easyhome Ltd.

ANNUAL INFORMATION FORM

March 6, 2012

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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 action, 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 and the third largest in North America, 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, prepaid cards and cheque cashing 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.

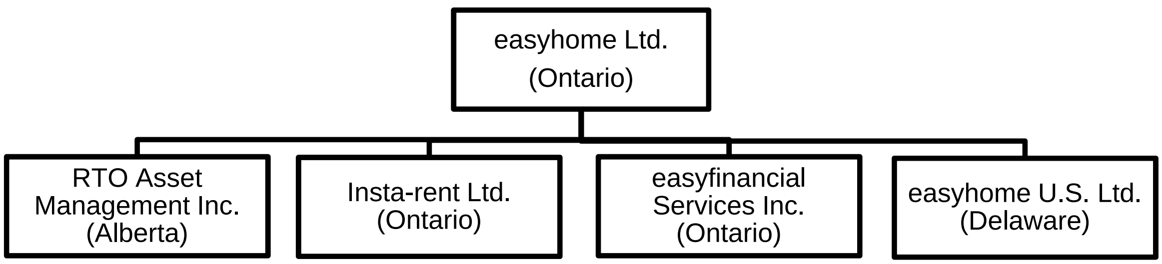
On September 25, 2008 easyhome acquired 89% of the outstanding shares of Insta-rent Inc. ("Insta-rent"), an Edmonton based merchandise leasing company which was listed on the TSX Venture Exchange. The Company subsequently acquired the remaining 11% of Insta-rent's outstanding shares and delisted that 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. become 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 of easyhome is located at 199 Bay Street, Suite 4000, Commerce Court West, Toronto, Ontario M5L 1A9; its head office and its executive office are located at 33 City Centre Drive, Suite 510, Mississauga, Ontario, L5B 2N5.

Intercorporate 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 leases for the Company's Canadian stores Insta-rent Ltd. owns certain assets for lease and leases these to RTO Asset Management Inc. easyfinancial operates the Company's consumer lending operations while easyhome U.S. operates the Company's U.S. merchandise leasing business. Franchises are offered through easyhome in Canada and easyhome U.S. in the United States.

GENERAL DEVELOPMENT OF THE BUSINESS

easyhome is Canada's largest merchandise leasing company, and the third largest in North America, 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, prepaid cards, and cheque cashing 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 a lack of credit at that time.

In 2011, the Company i) opened one corporate store in Canada and one in the U.S., ii) closed 3 corporate store in Canada, iii) converted 4 Canadian corporate stores to franchisees, iv) converted one U.S. franchise location to a corporate store; v) opened 6 U.S. franchise stores and vi) opened 18 easyfinancial kiosks and two stand alone easyfinancial locations. In 2012, the Company plans on opening 1 to 2 corporate stores, 5 to 10 new franchise stores, 4 to 7 franchise locations under the Be-A-Contender program which will be consolidated for financial statement purposes and 15 to 20 easyfinancial locations.

At the end of 2011, easyhome had 261 stores, including 197 Canadian corporate stores, 16 U.S. corporate stores, 14 Canadian franchised/licensed stores and 34 U.S. franchised stores. The Company also operated 85 easyfinancial kiosks within its Canadian stores, 2 stand alone easyfinancial locations and one national loans office. The breakdown of the Company's Canadian corporate locations on a province-by-province basis as of December 31, 2011 is as follows: British Columbia 23; Yukon 1; Alberta 20; Saskatchewan 10; Manitoba 9; Ontario 79; Quebec 12; New Brunswick 11; Nova Scotia 16; Prince Edward Island 2; and Newfoundland and Labrador 14. There are 10 franchised/licensed stores in

Ontario, 3 in Alberta and 1 in Manitoba. The Company's 16 U.S. corporate stores are all located in the state of New York, while the U.S. franchise stores are located in the states of Kansas, Nebraska, Missouri, Oklahoma, Arkansas, Texas, Hawaii, Virginia, Oregon and New York. A majority of the U.S. franchise stores are run by the master franchisor, easygates LLC.

Exploring New Growth Platforms

Between 2000 and 2005, 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 cheque cashing, pre-paid cards and a loan protection plan against disability and unemployment.

In early 2006, the Company opened its first easyfinancial kiosk in Edmonton, Alberta, to meet the lending needs of the cash- and credit-constrained consumer. This kiosk 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 kiosks 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, 2011 the Company operated 85 easyfinancial kiosks located within its Canadian stores in the provinces of British Columbia, Alberta, Manitoba, Saskatchewan, Ontario, New Brunswick, Nova Scotia and Newfoundland, one national loan office and two easyfinancial stand alone locations.

United States operations

easyhome believes that the U.S. provides a significant opportunity. It is estimated to be a $6 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 has two major components. First, 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") on March 2, 2007. Mr. Gates is the former Chairman and Chief Executive Officer of a large U.S. based rent-to-own company. In addition, Mr. Gates has run a series of successful rent-to-own and other franchised businesses over the last 20 years. Mr. Gates was elected to the Company's Board of Directors in April 2010 and served as a director through December 2011. Mr. Gates did not participate or vote in any Board of Director discussions relating to the Licence Agreement. 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. As at December 31, 2011, 32 franchise locations were opened and operated under the License Agreement.

The second component of the U.S. growth strategy is for the Company to open, through easyhome U.S., primarily franchise stores in the 14 U.S. states which border Canada. The Company operated 16 corporate stores and 2 franchise stores in states which border Canada as at December 31, 2011.

easyhome franchising has developed an innovative program to attract new franchisees. The Be-A-Contender program was launched in 2009 and easyhome saw the first three stores open under this program in November 2010. An additional three stores were opened under this program in 2011. 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. All six Be-A-Contender stores have performed beyond expectations.

Finally, to assist with the marketing and development of the easyhome brand in the U.S., the Company acquired certain U.S. intellectual property assets for approximately $1.8 million in 2007. The purchase price was satisfied by a cash payment of US$1.0 million and the issuance of 40,000 Common Shares of easyhome.

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".

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.

<u>OVERVIEW OF THE BUSINESS UNITS</u>

Overview of easyhome Leasing

The largest segment of easyhome's business is the business of 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 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. Most 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 4,000 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 on a biweekly basis.

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, 2011 total inventory losses and write-offs from customers was 2.7% of leasing revenue (2010: 2.9 %).

Overview of easyfinancial Services

easyfinancial services is the Company's financial services arm, offering short-term loans, cheque cashing, loan payment protection plans, prepaid cards and selected other financial services. 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, locating its kiosks within existing easyhome stores and funding its loan portfolio with the significant cash generated by the leasing business. At the end of 2011, easyfinancial operated 85 kiosks inside easyhome stores, one national loan office and 2 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, 2011, 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 for the credit constrained consumer.

easyfinancial's bad debt expenses in 2010 and 2009 were negatively impacted by the Employee Fraud. easyfinancial's bad debt expense as a percentage of financial services revenue was 25.7% in 2011 compared with 36.8% in 2010. Excluding unusual charge-offs related to the employee fraud, easyfinancial's net bad debt expense as a percentage of financial services revenue was 28.5% in 2010.

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 three 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, 2011, 14 locations in Canada 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. In 2007, the Company forged an agreement with industry veteran Bud Gates and his team of U.S. merchandise leasing experts who formed a limited liability company, easygates LLC, to offer investment opportunities to individuals for participation in easyhome franchised locations managed by easygates. Mr. Gates was elected to the Company's Board of Directors in April 2010 and served as a director through December 2011. See "General Development of the Business – Exploring New Growth Platforms – United States Operations". The team at easygates has established a strong foundation for franchise development and support, opening the first U.S. franchise location in November 2008 and, at December 31, 2011, operated 32 locations in 10 U.S. states. 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.

Finally, easyhome franchising has developed an innovative program to attract new franchisees. The Be-A-Contender program was launched in 2009 and easyhome saw the first three stores open under this program in November 2010. An additional three stores were opened under this program in 2011. 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. All six Be-A-Contender stores have performed beyond expectations.

STRATEGY OF THE COMPANY

The Company's long-term business objectives have three key elements:

- growing easyfinancial
- enhancing store profitability within our leasing business
- expanding the US franchise network

Growing easyfinancial

easyfinancial is a lending alternative that fills a large void in the financial services market. Its products are more affordable than pay day loans while being more accessible and flexible than bank products, thus serving a customer segment that seeks alternative sources of credit. easyfinancial posted exceptional growth in 2011, opening 20 locations and growing its gross loan portfolio from $23.8 million as at December 31, 2010 to $47.6 million as at December 31, 2011.

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 hired a Vice President of Risk Management and added field auditors and regional management oversight. With the augmented systems, policies, procedures and management, risk management is becoming a core competency of the Company.

Also during 2011 the Company implemented a new electronic automated loan decisioning tool, partnering with a recognized global leader in credit and information technology. The Company continued to upgrade the current loan application software utilized by easyfinancial to improve the monitoring of key performance indicators and establish stronger authentication controls. The project to replace and upgrade the core loan software system is well underway and the new system will be implemented in 2012.

The Company believes that there is significant demand for the products offered by easyfinancial in the Canadian marketplace. Moreover, this demand is not being sufficiently met by the participants in the industry. The Company is responding to this opportunity by responsibly growing easyfinancial, both by expanding the size of the consumer loans receivable portfolio at its existing locations and by strategically adding new kiosks and stand alone locations.

Enhancing Store Profitability Within Our Leasing Business

During the period spanning 2000 to 2009 the Company significantly increased the number of stores, lease portfolio and customer base; achieving a dominant position in the Canadian merchandise leasing industry. The Company also increased its geographic reach by opening corporate stores in New York State. The focus of the leasing business has been and continues to be on enhancing profitability in a challenging retail environment. There are a number of strategies the Company pursues to enhance operational profitability including:

Expand The Customer Base

Within its existing store network, the Company is focused on expanding brand awareness, increasing its customer base and winning back former customers. The Company employs proven mass media channels, refined creative advertising and promotion and one on one customer acquisition marketing channels, all of which maintain strong discipline to brand identity and differentiation in the market place with the objective of driving new customer traffic through its stores and expanding the customer base. New methods of customer interactions such as social media are tested. The Company is also targeting former customers and providing incentives to win back those customers.

The Company believes that the products and services presented to new customers are clearly differentiated from its competitors. To meet changing customer needs, the Company utilizes merchandise lease agreements that result in a competitive lease rate and the Total Protection Coverage Policy that offers the ability to return the product at any time without further cost or obligation and also includes delivery, set-up, installation and pick-up. The Company believes it is positioned to its brand promise of “North Americas Lowest Payment Guarantee.” The Company also believes it offers more attractive store showrooms, a wider selection of higher-quality merchandise and a more positive shopping experience than its competitors.

Offer High Levels of Customer Service and Satisfaction

Customer retention is of paramount importance. Most customers make their payments in person and the Company uses these frequent visits to strengthen customer relationships and make customers feel welcome in its stores. These frequent and positive customer interactions encourage merchandise leases and 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 leased or rented merchandise, in many cases within the same or next day. 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

The Company believes that the retail environment will continue to be challenging in the near term. 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 the overall cost of its inventory purchases. 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. Finally, the Company continues to focus operational improvement methodologies on underperforming locations. Decisions are made to improve performance or exit the location by means of closure or converting the store to a franchise location.

Expanding the U.S. Franchise Network

The Company believes that the U.S. market place provides an attractive opportunity. It is estimated to be a U.S. $6 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 provides an attractive alternative to what is currently available in the marketplace.

Easyhome plans to grow in the US marketplace through franchise stores, utilizing the skills developed in the Canadian operations and the strength and industry knowledge of the Master Franchisor, easygates, LLC. The Company believes that growing through franchising in the US market, strikes a balance between exploring a significant growth opportunity while maximizing the return on capital.

easyhome's US franchising business grew from 29 stores at December 31, 2010 to 34 stores at December 31, 2011. While the Company was pleased with the performance of existing franchisees, the weak US economy and challenging lending environment continued to impede the growth in new franchise locations in 2011.

The growth of easyhome's U.S. franchising business in 2011 was led by the Be-A-Contender program. The program is designed to identify and attract top quality operators and offers them the opportunity to receive financing from easyhome for the setup of a franchise store. Candidates submitted comprehensive business plans and underwent a rigorous screening process. As at December 31, 2011 there were 6 Be-A-Contender franchise locations; all of which have performed beyond expectations.

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 46 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 has grown to 20 stores since then. They have also announced their intentions to expand in the Canadian market by up to as many as 200 to 300 stores. 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, 2011, 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 legacy information technology system to manage the easyfinancial services' loan book, customer information and lending transactions. Following the discovery of the Employee Fraud, management, in conjunction with independent advisors and the Audit Committee, developed a series of recommendations to enhance easyfinancial's internal controls, including recommended enhancements to the legacy information technology system. During 2011 those recommendations were implemented. The Company also implemented a new electronic automated loan decisioning tool partnering with a recognized global leader in credit and information technology. The Company continued to upgrade its current loan application software utilized by easyfinancial to improve the monitoring of key performance indicators and establish stronger authentication controls. The project to replace and upgrade the core loan software system is well underway and the new system will be implemented in 2012.

Products

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

Home Electronics	Appliances	Furniture and Accessories	Computers and Video Game Stations
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.

			Year ended December 31			
	2011	**2010**	**2009**	**2008**	**2007**	**2006**
Home Electronics	33%	35%	36%	36%	36%	36%
Appliances	12%	12%	12%	12%	12%	13%
Furniture and Accessories	37%	36%	37%	38%	38%	37%
Computers and Video Game Stations	18%	17%	15%	14%	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, 2011 was 3.6% (2010: 3.2%).

Employees

As at December 31, 2011, easyhome had 1,259 full time employees, of whom 117 were employed in management, accounting and administrative capacities in the Mississauga office, 893 were employed in easyhome's Canadian stores, 178 were employed in easyfinancial services kiosks and 71 were employed in easyhome's U.S. stores. 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 satisfactory.

Typically, each easyhome store requires a staff of 4 to 7 employees and each easyfinancial kiosk requires a staff of two to three employees. Promotions generally come from within the ranks of store employees. easyhome has in place a revamped employee training program which outlines a 40 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 6 to 10 stores. Each regional manager reports to one of three 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 and loss 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 within a particular region, with each region having an average of 10 to 15 kiosks. Each regional manager reports to the 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 and loss 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, which are generally located in strip shopping centres, plazas, or stand-alone buildings in moderate to low income neighbourhoods. Most easyfinancial services kiosks are located within existing easyhome stores. However two stand alone easyfinancial services locations were opened in 2011 within leased premises. The terms of the leases are generally five 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 although Canadian lease rates have been trending upwards in recent years.

In the second quarter of 2010, the Company's lease for its Edmonton head office expired and the Company consolidated its corporate headquarters in Mississauga. The Company's Mississauga office 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, 2011, easyhome had 197 corporate stores, 14 franchise/license locations, 85 easyfinancial service kiosks which operated within Company stores in all Canadian provinces except Quebec and 2 stand alone easyfinancial services locations. Also at December 31, 2011, easyhome had 16 corporate stores and 34 franchise/license locations which operated within the U.S.

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.

In addition to operating easyhome stores in the U.S. states that border Canada, 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 potential class action 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 and claimed total damages of $15.0 million (including punitive damages of $5.0 million). The plaintiff alleges, among other things, that the Company and others made certain misrepresentations about the Company's financial statements being prepared in accordance with Canadian generally accepted accounting principles. On April 8, 2011, the same plaintiff commenced a second action against certain current and former directors of the Company. This second action is in the process of being dismissed or discontinued by the parties.

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 as well as potential damages awarded, if any, subject to certain policy limits and deductibles.

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 2012, coupled with the available loan facility 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 will be required. As of March 5, 2012, the Company is considering its alternatives in this regard. While the Company is engaged in a series of activities to obtain the funds necessary to finance future operations, there is no certainty that these activities will be successful or completed on terms favourable to the Company.

If the Company intends in the future to significantly expand its operations, it may 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 bank 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 bank 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 2011.

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 Aaron Rents, Inc., Rent A-Center, Inc., 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.

The Company's growth may be adversely affected by the entry into the Canadian marketplace of the much larger U.S. based merchandise rental operators, as well as the growth of independent merchandise leasing companies. 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.

Both the consumer lending business conducted by easyfinancial as well as the Company's U.S. consumer leasing business are relatively new businesses with limited proven history. Both businesses compete with organizations which are considerably larger and which have greater resources than does easyhome. As such, there can be no assurances that we will be successful in growing these two businesses.

Future Growth

The Company's growth strategy is focussed on easyfinancial and US franchising. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to identify and sell franchises to high quality candidates, to install easyfinancial services kiosks within its existing Canadian stores and to identify additional means to distribute easyfinancial services such as stand-alone kiosks. 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.

easyfinancial Services Inc. and easyhome U.S. Ltd.

The businesses conducted by easyfinancial services and easyhome U.S. are relatively new businesses with no guarantee of success. There is substantial competition in such businesses run by competitors who are often established corporations with resources which are substantially greater than those available to easyfinancial services and easyhome U.S. While the Company intends to monitor the development of these businesses and allocate the use of cash resources and personnel in a measured and careful manner, the start-up of any new business involves a number of risks, including:

- the diversion of Company's management from day-to-day operations;
- the potential disruption of Company's ongoing business;
- the inability to attract, train, retain and motivate key personnel;
- the additional expense associated with the start up of a new business, and
- unanticipated expenses, events or circumstances.

Given that certain members of management will be required to devote time and attention to the development of the new businesses, they may be unable to devote proper attention to existing operations. Moreover, in the case of the business of easyhome U.S., the Company will need to devote money and resources to ensure compliance with applicable U.S. municipal, state and federal laws and regulations.

The Company's failure to address such risks could prevent easyfinancial services and/or easyhome U.S. from realizing the benefits of such businesses, cause them to incur unanticipated liabilities, and harm the Company's business generally.

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, 2011, 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

While most of the Company's operations are in Canada and transacted in Canadian dollars, the Company does have 16 corporate stores in the U.S., along with 34 US franchise locations. In addition, 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 2011 due to the relatively small size of our U.S. operations, however as these operations continue to grow, this risk could become material. In addition, although easyhome has significant U.S. denominated purchases, the Company has historically been able to price our lease transactions to compensate for the impact of foreign currency fluctuations on our purchases. The Company currently does not actively manage foreign currency risk and transacts in foreign currencies on a spot basis.

Influence by Significant Shareholder

Donald K. Johnson, Chairman of the Corporation, is the direct or indirect holder of 385,241 Common Shares and has control or direction over an additional 2,865,366 Common Shares registered in the name of VYCO Ltd., a private company of which Mr. Johnson is President. VYCO Ltd. is controlled by a family trust of which Mr. Johnson is a discretionary beneficiary. These shares represent in the aggregate 3,250,607 Common Shares being approximately 27.4% of all Common Shares outstanding on a non-diluted basis. Mr. Johnson may be able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions.

Economic Conditions

Current uncertainty in general economic conditions may negatively affect our financial results. A prolonged period of economic decline could have a material adverse effect on our results of operations and financial condition and exacerbate some of the other risk factors described herein. We can neither predict the impact current economic conditions will have on our 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, 2011, consists of 11,849,450 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 and $3,913,000 in 2011.

On each of April 13, 2011, July 5, 2011, October 5, 2011 and January 5, 2012 the Company paid a dividend of $0.085 per Common Share. On March 5, 2012, the directors declared a quarterly dividend of $0.085 per Common Share payable on April 16, 2012 to shareholders of record on April 5, 2012.

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 2011 was as follows:

2011		Price Range	
	Volume of shares traded	Low $	High $
December	1,213,278	5.00	6.95
November	492,168	5.71	6.35
October	713,491	6.19	7.25
September	176,755	6.92	7.52
August	113,188	7.10	7.56
July	363,718	7.38	8.01
June	41,484	7.43	8.20
May	475,090	8.25	9.16
April	267,240	8.48	9.02
March	127,270	8.36	9.19
February	146,176	8.90	10.67
January	92,531	8.58	9.50

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

On December 21, 2011, the Company announced that Rodney Adams, James Bowland, Walter (Bud) Gates, Steven Richardson, and Wesley Voorheis resigned as directors of the Company. The Company's Corporate Governance and Nominating Committee immediately began the process of nominating new directors for appointment prior to the next Annual General Meeting. On January 10, 2012 the Company announced the appointment of Sean Morrison and David Thomson to the Board of Directors and as members of the Company's Audit Committee.

The names, provinces or states of residence, positions, principal occupations and shareholdings of the directors and executive officers of easyhome as at December 31, 2011, as well as those directors appointed on January 10, 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 director of the Toronto Foundation for Student Success, a member of the 2011 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	402,329
David Lewis(1)(2)(3) Ontario, Canada	Corporate Director. Mr. Lewis also serves as a director of The Caldwell Partners International Inc., Green Shield Canada 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	1,790,200
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	133,315

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
Charley Hamill Ontario, Canada	Senior Vice-President, Leasing Operations. Mr. Hamill was previously Divisional Vice President of easyhome Ltd, and has spent over fourteen years at Rent-A-Centre.	April 2011	-
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	-

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

As of March 5, 2012, the directors and executive officers of the Company (including Mr. Donald Johnson, the Chairman of the Company) beneficially own directly or indirectly or exercised control or direction over 5,831,344 Common Shares or approximately 49.3% 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 January 10, 2012, the Audit Committee was comprised of four directors, all of whom are independent directors: David Lewis (chair), David Appel, David Thomson 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 serves 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 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. 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, 2010 and December 31, 2011. In addition, in 2010 and 2011 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 $430,000 in 2010 and $775,000 in 2011.

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 $85,000 in 2010 and $8,800 in 2011.

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 $132,000 in 2010 and $249,000 in 2011.

All other Fees

Ernst & Young LLP has provided forensic and investigative services with respect to the Employee Fraud and accounting services related to the upcoming conversion to IFRS for the Company. Aggregate fees for other services were $359,500 in 2010 and $nil in 2011.

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, 2011. Ernst & Young was independent of the Company in accordance with the rules or 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 8, 2012. Additional financial information is provided in the Company's audited consolidated financial statements for the year ended December 31, 2011 and the accompanying management's discussion and analysis of financial condition and results of operations dated March 5, 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.