

easyhome Ltd.

ANNUAL INFORMATION FORM

March 11, 2013

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CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form includes forward-looking statements about easyhome Ltd., including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects', 'anticipates', 'intends', 'plans', 'believes' or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenue, earnings or growth rates), ongoing business strategies or prospects about future events is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to among other things, risks, uncertainties and assumptions about our operations, economic factors and the industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us, due to, but not limited to important factors such as our ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favourable terms, secure new franchised locations, purchase products which appeal to our customers at a competitive rate, cope with changes in legislation, react to uncertainties related to regulatory actions, raise capital under favourable terms, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance our system of internal controls. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements, which may not be appropriate for other purposes. We are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless otherwise required by law.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's Annual Report. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.easyhome.ca.

CORPORATE STRUCTURE

Name, Address and Incorporation

easyhome Ltd. (formerly RTO Enterprises Inc. ("RTO")), together with its subsidiaries, (unless the context otherwise requires, "easyhome" or the "Company") is Canada's largest merchandise leasing company, offering top quality, brand-name household furnishings, appliances and home electronic products to consumers under weekly or monthly leasing agreements through both corporate and franchise stores. In addition, the Company offers a variety of financial services, including loans and prepaid cards through its easyfinancial services business.

easyhome was incorporated under the laws of Alberta by Certificate and Articles of Incorporation dated December 14, 1990, and was continued as an Ontario corporation pursuant to Articles of Continuance dated July 22, 1993. Effective August 1, 1993, RTO acquired Aumo Explorations Inc. ("Aumo"), a reporting issuer in the Province of Ontario. Aumo was incorporated under the laws of Ontario by Articles of Incorporation dated December 15, 1980. Pursuant to Articles of Amalgamation dated July 31, 1993, and the terms of an Amalgamation Agreement dated June 24, 1993, Aumo and RTO were amalgamated. At the date of amalgamation, Aumo had no significant assets or liabilities. The purpose of the amalgamation was to acquire a public company such that shareholders of RTO would have greater liquidity and marketability in respect of their Common Shares.

On July 30, 2002, the articles of the Company were amended to consolidate the Company's issued and outstanding common shares in the capital of the Company ("Common Shares") on a one for ten basis.

On December 2, 2002, the articles of the Company were amended to create a class of Preference Shares. On October 30, 2003, the articles of the Company were further amended to remove a limitation on the redemption of Preference Shares.

At the Company's annual and special meeting held on May 1, 2003, shareholders approved the change of the Company's name from RTO Enterprises Inc. to easyhome Ltd. and that change became effective on July 2, 2003.

On May 11, 2005, the articles of the Company were amended to split the Company's issued and outstanding shares on a one and half for one basis.

On January 2, 2007, easyhome incorporated a U.S. subsidiary, EH US Holdings Inc. under the laws of Delaware. On December 31, 2007 its name was changed to easyhome U.S. Ltd. ("easyhome U.S.")

On January 1, 2008, three of easyhome's Canadian subsidiaries, RTO (Rentown) Inc., RTO (Rentown) 2000 and RTO Asset Management Inc., amalgamated pursuant to the laws of Alberta under the name RTO Asset Management Inc.

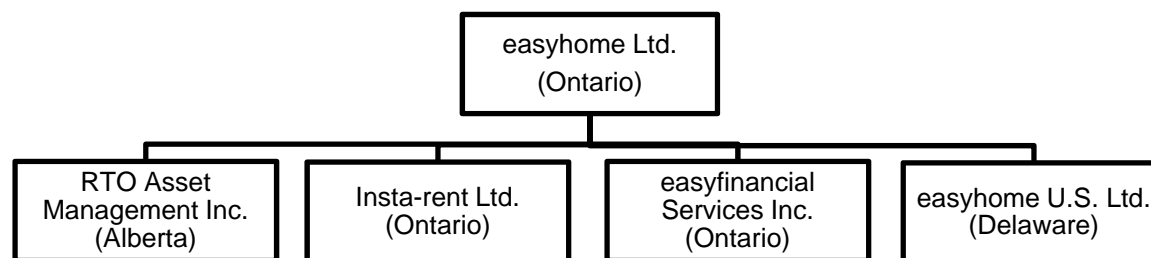
On September 25, 2008 easyhome acquired 89% of the outstanding shares of Insta-rent Inc. ("Insta-rent"), an Edmonton based merchandise leasing company which was listed on the TSX Venture Exchange. The Company subsequently acquired the remaining 11% of Insta-rent's outstanding shares and delisted that company.

On December 23, 2010 all of the assets and liabilities of Insta-rent Inc. were transferred to its parent company, easyhome Ltd., including 100% of the common shares of Insta-rent Ltd. As a result, Insta-rent Ltd. became a direct wholly owned subsidiary of easyhome Ltd. Additionally, on January 1, 2011, RTO Distribution Inc. and RTO Asset Management Inc. amalgamated pursuant to the laws of Alberta under the name RTO Asset Management Inc. RTO Asset Management Inc. remains a wholly owned subsidiary of easyhome Ltd. After this reorganization, Insta-rent Ltd. held 100% of the preferred shares of RTO Asset Management Inc.

The registered office, head office and executive office of easyhome is located at 33 City Centre Drive, Suite 510, Mississauga, Ontario, L5B 2N5.

Inter corporate Relationships

easyhome is the holder of all of the common shares in the capital of its subsidiaries, RTO Asset Management Inc., easyfinancial Services Inc. ("easyfinancial"), easyhome U.S. Ltd. and Insta-rent Ltd. Insta-rent Ltd. holds 100% of the preferred shares of RTO Asset Management Inc. easyhome's principal subsidiaries are as set forth in the following chart:



RTO Asset Management Inc. operates the Company's Canadian merchandise leasing business, including acquiring the assets for lease and holding the facility leases for the Company's Canadian stores. Insta-rent Ltd. no longer carries on operations. easyfinancial operates the Company's consumer lending operations while easyhome U.S. operated the Company's U.S. merchandise leasing business prior to the sale of those stores on December 31, 2012. Franchises are offered through easyhome in Canada and easyhome U.S. in the United States.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

easyhome is Canada's largest merchandise leasing company, offering top-quality, brand name household furnishings, appliances and home electronic products to consumers under weekly or monthly lease agreements, through both corporate stores and franchised locations. In addition, the Company offers a variety of financial services, including instalment loans and prepaid cards through its easyfinancial services business. easyhome is principally focused on leasing merchandise and providing financial services to a wide variety of consumers who are seeking alternatives to traditional retailers or lenders and who may have insufficient cash resources or credit constraints.

Store Locations Summary

	Locations as at December 31, 2011	Locations opened during 2012	Locations closed / sold during 2012	Conversions	Locations as at December 31, 2012
Leasing					
Canada	197	17	(16)	(3)	195
U.S.	16	-	(16)	-	-
Consolidated Franchise Location	5	4	-	-	9
Total	218	21	(32)	(3)	204
Franchise					
Canada	14	1	-	1	16
U.S.	29	2	-	2	33
Total	43	3	-	3	49
Easyfinancial					
Kiosks (in store)	85	5	(1)	(7)	82
Stand-alone locations	2	8	-	7	17
National loan office	1	-	-	-	1
Total	88	13	(1)	-	100

On December 31, 2012, the Company sold its 15 corporate stores in the U.S. and acquired 15 corporate stores in Canada. In the first quarter of 2013, 11 of the acquired stores will be merged with existing corporate stores since they are located in markets already served by easyhome.

At the end of 2012, easyhome had 204 easyhome leasing stores (including 9 consolidated franchise locations). 197 of the leasing stores (including 2 consolidated franchise locations) are located in Canada with a province-by-province breakdown as follows: : British Columbia 21; Alberta 23; Saskatchewan 9; Manitoba 6; Ontario 76; Quebec 11; New Brunswick 13; Nova Scotia 21; Prince Edward Island 3; and Newfoundland and Labrador 14. The remaining 7 leasing stores (all consolidated franchise locations) are located in the states of Hawaii, Virginia, Oregon, Arkansas, Missouri and Florida.

At the end of 2012, easyhome had 16 franchise stores in Canada (in Ontario, Alberta and Manitoba) and 33 franchise stores in the U.S. A majority of the U.S. franchise stores are run by the master franchisor, easygates LLC.

At the end of 2012, easyhome had 82 easyfinancial kiosks, 17 easyfinancial stand-alone locations and one National loan office. The easyfinancial locations are located in all Canadian provinces except Quebec.

In 2013, the Company does not plan to open any new corporate stores, but expects to open 3 to 4 new Be-A-Contender franchise stores that are consolidated for financial reporting purposes, 3 to 5 new franchise locations and 25 to 35 new easyfinancial locations with most of these being stand-alone locations.

Exploring New Growth Platforms

Between 2001 and 2009, easyhome experienced rapid growth through the opening of additional corporate stores. To continue with this growth and to further obtain economies of scale, the Company investigated several complementary growth platforms and decided to pursue two growth platforms that would continue to expand into the foreseeable future.

easyfinancial services

easyhome believes financial services constitute a logical complement to the core business of merchandise leasing. Merchandise leasing customers can benefit not only from assistance through consumer term loans, but also from ancillary financial services such as pre-paid cards and a loan protection plan against disability and unemployment.

In early 2006, the Company opened its first easyfinancial location in Edmonton, Alberta, to meet the lending needs of the cash- and credit-constrained consumer. This location was a test outlet. Later during that same year, the Company opened two additional locations whose purpose was to deepen the understanding of the market. The knowledge and expertise gained from these initial locations led to a refinement of the concept, improving the marketing to target consumers and the controlling of collections. In 2008, the Company decided to advance the easyfinancial services business from a test phase to roll-out. As at December 31, 2012 the Company operated a total of 100 easyfinancial locations in all of the provinces of Canada except Quebec.

United States operations

easyhome believes that the U.S. provides a significant opportunity. It is estimated to be a \$6 to \$7 billion market that is highly fragmented, with approximately half the market served by small, independent operators. American consumers have a good understanding of merchandise leasing options and easyhome believes it provides an attractive alternative to what is currently available in the marketplace.

The Company's U.S. growth strategy is based on a franchise business model. On March 2, 2007, the Company, through its wholly-owned subsidiary easyhome U.S., signed a License/Master Franchise Agreement (the "License Agreement") with an entity controlled by Walter "Bud" Gates ("easygates LLC"). Mr. Gates is the former Chairman and Chief Executive Officer of a large U.S. based rent-to-own company. The License Agreement has an initial six-year term and allows easygates LLC to set up easyhome franchises in the U.S., excluding the 14 U.S. states that border Canada. The License Agreement provides that, for each franchise store that is opened, Gates LLC and easyhome will split both the initial franchise fee and the ongoing royalty fees. Additionally, easyhome offers franchises directly in the remaining U.S. states.

Acquisition of Insta-rent

The Company acquired Insta-rent in 2008. Insta-rent was a publicly traded merchandise leasing company with 50 locations across Canada, the majority of which were kiosks located in The Brick Warehouse stores. Insta-rent had approximately 8,300 customers when it was acquired and 70% of the Insta-rent locations were located within 6 kilometres of an easyhome store. The purchase price was \$10.6 million, including acquisition costs, and was largely funded by bank borrowings. Most of the Insta-rent locations have been closed and the business, inventories and customers integrated into easyhome's own stores.

Corporate Restructuring

During the third quarter of 2009, the Company commenced a reorganization of administrative facilities and certain functions. This restructuring re-aligned many corporate responsibilities and consolidated all administrative functions into one corporate office in Mississauga Ontario in 2010, at which time the Edmonton head office closed. Restructuring charges of \$0.6 million were recognized in 2010 and the total cost of the restructuring was \$2.6 million.

In 2009, the Company also organized itself to operate under three complementary business units: easyhome leasing, easyfinancial services and easyhome franchising. These business units draw on the Company's core competencies in collections and building customer relationships with cash- and credit-constrained consumers. See "Overview of the Business Units".

Be-A-Contender Program

In the third quarter of 2009, the Company determined that the easyhome franchising program was not meeting its growth expectations. Experienced leasing operators that were interested in partnering with easyhome to expand its presence in the U.S. through franchising were unable to access the financing required to develop and open a new location. In response, easyhome franchising developed the Be-A-Contender Program to attract new franchisees.

The Be-A-Contender program is designed as a competition whereby interested operators with extensive industry experience apply to become an easyhome franchisee by submitting a detailed application and business plan. Successful candidates are selected based on merit and a rigorous screening process from all of the submissions and receive a financing package that provides them with all of the required financing to open a new easyhome store and fund operations for an initial two year period.

The Be-A-Contender program was launched in 2009 and easyhome saw the first three stores open under this program in November 2010. These three initial stores performed beyond expectations and all three operators were able to repay their loan from easyhome before the end of the two year financing period and all are working to open additional stores. An additional three stores were opened under this program in 2011 and a further four stores were opened in 2012. Further, 2 existing Canadian stores that were not meeting performance expectations as corporate stores were franchised under the Be-A-Contender program in 2012.

Employee Fraud

On December 22, 2010, the Company filed restated interim consolidated financial statements for each of the two quarterly periods of March 31, 2010 and June 30, 2010, including the respective restated comparatives, and restated annual consolidated financial statements for the year ended December 31, 2009, and the associated management discussion and analysis disclosures. The restatements were required as a result of the discovery by the Company of a material fraud (the "Employee Fraud") at one easyfinancial kiosk perpetrated by an employee of its easyfinancial business subsequent to the three months ended September 30, 2010. The Employee Fraud, which occurred at one easyfinancial kiosk, was detected during a detailed review of easyfinancial's consumer loans receivable portfolio.

Enhancement of the easyfinancial Infrastructure

Since its inception in 2006, easyfinancial has grown from a small but promising initiative to a substantial enterprise. During 2010 and 2011, the Company established a more robust support structure for easyfinancial and enhanced controls and risk management capabilities to facilitate sustainable growth into the future. These included a new management team with a greater depth of financial services experience, the establishment of a centralized operational support team and enhanced training. The Company also created a Risk Management team that was independent of field operations and added field auditors and regional management oversight.

Also during 2011 the Company implemented a new electronic automated loan decisioning tool, partnering with a recognized global leader in credit and information technology. Finally, in October 2012, the Company completed an upgrade of the easyfinancial core loan software, implementing an integrated banking platform that is scalable to meet the needs of a rapidly expanding business.

Reorganization of the Leasing Business

During the second quarter of 2012 and in responses to its negative performance, the Company completed a restructuring of its leasing business. 13 locations with unsatisfactory performance were closed and a large portion of their active lease portfolios and assets were transferred to nearby locations. Changes were made to the leadership of the leasing business and seven senior positions were

eliminated. Finally, operating procedures were adjusted to return the focus of field staff from administration processes to leasing, collecting and customer relationships.

On December 31, 2012, the Company completed an exchange of stores with a large U.S. based rent-to-own company. The exchange consisted of the concurrent sale of the assets and operations of 15 leasing stores owned by easyhome in the U.S. and the purchase of the assets and operations of 15 leasing stores in Canada. At the time of the exchange, the Company's U.S. franchise business combined with its unique Be-A-Contender program had demonstrated its ability to stand out and succeed in a competitive market and thus a U.S. corporate store presence was no longer required.

New Credit Facility to Support the Growth of easyfinancial

On October 4, 2012, the Company entered into a new \$20 million credit facility with a pair of U.S. based debt providers to support the growth of easyfinancial. In conjunction with this financing, the Company amended the terms and extended the maturity date of its revolving operating facility with a syndicate of banks. These actions, when taken together, provide the Company with the capital necessary to achieve its future growth objectives.

OVERVIEW OF THE BUSINESS UNITS

Overview of easyhome Leasing

The largest segment of easyhome's business is leasing, with an option to purchase, top-quality, brand name household furnishing, appliances and home electronic products to consumers under weekly or monthly agreements. The Company's programs appeal to a wide variety of consumers who are looking for alternatives to traditional retailers and who may not be able to purchase merchandise because of a lack of credit or insufficient cash resources, who have a short-term or otherwise temporary need for the merchandise, or who simply want to use the merchandise, with no long-term obligation, before making a purchase decision.

Customers who wish to lease merchandise with an option to purchase from easyhome are required to enter into easyhome's standard form merchandise leasing agreement (a "Merchandise Lease Agreement"). When leasing merchandise, the customer also has the option of purchasing the Total Protection Coverage Policy, which provides for the return of the product at any time and allows the customer to reinstate the lease without charge within one year of termination. The Total Protection Coverage Policy also covers delivery, installation, and pick-up of the merchandise, and temporary replacement of the merchandise while being repaired.

The Merchandise Lease Agreement provides that the customer will lease merchandise for a set term and make periodic payments on a weekly or semi-monthly basis. Generally, customers are required to make an initial up-front lease payment and thereafter the periodic payments are collected in advance for each payment period. Customers who purchase the optional Total Protection Coverage Policy can return leased merchandise without further obligation or penalties at any time during the lease term and may reinstate the lease without charge within one year of termination. If the customer makes all of the periodic payments throughout the lease term, he or she will obtain ownership of the merchandise at the end of the lease term. In addition, at specified times during the term of a Merchandise Lease Agreement, customers can exercise an option to purchase the leased merchandise at a predetermined price.

Customers generally obtain lease merchandise at the local easyhome store, although they may also do so by telephone or by contacting the Company's call centre where an order form is processed and transferred to the closest store for completion. easyhome stores are open 6 days a week, contain sufficient space to maintain attractive displays of merchandise, have a storage area and convenient parking facilities. Typically, the average store size is 3,800 to 4,400 square feet. After being open for 36 months, a typical store services approximately 900 lease units. easyhome offers same-day delivery of in-stock merchandise. Generally, a sufficient quantity of merchandise is held at all store locations to fill

customer orders promptly. Suppliers of merchandise ship products directly to individual store locations generally within 2 weeks of ordering.

Subject to manufacturers' warranties, the customer is responsible for the cost of all service and repairs to merchandise during the term of Merchandise Lease Agreement unless he or she has entered into the optional Total Protection Coverage Policy, under which service and repairs not attributable to customer neglect or misuse of the merchandise are arranged by easyhome at no additional cost to the customer. Because easyhome stocks only brand name merchandise with full-term manufacturer warranties, virtually all service and repair costs are covered under the warranties and costs to easyhome generally run at between 1.0% and 1.5% of leasing revenue per year.

Prior to entering into a Merchandise Lease Agreement or a Rental Agreement, customers are required to complete an order form (which provides information relating to income sources, personal references, residence and other information) that is evaluated and verified by easyhome staff. Other than the information obtained through the order form, no formal credit investigation is undertaken. Should a payment be missed on a customer renewal, easyhome's standard collection process begins with the notification of delinquency, an attempt to work out a reasonable time for payment to be made and concludes with reclamation of the product if satisfactory payment terms cannot be met. easyhome observes the respective local and provincial/state laws in the reclamation process and works with every customer to develop alternative payment schedules whenever possible. easyhome maintains ownership of its merchandise unless and until a purchase option (if any) is exercised. For the year ended December 31, 2012 total inventory losses and write-offs from customers was 2.9% of leasing revenue (2011: 2.2 %).

Overview of easyfinancial Services

easyfinancial services is the Company's financial services arm, offering short-term loans, loan payment protection plans and prepaid cards. easyfinancial's loans occupy a critical niche in the marketplace, bridging the gap between traditional financial institutions and pay-day lenders. easyfinancial is a logical complement to easyhome's core leasing business, leveraging on the resources of its parent and locating its initial kiosks within existing easyhome leasing. Initially, easyfinancial funded its loan portfolio with the significant cash generated by the leasing business but, as of October 2, 2012, easyfinancial had matured to be funded as a separate entity. At the end of 2012, easyfinancial operated 82 kiosks inside easyhome stores, one national loan office and 17 stand alone locations. The kiosks occupy approximately 200 to 300 square feet of showroom space inside an easyhome store while the stand alone locations are the sole occupants of retail locations of approximately 1,000 to 1,500 square feet.

For the year ended December 31, 2012, the majority of easyfinancial's total revenue was generated from loan interest payments and Loan Protection Plan fees. easyfinancial offers unsecured short term instalment loans in amounts from \$500 to \$5,000 for 6 to 36 month terms with bi-weekly, semi-monthly and monthly repayment options matched to the customer's payroll cycle and generally remitted electronically via pre-authorized payments. Customers can choose to repay the entire loan balance at any time during the term with no penalty. All easyfinancial loan customers are offered an optional Loan Protection Plan which insures the loan against their involuntary loss of employment, accident and illness, critical illness, and death. As a credit reporting lender, easyfinancial positions its loan products as a vehicle to rebuild credit acceptance for the credit constrained consumer.

Overview of easyhome Franchising

The easyhome franchising business was launched in 2007 with a goal of helping the Company grow faster and to capitalize on the potential for easyhome leasing in the United States. The franchising business is built around the same principles of operational excellence as the Company's core leasing business.

easyhome's franchising business has taken a two pronged approach to expansion. First, in Canada and in the 14 U.S. states that border Canada, easyhome acts as a direct franchisor to independent owner/operators that wish to run a merchandise leasing business in these marketplaces under

easyhome's brand name and standard operating procedures. In addition to a one-time initial franchise fee, these franchisees contribute monthly royalties to easyhome based on a percentage of each franchise location's total monthly revenue. These franchisees also participate in easyhome's inventory procurement programs to take advantage of the Company's volume buying ability and rely upon easyhome to provide training, advertising and marketing and technology services on a fee basis. As at December 31, 2012, 18 locations in Canada (including 2 consolidated franchise locations) and 2 locations in the U.S. were franchised or licensed by easyhome directly to the owner/operators.

easyhome franchising's second approach to expansion is through a master franchise agreement with easygates LLC. See "General Development of the Business – Exploring New Growth Platforms – United States Operations". The first U.S. franchise location opened in 2007 and, at December 31, 2012, the Company together with easygates LLC operated 38 locations in 11 U.S. states (including 7 consolidated franchise locations). All franchise fees and royalties are shared equally between easyhome and easygates and the franchise locations managed by easygates also participate in easyhome's inventory procurement programs to take advantage of the Company's volume buying ability and rely upon easyhome to provide training, advertising and marketing and technology services on a fee basis.

Corporate Strategy

The Company has three long-term business priorities:

- Evolving the delivery channels to better meet the needs of its customers
- Expanding the retail footprint
- Executing at the store level with efficiency and effectiveness

Evolving the Delivery Channels

Historically, all of easyhome's interactions with its leasing customers have occurred at a physical retail location. As at December 31, 2012, easyhome leasing operated 195 corporately owned stores across Canada and 9 Consolidated Franchise Locations. Likewise, the easyfinancial business was initially developed using a kiosk that was physically located within an existing easyhome leasing location. As at December 31, 2012, easyfinancial operated 82 such kiosks.

Landlord tenant restrictions included in many of the Company's real estate leases established a maximum limit of approximately 100 easyfinancial kiosks located within the easyhome Leasing retail stores. By 2011, the Company determined that it would reach capacity due to these restrictions and, as such, the easyfinancial business would scale more successfully by operating out of stand-alone locations that were physically separated from the easyhome leasing stores. The first easyfinancial stand-alone location was opened in July 2011 and as at December 31, 2012, easyfinancial operated 17 stand-alone locations.

The internet and mobile technology have changed the way that businesses interact with their customers. Although many customers expect the direct interaction that occurs at a retail storefront, a faster growing number of customers wish to utilize technology to transact instead. As a result, the Company has begun to evolve its delivery channels to meet the demands of this new group of customers. Beginning in 2012 and continuing in 2013, the Company is developing a multi-channel distribution structure for the delivery of financial services and merchandise leasing.

While easyfinancial has always had an online presence, it has been purely informational. In 2013, easyfinancial will introduce transactional online lending. This will not only allow the Company to reach consumers who may not have access to an easyfinancial location, it will allow it to reach those who are uncomfortable seeking financial assistance, but would do so through the privacy and convenience of the internet. The Company is developing an online application process in conjunction with an enhanced credit risk strategy that will enable it to make instant lending decisions for qualified customers. easyfinancial's credit risk strategy for online loans will be robust and will consider the risks associated

with this customer segment and the new application process, including additional personal security features.

As a further means of responding to consumer demand and capturing growth, easyfinancial will also evolve its delivery channel by exploring indirect lending. Indirect lending involves creating partnerships with retailers, both online and offline, to provide financing for their customers who do not qualify for traditional credit offered by these retailers. Under such a delivery channel, these customers will be given the option of applying for a loan through easyfinancial.

The Company's evolution of its delivery channels will not be limited to the easyfinancial business. The Company is also developing online transaction capabilities for its leasing business. This new channel will create opportunities for customers to select merchandise, obtain approval, and arrange for delivery through an easyhome leasing website.

Expanding the Retail Footprint

While the Company intends to evolve its delivery channels, this will not be done at the expense of ignoring its retail footprint. To survive and grow in a competitive retail environment, an organization must continuously renew and expand its physical presence. The Company's expansion strategy is different for each of its business segments, based on their relative level of maturity.

First, within the easyhome leasing business, the rate of expansion will continue to be muted. During the period spanning 2001 to 2009 the Company significantly increased the number of stores, achieving a dominant position in the Canadian merchandise leasing industry. This position will be enhanced by relocating stores in markets where the target customer base has shifted, opening stores in new, rapidly growing markets and selectively acquiring stores that offer opportunities for consolidation with existing locations to take advantage of efficiencies. As an example, the Company completed the purchase of 15 Canadian leasing stores on December 31, 2012. Since most of the acquired stores were located in markets already served by easyhome, greater efficiencies were gained by merging 11 of the newly acquired stores with existing stores into a single location.

The Company believes that there is significant demand for the products offered by easyfinancial in the Canadian marketplace. The Company estimates that the historic Canadian market for unsecured consumer installment loans, consistent with the products offered by easyfinancial, was in excess of \$1.5 billion and that this market was serviced by over 400 retail locations. Since 2007, many of the largest participants in this market have either closed their operations or dramatically reduced their size, leaving easyfinancial as the only national participant with growth aspirations.

Unlike easyhome leasing, the retail footprint of easyfinancial is not yet mature and requires expansion. The Company estimates that its retail footprint for easyfinancial could expand to over 250 locations. The Company is responding to this opportunity by strategically adding new stand alone locations. In addition to providing more convenient access to the customers that wish to transact in a physical retail environment, the critical mass of physical locations will assist with brand recognition, establishing easyfinancial as a leader in providing financing solutions to consumers who are looking for an alternative to traditional banks and payday lenders.

Finally, increasing its market presence is the primary goal for easyhome franchising. The Company is convinced that the U.S. market offers tremendous opportunity for easyhome. The easyhome leasing concept is well received by U.S. consumers and franchisees have proven their ability to develop robust businesses. In the current U.S. economy, however, financing remains a challenge for potential franchisees. This is one reason why the Be-A-Contender program, which provides a start-up financing package for proven operators, has been such a success. Going forward, the Company intends to continue with this program to further stimulate the growth of its U.S. franchise business.

Executing at the Store Level

The Company believes that the products and services presented to its customers are clearly differentiated from its competitors. easyhome Leasing has established itself as the Canadian market leader by providing a more inviting retail experience than its direct competitors, providing consumers with the lowest weekly payment rates guaranteed and employing more engaged and better trained retail associates. easyfinancial provides consumers with an alternative that is less costly than payday loans and quicker and more convenient than traditional banks.

To meet the demands of its customers and to maximize the profitability of its retail locations, the Company will continue to focus on local execution at the store level. After streamlining the operations and re-aligning priorities in 2012, the Company will concentrate on executing the basics of its businesses. Both the leasing business and the lending business are straightforward, with only three fundamental tasks: selling, delivering/funding and collecting. It's how these tasks are executed that determines success.

Offer High Levels of Customer Service and Satisfaction

Customer retention is of paramount importance. Frequent and positive customer interactions encourage repeat business and provide high levels of service and satisfaction. As part of its attempt to provide superior customer service, the Company offers quick delivery of its merchandise and rapid loan decisioning and funding. The Company believes that competent, knowledgeable and motivated personnel are necessary in order to achieve high levels of customer service and satisfaction. Accordingly, the Company has intensive employee training programs, as well as performance measurement programs, incentive driven compensation plans and other tools, in order to drive a positive customer experience and ensure customer retention.

Increase Store Level Efficiency

Although the Company will pursue the previously described methods to encourage customer retention and growth, it must also aggressively manage all discretionary spending. Supplier relationships and economies of scale will be leveraged to reduce overall costs. Idle inventory levels within its stores will be maintained at optimum levels, balancing the need to provide customers with the choice and selection they require with the capital committed and management effort required to maintain this inventory. Other costs, especially labour, will be tightly controlled through centrally established thresholds, allowing spending to occur only when it will result in improved revenues.

NARRATIVE DESCRIPTION OF THE BUSINESS

Competition

The Company's leasing business competes with other merchandise leasing and rental businesses and, to a lesser extent, with rental stores that do not offer a purchase option. Competition is based primarily on lease and rental prices and terms, product selection and availability, and customer service. Furthermore, additional competitors may emerge and the large U.S. merchandise rental chains that have established a presence in Canada may further increase their presence in Canada, since barriers to entering the merchandise leasing and rental business are relatively low.

Aaron Rents, Inc., the second-largest merchandise rental chain in the United States, opened its' first franchise store in Kitchener, Ontario in the fall of 2003 and has since grown to 50 stores and has stated its intention to continue to open more stores in Canada. Rent-A-Center, Inc., the largest merchandise rental company in the United States with over 3,000 stores, purchased a five store chain in Alberta in March of 2004 and grew to a peak of 33 stores. After the exchange of stores with easyhome that was completed on December 31, 2012 (As described in "General Development of the Business – Reorganization of the Leasing Business"), Rent-A-Center, Inc. operated 18 stores in Canada. The entry of Aaron Rents, Inc. and Rent-A-Center, Inc., as well as the growth of local competitors in the Canadian market, will increase the competitive forces for customers and employees. However, the Company believes that the entry of Aaron Rents, Inc. and Rent-A-Center, Inc. into Canada will also stimulate industry growth and is an indication of the significant growth potential that the Company believes exists in the merchandise leasing and rental industry in Canada. This increased competition has the potential to adversely affect the Company's operational results should the Company not be able to adequately respond to the increased competition.

The Company's financial services business occupies a market niche between traditional financial institutions and short-term pay day lenders. As such, it competes with companies from each of these sectors. Competition is based primarily on access, flexibility and cost (interest rate). Since the Company's products are more affordable than pay day loans while being more accessible and flexible than banks, the Company offers alternatives to customers that are not being adequately served by the incumbent participants in either of these market sectors. As at December 31, 2012, the Company was not aware of any other significant competitors offering a similar product to a comparable customer set in the Canadian marketplace. However, the Company believes that similar products targeting comparable customers will eventually appear but the potential marketplace is sufficiently large that such introductions will not adversely affect the Company's operational results in the near term.

Business Cycles

The Company's lease business and financial services business are both portfolio businesses and as such are not as seasonal as other retail businesses which generate a significant portion of their sales and profits in the Christmas season. Quarterly revenue generally does not vary by more than 10%, assuming no portfolio growth, no store openings and no acquisitions.

Systems and Processes

The Company maintains an extensive information technology system to monitor all aspects of its operations and to facilitate its store expansion program. Each leasing store has an on-site customized computer system on which all inventory data, customer information and leasing and rental transactions are recorded. Transaction records and reports from each store and kiosk are electronically transmitted periodically to easyhome's data centre. In addition, the Company receives daily status reports from the Company's bankers confirming deposits made by each store and kiosk location. This extensive reporting system enables management to consistently monitor compliance. During 2007, the Company acquired and installed a new point of sales software product from a leading provider of point of sales software systems in the merchandise leasing business in the U.S. This software provides real-time information on sales, inventory, customers and purchasing trends. The Company utilized the core applications from this

system in its U.S. stores in 2007 and rolled out a customized version of the system in one of its Canadian regions in the first quarter of 2008. The remainder of the Canadian regions were converted by the end of the second quarter of 2008.

The Company also maintains a central information technology system to manage the easyfinancial services' loan book, customer information and lending transactions. During 2011, the Company implemented a new electronic automated loan decisioning tool partnering with a recognized global leader in credit and information technology. In October 2012, the Company replaced and upgraded its core loan software system which improved the monitoring of key performance indicators, established stronger authentication controls and provided a platform that is scalable as the size of the business increases in the future. The core loan software system provides extensive management and exception reporting which enables management to continuously monitor the business for performance, compliance and risk.

Products

easyhome offers brand name household furnishing, appliances and home electronic products. easyhome's major product lines currently include the following brand names:

<u>Home Electronics</u>	<u>Appliances</u>	<u>Furniture and Accessories</u>	<u>Computers and Video Game Stations</u>
Sony	GE	Ashley Furniture	Dell
Samsung	Samsung	Dynasty	HP
LG Electronics	Whirlpool	Ezita	Acer
Toshiba		Serta	Toshiba
			Nintendo
			Microsoft
			Sony

easyhome purchases all products directly from the manufacturers or distributors. All merchandise is delivered directly to the stores, and accordingly easyhome does not generally require warehouse facilities. Product mix is determined by senior management based on historical lease patterns and the expected demand for new products.

Each store is required to carry a pre-determined number of the Company's core selection of products, but store management is able to select the remainder of inventory based on local customer preferences. The Company maintains good relationships with its suppliers. Given the variety of suppliers able to meet the Company's inventory requirements for any particular product line, the Company does not believe that it is necessary to limit itself to one supplier, nor does it enter into long term supply contracts with its suppliers. However, because of the volume of products purchased, the Company is able to negotiate favourable terms with its suppliers.

The following chart indicates the percentage of the Company's total lease revenue represented in the product categories for the periods indicated. The Company realizes greater margins on furniture and accessories than other product categories.

	<u>Year ended December 31</u>					
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Home Electronics	33%	33%	35%	36%	36%	36%
Appliances	13%	12%	12%	12%	12%	12%
Furniture and Accessories	38%	37%	36%	37%	38%	38%
Computers and Video Game Consoles	16%	18%	17%	15%	14%	14%

Through easyfinancial services, the Company also offers short-term consumer loans and related financial services such as loan protection plan and prepaid cards. The consumer loans are available in amounts from \$500 to \$5,000 over terms generally ranging from 6 to 36 months.

Liability Damage Waiver Policy

The Company's Liability Damage Waiver Policy is an optional loss/damage waiver program made available to customers when entering into a Merchandise Lease Agreement. The plan provides protection to a customer from the obligation to make any additional payments under a Merchandise Lease Agreement in the event that merchandise is damaged, destroyed or lost through fire, flood, lightning, smoke, wind, storm or theft in exchange for payment of a pre-determined amount over the term of the Merchandise Lease Agreement. Subject to manufacturers' warranties, a customer who does not take advantage of the merchandise protection plan is fully liable for damage in excess of normal wear and tear. Currently, the vast majority of all new customers who enter into Merchandise Lease Agreements elect to participate in easyhome's Liability Damage Waiver Policy.

Customer Protection Programs

The Company offers customers of both its leasing and financial services business an optional customer protection program that provides creditor insurance. In the event that a customer who has elected to participate in one of the customer protection programs is unable to make scheduled payments due to involuntary loss of employment, accident and illness, critical illness or death, the creditor insurance provides payments on the customer's behalf.

Advertising

easyhome's primary advertising media have been direct mail, flyers and in-store marketing programs. Generally, advertisements stress the advantages of leasing from easyhome. To a lesser extent, easyhome also utilizes promotional brochures and "yellow pages" advertising. The Company has periodically expanded its brand awareness efforts to include a national English language television campaign.

Advertising expense as a percentage of total revenue for the year ended December 31, 2012 was 3.9% (2011: 3.6%).

Employees

As at December 31, 2012, easyhome had 1,241 full time employees, of whom 103 were employed at the corporate office, 821 were employed in easyhome's Canadian stores and 250 were employed in easyfinancial. The Company also employs a number of part-time employees. None of easyhome's employees are unionized. easyhome considers its relations with its employees to be positive.

Typically, each easyhome store requires a staff of 4 to 7 employees, each easyfinancial kiosk requires a staff of two to three employees and each easyfinancial stand alone location requires a staff of two to five employees. Promotions generally come from within the ranks of store employees. easyhome has in place an employee training program which outlines a 90 day training and certification program which all employees must complete, as well as more comprehensive management training and certification programs.

Each easyhome store manager reports to a regional manager, who supervises the management of all the stores within a particular region, with each region having an average of 8 to 12 stores. Each regional manager reports to one of two divisional vice-presidents. Store managers, regional managers and divisional vice-presidents receive a significant portion of their compensation in the form of cash bonuses determined under a profit incentive arrangement. This arrangement is designed to promote growth, optimize revenues and maximize store profitability. Periodic bonuses are paid for achievement of profit goals.

Each easyfinancial manager reports to a regional manager, who supervises the management of all the kiosks and stand alone locations within a particular region, with each region having an average of 10 to 15 kiosks and stand alone locations. Each regional manager reports to one of two divisional vice-president. Managers, regional managers and the divisional vice-president receive a significant portion of their compensation in the form of cash bonuses determined under a profit incentive arrangement. This arrangement is designed to promote growth, optimize revenues and maximize store profitability. Periodic bonuses are paid for achievement of profit goals.

Facilities

easyhome leases all of its store locations and easyfinancial leases all of its stand alone locations, which are generally located in strip shopping centres, plazas, or stand-alone buildings in moderate to low income neighbourhoods. All easyfinancial kiosks are located within existing easyhome stores. The terms of the leases are generally seven to ten years and contain renewal options at fair market value rates. easyhome is generally required to pay a proportional share of real estate taxes, as well as insurance and utilities. easyhome believes that its policy of leasing all of its premises gives it the flexibility to respond to shifting consumer patterns and changing space requirements. easyhome has not experienced substantial difficulty in renewing leases or acquiring substitute facilities for its stores and stand alone locations although Canadian lease rates have been trending upwards in recent years.

The Company's corporate office in Mississauga consists of 20,688 square feet of leased premises with a 10-year lease term expiring on April 14, 2020 and an optional 5-year renewal term at market rates.

As of December 31, 2012, easyhome Ltd. operated 204 easyhome leasing stores (including 9 consolidated franchise locations), 100 easyfinancial locations and had 49 franchise locations.

Insurance

The Company believes that it has sufficient property insurance to cover the maximum replacement costs of any one store, subject to a \$10,000 deductible and The Company also carries commercial general liability insurance in Canada and the U.S. in the amount of \$2.0 million and \$3.0 million per claim respectively for bodily injury and property damage, subject to a \$10,000 deductible. The Company's automobile insurance includes coverage of \$2.0 million bodily and property damage per occurrence, subject to a \$5,000 deductible. The Company's umbrella policy provides additional liability coverage up to \$15.0 million. The Company has directors' and officers' liability insurance with a limit amount of \$30.0 million for each policy period, subject to a \$100,000 deductible, the annual premiums of which are paid by the Company. The Company also has a \$1.5 million crime policy with a \$100,000 deductible.

Regulatory Matters

Canada

There is no federal legislation in Canada that specifically regulates the Company's merchandise leasing or rental transactions. However, section 347 of the federal Criminal Code prohibits the charging of an effective annual rate of interest that exceeds sixty percent for an agreement or arrangement for credit advanced. For the purposes of section 347, "interest" is broadly defined to include the aggregate of all charges and expenses, whether in the form of a fee, fine, penalty, commission or other similar charge or expense or in any other form, paid or payable for the advancing of credit under the agreement or arrangement. The Company believes that easyfinancial is subject to section 347 of the federal Criminal Code.

While Management of the Company is of the view that its merchandise leasing and rental business does not involve the provision of credit, it could be determined that aspects of easyhome's merchandise leasing and rental business are subject to section 347 of the federal Criminal Code. The Company has implemented measures to ensure that the aggregate of all charges and expenses under the Merchandise

Lease Agreement do not exceed the maximum interest rate allowed by law. Where aspects of easyhome's business are subject to section 347 of the federal Criminal Code, and the Company has not complied with the requirements thereof, the Company could be subject to either or both (1) civil actions for nullification of contracts, rebate of some or all payments made by customers, and damages, and (2) criminal prosecution for violation of the Criminal Code, any of which outcomes could have a material adverse effect on the Company.

Consumer Protection Legislation in the provinces in which the Company operates specify that if the Company's business involves future performance agreements, leases with terms of a specified length, the sale of goods or the provision of credit, as defined in certain of such legislation, the Company may be required to comply with various disclosure requirements, including in some instances disclosure requirements concerning the costs of purchase and credit.

Management of the Company has reviewed and revised its business model to ensure it is in compliance with the applicable provincial legislation. However, the application of certain provincial legislation to the Company's business model remains uncertain. There is a risk that regulatory bodies or consumers could assert that certain provincial legislation is applicable where the Company had determined that it is not and that the Company is not in compliance with such applicable statutory requirements. If it should be determined that the Company has not complied with the requirements of applicable provincial legislation, the Company could be subject to either or both (1) civil actions for nullification of contracts, rebate of some or all payments made by customers, and damages, and (2) prosecution for violation of the legislation, any of which outcomes could have a material adverse effect on the Company.

United States

The U.S. rent-to-own industry is subject to various governmental regulations, including regulations regarding rent-to-own transactions. In total, 47 states plus the District of Columbia have enacted statutes that define and regulate rent-to-own transactions as a distinct type of consumer transaction and one other state has amended its retail instalment sales statute to exclude rent-to-own transactions from its coverage if certain criteria are met. These laws generally require certain contractual and advertising disclosures. They also provide varying levels of substantive consumer protection, such as requiring grace periods for late payments, limiting the amount and nature of various ancillary fees, such as one-time initial processing fees and late fees, and requiring customers to be given the right to reinstate terminated agreements if certain conditions are met. Additionally, the rent-to-own laws in nine states limit the total amount of rental payments that may be charged over the life of a rent-to-own agreement. Several of the Company's U.S. competitors have been subject to litigation alleging that they have violated some of these statutory provisions. This litigation includes claims that allege that easyhome U.S.'s competitors' rental agreements constitute instalment sales contracts or violate other state laws enacted to protect customers.

Although there is currently no comprehensive federal legislation regulating rental-purchase transactions, adverse federal legislation may be enacted in the future. From time to time, legislation has been introduced in Congress seeking to regulate the rental business. In addition, various legislatures in the states where easyhome U.S. anticipates doing business may adopt new legislation, or adopt amendments to existing legislation, that could require easyhome U.S. to alter its business practices.

easyhome U.S. may enter into franchise agreements or other arrangements through which it will directly or indirectly grant others the right to operate easyhome stores. easyhome U.S. entered into a License/Master Franchise Agreement with easygates LLC, pursuant to which easygates LLC may arrange easyhome franchises in certain U.S. states that do not border Canada. See "General Development of the Business – Exploring New Growth Opportunities - United States operations." Certain terms of franchise agreements, as well as the form and content of certain disclosures that must be made to potential franchisees, are subject to state and federal regulation (i.e., by the U.S. Federal Trade Commission).

Legal Proceedings

The Company and certain of its current and former officers have been named as defendants in a lawsuit filed in the Ontario Superior Court of Justice on October 25, 2010. This lawsuit was commenced by Andrew Sorensen, on behalf of shareholders who acquired the Company's common shares between April 8, 2008 and October 15, 2010. The claim is brought under s.138 of the Ontario Securities Act. The plaintiff alleges, among other things, that, arising out of an employee fraud discovered in 2010, the Company and certain of its former and current officers made misrepresentations about the Company's financial statements being prepared in accordance with Canadian generally accepted accounting principles. The claim seeks \$10 million in general damages. On March 26, 2012, the lawsuit was certified as a class proceeding on consent.

The Company has reached a settlement with the class. The settlement, which is subject to court approval, contemplates a payment by the Company of \$2.25 million, which, if approved, will be distributed to class counsel and members of the class. The settlement funds will be paid by the Company's insurer pursuant to the Company's insurance policies. The settlement agreement reached between the Company and the class contains no admissions of liability on the part of the Company or any of its current or former officers or directors.

The settlement reflects an analysis of the facts and law applicable to the issues in this case, and takes into account the extensive burdens, complexity, risks and expense of continued litigation. The Company has not recorded any liability related to these matters. The Company's directors' and officers' insurance policies provide for reimbursement of certain costs and expenses incurred in connection with these lawsuits, including legal and professional fees.

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

RISK FACTORS

Overview

The Company's activities are exposed to a variety of operational and financial risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee of the Board of Directors reviews the Company's risk management policies on an annual basis.

Dependence on Key Personnel

The biggest limiting factor in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. Over the past few years the Company has improved its hiring competencies and its training programs such that employee retention has improved by more than 50% since 2000.

In particular, the Company is dependent on the continued services of its President and Chief Executive Officer and the rest of the senior management team and the loss of these individuals without adequate replacement could materially adversely affect its business and operations.

As a consequence of its growth strategy and relatively high employee turnover at the store level, the Company requires a growing number of qualified managers and other store personnel to operate its stores successfully. There is competition for such personnel and there can be no assurances that the Company will be successful in attracting and retaining such personnel as it may require. If the Company

is unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected.

Government Regulation and Compliance

As described under “Narrative Description of the Business – Regulatory Matters”, easyhome is subject to Canadian and U.S. legislation and regulation.

The Company takes reasonable measures to ensure compliance with governing statutes, regulations or regulatory policies. A failure to comply with such statutes, regulations or regulatory policies, either in Canada or the U.S., could result in sanctions, fines or other settlements that could adversely affect both our earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of our merchandise leasing and consumer lending industries.

Future Capital Needs and Liquidity Risk

The Company believes that the cash flow provided by operations during 2013, coupled with the available loan facilities will be sufficient in the near term to meet operational requirements, purchase leased assets, meet capital spending requirements and pay dividends. While the Company is able to manage the growth of its consumer loans receivable portfolio based on the amount of financing that is available, in the event that the Company decides to continue to expand its consumer lending business conducted by easyfinancial, additional sources of financing over and above the available loan facility may be required.

The Company intends in the future to significantly expand its operations and it will require substantial funds. The Company may have to obtain additional funding through debt or equity financing. However, there can be no assurance that additional funding will be available when needed or will be available on terms acceptable to the Company. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and growing dividends. The capital structure of the Company consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, share repurchases, the payment of dividends, increasing or decreasing debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly from the prior period.

The Company has externally imposed capital requirements as governed through its credit facilities. These requirements are to ensure the Company continues to operate in the normal course of business and to ensure the Company manages its debt relative to net worth. The capital requirements are congruent with the Company's management of capital.

Operational Risk

Operational risk, which is inherent in all business activities, is the potential for loss as a result of external events, human behaviour (including error and fraud or other inappropriate behaviour) or inadequacy or the failure of processes, procedures or controls. The impact may include financial loss, loss of reputation, loss of competitive position or regulatory or civil penalties. While operational risk cannot be eliminated, the Company continues to take steps to mitigate this risk. The financial measure of operational risk is the actual losses incurred. No material losses occurred as a result of operational risk in 2012.

Litigation

From time to time the Company may be involved in material litigation. There can be no assurance that any litigation in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations.

Competition

As described in "Narrative Description of the Business – Competition", competition from U.S. based merchandise leasing companies and others in the Canadian market will increase the competition for customers and employees. Although the Company believes that such competition will stimulate industry growth and is an indication of the significant growth potential that exists in the merchandise leasing industry in Canada, this increased competition could have a material adverse effect on the Company's operational results should the Company not be able to adequately respond to it.

Other factors that may adversely affect the Company's growth are further competition from merchandise rental businesses and, to a lesser extent, rental stores that do not offer a purchase option. The Company also competes with discount stores and other retail outlets that offer an instalment sales program or offer comparable products and prices and with financial institutions and payday lenders that offer consumer loans. Furthermore, additional competitors, both domestic and international, may emerge since barriers to entry are relatively low.

The Company's financial services business occupies a market niche between traditional financial institutions and short-term pay day lenders. As such, it competes with companies from each of these sectors. Competition is based primarily on access, flexibility and cost (interest rate). Since the Company's products are more affordable than pay day loans while being more accessible and flexible than banks, the Company offers alternatives to customers that are not being adequately served by the incumbent participants in either of these market sectors. As at December 31, 2012, the Company was not aware of any other significant competitors offering a similar product to a comparable customer set in the Canadian marketplace. However, the Company believes that similar products targeting comparable customers will eventually appear but the potential marketplace is sufficiently large that such introductions will not adversely affect the Company's operational results in the near term.

Future Growth

The Company's growth strategy is focused on easyfinancial. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional stand alone locations and evolve its delivery channels to access customers through means other than traditional retail locations. Revenue growth could be impacted significantly if the Company is not able to hire and train high quality management and staff to operate the stores and kiosks. The growth in the easyfinancial loan book could also be impaired if the Company is unable to secure adequate financing.

Compliance with Financial Covenants

The Company's successful financial and operating performance is required in order for the Company to continue to comply with the covenants in its debt instruments. While the Company was in compliance with all financial covenants as at December 31, 2012, there is no guarantee that in the future the Company will continue to meet these covenants.

Possible Volatility of Stock Price

The market price of the Company's Common Shares, similar to that of many other Canadian (and indeed worldwide) companies, has been subject to significant fluctuation in response to numerous factors, including the recent credit crisis and related recession, as well as variations in the annual or quarterly financial results of the Company, timing of announcements of acquisitions or material transactions by the Company or its competitors, other conditions in the economy in general or in the industry in particular,

changes in applicable laws and regulations and other factors. Moreover, from time to time, the stock markets experience significant price and volume volatility that may affect the market price of the Common Shares for reasons unrelated to the Company's performance. No prediction can be made as to the effect, if any, that future sales of Common Shares or the availability of shares for future sale (including shares issuable upon the exercise of stock options) will have on the market price of the Common Shares prevailing from time to time. Sales of substantial numbers of such shares or the perception that such sales could occur could adversely affect the prevailing price of the Common Shares.

Credit Risk

The maximum exposure to credit risk is represented by the carrying amount of the amounts receivable, consumer loans receivable and assets on lease with customers under merchandise lease agreements. The Company leases products and makes consumer loans to thousands of customers and has policies and procedures that are intended to ensure that it has no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers.

The credit risk related to amounts receivable and consumer loans receivable results principally from the possibility of default on rebate payments, consumer loans, and amounts due from licensee and former related parties. The Company deals with credible companies, performs ongoing credit evaluations of creditors and consumers and allows for uncollectible amounts where determined to be appropriate.

The credit risk on the Company's consumer loans receivable is also impacted by both the credit policies and the lending practices which are overseen by the Company's senior management.

The credit risk related to assets on lease with customers results from the possibility of customer default with respect to agreed payments. The Company has a collection process in place in the event of payment default, which concludes with the recovery of the lease asset if satisfactory payment terms cannot be worked out, as the Company maintains ownership of the lease assets until payment options are exercised.

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. The Company is subject to interest rate risk as all credit facilities bear interest at variable rates. The Company does not hedge interest rates and future changes in interest rates will affect the amount of interest expense payable by the Company.

Foreign Exchange

The Company sources some of its merchandise out of the U.S. and as such, the Company's Canadian operations have U.S. denominated cash and payables balances. As a result, the Company has both foreign exchange transaction and translation risk.

Foreign currency risk was not material in 2012. Although easyhome has significant U.S. denominated purchases, the Company has historically been able to price its lease transactions to compensate for the impact of foreign currency fluctuations on its purchases. The Company currently does not actively manage foreign currency risk and transacts in foreign currencies on a spot basis.

Economic Conditions

Current uncertainty in general economic conditions may negatively affect the Company's financial results. A prolonged period of economic decline could have a material adverse effect on its results of operations and financial condition and exacerbate some of the other risk factors described herein. The Company can neither predict the impact current economic conditions will have on its future results, nor predict when the economy will show meaningful improvement.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Preference Shares, issuable in series, with the attributes of each series to be determined by the Board of Directors. The issued and outstanding capital of the Company as at December 31, 2012, consists of 11,940,464 Common Shares.

In December 2002, the articles of the Company were amended to create the first series of Preference Shares. In 2003, these Preference Shares were redeemed and at this time there are no Preference Shares outstanding.

Common Shares

The following is a summary of the principal attributes of the Common Shares.

Voting Rights

Holders of the Common Shares are entitled to receive notice of, and to attend all meetings of the shareholders of the Company. At any such meeting, other than a meeting at which only the holders of another specified class of series of shares of the Company are entitled to vote separately as a class or series, each Common Share confers one vote.

Dividends

The holders of Common Shares are entitled to receive on a pro-rata basis such dividends as may be declared by the Board of Directors of the Company, out of funds legally available therefore, subject to the preferential rights of any shares ranking prior to the Common Shares with respect to the payment of dividends.

Rights on Dissolution

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Common Shares will be entitled to receive on a pro-rata basis all the assets of the Company remaining after payment of all the Company's liabilities, subject to the preferential rights of any shares ranking prior to the Common Shares with respect to the distribution of assets upon liquidation, dissolution or winding-up of the Company.

Pre-emptive and Conversion Rights

No pre-emptive or conversion rights attach to the Common Shares and the Common Shares, when fully paid, are not liable to further call or assessment. No other class of voting shares may be created without the approval of the holders of the Common Shares voting separately as a class.

Preference Shares

The following is a summary of the principal attributes of the authorized Preference Shares, none of which are outstanding.

Issuance in One or More Series

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

Ranking

No rights, privileges, restrictions or conditions attaching to a series of Preference Shares shall confer upon the shares of the series a priority in respect of dividends or in respect of return of capital in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, over the shares of any other series of Preference Shares.

Preference Shares are entitled to priority over the Common Shares and over any other shares of any other class of the Company ranking junior to the Preference Shares with respect to the payment of dividends and/or the return of capital in the distribution of assets in the event of liquidation or dissolution or winding-up of the Company whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs as the directors of the Company shall determine at the time of determining the number and designation of, and the rights, privileges, restrictions and conditions attaching to, the series of Preference Shares.

If any amount of cumulative dividends, whether or not declared, or declared non-cumulative dividends or amounts payable on a return of capital in the event of the liquidation, dissolution or winding-up of the Company in respect of a series of Preference Shares is not paid in full, the Preference Shares of all series shall participate rateably in respect of all accumulated cumulative dividends, whether or not declared, and all declared non-cumulative dividends, and in respect of amounts payable on return of capital in the event of liquidation, dissolution or winding-up of the Company; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Preference Shares with respect to amounts payable on return of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends.

Voting Rights

The holders of Preference Shares are not entitled as such to receive notice of, to attend or to vote at any meetings of the shareholders of the Company. The holders of Preference Shares are entitled to receive notice of meetings of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale, lease or exchange of all or substantially all the property of the Company other than in the ordinary course of business.

Modifications

The rights, privileges, restrictions and conditions attaching to Preference Shares, as a class, may not be amended, modified or varied in whole or in part except with prior approval of not less than two-thirds of the holders of Preference Shares present (in person or by proxy) at a meeting of the holders of Preference Shares duly called for such purposes in addition to any other approval required by law.

Dividends

Prior to May 10, 2004, the Company had not declared or paid a dividend on the Common Shares. The Company declared its first dividend on May 10, 2004 in the amount of \$0.04 per Common Share, payable on July 2, 2004 with a record date of May 31, 2004. In total, dividends of \$485,000 were paid to holders of Common Shares in 2004, \$1,410,000 in 2005, \$2,222,000 in 2006, \$2,772,000 in 2007, \$3,406,000 in 2008, \$3,561,000 in 2009, \$3,562,000 in 2010, \$3,913,000 in 2011 and \$4,038,000 in 2012.

On each of April 16, 2012, July 6, 2012, October 5, 2012 and January 9, 2013 the Company paid a dividend of \$0.085 per Common Share. On March 11, 2013, the directors declared a quarterly dividend of \$0.085 per Common Share payable on April 16, 2013 to shareholders of record on April 5, 2013.

The historic dividend policy of the Company is to declare and pay quarterly cash dividends at the discretion of the Board of Directors, as circumstances permit, in an aggregate annual amount equal to approximately 30% of the prior year's net income. The Company's dividend policy and practice will be reviewed from time to time in the context of the Company's earnings, financial condition, the need to retain earnings to fund future growth of the business of the Company and other relevant factors, and the declaration of a dividend will always be at the discretion of the Board of Directors.

Dividend Reinvestment Plan

On March 5, 2012, the Board of Directors approved a Dividend Reinvestment Plan ("DRIP") effective beginning with dividends in respect of Shareholders of record on April 5, 2012. The DRIP enables registered holders of Common Shares of the Company who are eligible for the DRIP to reinvest their cash dividends paid on the Common Shares to purchase additional Common Shares. No commissions, service charges or brokerage fees are payable by participants under the DRIP. The Common Shares acquired under the DRIP will, at the discretion of the Company, either be purchased on the Canadian open market including through the facilities of the Toronto Stock Exchange or issued by the Company from treasury.

Market for Securities

The Company's Common Shares are listed on The Toronto Stock Exchange under the symbol "EH". The volume and price range for the Common Shares for each month in 2012 was as follows:

2012	Volume of shares traded	Price Range	
		Low \$	High \$
December	151,331	7.80	9.75
November	576,521	6.25	7.80
October	128,713	6.26	7.00
September	120,443	6.50	7.29
August	61,694	5.90	6.70
July	50,590	5.85	6.65
June	107,191	6.31	7.08
May	309,661	6.49	7.35
April	81,518	6.90	7.74
March	160,769	7.32	7.66
February	91,402	7.09	7.71
January	573,785	5.07	7.41

DIRECTORS AND OFFICERS

Under the by-laws of the Company, directors of the Company are elected annually. Each director holds office until the next annual meeting or until the successor of such director is duly elected or appointed, unless such office is earlier vacated in accordance with the by-laws.

Name, Address, Occupation and Security Holdings

The names, provinces or states of residence, positions, principal occupations and shareholdings of the directors and executive officers of easyhome as at December 31, 2012 are as follows:

Name and Place of Residence	Principal Occupation(s) (for the past 5 years or more)	Became a Director or Officer	Common Shares Beneficially Owned Directly or Indirectly or Over Which Control or Direction is Exercised
Donald K. Johnson O.C. Ontario, Canada	Member, Advisory Board, BMO Capital Markets since November 2009. Prior to that, Mr. Johnson was Senior Advisor, BMO Capital Markets from November 2004 to November 2009, and prior to that he as Vice-Chairman of BMO Nesbitt Burns Inc. Mr. Johnson also serves as the Chairman Emeritus and a Director of Business for the Arts, a director of the Toronto General & Western Hospital Foundation, a director and member of the Executive Committee of the Richard Ivey School of Business Advisory Board, a member of the 2013 Major Individual Giving Cabinet of the United Way of Greater Toronto and a director of Manicouagan Minerals Inc.	June 1999	3,250,609
David Ingram Ontario, Canada	President and Chief Executive Officer of easyhome Ltd. since May 24, 2001. Prior to that, Mr. Ingram was Executive Vice-President and Chief Operating Officer of easyhome Ltd. since December 2000. Prior to that Mr. Ingram was an executive with Kingfisher plc (a retail conglomerate) in the United Kingdom. He is also Vice Chair and a Trustee of the Boys & Girls Club of Canada Foundation and a Member of the Foundation's Strategic Team.	December 2000	303,929
David Lewis ⁽¹⁾⁽²⁾⁽³⁾ Ontario, Canada	Corporate Director. Mr. Lewis also serves as a director of West Street Capital Corp. and various private entities.	August 1993	91,900
David Appel ⁽¹⁾⁽²⁾⁽³⁾ Ontario, Canada	Corporate Director. Mr. Appel has had a career in law, business, and government service, and is a director of a number of charitable organizations. Mr. Appel is a member of the Quebec Bar.	August 2010	94,855

Name and Place of Residence	Principal Occupation(s) (for the past 5 years or more)	Became a Director or Officer	Common Shares Beneficially Owned Directly or Indirectly or Over Which Control or Direction is Exercised
Sean Morrison ⁽¹⁾⁽²⁾ British Columbia, Canada	Corporate Director. Mr. Morrison is the Co-Founder and a Managing Partner of Maxam Capital Corporation. Maxam is a significant shareholder of easyhome, holding approximately 15.1% of the outstanding Common Shares. Prior to forming Maxam, Mr. Morrison was a partner at Capital West Partners, a Vancouver-based investment banking firm.	January 2012	2,772,013
David Thomson ⁽¹⁾⁽³⁾ Ontario, Canada	Corporate Director. Mr. Thomson is a former President of Great West Life Properties. Prior to joining Great West, he was Executive Vice President of Oxford Development Group. Mr. Thomson currently serves on two other public company Boards and is a member of the audit committee of each. He is Chairman of the Toronto Dominion Bank Private Giving Foundation.	January 2012	5,000
Steven Goertz Ontario, Canada	Senior Vice-President and Chief Financial Officer of easyhome Ltd. Mr. Goertz was Vice President, Finance, for Sobeys Ontario from 2003 to 2009. Prior to that, Mr. Goertz was Vice President, Finance for Maple Leaf Foods Inc. from 1999 to 2003. Mr. Goertz a Chartered Accountant and holds an Honours Degree, Bachelor of Mathematics from the University of Waterloo.	August 2009	20,000
David Maries New York, U.S.A.	Senior Vice-President, Marketing, and Merchandising of easyhome Ltd. Mr. Maries was a divisional manager with Rent-A-Center Inc. in the USA from 1997 to 2001. Prior to that, Mr. Maries held various operational and marketing positions for Thorn Europe, based out of the UK.	May 2001	134,315

Name and Place of Residence	Principal Occupation(s) (for the past 5 years or more)	Became a Director or Officer	Common Shares Beneficially Owned Directly or Indirectly or Over Which Control or Direction is Exercised
Rick Atkinson Ontario, Canada	Senior Vice-President, Development of easyhome Ltd. Mr. Atkinson was previously Vice President, Leasing and Operations for Devan Properties and prior to that was Corporate General Manager Real Estate with Sears Canada. Mr. Atkinson holds an Honours Degree, Bachelor of Arts in Urban Planning from Lakehead University.	May 2005	43,136
Jason Mullins Ontario, Canada	Senior Vice-President, easyfinancial Services Operations. Mr. Mullis was previously Vice President of Operations and New Business Development of easyhome Ltd. With 10 years of financial services experience, Mr. Mullins came to the Company in August 2010 from Mogo Financial where he was Vice President of Sales and Operations and held previous management roles at CIBC as well as Allied International Credit.	April 2011	1,000

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.

As of March 11, 2013, the directors and executive officers of the Company beneficially own directly or indirectly or exercised control or direction over 6,716,757 Common Shares or approximately 56.3% of the issued and outstanding Common Shares. The holdings of Mr. Johnson are described above under "Risk Factors – Influence by Significant Shareholder".

AUDIT COMMITTEE INFORMATION

The Company's Audit Committee Mandate sets out its responsibilities and duties, membership qualifications and procedures for reporting to the Board of directors. A copy of the mandate is attached hereto as Schedule "A". As at December 31, 2012, the Audit Committee was comprised of four directors, all of whom are independent directors: David Thomson (chair), David Appel, David Lewis and Sean Morrison. Each member of the Audit Committee is considered by the Board to be financially literate by way of their business experience and educational background. The following is a brief summary of the education and experience that is relevant to the performance of their responsibilities as Committee members.

David Lewis, B.Com, SM

Mr. Lewis is a retired banker. His last position was Chairman and CEO of Continental Bank of Canada. He has previously served as a Director of two other public companies, Caldwell Partners International and West Street Capital Corporation.

David Appel

Mr. Appel has had a career in law, business, and government service and is a director of a number of charitable organizations. Mr. Appel is a member of the Quebec Bar and has been a registered investment advisor.

David Thomson

Mr. Thomson is a former President of Great West Life Properties. Prior to joining Great West, he was Executive Vice President of Oxford Development Group. Mr. Thomson currently serves on two other public company Boards and is a member of the audit committee of each. He is Chairman of the Toronto Dominion Bank Private Giving Foundation.

Sean Morrison

Mr. Morrison is the Co-Founder and a Managing Partner of Maxam Capital Corporation. Maxam is an investment firm and a significant shareholder of easyhome, holding approximately 23.2% of the outstanding common shares. Prior to forming Maxam, Mr. Morrison was a partner at Capital West Partners, a Vancouver-based investment banking firm. Mr. Morrison is a Chartered Accountant.

External Auditor Service Fees

During the two most recently completed financial years, the Company paid the following fees to Ernst & Young LLP, the Company's external auditor, for audit, audit-related and tax services:

Audit Fees

Ernst & Young LLP has performed audit services for the Company during the last two fiscal years, which included the audit of the Company's consolidated financial statements for the fiscal years ended December 31, 2011 and December 31, 2012. In addition, in 2011 and 2012 Ernst & Young also performed audit services for the Company relating to the audit of easyhome U.S. Ltd. Aggregate fees for audit services for the Company were \$775,000 in 2011 and \$610,000 in 2012.

Audit-Related Fees

Audit-related services performed by Ernst & Young LLP during the last two fiscal years included assistance with quarterly reporting and accounting. Aggregate fees for audit-related services were \$8,800 in 2011 and \$nil in 2012.

Tax Fees

Ernst & Young LLP has provided tax advice to the Company during the last two fiscal years, which included corporate income tax return compliance, personal tax compliance for officers and tax structuring. Aggregate fees for tax related services were \$249,000 in 2011 and \$71,000 in 2012.

All other Fees

Ernst & Young LLP has provided accounting services to the Company. Aggregate fees for other services were \$nil in 2011 and \$18,150 in 2012.

Interest of Experts

Ernst & Young LLP, the Company's external auditor, has provided an audit report on the Company's consolidated financial statements for the year ended December 31, 2012. Ernst & Young was independent of the Company in accordance with the rules of professional conduct in Ontario.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent for all classes of stock is Equity Financial Trust Company located in Toronto, Ontario. The register of transfers is located at the offices of the Company's transfer agent.

ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Company's management information circular for the Company's annual meeting to be held on May 11, 2013. Additional financial information is provided in the Company's audited consolidated financial statements for the year ended December 31, 2012 and the accompanying management's discussion and analysis of financial condition and results of operations dated March 11, 2012.

Additional information relating to the Company may be found on SEDAR at www.sedar.com and on the Company's website at www.easyhome.ca.

SCHEDULE “A”
easyhome Ltd.
AUDIT COMMITTEE MANDATE
(revised January 11th, 2011)

Purpose

The Audit Committee (“A/C”) shall assist the Board in its oversight role with respect to:

- The quality and integrity of financial information.
- The effectiveness of easyhome’s risk management, internal controls and regulatory compliance practices.
- The external auditor’s performance, qualifications and independence.
- Reviewing and approving applicable financial information and documents prior to public disclosure.

Composition

The A/C shall serve as a standing committee of the Board of Directors (the “Board”).

The A/C shall consist of three or more directors of easyhome appointed by the Board. None shall be officers or employees of easyhome or any of its affiliates. Each of the members shall satisfy the applicable independence requirements of the laws governing the Corporation, including National Instrument 52-110 Audit Committees.

Each member of the A/C shall be financially literate as defined by the applicable legislation. Financially literate shall mean he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements. An A/C member who is not financially literate may be appointed to the A/C provided that the member becomes financially literate within a reasonable period of time following his or her appointment.

Members of the Committee are appointed or reappointed annually by the Board. The Board shall designate one member to chair the A/C.

Meetings

The A/C shall meet as often as it determines but not less frequently than quarterly to ensure review by the A/C of the company’s quarterly results and proposed filings. A secretary shall be appointed for every meeting of the A/C who shall be responsible for the production and distribution of meeting minutes. The Chairman of the A/C shall report to the Board on its activities after each of its meetings or upon request of the Board.

An affirmative vote of a majority of the members of the Committee participating in any meeting is required for the adoption of a resolution. A quorum shall be not less than two members. If only two members form the quorum, one of those members must be the Chairman of the Committee. In the event of deadlock, the Chairman shall cast the deciding vote.

The A/C will have the opportunity for an in-camera session at the end of every meeting.

Authority

The A/C has the authority to:

- Conduct or authorize an independent investigation and retain outside consultants for any matters that come under its scope of responsibilities, with the cost to be borne by the Corporation.
- Communicate and meet with the external auditor or outside counsel, without the presence of Management.
- Call a meeting of the Board to consider any matter of concern to the A/C.

Administration

The A/C shall review its charter and assess annually the adequacy of this mandate, the effectiveness of its performance and, when necessary, will recommend changes to the Corporate Governance and Nominating Committee.

Functions and Responsibilities

The committee has the following functions and responsibilities:

External Auditor

- Annually approve and recommend for appointment the external auditor to the Board. The external auditor shall report and be directly accountable to the A/C.
- Review and approve the external auditor's proposed annual audit scope, plan and staffing, including the annual audit fees and terms of the engagement.
- Review and pre-approve all engagements for non-audit services, unless in the aggregate, they are not in excess of 5 percent of the total amount of fees paid by the Corporation to the external auditor during the fiscal year in which the services are provided.
- Oversee the work of the external auditor including the resolution of disagreements between management and the external auditor regarding financial reporting, accounting policies and internal controls.
- Review the external auditor's management comment letter and management's responses thereto, and enquire as to any disagreements between management and external auditors or restrictions imposed by management on external auditors.
- Evaluate the qualifications, expertise and performance of the external auditors (at least annually). If necessary, initiate the termination of the external auditors, subject to the Board and shareholder approval as required by applicable law.
- Review the relationships or services that may impact the objectivity and independence of the external auditor, including annual review of the auditor's written statement of all relationships between the auditor and the Corporation.
- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's present and former external auditor.
- Provide an open avenue of communication between management, the external auditors and the Board.

Financial Reporting

- Review and recommend to the Board approval of the Corporation's annual and interim financial statements, MD&A and press releases prior to the public disclosure of this information.
- Review and recommend to the Board approval of the financially related information and disclosures contained in the Corporation's Annual Report, the Annual Information Form and the Information Circular prior to public disclosure.
- Review and discuss with management and the external auditor at least annually significant financial reporting issues and judgments made in connection with the preparation and presentation of the financial statements, including any significant changes in the Corporation's

selection and application of accounting principles, any major issues as to the Corporation's internal controls and any special steps adopted in light of material control deficiencies.

- Review any change in the Corporation's accounting policies including alternative treatments and their impacts.
- Review with legal counsel any legal matters having a significant impact on the financial reports.

Internal Controls

- Annually review Management's process for assessing the Corporation's system of internal controls over financial reporting, including any significant or material deficiencies.
- Review the Corporation's disclosure controls and procedures and periodically assess the adequacy of those disclosure controls and procedures.
- Review the minutes of the quarterly Disclosure Committee meetings.
- Review and approve the Corporation's policy on external communication and disclosure of material information, including the form and generic content of any quarterly earnings guidance and of any financial disclosure provided to investment analysts and rating agencies.
- Establish and review procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.
- Establish and review procedures for the confidential, anonymous submission by the Corporation's employees of concerns regarding questionable accounting or auditing matters.
- Review management's practices in effect over officers' expenses and perquisites.

Risk Management and Fraud

- Review the Corporation's Risk Management practices on an annual basis and make recommendations to the Board regarding any proposed changes.
- Review on a periodic basis, significant risks inherent in the Corporation's business and ensure appropriate risk management techniques are in place.
- Review the effectiveness of the Corporation's procedures in relation to the prevention, detection, reporting and investigation of fraud.
- Annually review the adequacy and quality of insurance coverage maintained by the Corporation.
- Oversee the investigation into occurrences of material fraud
- Review, as required, the Corporation's regulatory compliance with provincial & federal legislation.
- Review major changes to the Corporation's IT systems.
- Communicate and meet with the Corporation's VP of Risk, without the presence of Management, to obtain updates and feedback on the Corporation's Risk Management practices.
- Review and approve the variable compensation program for the VP of Risk Management.

Other

- Review recommended appointees to the office of Chief Financial Officer.
- Review and/or approve other financial matters delegated specifically to it by the Board.

**APPENDIX “A”
MULTILATERAL INSTRUMENT 52-110 – AUDIT COMMITTEES
MEANING OF INDEPENDENCE**

Meaning of Independence

(1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

(2) For the purposes of subsection (1), a “material relationship” is a relationship, which could, in the view of the issuer’s board of directors, is reasonably expected to interfere with the exercise of a member’s independent judgment.

(3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

- (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
- (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
- (c) an individual who:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and
- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.

(4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2006 or (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2007.

(5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

(6) For the purposes of clause (3)(f), direct compensation does not include:

- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
- (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

(7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member

(a) has previously acted as an interim chief executive officer of the issuer, or

(b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

(8) For the purpose of this section, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Additional Independence Requirements

(1) Despite any determination made pursuant to the meaning of independence set forth above, an individual who

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(b) is an affiliated entity of the issuer or any of its subsidiary entities is considered to have a material relationship with the issuer.

(2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by

(a) An individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

(3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.