Execution Copy

ARRANGEMENT AGREEMENT

This Arrangement Agreement made as of the 21st day of March, 2011,

B E T W E E N:

TOROMONT INDUSTRIES LTD., a corporation existing under the federal laws of Canada,

(hereinafter referred to as "**Toromont**")

- and -

ENERFLEX LTD., a corporation existing under the federal laws of Canada,

(hereinafter referred to as "**Enerflex**")

- and -

7787014 CANADA INC., a corporation existing under the federal laws of Canada,

(hereinafter referred to as "**Spinco**")

WHEREAS the parties hereto propose to carry out an arrangement under section 192 of the *Canada Business Corporations Act* substantially on terms and conditions set forth in the Plan of Arrangement annexed hereto as Appendix A;

AND WHEREAS, prior to the Arrangement (as defined herein), a reorganization will be effected so as to consolidate under the ownership of Enerflex those assets of Toromont that comprise its Natural Gas Compression and Process Business (as defined herein);

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, the parties hereby covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions.

In this Agreement, other than Appendix A:

"**Affiliate**" has the meaning given to that term in the CBCA; *provided, however*, that, for all purposes hereunder (and whether for or in respect of a period prior to, at or after the Effective Time), the determination of whether a Person is an "Affiliate" is to be made after giving effect to the Pre-Arrangement Transactions and the Arrangement.

"**Agreement**" means this arrangement agreement, including the appendices attached hereto, as supplemented or amended from time to time.

"**Amalco**" means the corporation that will result from the amalgamation of Enerflex and Spinco pursuant to the Arrangement.

"**Amalco Common Shares**" means the common shares in the capital of Amalco which Amalco will be authorized to issue, and includes, unless the context otherwise requires, any rights attached to such shares issued pursuant to the Amalco Rights Plan.

"**Amalco Options**" means the options to be granted under the Arrangement by Spinco under the Spinco Stock Option Plan to purchase Spinco Common Shares which, as part of the Arrangement, will be deemed to be options for the purchase of Amalco Common Shares.

"**Amalco Rights Plan**" means the shareholder rights plan of Spinco that, if approved at the Meeting, will become the shareholder rights plan of Amalco and be effective on the Effective Date immediately following completion of the Arrangement.

"**Amalco Rights Plan Resolution**" means the ordinary resolution of the Shareholders approving the Amalco Rights Plan.

"**Applicable Law**" means in respect of any person (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty and (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law.

"**Arrangement**" means the arrangement pursuant to the provisions of section 192 of the CBCA on the terms set forth in the Plan of Arrangement, subject to any amendment or supplement thereto made in accordance with this Agreement, the Plan of Arrangement or at the direction of the Court.

"**Arrangement Resolution**" means the special resolution of the Shareholders approving the Plan of Arrangement as required by the CBCA and the Interim Order.

"**Articles of Arrangement**" means the articles of arrangement of Toromont which are required by the CBCA to be sent to the CBCA Director after the Final Order is made in order to give effect to the Arrangement.

"**Board**" or "**Board of Directors**" means the Board of Directors of Toromont.

"**Business Day**" means any day other than a Saturday, Sunday or statutory or civic holiday in Ontario, when banks are generally open for the transaction of business in Toronto, Ontario.

"**CBCA**" means the *Canada Business Corporations Act*, as amended.

"**CBCA Director**" means the Director appointed pursuant to section 260 of the CBCA.

"**Circular**" means the management information circular of Toromont to be prepared and sent to the Shareholders in connection with the Meeting.

"**Claim**" means any act, omission or state of facts, or any demand, action, suit, proceeding, claim, assessment, judgment, settlement or other compromise relating thereto, which may give rise to a right of indemnification under Article 6.

"**Confidential Information**" means all data, documents and other information regarding the assets, liabilities, business or operations, or financial or tax affairs, of a Party (including information transmitted in written, electronic, magnetic or other form, information transmitted orally and information gathered by a Party through visual inspections or observation or by any other means) which information, by its nature, or by the nature of the circumstances surrounding its disclosure, ought in good faith to be treated as confidential (including, without limitation, the confidential information of third parties), whether or not such information is explicitly designated as being confidential; *provided, however*, that, for purposes of this Agreement, the term "Confidential Information" shall not include Industry Know-How.

"**CRA**" means the Canada Revenue Agency.

"**Court**" means the Ontario Superior Court of Justice.

"**Direct Claim**" means any claim by an Indemnified Person against an Indemnifier.

"**Dissent Rights**" means the rights of registered Shareholders to dissent in respect of the Arrangement pursuant to Section 3.1 of the Plan of Arrangement in strict compliance with section 190 of the CBCA and the requirements of the Interim Order and that has not withdrawn its dissent prior to the Effective Time.

"**Dissenting Shareholder**" means a registered Shareholder who has exercised its Dissent Rights.

"**Effective Date**" means effective date of the Arrangement, being the date shown on the certificate of arrangement to be issued by the CBCA Director giving effect to the Arrangement.

"**Effective Time**" means 12:01 a.m. (ET) on the Effective Date.

"Encumbrances" means mortgages, charges, pledges, liens, hypothecs, security interests, encumbrances, adverse claims and rights of third parties to acquire or restrict the use of property.

"Enerflex Disclosure" means all facts and other information relating to the Natural Gas Compression and Process Business or Enerflex, or any other company that operates a portion of such business.

"Enerflex Financial Information" has the meaning given to it in Section 8.3(b).

"Enerflex Information" means any Confidential Information that relates solely to the Natural Gas Compression and Process Business or Enerflex, or any other company that operates a portion of such business.

"Enerflex Shares" means common shares in the capital of Enerflex.

"Equipment and Refrigeration Businesses" means, except as specified below, all of the businesses carried on by Toromont and its Affiliates, including, without limitation, the Toromont CAT equipment dealer and Battlefield rental businesses, the power generation and co-generation business and the industrial and recreational refrigeration systems business currently carried on by Toromont, Toromont Energy Ltd. and CIMCO Refrigeration Inc. and certain other of Toromont's Affiliates, and includes all the assets and liabilities pertaining thereto or otherwise held by any of them immediately prior to the Effective Time; *provided, however*, that the term "Equipment and Refrigeration Businesses" shall not include the Natural Gas Compression and Process Business or any portion thereof.

"Fairness Opinion" means a fairness opinion of TD Securities Inc. to be dated on or about the date of the Circular which is addressed to the Board and provides that the Arrangement is fair, from a financial point of view, to the Shareholders and is otherwise in a form acceptable to the Board.

"Final Order" means the final order of the Court to be made in connection with approval of the Arrangement, as such order may be varied or amended by the Court at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended on appeal.

"Governmental Authority" means any: (i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, commission, board or agency, domestic or foreign; or (ii) regulatory authority, including any securities commission or stock exchange.

"Indemnified Person" means each person entitled to indemnification pursuant to Article 6.

"Indemnifier" means any Party who is obligated to provide indemnification under Article 6.

"Indemnity Payment" means any amount required to be paid by an Indemnifier pursuant to Article 6.

"Industry Know-How" means (i) any information available to a member of the public in any form or format; and (ii) any information, knowledge, education, training or experience of individuals who have had access to the Restricted Information or the Shared Information that would be known to any individual skilled in the art (namely, an individual who understands as a practical matter the problem to be overcome, how different devices or methods may work, and the likely effect of using them) who has not had access to the Restricted Information or the Shared Information, as the case may be.

"Interim Order" means the interim order of the Court to be made in connection with the Arrangement, as such order may be varied or amended at any time prior to the Meeting.

"Loss" means any loss, liability, damage, cost, expense, charge, fine, penalty or assessment of whatever nature or kind, including Taxes, the reasonable out-of-pocket costs and expenses of any action, suit, proceeding, demand, assessment, judgment, settlement or compromise relating thereto, fines and penalties and reasonable legal fees (on a solicitor and its own client basis) and expenses incurred in connection therewith, excluding loss of profits and consequential damages.

"Material Adverse Effect" means, in respect of any corporation, any change, event or occurrence that has, or would have, a material and adverse effect upon the business, assets, liabilities, capitalization, financial condition or results of operation of that corporation and its Affiliates considered as a whole.

"Meeting" means the meeting of Shareholders, including any adjournment(s) or postponement(s) thereof, to be convened as provided in the Interim Order to consider the Arrangement Resolution and the Amalco Rights Plan Resolution.

"Meeting Materials" means the notice of meeting, the Circular and the form of proxy in respect of the Meeting which accompanies the Circular.

"misrepresentation" means an untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of circumstances in which it was made.

"Natural Gas Compression and Process Business" means the businesses currently carried on by Enerflex and its Affiliates for the design, engineering, fabrication, sale, rental and servicing of natural gas compression and production and process systems and includes all the assets and liabilities pertaining thereto or otherwise held by any of Enerflex or its Affiliates immediately prior to the Effective Time. For greater certainty, the Natural Gas Compression and Process Business does not include any portion of the

Toromont CAT equipment dealer and Battlefield rental businesses, the power generation and co-generation business or the industrial and recreational refrigeration systems business currently carried on by Toromont, Toromont Energy Ltd. and CIMCO Refrigeration Inc. and certain other of Toromont's Affiliates.

"**New Toromont Common Shares**" means the new common shares in the capital of Toromont to be created pursuant to the Plan of Arrangement, and includes, unless the context otherwise requires, any rights attached to such shares issued pursuant to the Toromont Rights Plan.

"**Party**" means a party to this Agreement; for greater certainty, Amalco will be deemed to be a party to this Agreement upon the amalgamation of Enerflex and Spinco pursuant to the Arrangement, at which time Amalco will succeed to, and be substituted for, and may exercise every right and power of, Enerflex and Spinco under this Agreement and all references herein to Enerflex or Spinco will be replaced with reference to Amalco.

"**Person**" means and includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, trustee, executor, administrator or other legal representative and the Crown or any agency or instrumentality thereof.

"**Plan of Arrangement**" means the plan of arrangement attached as Appendix A, as amended or supplemented from time to time in accordance with the terms thereof.

"**Pre-Arrangement Transactions**" means the transactions referred to in paragraphs 15 to 17 inclusive of the Tax Ruling Application which transactions will consolidate the Natural Gas Compression and Process Business under the ownership, both direct and indirect, of Enerflex.

"**Prime Rate**" means the floating rate of interest established from time to time by the Canadian Imperial Bank of Commerce (the "**Bank**") (and reported to the Bank of Canada) as the reference rate of interest the Bank will use to determine rates of interest payable by its borrowers on Canadian dollar commercial loans made by the Bank to such borrowers in Canada and designated by the Bank as its "prime rate".

"**Representatives**" means, collectively, the directors, officers, employees and agents of a Party at any time and their respective heirs, executors, administrators and other legal representatives.

"**Restricted Information**" means, with respect to Toromont, the Toromont Information and, with respect to Enerflex, the Enerflex Information and, for greater certainty, shall include any Restricted Information of a Party provided to the other Party pursuant to Section 8.3 or any other provision of this Agreement or the transactions or other agreements contemplated herein.

"Separated Business" means, with respect to Toromont, the Equipment and Refrigeration Businesses and, with respect to Enerflex, the Natural Gas Compression and Process Business.

"Shared Information" means any Confidential Information, except for Toromont Information and Enerflex Information, that has been shared or has been exchanged between Toromont and Enerflex (or their respective Affiliates) at or prior to the Effective Time.

"Shareholders" means the holders of Toromont Common Shares at the applicable time.

"Special Resolution" means a resolution passed by a majority of not less than two-thirds of the votes cast by Shareholders, present in Person or represented by proxy, in respect of such resolution at the Meeting.

"Spinco Common Shares" means the common shares in the capital of Spinco that Spinco is authorized to issue.

"Spinco Stock Option Plan" has the meaning given to it in the Plan of Arrangement.

"Tax Act" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder.

"Taxes" includes all applicable present and future income taxes, capital taxes, stamp taxes, charges to tax, withholdings, sales and use taxes, value added taxes and goods and services taxes and all penalties, interest and other payments on or in respect thereof.

"Tax Gross-Up" means, with respect to any particular Indemnity Payment, such additional amount as is necessary to place the Indemnified Person in the same after tax position as it would have been in had such Indemnity Payment been received tax free. The Tax Gross-Up amount will be calculated by using the applicable combined federal and provincial income tax rate and/or the foreign tax rate applicable to the Indemnified Person and, except as provided in Section 6.8, without regard to any losses, credits, refunds or deductions that the Indemnified Person may have that could affect the amount of tax payable on any such Indemnity Payment.

"Tax Indemnity Agreement" means an agreement to be made between Toromont and Amalco on terms and conditions substantially the same as those in the form of Tax Indemnity Agreement attached as Appendix B.

"Tax Ruling" means advance income tax rulings and opinions from the CRA, in the form requested in the application made by Davies Ward Phillips & Vineberg LLP on behalf of Toromont (the **"Tax Ruling Application"**), and as may be further revised, supplemented or modified at the request of Toromont, confirming the Canadian federal income tax consequences of the spinoff by Toromont of the Enerflex Shares under the Arrangement and certain other transactions.

"Third Party Claims" means any claim asserted against an Indemnified Person that is paid or payable to or claimed by any person who is not a Party.

"Toromont Common Shares" means the existing common shares in the capital of Toromont, and includes, unless the context otherwise requires, any rights attached to such shares issued pursuant to the Toromont Rights Plan.

"Toromont Information" means any Confidential Information that relates solely to the Equipment and Refrigeration Businesses or Toromont, or any other company that operates a portion of such businesses.

"Toromont Options" means the options to purchase Toromont Common Shares granted pursuant to the Toromont Stock Option Plan.

"Toromont Report" has the meaning given to it in Section 8.3(b).

"Toromont Rights Plan" means the amended and restated shareholder rights plan agreement dated as of April 23, 2009 between Toromont and CIBC Mellon Trust Company, as rights agent.

"Toromont Stock Option Plan" means the Toromont Industries Ltd. Amended and Restated Stock Option Plan (2010).

"Transaction Costs" means all fees, costs and expenses incurred directly in connection with the Pre-Arrangement Transactions and the Arrangement, including, without limitation, financing fees, advisory and other professional expenses, printing and mailing costs associated with the Meeting Materials and any payments made to Dissenting Shareholders, but specifically excludes fees, costs, expenses and payment obligations incurred in connection with an obligation to indemnify in Article 6.

"Transitional Services Agreement" means an agreement to be made between Toromont and Amalco for the provision of transitional services and facilities by Toromont and its Affiliates, on the one hand, to Amalco and its Affiliates, on the other hand, which agreement is to be on terms and conditions substantially the same as those in the form of Transitional Services Agreement attached as Appendix C.

"TSX" means the Toronto Stock Exchange.

1.2 Appendix.

The following appendices are attached to this Agreement and form a part hereof:

Appendix A — Plan of Arrangement;

Appendix B — Form of Tax Indemnity Agreement; and

Appendix C — Form of Transitional Services Agreement.

1.3 Construction.

In this Agreement, unless otherwise expressly stated or the context otherwise requires:

(a) the division of this Agreement into Articles and Sections and the use of headings are for convenience of reference only and do not affect the construction or interpretation hereof;

(b) the words "hereunder", "hereof" and similar expressions refer to this Agreement and not to any particular Article or Section and references to "Articles" and "Sections" are to Articles and Sections of this Agreement;

(c) words importing the singular include the plural and vice versa, words importing any gender include all genders and words importing persons include individuals, corporations, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures, Governmental Authorities and other entities;

(d) the word "including" means "including without limiting the generality of the foregoing";

(e) if any date on which any action is required to be taken under this Agreement is not a Business Day, such action will be required to be taken on the next succeeding Business Day; and

(f) a reference to the knowledge of a Party means to the best of the knowledge of any of the officers of such Party after due enquiry.

1.4 Currency.

All references to currency herein are to lawful money of Canada unless otherwise specified.

ARTICLE 2
THE ARRANGEMENT

2.1 Arrangement.

(a) Each of the Parties hereby agrees 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.

(b) Following the execution of this Agreement, Toromont will, at a time to be determined exclusively by Toromont, file, proceed with and diligently prosecute an application pursuant to subsection 192(3) of the CBCA for the Interim Order as contemplated in Section 2.3.

(c) After obtaining the Interim Order, Toromont will, at a time to be determined exclusively by Toromont, convene and hold the Meeting for the purpose of considering the Arrangement Resolution and the Amalco Rights Plan Resolution.

(d) If the Interim Order and the approval of the Shareholders as set out in the Interim Order are obtained, Toromont will, at a time to be determined exclusively by Toromont, thereafter take all commercially reasonable steps necessary or desirable to submit the Arrangement to the Court and apply for the Final Order and, to the extent within its power and is commercially reasonable, carry out the terms of the Interim Order.

(e) Subject to (i) obtaining the Final Order and (ii) the satisfaction (or waiver, if applicable) of the other conditions herein contained in favour of each of the Parties, Toromont will, at a time to be determined exclusively by Toromont, file, pursuant to subsection 192(6) of the CBCA, the Articles of Arrangement to give effect to the Arrangement and implement Section 2.3 of the Plan of Arrangement.

2.2 Effective Date and Effective Time.

The Arrangement will become effective on the Effective Date and the steps to be carried out pursuant to the Arrangement will become effective at the Effective Time and in the order set out therein.

2.3 Interim Order.

The notice of motion for the application referred to in Section 2.1(b) will request that the Interim Order provide, among other things:

(a) for the calling and holding of the Meeting for the purpose of, among other things, considering the Arrangement Resolution;

(b) for the Meeting to be called, held and conducted in accordance with the provisions of the CBCA, the by-laws of Toromont and the Interim Order;

(c) that the requisite shareholder approval for the Arrangement Resolution will be at least two-thirds of the votes cast by the Shareholders present in person or represented by proxy at the Meeting; and

(d) for the grant of Dissent Rights as provided in Section 3.1 of the Plan of Arrangement.

2.4 Meeting Materials.

At a time to be determined exclusively by Toromont, but in any event no later than 21 days prior to the Meeting, Toromont will prepare the Meeting Materials (and any necessary amendments or supplements to the Circular) together with any other documents required by Applicable Laws in connection with the Arrangement. Enerflex will cooperate with Toromont in all aspects of the preparation of the Circular, and any amendments or supplements thereto. Toromont will cause the Meeting Materials and other documentation required in connection with the Meeting to be sent to each holder of Toromont Common Shares and filed as required by the Interim Order and Applicable Laws.

2.5 Other Effective Date Obligations.

The Parties agree to complete the following matters on the Effective Date after the completion of the Arrangement:

(a) Toromont and Amalco will enter into the Transitional Services Agreement;

(b) Toromont and Amalco will enter into the Tax Indemnity Agreement; and

(c) Amalco will repay in full all debts and any other amounts that were owed as of the Effective Time by Enerflex or any of its subsidiaries to Toromont and its subsidiaries (immediately after giving effect to the Arrangement).

2.6 Sole Discretion of Toromont.

Notwithstanding any other provision of this Agreement, or the adoption of the Arrangement Resolution by the Shareholders, the obligations of Toromont under this Article 2 and elsewhere in this Agreement are subject to:

(a) Toromont's sole and absolute right to determine whether to proceed with the Arrangement and to determine the timing of the completion of the Arrangement, or any prior condition thereto;

(b) Toromont's sole and absolute right to terminate this Agreement pursuant to Section 7.2; and

(c) Toromont's sole and absolute right to amend this Agreement, the Plan of Arrangement or the Tax Ruling, as applicable, pursuant to Section 7.1.

The Board will have the authority to revoke the Arrangement Resolution at any time prior to the issuance under the CBCA of a certificate of arrangement giving effect to the Arrangement without notice to or the further approval of the Shareholders or the other Parties and without liability to any of them.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of Toromont.

Toromont represents and warrants to each of the other Parties as follows and acknowledges that the other Parties are relying on such representations and warranties in connection with entering into this Agreement and consummating the Arrangement and the Pre-Arrangement Transactions:

(a) Toromont is validly existing under the federal laws of Canada, has the corporate power to enter into this Agreement and to perform its obligations hereunder and is duly qualified as a corporation to do business in each jurisdiction in which the nature of its business makes such qualification necessary and where the failure to be so qualified would have a Material Adverse Effect on Toromont;

(b) this Agreement has been duly authorized, executed and delivered by Toromont and is a legal, valid and binding obligation of Toromont, enforceable against Toromont by each of the Parties in accordance with its terms, subject to bankruptcy, fraudulent transfer, moratorium, reorganization or similar Applicable Laws affecting the rights of creditors generally and the availability of equitable remedies and the enforceability of any limitations of liability or other exculpatory provisions or indemnities that purport to limit or exculpate a Party from or indemnify such Party for, liabilities imposed by Applicable Law on such Party;

(c) except as disclosed to the Parties or except as would not reasonably be expected to have a Material Adverse Effect on Toromont, the execution and delivery of this Agreement by Toromont and the consummation of the Arrangement and the Pre-Arrangement Transactions will not:

  (i) result in the breach or violation of any of the provisions of, or constitute a default under, or contravene or cause the acceleration of any obligation of Toromont or its Affiliates under:

    (A) any provision of the constating documents or by-laws or resolutions of the Board of Directors (or any committee thereof) or Shareholders;

    (B) any material judgment, decree, order or award of any Governmental Authority having jurisdiction over Toromont or its Affiliates;

    (C) any licence, permit, approval, consent or authorization held by Toromont or its Affiliates, as applicable, that is necessary to the operation of the Equipment and Refrigeration Businesses;

(D) any Applicable Law in respect of Toromont or any of its Affiliates; or

(E) any other contract or agreement that is material to Toromont or its Affiliates, considered as a whole, or the Equipment and Refrigeration Businesses; or

(ii) give rise to any right of termination or acceleration of any third party indebtedness of Toromont, or cause any such indebtedness to come due before its stated maturity; and

(d) except as disclosed to the Parties or as contemplated in this Agreement, the Interim Order or the Final Order, there is no requirement for Toromont to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the Arrangement and the Pre-Arrangement Transactions where failure to comply would reasonably be expected to have a Material Adverse Effect on Toromont.

3.2 **Representations and Warranties of Enerflex.**

Enerflex represents and warrants to each of the other Parties as follows and acknowledges that the other Parties are relying on such representations and warranties in connection with entering into this Agreement and consummating the Arrangement and the Pre-Arrangement Transactions:

(a) Enerflex is validly existing under the federal laws of Canada, has the corporate power to enter into this Agreement and to perform its obligations hereunder and is duly qualified as a corporation to do business in each jurisdiction in which the nature of its business makes such qualification necessary and where the failure to be so qualified would have a Material Adverse Effect on Enerflex;

(b) this Agreement has been duly authorized, executed and delivered by Enerflex and is a legal, valid and binding obligation of Enerflex, enforceable against Enerflex by each of the Parties in accordance with its terms, subject to bankruptcy, fraudulent transfer, moratorium, reorganization or similar Applicable Laws affecting the rights of creditors generally and the availability of equitable remedies and the enforceability of any limitations of liability or other exculpatory provisions or indemnities that purport to limit or exculpate a Party from or indemnify such Party for, liabilities imposed by Applicable Law on such Party;

(c) except as disclosed to the Parties or except as would not reasonably be expected to have a Material Adverse Effect on Enerflex, the execution and delivery of this Agreement by Enerflex and the consummation of the Arrangement and the Pre-Arrangement Transactions will not:

(i) result in the breach or violation of any of the provisions of, or constitute a default under, or contravene or cause the acceleration of any obligation of Enerflex or its Affiliates under:

(A) any provision of the constating documents or by-laws or resolutions of the board of directors (or any committee thereof) or shareholder of Enerflex;

(B) any material judgment, decree, order or award of any Governmental Authority having jurisdiction over Enerflex or its Affiliates;

(C) any licence, permit, approval, consent or authorization held by Enerflex or its Affiliates, as applicable, that is necessary to the operation of the Natural Gas Compression and Process Business;

(D) any Applicable Law in respect of Enerflex or any of its Affiliates; or

(E) any other contract or agreement that is material to Enerflex or its Affiliates, considered as a whole, or the Natural Gas Compression and Process Business; or

(ii) give rise to any right of termination or acceleration of any third party indebtedness of Enerflex or its Affiliates, or cause any such indebtedness to come due before its stated maturity;

(d) the authorized capital of Enerflex consists of an unlimited number of Enerflex Shares, of which, as of the date hereof, 2,145 Enerflex Shares were issued and outstanding;

(e) no Person holds any securities convertible into Enerflex Shares or any other shares of Enerflex or has any agreement, warrant, option or any other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any unissued shares of Enerflex, other than as contemplated by this Agreement;

(f) except as disclosed to the Parties or as contemplated in this Agreement, the Interim Order or the Final Order, there is no requirement for Enerflex to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the Arrangement and the Pre-Arrangement Transactions where failure to comply would reasonably be expected to have a Material Adverse Effect on Enerflex;

(g) Enerflex intends for the initial quarterly dividend paid by Amalco to holders of Amalco Common Shares after the Arrangement Date to be in an amount that will, together with the initial quarterly dividend paid by Toromont to holders of the New Toromont Common Shares, be equal the quarterly dividend that Toromont would have otherwise paid to holders of Toromont Common Shares had the Arrangement not occurred, and Enerflex intends to make such quarterly dividend payment on or about the same date on which Toromont historically has made payment of its quarterly dividend; and

(h) the Enerflex Disclosure that Enerflex has provided as of the date hereof, and any Enerflex Disclosure that Enerflex subsequently provides, to Toromont for inclusion in the Circular will be true, complete and correct in all material respects and will not contain any misrepresentation, in each case as of the date of the Circular and the date of the Meeting. Appendix I of the Circular conforms in all material respects with the applicable requirements for the disclosure of Enerflex Disclosure under Applicable Law.

3.3 Representations and Warranties of Spinco.

Spinco represents and warrants to each of the Parties as follows and acknowledges that the Parties are relying on such representations and warranties in connection with entering into this Agreement and consummating the Arrangement and the Pre-Arrangement Transactions:

(a) Spinco is validly existing under the federal laws of Canada, has the corporate power to enter into this Agreement and to perform its obligations hereunder;

(b) this Agreement has been duly authorized, executed and delivered by Spinco and is a legal, valid and binding obligation of Spinco, enforceable against Spinco by each of the Parties in accordance with its terms, subject to bankruptcy, fraudulent transfer, moratorium, reorganization or similar Applicable Laws affecting the rights of creditors generally and the availability of equitable remedies and the enforceability of any limitations of liability or other exculpatory provisions or indemnities that purport to limit or exculpate a Party from or indemnify such Party for, liabilities imposed by Applicable Law on such Party;

(c) except as disclosed to the Parties or except as would not reasonably be expected to have a Material Adverse Effect on Spinco, the execution and delivery of this Agreement by Spinco and the consummation of the Arrangement and the Pre-Arrangement Transactions will not result in the breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any obligation of Spinco under:

   (i) any provision of the constating documents or by-laws or resolutions of the board of directors (or any committee thereof) of Spinco; or

(ii) any judgment, decree, order or award of any Governmental Authority having jurisdiction over Spinco;

(d) the authorized capital of Spinco consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series, and no shares in the capital stock of Spinco have been issued and none will be issued until the Effective Date;

(e) no person holds any securities convertible into Spinco Common Shares or any other shares of Spinco or has any agreement, warrant, option or any other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any unissued shares of Spinco, other than as contemplated by this Agreement; and

(f) Spinco has no assets and no liabilities and it has carried on no business other than relating to and contemplated by this Agreement, the Plan of Arrangement or the Tax Ruling.

3.4 No Representations and Warranties

Spinco and Enerflex agree and acknowledge that Toromont is not making any representation and warranty to Spinco as to any aspect of the Natural Gas Compression and Process Business, it being understood and agreed that Spinco shall take the assets pertaining to such business, and shall assume, perform and discharge the liabilities pertaining to such business, on an "as-is", "where-is" basis.

ARTICLE 4
COVENANTS

4.1 General Covenants.

Each of the Parties will:

(a) use all commercially reasonable efforts and do all things reasonably required of it to cause the Arrangement to become effective on such date as Toromont may determine;

(b) do and perform all such acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments, as may reasonably be required to facilitate the carrying out of the intent and purpose of this Agreement;

(c) prior to the Effective Date, cooperate with and assist each other Party in dealing with transitional matters relating to or arising from the Pre-Arrangement Transactions, the Arrangement or this Agreement; and

(d) prior to the Effective Date, cooperate in obtaining the Tax Ruling and making such amendments to this Agreement as may be necessary to obtain the Tax Ruling or to implement the Plan of Arrangement or as may be desired by Toromont to enable it to carry out transactions deemed advantageous by it for the separation of its businesses.

4.2 Covenants of Toromont.

Subject to the rights of Toromont provided elsewhere in this Agreement, Toromont will (and will cause each of its Affiliates, as applicable, to):

(a) not perform any act or enter into any transaction that could interfere or could be inconsistent with the completion of any Pre-Arrangement Transaction or the Arrangement or the grant of the Tax Ruling or its effective application to the Arrangement, except as provided in Section 4.2(b);

(b) perform the obligations required to be performed by Toromont under the Plan of Arrangement and do all such other acts and things as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Pre-Arrangement Transactions and the Arrangement and any transactions necessary for the effectiveness of the Tax Ruling, including using all commercially reasonable efforts to obtain:

(i) the approval of Shareholders required for the implementation of the Arrangement;

(ii) such other consents, orders, rulings or approvals and assurances as its counsel may advise are necessary or desirable for the implementation of the Pre-Arrangement Transactions and the Arrangement, including those referred to in Section 5.1; and

(iii) satisfaction of the other conditions precedent referred to in Sections 5.1 and 5.2;

(c) from the Effective Time until the last day on which any "Arrangement Options" (as defined in the Spinco Stock Option Plan) are outstanding that are held by an "Arrangement Participant" (as defined in the Spinco Stock Option Plan), notify Spinco as soon as practicable after any such Arrangement Participant ceases to be a director or officer or full time employee of Toromont or one of its "Affiliates" (as defined in the Spinco Stock Option Plan). Such notice shall contain such information as to the termination of such Arrangement Participant's employment as is necessary in order to permit Spinco to properly apply the termination provisions in Article 8 of the Spinco Stock Option Plan to the Arrangement Options of the applicable Arrangement Participant.

4.3 Covenants of Enerflex and Spinco.

Each of Enerflex and Spinco will (and Enerflex will cause its Affiliates, as applicable, to):

(a) not perform any act or enter into any transaction that could interfere or could be inconsistent with the completion of any Pre-Arrangement Transaction or the Arrangement or the grant of the Tax Ruling or its effective application to the Arrangement, except as provided in Section 4.3(b);

(b) perform the obligations required to be performed by it under the Plan of Arrangement and do all such other acts and things as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Pre-Arrangement Transactions and the Arrangement and any transactions necessary for the effectiveness of the Tax Ruling, including using all commercially reasonable efforts to obtain (on its own or in cooperation with Toromont, as applicable):

 (i) the Interim Order and the Final Order;

 (ii) such other consents, rulings, orders, approvals and assurances as counsel of Toromont may advise are necessary or desirable for the implementation of the Pre-Arrangement Transactions and the Arrangement, including those referred to in Section 5.1; and

 (iii) satisfaction of the other conditions precedent referred to in Sections 5.1 and 5.2;

(c) obtain the consent of Toromont prior to issuing any press releases or otherwise making public statements with respect to this Agreement or the consummation of the Arrangement;

(d) in the case of Spinco, not issue shares in its capital stock prior to the Effective Time and will issue such initial shares only in accordance with the terms of the Arrangement; and

(e) from the Effective Time until the last day on which any "Arrangement Options" (as defined in the Toromont Stock Option Plan) are outstanding that are held by an "Arrangement Participant" (as defined in the Toromont Stock Option Plan), notify Toromont as soon as practicable after any such Arrangement Participant ceases to be a director or officer or full time employee of Spinco or one of its "Affiliates" (as defined in the Toromont Stock Option Plan). Such notice shall contain such information as to the termination of such Arrangement Participant's employment as is necessary in order to permit Toromont to properly apply the termination provisions in Article 8 of the Toromont Stock Option Plan to the Arrangement Options of the applicable Arrangement Participant. For purposes of this clause, references to the "Toromont Stock Option Plan" shall be deemed to be references to such plan as amended pursuant to the Plan of Arrangement.

ARTICLE 5
CONDITIONS

5.1 Conditions Precedent.

In addition to, and without in any way limiting, Toromont's rights referred to under Section 2.6 and Toromont's rights specifically provided for elsewhere in this Agreement, the obligation of Toromont to complete the Arrangement is subject to fulfillment of the following conditions:

(a) the Interim Order will have been granted in the form and substance satisfactory to Toromont;

(b) the Arrangement Resolution will have been approved by the Shareholders at the Meeting in accordance with the Interim Order;

(c) the Final Order will have been obtained in form and substance satisfactory to Toromont, and will not have been set aside or modified in a manner unacceptable to Toromont, on appeal or otherwise;

(d) all Shareholder, regulatory and judicial approvals and orders necessary or reasonably desired by Toromont for the completion of the Pre-Arrangement Transactions, the transactions provided for in this Agreement and the Tax Ruling will have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances and all will be in full force and effect;

(e) no action will have been instituted and be continuing on the Effective Date and there will not be in force any order or decree, in each case restraining or enjoining the consummation of the transactions contemplated by this Agreement or the Tax Ruling and no cease trading or similar order with respect to any securities of any of the Parties will have been issued and remain outstanding;

(f) no law, regulation or policy will have been proposed, enacted, promulgated or applied that interferes or is inconsistent with the completion of the Arrangement or the Tax Ruling or its effective application to the Arrangement;

(g) the Tax Ruling will have been received by Toromont, in form and substance satisfactory to Toromont, confirming that the proposed Arrangement and related transactions may be effected for purposes of the Tax Act as a "butterfly" reorganization pursuant to paragraph 55(3)(b) of the Tax Act with no material Canadian federal income tax payable by any of Toromont, Amalco or other Affiliates or Shareholders who hold their Toromont Common Shares as capital property and confirmation satisfactory to Toromont that, immediately prior to the Effective Date, the Tax Ruling remains in full force and effect and there have been no changes in relevant laws, jurisprudence, administrative practice or otherwise that would adversely affect the binding income tax rulings contained in the Tax Ruling;

(h) all of the conditions precedent and other terms and conditions of the Tax Ruling have been satisfied;

(i) the Fairness Opinion will have been received by the Board and will not have been withdrawn or modified;

(j) the Articles of Arrangement, Final Order, Plan of Arrangement and all necessary related documents, including the Circular, will have been filed with the applicable Governmental Authorities;

(k) the TSX will have conditionally approved:

  (i) the listing thereon, in substitution for the listing thereon of the Toromont Common Shares, of the New Toromont Common Shares to be issued pursuant to the Arrangement (including the New Toromont Common Shares which, as a result of the Arrangement, are issuable upon the exercise of Toromont Options) prior to the Effective Time, subject only to compliance with the usual requirements of the TSX; and

  (ii) the listing thereon of the Spinco Common Shares issued pursuant to the Arrangement and the Amalco Common Shares into which the Spinco Common Shares are converted pursuant to the amalgamation of Enerflex and Spinco under the Arrangement (including the Amalco Common Shares which, as a result of the Arrangement, are issuable upon the exercise of Amalco Options) prior to the Effective Time, subject only to compliance with the usual requirements of the TSX;

(l) the Board shall not have revoked its approval of the Arrangement at any time prior to the Effective Date; and

(m) this Agreement will not have been terminated pursuant to the provisions of Article 7.

The foregoing conditions are for the sole benefit of Toromont and may be waived, in whole or in part, by Toromont at any time. These conditions will not give rise to or create any duty on the part of Toromont or the Board to waive or not to waive such conditions and will not in any way limit Toromont's right to terminate this Agreement as set forth in Section 7.2 or alter the consequences of any such termination from those specified in Article 7. Any determination made by Toromont prior to the Arrangement concerning the satisfaction and waiver of any or all of the conditions set forth in this

Section will be final and conclusive, and neither Toromont nor any of its Affiliates or Representatives shall have any liability as a result of any such determination.

5.2 Conditions to Obligations of Each Party.

The obligation of each Party to complete the transactions contemplated by this Agreement is further subject to the conditions (which may be waived, in whole or in part, by such Party without prejudice to its right to rely on any other condition in its favour) that (i) the covenants of each other Party to be performed on or before the Effective Date pursuant to the terms of this Agreement will have been duly performed in all material respects and (ii) except as set forth in this Agreement, the representations and warranties of each other Party will be true and correct in all material respects as at the Effective Date, with the same effect as if such representations and warranties had been made at, and as of, such time.

5.3 Merger of Conditions.

The conditions set out in Section 5.1 and Section 5.2 will be conclusively deemed to have been satisfied, waived or released on the filing by Toromont of Articles of Arrangement under the CBCA to give effect to the Plan of Arrangement.

ARTICLE 6
INDEMNITIES

6.1 Indemnity by Toromont.

Subject to Section 8.12, Toromont will indemnify and hold harmless each other Party and its Representatives against any Loss suffered or incurred by any such Indemnified Person resulting from:

(a) a breach of a representation or warranty herein or pursuant hereto by Toromont;

(b) a breach of a covenant herein or pursuant hereto by Toromont;

(c) a breach of a covenant herein or pursuant hereto by Enerflex, to the extent such breach is caused by Toromont or one of its Affiliates and occurs prior to the Effective Time; and

(d) any Claim relating to Toromont or the Equipment and Refrigeration Business (except to the extent such claim is in respect of the Natural Gas Compression and Process Business), whether arising prior to, on or after the Effective Time; *provided, however*, that the indemnity contained in this clause (d) will not be effective until the Effective Time.

6.2 Indemnity by Enerflex and Spinco.

Subject to Section 8.12, Enerflex and Spinco will, jointly and severally, indemnify and hold harmless Toromont and its Representatives against any Loss suffered or incurred by any such Indemnified Person resulting from:

(a) a breach of a representation or warranty herein or pursuant hereto by Enerflex;

(b) a breach of a covenant herein or pursuant hereto by Spinco, to the extent such breach occurs at or after the Effective Time;

(c) a breach of a covenant herein or pursuant hereto by Enerflex, to the extent such breach was not caused by Toromont or one of its Affiliates;

(d) any error or omission in any Enerflex Financial Information (to the extent Enerflex is responsible for such Loss pursuant to the terms of Section 8.3(b)); and

(e) any Claim relating to Enerflex or the Natural Gas Compression and Process Business (except to the extent such claim is in respect of the Equipment and Refrigeration Businesses), or Spinco, whether arising prior to, on or after the Effective Time; *provided, however*, that the indemnity contained in this clause (e) will not be effective until the Effective Time.

6.3 Notice of Third Party Claims.

(a) If an Indemnified Person receives notice of the commencement or assertion of any Third Party Claim, the Indemnified Person must notify the Indemnifier within a reasonable time thereafter, but in any event, no later than 30 days after receipt of such notice of such Third Party Claim. Such notice to the Indemnifier must describe the Third Party Claim in reasonable detail and indicate, to the extent reasonably practicable, the estimated amount of the Loss that has been or may be sustained by the Indemnified Person. The Indemnifier will then have a period of 30 days (the "**Notice Period**") within which to satisfy such Third Party Claim or, failing that, to give notice to the Indemnified Person that it intends to dispute such Third Party Claim and participate in or assume the defence thereof (a "**Dispute Notice**"), which notice must be accompanied by reasonable particulars in writing of the basis of such dispute.

(b) If an Indemnified Person has reason to believe that a person may be investigating the possibility of asserting a Third Party Claim, it must notify the Indemnifier as soon as reasonably practicable and provide reasonable details of the circumstances thereof. The Indemnified Person and the Indemnifier will seek to cooperate with a view to satisfying the person who may assert the Third Party Claim that there is no reasonable basis therefor.

6.4 Defence of Third Party Claims.

If an Indemnifier elects to assume the defence of any Third Party Claim, the Indemnifier must at all times act reasonably and in good faith in pursuing such defence, keep the

Indemnified Persons fully informed as to the progress and status of such defence of the Third Party Claim and provide copies to the Indemnified Persons of all material documents, records and other materials relating to such defence of the Third Party Claim. The Indemnifier must provide the Indemnified Persons with drafts of documents that the Indemnifier proposes to send or file in advance of the sending of or filing of the same and the Indemnified Persons will have the reasonable opportunity to provide comments thereon to the Indemnifier; *provided, however*, that it will not result in any undue delays. The Indemnifier agrees to pay all of its own expenses of participating in or assuming such defence. The Indemnified Persons will cooperate in good faith in the defence of each Third Party Claim, even if the defence has been assumed by the Indemnifier, and may participate in such defence assisted by counsel of its choice and at its own expense, except in those circumstances in which the Indemnified Person believes in good faith that there are material issues between the Indemnifier and the Indemnified Persons or there are defences available to the Indemnified Persons that are not available to the Indemnifier, in either of which cases the Indemnified Persons may participate in such defence assisted by counsel of its choice at the expense of the Indemnifier to the extent such expenses are reasonable. Neither the Indemnifier nor the Indemnified Persons will enter into any compromise or settlement of any Third Party Claim without obtaining the prior written consent of the other of them, such consent not to be unreasonably withheld or delayed; *provided, however*, that: (1) if the Indemnifier wishes to settle a Third Party Claim in an amount acceptable to the third party claimant, but the Indemnified Persons do not wish so to settle, the Indemnifier will be required to indemnify the Indemnified Persons only up to the lesser of the amount for which the Indemnifier would have settled the Third Party Claim and the amount which the Indemnified Persons were or will be required to pay such third party in connection with such Third Party Claim and (2) if the Indemnified Persons have not received a Dispute Notice within the Notice Period confirming the intent of the Indemnifier in respect of a Third Party Claim or if the Indemnifier, having elected to assume the defence of any Third Party Claim, fails to take reasonable steps necessary to defend diligently such Third Party Claim within 30 days after receiving notice from the Indemnified Persons that the Indemnified Person bona fide believes on reasonable grounds that the Indemnifier has failed to take such steps (with such grounds to be specified in reasonable detail), the Indemnified Persons may, at their option, elect to settle or compromise the Third Party Claim or assume such defence, assisted by counsel of their choosing, and the Indemnifier will be liable for all reasonable costs and expenses paid or incurred in connection therewith and any Loss suffered or incurred by the Indemnified Persons with respect to such Third Party Claim.

6.5 Direct Claims.

Any Direct Claim must be asserted by providing notice to the Indemnifier within a reasonable time after the Indemnified Person becomes aware of such Direct Claim, but in any event not later than 60 days after the Indemnified Person becomes aware of such Direct Claim. The Indemnifier will then have a period of 30 days within which to satisfy such Direct Claim or, failing that, to give notice to the Indemnified Person that it intends to dispute such Direct Claim, which notice must be accompanied by reasonable particulars in writing of the basis of such dispute.

6.6 Failure to Give Timely Notice.

The failure to give timely notice as provided in this Article 6 will not affect the rights or obligations of any Party except and only to the extent that, as a result of such failure, the Party that was entitled to receive such notice suffered damage or was otherwise prejudiced.

6.7 Reduction in Subrogation.

If at any time subsequent to the making of any Indemnity Payment, the amount of the indemnified loss is reduced pursuant to any claim, recovery, settlement or payment by or against any other person (a "**Recovery**"), such that, taking the Recovery into account, the amount of the Indemnity Payment in respect of the Loss exceeds the amount of the Loss, the Indemnified Person must promptly repay to the Indemnifier the amount of the excess (the "**Excess**") (less any costs, expenses (including Taxes) or premiums incurred in connection therewith) together with interest (a) from the date of payment of the Indemnity Payment in respect of which the repayment is being made to but excluding the earlier of the date of repayment of the Excess and the date that is 60 days after the Excess arises, but only to the extent that the Recovery giving rise to the Excess included interest, at the rate applied to the amount of the Recovery and (b) from and including the date that is 60 days after the Excess arises to but excluding the date of repayment of the Excess, at the Prime Rate. Notwithstanding the foregoing provisions of this Section, no payment must be made hereunder to the extent the Indemnified Person is entitled to an Indemnity Payment hereunder that remains unpaid. Upon making a full Indemnity Payment, the Indemnifier will, to the extent of such Indemnity Payment, be subrogated to all rights of the Indemnified Person against any third party in respect of the Loss to which the Indemnity Payment relates. Until the Indemnified Person recovers full payment of its Loss, any and all claims of the Indemnifier against such third party on account of such Indemnity Payment will be postponed and subordinated in right of payment to the Indemnified Person's rights against such third party.

6.8 Tax Effect.

If any Indemnity Payment received by an Indemnified Person would constitute income for tax purposes to such Indemnified Person, the Indemnifier will pay a Tax Gross-Up to the Indemnified Person at the same time and on the same terms, as to interest and otherwise, as the Indemnity Payment. The amount of any Loss for which indemnification is provided will be adjusted to take into account any tax benefit realizable by the Indemnified Person or any of its Affiliates by reason of the Loss for which indemnification is so provided or the circumstances giving rise to such Loss. For purposes of this Section, any tax benefit will be taken into account at such time as it is received by the Indemnified Person or its Affiliate. Notwithstanding the foregoing provisions of this Section, if an Indemnity Payment would otherwise be included in the Indemnified Person's income, the Indemnified Person covenants and agrees to make all such elections and take such actions as are available, acting reasonably, to minimize or eliminate Taxes with respect to the Indemnity Payment.

6.9 Payment and Interest.

All Losses (other than Taxes) will bear interest at a rate per annum, calculated and payable monthly, equal to the Prime Rate per annum from and including the date the Indemnified Person disbursed funds or suffered or incurred a Loss to but excluding the day of payment by the Indemnifier to the Indemnified Person, with interest on overdue interest at the same rate. All Losses that are Taxes will bear interest at a rate per annum, calculated and payable monthly, equal to the Prime Rate from and including the date the Indemnified Person paid such Taxes to but excluding the day of payment by the Indemnifier to the Indemnified Person of the Indemnity Payment in respect of such Taxes, with interest on overdue interest at the same rate.

6.10 Judgment Currency.

(a) If for the purpose of obtaining or enforcing judgment against the Indemnifier in any court in any jurisdiction, it becomes necessary to convert into any other currency (the "**Judgment Currency**") an amount due in Canadian dollars under this Agreement, the conversion will be made at the rate of exchange prevailing on the Business Day immediately preceding:

(i) the date of actual payment of the amount due, in the case of any proceeding in the courts of the Province of Ontario or in the courts of any other jurisdiction that will give effect to such conversion being made on such date; or

(ii) the date on which the judgment is given, in the case of any proceeding in the courts of any other jurisdiction (the "**Judgment Conversion Date**").

(b) If, in the case of any proceeding in the court of any jurisdiction referred to in Section 6.10(a)(ii), there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual payment of the amount due, the Indemnifier must pay such additional amount (if any, but in any event not a lesser amount) as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of Canadian dollars, which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial order at the rate of exchange prevailing on the Judgment Conversion Date.

ARTICLE 7
AMENDMENT AND TERMINATION

7.1 Amendment.

Subject to Applicable Law, this Agreement, the Tax Ruling and the Plan of Arrangement may, at any time and from time to time before and after the holding of the Meeting but not later than the Effective Date, be amended by written agreement of the Parties, without further notice to or authorization on the part of the Shareholders. Notwithstanding the foregoing, Toromont reserves the right in its sole and absolute discretion, without notice to or the approval of the other Parties or the Shareholders, to amend (a) the Tax Ruling and/or the Plan of Arrangement so long as such amendment(s) is not, in the opinion of Toromont (acting reasonably), materially adverse to the other Parties; and (b) this Agreement to the extent Toromont may reasonably consider such amendment necessary or desirable due to the Tax Ruling, the Interim Order or the Final Order. None of the Parties (or their respective Affiliates or Representatives) shall have any liability to the Shareholders or the other Parties, as applicable, for any amendment made pursuant to this Section 7.1.

7.2 Termination.

This Agreement may, at any time before or after the holding of the Meeting but prior to the issue under the CBCA of a certificate of arrangement giving effect to the Arrangement, be unilaterally terminated by Toromont, in its sole and absolute discretion, at any time without notice to or the approval of the other Parties hereto or the Shareholders and without liability to any of them except as provided in Section 8.1.

7.3 Effect of Termination.

Upon the termination of this Agreement pursuant to Section 7.2 hereof, no Party will have any liability or further obligation to the other Parties hereto or any other Person.

7.4 Survival.

If this Agreement is not terminated pursuant to the provisions of Section 7.2, this Agreement (excluding the conditions referred to in Section 5.3) will continue in effect for a period of one year after the Effective Date except that:

(a) the provisions of Section 2.5 will continue in effect until such time as the obligations thereunder have been satisfied,

(b) the provisions of Sections 4.2(c) and 4.3(e) will continue in effect for the respective periods referred to therein,

(c) the provisions of Sections 6.1(a) and 6.2(a) (and, in each case, the associated provisions of this Agreement) will continue in effect for a period of six years after the Effective Date, and

(d) the provisions of Sections 6.1(d), 6.2(d), 6.2(e), 8.1, 8.3 and 8.10 (and, in each case, the associated provisions of this Agreement) will continue indefinitely.

ARTICLE 8
GENERAL

8.1 Expenses.

The Parties agree that all Transaction Costs will be the responsibility of, and will be paid for by, Toromont; *provided, however,* that Enerflex will be solely responsible for, and will pay, the fees, costs and expenses in connection with: (i) arranging any credit facilities or other financing for Spinco, Enerflex or Amalco as part of, or following, the Arrangement, and (ii) listing the Spinco Common Shares and the Amalco Common Shares (and any associated rights) on the TSX and settling and delivering the Amalco Common Shares on completion of the Arrangement (including the fees for obtaining a CUSIP for such shares), including the associated fees and expenses of the transfer agent and rights agent of Enerflex and the lenders under the aforementioned credit facilities. Notwithstanding the foregoing, (x) Enerflex will be solely responsible for, and will indemnify and hold Toromont harmless from and against, all Taxes properly attributable to Enerflex or any of its Affiliates by virtue of the Pre-Arrangement Transactions and (y) Enerflex will be solely responsible for, and will pay, the fees and expenses of any advisors retained directly by Enerflex or any of its Affiliates.

8.2 Notices.

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and delivered personally or by courier or by facsimile addressed to the recipient as follows:

(a) To Toromont:

Toromont Industries Ltd.
P.O. Box 5511
3131 Highway 7 West
Concord, ON L4K 1B7

Attention: Vice President, Legal
Fax: (416) 667-5555

(b) To Enerflex or Spinco (prior to the Effective Date):

c/o Toromont Industries Ltd.
P.O. Box 5511
3131 Highway 7 West
Concord, ON L4K 1B7

Attention: Vice President, Legal
Fax No.: (416) 667-5555

(c) To Amalco (on and after the Effective Date):

Enerflex Ltd.
Suite 904, 1331 Macleod Trail SE
Calgary, AB T2G 0K3

Attention: President
Fax No.: (403) 720-4385

or other such address that a Party may, from time to time, advise the other Parties hereto by notice in writing given in accordance with the foregoing. Date of receipt of any such notice will be deemed to be the date of actual delivery thereof or, if given by facsimile, on the day of transmittal thereof if given during the normal business hours of the recipient with written confirmation of receipt by fax and verbal confirmation of same and on the next Business Day, if not given during such hours.

8.3 Cooperation with Respect to Government Reports and Filings; Further Assurances.

(a) Except as may otherwise be required by Applicable Law or the terms of any applicable agreement or arrangement with a third party who provided or has the ability to control the applicable information, Toromont, on the one hand, and Enerflex, on the other hand, shall, and shall cause its respective Affiliates, to use commercially reasonable efforts to provide the other Party (or its respective Affiliates or Representatives) with such cooperation as may be reasonably requested by such other Party in connection with the preparation or filing of any report or filing required by any Governmental Authority contemplated by this Agreement or relating to or in connection with the operation by such Party of its Separated Business prior to the Effective Time or the relationship between such Parties on or prior to the Effective Date, including any financial statements or continuous disclosure filings. Except as provided in clause (b) below, the Party providing cooperation (and its Affiliates and Representatives) pursuant to this clause (a) shall not be responsible for any Loss suffered by the Party requesting such cooperation as a result of such cooperation.

(b) In addition to the obligations that Enerflex may have above or elsewhere in this Agreement, on and after the Effective Time, Enerflex shall provide (or cause to be provided) to Toromont, from time to time upon Toromont's request, such financial information in respect of the Natural Gas Compression and Process Business, for any period up to and including the Effective Date, which information is, in the sole judgment of Toromont, necessary or desirable for the preparation of any of Toromont's consolidated financial statements (including the notes thereto), management's discussion and analysis or other financial reports required by Applicable Law or any Governmental Authority, in each case that is to be filed by Toromont following the Effective Time (each such financial statement or other report, a "**Toromont Report**"). Without limiting the foregoing, Enerflex shall provide to Toromont consolidated financial statements (including notes thereto) for Enerflex and its subsidiaries, as at the day immediately prior to the Effective Date and for (1) each full quarter completed prior to the Effective Date and (2), for the quarter in which the Effective Date occurs, a stub period beginning on the first date of such quarter and ending on the day immediately prior to the Effective Date, in each case, with comparative financials for the corresponding period in the prior year. Such financial statements shall be provided to Toromont on or prior to the earlier of (x) the 45th day following the Effective Date and (y) 30 days prior to the date by which Toromont is obligated under Applicable Laws to file a Toromont Report including (or based on) the financial information included in such financial statements. Such financial statements shall be prepared in accordance with GAAP, comply with Applicable Laws and fairly present the consolidated financial position of Enerflex and its subsidiaries as at the day immediately prior to the Effective Date and the consolidated results of operations and cash flows for the periods indicated. Any information provided pursuant to this clause (b) is referred to as "**Enerflex Financial Information**". Notwithstanding any other provision of this Agreement, Enerflex will be responsible for any Loss suffered by Toromont as a result of any error or omission in any Enerflex Financial Information included within, or used to prepare, a Toromont Report, to the extent such error or omission was the result of the negligence or wilful misconduct of Enerflex or Amalco, as applicable, any of their respective Affiliates or any of their Representatives.

(c) Each of the Parties will from time to time execute and deliver all such further documents and instruments and do all acts and things as any other Party may, either before, on or after the Effective Date, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

8.4 Assignment.

No Party may assign its rights or obligations under this Agreement or the Arrangement without the prior written consent of the other Parties, *provided* that no such consent will be required for any Party to assign its rights and obligations under this Agreement and the Arrangement to a corporate successor to such Party or to a purchaser of all or substantially all of the assets of such Party.

8.5 Binding Effect.

This Agreement will be binding upon and enure to the benefit of the Parties hereto and their respective successors and permitted assigns and specific references to "successors" elsewhere in this Agreement will not be construed to be in derogation of the foregoing. Nothing in this Agreement, express or implied, is intended or will be construed to confer upon any person other than the Parties and other Indemnified Persons and their successors and permitted assigns any right, remedy or claim under or by reason of this Agreement.

8.6 Waiver.

Any waiver or release of any of the provisions of this Agreement, to be effective, must be in writing executed by the Party granting the same.

8.7 Entire Agreement.

This Agreement together with the agreements and other documents herein or therein referred to constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect thereto.

8.8 <u>Governing Law; Attornment.</u>

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and will be treated in all respects as an Ontario contract. For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have non-exclusive jurisdiction to entertain any action arising under this Agreement. Each Party hereby attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

8.9 <u>Counterparts; Facsimiles.</u>

This Agreement and any amendment, supplement or restatement thereof may be executed in one or more counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute the same instrument. Delivery of an executed signature page to this Agreement by any Party by electronic transmission will be as effective as delivery of a manually executed copy of the Agreement by such Party.

8.10 <u>Confidentiality.</u>

(a) Each Party hereby acknowledges and agrees that the other Party and its Affiliates have a proprietary interest in the Restricted Information of such Party and the same is of value to such other Party and its Affiliates and that the use or disclosure of the Restricted Information of such other Party contrary to the terms of this Agreement would cause irreparable harm to such other Party and its Affiliates. Subject to the provisions of clause (d) of this Section 8.10, each of Toromont, on the one hand, and Enerflex and Spinco, on the other hand, shall hold, and shall cause its respective Affiliates and its respective Representatives to hold, in strict confidence, with at least the same degree of care that applies to Toromont's Confidential Information pursuant to policies in effect as of the Effective Date, all Restricted Information of the other Party, and shall not use, and shall cause its respective Affiliates and its respective Representatives not to use, any such Restricted Information other than for such purposes as are expressly contemplated hereunder or under the transactions or other agreements contemplated hereby. Each such Party further agrees to, and to cause their respective Affiliates and Representatives to, only use the Shared Information in the normal course of their respective businesses for their own internal purposes and not divulge or communicate to any third party any Shared Information (except that the Parties will be permitted to disclose such information, to the extent necessary in connection with their normal business activities, on a confidential basis, to their consultants, contractors, customers, partners, suppliers and Representatives); *provided however*, that where an obligation is owed to a third party in respect of such Shared Information, the Parties covenant and agree to use such information only in a manner consistent with such obligation.

(b) The Parties acknowledge that they each have the non-exclusive right to use Industry Know-How and that each of them may use, divulge, communicate and in any other way exploit Industry Know-How in an unrestricted manner and without obligation or confidence. No Party shall restrict or attempt to restrict the other Parties with respect to their past, present or use or other dealing of Industry Know-How.

(c) For purposes of this Agreement, Confidential Information, Restricted Information and Shared Information shall not include information that is now or subsequently becomes generally available to the public other than as a result of a breach of this Agreement or any other agreement relating to confidentiality between or among the Parties and/or their respective Affiliates or Representatives. In addition, information shall not constitute Confidential Information of the second Party if such information was (x) lawfully acquired by the first Party and/or any of its Affiliates or Representatives from a third party not bound by a confidentiality obligation, or (y) independently generated or developed by one or more Representatives of the first Party and/or any of its Affiliates without reference to Restricted Information of the second Party.

(d) In the event that a Party and/or its Affiliates or Representatives determines that it is required to disclose any Confidential Information (the "**Disclosing Party**") pursuant to Applicable Law or receives any demand under lawful process or from a Governmental Authority to disclose or provide Confidential Information, and such disclosure or provision of the Confidential Information would be in breach of clause (a) of this Section 8.10, the Disclosing Party shall, to the extent permitted by Applicable Law, promptly notify the other Party so that the other Party has a reasonable opportunity to seek a reasonable protective arrangement and/or waive compliance with the applicable provisions of clause (a) of this Section 8.10 prior to the Disclosing Party disclosing or providing such Confidential Information, and the Party that received such request shall cooperate, at the expense of the requesting Party, in seeking any reasonable protective arrangements requested by such requesting Party. Subject to the foregoing, the Disclosing Party may thereafter disclose or provide such Confidential Information to the extent required by such Applicable Law (as so advised by legal counsel) or by lawful process or by such Governmental Authority and shall, to the extent permitted by Applicable Law, promptly provide the other Party with a copy of the Confidential Information so disclosed together with a list of all Persons to whom such Confidential Information was disclosed. In any such event, the Disclosing Party will also use reasonable commercial efforts to ensure that all Confidential Information that is so disclosed will be afforded confidential treatment by the recipient. In addition, notwithstanding the foregoing or any other provision of this Agreement, a Party may disclose any Confidential Information (x) to its Representatives, *provided* they are under obligations in respect of limited use, limited disclosure and confidentiality in respect of such Confidential Information no less stringent than the obligations set forth herein, on a "need-to-know" basis, (y) in connection with disputes or litigation between the Parties that relates to such Confidential Information, *provided* that each Party shall endeavour to limit disclosure for that purposes, or (z) in connection with the exercise of any rights granted hereunder.

8.11 Waiver of Conflict

The Parties acknowledge that each of Toromont, Enerflex and Spinco, and their respective Affiliates, are currently represented by legal counsel retained by Toromont in connection with the preparation and finalization of this Agreement. Each of Toromont, Enerflex and Spinco, on behalf of itself and its respective Affiliates, waives any conflict with respect to such common representation that may arise before, at or after the date of this Agreement.

8.12 Limitation on Liability.

No Representative of a Party shall have any personal liability whatsoever on behalf of such Party (or any of its Affiliates) to any other Party under this Agreement, the Pre-Arrangement Transactions or the Arrangement or any other transactions entered into, or documents delivered, in connection with any of the foregoing. In no event will Toromont, Enerflex or Spinco be liable to any other Party for any special, consequential, indirect, collateral, incidental or punitive damages or lost profits or failure to realize expected savings or other commercial or economic loss of any kind, however caused and on any theory of liability, arising in any way out of this Agreement, whether or not such Person has been advised of the possibility of such damages; *provided, however*, that the foregoing will not limit any Party's indemnification obligations for Losses with respect to Third-Party Claims as set forth in Article 6.

8.13 No Third Party Beneficiaries.

This Agreement is solely for the benefit of, and is not intended to confer any rights or remedies on any Person other than, the Parties (and their respective successors and permitted assigns) except for the indemnification rights provided for in Sections 6.1 and 6.2 which are intended for the benefit of, in addition to the Parties hereto, the Representatives of Enerflex, Spinco and Toromont, respectively, as and to the extent applicable in accordance with their terms, and will be enforceable, as applicable, by each of such Representatives and his or her heirs, executors, administrators and other legal representatives (collectively, the "**Third Party Beneficiaries**"). Enerflex and Spinco will hold the rights and benefits of Section 6.1 in trust for and on behalf of the applicable Third Party Beneficiaries and Toromont will hold the rights and benefits of Section 6.2 in trust for and on behalf of the applicable Third Party Beneficiaries. Each of Toromont, Enerflex and Spinco hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the applicable Third Party Beneficiaries as directed by such Third Party Beneficiaries. Except as otherwise expressly provided in this Section 8.13, this Agreement will not provide any Person (including any Shareholder) with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the Parties have executed this Agreement.

TOROMONT INDUSTRIES LTD.

by /s/ Robert M. Ogilvie

Name: Robert M. Ogilvie

Title: Chairman and Chief Executive Officer

ENERFLEX LTD.

by /s/ David C. Wetherald

Name: David C. Wetherald

Title: Secretary

7787014 CANADA INC.

by /s/ David C. Wetherald

Name: David C. Wetherald

Title: Secretary

APPENDIX A

Plan of Arrangement

PLAN OF ARRANGEMENT
Appendix A to the Arrangement Agreement

PLAN OF ARRANGEMENT UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms will have the respective meanings set out below and grammatical variations of such terms will have the corresponding meanings:

"**Amalco**" means the corporation existing under the CBCA continuing from the amalgamation of Enerflex and Spinco pursuant to this Plan of Arrangement;

"**Amalco Common Shares**" means the common shares in the capital of Amalco having the rights, privileges, restrictions and conditions set out in Exhibit V to this Plan of Arrangement;

"**Amalgamating Corporations**" means Spinco and Enerflex;

"**Applicable Law**" means, with respect to any Person, any domestic or foreign federal, national, state, provincial or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise;

"**Arrangement**" means the arrangement involving Toromont, the Shareholders, Enerflex and Spinco under the provisions of Section 192 of the CBCA, on the terms and conditions set forth in this Plan of Arrangement;

"**Arrangement Agreement**" means the arrangement agreement made as of March 21, 2011 between Toromont, Enerflex and Spinco (including the Schedules thereto), as it may be amended, modified or supplemented from time to time in accordance with its terms;

"**Arrangement Meeting**" means the meeting of holders of Toromont Common Shares (including any adjournments or postponements thereof) called and held in accordance with the Interim Order to consider and to vote on the Arrangement Resolution;

"**Arrangement Resolution**" means the special resolution of the Shareholders approving this Plan of Arrangement as required by the CBCA and the Interim Order;

"**Articles of Arrangement**" means the articles of arrangement of Toromont in respect of the Arrangement in the form required by the CBCA to be sent to the CBCA Director following the issuance of the Final Order;

"Board" or **"Board of Directors"** means the Board of Directors of Toromont;

"Business Day" means any day other than a Saturday, Sunday or statutory holiday in the City of Toronto, Ontario;

"Butterfly Proportion" means an amount to be determined by the Board of Directors as the fraction A/B where:

A is the net fair market value of the Spinoff Property to be transferred by Toromont to Spinco determined immediately before the transfer under Section 2.3(i) of this Plan of Arrangement; and

B is the net fair market value of all property owned by Toromont immediately before the transfer under Section 2.3(i) of this Plan of Arrangement;

"CBCA" means the *Canada Business Corporations Act*, and the regulations thereunder, as promulgated and amended from time to time;

"CBCA Director" means the Director appointed pursuant to Section 260 of the CBCA;

"Certificate of Arrangement" means the certificate of arrangement to be issued pursuant to Section 192(7) of the CBCA after the Articles of Arrangement have been filed;

"Code" means the United States *Internal Revenue Code of 1986*, as amended;

"Court" means the Superior Court of Justice of the Province of Ontario;

"Dissent Rights" has the meaning ascribed thereto in Section 3.1 of this Plan of Arrangement;

"Dissenting Shareholder" means a registered Shareholder who dissents in respect of the Arrangement in strict compliance with the Dissent Rights and who has not withdrawn such exercise of Dissent Rights prior to the Effective Time;

"Distribution Record Date" means the fourth trading day on the TSX following the Effective Date or such other date as the Board may elect;

"Effective Date" means the date shown on the Certificate of Arrangement;

"Effective Time" means 12:01 a.m. (ET) on the Effective Date;

"Enerflex" means Enerflex Ltd., a CBCA corporation and, prior to the effectiveness of the Arrangement, a wholly-owned subsidiary of Toromont;

"Enerflex Shares" means common shares in the capital of Enerflex;

"Final Order" means the final order of the Court to be made in connection with approval of the Arrangement, as such order may be varied or amended by the Court at any time prior to the

Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended on appeal;

"Governmental Authority" means any (a) multinational, federal, national, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, ministry or agency, domestic or foreign, (b) any subdivision, agent, commission, board, or authority of any of the foregoing, (c) any quasi-governmental or private body exercising any regulatory, self-regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange;

"Interim Order" means the interim order of the Court, as the same may be varied or amended, in respect of the Arrangement, as contemplated by Section 2.3 of the Arrangement Agreement;

"New Toromont Common Shares" means the new common shares in the capital of Toromont created pursuant to this Plan of Arrangement, designated as "Common Shares" and having the rights, privileges, restrictions and conditions set out in Exhibit I to this Plan of Arrangement, and includes, unless the context otherwise requires, the Rights attached to such shares;

"New Toromont Options" means the options to purchase New Toromont Common Shares granted under the Toromont Stock Option Plan pursuant to this Plan of Arrangement;

"Participating Shareholder" means a Shareholder, other than a Dissenting Shareholder;

"Person" includes any individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, trustee, executor, administrator or other legal representative and the Crown or any agency or instrumentality thereof;

"Plan of Arrangement" means this plan of arrangement proposed under Section 192 of the CBCA, and any amendments or variations thereto made in accordance with the Arrangement Agreement or this plan of arrangement or made at the direction of the Court in the Final Order with the consent of Toromont, acting reasonably;

"Rights" means rights issued pursuant to the Toromont Rights Plan;

"Shareholders" means, collectively, the holders of Toromont Common Shares whether registered or beneficial (unless specified otherwise) at the applicable time;

"Spinco" means 7787014 Canada Inc., a CBCA corporation;

"Spinco Common Shares" means common shares in the capital of Spinco;

"Spinco Options" means the options to purchase Spinco Common Shares granted under the Spinco Stock Option Plan pursuant to this Plan of Arrangement;

"Spinco Option Holder" means a Person who holds a Spinco Option;

"Spinco Preferred Shares" means the preferred shares in the capital of Spinco, which will not include the Spinco Reorganization Shares;

"Spinco Reorganization Shares" means the reorganization preferred shares in the capital of Spinco;

"Spinco Stock Option Plan" means the stock option plan of Spinco to be adopted as part of this Plan of Arrangement, substantially in the form attached as Exhibit III to this Plan of Arrangement;

"Spinoff Property" means all of the Enerflex Shares held by Toromont immediately prior to the Effective Time;

"Subsidiary" means, with respect to a specified body corporate, any body corporate of which the specified body corporate is entitled to elect a majority of the board of directors thereof and will include any body corporate, partnership, joint venture or other entity over which it exercises direction or control or which is in a like relation to such a body corporate, excluding any body corporate in respect of which such direction or control is not exercised by the specified body corporate as a result of existing contracts, agreements and commitments;

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

"Toromont" means Toromont Industries Ltd., a CBCA corporation;

"Toromont Butterfly Share Fair Market Value" means the per share amount for which Toromont Butterfly Shares are redeemable by Toromont;

"Toromont Butterfly Shares" means the new class of special shares in the capital of Toromont having the rights, privileges, restrictions and conditions set out in Exhibit I to this Plan of Arrangement;

"Toromont Common Shares" means the shares in the capital of Toromont that, prior to the Effective Time, are designated as common shares and that are to be redesignated as "Class A Common Shares", and subsequently cancelled, pursuant to this Plan of Arrangement, and includes, unless the context otherwise requires, the Rights attached to such shares;

"Toromont DSU" means a deferred share unit credited under the Toromont DSU Plan;

"Toromont DSU Participant" means an individual who has been credited one or more Toromont DSUs under the Toromont DSU Plan;

"Toromont DSU Plan" means the deferred share unit plan of Toromont dated as of November 19, 2007;

"Toromont Option Holder" means a Person who holds a Toromont Option;

"Toromont Options" means the options to purchase Toromont Common Shares granted under the Toromont Stock Option Plan that are outstanding immediately prior to the Effective Time;

"Toromont Rights Plan" means the amended and restated shareholder rights plan agreement dated as of April 23, 2009 between Toromont and CIBC Mellon Trust Company, as rights agent;

"Toromont Stock Option Plan" means the Toromont Industries Ltd. Amended and Restated Stock Option Plan (2010);

"Transfer Agent" means the transfer agent for the Toromont Common Shares or the Amalco Common Shares, as applicable; and

"TSX" means the Toronto Stock Exchange.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Plan of Arrangement into Articles, Sections, and other portions and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an "Article" or "Section" followed by a number and/or a letter refer to the specified Article or Section of this Plan of Arrangement. The terms "hereof", "herein" and "hereunder" and similar expressions refer to this Plan of Arrangement and not to any particular Article, Section or other portion hereof.

1.3 Rules of Construction

In this Plan of Arrangement, unless the context otherwise requires, (a) words importing the singular number include the plural and *vice versa*, (b) words importing any gender include all genders, and (c) "include", "includes" and "including" will be deemed to be followed by the words "without limitation".

1.4 Currency

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada and "$" refers to Canadian dollars.

1.5 Date for Any Action

If the date on which any action is required or permitted to be taken hereunder by a Person is not a Business Day, such action will be required or permitted to be taken on the next succeeding day which is a Business Day.

1.6 References to Dates, Statutes, etc.

(a) In this Agreement, references from or through any date mean, unless otherwise specified, from and including that date and/or through and including that date, respectively.

(b) In this Plan of Arrangement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute, regulation, direction or instrument is to that statute, regulation, direction or instrument as now enacted or as the same may from time to time be amended, re-enacted or replaced, and in the case of a reference to a statute, includes any regulations, rules, policies or directions made thereunder. Any reference in this Agreement to a Person includes its heirs, administrators, executors, legal personal representatives, predecessors, successors and permitted assigns. References to any contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with its terms.

1.7 Time

Time will be of the essence in every matter or action contemplated hereunder. All times expressed herein are Toronto, Ontario time unless otherwise stipulated herein.

1.8 Exhibits

The following Exhibits are attached to this Plan of Arrangement and form part hereof:

Exhibit I	–	Initial Amendment to the Articles of Toromont
Exhibit II	–	Amended and Restated Toromont Stock Option Plan
Exhibit III	–	Spinco Stock Option Plan
Exhibit IV	–	Subsequent Amendment to the Articles of Toromont
Exhibit V	–	Terms and Conditions of the Shares of Amalco
Exhibit VI	–	First Directors of Amalco

ARTICLE 2
THE ARRANGEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to the Arrangement Agreement.

2.2 Binding Effect

This Plan of Arrangement will become effective at, and be binding at and after, the Effective Time on (i) Toromont and its Subsidiaries, including Enerflex, (ii) Spinco, (iii) all Shareholders (including those described in Section 3.1) and (iv) all Toromont Option Holders.

2.3 Effective Time

Commencing at the Effective Time, the following events or transactions will occur and will be deemed to occur in the following sequence without any further act, authorization or formality:

(a) The Toromont Common Shares held by Dissenting Shareholders, who duly exercise their Dissent Rights and who are ultimately entitled to be paid fair value for those Toromont Common Shares, will be deemed to have been transferred to Toromont and cancelled and will cease to be outstanding at the Effective Time, and such Dissenting Shareholders will cease to have any rights as Shareholders other than the right to be paid the fair value for their Toromont Common Shares by Toromont;

(b) The articles of Toromont will be amended as set out in Exhibit I to this Plan of Arrangement to:

(i) change the designation of the Toromont Common Shares from "Common Shares" to "Class A Common Shares" and change the voting rights attached to the Toromont Common Shares, whether issued or unissued, to two votes per share; and

(ii) create and authorize the issuance of (in addition to the shares it is authorized to issue immediately before such amendment):

(A) an unlimited number of New Toromont Common Shares; and

(B) an unlimited number of Toromont Butterfly Shares;

each new class having the rights, privileges, restrictions and conditions set out in such Exhibit;

(c) Each Toromont Common Share outstanding on the Effective Date held by a Participating Shareholder will be exchanged (without any action on the part of the holder of the Toromont Common Shares) for one New Toromont Common Share and one Toromont Butterfly Share, such that:

(i) the aggregate addition to the stated capital accounts of the New Toromont Common Shares and the Toromont Butterfly Shares issued by Toromont pursuant to this Section 2.3(c) will equal the paid-up capital (as determined for the purposes of the Tax Act) of the Toromont Common Shares (excluding any Toromont Common Shares transferred to Toromont pursuant to Section 2.3(a)) immediately before the exchange described in this Section 2.3(c). Such paid-up capital amount will be allocated between the New Toromont Common Shares and the Toromont Butterfly Shares based on the proportion that the fair market value of the New Toromont Common Shares or the Toromont Butterfly Shares, as the case may be, is of the fair market value of all new shares issued by Toromont on the exchange described in this Section 2.3(c);

(ii) no other consideration will be received by any holder of such Toromont Common Shares; and

(iii) the Toromont Common Shares so exchanged will be cancelled;

(d) Each Participating Shareholder will transfer to Spinco, with good and marketable title thereto and free and clear of all liens, charges, claims and encumbrances, all such Participating Shareholder's Toromont Butterfly Shares and, as the sole consideration therefor, Spinco will issue in exchange one Spinco Common Share for each Toromont Butterfly Share so transferred and at the time of such transfer the stated capital account for the Spinco Common Shares will be increased by an amount equal to the aggregate paid-up capital (as determined for the purposes of the Tax Act) of the transferred Toromont Butterfly Shares;

(e) The terms and conditions of the Toromont Stock Option Plan will be amended and restated in the form set forth in Exhibit II to this Plan of Arrangement;

(f) The Spinco Stock Option Plan will come into force with the terms and conditions set out in Exhibit III to this Plan of Arrangement;

(g) Each Toromont Option Holder will dispose of (A) a portion of such holder's rights in the Toromont Options that it holds to Toromont and Toromont will grant, in consideration therefor, New Toromont Options to such holder and (B) the remaining portion of such holder's rights in such Toromont Options to Spinco and Spinco will grant, in consideration therefor, Spinco Options to such holder, such that:

(i) the only consideration a Toromont Option Holder will receive for the disposition of his or her Toromont Options will be New Toromont Options and Spinco Options, such exchange and such consideration to be on the terms provided for in Section 2.4(a); and

(ii) the Toromont Options so exchanged will be cancelled;

(h) There will be an increase to the number of Toromont DSUs credited to each Toromont DSU Participant to reflect the reduction in the fair market value of a Toromont Common Share arising solely as a result of the Arrangement so that the aggregate fair market value of such participant's outstanding Toromont DSUs after the Arrangement is equal to the aggregate fair market value of that participant's outstanding Toromont DSUs prior to the Arrangement, and such reduction in the fair market value of a Toromont Common Share will be determined in accordance with Section 2.4(b);

(i) Toromont will transfer the Spinoff Property to Spinco in consideration for (A) the Spinco Options granted by Spinco pursuant to Section 2.3(g) and (B) the issuance by Spinco to Toromont of the Spinco Reorganization Shares, and in respect of such transfer:

(i) Toromont will jointly elect with Spinco, in prescribed form and within the time allowed by subsection 85(6) of the Tax Act, to have provisions of subsection 85(1) of the Tax Act apply to the transfer of the Spinoff Property; and

(ii) the amount added to the stated capital in respect of the Spinco Reorganization Shares issued as consideration on the transfer of the Spinoff Property will equal the amount Toromont and Spinco agree to in their election referred to in Section 2.3(i)(i) above less an amount equal to the aggregate fair market value of the aforementioned Spinco Options at the time they are so issued;

(j) (i) Spinco shall be deemed to have designated the full amount of the dividend that will be deemed under the Tax Act to be paid by it to Toromont upon the redemption of the Spinco Reorganization Shares in this Section 2.3(j) to be an eligible dividend for the purposes of subsection 89(14) of the Tax Act, which designation shall be deemed to have been made at the time of such deemed dividend, and (ii) Spinco will redeem all of the Spinco Reorganization Shares held by Toromont and will issue to Toromont, in consideration therefor, a non-interest bearing demand promissory note in a principal amount equal to such aggregate redemption amount for the Spinco Reorganization Shares that will mature on the 360th day following its original issue if the principal thereon has not previously been repaid (the "**Spinco Redemption Note**");

(k) (i) Toromont shall be deemed to have designated the full amount of the dividend that will be deemed under the Tax Act to be paid by it to Spinco upon the redemption of the Toromont Butterfly Shares in this Section 2.3(k) to be an eligible dividend for purposes of subsection 89(14) of the Tax Act, which designation shall be deemed to have been made at the time of such deemed dividend, and (ii) Toromont will redeem all of the Toromont Butterfly Shares held by Spinco and will issue to Spinco, in consideration therefor, a non-interest bearing demand promissory note in a principal amount equal to such aggregate redemption amount for the Toromont Butterfly Shares that will mature on the 360th day following its original issue if the principal thereon has not previously been repaid (the "**Toromont Redemption Note**");

(l) Toromont will repay the principal amount of the Toromont Redemption Note by transferring to Spinco the Spinco Redemption Note which will be accepted by Spinco as full payment, satisfaction and discharge of Toromont's obligations under the Toromont Redemption Note and, simultaneously, Spinco will repay the principal amount of the Spinco Redemption Note by transferring to Toromont the Toromont Redemption Note which will be accepted by Toromont as full payment, satisfaction and discharge of Spinco's obligations under the Spinco Redemption Note, and following these transfers the Toromont Redemption Note and the Spinco Redemption Note will both be cancelled;

(m) The articles of Spinco will be amended by deleting the Spinco Reorganization Shares from the share capital which Spinco is authorized to issue;

(n) Spinco and Enerflex will be amalgamated and continue as one corporation on the terms set out below and in Section 2.6, as if, except as otherwise set forth herein and therein, the amalgamation was carried out pursuant to Section 184(1) of the CBCA, and upon the amalgamation:

(i) each issued and outstanding Spinco Common Share will be converted into one Amalco Common Share;

(ii) each outstanding Spinco Option will be deemed an option to acquire an equivalent number of Amalco Common Shares at the same exercise price and on the same terms as are provided for in such Spinco Option, and Amalco will assume and become subject to the Spinco Option Plan; and

(iii) all issued and outstanding shares of Enerflex will be deemed cancelled, without any repayment of capital in respect thereof, on a basis that does not entitle the holders thereof to any consideration, and thereafter the holders of such securities will not have any rights, liabilities or other obligations in respect of such securities; and

(o) The articles of Toromont will be amended, as set out in Exhibit IV to this Plan of Arrangement, by deleting the Toromont Butterfly Shares and the Toromont Common Shares from the share capital which Toromont is authorized to issue.

2.4 Effect on Options and DSUs

(a) For purposes of the exchange of Toromont Options in Section 2.3(g), for each Toromont Common Share that a Toromont Option Holder would have been entitled to acquire under its Toromont Option, such holder will be entitled to acquire one New Toromont Common Share under the New Toromont Option received in the exchange and one Spinco Common Share under the Spinco Option received in the exchange. The original exercise price of each Toromont Option Holder's Toromont Options will be allocated to the New Toromont Options and the Spinco Options acquired by such holder on the exchange in Section 2.3(g), such that an amount equal to the Butterfly Proportion of such original exercise price (rounded up to the nearest whole cent) will be payable to Spinco for each Spinco Common Share acquired under the Spinco Options and an amount equal to the remainder of the original exercise price (rounded up to the nearest whole cent) will be payable to Toromont for each New Toromont Common Share acquired under the New Toromont Options.

(b) For purposes of Section 2.3(h), the reduction in the fair market value of a Toromont Common Share will be determined by subtracting (x) the volume weighted average trading price of a New Toromont Common Share on the TSX for the five-day trading period beginning on the first trading day immediately after the Effective Date on which the New Toromont Common Shares trade on an "ex-distribution" basis on the TSX (which will be the first day on which the Amalco Common Shares trade on the TSX separately from the New Toromont Common Shares) from (y) the volume weighted average trading price of a Toromont Common Share on the TSX for the five-day trading period beginning on the fifth trading day before the Effective Date.

2.5 Registers of Holders

(a) Upon the deemed transfer of the Toromont Common Shares held by Dissenting Shareholders pursuant to Section 2.3(a), the name of each Dissenting Shareholder will be deemed to be removed from the register of holders of Toromont Common Shares.

(b) Upon the exchange of the Toromont Common Shares pursuant to Section 2.3(c), the name of each Participating Shareholder will be deemed to be removed from the register of holders of Toromont Common Shares and will be deemed to be added to the registers of holders of New Toromont Common Shares and Toromont Butterfly Shares as the holder of the number of New Toromont Common Shares and Toromont Butterfly Shares respectively issued to such Participating Shareholder.

(c) Upon the cancellation of Toromont Common Shares pursuant to Sections 2.3(a) and 2.3(c), appropriate entries will be made in the register of holders of Toromont Common Shares.

(d) Upon the transfer of the Toromont Butterfly Shares pursuant to Section 2.3(d), (i) the name of each Participating Shareholder will be deemed to be removed from the register of holders of Toromont Butterfly Shares and will be deemed to be added to the register of holders of Spinco Common Shares, and (ii) Spinco will be deemed to be recorded as the registered holder of the Toromont Butterfly Shares on the register of holders of Toromont Butterfly Shares and will be deemed to be the legal and beneficial owner thereof.

(e) Upon the transfer of the Spinoff Property pursuant to Section 2.3(i), (i) Toromont will be deemed to be removed from the register of holders of Enerflex Shares and will be deemed to be added to the register of holders of Spinco Reorganization Shares, and (ii) Spinco will be deemed to be recorded as the registered holder of the Enerflex Shares on the register of holders of Enerflex Shares and will be deemed to be the legal and beneficial owner thereof.

(f) Upon the redemption of the Spinco Reorganization Shares pursuant to Section 2.3(j), Toromont will be deemed to be removed from the register of holders of Spinco Reorganization Shares and appropriate entries will be made in the register of holders of Spinco Reorganization Shares.

(g) Upon the redemption of the Toromont Butterfly Shares pursuant to Section 2.3(k), Spinco will be deemed to be removed from the register of holders of Toromont Butterfly Shares and appropriate entries will be made in the register of holders of Toromont Butterfly Shares.

(h) Upon the amalgamation of the Amalgamating Corporations pursuant to Section 2.3(n), the register of holders of Spinco Common Shares will be deemed to be the register of holders of Amalco Common Shares.

2.6 <u>Amalgamation Matters</u>

(a) Upon the amalgamation of the Amalgamating Corporations pursuant to Section 2.3(n), the following provisions will apply to Amalco:

(i) the Articles of Arrangement shall be deemed to be the articles of amalgamation of Amalco and the Certificate of Arrangement issued in respect of the Articles of Arrangement by the CBCA Director shall be deemed to be the certificate of amalgamation and certificate of incorporation of Amalco;

(ii) the name of Amalco will be "Enerflex Ltd." and the registered office of Amalco will be located at Suite 904, 1331 Macleod Trail SE, Calgary, Alberta, Canada, T2G 0K3;

(iii) the authorized capital of Amalco will be:

(A) an unlimited number of common shares with the rights, privileges, restrictions and conditions attached to the Spinco Common Shares; and

(B) an unlimited number of preferred shares, with the rights, privileges, restrictions and conditions attached to the Spinco Preferred Shares;

as such rights, privileges, restrictions and conditions attaching to such common shares and preferred shares, issuable in series, are summarized in Exhibit V to this Plan of Arrangement;

(iv) there will be no restrictions on the business that Amalco is authorized to carry on or the powers that Amalco may exercise;

(v) the board of directors of Amalco will, until otherwise changed in accordance with the CBCA, consist of a minimum of three and a maximum of nine directors. The first directors of Amalco will be the individuals listed in Exhibit VI to this Plan of Arrangement. Such directors will hold office until the close of the next annual meeting of shareholders of Amalco or until their successors are elected or appointed;

(vi) all authorizations previously given by the shareholders and boards of directors of the Amalgamating Corporations and their predecessors will be deemed to be authorizations given by the shareholders and board of directors of Amalco;

(vii) the first officers of Amalco will be the officers of Enerflex immediately prior to the Effective Time;

(viii) Ernst & Young LLP will be the auditors of Amalco, to hold office until the close of the next annual meeting of shareholders of Amalco, or until Ernst & Young LLP resigns as contemplated by Section 164 of the CBCA or are removed from office as contemplated by Section 165 of the CBCA, and the directors of Amalco will be authorized to fix their remuneration;

(ix) the by-laws of Amalco, until repealed, amended or altered, will be the by-laws of Spinco in effect immediately prior to the Effective Time, *mutatis mutandis*. A copy of the by-laws of Amalco will be available for inspection at the registered office of Amalco; and

(x) the year end of Amalco will be the year end of Enerflex.

(b) The effect of the amalgamation of the Amalgamating Corporations referred to in Section 2.3(n) will be as follows:

(i) the Amalgamating Corporations will cease to exist as entities separate from Amalco;

(ii) all of the property (except any amounts receivable from, or shares of the capital stock of, any Amalgamating Corporation) of the Amalgamating Corporations immediately before the amalgamation will continue to be the property of Amalco;

(iii) all of the liabilities (except any amounts payable to any Amalgamating Corporation) of the Amalgamating Corporations immediately before the amalgamation will become liabilities of Amalco and, as a result, Amalco will continue to be liable for the obligations of each Amalgamating Corporation;

(iv) any existing cause of action, claim or liability to prosecution of an Amalgamating Corporation will be unaffected;

(v) any civil, criminal or administrative action or proceeding pending by or against an Amalgamating Corporation may be continued to be prosecuted by or against Amalco, and Amalco will be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against Spinco or Enerflex before the Effective Date; and

(vi) any conviction against, or ruling, order or judgment in favour of or against, an Amalgamating Corporation may be enforced by or against Amalco.

(c) The stated capital of the Amalco Common Shares immediately after the amalgamation of the Amalgamating Corporations referred to in Section 2.3(n) will be equal to the aggregate of the paid-up capital (as determined for the purposes of the Tax Act) of the Spinco Common Shares immediately prior to the amalgamation.

2.7 Arrangement Effectiveness

The Arrangement will become finally and conclusively binding and effective as at the Effective Time.

2.8 Deemed Fully Paid and Non-Assessable Shares

All New Toromont Common Shares, Toromont Butterfly Shares, Spinco Common Shares, Spinco Reorganization Shares and Amalco Common Shares issued pursuant hereto will be deemed to be or have been validly issued and outstanding as fully paid and non-assessable shares for all purposes of the CBCA.

2.9 Supplementary Actions

Notwithstanding that the transaction and events set out in Section 2.3 hereof will occur, and shall be deemed to occur, in the order therein set out without any other act, authorization or formality, each of Toromont and Amalco will 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 be required to further document or evidence any of the transactions or events set out in Section 2.3 hereof, including without limitation, any resolution of directors authorizing the issue, transfer or purchase for cancellation of shares, any share transfer powers evidencing the transfer of shares and any receipt therefore, any promissory notes and receipts therefore and any necessary additions to, or deletions from, share registers.

ARTICLE 3
RIGHTS OF DISSENT

3.1 Rights of Dissent

(a) Registered holders of Toromont Common Shares may exercise rights of dissent with respect to their Toromont Common Shares pursuant to and in the manner set forth in Section 190 of the CBCA as modified by the Interim Order and this Article 3 ("**Dissent Rights**") in connection with the Arrangement provided that, notwithstanding Section 190(5) of the CBCA, the written notice setting forth such a registered Shareholders' objection to the Arrangement and exercise of Dissent Rights must be received by Toromont not later than 5:00 p.m. (ET) on the second last Business Day immediately preceding the date of the Arrangement Meeting or any adjournment or postponement thereof. Dissenting Shareholders who duly exercise their Dissent Rights and who:

(i) are ultimately entitled to be paid fair value for their Toromont Common Shares, will be deemed to have transferred their Toromont Common Shares to Toromont as of the Effective Time as set out in Section 2.3(a) and will be entitled to be paid the fair value of such Toromont Common Shares, and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights; or

(ii) are ultimately not entitled, for any reason, to be paid fair value for such Toromont Common Shares will be deemed to have participated in the Arrangement as of and from the Effective Time on the same basis as a Participating Shareholder.

3.2 Recognition of Dissenting Shareholders

From and after the Effective Time, neither Toromont nor Amalco nor any other Person will be required to recognize a Dissenting Shareholder as a holder of Toromont Common Shares or as a holder of any securities of any of Toromont, Spinco, Amalco or any of their respective subsidiaries and, subject to re-instatement pursuant to Section 3.1(a)(ii) above, at the Effective Time, the names of the Dissenting Shareholders will be deleted from the register of holders of Toromont Common Shares previously maintained or caused to be maintained by Toromont in accordance with Section 2.5(a).

3.3 Dissent Right Availability

A registered holder will not be entitled to exercise Dissent Rights with respect to Toromont Common Shares if such holder votes (or instructs, or is deemed, by submission of any incomplete proxy, to have instructed his, her or its proxyholder to vote) in favour of the Arrangement Resolution.

3.4 Withholding Taxes

All payments made to a Dissenting Shareholder pursuant to this Article 3 will be subject to, and paid net of, all applicable withholding taxes.

ARTICLE 4
CERTIFICATES AND PAYMENTS

4.1 Entitlement to Share Certificates

(a) Upon the Arrangement becoming effective, from and including the Effective Date to and including the Distribution Record Date, share certificates representing Toromont Common Shares will represent the New Toromont Common Shares and Amalco Common Shares to be issued to Participating Shareholders under the Arrangement.

(b) As soon as practicable after the Distribution Record Date, Amalco will issue and deliver, or cause its Transfer Agent to issue and deliver, to each Shareholder of record at the close of business in Toronto on the Distribution Record Date, new certificates representing the Amalco Common Shares to which such holder is entitled pursuant to the Arrangement.

(c) Following the close of business in Toronto on the Distribution Record Date, the certificates representing Toromont Common Shares immediately prior to the Effective Time will be deemed for all purposes to be certificates representing only New Toromont Common Shares.

(d) No certificates will be delivered to evidence the Toromont Butterfly Shares or the Spinco Common Shares issued to Participating Shareholders under Sections 2.3(c) and 2.3(d), respectively.

4.2 Lost Certificates

If any certificate representing, immediately prior to the Effective Time, one or more Toromont Common Shares has 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 and the giving by such Person of a bond satisfactory to Toromont in such sum as Toromont may determine against any claim that may be made against Toromont with respect to the certificate alleged to have been lost, stolen or destroyed, Toromont (or its Transfer Agent) will make such distribution or delivery in respect of the Toromont Common Shares represented by such lost, stolen or destroyed certificate as determined in accordance with Section 4.1(a).

4.3 Withholding Rights

Toromont and Amalco will be entitled to deduct and withhold from amounts payable under the Plan of Arrangement to any Person, such amounts as Toromont is required or permitted to deduct and withhold with respect to such payment under the Tax Act, the Code or any provision of any applicable federal, provincial, territorial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts will be treated for all purposes hereof 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 taxing authority.

4.4 Restatement of Articles

Outside and not as part of this Plan of Arrangement, the articles of Toromont will be restated to reflect the amendment referred to in clause (o) of Section 2.3 of this Plan of Arrangement and such restated articles will be filed by Toromont with the CBCA Director pursuant to section 192(6) of the CBCA.

ARTICLE 5
AMENDMENTS

5.1 Amendments to Plan of Arrangement

(a) This Plan of Arrangement may at any time and from time to time whether before or after the Interim Order or the Final Order, but not later than the Effective Date, be amended, modified or supplemented unilaterally by Toromont, provided that each such amendment, modification or supplement is contained in a written document which is filed with the Court and, if made following the Arrangement Meeting, is approved by the Court and communicated to any persons in the manner required by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Toromont at any time prior to or at the Arrangement Meeting with or without any other prior notice or communication and, if so proposed and accepted by the Shareholders voting at the Arrangement Meeting (other than as may be required under the Interim Order), will become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement which is approved or directed by the Court following the Arrangement Meeting will be effective only if it is consented to by Toromont and, if required by the Court, is consented to by the Shareholders in the manner directed by the Court.

(d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Toromont, provided that it concerns a matter which, in the reasonable opinion of Toromont, is of an administrative 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 any holder of New Toromont Common Shares or Amalco Common Shares.

ARTICLE 6
FURTHER ASSURANCES

6.1 Further Assurances

Notwithstanding that the transactions and events set out herein will occur and will be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement will 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 either of them in order further to document or evidence any of the transactions or events set out herein.

ARTICLE 7
TERMINATION

7.1 Termination

Notwithstanding any prior approvals by the Court or by Shareholders, the Board of Directors may decide not to proceed with the Arrangement and to revoke the Arrangement Resolution at any time prior to the issuance of the Certificate of Arrangement, without further approval of the Court or the Shareholders.

EXHIBIT I

Initial Amendment to the Articles of Toromont Industries Ltd.

The articles of Toromont Industries Ltd./Industries Toromont Ltee (the "Corporation") are amended as follows in accordance with the provisions of the Plan of Arrangement:

(i) to redesignate the common shares, both issued and unissued, as "Class A Common Shares";

(ii) to increase the authorized capital of the Corporation by creating an unlimited number of shares to be designated as "Special Shares" (referred to as "Toromont Butterfly Shares" in the Plan of Arrangement);

(iii) to increase the authorized capital of the Corporation by creating an unlimited number of shares to be designated as "Common Shares";

(iv) to delete paragraph 3 of the Articles of the Corporation in its entirety and replace it with the following to give effect to the foregoing: "The Corporation is authorized to issue an unlimited number of shares to be designated as Preferred Shares, issuable in series, an unlimited number of shares to be designated as Special Shares, an unlimited number of shares to be designated as Class A Common Shares and an unlimited number of shares to be designated as Common Shares. The respective rights, privileges, restrictions and conditions attaching to the Preferred Shares, issuable in series, Special Shares, Class A Common Shares and Common Shares are set out in the annexed Schedule 1, which is incorporated into and forms a part of this form."; and

(v) to delete in its entirety Schedule 1 annexed to the Articles of the Corporation and replace it with the following Schedule 1:

"Schedule 1

A. Preferred Shares

The rights, privileges, restrictions and conditions attaching to the Preferred Shares are as follows:

1. <u>Authority to Issue in One or More Series and Set Terms of Each Such Series</u>

1.1 The Preferred Shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the board of directors.

1.2 The board of directors of the Corporation shall (subject as hereinafter provided), by resolution duly passed before the issue of the Preferred Shares of each series, fix the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the voting rights (if any), the rate or amount of preferential dividends and whether such dividends shall be cumulative or non-cumulative, the date or dates and places of payment thereof, the date or dates from which such preferential dividends shall accrue, the rights of the Corporation to purchase the same and to redeem the same, the consideration and the terms and conditions of any such purchase or redemption, conversion rights, if any, the terms and conditions of any share purchase plan or sinking fund and the restrictions, if any, respecting payment of dividends on any shares ranking junior to the Preferred Shares, the whole subject to the filing of articles of amendment setting forth the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series.

2. Liquidation and Ranking

2.1 The Preferred Shares of each series shall, in the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, be entitled to preference over the Common Shares and the Class A Common Shares to the extent of the amount paid up on the Preferred Shares together with an amount equal to the accrued and unpaid dividends thereon and no more. The Preferred Shares of each series may also be given such other preferences over the Common Shares and the Class A Common Shares as may be determined as to the respective series authorized to be issued.

2.2 The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

3. Dividends

3.1 No dividends (other than stock dividends in shares of the Corporation ranking junior to the Preferred Shares) shall at any time be declared or paid on or set apart for payment on the Common Shares, the Class A Common Shares or on any other shares of the Corporation ranking junior to the Preferred Shares unless all dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on the Common Shares or such other shares of the Corporation ranking junior to the Preferred Shares; nor shall the Corporation call for redemption or purchase for cancellation any of the Preferred Shares (less than the total number of Preferred Shares then outstanding) or any shares of the Corporation ranking junior to the Preferred Shares unless all dividends up to and including the dividends which shall then be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption or purchase.

4. Conversion

4.1 The holders of the Preferred Shares shall not, as such, be entitled as of right to subscribe for or to purchase or receive the whole or any part of any shares, bonds, debentures or other securities or any rights to acquire the same, which may from time to time be issued by the Corporation except in accordance with any conversion rights set forth in the rights, privileges, restrictions and conditions attaching to the Preferred Shares of any series.

5. Approval of Preferred Shareholders

5.1 The provisions of any or all of the paragraphs of this Section A may be deleted, varied, modified, amended or amplified by articles of amendment but only with the prior approval of the holders of the Preferred Shares given as hereinafter specified in addition to any other approval required by the *Canada Business Corporations Act.*

5.2 The approval of the holders of the Preferred Shares with respect to any and all matters referred to herein may be given in writing by the holders of not less than two-thirds (2/3) of the Preferred Shares for the time being outstanding or by resolution duly passed and carried by not less than two-thirds (2/3) of the votes cast on a poll at a meeting of the holders of the Preferred Shares duly called and held for the purpose of considering the subject matter of such resolution and at which holders of not less than a majority of all Preferred Shares then outstanding are present in person or represented by proxy in accordance with the by-laws of the Corporation; provided, however, that, if at any such meeting, when originally held, the holders of at least a majority of all Preferred Shares then outstanding are not present in person or so represented by proxy within thirty (30) minutes after the time fixed for the meeting, then the meeting shall be adjourned to such date, being not less than fifteen (15) days later, and to such time and place as may be fixed by the chairman of such meeting and, at such adjourned meeting, the holders of Preferred Shares present in person or so represented by proxy, whether or not they hold more or less than a majority of all Preferred Shares then outstanding, may transact the business for which the meeting was originally called, and a resolution duly passed and carried thereat by not less than two-thirds (2/3) of the votes cast on a poll at such adjourned meeting shall constitute the approval of the holders of the Preferred Shares hereinbefore mentioned. Notice of any such original meeting of the holders of the Preferred Shares shall be given not less than twenty-one (21) days prior to the date fixed for such meeting and shall specify in general terms the purpose for which the meeting is called, and notice of any such adjourned meeting shall be given not less than fifteen (15) days prior to the date fixed for such adjourned meeting, but it shall not be necessary to specify in such notice the purpose for which the adjourned meeting is called. The formalities to be observed with respect to the giving of notice of any such original meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders. On every poll taken at any such original meeting or adjourned meeting the holders of Preferred Shares present in person or so represented by proxy shall be entitled to one (1) vote in respect of each Preferred Share held by each of such holders respectively.

B. Special Shares

The rights, privileges, restrictions and conditions attaching to the Special Shares are as follows:

1. Dividends

1.1 The holders of Special Shares shall be entitled to receive non-cumulative cash dividends if, as and when declared by the board of directors of the Corporation out of the assets of the Corporation lawfully applicable to the payment of dividends in such amounts and payable in such manner as the board of directors may from time to time determine. Subject to the rights of the holders of any other class of shares of the Corporation entitled to receive dividends in priority to or concurrently with the holders of the Special Shares, the board of directors may, in its sole discretion, declare dividends on the Special Shares to the exclusion of any other class of shares of the Corporation. No dividends may be paid on any other class of shares of the Corporation if the realizable value of the net assets of the Corporation after the payment of the dividends would be less than the aggregate of the Toromont Butterfly Share Redemption Amount (as defined below) relating to all the Special Shares then outstanding.

2. Liquidation

2.1 In the event of the liquidation, dissolution or winding up of the Corporation, or other distribution of the property and assets of the Corporation among its shareholders for the purpose of winding up its affairs, whether on a voluntary or involuntary basis, the holders of Special Shares shall be entitled to a payment in priority to all other classes of shares of the Corporation of an amount per Special Share equal to the Toromont Butterfly Share Redemption Amount (as defined below) to the extent of the amount of value of the property and assets of the Corporation lawfully available for distribution to its shareholders. Except for a distribution in the amount of the Toromont Butterfly Share Redemption Amount as aforesaid, the holders of Special Shares shall not as such be entitled to receive or participate in any distribution of the property and assets of the Corporation among its shareholders.

3. Redemption

3.1 Subject to the provisions of the *Canada Business Corporations Act*, the Corporation may at any time and from time to time redeem all or any part of the Special Shares at an amount per share (which shall be paid in money or, at the discretion of the Corporation, by the issuance of one or more promissory notes) equal to the Toromont Butterfly Share Redemption Amount (as hereinafter defined). The Toromont Butterfly Share Redemption Amount shall be an amount equal to: (i) the aggregate of the fair market value of the Class A Common Shares outstanding immediately before the exchange of such shares pursuant to section 2.3(c) of the plan of arrangement involving the Corporation, its shareholders, Enerflex Ltd. and 7787014 Canada Inc. (the "Plan"); multiplied by (ii) the Butterfly Proportion (as defined in the Plan); then divided by (iii) the number of issued and outstanding Special Shares; and plus (iv) the amount of any declared but unpaid dividends per issued and outstanding Special Share.

4. Retraction

4.1 Subject to the provisions of the *Canada Business Corporations Act*, every registered holder of Special Shares may at any time, at the option of such holder, require the Corporation to redeem the whole or any part of the Special Shares registered in such holder's name by depositing with the Corporation an irrevocable written request for the same, together with the share certificate or certificates, if any, representing the Special Shares to be redeemed. Upon receipt of such request and certificate or certificates the Corporation shall, subject to the provisions of the *Canada Business Corporations Act*, redeem such Special Shares and pay such holder the Toromont Butterfly Share Redemption Amount for each Special Share so redeemed.

5. Cancellation

5.1 Any Special Shares that are redeemed by the Corporation pursuant to any of the provisions hereof shall for all purposes be considered to have been redeemed on, and shall be cancelled concurrently with, the payment by the Corporation to or to the benefit of the holder thereof of the Toromont Butterfly Share Redemption Amount.

6. Voting

6.1 Subject to the provisions of the *Canada Business Corporations Act*, the holders of Special Shares shall not be entitled to receive notice of or attend or vote at any meetings of the shareholders of Toromont.

7. Amount Specified

7.1 For purposes of Subsection 191(4) of the *Income Tax Act* (Canada) the amount specified in respect of each Special Share shall be the amount specified by an officer or director of the Corporation in a certificate that is made (i) effective concurrently with the issuance of such Special Share and (ii) pursuant to a resolution of the board of directors of the Corporation authorizing the issuance of such Special Share, such amount to be expressed as a dollar amount (and not as a formula) that is equal to the fair market value of the consideration for which such Special Share is issued.

C. Class A Common Shares and Common Shares

The respective rights, privileges, restrictions and conditions attaching to the Class A Common Shares and the Common Shares are as follows:

1. Dividends

1.1 Subject to the prior rights of the holders of any shares ranking senior to the Class A Common Shares or the Common Shares with respect to priority in the payment of dividends, the holders of the Class A Common Shares and Common Shares shall be entitled to receive dividends and the Corporation shall pay dividends thereon as and when declared by the board of directors of the Corporation out of moneys properly applicable to the payment of dividends in such amount and in such form as the directors may from time to time determine.

2. Dissolution

2.1 In the event of the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of property of the Corporation among its shareholders for the purpose of winding up its affairs and subject to the prior rights of the holders of any shares ranking senior to the Class A Common Shares or the Common Shares with respect to priority in the distribution of property upon dissolution, liquidation, winding up or distribution for the purpose of winding up, the holders of the Class A Common Shares and the Common Shares at the time outstanding shall be equally entitled to receive the remaining property and assets of the Corporation on an equal basis per share.

3. <u>Voting</u>

3.1 The holders of the Class A Common Shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have two votes for each Class A Common Share held at all meetings of the shareholders of the Corporation, except for meetings at which or for matters with respect to which only holders of another specified class or series of shares of the Corporation are entitled to vote separately as a class or series.

3.2 The holders of the Common Shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have one vote for each Common Share held at all meetings of the shareholders of the Corporation, except for meetings at which or for matters with respect to which only holders of another specified class or series of shares of the Corporation are entitled to vote separately as a class or series.

4. <u>Restriction on Subdivision, Consolidation</u>

4.1 Neither the Class A Common Shares nor the Common Shares shall be subdivided, consolidated, reclassified or otherwise changed unless, contemporaneously therewith, the other class of shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion or in the same manner.

5. <u>Equality</u>

5.1 With the exception of voting privileges, the Class A Common Shares and the Common Shares shall have the same rights and attributes and be the same in all respects."

<u>EXHIBIT II</u>

<u>Amended and Restated Toromont Stock Option Plan</u>

See attached.

TOROMONT INDUSTRIES LTD.
AMENDED AND RESTATED
STOCK OPTION PLAN (2011)

1. Purpose of the Plan

The purpose of the Plan is to encourage certain directors, officers and other key full time employees of the Corporation and of its Affiliates to acquire an increased proprietary interest in the Corporation through share options.

2. Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

"**Affiliate**" shall have the meaning ascribed to that term by the *Securities Act* (Ontario), as such statute is amended, re-enacted or replaced from time to time;

"**Amalco**" means Enerflex Ltd., the corporation existing under the CBCA continuing from the amalgamation of Enerflex Ltd. and 7787014 Canada Inc. pursuant to the Plan of Arrangement, and its successors;

"**Arrangement Options**" means Options issued as part of the Plan of Arrangement in partial exchange for Outstanding Options;

"**Blackout Period**" means a period when the Participant is prohibited from trading in the Corporation's securities pursuant to (i) securities regulatory requirements, (ii) the Corporation's written policies then applicable, or (iii) a notice in writing to the Participant by a senior officer or director of the Corporation;

"**Board**" means the board of directors of the Corporation;

"**Business Day**" means any day other than a Saturday or Sunday on which the TSX is open for trading;

"**CBCA**" means the *Canada Business Corporations Act*, as such statute is amended, re-enacted or replaced from time to time;

"**Common Shares**" means the common shares in the capital of the Corporation as presently constituted or any shares, securities or other property into which such shares are changed, reclassified, subdivided, consolidated or converted or which is substituted for such shares, or as such shares, securities or other property may further be changed, reclassified, subdivided, consolidated, converted or substituted;

"**Control Change**" means the occurrence of any of (i) the purchase or acquisition of shares of the Corporation and/or securities ("**Convertible Securities**") convertible into or exchangeable for shares of the Corporation or carrying the right to acquire shares of the Corporation as a result of which a person, group of persons or persons acting jointly or in concert, or persons associated or affiliated within the meaning of the CBCA with any such person, group of persons or any of such persons acting jointly or in concert (excluding, for this purpose, any employee benefit or other plan of the Corporation) (collectively, the "**Holders**") beneficially own or exercise control or direction over shares of the Corporation and/or Convertible Securities such that, assuming only the conversion of Convertible Securities beneficially owned by the Holders, the Holders would beneficially own shares which would entitle the holders thereof to cast more than 35% of the votes attaching to all shares in the capital of the Corporation which may be cast to elect directors of the Corporation; or (ii) Incumbent Directors ceasing to constitute a majority of the board of directors of the Corporation; or (iii) approval by the shareholders of the Corporation of an amalgamation, arrangement, merger or other consolidation of the Corporation with another corporation pursuant to which the shareholders of the Corporation immediately prior thereto do not immediately thereafter own shares of the successor or continuing corporation which would entitle them to cast more than 50% of the votes attaching to all shares in the capital of the successor or continuing corporation which may be cast to elect directors of that corporation; or (iv) a liquidation, dissolution or winding up of the Corporation or a sale, lease or other disposition of all or substantially all the assets of the Corporation other than a sale, lease or other disposition to a subsidiary of the Corporation or which does not result in a change in the ultimate shareholders of the Corporation or such subsidiary, and, for greater certainty, the transactions effected pursuant to the Plan of Arrangement shall not constitute a Control Change as defined herein;

"**Control Change Period**" means the period commencing on the date of occurrence of a Control Change and ending on the third anniversary of that date;

"**Corporation**" means Toromont Industries Ltd., and includes any successor corporation thereof;

"**Fair Market Value**" means, at any date, the weighted average price per share at which the Common Shares have traded on the TSX during the last five trading days prior to that date on which at least a board lot of Common Shares has so traded or, if the Common Shares are not then listed and posted for trading on the TSX, then on such stock exchange in Canada on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Board, or, if the Common Shares are not then listed and posted for trading on any stock exchange in Canada, then it shall be the fair market value per Common Share as determined by the Board in its sole discretion; and for such purposes, the weighted average price per share at which the Common Shares have traded on the TSX or on any other stock exchange shall be calculated by dividing (i) the aggregate sale price for all the Common Shares traded on such stock exchange during the relevant five trading days by (ii) the aggregate number of Common Shares traded on such stock exchange during the relevant five trading days;

"**Incentive Stock Option**" means an Option that is intended to qualify as an "incentive stock option" for United States of America federal income tax purposes, which intention shall be expressed in the instrument in writing effecting the grant of such Option;

"**insider**" has the meaning ascribed thereto in the TSX Company Manual;

"**Incumbent Director**" means any member of the board of directors of the Corporation who was a member of the board of directors of the Corporation immediately prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Control Change and any successor to an Incumbent Director who was elected or appointed to succeed any Incumbent Director by the affirmative vote of the directors, including a majority of the Incumbent Directors then on the board of directors of the Corporation;

"**Option**" means an option to purchase Common Shares granted in accordance with the Plan by the Board to a director of the Corporation or an Affiliate thereof or to an officer or other key full time employee of the Corporation or an Affiliate thereof, subject to the provisions contained herein;

"**Option Price**" means, in respect of any particular Option, the price per share at which Common Shares may be purchased under that Option, as the same may be adjusted in accordance with Section 7 hereof;

"**Outstanding Options**" means Options outstanding immediately prior to the Effective Time which, as part of the Plan of Arrangement, were exchanged for Arrangement Options and cancelled;

"**Participant**" means a director of the Corporation or an Affiliate thereof or an officer or other key full time employee of the Corporation or an Affiliate thereof to whom an Option has been granted and which Option, or a portion thereof, remains unexercised;

"**Plan**" means the Stock Option Plan of the Corporation as set out herein, as the same may be amended or varied from time to time;

"**Plan of Arrangement**" means the plan of arrangement proposed under Section 192 of the CBCA, a copy of which is attached as Schedule A to this Plan;

"**Post-Blackout Period Value**" means the weighted average price per share at which the Common Shares have traded on the TSX during the five trading days following the day upon which the relevant Blackout Period has expired on which at least a board lot of Common Shares has so traded or, if the Common Shares are not then listed and posted for trading on the TSX, then on such stock exchange in Canada on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Board, or, if the Common Shares are not then listed and posted for trading on any stock exchange in Canada, then it shall be the fair market value per Common Share on the third trading day following the day upon which the Blackout Period has expired as determined by the Board in its sole discretion; and for such purposes, the weighted average price per share at which the Common Shares have traded on the TSX or on any other stock exchange shall be calculated by dividing (i) the aggregate sale price for all the Common Shares traded on such stock exchange during the relevant five trading days by (ii) the aggregate number of Common Shares traded on such stock exchange during the relevant five trading days;

"share compensation arrangement" means a stock option plan, stock option, stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares from treasury to any employee, officer or director of the Corporation;

"TSX" means The Toronto Stock Exchange; and

"TSX Company Manual" means the Company Manual of the TSX, as amended from time to time, including such Staff Notices of the TSX from time to time which may supplement the same.

Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan of Arrangement.

3. Administration of the Plan

3.1 The Plan shall be administered by the Board. The Corporation shall effect the grant of Options under the Plan, in accordance with determinations made by the Board pursuant to the provisions of the Plan, including as to:

(a) the directors and the officers and other key full time employees of the Corporation and of its Affiliates to whom Options will be granted;

(b) the number of Common Shares which shall be the subject of each Option; and

(c) any and all terms and conditions in addition to (and not inconsistent with) those contained herein which are to be attached to any or all such Options,

by the execution and delivery of instruments in writing in such form or forms as shall have been approved by the Board.

3.2 The Board may from time to time adopt such policies, guidelines, rules and regulations for administering the Plan as it may deem proper and in the best interests of the Corporation and may, subject to applicable law, delegate any of its powers hereunder to a committee of the Board.

4. Granting of Options

4.1 The Board from time to time may grant Options to such directors of the Corporation and its Affiliates and to such officers and other key full time employees of the Corporation and of its Affiliates as the Board shall determine. Options so granted to Participants who are residents of the United States of America may be (i) Incentive Stock Options, (ii) Options that are not Incentive Stock Options or (iii) a combination of both the foregoing. Each grant of an Option shall be subject to the terms and conditions contained herein and may be subject to additional terms and conditions (not inconsistent herewith) determined by the Board from time to time.

4.2 Without limiting the generality of Section 4.1, the Board may from time to time grant Options in accordance with Section 4.1 during a Blackout Period, provided that in no event shall such Options be exercisable until after the Option Price applicable thereto is fixed by the Board in accordance with Section 4.5.

4.3 The aggregate number of Common Shares reserved by the Corporation for issuance under the Plan from and after February 27, 1998 shall not exceed 6,096,000, subject to adjustment pursuant to Section 7, and the aggregate number of Common Shares so reserved for issuance to any one person shall not exceed 5% of the outstanding Common Shares (on a non-diluted basis); provided, however, for greater certainty that in determining the number of Common Shares that are so reserved for issuance, the Corporation shall include all Common Shares that are reserved for issuance on the exercise of Options that are outstanding at any time on or after February 27, 1998 but shall not include Common Shares issued on the exercise of Options that were exercised at any time prior to February 27, 1998. The aggregate number of Common Shares (i) issued to insiders, within any one-year period, or (ii) issuable to insiders, at any time, under the Plan, when combined with the aggregate number of Common Shares issued or issuable, as the case may be, under any other security based compensation arrangements established or maintained by the Corporation, shall not exceed 10% of the outstanding Common Shares (such limitation is referred to herein as the "insider participation limit"). The Common Shares in respect of which Options are not exercised shall be available for subsequent Options. No fractional shares may be issued under the Plan. Notwithstanding anything in this section to the contrary, the aggregate number of Common Shares actually issued by the Corporation upon the exercise of Incentive Stock Options shall not exceed 800,000 Common Shares. To the extent that any Option has terminated or expired without being fully exercised, or has been cancelled pursuant to Section 5.3 hereof, any unissued Common Shares which have been reserved to be issued upon the exercise of the Option shall become available to be issued upon the exercise of Options subsequently granted under the Plan.

4.4 The Option Price shall be fixed by the Board at the time of grant of each Option and shall be equal to the Fair Market Value at the date such Option is granted.

4.5 Notwithstanding Section 4.4, if the Board grants Options to a Participant during a Blackout Period applicable to such Participant in accordance with Section 4.2, the Option Price fixed by the Board for such Options shall be equal to the greater of (i) the Fair Market Value at the date of the grant of the Options, and (ii) the Post-Blackout Period Value following the end of such Blackout Period.

4.6 An Option must be exercised within a period of time not exceeding seven years from the date of grant of the Option (or such shorter period of time as the Board may determine and specify in connection with the grant of the Option), otherwise the Option shall expire immediately after the applicable period.

4.7 The aggregate number of Options that may be granted under the Plan in any one calendar year shall not exceed 1% of the outstanding shares of the Corporation as of the beginning of the year in which a grant is made. For greater clarity, this Section 4.7 will not apply to the issuance of Arrangement Options as their issuance shall not be treated as a new grant of Options.

5. Exercise of Options

5.1 Subject to the provisions of the Plan and the terms and conditions of the Option, an Option or any portion thereof may be exercised from time to time by delivery to the Corporation at its registered office of a notice in writing signed by the Participant or, in the case of the Participant's death or incapacity, the Participant's legal personal representative and addressed to the Corporation. This notice shall state the intention of the Participant, or, in the case of the Participant's death or incapacity, the Participant's legal personal representative, to exercise the Option or a portion thereof and the number of Common Shares in respect of which the Option is then being exercised, and must be accompanied by payment in full of the applicable Option Price for the Common Shares which are the subject of the exercise.

5.2 Subject to Section 8, a Participant:

(a) may not exercise an Option until the first anniversary of the date of grant of the Option (the "**Date of Grant**");

(b) may exercise the Option, in respect of not more than 20% of the number of Common Shares initially underlying the Option, during each of the four 12-month periods respectively commencing on the first through fourth anniversaries of the Date of Grant and respectively ending on the second through fifth anniversaries of the day immediately preceding the Date of Grant; provided that, notwithstanding the restriction contained in this paragraph (b) of this Section 5.2, if the number of Common Shares in respect of which the Participant exercised the Option during any such 12-month period is less than 20% of the number of Common Shares initially underlying the Option, then the Participant shall have the right, at any time and from time to time thereafter, to purchase such number of Common Shares underlying the Option which were purchasable, but not purchased, by the Participant during such 12-month period; and

(c) may, at any time and from time to time on and after the fifth anniversary of the Date of Grant until the expiry of the Option, exercise the Option in respect of any or all the Common Shares underlying the Option which have not at that time been purchased.

5.3 Where a Participant proposes to purchase Common Shares pursuant to Options granted under this Plan (hereafter called "**Designated Options**"), the Participant or, if applicable, the Participant's legal personal representative, may instead notify the Corporation in writing that the Participant or, if applicable, the Participant's legal personal representative, elects to dispose of some or all of the Options to the Corporation (the "**Cancelled Options**"), in which event the Corporation shall pay to the Participant or, if applicable, the Participant's legal personal representative, in respect of the Cancelled Options additional compensation equal to the difference between the Fair Market Value of the Common Shares on the date on which such election is received by the Corporation and the Option Price specified in such Cancelled Options (as it may be modified under Section 7 hereof). Upon such payment being made, all Cancelled Options shall thereupon be cancelled. Notwithstanding the foregoing, the Board may, in its sole and unfettered discretion, decline to permit the acquisition of such Cancelled Options by the

Corporation by providing written notice to that effect to the Participant or, if applicable, the Participant's legal personal representative at any time within 21 days following the date on which the Corporation receives the notice referred to in the first sentence of this section. In the event that the Board exercises its discretion in the manner contemplated in the next preceding sentence, the provisions of Section 5.1 shall apply to the exercise of the applicable Options and the provisions of this section shall have no further application to such Options.

5.4 Pursuant to this Plan, the Corporation may effect any and all withholdings or deductions (including from a Participant's other income) that may be required for income tax purposes under all applicable legislation, regulation and policy. Where there are insufficient funds to satisfy the required withholding, the Participant shall make such other arrangements with the Corporation to satisfy such withholding that is acceptable to the Corporation.

6. Non-Assignability of Options

Each Option granted to a Participant is non-assignable and non-transferable and, except in the case of the Participant's death or incapacity, shall be exercisable only by the Participant.

7. Adjustments

Appropriate adjustments in the number of Common Shares subject to the Plan and, with respect to Options granted or to be granted, in the respective numbers of Common Shares optioned and in the respective Option Prices, shall be made by the Board to give effect to adjustments in the number of Common Shares resulting from subdivisions or consolidations of the Common Shares or the payment of stock dividends by the Corporation (other than stock dividends paid in lieu of cash dividends in the ordinary course) or to give effect to reclassifications or conversions of the Common Shares or any other relevant changes in the authorized or issued capital of the Corporation or any other event in respect of which, in the opinion of the Board, such an adjustment would be necessary to preserve the Participants' rights hereunder and under the Options, in all such cases which occur subsequent to the approval of the Plan by the Board.

8. Termination of Employment

8.1 Subject to Sections 8.2, 8.3 and 8.5, all rights to purchase Common Shares pursuant to an Option shall expire and terminate immediately upon the Participant holding such Option ceasing to be a director or officer of the Corporation or its Affiliates or a full time employee of the Corporation or its Affiliates, as applicable, provided that if the employment of a Participant is terminated for cause, such rights held by that Participant shall terminate immediately upon notification being given to the Participant of such termination for cause.

8.2 If, before the expiry of an Option in accordance with the terms thereof, the Participant holding such Option shall cease to be a director or officer of the Corporation or its Affiliates or a full time employee of the Corporation or its Affiliates, as applicable, by reason of retirement at normal retirement age, death or permanent disability of the Participant, the unexercised part of such Option shall become fully vested and may be exercised (including such part, if any, thereof which, but for this Section 8.2, would not otherwise be exercisable) at any time within 120 days of the date the Participant so ceases to be a director or officer or so ceases to be employed, as the case may be.

8.3 Subject to Section 8.5, if, before the expiry of an Option in accordance with the terms thereof, the Participant holding such Option shall cease to be a director or officer of the Corporation or its Affiliates or a full time employee of the Corporation or its Affiliates, as applicable, for any reason whatsoever (including for greater certainty, by reason of early retirement or voluntary resignation) other than by reason of retirement at normal retirement age, death, permanent disability or termination for cause, such Option may be exercised at any time within 90 days of the date the Participant so ceases to be a director or officer or so ceases to be employed, as the case may be, but only to the extent that the Participant was entitled to exercise such Option as at that date.

8.4 For greater certainty, in the case of a Participant ceasing to be a director, officer or full time employee of the Corporation or its Affiliates in the circumstances set out in Section 8.2, 8.3 or 8.5, the date the Participant ceases to be a director, officer or employee of the Corporation or any of its Affiliates, as the case may be, shall be considered to be the last date on which the Participant is actively at work or such later date for exercising an Option as the notice provisions of the applicable employment standards act may require, if any, and without regard to any contractual or common law notice period that might apply to such termination or any period during which the Participant receives termination or severance pay.

8.5 If, before the expiry of an Option in accordance with the terms thereof, the directorship or employment as an officer or full time employee with the Corporation or with its Affiliates of the Participant holding such Option is terminated by the Corporation or its Affiliates in circumstances where:

(a) such termination occurs:

(i) subsequent to a Control Change and during the Control Change Period; or

(ii) prior to the date on which a Control Change occurs and it is reasonably demonstrated that such termination:

(A) was at the request of a third party who has taken steps reasonably calculated to effect a Control Change; or

(B) otherwise arose in connection with or anticipation of a Control Change; and

(iii) such termination was for any reason whatsoever other than early retirement, retirement at normal retirement age, death, permanent disability or termination for cause,

then the unexercised part of such Option shall become fully vested and may be exercised (including such part, if any, thereof which, but for this Section 8.5, would not otherwise be exercisable) at any time within 90 days of the date the Participant so ceases to be a director or officer or so ceases to be employed, as the case may be. Notwithstanding the foregoing provisions of this Section 8.5, the Board may, in its sole and absolute discretion, provide in the instrument in writing evidencing the grant of an Option a provision to the effect that this Section 8.5 shall not apply in respect of that Option or shall apply on such modified basis as is expressly set forth in such instrument in writing.

8.6 For the purposes of Sections 8.2, 8.3 and 8.5, the terms "retirement at normal retirement age" and "early retirement", when used in relation to any particular Participant, shall respectively refer to the retirement at normal retirement age and the early retirement of such Participant in accordance with the retirement policies or plans of the Corporation or any of its Affiliates which are applicable to such Participant at the relevant time.

8.7 The Plan does not confer upon a Participant any right with respect to continuation as a director or officer or full time employee with the Corporation or any Affiliate of the Corporation, nor does it interfere in any way with the right of a Participant or the Corporation or any Affiliate of the Corporation to terminate the Participant's directorship, appointment as an officer or employment at any time.

8.8 Options shall not be affected by any change of employment of the Participant so long as the Participant continues to be employed on a full time basis by the Corporation or by any of its Affiliates.

9. Decisions of the Board

All decisions and interpretations of the Board respecting the Plan or any Options shall be conclusive and binding on the Corporation and the Participants and their respective legal personal representatives and on all directors of the Corporation or its Affiliates and on all officers and other full time employees of the Corporation and of its Affiliates who, under the provisions of the Plan, may be eligible to participate herein.

10. Amendment or Discontinuance of Plan

10.1 The Board may amend, suspend, discontinue or terminate the Plan and any outstanding Option granted hereunder, in whole or in part, at any time without notice to or approval by the shareholders of the Corporation (provided that, in the case of any action taken in respect of an outstanding Option, the consent of the Participant holder of such Option to such action shall be required unless the Board determines that the action would not materially and adversely affect such Participant), for any purpose whatsoever, provided that all material amendments to the Plan shall require the prior approval of the shareholders of the Corporation. Examples of the types of amendments that the Board is entitled to make without shareholder approval include the following:

(a) ensuring continuing compliance with applicable laws, regulations, requirements, rules or policies of any governmental authority or any stock exchange;

(b) amendments of a "housekeeping" nature which include amendments to eliminate any ambiguity or correct or supplement any provision contained herein which may be incorrect or incompatible with any other provision hereof;

(c) changing the vesting provisions of the Plan or any Option;

(d) changing the termination provisions of the Plan or any Option which does not entail an extension beyond the originally scheduled expiry date of that Option; and

(e) adding a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying Common Shares from the Plan reserve.

10.2 Notwithstanding anything contained herein to the contrary, no amendment to the Plan requiring the approval of the shareholders of the Corporation under any applicable securities laws or requirements shall become effective until such approval is obtained. In addition to the foregoing, the approval of the holders of a majority of the Common Shares present and voting in person or by proxy at a meeting of shareholders shall be required for:

(a) any amendment to the provisions of this Section 10 which is not an amendment within the nature of Section 10.1(a) or Section 10.1(b);

(b) any increase in the maximum number of Common Shares issuable under the Plan (other than pursuant to Section 7);

(c) any reduction in the Option Price or extension of the period during which an Option may be exercised benefiting an insider,

(d) any amendment to the definition of Participant;

(e) any amendment to Section 6; and

(f) any amendment to remove or to exceed the insider participation limit set out in section 4.3.

provided that, in the case of an amendment referred to in Section 10.2(c) or Section 10.2(f), insiders of the Corporation who benefit from such amendment are not eligible to vote their Common Shares in respect of the approval.

10.3 For the purposes of this Section 10, an amendment does not include an accelerated expiry of an Option by reason of the fact that a Participant ceases to be a director, officer or employee of the Corporation or any of its Affiliates.

10.4 The shareholders' approval of an amendment, if required pursuant to the terms hereof, shall be given by approval of the holders of a majority of the Common Shares present and voting in person or by proxy at a duly called meeting of the shareholders. Options may be granted under the Plan prior to the approval of the amendment, provided that no Common Shares may be issued pursuant to the amended terms of the Plan until the shareholders' approval of the amendment has been obtained.

11. Government Regulation

The Corporation's obligation to issue and deliver Common Shares under any Option is subject to:

(a) the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale of such Common Shares;

(b) the admission of such Common Shares to listing on any stock exchange on which Common Shares may then be listed; and

(c) the receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Common Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection, the Corporation shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Common Shares in compliance with applicable securities laws and for the listing of such Common Shares on any stock exchange on which Common Shares are then listed.

12. Participants' Rights

A Participant shall not have any rights as a shareholder of the Corporation in respect of any Common Shares issuable pursuant to an Option until the issuance of Common Shares upon the exercise of the Option or a portion thereof, and then only with respect to the Common Shares so issued.

13. Term of Plan

Unless:

(a) discontinued earlier pursuant to Section 10 hereof; or

(b) renewed or further renewed from time to time by a resolution of the Board for a period of time, not to exceed 3 years, as specified in such resolution,

the Plan shall terminate at 5:00 p.m. (Toronto, Ontario time) on April 15, 2013, or on the last day of the final renewal term, as the case may be; provided that any termination of the Plan in accordance with this Section 13 shall not alter or impair any Option previously granted.

14. Arrangement Options

14.1 For all purposes under the Plan, Arrangement Options shall be deemed to be a continuation of the Outstanding Options for which they are exchanged as part of the Plan of Arrangement, and the grant of Arrangement Options shall not be treated as a new grant of

Options. Accordingly, the date on which an Arrangement Option is granted for purposes of the Plan shall be deemed to be the date of the grant of the Outstanding Option for which such Arrangement Option was exchanged as part of the Plan of Arrangement.

14.2 Notwithstanding anything contained herein to the contrary, each person that is a Participant immediately prior to the Effective Time that, due to or in connection with the Arrangement, becomes a director or officer of Amalco or one of its Affiliates or a full time employee of Amalco or one of its Affiliates (each such person, an "**Arrangement Participant**") shall be permitted, for so long as such Arrangement Participant remains a director or officer or full time employee, as applicable, of Amalco or one of its Affiliates, to hold and exercise his or her Arrangement Options in accordance with their terms as though such Arrangement Participant is a director or officer or full time employee, as applicable, of the Corporation or one of its Affiliates. Upon any Arrangement Participant ceasing to be a director or officer or full time employee of Amalco or one of its Affiliates, provided that at such time such Arrangement Participant is not, or does not concurrently become, a director or officer or full time employee of the Corporation or one of its Affiliates, such Arrangement Participant shall be treated for the purposes of the Plan as having ceased to be so employed with the Corporation and its Affiliates and such Arrangement Participant's Arrangement Options shall be dealt with in accordance with Section 8 of the Plan.

SCHEDULE "A"

Plan of Arrangement

[see above]

EXHIBIT III

Spinco Stock Option Plan

See attached.

ENERFLEX LTD.
STOCK OPTION PLAN (2011)

1. Purpose of the Plan

The purpose of the Plan is to encourage certain directors, officers and other key full time employees of the Corporation and of its Affiliates to acquire an increased proprietary interest in the Corporation through share options.

2. Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

"Affiliate" shall have the meaning ascribed to that term by the *Securities Act* (Alberta), as such statute is amended, re-enacted or replaced from time to time;

"Amalco" means Enerflex Ltd., the corporation existing under the CBCA continuing from the amalgamation of Enerflex Ltd. and 7787014 Canada Inc. pursuant to the Plan of Arrangement, and its successors;

"Amalco Common Shares" means the common shares in the capital of Amalco as constituted on the Effective Date or any shares, securities or other property into which such shares are changed, reclassified, subdivided, consolidated or converted or which is substituted for such shares, or as such shares, securities or other property may further be changed, reclassified, subdivided, consolidated, converted or substituted;

"Arrangement Options" means Options issued as part of the Plan of Arrangement in partial exchange for Outstanding Toromont Options;

"Blackout Period" means a period when the Participant is prohibited from trading in the Corporation's securities pursuant to (i) securities regulatory requirements, (ii) the Corporation's written policies then applicable, or (iii) a notice in writing to the Participant by a senior officer or director of the Corporation;

"Board" means the board of directors of the Corporation;

"Business Day" means any day other than a Saturday or Sunday on which the TSX is open for trading;

"CBCA" means the *Canada Business Corporations Act*, as such statute is amended, re-enacted or replaced from time to time;

"Common Shares" means the common shares in the capital of the Corporation as presently constituted or any shares, securities or other property into which such shares are changed, reclassified, subdivided, consolidated or converted or which is substituted for such shares, or as such shares, securities or other property may further be changed, reclassified, subdivided, consolidated, converted or substituted;

"Control Change" means the occurrence of any of (i) the purchase or acquisition of shares of the Corporation and/or securities (**"Convertible Securities"**) convertible into or exchangeable for shares of the Corporation or carrying the right to acquire shares of the Corporation as a result of which a person, group of persons or persons acting jointly or in concert, or persons associated or affiliated within the meaning of the CBCA with any such person, group of persons or any of such persons acting jointly or in concert (excluding, for this purpose, any employee benefit or other plan of the Corporation) (collectively, the **"Holders"**) beneficially own or exercise control or direction over shares of the Corporation and/or Convertible Securities such that, assuming only the conversion of Convertible Securities beneficially owned by the Holders, the Holders would beneficially own shares which would entitle the holders thereof to cast more than 35% of the votes attaching to all shares in the capital of the Corporation which may be cast to elect directors of the Corporation; or (ii) Incumbent Directors ceasing to constitute a majority of the board of directors of the Corporation; or (iii) approval by the shareholders of the Corporation of an amalgamation, arrangement, merger or other consolidation of the Corporation with another corporation pursuant to which the shareholders of the Corporation immediately prior thereto do not immediately thereafter own shares of the successor or continuing corporation which would entitle them to cast more than 50% of the votes attaching to all shares in the capital of the successor or continuing corporation which may be cast to elect directors of that corporation; or (iv) a liquidation, dissolution or winding up of the Corporation or a sale, lease or other disposition of all or substantially all the assets of the Corporation other than a sale, lease or other disposition to a subsidiary of the Corporation or which does not result in a change in the ultimate shareholders of the Corporation or such subsidiary, and, for greater certainty, the transactions effected pursuant to the Plan of Arrangement shall not constitute a Control Change as defined herein;

"Control Change Period" means the period commencing on the date of occurrence of a Control Change and ending on the third anniversary of that date;

"Corporation" means 7787014 Canada Inc., and includes any successor corporation thereof;

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

"Fair Market Value" means, at any date, the weighted average price per share at which the Common Shares have traded on the TSX during the last five trading days prior to that date on which at least a board lot of Common Shares has so traded or, if the Common Shares are not then listed and posted for trading on the TSX, then on such stock exchange in Canada on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Board, or, if the Common Shares are not then listed and posted for trading on any stock exchange in Canada, then it shall be the fair market value per Common Share as determined by the Board in its sole discretion; and for such purposes, the weighted average price per share at which the Common Shares have traded on the TSX or on any other stock exchange shall be calculated by dividing (i) the aggregate sale price for all the Common Shares traded on such stock exchange during the relevant five trading days by (ii) the aggregate number of Common Shares traded on such stock exchange during the relevant five trading days;

"Incentive Stock Option" means an Option that is intended to qualify as an "incentive stock option" for United States of America federal income tax purposes, which intention shall be expressed in the instrument in writing effecting the grant of such Option;

"insider" means an "insider" (as defined in the TSX Company Manual) of the Corporation;

"Incumbent Director" means any member of the board of directors of the Corporation who was a member of the board of directors of the Corporation immediately prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Control Change and any successor to an Incumbent Director who was elected or appointed to succeed any Incumbent Director by the affirmative vote of the directors, including a majority of the Incumbent Directors then on the board of directors of the Corporation;

"Option" means an option to purchase Common Shares granted in accordance with the Plan by the Board to a director of the Corporation or an Affiliate thereof or to an officer or other key full time employee of the Corporation or an Affiliate thereof, subject to the provisions contained herein;

"Option Price" means, in respect of any particular Option, the price per share at which Common Shares may be purchased under that Option, as the same may be adjusted in accordance with Section 7 hereof;

"Outstanding Toromont Options" means options to acquire common shares of Toromont outstanding immediately prior to the Effective Time and which, as part of the Plan of Arrangement, were exchanged for Arrangement Options and cancelled;

"Participant" means a director of the Corporation or an Affiliate thereof or an officer or other key full time employee of the Corporation or an Affiliate thereof to whom an Option has been granted and which Option, or a portion thereof, remains unexercised;

"Plan" means the Stock Option Plan of the Corporation as set out herein, as the same may be amended or varied from time to time;

"Plan of Arrangement" means the plan of arrangement proposed under Section 192 of the CBCA, a copy of which is attached as Schedule A to this Plan;

"Post-Blackout Period Value" means the weighted average price per share at which the Common Shares have traded on the TSX during the five trading days following the day upon which the relevant Blackout Period has expired on which at least a board lot of Common Shares has so traded or, if the Common Shares are not then listed and posted for trading on the TSX, then on such stock exchange in Canada on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Board, or, if the Common Shares are not then listed and posted for trading on any stock exchange in Canada, then it shall be the fair market value per Common Share on the third trading day following the day upon which the Blackout Period has expired as determined by the Board in its sole discretion; and for such purposes, the weighted average price per share at which the Common Shares have traded on the TSX or on any other stock exchange shall be calculated by dividing (i) the aggregate sale price for all the Common Shares traded on such stock exchange during the relevant five trading days by (ii) the aggregate number of Common Shares traded on such stock exchange during the relevant five trading days;

"share compensation arrangement" means a stock option plan, stock option, stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares from treasury to any employee, officer or director of the Corporation;

"Toromont" means Toromont Industries Ltd.;

"TSX" means The Toronto Stock Exchange; and

"TSX Company Manual" means the Company Manual of the TSX, as amended from time to time, including such Staff Notices of the TSX from time to time which may supplement the same.

Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan of Arrangement.

3. Administration of the Plan

3.1 The Plan shall be administered by the Board. The Corporation shall effect the grant of Options under the Plan, in accordance with determinations made by the Board pursuant to the provisions of the Plan, including as to:

(a) the directors and the officers and other key full time employees of the Corporation and of its Affiliates to whom Options will be granted;

(b) the number of Common Shares which shall be the subject of each Option; and

(c) any and all terms and conditions in addition to (and not inconsistent with) those contained herein which are to be attached to any or all such Options,

by the execution and delivery of instruments in writing in such form or forms as shall have been approved by the Board.

3.2 The Board may from time to time adopt such policies, guidelines, rules and regulations for administering the Plan as it may deem proper and in the best interests of the Corporation and may, subject to applicable law, delegate any of its powers hereunder to a committee of the Board. The day-to-day administration of the Plan may be delegated to such officers and employees of the Corporation or its subsidiaries as the Board determines. The Board may also appoint or engage a trustee, custodian or administrator to administer or implement the Plan.

4. Granting of Options

4.1 The Board from time to time may grant Options to such directors of the Corporation and its Affiliates and to such officers and other key full time employees of the Corporation and of its Affiliates as the Board shall determine. Options so granted to Participants who are residents of the United States of America may be (i) Incentive Stock Options, (ii) Options that are not Incentive Stock Options or (iii) a combination of both the foregoing. Each grant of an Option shall be subject to the terms and conditions contained herein and may be subject to additional terms and conditions (not inconsistent herewith) determined by the Board from time to time.

4.2 Without limiting the generality of Section 4.1, the Board may from time to time grant Options in accordance with Section 4.1 during a Blackout Period, provided that in no event shall such Options be exercisable until after the Option Price applicable thereto is fixed by the Board in accordance with Section 4.5.

4.3 The aggregate number of Common Shares reserved by the Corporation for issuance under the Plan shall not exceed [●] [***Note to Reader: The number of Common Shares reserved for issuance will be inserted in this Section 4.3 on the Effective Date. It will be equal to 10% of the issued and outstanding Amalco Common Shares on the Effective Date immediately following completion of the Arrangement.***], subject to adjustment pursuant to Section 7, and the aggregate number of Common Shares so reserved for issuance to any one person shall not exceed 5% of the issued and outstanding Common Shares (on a non-diluted basis). The aggregate number of Common Shares (i) issued to insiders, within any one-year period, or (ii) issuable to insiders, at any time, under the Plan, when combined with the aggregate number of Common Shares issued or issuable, as the case may be, under any other security based compensation arrangements established or maintained by the Corporation, shall not exceed 10% of the issued and outstanding Common Shares (such limitation is referred to herein as the "insider participation limit"). The Common Shares in respect of which Options are not exercised shall be available for subsequent Options. No fractional shares may be issued under the Plan. Notwithstanding anything in this section to the contrary, the aggregate number of Common Shares actually issued by the Corporation upon the exercise of Incentive Stock Options shall not exceed 800,000 Common Shares. To the extent that any Option has terminated or expired without being fully exercised, or has been cancelled pursuant to section 5.3 hereof, any unissued Common Shares which have been reserved to be issued upon the exercise of the Option shall become available to be issued upon the exercise of Options subsequently granted under the Plan.

4.4 The Option Price shall be fixed by the Board at the time of grant of each Option and shall be equal to the Fair Market Value at the date such Option is granted.

4.5 Notwithstanding Section 4.4, if the Board grants Options to a Participant during a Blackout Period applicable to such Participant in accordance with Section 4.2, the Option Price fixed by the Board for such Options shall be equal to the greater of (i) the Fair Market Value at the date of the grant of the Options, and (ii) the Post-Blackout Period Value following the end of such Blackout Period.

4.6 An Option must be exercised within a period of time not exceeding seven years from the date of grant of the Option (or such shorter period of time as the Board may determine and specify in connection with the grant of the Option), otherwise the Option shall expire immediately after the applicable period.

4.7 The aggregate number of Options that may be granted under the Plan in any one calendar year shall not exceed 1% of the issued and outstanding shares of the Corporation as of the beginning of the year in which a grant is made (or as of the Effective Time for the purposes of the 2011 calendar year). As the issuance of Arrangement Options shall not be treated as a new grant of Options, this Section 4.7 shall not apply to the issuance of Arrangement Options.

5. Exercise of Options

5.1 Subject to the provisions of the Plan and the terms and conditions of the Option, an Option or any portion thereof may be exercised from time to time by delivery to the Corporation at its registered office of a notice in writing signed by the Participant or, in the case of the Participant's death or incapacity, the Participant's legal personal representative and addressed to the Corporation. This notice shall state the intention of the Participant, or, in the case of the Participant's death or incapacity, the Participant's legal personal representative, to exercise the Option or a portion thereof and the number of Common Shares in respect of which the Option is then being exercised, and must be accompanied by payment in full of the applicable Option Price for the Common Shares which are the subject of the exercise.

5.2 Subject to Section 8, a Participant:

(a) may not exercise an Option until the first anniversary of the date of grant of the Option (the "**Date of Grant**");

(b) may exercise the Option, in respect of not more than 20% of the number of Common Shares initially underlying the Option, during each of the four 12-month periods respectively commencing on the first through fourth anniversaries of the Date of Grant and respectively ending on the second through fifth anniversaries of the day immediately preceding the Date of Grant; provided that, notwithstanding the restriction contained in this paragraph (b) of this Section 5.2, if the number of Common Shares in respect of which the Participant exercised the Option during any such 12-month period is less than 20% of the number of Common Shares initially underlying the Option, then the Participant shall have the right, at any time and from time to time thereafter, to purchase such number of Common Shares underlying the Option which were purchasable, but not purchased, by the Participant during such 12-month period; and

(c) may, at any time and from time to time on and after the fifth anniversary of the Date of Grant until the expiry of the Option, exercise the Option in respect of any or all the Common Shares underlying the Option which have not at that time been purchased.

5.3 Where a Participant proposes to purchase Common Shares pursuant to Options granted under this Plan (hereafter called "**Designated Options**"), the Participant or, if applicable, the Participant's legal personal representative, may instead notify the Corporation in writing that the Participant or, if applicable, the Participant's legal personal representative, elects to dispose of some or all of the Options to the Corporation (the "**Cancelled Options**"), in which event the Corporation shall pay to the Participant or, if applicable, the Participant's legal personal representative, in respect of the Cancelled Options additional compensation equal to the difference between the Fair Market Value of the Common Shares on the date on which such election is received by the Corporation and the Option Price specified in such Cancelled Options (as it may be modified under Section 7 hereof). Upon such payment being made, all Cancelled Options shall thereupon be cancelled. Notwithstanding the foregoing, the Board may, in its sole and unfettered discretion, decline to permit the acquisition of such Cancelled Options by the Corporation by providing written notice to that effect to the Participant or, if applicable, the Participant's legal personal representative at any time within 21 days following the date on which the Corporation receives the notice referred to in the first sentence of this section. In the event that the Board exercises its discretion in the manner contemplated in the next preceding sentence, the provisions of Section 5.1 shall apply to the exercise of the applicable Options and the provisions of this section shall have no further application to such Options.

5.4 Pursuant to this Plan, the Corporation may effect any and all withholdings or deductions (including from a Participant's other income) that may be required for income tax purposes under all applicable legislation, regulation and policy. Where there are insufficient funds to satisfy the required withholding, the Participant shall make such other arrangements with the Corporation to satisfy such withholding that is acceptable to the Corporation.

6. Non-Assignability of Options

Each Option granted to a Participant is non-assignable and non-transferable and, except in the case of the Participant's death or incapacity, shall be exercisable only by the Participant.

7. Adjustments

Appropriate adjustments in the number of Common Shares subject to the Plan and, with respect to Options granted or to be granted, in the respective numbers of Common Shares optioned and in the respective Option Prices, shall be made by the Board to give effect to adjustments in the number of Common Shares resulting from subdivisions or consolidations of the Common Shares or the payment of stock dividends by the Corporation (other than stock dividends paid in lieu of cash dividends in the ordinary course) or to give effect to reclassifications or conversions of the Common Shares or any other relevant changes in the authorized or issued capital of the Corporation or any other event in respect of which, in the opinion of the Board, such an adjustment would be necessary to preserve the Participants' rights hereunder and under the Options, in all such cases which occur subsequent to the approval of the Plan by the Board.

8. Termination of Employment

8.1 Subject to Sections 8.2, 8.3 and 8.5, all rights to purchase Common Shares pursuant to an Option shall expire and terminate immediately upon the Participant holding such Option ceasing to be a director or officer of the Corporation or its Affiliates or a full time employee of the Corporation or its Affiliates, as applicable, provided that if the employment of a Participant is terminated for cause, such rights held by that Participant shall terminate immediately upon notification being given to the Participant of such termination for cause.

8.2 If, before the expiry of an Option in accordance with the terms thereof, the Participant holding such Option shall cease to be a director or officer of the Corporation or its Affiliates or a full time employee of the Corporation or its Affiliates, as applicable, by reason of retirement at normal retirement age, death or permanent disability of the Participant, the unexercised part of such Option shall become fully vested and may be exercised (including such part, if any, thereof which, but for this Section 8.2, would not otherwise be exercisable) at any time within 120 days of the date the Participant so ceases to be a director or officer or so ceases to be employed, as the case may be.

8.3 Subject to Section 8.5, if, before the expiry of an Option in accordance with the terms thereof, the Participant holding such Option shall cease to be a director or officer of the Corporation or its Affiliates or a full time employee of the Corporation or its Affiliates, as applicable, for any reason whatsoever (including for greater certainty, by reason of early retirement or voluntary resignation) other than by reason of retirement at normal retirement age, death, permanent disability or termination for cause, such Option may be exercised at any time within 90 days of the date the Participant so ceases to be a director or officer or so ceases to be employed, as the case may be, but only to the extent that the Participant was entitled to exercise such Option as at that date.

8.4 For greater certainty, in the case of a Participant ceasing to be a director, officer or full time employee of the Corporation or its Affiliates in the circumstances set out in Section 8.2, 8.3 or 8.5, the date the Participant ceases to be a director, officer or employee of the Corporation or any of its Affiliates, as the case may be, shall be considered to be the last date on which the Participant is actively at work or such later date for exercising an Option as the notice provisions of the applicable employment standards act may require, if any, and without regard to any contractual or common law notice period that might apply to such termination or any period during which the Participant receives termination or severance pay.

8.5 If, before the expiry of an Option in accordance with the terms thereof, the directorship or employment as an officer or full time employee with the Corporation or with its Affiliates of the Participant holding such Option is terminated by the Corporation or its Affiliates in circumstances where:

(a) such termination occurs:

  (i) subsequent to a Control Change and during the Control Change Period; or

  (ii) prior to the date on which a Control Change occurs and it is reasonably demonstrated that such termination:

    (A) was at the request of a third party who has taken steps reasonably calculated to effect a Control Change; or

    (B) otherwise arose in connection with or anticipation of a Control Change; and

(iii) such termination was for any reason whatsoever other than early retirement, retirement at normal retirement age, death, permanent disability or termination for cause,

then the unexercised part of such Option shall become fully vested and may be exercised (including such part, if any, thereof which, but for this Section 8.5, would not otherwise be exercisable) at any time within 90 days of the date the Participant so ceases to be a director or officer or so ceases to be employed, as the case may be. Notwithstanding the foregoing provisions of this Section 8.5, the Board may, in its sole and absolute discretion, provide in the instrument in writing evidencing the grant of an Option a provision to the effect that this Section 8.5 shall not apply in respect of that Option or shall apply on such modified basis as is expressly set forth in such instrument in writing.

8.6 For the purposes of Sections 8.2, 8.3 and 8.5, the terms "retirement at normal retirement age" and "early retirement", when used in relation to any particular Participant, shall respectively refer to the retirement at normal retirement age and the early retirement of such Participant in accordance with the retirement policies or plans of the Corporation or any of its Affiliates which are applicable to such Participant at the relevant time.

8.7 The Plan does not confer upon a Participant any right with respect to continuation as a director or officer or full time employee with the Corporation or any Affiliate of the Corporation, nor does it interfere in any way with the right of a Participant or the Corporation or any Affiliate of the Corporation to terminate the Participant's directorship, appointment as an officer or employment at any time.

8.8 Options shall not be affected by any change of employment of the Participant so long as the Participant continues to be employed on a full time basis by the Corporation or by any of its Affiliates.

9. Decisions of the Board

All decisions and interpretations of the Board respecting the Plan or any Options shall be conclusive and binding on the Corporation and the Participants and their respective legal personal representatives and on all directors of the Corporation or its Affiliates and on all officers and other full time employees of the Corporation and of its Affiliates who, under the provisions of the Plan, may be eligible to participate herein.

10. Amendment or Discontinuance of Plan

10.1 The Board may amend, suspend, discontinue or terminate the Plan and any outstanding Option granted hereunder, in whole or in part, at any time without notice to or approval by the shareholders of the Corporation (provided that, in the case of any action taken in respect of an outstanding Option, the consent of the Participant holder of such Option to such action shall be required unless the Board determines that the action would not materially and adversely affect such Participant), for any purpose whatsoever, provided that all material amendments to the Plan shall require the prior approval of the shareholders of the Corporation. Examples of the types of amendments that the Board is entitled to make without shareholder approval include the following:

(a) ensuring continuing compliance with applicable laws, regulations, requirements, rules or policies of any governmental authority or any stock exchange;

(b) amendments of a "housekeeping" nature which include amendments to eliminate any ambiguity or correct or supplement any provision contained herein which may be incorrect or incompatible with any other provision hereof;

(c) changing the vesting provisions of the Plan or any Option;

(d) changing the termination provisions of the Plan or any Option which does not entail an extension beyond the originally scheduled expiry date of that Option; and

(e) adding a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying Common Shares from the Plan reserve.

10.2 Notwithstanding anything contained herein to the contrary, no amendment to the Plan requiring the approval of the shareholders of the Corporation under any applicable securities laws or requirements shall become effective until such approval is obtained. In addition to the foregoing, the approval of the holders of a majority of the Common Shares present and voting in person or by proxy at a meeting of shareholders shall be required for:

(a) any amendment to the provisions of this Section 10 which is not an amendment within the nature of Section 10.1(a) or Section 10.1(b);

(b) any increase in the maximum number of Common Shares issuable under the Plan (other than pursuant to Section 7);

(c) any reduction in the Option Price or extension of the period during which an Option may be exercised benefiting an insider,

(d) any amendment to the definition of Participant;

(e) any amendment to Section 6; and

(f) any amendment to remove or to exceed the insider participation limit set out in Section 4.3;

provided that, in the case of an amendment referred to in Section 10.2(c) or Section 10.2(f), insiders who benefit from such amendment are not eligible to vote their Common Shares in respect of the approval.

10.3 For the purposes of this Section 10, an amendment does not include an accelerated expiry of an Option by reason of the fact that a Participant ceases to be a director, officer or employee of the Corporation or any of its Affiliates.

10.4 The shareholders' approval of an amendment, if required pursuant to the terms hereof, shall be given by approval of the holders of a majority of the Common Shares present and voting in person or by proxy at a duly called meeting of the shareholders. Options may be granted under the Plan prior to the approval of the amendment, provided that no Common Shares may be issued pursuant to the amended terms of the Plan until the shareholders' approval of the amendment has been obtained.

11. Government Regulation

The Corporation's obligation to issue and deliver Common Shares under any Option is subject to:

(a) the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale of such Common Shares;

(b) the admission of such Common Shares to listing on any stock exchange on which Common Shares may then be listed; and

(c) the receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Common Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection, the Corporation shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Common Shares in compliance with applicable securities laws and for the listing of such Common Shares on any stock exchange on which Common Shares are then listed.

12. Participants' Rights

A Participant shall not have any rights as a shareholder of the Corporation in respect of any Common Shares issuable pursuant to an Option until the issuance of Common Shares upon the exercise of the Option or a portion thereof, and then only with respect to the Common Shares so issued.

13. Term of Plan

Unless:

(a) discontinued earlier pursuant to Section 10 hereof; or

(b) renewed or further renewed from time to time by a resolution of the Board for a period of time, not to exceed 3 years, as specified in such resolution,

the Plan shall terminate at 5:00 p.m. (Calgary, Alberta time) on the third anniversary of the Effective Date or on the last day of the final renewal term, as the case may be; provided that any termination of the Plan in accordance with this Section 13 shall not alter or impair any Option previously granted.

14. Plan of Arrangement

14.1 Pursuant to the terms of the Plan of Arrangement, this Plan shall be assumed by Amalco on the Effective Date at the time provided for in the Plan of Arrangement and, at such time, each outstanding Option will be deemed an Option to acquire an equivalent number of Amalco Common Shares at the same exercise price and on the same terms as are provided for in such outstanding Option. Accordingly, at and after such time, references to "the Corporation" in this Plan shall be deemed to be references to Amalco.

14.2 For all purposes under the Plan, Arrangement Options granted in exchange for Outstanding Toromont Options pursuant to the Plan of Arrangement shall be deemed to have been originally granted under this Plan but shall also be deemed a continuation of the Outstanding Toromont Options for which they are exchanged as part of the Plan of Arrangement. Accordingly, the date on which an Arrangement Option is granted for purposes of the Plan shall be deemed to be the date of the grant of the Outstanding Toromont Option for which such Arrangement Option was exchanged as part of the Plan of Arrangement notwithstanding that this Plan was not effective at such time.

14.3 Notwithstanding anything contained herein to the contrary, each person that is a director of Toromont or an Affiliate thereof or an officer or full time employee of Toromont or an Affiliate thereof who holds an Outstanding Toromont Option immediately prior to the Effective Time (each such person, an "Arrangement Participant") shall, for so long as such Arrangement Participant remains a director or officer or full time employee, as applicable, of Toromont or one of its Affiliates, be permitted to hold and exercise his or her Arrangement Options in accordance with their terms as though such Arrangement Participant is a director or officer or full time employee, as applicable, of the Corporation or one of its Affiliates and be deemed, as applicable, to be a "Participant" for such purposes. Upon any Arrangement Participant ceasing to be a director or officer or full time employee of Toromont or one of its Affiliates, provided that at such time such Arrangement Participant is not, or does not concurrently become, a director or officer or full time employee of the Corporation or one of its Affiliates, such Arrangement Participant shall be treated for the purposes of the Plan as having ceased to be so employed with the Corporation and its Affiliates and such Arrangement Participant's Arrangement Options shall be dealt with in accordance with Section 8 of the Plan.

SCHEDULE "A"

Plan of Arrangement

[see above]

EXHIBIT IV

Subsequent Amendment to Articles of Toromont Industries Ltd.

The articles of Toromont Industries Ltd./Industries Toromont Ltee (the "Corporation") are amended as follows in accordance with the provisions of the Plan of Arrangement:

(vi) to decrease the authorized capital of the Corporation by cancelling all the Special Shares (referred to as "Toromont Butterfly Shares" in the Plan of Arrangement), whether issued or unissued;

(vii) to decrease the authorized capital of the Corporation by cancelling all the Class A Common Shares, whether issued or unissued;

(viii) to delete paragraph 3 of the Articles of the Corporation in its entirety and replace it with the following to give effect to the foregoing: "The Corporation is authorized to issue an unlimited number of shares to be designated as Preferred Shares, issuable in series, and an unlimited number of shares to be designated as Common Shares. The respective rights, privileges, restrictions and conditions attaching to the Preferred Shares, issuable in series, and Common Shares are set out in the annexed Schedule 1, which is incorporated into and forms a part of this form."; and:

(ix) to delete in its entirety Schedule 1 annexed to the Articles of the Corporation and replace it with the following Schedule 1:

"Schedule 1

A. Preferred Shares

The rights, privileges, restrictions and conditions attaching to the Preferred Shares are as follows:

1. Authority to Issue in One or More Series and Set Terms of Each Such Series

1.1 The Preferred Shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the board of directors.

1.2 The board of directors of the Corporation shall (subject as hereinafter provided), by resolution duly passed before the issue of the Preferred Shares of each series, fix the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the voting rights (if any), the rate or amount of preferential dividends and whether such dividends shall be cumulative or non-cumulative, the date or dates and places of payment thereof, the date or dates from which such preferential dividends shall accrue, the rights of the Corporation to purchase the same and to redeem the same, the consideration and the terms and conditions of any such purchase or redemption, conversion rights, if any, the terms and conditions of any share purchase plan or sinking fund and the restrictions, if any, respecting payment of dividends on any shares ranking junior to the Preferred Shares, the whole subject to the filing of articles of amendment setting forth the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series.

2. Liquidation and Ranking

2.1 The Preferred Shares of each series shall, in the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, be entitled to preference over the Common Shares to the extent of the amount paid up on the Preferred Shares together with an amount equal to the accrued and unpaid dividends thereon and no more. The Preferred Shares of each series may also be given such other preferences over the Common Shares as may be determined as to the respective series authorized to be issued.

2.2 The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

3. Dividends

3.1 No dividends (other than stock dividends in shares of the Corporation ranking junior to the Preferred Shares) shall at any time be declared or paid on or set apart for payment on the Common Shares or on any other shares of the Corporation ranking junior to the Preferred Shares unless all dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on the Common Shares or such other shares of the Corporation ranking junior to the Preferred Shares; nor shall the Corporation call for redemption or purchase for cancellation any of the Preferred Shares (less than the total number of Preferred Shares then outstanding) or any shares of the Corporation ranking junior to the

Preferred Shares unless all dividends up to and including the dividends which shall then be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption or purchase.

4. Conversion

4.1 The holders of the Preferred Shares shall not, as such, be entitled as of right to subscribe for or to purchase or receive the whole or any part of any shares, bonds, debentures or other securities or any rights to acquire the same, which may from time to time be issued by the Corporation except in accordance with any conversion rights set forth in the rights, privileges, restrictions and conditions attaching to the Preferred Shares of any series.

5. Approval of Preferred Shareholders

5.1 The provisions of any or all of the paragraphs of this Section A may be deleted, varied, modified, amended or amplified by articles of amendment but only with the prior approval of the holders of the Preferred Shares given as hereinafter specified in addition to any other approval required by the *Canada Business Corporations Act.*

5.2 The approval of the holders of the Preferred Shares with respect to any and all matters referred to herein may be given in writing by the holders of not less than two-thirds (2/3) of the Preferred Shares for the time being outstanding or by resolution duly passed and carried by not less than two-thirds (2/3) of the votes cast on a poll at a meeting of the holders of the Preferred Shares duly called and held for the purpose of considering the subject matter of such resolution and at which holders of not less than a majority of all Preferred Shares then outstanding are present in person or represented by proxy in accordance with the by-laws of the Corporation; provided, however, that, if at any such meeting, when originally held, the holders of at least a majority of all Preferred Shares then outstanding are not present in person or so represented by proxy within thirty (30) minutes after the time fixed for the meeting, then the meeting shall be adjourned to such date, being not less than fifteen (15) days later, and to such time and place as may be fixed by the chairman of such meeting and, at such adjourned meeting, the holders of Preferred Shares present in person or so represented by proxy, whether or not they hold more or less than a majority of all Preferred Shares then outstanding, may transact the business for which the meeting was originally called, and a resolution duly passed and carried thereat by not less than two-thirds (2/3) of the votes cast on a poll at such adjourned meeting shall constitute the approval of the holders of the Preferred Shares hereinbefore mentioned. Notice of any such original meeting of the holders of the Preferred Shares shall be given not less than twenty-one (21) days prior to the date fixed for such meeting and shall specify in general terms the purpose for which the meeting is called, and notice of any such adjourned meeting shall be given not less than fifteen (15) days prior to the date fixed for such adjourned meeting, but it shall not be necessary to specify in such notice the purpose for which the adjourned meeting is called. The formalities to be observed with respect to the giving of notice of any such original meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders. On every poll taken at any such original meeting or adjourned meeting the holders of Preferred Shares present in person or so represented by proxy shall be entitled to one (1) vote in respect of each Preferred Share held by each of such holders respectively.

B. Common Shares

The rights, privileges, restrictions and conditions attaching to the Common Shares are as follows:

1. Dividends

1.1 Subject to the prior rights of the holders of any shares ranking senior to the Common Shares, the holders of Common Shares shall be entitled to receive dividends and the Corporation shall pay dividends thereon, as and when declared by the board of directors of the Corporation out of moneys properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and all dividends which the Corporation may declare on the Common Shares shall be declared and paid in equal amounts per share on all Common Shares at the time outstanding.

2. Dissolution

2.1 In the event of the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Common Shares shall be entitled to receive the remaining property and assets of the Corporation.

3. Voting Rights

3.1 The holders of the Common Shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have one vote for each Common Share held at all meetings of the shareholders of the Corporation."

EXHIBIT V

Terms and Conditions of the Shares of Amalco

A. Preferred Shares

The rights, privileges, restrictions and conditions attaching to the Preferred Shares are as follows:

1. Authority to Issue in One or More Series and Set Terms of Each Such Series

1.1 The Preferred Shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the board of directors.

1.2 The board of directors of the Corporation shall (subject as hereinafter provided), by resolution duly passed before the issue of the Preferred Shares of each series, fix the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the voting rights (if any), the rate or amount of preferential dividends and whether such dividends shall be cumulative or non-cumulative, the date or dates and places of payment thereof, the date or dates from which such preferential dividends shall accrue, the rights of the Corporation to purchase the same and to redeem the same, the consideration and the terms and conditions of any such purchase or redemption, conversion rights, if any, the terms and conditions of any share purchase plan or sinking fund and the restrictions, if any, respecting payment of dividends on any shares ranking junior to the Preferred Shares, the whole subject to the filing of articles of amendment setting forth the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series.

2. Liquidation and Ranking

2.1 The Preferred Shares of each series shall, in the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, be entitled to preference over the Common Shares to the extent of the amount paid up on the Preferred Shares together with an amount equal to the accrued and unpaid dividends thereon and no more. The Preferred Shares of each series may also be given such other preferences over the Common Shares as may be determined as to the respective series authorized to be issued.

2.2 The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

3. Dividends

3.1 No dividends (other than stock dividends in shares of the Corporation ranking junior to the Preferred Shares) shall at any time be declared or paid on or set apart for payment on the Common Shares or on any other shares of the Corporation ranking junior to the Preferred Shares unless all dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on the Common Shares or such other shares of the Corporation ranking junior to the Preferred Shares; nor shall the Corporation call for redemption or purchase for cancellation any of the Preferred Shares (less than the total number of Preferred Shares then outstanding) or any shares of the Corporation ranking junior to the Preferred Shares unless all dividends up to and including the dividends which shall then be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption or purchase.

4. Conversion

4.1 The holders of the Preferred Shares shall not, as such, be entitled as of right to subscribe for or to purchase or receive the whole or any part of any shares, bonds, debentures or other securities or any rights to acquire the same, which may from time to time be issued by the Corporation except in accordance with any conversion rights set forth in the rights, privileges, restrictions and conditions attaching to the Preferred Shares of any series.

5. Approval of Preferred Shareholders

5.1 The provisions of any or all of the paragraphs of this Section A may be deleted, varied, modified, amended or amplified by articles of amendment but only with the prior approval of the holders of the Preferred Shares given as hereinafter specified in addition to any other approval required by the *Canada Business Corporations Act.*

5.2 The approval of the holders of the Preferred Shares with respect to any and all matters referred to herein may be given in writing by the holders of not less than two-thirds (2/3) of the Preferred Shares for the time being outstanding or by resolution duly passed and carried by not less than two-thirds (2/3) of the votes cast on a poll at a meeting of the holders of the Preferred Shares duly called and held for the purpose of considering the subject matter of such resolution and at which holders of not less than a majority of all Preferred Shares then outstanding are present in person or represented by proxy in accordance with the by-laws of the Corporation; provided, however, that, if at any such meeting, when originally held, the holders of at least a majority of all Preferred Shares then outstanding are not present in person or so represented by proxy within thirty (30) minutes after the time fixed for the meeting, then the meeting shall be adjourned to such date, being not less than fifteen (15) days later, and to such time and place as may be fixed by the chairman of such meeting and, at such adjourned meeting, the holders of Preferred Shares present in person or so represented by proxy, whether or not they hold more or less than a majority of all Preferred Shares then outstanding, may transact the business for which the meeting was originally called, and a resolution duly passed and carried thereat by not less than two-thirds (2/3) of the votes cast on a poll at such adjourned meeting shall constitute the approval of the holders of the Preferred Shares hereinbefore mentioned. Notice of any such original meeting of the holders of the Preferred Shares shall be given not less than twenty-one (21) days prior to the date fixed for such meeting and shall specify in general terms the purpose for which the meeting is called, and notice of any such adjourned meeting shall be given not less than fifteen (15) days prior to the date fixed for such adjourned meeting, but it shall not be necessary to specify in such notice the purpose for which the adjourned meeting is called. The formalities to be observed with respect to the giving of notice of any such original meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders. On every poll taken at any such original meeting or adjourned meeting the holders of Preferred Shares present in person or so represented by proxy shall be entitled to one (1) vote in respect of each Preferred Share held by each of such holders respectively.

B. Common Shares

1. Dividends

1.1 Subject to the prior rights of the holders of any shares ranking senior to the Common Shares with respect to priority in the payment of dividends, the holders of the Common Shares shall be entitled to receive dividends and the Corporation shall pay dividends thereon as and when declared by the board of directors of the Corporation out of moneys properly applicable to the payment of dividends in such amount and in such form as the directors may from time to time determine.

2. Dissolution

2.1 In the event of the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of property of the Corporation among its shareholders for the purpose of winding up its affairs and subject to the prior rights of the holders of any shares ranking senior to the Common Shares with respect to priority in the distribution of property upon dissolution, liquidation, winding up or distribution for the purpose of winding up, the holders of the Common Shares at the time outstanding shall be equally entitled to receive the remaining property and assets of the Corporation on an equal basis per share.

3. Voting

3.1 The holders of the Common Shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have one vote for each Common Share held at all meetings of the shareholders of the Corporation.

4. Equality

4.1 The Common Shares shall have the same rights and attributes and be the same in all respects.

EXHIBIT VI

First Directors of Amalco

Name	Canadian Resident
Stephen J. Savidant (Chairman)	Yes
Blair Goertzen	Yes
Robert Boswell	No
Wayne S. Hill	Yes
H. Stanley Marshall	Yes
Michael A. Weill	No
Kenneth R. Bruce	Yes
W. Byron Dunn	No

APPENDIX B

Form of Tax Indemnity Agreement

TAX INDEMNITY AND COOPERATION AGREEMENT

This tax indemnity and cooperation agreement made as of the ■ day of ■, 2011.

B E T W E E N:

TOROMONT INDUSTRIES LTD., a corporation existing under the federal laws of Canada,

(hereinafter referred to as "**Toromont**")

- and -

ENERFLEX LTD., a corporation existing under the federal laws of Canada,

(hereinafter referred to as "**Amalco**")

WHEREAS pursuant to the Pre-Arrangement Transactions (as defined herein) and the Arrangement (as defined herein) Amalco acquired the Natural Gas Compression and Process Business (as defined herein) of Toromont and the common shares of Amalco were acquired under the Arrangement by the holders of the Toromont common shares;

AND WHEREAS Toromont and Amalco have agreed on the anticipated tax consequences of the Pre-Arrangement Transactions and the Arrangement including, among other things, the transactions under the Arrangement qualifying for the exception in paragraph 55(3)(b) of the Tax Act (as defined herein) to the application of subsection 55(2) of the Tax Act such that no gain was realized by either Toromont or Spinco as a result of such transactions;

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, the parties hereby covenant and agree as follows:

ARTICLE 1

INTERPRETATION

1.1 Definitions.

The capitalized words and expressions and variations thereof used in this Agreement or in its schedules shall have the meanings ascribed to them as set forth herein.

"**Affiliate**" has the meaning given to that term in the CBCA.

"**Agreement**" means this tax indemnity and cooperation agreement between the Parties, as the same may be amended from time to time.

"**Amalco Group**" means Amalco and its Affiliates, whether held directly or indirectly, and, where the context requires, shall include Enerflex and/or Spinco.

"**Amalco Indemnified Parties**" has the meaning set forth in Section 3.1.

"**Arrangement**" means the arrangement under the provisions of section 192 of the CBCA on the terms set forth in the Plan of Arrangement, which became effective as of the Effective Date, subject to any amendment or supplement thereto made in accordance with the Arrangement Agreement, the Plan of Arrangement or at the direction of the Court.

"**Arrangement Agreement**" means the arrangement agreement dated as of March 21, 2011 among Toromont, Enerflex and Spinco with respect to the Arrangement.

"**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in the City of Toronto, Ontario.

"**CBCA**" means the *Canada Business Corporations Act*, as amended.

"**Claim**" means any assessment or reassessment, tax inquiry, audit, examination, investigation, dispute, litigation or other proceeding that could result in any Tax liability under the Tax Act or any applicable provincial income tax legislation to an Indemnified Party.

"**CRA**" means the Canada Revenue Agency.

"**Effective Date**" means the effective date of the Arrangement, being the date shown on the certificate of arrangement issued by the CBCA Director giving effect to the Arrangement.

"**Effective Time**" means 12:01 a.m. (EST) on the Effective Date.

"**Enerflex**" means Enerflex Ltd., a predecessor corporation of Amalco that existed prior to the amalgamation of Enerflex and Spinco pursuant to the Arrangement to form Amalco on the Effective Date;

"**Enerflex Shares**" means common shares in the capital of Enerflex.

"**Final Determination**" means with respect to any issue (a) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final and is not subject to further appeal, (b) a closing agreement or any other binding settlement agreement entered into in connection with or in contemplation of an administrative or judicial proceeding by the relevant taxation authority, or (c) the completion of the highest level of administrative proceedings if a judicial contest is not or is no longer available.

"**Group**" means the Toromont Group or the Amalco Group, as the context requires.

"**Indemnified Party**" has the meaning set forth in Section 4.1.

"Indemnitor" has the meaning set forth in Section 4.1.

"Liabilities" means any loss, liability, damage, cost, expense, charge, fine, penalty or assessment of whatever nature or kind, including Taxes, the reasonable out-of-pocket costs and expenses of any action, suit, proceeding, demand, assessment, judgment, settlement or compromise relating thereto, interest, fines and penalties and reasonable legal fees (on a solicitor and its own client basis) and expenses incurred in connection therewith, excluding loss of profits.

"Natural Gas Compression and Process Business" means the businesses currently carried on by the Amalco Group for the design, engineering, fabrication, sale, rental and servicing of natural gas compression and production and process systems and includes all the assets and liabilities pertaining thereto or otherwise held by any member of the Amalco Group immediately following the Effective Time after giving effect to the Arrangement.

"Party" means a party to this Agreement.

"Person" means and includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, trustee, executor, administrator or other legal representative and the Crown or any agency or instrumentality thereof.

"Plan of Arrangement" means the plan of arrangement set out as Appendix A of the Arrangement Agreement, as the same may be amended from time to time.

"Pre-Arrangement Transactions" means the transactions referred to in the Tax Ruling, which transactions consolidated the Gas Compression Business under the ownership, both direct and indirect, of Enerflex.

"Relevant Tax Period" means any taxable year or other tax period that (i) ends on or before the Effective Date or (ii) begins before and ends after the Effective Date.

"Spinco" means 7787014 Canada Inc., a predecessor corporation of Amalco that existed prior to the amalgamation of Spinco and Enerflex pursuant to the Arrangement to form Amalco on the Effective Date.

"Tax" or **"Taxes"** whether used in the form of a noun or adjective, means all forms of taxation, whenever created or imposed, including, but not limited to, taxes on or measured by income, capital, franchise, gross receipts, sales, use, excise, payroll, personal property (tangible or intangible), real property, ad-valorem, value-added, goods and services, leasing, leasing use or other taxes, levies, imposts, duties, charges or withholdings of any nature whether imposed by a country, locality, municipality, government, state, province, federation, or other Governmental Authority, including any penalties, fines and additions to tax and any interest on tax, compounded or otherwise.

"Tax Act" means the *Income Tax Act* (Canada), as amended.

"Tax Returns" means all reports, returns, information statements, questionnaires or other documents or data (whether in printed, electronic or other form) required to be filed or that may be filed for any period in connection with any Tax or Taxes.

"Tax Ruling" means advance income tax rulings and opinions from the CRA confirming the Canadian federal income tax consequences of the spinoff by Toromont of the Enerflex Shares under the Arrangement and certain other transactions.

"Toromont Group" means Toromont and its Affiliates, whether held directly or indirectly; for greater certainty, in all circumstances "Toromont Group" excludes the Amalco Group.

"Toromont Indemnified Parties" has the meaning set forth in Section 3.2 of this Agreement.

1.2 Construction.

In this Agreement, unless otherwise expressly stated or the context otherwise requires:

(a) the division of this Agreement into Articles and Sections and the use of headings are for convenience of reference only and do not affect the construction or interpretation hereof;

(b) the words "hereunder", "hereof" and similar expressions refer to this Agreement and not to any particular Article or Section and references to "Articles" and "Sections" are to Articles and Sections of this Agreement;

(c) words importing the singular include the plural and vice versa, words importing any gender include all genders and words importing persons include individuals, corporations, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures, governmental authorities and other entities;

(d) the word "including" means "including without limiting the generality of the foregoing"; and

(e) if any date on which any action is required to be taken under this Agreement is not a Business Day, such action will be required to be taken on the next succeeding Business Day.

ARTICLE 2

COVENANTS

2.1 **Covenants of Toromont in Favour of Amalco.**

(a) Toromont covenants that it shall not, and that it shall cause each other member of the Toromont Group not to, enter into any transaction or permit any transaction within its control to occur that would cause Toromont or any other member of the Toromont Group that is a corporation to cease to be a "specified corporation" (within the meaning of the Tax Act) as at the Effective Date, except as contemplated in the Tax Ruling;

(b) Toromont covenants that it shall not, and that it shall cause each other member of the Toromont Group not to, take or support any action, omit to take any action or enter into any transaction that could result in subsection 55(2) of the Tax Act applying to cause either Toromont and/or Spinco to incur a gain as a result of the transactions undertaken pursuant to the Arrangement, except as contemplated in the Tax Ruling;

(c) Toromont covenants that it shall not, and that it shall cause each other member of the Toromont Group not to, take any action, omit to take any action or enter into any transaction that could cause the Pre-Arrangement Transactions, the Arrangement or any related transaction to be treated in a manner inconsistent with the Tax Ruling;

(d) Toromont covenants that it shall, and that it shall cause each other member of the Toromont Group that is required to file Tax Returns to, file such Tax Returns (including, for greater certainty, any election forms under Section 85 of the Tax Act) in accordance with the terms of the Plan of Arrangement and the Tax Ruling; and

(e) Toromont covenants that it shall, and that it shall cause each other member of the Toromont Group to, cooperate with Amalco and the relevant other members of the Amalco Group in the preparation and filing of all elections under the Tax Act as contemplated by the Pre-Arrangement Transactions, the Tax Ruling, the Plan of Arrangement and this Agreement except that, where an agreed amount is to be included in any such election, such amount will be within the range contemplated by the Tax Act and will be the amount contemplated by the Tax Ruling, the Plan of Arrangement and this Agreement, where such amount is specified therein and, in any other case, will be the amount determined by Toromont in its sole discretion.

2.2 **Covenants of Amalco in Favour of Toromont.**

(a) Amalco covenants that it shall not, and that it shall cause each other member of the Amalco Group not to, enter into any transaction or permit any transaction within its control to occur that would cause Toromont or any other member of the

Toromont Group that is a corporation to cease to be a "specified corporation" (within the meaning of the Tax Act) as at the Effective Date, except as contemplated in the Tax Ruling,

(b) Amalco covenants that it shall not, and that it shall cause each other member of the Amalco Group not to, take or support any action, omit to take any action or enter into any transaction that could result in subsection 55(2) of the Tax Act applying to cause either Toromont and/or Spinco to incur a gain as a result of the transactions undertaken pursuant to the Arrangement, except as contemplated in the Tax Ruling;

(c) Amalco covenants that it shall not, and that it shall cause each other member of the Amalco Group not to, take any action, omit to take any action or enter into any transaction that could cause the Pre-Arrangement Transactions, the Arrangement or any related transaction to be treated in a manner inconsistent with the Tax Ruling;

(d) Amalco covenants that it shall, and that it shall cause each other member of the Amalco Group that is required to file Tax Returns to, file such Tax Returns (including, for greater certainty, any election forms under Section 85 of the Tax Act) in accordance with the terms of the Plan of Arrangement and the Tax Ruling; and

(e) Amalco covenants that it shall, and that it shall cause each other member of the Amalco Group to, cooperate with Toromont and the relevant other members of the Toromont Group in the preparation and filing of all elections under the Tax Act as contemplated by the Pre-Arrangement Transactions, the Tax Ruling, the Plan of Arrangement and this Agreement except that, where an agreed amount is to be included in any such election, such amount will be within the range contemplated by the Tax Act and will be the amount contemplated by the Tax Ruling, the Plan of Arrangement and this Agreement, where such amount is specified therein and, in any other case, will be the amount determined by Toromont in its sole discretion.

2.3 Limitation of Covenants.

Notwithstanding anything in this Agreement, the Parties agree and acknowledge that neither Toromont nor Amalco shall be considered to breach a covenant in this Article 2 as a result of any action or inaction by any member of the Toromont Group or the Amalco Group with respect to the shares under the ownership, control or direction (either directly or indirectly) of Invesco Trimark and/or Leith Wheeler Investment Counsel Ltd. or any of their successors other than any action by which such Party directly and knowingly solicits the sale of such shares by one or both of Investco Trimark or Leith Wheeler Investment Counsel Ltd. or any of their respective successors (except where such sale is a result of a Party purchasing such shares pursuant to a normal course issuer bid).

2.4 Survival of Covenants.

The covenants under this Article 2 shall survive the Effective Date for a period of three years following the Effective Date; *provided, however*, that the respective obligations of the Parties to indemnify one another under Article 3 in respect of any breach by it of such covenants shall survive the Effective Date until 90 days after the last date on which an applicable taxation authority would be entitled to assess liability for Taxes (giving effect to any waiver or extension thereof) under the Tax Act or any applicable provincial income tax legislation against the relevant member of the Toromont Group or the Amalco Group for any Relevant Tax Period.

ARTICLE 3

INDEMNIFICATION

3.1 Indemnification by Toromont.

Toromont shall indemnify, defend and hold harmless Amalco and each other member of the Amalco Group and each of their respective directors, officers and employees, and each of the heirs, executors, trustees, administrators, successors and assigns of any of the foregoing (collectively, the "Amalco Indemnified Parties"), from and against any and all Liabilities of the Amalco Indemnified Parties relating to, arising out of or resulting from a breach of a covenant of Toromont in this Agreement.

3.2 Indemnification by Amalco.

Amalco shall indemnify, defend and hold harmless Toromont and each other member of the Toromont Group and each of their respective directors, officers and employees, and each of the heirs, executors, trustees, administrators, successor and assigns of any of the foregoing (collectively, the "Toromont Indemnified Parties"), from and against any and all Liabilities of the Toromont Indemnified Parties relating to, arising out of or resulting from a breach of a covenant of Amalco in this Agreement.

3.3 Indemnification in the Event of Mutual Breach.

Notwithstanding Sections 3.1 and 3.2 of this Agreement, Toromont shall not be liable to indemnify any Amalco Indemnified Party under Section 3.1, and Amalco shall not be liable to indemnify any Toromont Indemnified Party under Section 3.2, from and against a Liability, if such Liability is caused by the combined and simultaneous action of both (i) one or more members of the Toromont Group and (ii) one or more members of the Amalco Group.

ARTICLE 4

CONTROL OF TAX CHALLENGES

4.1 Control of Challenge of Tax Claims.

(a) If a member of the Toromont Group or a member of the Amalco Group (the "Indemnified Party") receives a Claim that could give rise to an indemnification under this

Agreement, the Indemnified Party, if a member of the Toromont Group, shall promptly notify Amalco and, if a member of the Amalco Group, shall promptly notify Toromont (in each case the recipient of the notification being the "Indemnitor").

(b) The Indemnified Party agrees to contest any Claim and not to settle any Claim without the prior written consent of the Indemnitor, provided that within thirty (30) days after notice of a Claim by the Indemnified Party to the Indemnitor:

(i) the Indemnitor requests in writing that such Claim be contested by the Indemnified Party; and

(ii) the Indemnitor agrees in writing to pay on demand and pays all out-of-pocket costs, losses and expenses (including, but not limited to, legal and accounting fees) paid or incurred by the Indemnified Party in connection with contesting such Claim.

(c) The Indemnitor shall be entitled to participate in contesting any such Claim at its own expense. To the extent the Indemnitor is not participating, the Indemnified Party shall keep the Indemnitor and, upon written request by the Indemnitor, its counsel, informed as to the progress of the contest.

(d) If the Indemnitor requests that the Indemnified Party accept a settlement of a Claim offered by the relevant taxation authority, the Indemnified Party shall either:

(i) accept such settlement offer; or

(ii) agree with the Indemnitor that the Indemnitor's liability with respect to such Claim shall be limited to the lesser of (A) an amount calculated on the basis of such settlement offer plus interest owed to the relevant taxation authority on the date of eventual payment, or (B) the amount calculated on the basis of a Final Determination.

(e) Except as provided below in this paragraph (e), the Indemnified Party shall not settle a Claim that the Indemnitor is entitled to require the Indemnified Party to contest under paragraph (b) of this Section 4.1, without the prior written consent of the Indemnitor. At any time, whether before or after commencing to take any action pursuant to this Section 4.1 with respect to any Claim, the Indemnified Party may decline to take action with respect to such Claim and may settle such Claim without the prior written consent of the Indemnitor by notifying the Indemnitor in writing that the Indemnitor is released from its obligations to indemnify the Indemnified Party with respect to such Claim (which notification shall release the Indemnitor from such obligations except to the extent the Indemnitor has previously agreed in writing that it would be willing to have its liability calculated on the basis of a settlement offer in accordance with paragraph (d) of this Section 4.1 with respect to any Claim related to such Claim or based on the outcome of such Claim). If the Indemnified Party settles any Claim or otherwise takes or fails to take any action pursuant to this paragraph (e), the Indemnified Party shall pay to the Indemnitor any amounts paid or advanced by the Indemnitor with respect to such Claim (other than amounts payable by the Indemnitor in connection with a settlement offer pursuant to paragraph (d) of this Section 4.1), plus interest attributable to such amounts.

ARTICLE 5

COOPERATION AND RECORD RETENTION

5.1 Cooperation and Record Retention

(a) Toromont shall and shall cause each other member of the Toromont Group to, and Amalco shall and shall cause each other member of the Amalco Group to, cooperate with any member of the other Group in the conduct of any audit or the proceedings in respect of a Relevant Tax Period. Toromont shall and shall cause each other member of the Toromont Group to, and Amalco shall and shall cause each other member of the Amalco Group to, execute and deliver such powers of attorney and make available such other documents as are reasonably necessary to carry out the intent of this Agreement. Toromont shall and shall cause each other member of the Toromont Group to notify Amalco in writing, and Amalco shall and shall cause each other member of the Amalco Group to notify Toromont in writing, of any audit adjustments which do not result in Tax liability but can be reasonably expected to affect Tax Returns of a member of the other Group for any Period.

(b) Toromont shall and shall cause each other member of the Toromont Group to, and Amalco shall and shall cause each other member of the Amalco Group to, in accordance with their respective current record retention policies and all applicable laws, retain records, documents, accounting data and other information (including computer data) necessary for the preparation, filing, review or audit of any Tax Returns in respect of any Relevant Tax Period.

(c) Toromont shall and shall cause each other member of the Toromont Group to, and Amalco shall and shall cause each other member of the Amalco Group to, provide to any member of the other Group reasonable access to such records, documents, data and information and to personnel and premises and ensure the cooperation of such personnel for the purpose of the review or audit of any Tax Returns in respect of any Relevant Tax Period.

(d) Amalco shall, and shall cause each other member of the Amalco Group to, provide to Toromont access to such records, documents, data, information, personnel and premises of Amalco and of the other relevant members of the Amalco Group as may be required by Toromont to comply with the provisions in the ITA relating to foreign affiliates or to transfer pricing. Without limiting the generality of the foregoing, Amalco shall cause each other member of the Amalco Group that was a foreign affiliate (as defined in the Tax Act) of Toromont on or before the Effective Date, upon request by Toromont, to:

   (i) respond in full to the annual questionnaire of the CRA concerning foreign affiliates (generally known as the "Foreign Affiliate Reporting Package") within one (1) month of the receipt of such questionnaire;

(ii) provide Toromont with complete financial statements;

(iii) respond to questions concerning Form T-106 within fifteen (15) Business Days of receipt; and

(iv) respond promptly to other relevant questions for the purposes of the foreign affiliate regime or the transfer-pricing regime in all cases for any Relevant Tax Period.

ARTICLE 6

MISCELLANEOUS

6.1 Inconsistencies with Arrangement Agreement.

Where any inconsistency between a provision of this Agreement and a provision of the Arrangement Agreement arises as regards to taxation matters, the provisions of this Agreement shall prevail.

6.2 After-Tax Liability.

The amount of any Liability for which indemnification is provided under this Agreement or under the Arrangement Agreement and which is payable to an Indemnified Party by the Indemnitor pursuant to this Agreement or by the Indemnifying Party shall be adjusted to take into account any tax benefit realized by the Indemnified Party or any of its Affiliates by reason of the Liability for which indemnification is so provided or the circumstances giving rise to such Liability. For purposes of this Section, any tax benefit shall be taken into account at such time as it is received by the Indemnified Party or its Affiliate. Conversely, if any such indemnity payment received by an Indemnified Party pursuant to this Agreement or pursuant to the Arrangement Agreement would constitute income for tax purposes to such Indemnified Party, the Indemnitor or the Indemnifying Party, as applicable, shall pay to the Indemnified Party such additional amount as is necessary to place the Indemnified Party in the same after tax position as it would have been in had the Liability out of which such indemnity payment arose not occurred.

6.3 Severability.

If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any Party. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Parties.

6.4 Deadlines.

Where in this Agreement a Person is required to send a notice, make a decision or take any other action within a certain period of time or before a certain date or deadline, Toromont and Amalco may, by mutual agreement to be evidenced in writing, decide to extend or shorten such period of time or forestall or postpone such date or deadline.

6.5 Amendments.

No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by any Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.

6.6 Notices.

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and delivered personally or by courier or by facsimile addressed to the recipient as follows:

(a) To Toromont:

Toromont Industries Ltd.
P.O. Box 5511
3131 Highway 7 West
Concord, ON L4K 1B7

Attention: Vice President, Legal
Fax: (416) 667-5555

(b) To Amalco:

Enerflex Ltd.
Suite 904, 1331 Macleod Trail SE
Calgary, AB T2G 0K3

Attention: President
Fax: (403) 720-4385

or other such address that a Party may, from time to time, advise the other Parties hereto by notice in writing given in accordance with the foregoing. Date of receipt of any such notice will be deemed to be the date of actual delivery thereof or, if given by facsimile, on the day of transmittal thereof if given during the normal business hours of the recipient with written confirmation of receipt by fax and verbal confirmation of same and on the next Business Day, if not given during such hours.

6.7 Further Assurances.

Each of the Parties will from time to time execute and deliver all such further documents and instruments and do all acts and things as any other Party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

6.8 Assignment.

No Party may assign its rights or obligations under this Agreement or the Arrangement without the prior written consent of the other Parties, provided that no such consent will be required for any Party to assign its rights and obligations under this Agreement and the Arrangement to a corporate successor to such Party or to a purchaser of all or substantially all of the assets of such Party.

6.9 Binding Effect.

This Agreement will be binding upon and enure to the benefit of the Parties hereto and their respective successors and permitted assigns and specific references to "successors" elsewhere in this Agreement will not be construed to be in derogation of the foregoing. Nothing in this Agreement, express or implied, is intended or will be construed to confer upon any person other than the Parties and other Indemnified Persons and their successors and permitted assigns any right, remedy or claim under or by reason of this Agreement.

6.10 Waiver.

Any waiver or release of any of the provisions of this Agreement, to be effective, must be in writing executed by the Party granting the same.

6.11 Entire Agreement.

This Agreement together with the agreements and other documents herein or therein referred to constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect thereto.

6.12 Governing Law; Attornment.

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and will be treated in all respects as an Ontario contract. For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have non-exclusive jurisdiction to entertain any action arising under this Agreement. Each Party hereby attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

6.13 Counterparts.

This Agreement and any amendment, supplement or restatement thereof may be executed in one or more counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute the same instrument.

6.14 Facsimiles.

Delivery of an executed signature page to this Agreement by any Party by electronic transmission will be as effective as delivery of a manually executed copy of the Agreement by such Party.

6.15 No Third Party Beneficiaries.

Except as noted below, this Agreement is not intended to confer any rights or remedies on any Person other than the Parties. The provisions of Sections 3.1 and 3.2 are intended for the benefit of the Amalco Indemnified Parties and the Toromont Indemnified Parties as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such Persons (collectively, the "Third Party Beneficiaries"). Amalco, to the extent applicable, shall hold the rights and benefits of Section 3.1 in trust for and on behalf of the Third Party Beneficiaries and Toromont, to the extent applicable, shall hold the rights and benefits of Section 3.2 in trust for and on behalf of the Third Party Beneficiaries. Each of Toromont and Amalco hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries as directed by such Third Party Beneficiaries.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Tax Indemnity Agreement to be executed by their duly authorized representatives.

TOROMONT INDUSTRIES LTD.

by ______________________________

Name: Robert M. Ogilvie

Title: Chairman and Chief Executive Officer

ENERFLEX LTD.

by ______________________________

Name: J. Blair Goertzen

Title: President and Chief Executive Officer

APPENDIX C

Form of Transitional Services Agreement

TRANSITIONAL SERVICES AGREEMENT

between

TOROMONT INDUSTRIES LTD.

\- and -

ENERFLEX LTD.

■, 2011

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TRANSITIONAL SERVICES AGREEMENT

This transitional services agreement is made as of the ■ day of ■, 2011.

B E T W E E N:

TOROMONT INDUSTRIES LTD., a corporation existing under the federal laws of Canada,

(hereinafter referred to as "**Company**")

\- and -

ENERFLEX LTD., a corporation existing under the federal laws of Canada,

(hereinafter referred to as "**Amalco**")

WHEREAS Company, Spinco (as defined herein) and Enerflex entered into the Arrangement Agreement (as defined herein) pursuant to which, among other things, such parties set out the terms and conditions relating to the separation of the Natural Gas Compression and Process Business from the Equipment and Refrigeration Businesses (each as defined therein) such that the Separated Business (as defined therein) would be held, as of the Effective Time (as defined herein), directly or indirectly, by Amalco;

AND WHEREAS such separation was effected by way of the Arrangement (as defined herein) on the date hereof;

AND WHEREAS in connection therewith, Amalco desires that Company provide Amalco and other members of Amalco Group (as defined herein), as applicable, with certain transitional services with respect to the operation of Amalco Group, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual agreements, covenants and other provisions set forth in this Agreement, the Parties hereby agree as follows:

ARTICLE 1

INTERPRETATION

1.1 Definitions

For the purposes of this Agreement, unless the context otherwise requires, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Affiliate**" has the meaning given to that term in the CBCA.

"Agreement" means this transitional services agreement, including all schedules and exhibits hereto, as the same may be amended from time to time.

"Amalco Group" means Amalco and its Affiliates, whether held directly or indirectly.

"Amalco Indemnified Parties" has the meaning set forth in Section 12.1.

"Arrangement" means the arrangement under the provisions of section 192 of the CBCA on the terms set forth in the Plan of Arrangement, which became effective as of the Effective Date, subject to any amendment or supplement thereto made in accordance with the Arrangement Agreement, the Plan of Arrangement or at the direction of the Court.

"Arrangement Agreement" means the arrangement agreement dated as of March 21, 2011 among Toromont, Enerflex and Spinco with respect to the Arrangement.

"Applicable Law" means any applicable law, statute, rule or regulation of any Governmental Authority or any outstanding order, judgment, injunction, ruling or decree by any Governmental Authority.

"Business Day" means any day other than a Saturday, Sunday or statutory holiday in the City of Toronto, Ontario.

"CBCA" means the *Canada Business Corporations Act*, as amended.

"Commercially Reasonable Efforts" means the efforts that a reasonable and prudent Person desirous of achieving a business result would use in similar circumstances to ensure that such result is achieved as expeditiously as possible in the context of commercial relations of the type envisaged by this Agreement; *provided, however*, that an obligation to use Commercially Reasonable Efforts under this Agreement does not require the Person subject to that obligation to assume any material obligations, incur material expenses or pay any material amounts to a Third Party.

"Company Group" means Company and its Affiliates, whether held directly or indirectly.

"Company Indemnified Parties" has the meaning set forth in Section 12.2.

"Confidential Information" has the meaning ascribed thereto in the Arrangement Agreement.

"Consent" means any approval, consent, ratification, waiver or other authorization.

"Contract" means any contract, agreement, lease, license, commitment, consensual obligation, promise or undertaking (whether written or oral and whether express or implied) that is legally binding on any Person or any part of its property under Applicable Law.

"**Dollars**" or "**$**" means the lawful currency of Canada.

"**Effective Date**" means the effective date of the Arrangement, being the date shown on the certificate of arrangement issued by the CBCA Director giving effect to the Arrangement.

"**Effective Time**" means 12:01 a.m. (ET) on the Effective Date.

"**Enerflex**" means Enerflex Ltd., a predecessor corporation of Amalco that existed prior to the amalgamation of Enerflex and Spinco pursuant to the Arrangement to form Amalco on the Effective Date;

"**Enerflex Information**" has the meaning set forth in Section 11.1(a).

"**Event Of Default**" has the meaning set forth in Section 7.1(c).

"**Expiration Date**" has the meaning set forth in Section 4.1.

"**Force Majeure Event**" has the meaning set forth in Section 13.3.

"**Governmental Authority**" means any: (i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, commission, board or agency, domestic or foreign; or (ii) regulatory authority, including any securities commission or stock exchange.

"**Governmental Authorization**" means any Consent, license, certificate, franchise, registration or permit issued, granted, given or otherwise made available by, or under the authority of, any Governmental Authority or pursuant to any Applicable Law.

"**Group**" means Company Group or Amalco Group, as the context requires.

"**Impracticability**" has the meaning set forth in Section 5.2.

"**Loss**" has the meaning ascribed thereto in the Arrangement Agreement.

"**Operating Committee**" has the meaning set forth in Section 6.1.

"**Party**" means each of Company and Amalco as a party to this Agreement and "**Parties**" means both of them.

"**Person**" means and includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, trustee, executor, administrator or other legal representative and the Crown or any agency or instrumentality thereof.

"**Sales Taxes**" means any sales, use, consumption, goods and services, value added or similar tax, duty or charge imposed pursuant to Applicable Law.

"**Services**" has the meaning set forth in Section 2.1.

"**Spinco**" means 7787014 Canada Inc., a predecessor corporation of Amalco that existed prior to the amalgamation of Spinco and Enerflex pursuant to the Arrangement to form Amalco on the Effective Date.

"**Subcontractor**" has the meaning set forth in Section 9.1.

"**Subsidiary**" of any Person means any corporation, partnership, limited liability entity, joint venture or other organization, whether incorporated or unincorporated, of which a majority of the total voting power of capital stock or other interests entitled (without the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person.

"**Term**" has the meaning set forth in Section 4.1.

"**Third Party**" means a Person other than a member of Company Group or a member of Amalco Group and that is not an Affiliate of either such Group.

"**Third Party Claim**" has the meaning set forth in the Arrangement Agreement.

"**Toromont Information**" has the meaning set forth in Section 11.1(a).

"**Transition Services Schedule**" means a schedule in the form attached hereto as Schedule A entered into by Company and Amalco pursuant to Section 2.1 of this Agreement.

1.2 <u>Rules of Construction</u>

Unless the context otherwise requires, in this Agreement:

(a) "Agreement", "this Agreement", "the Agreement", "hereto", "hereof", "herein", "hereby", "hereunder" and similar expressions mean or refer to this Agreement and the Schedules attached to it as amended from time to time and any agreement or instrument supplemental hereto and the expressions "Article" and "section" followed by a number or letter mean and refer to the specified Article or section of this Agreement;

(b) the division of this Agreement into Articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation thereof;

(c) words importing the singular number only shall include the plural and *vice versa* and words importing the use of any gender shall include all genders;

(d) the word "including" means "including without limitation";

(e) reference to any agreement, indenture or other instrument in writing means such agreement, indenture or other instrument in writing as amended, modified, replaced or supplemented from time to time;

(f) time periods within which a payment is to be made or any other action is to be taken hereunder shall be calculated excluding the day on which the period commences and including the day on which the period ends; and

(g) whenever any payment to be made or action to be taken hereunder is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next following Business Day.

1.3 Currency

Unless otherwise indicated, all dollar amounts in this Agreement are expressed in Canadian funds.

1.4 Entire Agreement

This Agreement together with the Arrangement Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided.

1.5 Time of Essence

Time shall be of the essence of this Agreement.

1.6 Governing Law; Attornment

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and will be treated in all respects as an Ontario contract. For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have non-exclusive jurisdiction to entertain any action arising under this Agreement. Each Party hereby attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

1.7 Conflicts

In case of any conflict or inconsistency between this Agreement and the Arrangement Agreement, this Agreement shall prevail. In case of any conflict or inconsistency between the terms and conditions of this Agreement and the terms of a Transition Services Schedule, the provisions of such Transition Services Schedule shall prevail.

1.8 Schedules

The following Schedules are attached to and form part of this Agreement:

Schedule A - Form of Transition Services Schedule

ARTICLE 2

SERVICES

2.1 Services Generally

Subject to the terms and conditions set out in this Agreement, Company shall provide to Amalco and the other members of Amalco Group, for the Term hereof, consulting services and other assistance with respect to the information technology of Amalco Group which, from time to time, are reasonably requested by Amalco in order to assist in its transition to a public company, independent from Company, and are described in a Transition Services Schedule that is agreed and executed by the Parties (collectively, the "**Services**"). Notwithstanding any provision contained herein, Company shall not be obligated to provide any Services requiring the hosting of corporate servers or any certification in connection with Amalco's continuous disclosure obligations as a public company or other public disclosure.

ARTICLE 3

COMPENSATION

3.1 Charges For Services

Amalco shall pay Company the charges set forth on a Transition Services Schedule for each of the Services listed therein. Unless specifically indicated otherwise on the Transition Services Schedule in respect of a particular Service, such fees shall be equal to the aggregate of all direct and indirect costs and expenses incurred by Company in providing the Service plus a margin equal to fifteen percent (15%) of all such costs and expenses.

3.2 Payment Terms

Except as otherwise specified in the applicable Transition Services Schedule, Company shall invoice Amalco monthly (or on such other basis as the Parties may mutually determine) for all charges pursuant to this Agreement. Such invoices shall specify the Services provided to Amalco during the preceding month and identify the Service fee applicable to each Service so specified, and any applicable Sales Taxes, and shall be accompanied by reasonable documentation or other reasonable explanations supporting such charges. Except as otherwise specified in the applicable Transition Services Schedule, Amalco shall pay, net of applicable withholding tax, if any, Company for all Services provided hereunder within thirty (30) days after receipt of an invoice therefor by wire transfer of immediately available funds to the account designated by Company for this purpose. Late payments shall bear interest at a rate per annum equal to eighteen per cent (18%) calculated for the actual number of days elapsed, accrued from and excluding the date on which such payment was due up to and including the date of payment.

For the purpose of the *Interest Act* (Canada) and disclosure thereunder, whenever interest to be paid hereunder is to be calculated on the basis of a year of 360 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by either 360 or such other period of time, as the case may be.

3.3 Taxes

The fees and charges payable by Amalco under this Agreement shall be exclusive of any Sales Taxes or excise taxes or any customs or import charges or duties or any similar charges or duties which may be imposed by any Governmental Authority in connection with the purchase or delivery of the Services or materials to Amalco. Amalco shall remit to Company any Sales Taxes properly payable to Company pursuant to this Agreement. Applicable Sales Taxes shall be indicated by Company separately on all of Company's invoices. The Parties shall co-operate with each other to minimize each other's applicable Sales Taxes and each shall provide the other with any reasonable certificates or documents which are useful for such purpose.

3.4 Error Correction; True-Ups; Accounting

The Parties shall agree to develop, through the Operating Committee or otherwise, mutually acceptable reasonable processes and procedures for conducting internal audits and making adjustments to charges as a result of the movement of functions between the Parties, the discovery of errors or omissions in charges, as well as a true-up of amounts owed. In no event shall such processes and procedures extend beyond eighteen (18) months after completion of a Service.

ARTICLE 4

TERM

4.1 Term

(a) The term of this Agreement shall be for one year from the date hereof (the "**Expiration Date**"), unless earlier terminated under Article 7 or extended or earlier terminated as hereinafter provided (the "**Term**"). Performance of each Service to be provided will commence on the start date specified on the Transition Services Schedule for that Service. Each

Service shall be provided up to and including the expiration date set forth for that Service in the applicable Transition Services Schedule, subject to earlier termination as provided in Article 7.

(b) It shall be the sole responsibility of Amalco, upon and after expiration or early termination of this Agreement with respect to a specific Service, to perform, render and provide for itself (or to make arrangements with one or more Third Party service providers to perform, render and provide) such Service, and to do all necessary planning and make all necessary preparations in connection therewith.

ARTICLE 5

GENERAL OBLIGATIONS; STANDARD OF CARE

5.1 Standard of Care

Subject to Sections 5.2 and 5.3 and the other terms and conditions of this Agreement, Company shall maintain sufficient resources to perform its obligations hereunder. Company shall use Commercially Reasonable Efforts to provide Services, or to cause the Services to be provided, in accordance with Company's policies, procedures, service levels and practices in effect before the Effective Date and shall exercise the same care and skill as Company exercises in performing similar services for itself or for the other members of Company Group. The Services will be available only for purposes of assisting Amalco with the operation of the Natural Gas and Compression and Process Business substantially in the manner it was conducted prior to the Effective Time. For certainty, in providing the Services, Company shall not be required to give priority to or otherwise favour Amalco Group over Company's other business operations.

5.2 Impracticability

Company shall not be required to provide any Service to the extent the performance of such Service becomes impracticable as a result of a cause or causes outside the reasonable control of Company, including unfeasible technological requirements, or to the extent the performance of such Services would require Company to violate any Applicable Law, or would result in the breach of any license, Governmental Authorization or Contract (an "**Impracticability**") .

5.3 Additional Resources

Except as specifically provided in the applicable Transition Services Schedule for a specific Service, in providing the Services, Company shall not be obligated to: (i) hire any additional employees; (ii) maintain the employment of any specific employee; (iii) purchase, lease or license any additional facilities, equipment or software; or (iv) pay any costs related to the transfer or conversion of Amalco Group's data to Company or any alternate supplier of Services.

5.4 Disclaimer of Warranties

Except as expressly provided in this Agreement, Company makes no warranties or conditions, express, implied, conventional or statutory, including but not limited to, the implied warranties or conditions of merchantability, of quality or fitness for a particular purpose, with respect to the Services or other items or deliverables provided by it hereunder or any transactions contemplated herein.

5.5 Transitional Nature of Services; Changes

The Parties acknowledge the transitional nature of the Services and that Company may make changes from time to time in the manner of performing the Services if Company is making similar changes in performing similar services for itself and if Company furnishes Amalco with reasonable notice in the circumstances regarding such changes.

5.6 Responsibility For Errors; Delays

Except in the case of Company's gross negligence, bad faith or wilful misconduct, and subject to Sections 5.2 and 5.3 and the other terms of this Agreement, Company's sole responsibility to Amalco:

(a) for errors or omissions in Services, shall be to furnish correct information, payment and/or adjustment in the Services, at no additional cost or expense to Amalco; *provided* that Company must promptly advise Amalco of any such error or omission of which it becomes aware after using Commercially Reasonable Efforts to detect any such errors or omissions in accordance with the standard of care set forth in Section 5.1; and

(b) for failure to deliver any Service because of Impracticability, shall be to resume performing such Service as promptly as reasonably practicable following the time, if any, at which the limitation in Section 5.2 no longer applies to the provision of such Service.

5.7 Cooperation; Consents

The Parties shall cooperate with each other in all matters relating to the provision and receipt of the Services. Such cooperation shall include exchanging information, performing true-ups and adjustments, and obtaining all Third Party Consents, licenses or sublicenses necessary to permit each Party to perform its obligations hereunder (including by way of example, not by way of limitation, rights to use Third Party software needed for the performance of Services). The costs of obtaining such Third Party Consents, licenses or sublicenses shall be borne by Amalco, as provided in Section 10.4. The Parties shall maintain, and shall cause the other relevant members of their respective Groups to maintain, in accordance with its standard document retention procedures, documentation supporting the information relevant to any cost calculations contained in the applicable Transition Services Schedules.

5.8 Alternatives

If Company reasonably believes it is unable to provide any Service (x) because of a failure to obtain necessary Consents, licenses or sublicenses pursuant to Section 5.7, (y) because of Impracticability, or (z) because it will require any of the additional resources identified in Section 5.3, the Parties shall cooperate to determine the best alternative approach. Until such alternative approach is found or the problem is otherwise resolved to the satisfaction of the Parties, Company shall, subject to Sections 5.2 and 5.3, use Commercially Reasonable Efforts to continue providing the Service. To the extent an agreed upon alternative approach requires the occurrence of costs or expenditures above and beyond that which is included in Company's charge for the Service in question, such additional costs and expenditures shall, unless otherwise agreed, be borne by Amalco.

5.9 Personnel

(a) Subject to Section 5.3, Company will make available such personnel as will reasonably be required to provide the Services. Company will have the right to designate which personnel it will assign to perform the Services. Company also will have the right to remove and replace any such personnel at any time or designate any of its Affiliates or a Subcontractor at any time to perform the Services, subject to the provisions of Article 9; *provided, however*, that Company will use Commercially Reasonable Efforts to limit the disruption to Amalco in the transition of the Services to different personnel or to a Subcontractor. In the event that personnel with the designated level of experience are not then employed by Company, Company will use Commercially Reasonable Efforts to provide such personnel or Subcontractor personnel having an adequate level of experience; *provided, however*, that Company will have no obligation to retain any individual employee for the sole purpose of providing the applicable Services.

(b) Company will be solely responsible for all personnel expenses, including salary and other compensation, of its employees performing the Services.

(c) Amalco shall provide such office space and assistance as reasonably required by Company's employees when the employees are performing the Services in Amalco premises.

5.10 Insurance

Each Party shall obtain and maintain at its own expense insurance of the type generally maintained in the ordinary course of its business. Except as otherwise specified in the applicable Transition Services Schedule, neither Party shall be required to obtain and maintain any particular insurance in relation to providing or receiving any Service.

ARTICLE 6

OPERATING COMMITTEE

6.1 Organization

The Parties shall create an operating committee (the "**Operating Committee**") and shall each appoint one (1) employee to the Operating Committee for the Term. The original Operating Committee shall consist of the Chief Information Officers of the Company and Amalco. The Operating Committee will oversee the implementation and application of this Agreement and shall attempt to resolve any dispute between the Parties. Each of the Parties shall have the right to change its Operating Committee member at any time with employees of comparable knowledge, expertise and decision-making authority.

6.2 Decision Making

All Operating Committee decisions shall be taken unanimously. If the Operating Committee fails to make a decision, resolve a dispute, agree upon any necessary action, or if a Party so requests in the event of a material breach of this Agreement, a senior officer of Company and a senior officer of Amalco, neither of whom shall have any direct oversight or responsibility for the subject matter in dispute, shall attempt within a period of fourteen (14) days to conclusively resolve any such unresolved issue.

6.3 Meetings

During the Term, the Operating Committee members shall meet, in person or via teleconference, at least once per month or at such intervals as they determine. In addition, the Operating Committee shall meet as often as necessary in order to promptly resolve any disputes submitted to it by any representative of either Party.

ARTICLE 7

TERMINATION

7.1 Termination

(a) Amalco may terminate this Agreement, either in its entirety or in respect of any one or more of the Services provided to Amalco hereunder, with or without cause, at any time upon at least thirty (30) days prior notice to Company, unless the applicable Transition Services Schedule requires otherwise in respect of such Service(s). To the extent possible, Amalco will give such notice of termination at the beginning of a fiscal month to terminate the Service as of the beginning of the next fiscal month to avoid the need to prorate any monthly payment charges. As soon as reasonably practicable following receipt of any such notice, Company shall advise Amalco as to whether termination of such Service will (a) require the termination or partial termination of, or otherwise affect the provision of, certain other Services, or (b) result in any early termination costs, including those related to Subcontractors, which in any event, shall be borne by Amalco as set forth in Section 7.3. If either will be the case, Amalco may withdraw its termination notice within five (5) Business Days. If Amalco does not withdraw the termination notice within such period, such termination will occur in accordance with the original notice.

(b) In addition, if an Event of Default occurs in relation to a Party, the other party may terminate this Agreement either in its entirety or in respect of any one or more of the Services, and such termination shall take effect immediately upon the non-defaulting Party providing notice to the other of the termination.

(c) For the purposes of this Agreement, each of the following shall individually and collectively constitute an "**Event of Default**":

(i) in relation to Amalco, if Amalco defaults in payment to Company of any payments which are due and payable by it to Company pursuant to this Agreement, and such default is not cured within thirty (30) days following receipt by Amalco of notice of such default;

(ii) either Party breaches any of its material obligations to the other Party pursuant to this Agreement (other than as set out in (i) above), and fails to cure it within thirty (30) days after receipt of notice from the non-defaulting Party specifying the default in reasonable detail and demanding that it be rectified, provided that if such breach is not capable of being cured within thirty (30) days after receipt of such notice and the Party in default has diligently pursued efforts to cure the default within the thirty (30) day period, no Event of Default under this Section 7.1(c)(ii) shall occur;

(iii) either Party breaches any representation or warranty, or fails to perform or comply with any covenant, provision, undertaking or obligation in or of the Arrangement Agreement, and fails to cure it within thirty (30) days after receipt of notice from the non-breaching Party specifying the breach in reasonable detail and demanding that it be rectified; or

(iv) either Party (i) is bankrupt or insolvent or takes the benefit of any statute in force for bankrupt or insolvent debtors, or (ii) files a proposal or takes any action or proceeding before any court of competent jurisdiction for its dissolution, winding-up or liquidation, or for the liquidation of its assets, or a receiver is appointed in respect of its assets, which order, filing or appointment is not rescinded within sixty (60) days.

7.2 Survival

Notwithstanding the foregoing, in the event of any termination or expiration with respect to one or more Services, but less than all Services, this Agreement shall continue in full force and effect with respect to any Services not terminated or expired.

7.3 Payment

Immediately following the Expiration Date, Company shall cease providing the Services, or cause same to be ceased, and Amalco shall promptly pay all fees, expenses and other charges accrued pursuant to Article 3 but unpaid to Company, *provided, however,* that in case of earlier termination without cause, Amalco, shall reimburse Company the reasonable termination costs actually incurred by Company resulting from Amalco's early termination of such Services, including those owed to Subcontractors. Company will use Commercially Reasonable Efforts to mitigate such termination costs.

7.4 User IDs, Passwords

The Parties shall use Commercially Reasonable Efforts upon the termination or expiration of this Agreement or of any specific Service hereto to ensure that access by one Party to the other Party's systems is cancelled.

ARTICLE 8

RELATIONSHIP BETWEEN THE PARTIES

Company is and will remain at all times an independent contractor in the performance of all Services hereunder. In all matters relating to this Agreement, each Party will be solely responsible for the acts of employees and agents of its respective Group, and employees or agents of one Group shall not be considered employees or agents of the other Group. Except as otherwise provided herein, no Party will have any right, power or authority to create any obligation, express or implied, on behalf of any other Party nor shall either Party act or represent or hold itself out as having authority to act as an agent or partner of the other Party, or in any way bind or commit the other Party to any obligations. Nothing in this Agreement is intended to create or constitute a joint venture, partnership, agency, trust or other association of any kind between the Parties or Persons referred to herein, and each Party shall be responsible only for its respective obligations as set forth in this Agreement.

ARTICLE 9

SUBCONTRACTORS

9.1 Subcontractors

(a) Company may, subject to Section 9.1(b) and 9.1(c), engage a subcontractor (a "**Subcontractor**") to perform all or any portion of Company's duties under this Agreement, provided that any such Subcontractor agrees in writing to be bound by confidentiality obligations at least as protective as the terms of Article 11, and provided further that Company remains responsible for the performance of such Subcontractor and for paying the Subcontractor.

(b) In the event that Company wishes to engage a Subcontractor to perform all or any portion of Company's duties under this Agreement, as a condition precedent to any such subcontracting Company shall provide Amalco with a notice of its intention to do so and such notice shall set forth with reasonable details the nature of the duties or Services Company wishes the Subcontractor to perform, the identity of the proposed Subcontractor as well as the specific terms and conditions of such proposed subcontracting.

(c) In the event that Company subcontracts of all or any portion of Company's duties under this Agreement to a non-Affiliate of Company, Company shall assign and transfer to Amalco the full benefit of all such non-Affiliate subcontractor's performance covenants, guarantees, warranties or indemnities (if any), to the extent same are transferable or assignable, in respect of the portion of the Services provided to Amalco pursuant to such subcontract; and if any such guarantees, warranties, indemnities and benefits are not assignable, Company shall use Commercially Reasonable Efforts to procure the benefit of same for Amalco through other legally permissible means.

ARTICLE 10

INTELLECTUAL PROPERTY

10.1 Existing Ownership Rights Unaffected

(a) Neither Party will gain, by virtue of this Agreement, any rights of ownership of copyrights, patents, trade secrets, trademarks or any other intellectual property rights owned by the other. Notwithstanding the foregoing, any ideas, concepts or any results arising out of the performance of the Services (the "**Results**") by Company hereunder shall be the exclusive property of Amalco. Company shall execute all documents and use Commercially Reasonable Efforts to perform all other acts necessary or desirable to confirm title in the name of Amalco in the Results in any applicable jurisdiction including all copyrights, trade secrets and industrial designs, and provide assistance, if necessary, to protect or enforce Amalco's rights under said intellectual property rights. Such obligation to execute documents and provide assistance shall survive the expiration or early termination of this Agreement. However, Amalco hereby grants Company a non-exclusive worldwide, royalty-free, non-transferable license to use the Results for its own business purposes excluding the ability to sell or license the Results to third parties.

(b) Amalco agrees to reimburse Company for any reasonable out-of-pocket expenses arising out of the obligations under this Section 10.1. Company hereby waives and shall cause its employees to waive, the whole of its and their moral rights to any copyright material developed in the course of providing the Services.

10.2 Cross License to Pre-Existing Works

Amalco grants Company and the other members of Company Group during the Term of this Agreement, a non-exclusive, worldwide, royalty-free, non-transferable license to use, copy and make derivative works of, distribute, display, perform and transmit Amalco's pre-existing copyrighted works or other intellectual property rights solely to the extent necessary to perform its obligations under this Agreement, and such copyrighted works or other intellectual property rights will remain the property of Amalco or its Affiliates, as the case may be, and

Company and the other members of Company Group will have no rights or interests therein, including no sublicensing right, except as may otherwise be set forth in the Arrangement Agreement.

Company grants Amalco and the other members of Amalco Group during the Term of this Agreement, a non-exclusive, worldwide, royalty-free, non-transferable license to use, copy, distribute, display, perform and transmit Company's pre-existing copyrighted works or other intellectual property rights solely to the extent necessary to enable the effective provision of the Services hereunder, and such copyrighted works or other intellectual property rights will remain the property of Company or its Affiliates, as the case may be, and Amalco and the other members of Amalco Group will have no rights or interests therein, including no sublicensing right.

10.3 Third Party Software

In addition to the consideration set forth elsewhere in this Agreement, Amalco shall also pay any amounts (and applicable Sales Taxes) that are required to be paid to any licensors of software that is used by Company in connection with the provision of any Service hereunder, and any amounts (and applicable Sales Taxes) that are required to be paid to any such licensors to obtain the Consent of such licensors to allow Company to provide any of the Services hereunder. Subject to the immediately preceding sentence and to the terms of the Arrangement Agreement, Company will use Commercially Reasonable Efforts to obtain any Consent that may be required from such licensors in order to provide any of the transition Services hereunder.

10.4 Termination of Licences

Except for any license granted under Section 10.1, any license granted hereunder by a Party shall terminate upon the expiration or early termination of this Agreement.

ARTICLE 11

CONFIDENTIALITY

11.1 Confidentiality

(a) The terms of the Confidentiality provisions set forth in Section 8.10 of the Arrangement Agreement shall apply to all Confidential Information disclosed in the course of the Parties' interactions under this Agreement. This Article 11 sets out additional requirements regarding confidential information for the purposes of this Agreement. For purposes of this Article 11, the terms "**Enerflex Information**" and "**Toromont Information**" shall have the respective meanings provided in the Arrangement Agreement.

(b) The Enerflex Information to be shared with Company Group in the course of any Service being provided pursuant to this Agreement shall be limited to that which would be shared with a Third Party service provider that is providing the particular Service to Amalco

Group and shall not be used by Company for any purpose other than to provide the Services hereunder.

(c) The Toromont Information to be shared with Amalco Group in the course of any Service being provided pursuant to this Agreement shall be limited to that which is required to enable Company to effectively provide the Services to Amalco Group and shall not be used by Amalco Group for any other purpose.

(d) The Enerflex Information and the Toromont Information, including any derivative documents prepared by Company Group or Amalco Group, respectively, will be held in safe custody and kept confidential on the terms set forth in this Agreement. Each Company Group employee who is authorized to have or be aware of Enerflex Information, or Amalco Group employee who is authorized to have or be aware of Toromont Information, will store that information in his possession in separate paper and electronic files.

(e) The obligations of the Parties under this Article 11 shall survive the expiration or earlier termination of this Agreement.

ARTICLE 12

INDEMNIFICATION AND LIMITATION OF LIABILITY

12.1 Indemnification

Company shall indemnify, defend and hold harmless Amalco, each other member of Amalco Group and each of their respective directors, officers and employees, and each of the heirs, executors, trustees, administrators, successors and assignors of any of the foregoing (collectively, the "**Amalco Indemnified Parties**"), from and against any Loss of the Amalco Indemnified Parties incurred by, borne by or asserted against any of them relating to, arising out of or resulting from any of the following items (without duplication):

(a) death of or injury of any person whomsoever, including but not limited to directors, officers, employees, servants or agents of Amalco, of another member of Amalco Group, or contractors to the extent that such Loss is not covered by worker's compensation; or

(b) loss of, or damage to, or destruction of any property whatsoever, including any loss of use thereof, including without limitation, property of Amalco, of another member of Amalco Group, or their respective directors, officers, employees, agents, subsidiaries or subcontractors,

in each case, to the extent caused by or arising out of the breach or the failure of performance by Company of any of its obligations and responsibilities under this Agreement or the gross negligence or wilful misconduct of Company, but subject however to the limitations of liability provided in this Agreement.

12.2 **Indemnification by Amalco**

Amalco shall indemnify, defend and hold harmless Company, each other member of Company Group and each of their respective directors, officers and employees, and each of the heirs, executors, trustees, administrators, successors and assignors of any of the foregoing (collectively, the "**Company Indemnified Parties**"), from and against any Loss of the Company Indemnified Parties incurred by, borne by or asserted against any of them relating to, arising out of or resulting from any of the following items (without duplication):

(a) death of or injury of any person whomsoever, including but not limited to directors, officers, employees, servants or agents of Company, of another member of Company Group, or contractors to the extent that such Loss is not covered by worker's compensation, or

(b) loss of, or damage to, or destruction of any property whatsoever, including any loss of use thereof, including without limitation, property of Company, of another member of Company Group, or their respective directors, officers, employees, agents, subsidiaries or subcontractors,

in each case, to the extent caused by or arising out of the breach or the failure of performance by Amalco of any of its obligations and responsibilities under this Agreement or the gross negligence or wilful misconduct of Amalco but subject however to the limitations of liability provided in this Agreement.

12.3 **Limitation of Liability**

(a) Notwithstanding the provisions of Sections 12.1 and 12.2, the total aggregate liability of Company to Amalco for all events, acts or omissions of Company under or in connection with this Agreement or the Services provided by Company hereunder, and the total aggregate liability of Amalco to Company for all events, acts or omissions of Amalco under or in connection with this Agreement, in each case whether based on an action or claim in contract, warranty, equity, negligence, tort or otherwise, shall not exceed an amount equal to the aggregate amount paid by Amalco to Company under this Agreement (excluding any amounts paid pursuant to this Article 12).

(b) In no event shall any Party be liable to the Amalco Indemnified Parties or the Company Indemnified Parties, as applicable, for any special, consequential, indirect, collateral, incidental or punitive damages, lost profits, or failure to realize expected savings, or other commercial or economic loss of any kind, however caused and on any theory of liability, (including negligence) arising in any way out of this Agreement, whether or not such Person has been advised as to the possibility of any such damages.

12.4 Provisions Applicable With Respect to Indemnification Obligations

Sections 6.1 through 6.10 of the Arrangement Agreement shall apply mutatis mutandis with respect to any liability subject to indemnification or reimbursement pursuant to Article 12 of this Agreement.

12.5 Survival

The rights and obligations of the Parties under this Article 12 shall survive the expiration or earlier termination of this Agreement.

ARTICLE 13

MISCELLANEOUS

13.1 Notices

All notices and other communications hereunder shall be given in the manner set forth in Section 8.2 of the Arrangement Agreement.

13.2 Judgment Currency

The obligations of a Party to make payments hereunder shall not be discharged by an amount paid in any currency other than Dollars, whether pursuant to a court order or judgment or arbitral award or otherwise.

13.3 Force Majeure

Each Party shall be deemed not to be in default of this Agreement to the extent that any delay or failure in the performance of its obligations under this Agreement results from any act, occurrence, omission, event or circumstance beyond its reasonable control, such as fires, explosions, accidents, strikes, lockouts or labour disturbances, floods, droughts; earthquakes, epidemics, seizures of cargo, wars (whether or not declared), civil commotion, acts of God or the public enemy, action of any government, legislature, court or other Governmental Authority, action by any authority, representative or organisation exercising or claiming to exercise powers of a government or Governmental Authority, compliance with Applicable Law, blockades, power failures or curtailments, inadequacy or shortages or curtailments or cessation of supplies of raw materials or other supplies, failure or breakdown of equipment of facilities or, in the case of computer systems, any failure in electrical or air conditioning equipment (a "**Force Majeure Event**"). If a Force Majeure Event has occurred and its effects are continuing, then, upon notice from the affected Party to the other: (i) the affected provisions or other requirements of this Agreement shall be suspended to the extent necessary during the period of such disability, (ii) Company shall have the right to apportion its Services in an equitable manner to all users and (iii) Company shall have no liability to Amalco or any other Person in connection therewith. The affected Party shall resume full performance of this Agreement as soon as reasonably practicable following the cessation of the Force Majeure Event (or the consequences thereof).

Notwithstanding the foregoing, payment obligations shall not be suspended by a Force Majeure Event.

13.4 Amendments and Waivers

No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by any Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.

No failure on the part of a Party to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by Applicable Laws.

13.5 Further Assurances

Each Party agrees to use Commercially Reasonable Efforts to execute any and all documents and to perform such other acts as may be necessary or expedient to further the purposes of this Agreement and the relations contemplated hereby. Without limiting the foregoing and the provisions of the Arrangement Agreement, each Party shall make available during normal business hours for inspection by the other Party and such other Persons as the other Party shall designate in writing, all books and records in the possession which relate to the Services and which are necessary to confirm the said Party's compliance with its obligations under this Agreement.

13.6 Enurement and Assignment

This Agreement shall enure to the benefit of and shall be binding on and enforceable by the Parties and, where the context so permits, their respective successors and permitted assigns. Company may assign its rights and obligations hereunder in whole or in part to any Subsidiary of Company; *provided, however*, that any such assignment shall not relieve Company from any of its obligations hereunder. Otherwise, neither Party may assign any of its rights or obligations hereunder without the prior written consent of the other Party.

13.7 Severability

If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any Party. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Parties.

13.8 Counterparts

This Agreement and any amendment, supplement or restatement thereof may be executed in one or more counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Transitional Services Agreement to be executed by their duly authorized representatives.

TOROMONT INDUSTRIES LTD.

by ______________________________

Name: Robert M. Ogilvie
Title: Chairman and Chief Executive Officer

ENERFLEX LTD.

by ______________________________

Name: J. Blair Goertzen
Title: President and Chief Executive Officer

SCHEDULE A

FORM OF TRANSITION SERVICE SCHEDULE

This schedule is a Transition Service Schedule to the Transitional Services Agreement and is made as of the ■ day of ■, 2011 between Toromont Industries Ltd. ("**Company**") and Enerflex Systems Ltd. ("**Amalco**") and shall form a part of that agreement.

1. Description of Services:

(a) Activities to be Performed:

(b) Deliverables:

(c) Provider Responsibilities:

(d) Recipient Responsibilities:

2. Start Date:

3. Expiration Date:

4. Compensation

(a) Cost of Service

(b) Terms of Payment

5. Performance metrics (if any)

6. Other Particulars (if any)

7. Contact Information:

(a) <u>Company:</u>
Toromont Industries Ltd.
P.O. Box 5511
3131 Highway 7 West
Concord, ON L4K 1B7

Attention: Vice President, Legal
Fax: (416) 667-5555

(b) <u>Amalco:</u>
Enerflex Ltd.
Suite 904, 1331 Macleod Trail
SE, Calgary, AB T2G 0K3

Attention: President
Fax: (403) 720-4385