchaser addressed to the Company and dated the Effective Date, signed on behalf of Purchaser by a senior executive officer of Purchaser (on behalf of Purchaser and without personal liability), confirming the same as at the Effective Date;

(b) the representations and warranties of Purchaser set forth in Article IV shall be true and correct as of the Effective Time as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except to the extent that the failure or failures of such representations and warranties to be so true and correct would not have a material adverse effect on the ability of Purchaser to consummate the Arrangement and perform its obligations hereunder; and the Company shall have received a certificate of Purchaser addressed to the Company and dated the Effective Date, signed on behalf of Purchaser by a senior executive officer of Purchaser (on behalf of Purchaser and without personal liability), confirming the same as at the Effective Date; and

(c) Purchaser shall have deposited or caused to be deposited with the Depository in escrow in accordance with Section 2.10 (i) the funds required to effect payment in full of the Consideration to be paid for all of the Company Shares (other than Company Shares held by Purchaser or any of its affiliates) and (ii) the funds required to pay the Consideration for all of the Options, RSUs and DSUs to be cancelled pursuant to the Arrangement, and the Depository shall have confirmed to the Company receipt of these funds.

6.4 Satisfaction of Conditions

The conditions precedent set out in Sections 6.1, 6.2 and 6.3 shall be conclusively deemed to have been satisfied, waived or released when the Certificate of Arrangement is issued by the Director following the filing of the Articles of Arrangement with the consent of the Parties in accordance with the terms of this Agreement. For greater certainty, and notwithstanding the terms of any escrow arrangement entered into between Purchaser and the Depository, all funds held in escrow by the Depository pursuant to Section 2.10 hereof shall be deemed to be released from escrow when the Certificate of Arrangement is issued by the Director.

ARTICLE VII
ADDITIONAL AGREEMENTS

7.1 Notice and Cure Provisions

(1) Each Party will give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof until the earlier to occur of the termination of this Agreement and the Effective Time of any event or state of facts which occurrence or failure would, or would be likely to:

(a) cause any of the representations or warranties of any Party contained herein to be untrue or inaccurate in any material respect on the date hereof or at the Effective Date; or

(b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder prior to the Effective Time.

(2) No Party may elect not to complete the transactions contemplated pursuant to the conditions set forth herein or any termination right arising therefrom under Section 8.2 and no payments are payable as a result of such election pursuant to Section 7.4 unless forthwith and in any event prior to the Effective Date, the Party intending to rely thereon has delivered a written notice to the other Party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfillment of the applicable condition or termination right, as the case may be. If any such notice is delivered with respect to a breach of covenant, representation or warranty in this Agreement that is capable of being cured, provided that a Party is proceeding diligently to cure such matter, no

Party may terminate this Agreement other than pursuant to Section 8.2(1)(h) until the earlier of (i) the Outside Date, and (ii) the expiration of a period of 15 business days from the date of receipt of such notice, if such matter has not been cured by such date.

7.2 Non-Solicitation

(1) Except as expressly provided in this Section 7.2 or Section 7.3, the Company shall not, and shall cause its subsidiaries not to, directly or indirectly, through any person or otherwise: (i) make, solicit, assist, initiate, knowingly encourage or otherwise knowingly facilitate any inquiries or proposals, whether publicly or otherwise, regarding, or that could reasonably be expected to lead to, an Acquisition Proposal, provided that, for greater certainty, the Company may advise any person making an unsolicited Acquisition Proposal that such Acquisition Proposal does not constitute a Superior Proposal when the Board of Directors has so determined; (ii) enter into, continue or participate in any discussions or negotiations with any person regarding, or offer or provide any information with respect to, or otherwise co-operate in any way with any effort or attempt by any person to make or complete, an Acquisition Proposal or any inquiry or proposal or offer that could reasonably be expected to lead to an Acquisition Proposal; (iii) (A) withdraw, qualify or modify (or propose to do so) in a manner adverse to Purchaser and/or the consummation of the Arrangement, the recommendation of the Board of Directors that the Company Shareholders vote in favour of the Arrangement Resolution, or (B) approve, accept or recommend, or propose publicly to approve, accept or recommend, or publicly take no position or a neutral position with respect to, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal until the tenth day after receipt of an Acquisition Proposal shall not be considered to be a violation of this Section 7.2(1)(iii)) (collectively, a "**Change in Recommendation**"); or (iv) accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, understanding or arrangement in respect of an Acquisition Proposal.

(2) The Company shall, and shall cause its subsidiaries and its Representatives to, immediately terminate any existing solicitations, discussions or negotiations with any parties (other than Purchaser) with respect to any proposal that constitutes, or may reasonably be expected to lead to, an Acquisition Proposal and the Company warrants and covenants that the Company has discontinued access to any confidential information and, except as expressly permitted by Section 7.2(4), will not establish or allow access to any of its confidential information or any data room, virtual or otherwise. The Company agrees not to release any third party (other than Purchaser) from any confidentiality, non-solicitation or standstill agreement to which such third party is a party or terminate, modify, amend or waive the terms thereof (it being acknowledged and agreed that the automatic termination or release of any standstill provisions of any such agreement entered into prior to the date hereof, as a result of the entering into or announcement of this Agreement by the Company pursuant to the terms of any such agreement, shall not be a violation of this Section 7.2(2)) and the Company undertakes to enforce, or cause its subsidiaries to enforce, all standstill, non-disclosure, non-solicitation and similar covenants that it or any of its subsidiaries has entered into in connection with a potential Acquisition Proposal prior to the date hereof or enters into after the date hereof. The Company represents and warrants that it has not waived any standstill provisions in

effect as of the date hereof, whether contained in a confidentiality agreement or otherwise, for any person, other than Purchaser. The Company shall promptly request the return or destruction of all information provided to any third party which, at any time since June 30, 2011, has entered into a confidentiality agreement with the Company or its subsidiaries relating to a potential Acquisition Proposal, to the extent that such information has not previously been returned or destroyed, and shall use all commercially reasonable efforts to ensure that such requests are honoured in accordance with the terms of such agreement.

(3) The Company shall promptly (and in any event within 24 hours) notify Purchaser of (i) any *bona fide* Acquisition Proposal or inquiry, proposal or offer that could reasonably be expected to lead to an Acquisition Proposal, in each case received after the date hereof, of which any of its directors or officers are or become aware; (ii) any material amendments to an Acquisition Proposal; (iii) any request for non-public information relating to the Company or any of its subsidiaries in connection with an Acquisition Proposal or which request could reasonably be expected to lead to an Acquisition Proposal; and (iv) any request for access to the properties, books or records of the Company or any of its subsidiaries by any person that informs the Company or such subsidiary that it is considering making, or has made, an Acquisition Proposal. Any such notice shall include the identity of the person making the Acquisition Proposal or inquiry and a description of the material terms and conditions of any such Acquisition Proposal or amendment or inquiry or request (and a copy thereof, if in writing). The Company shall keep Purchaser reasonably informed of any material changes to the material terms of any such Acquisition Proposal (as amended, if applicable) and any material changes to the nature of any such inquiry or request.

(4) If, at any time after the date hereof and prior to obtaining the Requisite Approval, the Company receives a request for material non-public information from a person who proposes an unsolicited *bona fide* written Acquisition Proposal that did not result from a breach of this Section 7.2 or any breach of any standstill agreement or restriction in favour of the Company by the person making such Acquisition Proposal, and the Board of Directors determines in good faith after consultation with its financial advisors and its outside legal counsel that such proposal could reasonably be expected to lead to a Superior Proposal, then, and only in such case, the Board of Directors may, subject to providing prior notice to Purchaser of its decision to take any such action, (a) provide such person with access to information regarding the Company for a period of review not to exceed ten (10) days from the date the confidentiality and standstill agreement provided for in this Section 7.2(4) is executed, and (b) participate in discussions or negotiations with the person making such Acquisition Proposal regarding such Acquisition Proposal, subject to the execution by such person of a confidentiality and standstill agreement having confidentiality and standstill terms no less favourable to the Company and no less restrictive to such person than the equivalent terms of the Confidentiality Agreement and provided that such confidentiality and standstill agreement may not include any provisions calling for an exclusive right to negotiate with the Company; provided that such person shall not be precluded from confidentially making an Acquisition Proposal to the Board of Directors and provided further that Purchaser is promptly provided with a copy of such confidentiality and standstill agreement and a list and copies of all information provided to such person not previously provided to Purchaser and is promptly provided with access to information similar to that which was provided to such person.

(5) The Company shall ensure that its officers and directors and those of its subsidiaries and any financial or other advisors or representatives retained by it are aware of the provisions of this Section 7.2, and it shall be responsible for any breach of this Section 7.2 by any such person or its advisors or representatives.

(6) Nothing contained in this Agreement shall prohibit the Board of Directors from making any disclosure to Company Shareholders with respect to an Acquisition Proposal prior to the Effective Time if, in the good faith judgment of the Board of Directors, after consultation with outside legal counsel, such disclosure is required by applicable securities Laws (including by responding to an Acquisition Proposal under a directors' circular).

7.3 Right to Match

(1) Subject to Section 7.3(2), the Company covenants that it will not accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal (other than a confidentiality and standstill agreement permitted by Section 7.2(4)) unless:

(a) such Acquisition Proposal has been made prior to obtaining the Requisite Approval and the Board of Directors determines in its good faith judgment, after consultation with its financial advisors and outside legal advisors, that such Acquisition Proposal constitutes a Superior Proposal;

(b) the Company has complied with its obligations under Section 7.2 and the other provisions of this Article VII and has provided Purchaser with a notice (a "**Superior Proposal Notice**") in writing that such Acquisition Proposal is a Superior Proposal (which notice will include a copy of the documentation constituting the Superior Proposal, any definitive agreement for the Superior Proposal, and the financial value that the Board of Directors has, in consultation with its financial advisors, determined in its good faith judgment should be ascribed to any non-cash consideration offered under the Superior Proposal) and that the Board of Directors has determined, subject only to compliance with this Section 7.3, to accept, approve, recommend or enter into a binding agreement to proceed with such Superior Proposal;

(c) a period (the "**Response Period**") of five (5) business days shall have elapsed from the date on which Purchaser received a Superior Proposal Notice from the Board of Directors;

(d) if Purchaser has proposed to amend the terms of this Agreement in accordance with Section 7.3(2), the Board of Directors shall have determined in its good faith judgment, after consultation with its financial advisors and external legal advisors, that the Acquisition Proposal continues to constitute a Superior Proposal compared to the Arrangement after taking into account such amendments;

(e) the Company shall have terminated, or shall concurrently terminate, this Agreement pursuant to Section 8.2(1)(e); and

(f) the Company has previously, or concurrently will have, paid to Purchaser (or as Purchaser may direct by notice in writing) the Termination Fee.

(2) During the Response Period, Purchaser will have the right, but not the obligation, to offer to amend the terms of this Agreement and the Company shall co-operate with Purchaser with respect thereto, including negotiations in good faith with Purchaser to make such adjustments to the terms and conditions of this Agreement and the Arrangement as Purchaser deems appropriate and as would enable Purchaser to proceed with the Arrangement and any related transactions on such amended terms. The Board of Directors will review in good faith any such offer by Purchaser to amend the terms of the Arrangement, including an increase in, or modification of the consideration to be received by the Company Shareholders, to determine whether the Acquisition Proposal to which Purchaser is responding would be a Superior Proposal when assessed against the Arrangement as Purchaser has offered to amend it. If the Board of Directors does not so determine, the Board of Directors will promptly reaffirm its recommendation of the transactions contemplated under this Agreement in the same manner as described in Section 1.4 of Schedule E hereto.

(3) Each successive amendment to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the Company Shareholders shall constitute a new Acquisition Proposal for the purposes of this Section 7.3 and Purchaser shall be afforded a new Response Period in respect of each such Acquisition Proposal.

(4) If the Response Period would not terminate before the date fixed for the Company Meeting, the Company shall adjourn or postpone the Company Meeting to a date that is at least five (5) business days after the expiration of the Response Period.

7.4 Agreement as to Damages

(1) Notwithstanding any other provision hereof relating to the payment of fees, including the payment of brokerage fees, if after the execution of this Agreement the transactions contemplated under this Agreement are not consummated because:

(a) (i) an Acquisition Proposal shall have been made public or proposed publicly to the Company or the Company Shareholders after the date hereof and prior to the Company Meeting; (ii) this Agreement is terminated pursuant to Section 8.2(1)(f), Section 8.2(1)(g) or Section 8.2(1)(h); and (iii) within twelve (12) months of the date of the exercise of any such termination right (A) the Company or one or more of its subsidiaries enters into a definitive agreement in respect of one or more Acquisition Proposals, or (B) an Acquisition Proposal is consummated or effected (in the case of both clause (iii) (A) and clause (iii) (B) of this Section 7.4(1)(a), whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (i) of this

Section 7.4(1)(a)). For purposes of this paragraph the references in the definition of "**Acquisition Proposal**" to "20%" shall be deemed to be references to "50.1%"; or

(b) Purchaser shall have terminated this Agreement pursuant to Section 8.2(1)(d); or

(c) the Company shall have terminated this Agreement pursuant to Section 8.2(1)(e);

then the Company shall pay, or cause to be paid, to Purchaser (or as Purchaser may direct by notice in writing), within two (2) business days of the first to occur of the foregoing, the amount of $5,000,000 (the "**Termination Fee**") in immediately available funds to an account designated by Purchaser. Each Party acknowledges that the payment amount set out in this Section 7.4(1) is a payment of liquidated damages that is a genuine pre-estimate of the damages that Purchaser will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and is not a penalty. The Company irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. The Parties agree that, payment of the amount determined pursuant to this Section 7.4(1) is the sole monetary remedy of Purchaser under this Agreement.

(2) In the event that the Agreement is terminated by the Company pursuant to (i) Section 8.2(1)(b) and (x) an event described in Section 7.4(1)(a)-(c) has not occurred prior to such termination or (y) an event giving Purchaser the right to terminate this Agreement pursuant to Section 8.2(1)(c) has not occurred prior to such termination; or (ii) Section 8.2(1)(i), then, Purchaser shall pay, or cause to be paid, to the Company, within two (2) business days following the termination of this Agreement, the amount of (A) in the event this Agreement is terminated in the circumstances described in clause (i) of this Section 7.4(2), $5,000,000; and (B) in the event this Agreement is terminated in the circumstances listed in clause (ii) of this Section 7.4(2), $7,500,000 (the "**Reverse Break Fee**"), in immediately available funds to an account designated by the Company. The Parties agree that, payment of the amount determined pursuant to this Section 7.4(2) is the sole monetary remedy of the Company under this Agreement. The Parties acknowledge and agree that in circumstances in which the Reverse Break Fee is payable, such fee is a payment of liquidated damages that is a genuine pre-estimate of the damages that the Company will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and is not a penalty.

7.5 Fees and Expenses; Other Payments

Purchaser shall pay all filing fees payable in connection with the Regulatory Approvals. Subject to Section 5.3(k), each Party shall pay all other fees, costs and expenses incurred by such Party in connection with this Agreement and the Arrangement.

7.6 Injunctive Relief and Specific Performance

(1) Upon termination of this Agreement under circumstances where Purchaser is entitled to the Termination Fee, and the Termination Fee has been paid in full, Purchaser shall be precluded from any other remedy against the Company, at law or in equity or otherwise, and Purchaser shall not seek to obtain any recovery, judgment or damages of any kind, including consequential, indirect or punitive damages, against the Company or any of its directors, officers, employees, partners, shareholders or affiliates in connection with this Agreement or the transactions contemplated hereby.

(2) Upon termination of this Agreement under circumstances where the Company is entitled to the Reverse Break Fee, and such fee has been paid in full, the Company shall, subject to Section 7.5, be precluded from any other remedy against Purchaser, and the Company shall not seek to obtain any recovery, judgment or damages of any kind, including consequential, indirect or punitive damages, against Purchaser or any of its directors, officers, employees, partners, shareholders or affiliates in connection with this Agreement or the transactions contemplated hereby.

(3) Subject to Section 7.6(1), the Parties acknowledge and agree that an award of money damages would be inadequate for any breach of this Agreement by the Company and that such breach would cause Purchaser irreparable harm. Subject to Section 7.6(1), the Parties agree that, in the event of any breach or threatened breach of this Agreement by the Company, Purchaser will be entitled to obtain equitable relief, including injunctive relief and specific performance of any such covenants or agreements, without the necessity of posting bond or security in connection therewith, and the Company shall not object to the granting of injunctive or other equitable relief on the basis that there exists an adequate remedy at law. Such remedies will not be the exclusive remedies for any breach of this Agreement, but will be in addition to all other remedies available at law or equity to Purchaser. Notwithstanding anything herein to the contrary, the Parties further agree that the Company shall not be entitled to an injunction or injunctions to prevent breaches of this Agreement against Purchaser or otherwise obtain any equitable relief or remedy against Purchaser and that the Company's sole and exclusive remedies shall be set forth in Section 7.4(2).

(4) Nothing in Section 7.4 or this Section 7.6 shall relieve or have the effect of relieving any Party in any way from liability for damages incurred or suffered by the other Party as a result of a willful breach of this Agreement, subject to the limitation on damages set out in Section 7.6(5).

(5) In no event shall (i) the Company be obligated to pay to Purchaser an amount in respect of the termination of this Agreement that is, in aggregate, in excess of the Termination Fee and the Termination Fee shall, in any case, only be paid once by the Company, if at all; and (ii) Purchaser be obligated to pay to the Company an amount in respect of the termination of this Agreement that is, in aggregate, in excess of the Reverse Break Fee and the Reverse Break Fee shall, in any case, only be paid once by Purchaser, if at all.

7.7 Access to Information; Confidentiality Agreement

(1) From the date hereof until the earlier of the Effective Time and the termination of this Agreement, upon reasonable notice, (i) the Company shall, and shall cause its subsidiaries and their respective Representatives to afford to Purchaser and its Representatives such access as they may reasonably require during regular business hours for the purpose of facilitating integration business planning, to their officers, employees, agents, properties, books, records (except for trade secrets) and Contracts; and (ii) the Company shall furnish Purchaser with all data and information as it may reasonably request for such purposes; provided that the provision of information pursuant to clauses (i) and (ii) does not (x) unduly disrupt the conduct of the business of the Company and its subsidiaries, (y) violate any Law, including any antitrust Law, fiduciary duty, Order, Contract or Permit applicable to the Company or its subsidiaries, or (z) jeopardize any attorney-client or other legal privilege. The Parties acknowledge and agree that information furnished pursuant to this Section 7.7 shall be subject to the terms and conditions of the Confidentiality Agreement.

(2) Purchaser acknowledges that the provisions of the Confidentiality Agreement shall continue to apply notwithstanding the execution of this Agreement by the Parties or the announcement of the Agreement.

7.8 Insurance and Indemnification

(1) Prior to the Effective Time, the Company shall obtain and fully pay the premium for the extension of the directors', officers' and employees' insurance policies for a claims reporting or run-off and extended reporting period of at least six years from and after the Effective Time with respect to any claim related to any period of time at or prior to the Effective Time from an insurance carrier with the same or better credit rating as the Company's current insurance carriers with respect to directors', officers' and employees' liability insurance ("**D&O Insurance**"), and with terms, conditions, retentions and limits of liability that are no less advantageous to each present and former director, officer, trustee and employee of the Company and its subsidiaries (each, an "**Indemnified Person**") than the coverage provided under the Company's and its subsidiaries' existing policies with respect to any actual or alleged error, misstatement, misleading statement, act, omission, neglect, breach of duty or any matter claimed against a director, officer or employee of the Company or any of its subsidiaries by reason of him or her serving in such capacity that existed or occurred at or prior to the Effective Time (including in connection with the approval or completion of this Agreement, the Arrangement or the other transactions contemplated by this Agreement or arising out of or related to this Agreement and the transactions contemplated hereby); provided that Purchaser will not be required to pay any amounts in respect of such coverage prior to the Effective Time and the cost of such policies will not exceed 300% of the Company's current annual aggregate premium for D&O Insurance maintained by the Company and its subsidiaries. If the Company for any reason fails to obtain such "runoff" insurance policies as of the Effective Time, the Company shall continue to maintain in effect for a period of at least six years from and after the Effective Time the D&O Insurance in place as of the date hereof with terms, conditions, retentions and limits of liability that are no less advantageous than the coverage provided under the Company's and its subsidiaries' existing policies as of the date hereof, or the Company shall purchase comparable D&O Insurance

for such six-year period with terms, conditions, retentions and limits of liability that are at least as favourable to the Indemnified Persons as provided in the Company's existing policies as of the date hereof; provided that the cost of such policies will not exceed 300% of the Company's annual aggregate premiums for D&O Insurance maintained by the Company and its subsidiaries.

(2) If the Company or Purchaser or any of their successors or assigns shall: (a) amalgamate, consolidate with or merge or wind-up into any other Person and, if applicable, shall not be the continuing or surviving corporation or entity; or (b) transfer all or substantially all of its properties and assets to any Person or Persons, then, and in each such case, proper provisions shall be made so that the successors, assigns and transferees of the Company or Purchaser, as the case may be, shall assume all of the obligations set forth in this Section 7.8.

(3) Purchaser agrees that it shall directly honour all rights to indemnification or exculpation now existing in favour of present and former officers and directors of the Company and its subsidiaries pursuant to any indemnification agreement between the Company or any of its subsidiaries and any such individual to the extent that they are disclosed in Section 7.8 of the Company's Disclosure Letter and any indemnification provision under the articles or by-laws of the Company or applicable Laws, in each case, as in effect on the date hereof and permitted by applicable Laws, , which shall survive the completion of the Arrangement and shall continue in full force and effect for a period of not less than six years from the Effective Date.

(4) This Section 7.8 shall survive the consummation of the Arrangement and is intended to be for the benefit of, and shall be enforceable by, each Indemnified Person and his or her heirs, executors, administrators and personal representatives and shall be binding on the Company and its successors and assigns, and, for such purpose, the Company hereby confirms that it is acting as agent and trustee on behalf of the Indemnified Persons.

7.9 Employee and Benefit Matters

From and after the Effective Time, Purchaser shall cause the Company to honour and perform, all of the obligations of the Company and any of its subsidiaries under any Employment Contract with current and former Employees listed in Section 7.9 of the Company's Disclosure Letter.

7.10 Withholding Rights

Notwithstanding anything in this Agreement or the Plan of Arrangement to the contrary, the Company, the trustee under the RSU Plan, the Depository, Purchaser or one or more affiliates or subsidiaries of Purchaser, as the case may be, shall be entitled to deduct and withhold from any amount otherwise payable to any person pursuant to this Agreement or the Plan of Arrangement, such amounts as are required to be deducted and withheld with respect to the making of such payment under the Tax Act or any provision of applicable local, state, provincial or foreign Tax Law, in each case, as amended, or the administrative practice of the relevant Governmental Entity administering such Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement and the Plan of Arrangement as having been paid to the person, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate Governmental Entity within the time required and in accordance with applicable Laws.

ARTICLE VIII
TERM, TERMINATION, AMENDMENT AND WAIVER

8.1 Term

This Agreement shall be effective from the date hereof until the earlier of the Effective Time and the termination of this Agreement in accordance with its terms, provided that if the Effective Time occurs, the agreements in Sections 2.4(4), 5.3(k), 7.8, 7.9 and 9.8 shall survive in accordance with their terms.

8.2 Termination

(1) This Agreement may:

(a) be terminated either by the Company or Purchaser if the condition in Section 6.1(d) is incapable of being satisfied on or before the Outside Date, in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by such terminating Party;

(b) subject to Section 7.1, be terminated by the Company if the Company is not in breach of its obligations under this Agreement and Purchaser breaches any of its representations, warranties, covenants or agreements contained in this Agreement, such that the conditions set forth in Section 6.3(a) or 6.3(b), as applicable, are incapable of being satisfied on or before the Outside Date;

(c) subject to Section 7.1, be terminated by Purchaser if Purchaser is not in breach of its obligations under this Agreement and the Company breaches any of its representations, warranties, covenants or agreements contained in this Agreement, such that the conditions set forth in Section 6.2(a) or Section 6.2(b), as applicable, are incapable of being satisfied on or before the Outside Date;

(d) be terminated by Purchaser if (i) the Board of Directors shall have effected a Change in Recommendation; (ii) the Company shall have intentionally breached Section 7.2 or shall have breached Section 7.3; or (iii) the Board of Directors shall have failed to publicly recommend or reaffirm its approval of the Arrangement, after an Acquisition Proposal shall have been made to the Company Shareholders, within ten days of any written request by Purchaser, acting reasonably (or in the event that the Company Meeting is scheduled to occur within such ten day period, prior to the date of such meeting);

(e) be terminated by the Company in order to enter into a binding written agreement with respect to a Superior Proposal (other than a confidentiality and standstill agreement permitted by Section 7.2(4)) prior to obtaining the Requisite Approval, subject to compliance with Sections 7.2 and 7.3 and provided that no termination under this Section 8.2(1)(e) shall be effective unless and until the Company shall have paid to Purchaser the amount required to be paid pursuant to Section 7.4(1)(c);

(f) be terminated either by Purchaser or the Company if the Effective Time does not occur on or prior to the Outside Date, provided that the failure of the Effective Time to so occur is not the result of the breach of a representation, warranty or covenant by the Party terminating this Agreement;

(g) be terminated by Purchaser if the Company Meeting is cancelled, postponed or adjourned by the Company in breach of Section 2.3;

(h) be terminated either by Purchaser or the Company if the Arrangement Resolution shall have failed to receive the Requisite Approval at the Company Meeting (including any adjournment or postponement thereof) in accordance with the Interim Order;

(i) be terminated by the Company, if the conditions provided for in Section 6.1 and 6.2 have been satisfied or waived (other than those conditions that by their nature are to be satisfied on the Effective Date) and Purchaser does not fulfill its obligation to consummate the Arrangement within five (5) days of the later of (i) the date the last Regulatory Approval is obtained or (ii) the date the Final Order is obtained; or

(j) be terminated by the written agreement of the Parties,

in each case, prior to the Effective Time.

(2) If this Agreement is terminated in accordance with the foregoing provisions of this Section 8.2, this Agreement shall forthwith become void and of no further force or effect and no Party shall have any further obligations hereunder except as provided in Sections 2.4(4), 5.3(k), 7.4, 7.5, 7.6, 7.7(2), 7.8 and Article IX, and the provisions of the Confidentiality Agreement (including any standstill provisions contained therein) and the Parent Guarantee shall survive any termination of this Agreement and provided that neither the termination of this Agreement nor anything contained in this Section 8.2 shall relieve any Party from any liability for any willful breach by it of this Agreement, subject to the limitation on damages set out in Section 7.6(5).

8.3 Waiver

Any Party may (i) extend the time for the performance of any of the obligations or acts of the other Parties, (ii) waive compliance, except as provided herein, with any of the other Parties' agreements or the fulfillment of any conditions to its own obligations contained herein, or (iii) waive inaccuracies in any of the other Parties' representations or warranties contained herein or in any document delivered by the other Parties; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of all Parties and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived.

ARTICLE IX
GENERAL PROVISIONS

9.1 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by facsimile or e-mail transmission, or as of the following business day if sent by prepaid overnight courier, to the Parties at the following addresses (or at such other addresses as shall be specified by any Party by notice to the other Parties given in accordance with these provisions):

(a) if to Purchaser or the parties to the Parent Guarantee:

Birch Hill Equity Partners
100 Wellington Street West
CP Tower, Suite 2300, PO Box 22
Toronto, ON
M5K 1A1

Attention: General Counsel
Facsimile: 416-775-3859

with a copy to:

McCarthy Tétrault LLP
Suite 5300
Toronto Dominion Bank Tower
Toronto ON
M5K 1E6

Attention: Jonathan Grant
Facsimile: 416-868-0673
Email: jgrant@mccarthy.ca

(b) if to the Company:

HOMEQ Corporation
45 St. Clair Avenue West, Suite 600
Toronto, Ontario
M4V 1K9

Attention: Celia Cuthbertson
Facsimile: 416-925-9938
Email: ccuthbertson@homeq.ca

with a copy to:

Torys LLP
79 Wellington Street W.
Suite 3000 Toronto, Ontario
M5K 1N2

Attention: James Scarlett
Facsimile: 416-865-7380
Email: jscarlett@torys.com

9.2 Governing Law

This Agreement shall be governed, including as to validity, interpretation and effect, by the laws of the Province of Ontario and the federal laws of Canada applicable therein, and shall be construed and treated in all respects as an Ontario contract. Each Party hereby irrevocably attorns to the non-exclusive jurisdiction of the Courts of the Province of Ontario in respect of all matters arising under and in relation to this Agreement and the Arrangement.

9.3 Third Parties

Nothing contained in this Agreement, express or implied is intended to or shall confer on any other person, any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement other than as specifically provided in Sections 2.4(4), 5.3(k), 7.8, 7.9 and 9.8.

9.4 Time of Essence

Time shall be of the essence in this Agreement.

9.5 Entire Agreement, Binding Effect and Assignment

This Agreement shall be binding on and shall enure to the benefit of the Parties and their respective successors and permitted assigns.

This Agreement (including the exhibits and schedules hereto), the Company's Disclosure Letter), the Lock-Up Agreements, the Confidentiality Agreement and the Parent Guarantee constitute the entire agreement, and supersede all other prior agreements and understandings, both written and oral, between the Parties, or any of them, with respect to the subject matter hereof and thereof. Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any of the Parties without the prior written consent of all Parties.

9.6 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable rule or Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

9.7 Counterparts, Execution

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

9.8 No Personal Liability

No director or officer of the Company shall have any personal liability whatsoever (other than in the case of fraud or willful misconduct) to Purchaser under this Agreement or any other document delivered in connection with this Agreement or the Arrangement by or on behalf of the Company. This Section 9.8 shall survive the consummation of the Arrangement and is intended to be for the benefit of, and shall be enforceable by, each director, officer or employee of the Company and his or her heirs, executors, administrators and personal representatives and shall be binding on the Company and its successors and assigns and, for such purpose, the Company hereby confirms that it is acting as agent and trustee on behalf of each such person.

9.9 Amendments

This Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Company Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties, and any such amendment may, subject to the Interim Order and Final Order and applicable Laws, without limitation:

(a) change the time for performance of any of the obligations or acts of the Parties;

(b) modify any representation or warranty contained herein or in any document delivered pursuant hereto;

(c) modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; and/or

(d) modify any mutual conditions precedent herein contained.

9.10 <u>Privacy</u>

Purchaser shall comply with applicable privacy Laws in the course of collecting, using and disclosing personal information about an identifiable individual (the "**Transaction Personal Information**"). Purchaser shall not disclose Transaction Personal Information to any person other than to its advisors who are evaluating and advising on the transactions contemplated by this Agreement. If Purchaser complete the transactions contemplated by this Agreement, Purchaser shall not, following the Effective Date, without the consent of the individuals to whom such Transaction personal Information relates or as permitted or required by applicable Law, use or disclose Transaction Personal Information:

(a) for purposes other than those for which such Transaction Personal Information was collected by the Company prior to the Effective Date; and

(b) which does not relate directly to the carrying on of the Company's business or to the carrying out of the purposes for which the transactions contemplated by this Agreement were implemented.

Purchaser shall protect and safeguard the Transaction Personal Information against unauthorized collection, use or disclosure. Purchaser shall cause its advisors to observe the terms of this Section 9.10 and to protect and safeguard Transaction Personal Information in their possession. If this Agreement shall be terminated, Purchaser shall promptly deliver to the Company all Transaction Personal Information in its possession or in the possession of any of its advisors, including all copies, reproductions, summaries or extracts thereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Purchaser and the Company have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

MONACO ACQUISITION INC.

By: "Matthew Kunica"
Name: Matthew Kunica
Title: President

MONACO ACQUISITION INC.

By: "Michael Mazan"
Name: Michael Mazan
Title: Vice President

HOMEQ CORPORATION

By: "Steve Ranson"
Name: Steve Ranson
Title: President and
Chief Executive Officer

By: "Gary Samuel"
Name: Gary Samuel
Title: Chairman

SCHEDULE A

To The Arrangement Agreement

Regulatory Approvals

- "**Competition Act Clearance**" means that, on or before the Effective Date, the Commissioner of Competition appointed under the Competition Act (the "**Commissioner**") (a) shall have issued an advance ruling certificate under section 102 of the Competition Act in respect of the transactions contemplated by this Agreement, or (b) the applicable waiting period under Part IX of the Competition Act shall have expired or been waived and the Commissioner shall have advised Purchaser in writing that she does not, at that time, intend to make an application under Section 92 of the Competition Act in respect of the transactions contemplated by this Agreement and the Commissioner of Competition shall not have rescinded such notice.

- "**Bank Act Approval**" means the approval of the Minister of Finance (Canada) pursuant to Part VII of the Bank Act.

SCHEDULE B

To the Arrangement Agreement

<u>Third Party Approvals</u>

Reverse Mortgage Sale and Servicing Agreement between CHIP Mortgage Trust and Canadian Home Income Plan Corporation, dated July 1, 2008 -- Consent of CHIP Mortgage Trust

Second Amended and Restated Mortgage Servicing Agreement between CHIP Mortgage Trust and Canadian Home Income Plan Corporation -- Consent of CHIP Mortgage Trust

SCHEDULE C

To the Arrangement Agreement

<u>Arrangement Resolution</u>

BE IT RESOLVED THAT:

1. The arrangement (the "**Arrangement**") under Section 182 of the *Business Corporations Act* (Ontario) (the "**OBCA**") of HOMEQ Corporation (the "**Company**"), as more particularly described and set forth in the management information circular (the "**Circular**") dated ■, 2012 of the Company accompanying the notice of this meeting (as the Arrangement may be amended, modified or supplemented in accordance with the arrangement agreement (the "**Arrangement Agreement**") made as of March 30, 2012 between the Company and Monaco Acquisition Inc.), is hereby authorized, approved and adopted.

2. The plan of arrangement of the Company (as it has been or may be amended, modified or supplemented in accordance with the Arrangement Agreement (the "**Plan of Arrangement**")), the full text of which is set out in Appendix "■" to the Circular, is hereby authorized, approved and adopted.

3. The (i) Arrangement Agreement and related transactions, (ii) actions of the directors of the Company in approving the Arrangement Agreement, and (iii) actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement, and any amendments, modifications or supplements thereto, are hereby ratified and approved.

4. The Company be and is hereby authorized to apply for a final order from the Ontario Superior Court of Justice (Commercial List) to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be amended, modified or supplemented in accordance with the Arrangement Agreement).

5. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of the Company or that the Arrangement has been approved by the Ontario Superior Court of Justice (Commercial List), the directors of the Company are hereby authorized and empowered to, without notice to or approval of the shareholders of the Company, (i) amend, modify or supplement the Arrangement Agreement or the Plan Arrangement, to the extent permitted by the Arrangement Agreement and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions.

6. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute, under the corporate seal of the Company or otherwise, and deliver or cause to be delivered, for filing with the Director under the OBCA articles of arrangement and such other documents as are necessary or desirable to give effect to the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement, such determination to be conclusively

evidenced by the execution and delivery of such articles of arrangement and any such other documents.

7. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed, under the corporate seal of the Company or otherwise, and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.

SCHEDULE D

To the Arrangement Agreement

<u>Plan of Arrangement</u>

PLAN OF ARRANGEMENT UNDER SECTION 182 OF THE ONTARIO BUSINESS CORPORATIONS ACT

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 <u>Definitions</u>

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, and unless indicated otherwise, where used in this Plan of Arrangement, capitalized terms used but not defined shall have the meanings ascribed thereto in the Arrangement Agreement and the following terms shall have the following meanings (and grammatical variations of such terms shall have corresponding meanings):

"**affiliate**" has the meaning ascribed thereto in National Instrument 45-106 of the Canadian Securities Administrators;

"**Arrangement**" means the arrangement of the Company under Section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Company and Purchaser, each acting reasonably;

"**Arrangement Agreement**" means the arrangement agreement made as of March 30, 2012 between the Company and Purchaser, including all schedules, as same may be amended, supplemented or restated in accordance with its terms providing for, among other things, the Arrangement;

"**Arrangement Resolution**" means the special resolution approving the Plan of Arrangement to be considered at the Company Meeting, substantially in the form and content of Schedule C attached to the Arrangement Agreement, and any amendment or variation thereto made in accordance with the provisions of this Agreement or made at the direction of the Court in the Interim Order;

"**Articles of Arrangement**" means the articles of arrangement of the Company in respect of the Arrangement, to be sent to the Director pursuant to the OBCA after the Final Order is made, which shall be in a form and content satisfactory to the Company and Purchaser, acting reasonably;

"**business day**" means any day, other than a Saturday, a Sunday or a day on which commercial banks are closed in Toronto, Canada;

“**Certificate of Arrangement**” means the certificate or other confirmation of filing giving effect to the Arrangement to be issued by the Director pursuant to section 183(2) of the OBCA after the Articles of Arrangement have been filed;

“**Charter Documents**” means the articles and by-laws of the Company;

“**Company**” means HOMEQ Corporation, a corporation existing under the laws of Ontario;

“**Company Circular**” means the notice of the Company Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto, to be sent to, among others, the Company Shareholders in connection with the Company Meeting, as amended, supplemented or otherwise modified from time to time;

“**Company Meeting**” means the special meeting of Company Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider, among other things, the Arrangement Resolution;

“**Company Rights Plan**” means the Shareholder Rights Plan Agreement dated March 11, 2009 between the Company and Computershare Trust Company of Canada;

“**Company Shareholders**” means the registered or beneficial holders of Company Shares (other than Purchaser and any of its affiliates), as the context requires;

“**Company Shares**” means the common shares in the capital of the Company;

“**Consideration**” means $9.50 in cash per Company Share;

“**Court**” means the Ontario Superior Court of Justice (Commercial List);

“**Depository**” means Computershare Investor Services Inc.;

“**Director**” means the Director appointed pursuant to Section 278 of the OBCA;

“**Dissent Rights**” shall have the meaning ascribed thereto in Section 3.1(1);

“**Dissenting Shareholder**” means a registered holder of Company Shares who has properly and validly dissented in respect of the Arrangement Resolution in strict compliance with the Dissent Rights, who has not withdrawn or been deemed to have withdrawn such dissent and who is ultimately determined to be entitled to be paid the fair value of its Company Shares, but only in respect of the Company Shares in respect of which Dissent Rights are validly exercised by such registered holder;

“**DSU Plan**” means the Company Directors’ Deferred Share Plan for non-executive directors dated June 30, 2009;

“**DSUs**” means the deferred shares granted under the DSU Plan;

“**Effective Date**” means the date upon which the Arrangement becomes effective as established by the date shown on the Certificate of Arrangement;

“**Effective Time**” means the first moment in time in Toronto, Ontario on the Effective Date, or such other time as may be agreed to in writing by the Company and Purchaser prior to the Effective Date;

“**Encumbrance**” (and any grammatical variation thereof) includes any mortgage, pledge, assignment, charge, lien, claim, hypothec, security interest, adverse claim or encumbrance;

“**Final Order**” means the final order of the Court, pursuant to Section 182(5) of the OBCA in a form acceptable to the Company and Purchaser, each acting reasonably, approving the Arrangement as such order may be amended by the Court (with the consent of both the Company and Purchaser, each acting reasonably) at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and Purchaser, each acting reasonably) on appeal;

“**Governmental Entity**” means (a) any supranational, international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, office, Crown corporation, commission, commissioner, board, bureau or agency, whether domestic or foreign (including OSFI), (b) any subdivision, agent or authority of any of the foregoing, and (c) any quasi-governmental or private body, including any tribunal, commission, stock exchange, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority (including the TSX);

“**Interim Order**” means the interim order of the Court in a form acceptable to the Company and Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Company Meeting, as the same may be amended by the Court with the consent of the Company and Purchaser, each acting reasonably;

“**Law**” or “**Laws**” means all federal, provincial, state, municipal, regional and local laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, certificates, ordinances, judgments, injunctions, determinations, awards, decrees, legally binding codes, policies or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, including the Bank Act, the guidelines, guidance notes, advisories, rulings, rules and guides of OSFI, whether or not having the force of law; and the term “applicable” with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are binding upon or applicable to such Party or its assets;

“**Letter of Transmittal**” means a letter of transmittal to be forwarded or made available by the Company to Company Shareholders, in a form acceptable to Purchaser, acting reasonably, for use by such Company Shareholders in connection with the Arrangement as contemplated herein;

“**Notice of Dissent**” means a written notice provided by a registered holder of Company Shares to the Company setting forth such Company Shareholder’s objection to the Arrangement Resolution and exercise of Dissent Rights;

“**OBCA**” means the Business Corporations Act (Ontario);

“**Option**” means an option to purchase one Company Share granted or governed under the Option and SAR Plan;

"**Option and SAR Plan**" means the Company Option and Share Appreciation Rights Plan dated March 4, 2010;

"**Parties**" means the Company and Purchaser, and "**Party**" means any of them;

"**person**" means any natural person, partnership, limited partnership, limited liability partnership, joint venture, syndicate, sole proprietorship, company or corporation (with or without share capital), limited liability corporation, unlimited liability company, joint stock company, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Entity or other entity however designated or constituted and pronouns have a similarly extended meaning;

"**Plan of Arrangement**" means this plan of arrangement;

"**Purchase Price**" has the meaning ascribed thereto in Section 2.4;

"**Purchaser**" means Monaco Acquisition Inc.;

"**RSU Plan**" means the Company Amended and Restated Restricted Share Plan dated November 2, 2011, as amended on December 2, 2011 and as further amended on January 24, 2012;

"**RSUs**" means the restricted shares granted under the RSU Plan;

"**subsidiary**" or "**subsidiaries**" means, with respect to any person, any entity, whether incorporated or unincorporated (a) of which such person or any other subsidiary of such person is a general partner (excluding partnerships, the general partnership interests of which held by such person or any subsidiary of such person do not have a majority of the voting interests in such partnership), or (b) at least a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the board of directors or other persons performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such person or by any one or more of its subsidiaries, or by such person and one or more of its subsidiaries and, in the case of the Company, includes CMT;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, and includes the regulations promulgated thereunder; and

"**TSX**" means the Toronto Stock Exchange.

1.2 Number and Gender

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

1.3 Interpretation Not Affected by Headings, etc.

The division of this Plan of Arrangement into Articles, Sections and other parts and the insertion of headings are for convenience only and shall not affect the construction or interpretation of this Plan of Arrangement. Unless the contrary intention appears, references in this Plan of Arrangement to a section or subsection by number or letter or both refer to the section or subsection, respectively, bearing that designation in this Plan of Agreement.

1.4 Date for Any Action

If any period expires on a day which is not a business day or any event or condition is required by the terms of this Agreement to occur or to be fulfilled on a day which is not a business day, such period shall expire or such event or condition shall occur or be fulfilled, as the case may be, on the next succeeding day which is a business day.

1.5 Time

Time is of the essence in this Plan of Arrangement. All times expressed herein or in any Letter of Transmittal are local times (Toronto, Ontario) unless otherwise stipulated herein or therein.

1.6 Currency

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in, and all payments provided for herein shall be made in Canadian dollars, and "US$" refers to United States dollars and "C$" refers to Canadian dollars.

1.7 Statutory References

Unless otherwise expressly provided herein, references to a particular statute or law shall be to such statute or law and the rules, regulations and published policies made thereunder, as in force as at the date of the Agreement, and as the same may be amended, re-enacted, consolidated or replaced from time to time, and any successor statute or law thereto, unless otherwise expressly provided, supplements or supersedes any such statute or law or any such rule, regulation or policy.

ARTICLE 2
THE ARRANGEMENT

2.1 Effectiveness

This Plan of Arrangement is made pursuant to, and is subject to the provisions of and forms part of, the Arrangement Agreement. Subject to the terms of the Arrangement Agreement, this Plan of Arrangement will become effective at the Effective Time and will be binding from and after the Effective Time on: (i) the Company; (ii) Purchaser; (iii) all registered holders and all beneficial owners of Company Shares; (iv) all registered holders and all beneficial owners of Options, RSUs or DSUs; (v) the registrar and transfer agent in respect of the Company Shares; (vi) the Rights Agent under the Company Rights Plan; (vii) the trustee of the trust under the RSU Plan; and (viii) the Depository.

2.2 The Arrangement

Commencing at the Effective Time, the following shall occur and be deemed to occur in the following order without further act or formality:

(1) notwithstanding the terms of the Company Rights Plan, the Company Rights Plan shall be terminated and shall be of no further force or effect and all rights issued pursuant to the Company Rights Plan shall be cancelled without any payment in respect thereof;

(2) each Company Share in respect of which Dissent Rights have been validly exercised shall be transferred and deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Encumbrances, to Purchaser in consideration for a debt claim against Purchaser in an amount determined and payable in accordance with Article 3, and the name of such holder will be removed from the register of holders of Company Shares (in respect of the Company Shares for which Dissent Rights have been validly exercised), and Purchaser shall be recorded as the registered holder of Company Shares so transferred and shall be deemed to be the legal and beneficial owner of such Company Shares free and clear of any Encumbrances;

(3) all rights under the RSU Plan to receive Company Shares that are currently held in trust for the benefit of the holders of RSUs, whether vested or unvested, shall immediately vest and each Company Share held in trust for the benefit of a holder of an RSU shall be deemed to be distributed to such holder without any further act or formality;

(4) all of the Options, DSUs and the RSUs that are not subject to Section 2.2(3), granted and outstanding to acquire Company Shares immediately prior to the Effective Time, without any further action on behalf of the holder thereof and without any payment except as provided in this Plan of Arrangement and notwithstanding the terms of the applicable Option and SAR Plan, RSU Plan, or DSU Plan shall be disposed of and surrendered by the holders thereof to the Company without any act or formality on its or their part in exchange for a cash payment equal to:

(i) with respect to all such outstanding Options, the amount (if any) by which (A) the product of the number of Company Shares underlying such Options, held by such holder multiplied by the Consideration exceeds (B) the aggregate exercise price payable under such Options, by the holder to acquire the Company Shares underlying such Options and, for greater certainty, such payment shall be net of applicable withholdings;

(ii) with respect to each outstanding DSU or RSU, the amount of the Consideration per DSU or RSU, and, for greater certainty, such payment shall be net of applicable withholdings;

(5) all Options, RSUs and DSUs issued and outstanding immediately prior to the Effective Time shall thereafter immediately be cancelled and the holder thereof shall thereafter have only the right to receive the Consideration to which such holder is entitled pursuant to Section 2.2(4). The Option and SAR Plan, the DSU Plan and the RSU Plan shall be terminated and none of the Company, Purchaser or any of their respective affiliates shall have any liabilities or obligations with respect thereto except pursuant to Section 2.2(4); and

(6) each Company Share outstanding immediately prior to the Effective Time (including any Company Share issued upon the effective exercise of Options prior to the Effective Time and any Company Share that vested pursuant to Section 2.2(3)), other than Company Shares held by Purchaser or any of its affiliates (which shall not be exchanged under the Arrangement and shall remain outstanding as a Company Share held by Purchaser or its affiliate, as the case may be), shall be transferred and deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Encumbrances, to Purchaser in exchange for a payment in cash equal to the Consideration, and the name of such holder will be removed from the register of holders of Company Shares and Purchaser shall be recorded as the registered holder of Company Shares so transferred and shall be deemed to be the legal and beneficial owner thereof, free and clear of any Encumbrances, and such payment shall be made upon the presentation and surrender by or on behalf of the holder to the Depository (acting on behalf of Purchaser) of the certificate formerly representing Company Shares and a Letter of Transmittal as more fully described in Section 2.3.

2.3 Letter of Transmittal

At the time of mailing the Company Circular or as soon as practicable thereafter, the Company shall forward to each Company Shareholder and each holder of Options, RSUs or DSUs at the address of such holder as it appears on the register maintained by or on behalf of the Company in respect of such holders, the Letter of Transmittal in the case of holders of Company Shares and instructions for obtaining delivery of that portion of the Purchase Price or of the Company's payment obligations to holders of Options, RSUs and DSUs pursuant to Section 2.2(4), as the case may be, payable to such holder following the Effective Date pursuant to this Plan of Arrangement.

2.4 Delivery of Purchase Price and Other Payments

Prior to the Effective Date, (i) Purchaser shall deposit, or arrange to be deposited, the money required to be deposited with the Depository for the payment of the aggregate Consideration (the "**Purchase Price**") for the Company Shares acquired pursuant to Section 2.2(6) (with the amount per Company Share in respect of which Dissent Rights have been exercised being deemed to be the Consideration per applicable Company Share for this purpose) for the benefit of and in trust for the holders of Company Shares entitled to receive the Consideration for each Company Share held by them in a special account with the Depository to be paid to or to the order of the respective former Company Shareholders without interest; and (ii) the Company shall deposit the money required for payment of the obligations to holders of Options, RSUs and DSUs pursuant to Section 2.2(4) for the benefit of and in trust for such holders in a special account with the Depository to be paid to or to the order of the respective former holders without interest. All such money shall be cash, denominated in Canadian dollars in same day funds. Such money shall not be used for any purpose except as provided in this Plan of Arrangement. Such payment to or to the order of the aforesaid former holders shall be made on presentation and surrender to the Depository, in the case of Company Shares, the certificate(s) representing the Company Shares which were acquired by Purchaser pursuant to Section 2.2(6), and a duly completed Letter of Transmittal and such other documents and instruments, if any, as the Depository may reasonably require. Upon surrender to the Depository for transfer to Purchaser of, in the case of a Company Shareholder, a certificate which immediately prior to the Effective Time represented Company Shares in respect of which the holder is entitled to receive cash under the Arrangement, and a duly completed Letter of Transmittal, and such other documents and instruments as would have been required to effect the transfer of the Company Shares formerly represented by such certificate under the OBCA and the by-laws of the Company and such additional documents and instruments as the Depository may reasonably require, such former holder shall be entitled to receive in exchange therefor, and as soon as practicable after the Effective Time the Depository shall deliver to such holder, by cheque (or, if required by applicable laws, a wire transfer) for the amount of cash such holder is entitled to receive under the Arrangement (together, if applicable, with any unpaid dividends or distributions declared on the Company Shares, if any, prior to the Effective Time). In the event of a transfer of ownership of Company Shares that was not registered in the securities register of the Company, the amount of cash payable for such Company Shares under the Arrangement may be delivered to the transferee if the certificate representing such Company Shares is presented to the Depository as provided above, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable Company Share transfer Taxes have been paid. As soon as practicable after the Effective Time, the Depository shall deliver on behalf of the Company to each holder of Options, RSUs and DSUs, as reflected on the books and records of the Company, a cheque (or, if required by applicable laws, a wire transfer) for the amount of cash such holder is entitled to receive under the Arrangement in accordance with Section 2.2(4). Thereafter, Purchaser shall be fully and completely discharged from its obligation to pay the Purchase Price to the former Company Shareholders, and the Company shall be fully and completely discharged from its payment obligations to former holders of Options, RSUs and DSUs referred to in Section 2.2(6) and 2.2(4), respectively, and the rights of such holders shall be limited to receiving, without interest, from the Depository their proportionate part of the money so deposited on, in case of Company Shareholders, presentation and surrender of the documentation specified above. Any interest on such deposit shall belong to Purchaser.

2.5 <u>Expiration of Rights</u>

Any amounts deposited with the Depository for the payment of the Purchase Price to holders of Company Shares pursuant to Section 2.2(6) or the monies payable to holders of Options, RSUs or DSUs pursuant to Section 2.2(4) which remain unclaimed on the date which is six years from the Effective Date shall be forfeited to Purchaser and paid over to or as directed by Purchaser and the former holders of Company Shares, Options, RSUs and/or DSUs shall thereafter have no right to receive their respective entitlement to the Purchase Price or the payments pursuant to Section 2.2(4) or Section 2.2(6), as applicable.

2.6 <u>Dividends and Distributions</u>

No dividend or other distribution declared or made after the Effective Time with respect to the Company Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Time, represented outstanding Company Shares.

2.7 Transfers Free and Clear

Any transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Encumbrances.

ARTICLE 3
RIGHTS OF DISSENT

3.1 Dissent Rights

(1) Each Company Shareholder may exercise rights of dissent with respect to its Company Shares pursuant to and in the manner set forth in section 185 of the OBCA as modified by the Interim Order and this Section 3.1 (the "**Dissent Rights**"); provided that notwithstanding (i) Section 185(6) of the OBCA, a Notice of Dissent is received by the Company by no later than 5:00 p.m. (Toronto time) on the business day that is two (2) business days prior to the date of the Company Meeting, or, if the Meeting is adjourned or postponed, 5:00 p.m. (Toronto time) on the business day that is two (2) business days preceding the date of such adjourned or postponed Company Meeting; and (ii) Section 185(4) of the OBCA, Purchaser and not the Company shall be required to offer and pay the fair value for the Company Share held by a holder who duly exercised Dissent Rights and to pay the amount to which such holder is entitled.

(2) If the Arrangement is completed, registered holders of Company Shares who duly and validly exercise their Dissent Rights shall be deemed to have transferred their Company Shares, without any further act or formality on their part, free and clear of all Encumbrances, to Purchaser as provided in Section 2.2(2), and such Company Shareholders who: (i) are ultimately determined to be entitled to be paid fair value for their Company Shares shall be entitled to a payment of cash by Purchaser equal to such fair value, and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement in respect of such Company Shares had such Company Shareholders not exercised their Dissent Rights; or (ii) are ultimately determined not to be entitled, for any reason, to be paid fair value for their Company Shares shall have participated and shall be deemed to have participated in the Arrangement, as at the Effective Time, on the same basis as a non-dissenting holder of Company Shares in accordance with Section 2.2(6), and shall receive cash consideration in respect of their Company Shares equal to the aggregate Consideration a holder of Company Shares holding such number of Company Shares would be entitled to under Section 2.2(6).

(3) In addition to any other restrictions under Section 185 of the OBCA, none of the following shall be entitled to exercise Dissent Rights: (i) holders of Options, RSUs or DSUs (but only with respect of those securities); and (ii) Company Shareholders who vote or have instructed a proxyholder to vote such Company Shares in favour of the Arrangement Resolution (but only in respect of such Company Shares).

(4) In no circumstances shall the Company, Purchaser, the Depository, the registrar and transfer agent in respect of the Company Shares or any other person be required to recognize a person exercising Dissent Rights unless such person is the holder of those Company Shares in respect of which such rights are sought to be exercised.

(5) In no case shall the Company, Purchaser, the Depository, the registrar and transfer agent in respect of the Company Shares or any other person be required to recognize a Dissenting Shareholder as a holder of Company Shares after the Effective Time and the name of each Dissenting Shareholder shall be deleted from the registers of Company Shareholders as at the Effective Time as provided in Article 2.

ARTICLE 4
CERTIFICATES

4.1 Certificates

(1) From and after the Effective Time, until surrendered as contemplated by Section 2.4, each certificate formerly representing Company Shares that, under the Arrangement, was transferred or deemed to be transferred to Purchaser in return for cash pursuant to Section 2.2, shall represent and be deemed, at all times after the Effective Time, to represent only the right to receive upon such surrender the applicable amount per Company Share specified in Section 2.2(2) or Section 2.2(6). From and after the Effective Time, each Option, RSU or DSU referred to in Section 2.2(4) and any evidence thereof shall be deemed, at all times after the Effective Time, to represent only the right to receive the applicable consideration specified in Section 2.2(6) of this Plan of Arrangement.

(2) Any such certificate formerly representing Company Shares not duly surrendered on or before the sixth anniversary of the Effective Date shall cease to represent a claim by or interest of any former holder of Company Shares of any kind or nature against or in the Company or Purchaser. On such date, all cash to which such former holder was entitled shall be deemed to have been surrendered to Purchaser or the Company, as applicable.

4.2 Lost Certificates

In the event that any certificate which immediately prior to the Effective Time represented one or more outstanding Company Shares that were transferred and deemed to be transferred to Purchaser pursuant to Section 2.2 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Depository will pay such person the cash that such person would have been entitled to had such share certificate not been lost, stolen or destroyed. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the person to whom cash is to be paid shall, at the sole discretion of Purchaser, give a bond satisfactory to Purchaser in such sum as Purchaser may direct or otherwise indemnify the Depository and Purchaser in a manner satisfactory to each of them against any claim that may be made against the Depository or Purchaser with respect to the certificate alleged to have been lost, stolen or destroyed.

ARTICLE 5
GENERAL

5.1 Paramountcy

From and after the Effective Time (i) this Plan of Arrangement shall take precedence and priority over any and all Company Shares, Options, RSUs and DSUs issued prior to the Effective Time; (ii) the rights and obligations of the registered holders of Company Shares, Options, RSUs and DSUs and the Company, Purchaser, the Depository and any trustee or transfer agent therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement; and (iii) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Company Shares, Options, RSUs or DSUs shall be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

5.2 Amendment

(1) Subject to the Sections 5.2(2), (4) and (5), the Company and Purchaser reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that any such amendment, modification and/or supplement must be contained in a written document which is (i) agreed to in writing by the Company and Purchaser; (ii) if necessary, filed with the Court and, if made following the Company Meeting, approved by the Court subject to such conditions as the Court may impose; (iii) if so required by the Court, communicated to Company Shareholders and/or holders of Options, RSUs or DSUs if and in the manner as required by the Court; and (iv) if required by the Court, it is approved by holders of the Company Shares voting in the manner directed by the Court.

(2) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company at any time prior to or at the Company Meeting (provided that Purchaser shall have consented thereto in writing), with or without any prior notice or communication, and if so proposed and approved by the persons voting at the Company Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(4) Any amendment, modification and/or supplement to this Plan of Arrangement may be made by Purchaser unilaterally after the Effective Date without the approval of the Company Shareholders or the Company provided that it concerns a matter which, in the reasonable opinion of Purchaser, is of an administrative or ministerial nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of the former Company Shareholders and former holders of Options, RSUs and DSUs.

(5) Notwithstanding anything in this Plan of Arrangement or the Arrangement Agreement, Purchaser shall be entitled, at any time prior to or following the Company Meeting, to modify this Plan of Arrangement to increase the consideration Purchaser is prepared to make available to Company Shareholders or holders of Options, RSUs or DSUs pursuant to the Arrangement, whether or not the board of directors of the Company has changed its recommendation, provided that Purchaser shall use all of its commercially reasonable efforts to provide not less than one business day's prior written notice of such proposal to the Company.

(6) Notwithstanding anything in this Plan of Arrangement or the Arrangement Agreement, no amendment, revision, update or supplement shall be made to the Plan of Arrangement that (i) would require the Company to obtain any regulatory approval or the approval of Company Shareholders in respect of such amendment, revision, update or supplement other than at the Company Meeting; (ii) would prejudice the Company's securityholders or would result in the withdrawal or material modification of the Fairness Opinion; (iii) would impede or materially delay the consummation of the transactions contemplated by the Plan of Arrangement; or (iv) would require the Company to take any action in contravention of applicable Law, the Charter Documents or any material provision of any material agreement to which it is a party.

5.3 Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and be deemed to have occurred in the order set out herein, without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to implement this Plan of Arrangement and to further document or evidence any of the transactions or events set out herein.

5.4 Withholding Rights

Notwithstanding anything in the Arrangement Agreement or this Plan of Arrangement to the contrary, the Company, the trustee under the RSU Plan, the Depository, Purchaser or one or more affiliates or subsidiaries of the Company or Purchaser, as the case may be, shall be entitled to deduct and withhold from any amount otherwise payable pursuant to this Agreement or the Plan of Arrangement to any Company Shareholder or holder of Options, RSUs or DSUs, as the case may be, such amounts as are required to be deducted and withheld with respect to the making of such payment under the Tax Act or any provision of applicable local, provincial or foreign Tax Law, in each case, as amended, or the administrative practice of the relevant Governmental Entity administering such Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement and the Plan of Arrangement as having been paid to the former holder of the Company Shares or Options, RSUs or DSUs, as the case may be, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate Governmental Entity within the time required by and in accordance with applicable Laws.

SCHEDULE E

To the Arrangement Agreement

<u>Representations and Warranties of the Company</u>

Except as set forth in the Company's Disclosure Letter, the Company hereby represents and warrants to and in favour of Purchaser as follows and acknowledges that Purchaser is relying upon such representations and warranties in connection with entering into this Agreement and consummating the transactions contemplated hereby:

Section 1.1 Organization and Qualification.

The Company and each of its subsidiaries, other than CMT which is a trust formed and existing under the laws of the Province of Ontario, is a corporation or other entity duly incorporated or organized, as applicable, validly existing and in good standing under the laws of the province, state or country, as applicable, of its incorporation or formation. The Company and each of its subsidiaries has all requisite power and authority to own, operate or lease its assets and to conduct its business as presently conducted and, as applicable, to enter into this Agreement and to consummate the Arrangement. The Company and each of its subsidiaries is duly authorized to conduct its business as presently conducted and is in good standing in each jurisdiction where such authorization is required to conduct its business as currently conducted by it, except where the failure to be so duly authorized and in good standing would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect.

Section 1.2 Subsidiaries.

The Company's Disclosure Letter contains the name, jurisdiction of organization or formation and capitalization of each of the Company's subsidiaries and the interest of the Company and its subsidiaries therein. The Company does not own, directly or indirectly, any capital stock or other equity securities of any other person. All the outstanding shares of capital stock of each of the Company's subsidiaries are owned directly or indirectly by the Company free and clear of all Encumbrances, other than Permitted Encumbrances, and have been duly authorized and validly issued and are fully paid and non-assessable, and there are no outstanding warrants, options, rights or agreements of any kind relating to the issuance, sale or transfer of any capital stock or other equity securities of any subsidiary to any person except the Company.

Section 1.3 Authority and Enforceability.

The Company has full power and authority to execute this Agreement. The execution and delivery by the Company of this Agreement, the performance by it of its obligations hereunder, and the Arrangement have been duly and validly authorized by all necessary corporate action on the part of the Company. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company enforceable in accordance with its terms, except as such enforcement may be limited by (i) bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors; and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

Section 1.4 Board Approval.

As of the date hereof, the Board of Directors, after consultation with its outside legal and financial advisors, has unanimously determined that the Arrangement is fair to the Company Shareholders and the Arrangement is in the best interests of the Company and has unanimously resolved to approve the transactions contemplated herein and the execution and performance of this Agreement and to unanimously recommend to the Company Shareholders that they vote their Company Shares in favour of the Arrangement at the Company Meeting and that such determinations and resolutions are effective and unamended as of the date hereof. As of the date hereof, all of the directors of the Company have advised the Company that they intend to vote or cause to be voted all Company Shares beneficially held by them in favour of the Arrangement Resolution and the Company shall make a statement to that effect in the Company Circular.

Section 1.5 Capitalization.

(a) The authorized share capital of the Company consists of an unlimited number of Company Shares. As of the close of business on March 29, 2012, there were: (i) 14,283,464 Company Shares outstanding; (ii) Options to acquire an aggregate of 170,100 Company Shares; (iii) 228,080 DSUs; and (iv) 40,029 RSUs. Except for the Company Shares there are no other shares of any class or series in the capital of the Company outstanding. Except for the Options, the DSUs and the RSUs, the Company Rights Plan and this Agreement, there are no options, warrants, convertible securities or other rights, shareholder rights plans, agreements or commitments of any character whatsoever (pre-emptive, contingent or otherwise) requiring or which may require the issuance, sale or transfer by the Company of any securities of the Company or any of its subsidiaries (including Company Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of or other equity or voting interests in the Company or any of its subsidiaries (including Company Shares).

(b) All outstanding Company Shares have been duly authorized and validly issued, are fully paid and non-assessable and all Company Shares issuable upon the exercise of rights under the outstanding Options and pursuant to the outstanding DSUs and RSUs, in each in accordance with their respective terms, will be duly authorized and validly issued as fully paid and non-assessable. There are no outstanding contractual or other obligations of the Company or any subsidiary to repurchase, redeem or otherwise acquire any of its securities. Other than the Company Shares, there are no securities or other instruments or obligations of the Company or any of its subsidiaries that carry (or which is convertible into, or exchangeable for, securities having) the right to vote generally with the Company Shareholders on any matter. Neither the Company nor any of its subsidiaries is a party to any voting agreements with respect to any shares in the capital of or other equity or voting interests in the Company or any of its subsidiaries and, to the knowledge of the Company, as of the date hereof, other than the Lock-Up Agreements executed and delivered contemporaneously with this Agreement, there are no irrevocable proxies and no voting agreements with respect to any shares in the capital of, or other equity or voting interests in, the Company or any of its subsidiaries. All outstanding Company Shares have been issued in compliance with all applicable Securities Laws and other Laws.

(c) Section 1.5 of the Company's Disclosure Letter sets forth, with respect to each Option, DSU and RSU outstanding as of the date hereof: (i) the number of Company Shares issuable therefore or the aggregate cash amount payable in respect thereof, as applicable; (ii) the purchase price payable therefor upon the exercise of each such Option, DSU and RSU; (iii) the date on which such Option or RSU was granted; (iv) the name of the registered holder and whether such Option, DSU or RSU is held by a person who was not an employee of the Company at the time the security was granted; (v) the extent to which such Option, DSU or RSU is vested and exercisable as of the date of this Agreement and the extent of acceleration as a result, either along or together with another event or occurrence, of the Arrangement; and (vi) the date on which such Option expires. All grants of Options, DSUs and RSUs were validly issued and properly approved by the Board of Directors (or a duly authorized committee or subcommittee thereof) in compliance with all Laws and the Option and SAR Plan, DSU Plan or RSU Plan, as applicable, and recorded on the Company's financial statements in accordance with GAAP, and no such grants involved any "back dating," "spring loading" or similar practices with respect to such grants.

(d) All dividends or distributions on securities of the Company that have been declared or authorized have been paid in full.

(e) No Company Shareholder is entitled to any pre-emptive or other similar right granted by the Company or any of its subsidiaries. No holder of securities issued by the Company or any of its subsidiaries has any right to compel the Company to register or otherwise qualify securities for public sale in Canada, the United States or elsewhere.

Section 1.6 Government Approvals, Notices and Filings.

Subject to obtaining the Regulatory Approvals and the Final Order, no consent or approval of, giving of notice to, making filings with or taking of any action in respect of or by any Governmental Entity is required to be obtained or given by the Company or any of its subsidiaries with respect to the execution, delivery or performance by the Company of this Agreement or the consummation of the transactions contemplated hereunder, except (i) as set forth in the Company's Disclosure Letter or (ii) with respect to making filings, as would not materially impair or delay the ability of the Company to perform its obligations under this Agreement or to consummate the transactions contemplated hereby.

Section 1.7 Third Party Consents, Approvals and Notices.

The execution and delivery of this Agreement by the Company does not and the consummation of the Arrangement will not, (i) violate or conflict with the provisions of the certificate of incorporation or by-laws (or equivalent organizational documents), as applicable, of the Company or any of its subsidiaries; (ii) result in the imposition of any Encumbrance upon any of the properties or assets of the Company or any of its subsidiaries, cause the loss, acceleration or material modification of any rights or obligations under, create in any party the right to terminate, constitute a default or breach of, or violate or conflict with, or give rise to any rights of first refusal or trigger any change of control provisions or any restrictions under, the terms, conditions or provisions of, any Material Contract to which the Company or any of its subsidiaries is a party, or other instrument binding upon the Company or any of its subsidiaries; or (iii) result in a breach or violation by the Company or any of its subsidiaries of any of the terms, conditions or provisions of any Law or Order which, in the case of clauses (ii) and (iii) above, would, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect.

Section 1.8 Financial Statements.

The Company's audited financial statements as at and for the fiscal years ended December 31, 2011 and 2010 (including the notes thereto and related management's discussion and analysis ("**MD&A**")) (collectively, the "**Company Financial Statements**") were prepared in accordance with GAAP consistently applied (except as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of the Company's independent auditors, as the case may be) and fairly present in all material respects the consolidated financial position, results of operations and changes in financial position of the Company and its subsidiaries, as applicable, as of the dates thereof and for the periods indicated therein and reflect reserves required by GAAP in respect of all material contingent liabilities, if any, of the Company and its subsidiaries on a consolidated basis. Since January 1, 2010, there has been no material change in the Company's or its subsidiaries' financial accounting policies, methods or practices except as described in the notes to the Company Financial Statements.

Section 1.9 Reporting Status and Securities Laws Matters.

(a) The Company Shares are listed for trading on the TSX and the Company is in compliance in all material respects with all of the listing and other requirements of such exchange. None of the subsidiaries of the Company, except for CMT, are subject to continuous or periodic, or other disclosure requirements under any securities laws in any jurisdiction. No delisting, suspension of trading in or cease trading order with respect to any securities of the Company and, to the knowledge of the Company, no inquiry or investigation (formal or informal) of any Securities Authority or the TSX, is in effect or ongoing or, to the knowledge of the Company, expected to be implemented or undertaken.

(b) The Company and CMT are each a "reporting issuer", or the equivalent thereof in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New

Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, and not on the list of reporting issuers in default under applicable Securities Laws and each of the Company and CMT have complied in all material respects with applicable Law, including any requirements of any applicable Securities Laws. Each of the Company and CMT has timely filed all documents required to be filed by it in accordance with applicable Securities Laws with the Securities Authorities or the TSX. The Company's Public Disclosure Record, as of their respective dates did not contain 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 therein, in light of the circumstances under which they were made, not misleading. Neither the Company nor CMT have filed any confidential material change report or other document with any applicable Securities Authorities or any other applicable Governmental Entities which remains confidential as of the date hereof.

(c) As of the date hereof, there are no outstanding or unresolved comments in comment letters from the Securities Authorities or the TSX with respect to any of the Company's Public Disclosure Record. To the knowledge of the Company, the Company is not the subject of an ongoing review or an outstanding investigation by the Securities Authorities or the TSX.

Section 1.10 Books and Records.

(a) The financial books, records and accounts of the Company and its subsidiaries (i) have been maintained in all material respects in compliance with applicable Laws; (ii) accurately and fairly reflect the material transactions, acquisitions and dispositions of the property and assets of the Company and its subsidiaries; and (iii) accurately and fairly reflect the basis for the Company Financial Statements. The minute books of the meetings of the Board of Directors and the meetings of the boards of directors of each of the Company's subsidiaries are complete and accurate in all material respects.

(b) The credit files of the Company and its subsidiaries made available by the Company to Purchaser disclose all material information related to the borrowing by customers of the Company and its subsidiaries from the Company and its subsidiaries. The Company or one of its subsidiaries holds all security disclosed in the credit files.

(c) The loan and security files of HomEquity Bank: (i) have been maintained in accordance with applicable Laws, in all material respects; (ii) are complete, are in reasonable detail and accurately and fairly reflect the financial transactions of HomEquity Bank; and (iii) the outstanding amounts set out in such loan files are fairly reflected in the Company Financial Statements. HomEquity Bank has ready access to all of its books, records and other information. All data tapes, reports, summaries or information made available by the Company to Purchaser, including management information systems, fairly reflect the underlying source data which they purport to reflect.

Section 1.11 Disclosure Controls.

The Company has established and maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under applicable Securities Laws are recorded, processed, summarized and reported within the time periods specified in applicable Securities Laws. Such disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under applicable Securities Laws are accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Section 1.12 Internal Control.

The Company has established and maintains a system of internal control over financial reporting that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes policies and procedures that (i) pertain to the maintenance of records that accurately and fairly reflect the material transactions, acquisitions and dispositions of the property and assets of the Company and each of its subsidiaries; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company and its subsidiaries are made only in accordance with authorizations of management and directors of the Company and its subsidiaries; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of any unauthorized acquisition, use or disposition of the property or assets of the Company or any of its subsidiaries that could have a material adverse effect on the Company's financial statements. To the knowledge of the Company there are no material weaknesses (as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) relating to the design of its internal controls over financial reporting. Since January 1, 2009, to the knowledge of the Company, the Company has received no (i) complaints from any source regarding accounting, internal accounting controls or auditing matters or (ii) expressions of concern from any Employee regarding questionable accounting or auditing matters.

Section 1.13 Absence of Other Liabilities.

(a) Except for liabilities or obligations of the Company or any of its subsidiaries, whether accrued, absolute, contingent or otherwise that are (i) disclosed or reflected in the Company's most recent publicly disclosed consolidated financial statements or any public disclosure documents of the Company made available to the public on SEDAR since the date of such financial statements; (ii) disclosed in the Company's Disclosure Letter; (iii) incurred in connection with the transactions contemplated hereby; and (iv) incurred in the ordinary course of the business of the Company and its subsidiaries since the date of the most recently filed Company Financial Statements, the Company does not have any liabilities or obligations of a nature required by GAAP to be reflected in the Company Financial Statements. As of February 29, 2012, the principal amount of all indebtedness for borrowed money of the Company and its subsidiaries was as set forth in Section 1.13 of the Company's Disclosure Letter.

(b) Neither the Company nor any of its subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off balance sheet partnership or any similar agreement (including any agreement or arrangement relating to any transaction or relationship between or among the Company or any of its subsidiaries, on the one hand, and any unconsolidated entity, including any structured finance, special purpose, or limited purpose entity or person, on the other hand) or any "off balance sheet arrangements" (as defined in the instructions thereto of Form 51-102F1 of National Instrument 51-102 — *Continuous Disclosure Obligations*) where the result, purpose or effect of such agreement or arrangement is to avoid disclosure, of any material transaction involving, or material liabilities of, the Company or any of its subsidiaries in the Company's or such subsidiary's financial statements or any other documents filed by the Company under applicable Securities Laws.

(c) Except as disclosed in Section 1.13 the Company's Disclosure Letter, none of the Company or any of its subsidiaries has any obligation, contingent or otherwise, to provide funds to or make any investment (in the form of a loan, a security, capital contribution or otherwise) in any person, other than loans and other lending activities of HomEquity Bank entered into in the ordinary course of business of HomEquity Bank.

(d) Other than in the ordinary course of business of the Company and its subsidiaries, all items shown on the Company Financial Statements as at December 31, 2011 are still on the books at the date of this Agreement, have substantially the same book value on the date of this Agreement calculated on a basis consistent with the Company Financial Statements.

(e) None of the Company or any of its subsidiaries has any collateralized loan obligations, collateralized debt obligations, and has no relationships with, commitments to or investments in any hedge funds or any financing commitments relating to leveraged buy-out transactions.

(f) At the date of this Agreement, there is no impairment of mortgages that is in excess of the provision set out in the Company Financial Statements, other than in the ordinary course of the Company and its subsidiaries.

(g) The true and correct cash balances of HomEquity Bank on March 26, 2012 are disclosed in Section 1.13 of the Company's Disclosure Letter.

(h) Section 1.13 of the Company's Disclosure Letter sets forth HomEquity Bank's capital ratios as of February 29, 2012.

(i) Allowance for credit losses recorded in the Company Financial Statements reflect in aggregate an amount adequate to absorb all incurred credit losses in the loan and mortgage portfolio of the Company and its subsidiaries under financial and economic conditions and security values existing as of December 31, 2011.

Section 1.14 Absence of Changes.

Except as set forth in, or permitted by, this Agreement, since December 31, 2011, (i) the business of the Company and its subsidiaries has been conducted in all material respects in the ordinary course of the business of the Company and its subsidiaries; and (ii) there has not occurred a Material Adverse Effect.

Section 1.15 Leased Real Property.

The Company's Disclosure Letter contains a complete list of the Real Property Leases. Each Real Property Lease is a legal, valid and binding agreement of the Company or its subsidiary, as applicable, enforceable in accordance with its terms, against the Company or its subsidiary, as applicable, and to the knowledge of the Company, of each other person that is a party thereto, except as such enforcement may be limited by (i) bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors; and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law), and the Company is not in default in payment of rent or in performance of its material obligations thereunder.

Section 1.16 Owned Real Property.

Neither the Company nor any of its subsidiaries owns any real property.

Section 1.17 Material Contracts.

(a) True and complete, in all material respects, copies of all Material Contracts (including all amendments thereto) have been made available to Purchaser prior to the date of this Agreement and no such Contract has been modified, rescinded or terminated since the date such Contract was made available to Purchaser and a true and complete list of all Material Contracts is disclosed in Section 1.17 of the Company's Disclosure Letter.

(b) Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, neither the Company nor any of its subsidiaries is in breach or violation of or default (in each case, with or without notice or lapse of time or both) under the terms of any Material Contract. As of the date hereof, to the knowledge of the Company, no other party to any Material Contract is in material breach of, or default under the terms of, or has threatened to terminate, any such Material Contract. Each Material Contract is a valid and binding obligation of the Company or its subsidiaries that are a party thereto in accordance with their respective terms and conditions, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors and general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law). To the knowledge of the

Company, there are no circumstances that are reasonably likely to adversely affect the ability of the Company or any of its subsidiaries to perform its material obligations under any Material Contract.

Section 1.18 Mortgages.

(a) All of the material details of the Existing Mortgages held by the Company or its subsidiaries as at February 29, 2012, including outstanding principal amount, accrued interest, current interest rate, and the most recent appraised value of the Related Property are accurately described in the computer-tape or disc delivered by the Company to Purchaser concurrently with the delivery of the Company's Disclosure Letter.

(b) HomEquity Bank or CMT has good and marketable beneficial ownership to the Existing Mortgages and HomEquity Bank, CMT or another subsidiary of the Company is the registered legal owner of the Existing Mortgages.

(c) The extension of credit to the homeowner and the administration of the Existing Mortgages complies with (i) in the case of Existing Mortgages beneficially owned by CMT, the Mortgage Criteria, as in effect on the date the such mortgage was granted, (ii) in the case of Existing Mortgages beneficially owned by HomEquity Bank, HomEquity Bank's policies, practices and procedures, as in effect on the date the such mortgage was granted, all of the material terms of which have been disclosed in writing to Purchaser prior to the date of this Agreement, and (iii) the Customer Agreements, as in effect on the date the such mortgage was granted, and (iv) all applicable Laws, in all material respects.

(d) All Existing Mortgages, at the time or origination, were with respect to residential properties, and no such loans and mortgages related to commercial or corporate properties or were construction financing loans, and no such loans and mortgages relate to corporate properties or are construction financing loans.

(e) To the knowledge of the Company, as of February 23, 2012 and as of the last day of the month immediately prior to the Effective Date, there is no default, breach, or violation of a material obligation under any Existing Mortgage and no circumstance or event exists, which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, or violation of a material obligation under any Existing Mortgage.

(f) The Company has no knowledge of any material and adverse Environmental Condition affecting any Related Property that has not been disclosed in a written instrument delivered to the Company.

(g) There are no loans or mortgages made by the Company or any of its subsidiaries which have not been made for good and valuable consideration in the ordinary course of business of the Company or any of its subsidiaries. The loans and mortgages, loan and mortgage documentation, security and security documentation constitute legally enforceable obligations of the mortgagors thereunder in accordance with their terms, except as such enforcement may be limited by (i) bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors; and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law). All loans and mortgages, loan and mortgage documentation, security and security documentation have been duly and properly registered or recorded in all places necessary or advisable in connection therewith and in accordance with applicable Law.

Section 1.19 CHIP Mortgage Trust

(a) All issues and sales of securities by CMT have been made in compliance in all material respects with all applicable Securities Laws. CMT has complied in all material respects with all other obligations and requirements applicable to it under applicable Securities Laws.

(b) All monthly servicing reports delivered by the Company in respect of CMT were true and correct in all material respects and contained no misrepresentation at the time they were delivered.

(c) To the knowledge of the Company, the Company has not received any written notice or other written communication from DBRS Limited with respect to a change or a proposed change in the rating of CMT's senior debt and its subordinated debt from that which was disclosed in the MD&A accompanying the Company's audited financial statements as at and for the year ended December 31, 2011.

Section 1.20 Intellectual Property Rights.

The Company and its subsidiaries own or have the right to use all Intellectual Property required to carry on its business as currently conducted. To the knowledge of the Company, there has been no claim of infringement by the Company or any of its subsidiaries or breach by the Company or any of its subsidiaries of any Intellectual Property rights or industrial rights of any other person, and neither the Company nor any of its subsidiaries has received any notice that the conduct of its business infringes on any Intellectual Property rights or industrial rights of any other person.

Section 1.21 Employee Benefit Plans.

(a) Section 1.21 of the Company's Disclosure Letter contains a true and complete list of all employee benefit plans relating to employees or employee benefits of the Company (individually, referred to as a "**Company Plan**" and, collectively, referred to as the "**Company Plans**"), including all plans, agreements, arrangements or policies relating to employment, sick pay, retirement or leave (other than those required by Law), vacation pay or severance pay (other than those required by Law), deferred or incentive compensation, pension, profit sharing, retirement income or other benefits, stock purchase and stock option plans, bonuses, severance arrangements (other than those required by Law), health benefits (other than those required by

Law), disability benefits, insurance benefits and all other employee benefits or fringe benefits (other than Statutory Plans) including any registered pension benefit plans.

(b) Except as disclosed in the Company's Disclosure Letter:

(i) copies of each material Company Plan or a summary thereof have been made available to Purchaser prior to the date hereof,

(ii) each Company Plan has been established, administered and operated in all material respects in accordance with the terms thereof and applicable Law,

(iii) other than claims in the ordinary course of the business of the Company and its subsidiaries with respect to the Company Plans, there are no actions, suits or, to the knowledge of the Company, claims pending with respect to any Company Plan, and

(iv) the Company does not maintain any Company Plan which provides post-retirement benefits to employees.

(c) The Company has made all material contributions and paid all material premiums in respect of each Company Plan in a timely fashion in accordance with the terms of each Company Plan and applicable Laws. All material contributions required to be remitted to the Company Plans have been remitted in a timely fashion in accordance with the terms thereof and all applicable Laws. No Company Plan is or is intended to be a "registered pension plan" as such term is defined in the Tax Act.

(d) Notwithstanding any provision of this Agreement to the contrary, this Section 1.21 and Section 1.22 of this Schedule shall be the exclusive representations and warranties in respect of all matters respecting employment, incentives, labour, benefits and pensions (including the Company Plans) and conditions, liabilities or losses arising from any such matters.

Section 1.22 Employment and Labour Relations.

(a) All Employment Contracts with total annual compensation in excess of $200,000 are set forth in Section 1.22 of the Company's Disclosure Letter, and full and complete copies of such Employment Contracts have been provided to Purchaser. Except for the Employment Contracts that are set forth in Section 1.22 of the Company's Disclosure Letter, there are no agreements, promises or commitments providing for cash or other compensation or benefits upon the consummation of the transactions contemplated by this Agreement. The Company and its subsidiaries are in material compliance with all Employment Contracts and have not received any written notice from any Employee or Consultant that any term of a Contract has been breached, and is not aware of any such breach.

(b) (i) To the knowledge of the Company, there are no labour proceedings pending or unfair labour practice complaints threatened before any Governmental Entity in any jurisdiction with respect to the Company or any of its subsidiaries that would reasonably be expected to have a Material Adverse Effect; (ii) to the knowledge of the Company, there is no labour strike, work stoppage or lockout pending or threatened against the Company or any of its subsidiaries that would reasonably be expected to have a Material Adverse Effect; (iii) to the knowledge of the Company, there is no pending or threatened attempt to organize a bargaining unit in respect of any employees of the Company or any of its subsidiaries; and (iv) none of the Company or any of its subsidiaries is a party to or bound by any Collective Agreements and no Collective Agreement is currently being negotiated by the Company or any of its subsidiaries.

Section 1.23 Environmental.

(a) Since January 1, 2010 the business of the Company and its subsidiaries have been and are in compliance with all applicable Environmental Laws except for such instances where the failure to comply would not, individually or in aggregate, reasonably be expected to have a Material Adverse Effect. There are no outstanding or to knowledge of the Company threatened writs, injunctions, decrees, orders, judgments, actions, suits, claims, governmental information requests or proceedings against the Company or any of its subsidiaries relating to non-compliance with or liability under any Environmental Law.

(b) Notwithstanding any provision of this Agreement to the contrary, this Section 1.23 shall be the exclusive representation and warranty in respect of environmental matters of any kind or conditions, liabilities or losses arising from or relating to any such matters.

Section 1.24 Taxes and Tax Returns.

(a) Except as set forth in Section 1.24 of the Company's Disclosure Letter, (i) the Company and each of its subsidiaries has prepared and timely filed (taking into account all available extensions) all Returns that are required to be prepared and filed by applicable Law in all jurisdictions in which such Returns are required to be filed prior to the date hereof, and all such Returns were true and complete in all material respects; (ii) the Company and each of its subsidiaries has timely paid all Taxes, including instalments or prepayments of Taxes, due and payable by the Company or any of its subsidiaries whether or not such Taxes are shown to be due and payable on the Returns referred to in clause (i); (iii) all Taxes that are not yet due and payable have been adequately reserved against in accordance with GAAP on the Company Financial Statements, updated for transactions occurring in the ordinary course of the business of the Company and its subsidiaries since the date of such financial statements; (iv) since the date of the Company Financial Statements, none of the Company or any of its subsidiaries has incurred any liability, whether actual or contingent, for Taxes or engaged in any transaction or event that would result in any liability, whether actual or contingent, for Taxes or realized any income or gain for Tax purposes otherwise than in the usual and ordinary course of its business; (v) all Tax deficiencies asserted or Tax assessments made by any Governmental Entity against the Company or any of its subsidiaries have been paid in full; (vi) as of the date hereof, there are no audits, assessments, investigations, suits, actions or other proceedings pending or in progress with respect to Taxes of the Company or any of its Subsidiaries and none of the Company or any of its Subsidiaries has received written notice of any such events; (vii) there are no Liens with respect to any Taxes upon any of the Company's or its subsidiaries' assets, other than (A) Taxes, the payment of which is not yet due and payable, or (B) Taxes or charges being contested in good faith by appropriate proceedings; (viii) the Company and each of its subsidiaries has duly withheld or collected all Taxes required by applicable Law to be withheld or collected and has timely remitted such Taxes to the appropriate Governmental Entity; (ix) none of the Company or any of its subsidiaries is a party to any agreement, waiver or arrangement with any Governmental Entity that relates to any extension of time with respect to the filing of any Return, any payment of Taxes or any assessment; (x) no facts, circumstances or events exist or have existed that have resulted in or may result in the application of any of sections 79 to 80.04 of the Tax Act to the Company or any of its subsidiaries; (xi) none of the Company or any of its subsidiaries is subject to liability for Taxes of any other person; (xii) none of the Company or any of its subsidiaries has ever been required to file any Return with, and has never been liable to pay any Taxes to, any Governmental Entity outside Canada; (xiii) the value of the consideration paid or received by the Company or any of its subsidiaries for the acquisition, sale, transfer or provision of property (including intangibles) or the provision of services (including financial transactions) from or to a person with whom the Company or any of its subsidiaries was not dealing at arm's length within the meaning of the Tax Act was equal to the estimated fair market value of such property acquired, provided or sold or services purchased or provided; (xiv) none of the Company or any of its subsidiaries has made any payment, nor is obligated to make any payment, and is not a party to any agreement under which it could be obligated to make any payment, that may not be deductible by virtue of section 67 or 78 of the Tax Act or any analogous provincial or similar provision; and (xv) records or documents that meet the requirements of paragraphs 247(4)(a) to (c) of the Tax Act are being made and obtained by the Company and each of its subsidiaries with respect to all material transactions between the Company or any of its subsidiaries and any non-resident person with whom the Company or any of its subsidiaries was not dealing at arm's length within the meaning of the Tax Act, during a Taxation year commencing after 1998 and ending on or before the Closing Date.

(b) Notwithstanding any provision of this Agreement to the contrary, this Section 1.24 shall be the exclusive representation and warranty in respect of Tax matters of any kind or conditions, liabilities or losses arising from or relating to such matters.

Section 1.25 Insurance.

Section 1.25 of the Company's Disclosure Letter contains a true and complete list of all material insurance policies currently in effect that insure the physical properties, business, operations and assets of the Company and its subsidiaries. To the knowledge of the Company, notwithstanding Section 1.7, after due inquiry, such policies having terms and providing insurance coverages comparable to those that are customarily carried and insured against by owners of comparable businesses and assets. To the knowledge of the Company (i) each policy set forth in the Company's Disclosure Letter is valid and binding and in full force and effect and there is no material claim pending under any such policies as to which coverage has been questioned, denied or disputed, and (ii) no notice of cancellation or termination has been received with respect to any such policy which has not been replaced on substantially similar terms prior to the date of such cancellation or termination. Each of the Company and its subsidiaries maintains a sufficient level of insurance to comply with each of the Permits applicable to it and with the terms of each Material Contract.

Section 1.26 Permits and Licenses.

The Company and its subsidiaries hold all Permits necessary for the lawful operation of the business currently conducted by the Company and its subsidiaries, other than such Permits the absence of which would not, individually or in the aggregate, materially impair the ability of the Company and its subsidiaries to operate the business as currently conducted by the Company and its subsidiaries. Each Permit is valid, binding and in full force and effect, and the Company and its subsidiaries are in material compliance with the terms of such Permits. Neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Permit which, if the subject of an unfavourable decision, ruling or finding would have or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and there has not occurred any event which would reasonably be expected to result in the revocation, cancellation, non-renewal or adverse modification of any such Permit.

Section 1.27 Compliance with Laws.

The Company and its subsidiaries are in compliance with the requirements of all applicable Laws which affect it or its business or assets or to which it is subject (but excluding Laws regarding Taxes which are covered exclusively by Section 1.24 of this Schedule and Section 1.22 of this Schedule and Laws regarding environmental matters which are covered exclusively by Section 1.23 of this Schedule) (the "**Subject Laws**"), except for such instances where the failure to comply would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect. The Company has not received within the last twelve (12) months any written notice or other written communication from any Governmental Entity with respect to a violation and/or a failure to comply with the Subject Laws. There are no restrictions on the collection, use, disclosure and retention of the Personal Information by the Company or any of its subsidiaries except as provided by Privacy Laws and the Privacy Policies.

Section 1.28 Related Party Transactions.

Except as contemplated by this Agreement, no shareholder, officer or director of the Company or any subsidiary of the Company, nor any of their respective affiliates (other than the Company and its subsidiaries) (i) provides services to (other than service as an employee, director or officer) or is involved in any business arrangement or relationship with the Company or its subsidiaries other than employment arrangements entered into in the ordinary course of the business of the Company and its subsidiaries or (ii) owns any property or right, tangible or intangible, which is used by the Company or any of its subsidiaries.

Section 1.29 Restrictions on Conduct of Business.

Neither the Company nor any of its subsidiaries is a party to or bound by any non-competition agreement, any non-solicitation agreement, or any other agreement, obligation, judgment, injunction, order or decree which purports to (i) limit in any material respect the manner or the localities in which all or any portion of the business of the Company or any of its subsidiaries are conducted, (ii) limit any business practice of the Company or any of its subsidiaries in any material respect, or (iii) restrict any acquisition or disposition of any property or assets by the Company or its subsidiaries in any material respect. None of the Company or any of its subsidiaries or any of their respective properties or assets is subject to any outstanding judgment, order, writ, injunction or decree that involves or may involve, or restricts or may restrict, the right or ability of the Company or any of its subsidiaries to conduct its business in all material respects as it has been carried on prior to the date hereof, or that would impede the consummation of the transactions contemplated by this Agreement.

Section 1.30 Litigation.

There are no claims, actions, suits, arbitrations, inquiries, investigations or proceedings or, to the knowledge of the Company, pending or threatened against or relating to the Company or any of its subsidiaries or their respective property or assets before any court or Governmental Entity that would, if adversely determined, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect or prevent or delay consummation of the transactions contemplated by this Agreement. None of the Company or any of its subsidiaries is subject to any outstanding Order that would have or reasonably be expected to have a Material Adverse Effect or prevent or delay consummation of the transactions contemplated by this Agreement.

Section 1.31 Auditors.

The auditors of the Company are independent public accountants as required by applicable Laws and there is not now, and there has never been, any reportable event (as defined in National Instrument 51-102 — *Continuous Disclosure Obligations*) with the present or any former auditors of the Company.

Section 1.32 Shareholder Rights Plan.

The Company (i) has taken all action required for it to perform its obligations under Sections 5.3(h) and 5.3(i); and (ii) has taken all necessary action so that neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will: (A) cause the Rights (as defined in the Company Rights Plan) to become exercisable, (B) cause any person to become an Acquiring Person (as defined in the Company Rights Plan) or (C) give rise to a Separation Time or Flip-in Event (each as defined in the Company Rights Plan).

Section 1.33 Opinion of Financial Advisor.

The Board of Directors of the Company has received from a Financial Advisor an opinion, dated the date of this Agreement, to the effect that, as of such date, subject to the assumptions and limitations set out therein, the Consideration is fair from a financial point of view to Company Shareholders and as of the date hereof such opinion has not been withdrawn, amended or modified.

Section 1.34 Insolvency.

Neither the Company nor any of its subsidiaries: (i) is insolvent or bankrupt under or pursuant to any corporate, insolvency, winding-up, restructuring, reorganization, administration or other Laws applicable to it; (ii) has commenced, approved, authorized or taken any action in furtherance of proceedings in respect of the Company or any of the Company’s subsidiaries under any applicable bankruptcy, insolvency, restructuring, reorganization, administration, winding up, liquidation, dissolution, or similar Law; or (iii) is or has been subject to any actions taken or proceedings commenced by creditors or other persons for or in respect of the bankruptcy, receivership, insolvency, restructuring, reorganization, administration, winding-up, liquidation or dissolution of the Company or any of the Company’s subsidiaries, or any material property or assets of the Company or any of the Company’s subsidiaries.

Section 1.35 United States Securities Laws.

No securities of the Company or any of its subsidiaries are registered or required to be registered under Section 12 of the *United States Securities Exchange Act of 1934*, as amended, and neither the Company nor any of its subsidiaries is required to file reports under Section 13 or Section 15(d) of the U.S. Exchange Act.

Section 1.36 Brokers.

Except for RBC Capital Markets, whose fees, commissions and expenses are the sole responsibility of the Company, the Company has not dealt with any investment banker, broker or finder in connection with the transactions contemplated herein who might be entitled to a fee or commission in connection with the transactions contemplated herein. A complete copy of the engagement letter dated May 6, 2011 (the “**Financial Advisor Letter**”) between the Company and RBC Capital Markets has been provided to Purchaser, which letter sets forth all fees to be paid to RBC Capital Markets in connection with the transactions contemplated herein. The only financial, legal, accounting or other advisors retained by the Company or any of its subsidiaries in connection with the transactions contemplated by this Agreement or any similar transaction involving the Company or any of its subsidiaries and any person (other than Purchaser and its affiliates) are those advisors set forth in Section 1.36 of the Company’s Disclosure Letter.

Section 1.37 HomEquity Bank

(a) HomEquity Bank’s business consists of providing banking services of Canadian dollar guaranteed investment certificate deposits and Reverse Mortgages. None of the Company or any of its subsidiaries carries on any mutual fund business or issues debit or credit cards. HomEquity Bank does not hold any third party asset backed commercial paper within HomEquity Bank or within its customer accounts nor has it recommended to any customers of HomEquity Bank that they purchase or invest in any third party asset-backed commercial paper within the past twelve (12) months. HomEquity Bank does not hold any floating rate notes. HomEquity Bank does not have in place any facilities with the Bank of Canada, except, if applicable, emergency facilities.

(b) HomEquity Bank's files pertaining to deposits of HomEquity Bank's customers have been made available by the Company to Purchaser and disclose all material information related to the deposits of customers of HomEquity Bank with HomEquity Bank.

(c) Representative forms of loan, mortgage and deposit agreements (the "**Customer Agreements**") have been made available to Purchaser, and all such forms contain all terms of the Customer Agreements as currently in effect. HomEquity Bank has no obligations or liabilities in respect of the Customer Agreements except as expressly stated therein. Each Customer Agreement is a valid and binding obligation of HomEquity Bank, enforceable in accordance with its terms, except as such enforcement may be limited by (i) bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors; and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law). Neither HomEquity Bank nor, to the knowledge of the Company, any other party to any Customer Agreement is in default in the performance of any of its obligations thereunder. The terms of the Customer Agreements have not been waived (other than on a case-by-case basis as reflected in the books and records of HomEquity Bank) or modified, impaired or altered by the Company or HomEquity Bank. Each loan or mortgage issued by HomEquity Bank and deposit complies with the applicable Customer Agreement and has been solicited, originated, created, maintained and serviced in compliance with (A) HomEquity Bank's standard policies, practices and procedures, all of the material terms of which have been disclosed in writing to Purchaser prior to the date of this Agreement, and (B) all applicable Laws, including the requirements with respect to disclosure of the cost of credit on each Customer Agreement applicable to a loan or mortgage.

(d) HomEquity Bank has filed with all applicable Governmental Entities, true and complete copies of all forms, reports, schedules, statements and other documents required to be filed by it other than such forms, reports, schedules, statements and other documents the failure of which to file would not materially impair the ability of the Company and its subsidiaries to operate their respective businesses as currently conducted by the Company and its subsidiaries, and such documents and any other documents at the time filed (i) did not contain any misrepresentation of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (ii) complied with the requirements of applicable Law in all material respects. HomEquity Bank has not filed any confidential report with any Governmental Entity which at the date hereof remains confidential.

Section 1.38 Certain Practices.

Neither the Company nor any of its subsidiaries (including any of their officers, managers, directors or employees or agents acting on behalf of the Company of any of its subsidiaries) nor, to the knowledge of the Company, any other person acting on behalf of the Company or any of its subsidiaries, has, directly or indirectly through another person, made, offered or authorized the use of, or used any corporate funds or provided anything of value (i) for unlawful payments, contributions, gifts, entertainment or other unlawful expenses relating to political activity; (ii) to foreign or domestic government officials or employees in violation of the *Corruption of Foreign Public Officials Act* (Canada) or any similar domestic or foreign anti-corruption or anti-bribery Laws; or (iii) for a bribe, rebate, payoff, influence payment, kickback or other similar payment in violation of any Law.

SCHEDULE F

To the Arrangement Agreement

Representations and Warranties of Purchaser

Purchaser hereby represents and warrants to and in favour of the Company as follows and acknowledges that the Company is relying upon such representations and warranties in connection with entering into this Agreement and consummating the transactions contemplated hereby:

Section 1.1 Organization and Qualification.

Purchaser is a corporation or other entity duly incorporated or organized, as applicable, validly existing and in good standing under the laws of the province, state or country, as applicable, of its incorporation or formation. Purchaser has all requisite power and authority to enter into this Agreement and to consummate the Arrangement.

Section 1.2 Authority and Enforceability.

Purchaser has full power and authority to execute this Agreement. The execution and delivery by Purchaser of this Agreement, the performance by it of its obligations hereunder, and the Arrangement have been duly and validly authorized by all necessary corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser and constitutes a legal, valid and binding obligation of Purchaser enforceable in accordance with its terms, except as such enforcement may be limited by (i) bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors; and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

Section 1.3 Government Approvals, Notices and Filings.

Subject to obtaining the Regulatory Approvals and the Final Order, no consent or approval of, giving of notice to, making filings with or taking of any action in respect of or by any Governmental Entity is required to be obtained or given by Purchaser with respect to the execution, delivery or performance by Purchaser of this Agreement or the consummation of the transactions contemplated hereunder.

Section 1.4 Third Party Consents, Approvals and Notices.

The execution and delivery of this Agreement by Purchaser does not and the consummation of the Arrangement will not, (i) violate or conflict with the provisions of the certificate of incorporation or by-laws (or equivalent organizational documents), as applicable, of Purchaser; (ii) result in the imposition of any Encumbrance upon any of the properties or assets of the Company or its subsidiaries, cause the acceleration or material modification of any rights or obligations under, create in any party the right to terminate, constitute a default or breach of, or violate or conflict with the terms, conditions or provisions of, any material Contract to which Purchaser is a party or by which it or its subsidiaries are bound; or (iii) result in a breach or violation by Purchaser of any of the terms, conditions or provisions of any Law or Order which, in the case of clauses (ii) and (iii) above, would, individually or in the aggregate, have or reasonably be expected to have a material adverse effect on the ability of Purchaser to consummate the Arrangement and perform its obligations hereunder.

Section 1.5 Litigation.

There are no claims, actions, suits, arbitrations, inquiries, investigations or proceedings or, to the knowledge of Purchaser, pending or threatened against or relating to Purchaser before any court or Governmental Entity that, if adversely determined, would, individually or in the aggregate, have or reasonably be expected to prevent or delay consummation of the transactions contemplated by this Agreement. None of Purchaser or any of its subsidiaries is subject to any outstanding Order that would make illegal or that seeks to enjoin or restrain the transactions contemplated by this Agreement.

Section 1.6 Financing.

(a) Purchaser will have at the Effective Time sufficient cash on hand to consummate the transactions and assume the obligations contemplated by this Agreement, including for the payment of the aggregate Consideration for all of the Company Shares and the payment of the amounts required to be paid under Section 2.5 of the Agreement.

Section 1.7 Investment Canada

Purchaser is a Canadian within the meaning of the *Investment Canada Act* (Canada).