

HOMESERVE TECHNOLOGIES INC.

**ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006**

May 31, 2006

**39 Wynford Drive
Toronto, Ontario M3C 3K5**

**HOMESERVE TECHNOLOGIES INC.
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Unless otherwise indicated, all references to dollar amounts herein are to Canadian dollars.

Investors should take note that certain statements in this Annual Information Form are forward-looking and may not give full weight to all of the potential risks and uncertainties. These forward-looking statements include statements that are subject to risks and uncertainties. Forward-looking statements are subject by their nature to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the forward-looking statements. Any forward-looking statements speak only as of the date made. The Company is not undertaking to update any information in this Annual Information Form until the effective date of its future reports required by applicable securities laws. All information contained herein is as at February 28, 2006, unless otherwise noted.

**HOMESERVE TECHNOLOGIES INC.
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ITEM 1 – CORPORATE STRUCTURE

General

HOMESERVE TECHNOLOGIES INC. ("Homeserve" or the "Company") provides software solutions and strategic consulting services for businesses. The Company was incorporated on February 27, 1987, by Articles of Incorporation pursuant to the *Business Corporations Act* (Ontario). See "Item 1 – Corporate Structure – Summary of Amendments to its Articles".

The Company's head office is located at 39 Wynford Drive, Toronto, Ontario, M3C 3K5. Internet site: www.homeserve.ca. The contents of the Company's web site are not incorporated by reference into this Annual Information Form.

Subsidiaries

The Company has no material subsidiaries.

Summary of Amendments to its Articles

Homeserve has amended its governing documents in the three fiscal years ended February 28, 2006 as follows:

Articles of Amendment	Purpose
September 5, 2003	To change its name to "Homeserve Technologies Inc." and to consolidate its Common Shares on a one-for-25 basis.
April 13, 2004	To create an unlimited number of Non-Voting Common Shares (the "Non-Voting Common Shares") and to provide for the issuance of up to 22,000,000 Series B Preferred Shares, up to 18,500,000 Series C preferred shares ("Series C Preferred Shares"), and up to 3,500,000 Series D preferred shares ("Series D Preferred Shares").
March 1, 2005	To amalgamate Home-Link Services Canada Ltd., a wholly-owned subsidiary pursuant to the <i>Business Corporations Act</i> (Ontario) with the Company and to carry on business as "HOMESERVE TECHNOLOGIES INC."

Intercorporate Relationships

Trilon Bancorp Inc. ("Trilon"), an affiliate of Brookfield Asset Management Inc. (formerly Brascan Corporation) (collectively, "Contract"), holds a total of 1,652,905 Common Shares, representing 48.0% of the issued and outstanding Common Shares, 1,280,000 Series A Preferred Shares, 22,000,000 Series B Preferred Shares, 9,787,250 Series C Preferred Shares, and 3,500,000 Non-Voting Common Shares, representing all of the issued and outstanding Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Non-Voting Common Shares. Contract acquired (i) 2,000,000 Series B Preferred Shares upon conversion of a \$2,000,000 promissory note and (ii) the Series C Preferred Shares and Series D Preferred Shares (which were subsequently converted into 3,500,000 Non-Voting Common Shares) in connection with the Company's purchase of ICON Software. See "Item 2 – General Development of the Business – Acquisitions and Corporate Developments – Acquisition of ICON".

Description of Share Capital

See "Item 5 – Description of Capital Structure" below.

ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS

Overview

The Company provides software solutions and strategic consulting services for businesses. Through its Home-Link division the Company provides a one-stop shopping service for home buyers and sellers, offering move and home-related services throughout the customer's purchasing and selling cycle, coordinated by a proprietary CRM software system and call center. Using its licensed software, Home-Link provides a highly automated solution through a number of different communication channels, including personalized web pages, email, phone and fax. Home-Link's website is www.home-link.ca. The contents of the website are not included by reference into this Circular.

Home-Link's business-to-business-to-consumer business model provides for multi-channel service delivery to its clients aggregated customer base and then sells services to those customers through a network of product and service suppliers. Home-Link service offering is designed to appeal to multiple parties associated with a residential real estate transaction. Home-Link's pricing model includes fees from real estate agents and brokers and transactional-based revenues from service providers. See "Item 3 – Narrative Description of the Business – Current Business". On April 13, 2004, the Company acquired all right title and interest to the ICON Software platform, a proprietary software solution to manage home relocations, together with certain license rights from a related party. See "Item 2 – General Development of the Business – Significant Developments – ICON Transaction" and "Item 3 – Narrative Description of the Business – Current Business". The ICON Software is a customized software application providing feature-rich, real-time capabilities to all parties involved in a home relocation transaction, including clients, transferees and suppliers. The ICON Software manages all aspects of a residential home relocation, including tracking of timelines and material events, expense relocation processing, and management of client relocation policies and procedures.

Significant Developments

The following is a description of significant developments of the Company during the last three fiscal years:

Changes to Management and the Board of Directors

Simon Dean, the Company's President and Chief Executive Officer, retired on May 19, 2005 and was replaced by James Dunbar, the Company's Vice President, Sales and Marketing. Jason D. Meretsky resigned as Secretary of the Company on April 30, 2004, but continues to be a director of the Company. See "Item 8 – Directors and Officers".

Acquisitions and Corporate Development

Acquisition of ICON

On April 13, 2004 the Company acquired from Centract and its wholly owned subsidiary, Royal LePage Relocation Services Limited ("Relocations"), the following assets (collectively the "Purchased Assets"), pursuant to the terms of an asset purchase agreement made February 13, 2004 (the "Purchase Agreement"):

ICON Software – a real-time software application platform to manage all aspects of a home relocation transaction. See "Item 3 – Narrative Description of the Business – Current Business – Description of ICON Software" for a description of the ICON Software.

Centract License – the Company entered into a transferable and renewable license with Trilon and Relocations for a period commencing on April 13, 2004 and ending on March 31, 2011 (the "Initial Term") providing Trilon and Relocations with the exclusive right to use the ICON Software in the North American relocation business marketplace in exchange for a monthly fee (the "License Fee") equal to: (i) \$500 per file for the first 10,000 files opened in each year; (ii) \$400 per file for the next 10,000 files opened in each year; and (iii) \$250 per file for each file opened in excess of 20,000 files in each year of the Centract License, multiplied by the number of new files opened in the ICON Software by Centract or Relocations in the month then most recently ended. The term "file" is defined in the Centract License as the relocation of an individual including all of the transactions and services provided in connection with such relocation. The Centract License will be renewable at the expiration of the Initial Term, at the option of Centract for successive two-year terms. During the Initial Term and any renewal periods, Centract covenanted and agreed to exclusively use the ICON Software for managing its North American employee relocation business and will not purchase, license, use or otherwise contract with any third party competitors of the ICON Software for a software system to manage Centract's North American employee relocation business.

Centract is entitled to receive, at no additional cost, maintenance and technological support, bug remediation and any normal course upgrades to the ICON Software that are generally released to licensees of the ICON Software by the Company within 60 business days of such release. Centract may request that the Company make specific upgrades or modifications to the ICON Software to accommodate the requirements of Centract or its clients. During the Initial Term, provided the Company and Centract agree on the scope and parameters of any such development project, the Company will make such development changes requested by Centract on a cost plus 20% basis.

The Company entered into a non-competition agreement wherein it agreed not to compete with Centract in North America and will not license, sell or otherwise distribute the ICON Software to any person whose primary business is or is connected to employee relocations in North America without the prior written consent of Centract. At the request of Centract, the ICON Software (including source and object code) shall be placed in a third party escrow account, subject to typical terms and conditions to be set forth in an escrow agreement, at the expense of Centract, to be released upon certain events including, but not limited to, bankruptcy, insolvency, liquidation or winding-up of the Company, the sale of all or substantially all of the Company's business, the termination of support or development by the Company of the ICON Software or in the event of a sale of all or substantially all of Centract's business to an arms-length third party purchaser ("Third Party Purchaser"). In the event of such third party sale, Centract shall have the right to transfer its rights to the Third Party Purchaser on a royalty-free basis solely in connection with Centract's existing home relocation business, provided that Centract continues to pay the License Fees to the Company for the remainder of the Initial Term or the then current renewal term, as applicable. In the case of a third party sale, the License Fee will be calculated based on the average number of files opened per month over the twelve month period preceding such sale.

Asset Recovery License – The Company entered into a five-year, non-transferable and renewable license with Asset Recovery, a division of Centract, to use certain modules of the ICON Software in exchange for a monthly license fee equal to \$50 per administrative file and \$100 per home sale file, multiplied by the number of new files opened in the ICON Software by Centract in the month then most recently ended. This license agreement is renewable for successive two (2) year terms at the option of the licensee.

Wynford Lease – The Company entered into a lease with Centract (the "39 Wynford Drive Lease") in respect of up to 2,000 square feet of office space at 39 Wynford Drive, Toronto, Ontario (currently the Company's head office) for a period that is the earlier of (i) the date of termination of the Centract License and (ii) upon 30 days prior written notice.

Employment Arrangements – The Company entered into employment agreements with eight former employees of Relocations who are required for the development and support of the ICON Software. The terms of employment are substantially similar to those upon which such persons were previously employed by Relocations, which were at market.

The purchase price of the ICON Transaction was \$5,500,000 paid at closing as to \$2,000,000 by the issuance of the Debenture (convertible into 2,000,000 Series B Preferred Shares on the basis of one Series B Preferred Share for each \$1.00 of principal of the Debenture) and as to \$3,500,000 by the issuance of 3,500,000 Series D Preferred Shares (subsequently converted into up to 3,500,000 Non-Voting Common Shares on the basis of one Non-Voting Common Share for each Series D Preferred Share). On July 12, 2004, Centract converted the Debenture into 2,000,000 Class B Preferred Shares. The purchase price will be increased by \$1.00 for each \$1.00 of Cumulative Licensing Revenue (as hereinafter defined) in excess of \$8,000,000 received by the Company, up to a maximum earn-out of \$18,500,000 (the "Earn-Out") (for a total purchase price of up to \$24,000,000). The Earn-Out will be payable for the most recently completed fiscal year on an annual basis and prior to May 31 in each of 2005, 2006, 2007 and 2008 by the issuance of up to 18,500,000 Series C Preferred Shares on the basis of one Series C Preferred Share for each \$1.00 of Earn-Out earned. See "Item 5 –Description of Share Capital" for a description of the Series C Preferred Shares, Series D Preferred Shares and Non-Voting Common Shares. Centract earned \$24,189 pursuant to the Earn-Out during the year ended February 28, 2005 and in connection therewith 24,189 Series C Preferred Shares were issued by the Company to Centract on or about May 31, 2005. Pursuant to the earn-out provisions of the Purchase Agreement the Company issued 9,763,061 Series C Preferred Shares on May 17, 2006.

For purposes herein, the term "Cumulative Licensing Revenue" means the sum of one (1) times the gross revenue calculated in accordance with Canadian GAAP from the Centract License and Asset Recovery License for the period commencing on April 13, 2004 and ending on February 29, 2008. For purposes herein, the term "Consideration Paid" means the Debenture and 3,500,000 Series D Preferred Shares.

In connection with the ICON Transaction, the Company entered into a Share Pledge Agreement whereby Centract pledged to the Company the Consideration Paid in support of Centract's obligations pursuant to the Purchase Agreement and the Centract License Agreement.

Accounting Treatment for the ICON Transaction

The Company used the purchase method of accounting to give effect to the ICON Transaction. As required by Canadian generally accepted accounting principles, a non-monetary related party transaction that represents the culmination of the earnings process, that is not in the normal course of operations, should be measured at the exchange amount when both of the following criteria are satisfied: (a) the change in the ownership interests in the item transferred is substantive; and (b) the exchange amount is supported by independent evidence. As the Company has satisfied both criteria, the exchange amount of the ICON Transaction must be recorded at the fair value of the consideration given up by the Company. As concluded in the independent valuation report obtained in connection with the ICON Transaction, in the opinion of the valuator, the value of the Consideration is between \$7.1 million and \$21.8 million. Consequently, the purchase price of the ICON Transaction was recorded at the fair value as determined by the independent valuator. The value attributed to the securities forming the consideration paid by the Company, reflects the fair value of the consideration.

Divestitures

The Company has made no divestitures in the three fiscal years ended February 28, 2006.

ITEM 3 – NARRATIVE DESCRIPTION OF THE BUSINESS

Current Business

Home-Link Overview

The Company provides software solutions and strategic consulting services for businesses. Through Home-Link the Company provides a one-stop shopping service for home buyers and sellers, offering move and home-related services throughout the customer's purchasing and selling cycle, coordinated by a proprietary CRM software system and call-center. Using its licensed software, Home-Link provides a highly automated solution through a number of different communication channels, including personalized web pages, email, phone and fax. Home-Link's website is www.home-link.ca. The contents of the website are not included by reference into this Annual Information Form.

Home-Link's business-to-business-to-consumer business model provides for multi-channel service delivery to its clients aggregated customer base and then sells services to those customers through a network of product and service suppliers. Home-Link service offering is designed to appeal to multiple parties associated with a residential real estate transaction, including brokers, licensed real estate agents and financial institutions. Home-Link's pricing model includes generating fees from real estate agents and brokers and transactional-based revenues from service providers as well as fees generated from financial institutions for outsourced CRM services related to increased mortgage retention.

Following the Company's sale of its CALMS Solutions Group on July 18, 2002, the Company retained limited co-ownership rights to its proprietary CALMS software, a proprietary web-enabled solution for automating an organization's credit origination process from application to credit scoring, from workflow management to funding, subject to certain non-competition restrictions.

Sales and Marketing

Home-Link, which commenced marketing of its services to the residential brokerage community at large in 2002, continues to service select Canadian urban markets, but has seen an overall decline in its operations. Home-Link provides a one-stop shopping service for home buyers and sellers, offering move and home-related services throughout the customer's purchasing and selling cycle, coordinated by a proprietary CRM software system and call center. Using its licensed software, Home-Link provides a highly automated solution through a number of different communication channels, including personalized web pages, email, phone and fax. Home-Link's business-to-business-to-consumer business model provides for multi-channel service delivery to its clients aggregated customer base and then sells services to those customers through a network of product and service suppliers. Home-Link service offering is designed to appeal to multiple parties associated with a residential real estate transaction. Other CRM technology-based services are being developed utilizing Home-Link's software capabilities and such services are currently being marketed to Canadian financial institutions.

CRM Technology

On April 24, 2003, the Company entered into an exclusive, perpetual, royalty-free and irrevocable license for use in Canada of the CARE II proprietary CRM software and assignment of all Canadian Home-Link trademarks from HomeCard Company, Inc. ("HomeCard"), an arms-length third party, for a one-time fee of U.S.\$100,000. There are no transaction fees payable by Home-Link and Home-Link is required to incur the cost of supporting and upgrading this technology. The Company's arrangement with HomeCard replaces its prior licensing arrangements dated September 27, 2000 with Home-Link Services Inc., a non-related Delaware company.

The Company is currently upgrading its core CARE proprietary CRM software product and is actively exploring other marketing opportunities for its CRM software solutions.

Competition

The U.S. market for the aggregation of real estate ancillary services is highly competitive. While management believes that there are no Canadian competitors who possess the same sophistication of model focused on home servicing as Home-Link, at least one of North America's largest real estate services companies, is well positioned to capitalize on a home services venture through leveraging its current real estate relationships. See "Item 3 – Narrative Description of the Business – Risk Factors – Competition".

ICON Overview

On April 13, 2004 the Company acquired all right, title and interest to the ICON Software platform, a proprietary software solution to manage employee relocations, together with certain license rights from a related party. See "Item 2 – Significant Developments – Acquisition of ICON " for a description of the transaction.

The ICON Software platform combines proprietary and licensed applications to manage Centract's employee relocations business. As of the date hereof, Centract relies on the ICON Software to manage employee relocations for approximately 400 corporate clients, including many of Canada's largest companies. Centract services approximately 22,000 new relocation files per year, in part derived from its contract made effective December 1, 2004 with the Government of Canada in respect of the Treasury Board Secretariat, the Royal Canadian Mounted Police and the Department of National Defense (the "Government Contract") and the balance from its corporate client base. See "Item 3 – Narrative Description of Business – Risk Factors – Dependence on Key Customers and Suppliers". During fiscal 2004, Centract retained the Company to upgrade certain functionality of the ICON Software, which was completed in fiscal 2004.

Description of the ICON Software

The ICON Software is a customized software application providing feature-rich, real-time capabilities to all parties involved in an employee relocation transaction, including clients, transferees and suppliers. The ICON Software manages all aspects of an employee relocation including tracking of timelines and material events, expense relocation processing, and management of client relocation policies and procedures.

The financial functionality in the ICON Software architecture is provided through customized integration with Solomon Financial, a Microsoft enterprise resource management software solutions. The Solomon Financial accounting package ensures all financial data is accurately tracked and properly balanced. The enterprise reporting features of the ICON Software is built using Crystal Reports, an industry-leading technology enabling timely and accurate internal and external reporting. The system provides for up to 125 different reports delivered directly to the user's desktop.

Built using Microsoft technologies and architecture, the ICON Software is highly compatible and adaptable with client systems providing for quick and efficient data transfer with clients and suppliers. The core features of the ICON Software system include:

- **Wide Area Capabilities** – In order to ensure that the ICON Software is delivered effectively to multiple highly distributed locations across Canada, the U.S. and internationally, by using the most suitable technologies available for specific areas in order to meet the specialized business requirements of its clients.
- **Management Controls** – The ICON Software employs multiple firewall protection to ensure that its client's data is fully secure and private. In addition, processes (supported by applications and systems) have been developed, tested and implemented to address network change requests and asset classification and control.
- **On Line Expense Claim Submission** – The ICON Software provides an on-line secure, easy to use relocation expense claim module allowing for a fast and accurate expense claims processing that is accessible 24 hours a day from any location.

- **Policy Compliance Module** – The ICON Software is designed to manage and control client relocation policy issues. The system automates and formalizes the process, the procedures and the flow of information for complex issues and requests or events that require input from a variety of people.
- **Capture a Complete Set of Data** – The ICON Software includes a custom-designed data tracking system with built-in controls to ensure a comprehensive set of data is captured. The foundation of the system is the ICON Software SQL 2000 Database, a complex relational database designed to provide comprehensive information to all stakeholders in the relocation process.
- **Accuracy** – One of the primary objectives of the ICON Software is to produce accurate, meaningful and timely information. At the foundation of accuracy is the SQL database itself, which include tools that enhance and enforce data accuracy and integrity. Wherever possible, processes are automated against predefined business rules, leading to accurate and comprehensive data.
- **Track Administrative Actions** – The administrative actions conducted by all levels of Centract staff, on behalf of the transferee and the client, are intrinsically linked to the overall functionality of the ICON Software. Every function and activity taken in respect of a relocation under the ICON Software can be tracked, analyzed and reported on.
- **Provide Relevant Financial Accounting Information** – A fundamental component of the ICON Software is sound accounting principles grounded in a robust Solomon accounting system. All client billing, invoicing, receipts, payables and interest are managed by this system. The system provides real-time interactive and customized financial reports.

Facilities

Upon completion of the acquisition of the ICON Software, the Company entered into a lease with Centract (the "39 Wynford Drive Lease") in respect of up to 2,000 square feet of office space at 39 Wynford Drive, Toronto, Ontario (currently the Company's head office) for a period that is the earlier of (i) the date of termination of the Centract License and (ii) upon 30 days prior written notice. The Company pays an amount per square foot for the 39 Wynford Drive Lease equal to Centract's actual operating cost per square foot for the building.

Human Resources

As of February 28, 2006, the Company employed fifteen employees, including Home-Link staff, staff recruited upon completion of the acquisition of the ICON Software and management. All of these employees are located in Toronto at its premises at 39 Wynford Drive. The Company is not a party to any collective bargaining agreements.

Risk Factors

The Company's business is subject to a number of risk factors, including those risk factors set forth below:

Future Capital Needs and Uncertainty of Additional Financing

The Company may need to raise additional funds in the future in order to take advantage of its growth opportunities. These opportunities may require a more rapid expansion or acquisitions of complementary businesses or technologies, the development of new products and other responses to competitive pressures. There can be no assurance that additional financing will be available on terms favourable to the Company, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of strategic opportunities, develop new products and services or otherwise respond to competitive pressures. The Company believes it has sufficient liquid assets to meet its obligations and continue to fund operations for the foreseeable future.

Competition

The U.S. market for the Company's services is highly competitive. While management believes that there are no Canadian competitors who possess the same sophistication of model focused on home servicing as Home-Link, at least one of North America's largest real estate services companies, is well positioned to capitalize on a home services venture through leveraging its current real estate relationships. Existing or future competitors may develop or offer services that are comparable or superior to the Company at a lower price, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence on Key Customers & Suppliers

The implementation of technology systems to administer relocation services requires considerable time to sell to prospective purchasers and to implement. Approximately 99% of the Company's revenue is derived from transaction fees paid by Centract. Approximately 72% of the Company's estimated ICON licensing revenues is derived from the Government Contract. The awarding of the Government Contract was challenged and on January 11, 2006 the Federal Court of appeal ruled in favour of Centract. Subsequent to the Federal Court decision the Office of the Auditor General began an audit of the process for awarding the Relocation Services Government Relocation contract. The audit is being conducted at the request of the Standing committee on Public Accounts. The results of the audit are expected to be tabled in Parliament in November 2006. There can be no assurance that the Government Contract or a significant part thereof will not be awarded to a competitor of Centract or be renewed on favourable terms or at all, which could have a material adverse effect on the Company's expected business, results of operations and financial condition.

There can be no assurances that the Company will be successful in licensing the ICON Software in markets outside of North America or on favourable terms. To date, the Company has not been successful in marketing its ICON Software.

Sales cycles for adoption of the Home-Link service by real estate agents and brokers requires considerable time. Initial introduction of the Company's Home-Link service was exclusively focussed on Centract real estate brokerages and accordingly, a significant amount of current revenue from real estate brokerages is generated from Centract. The loss of Centract's business could have an adverse impact on the Company's results of operations and may impede the Company's ability to introduce this service across Canada. Sales efforts in connection with the Company's CRM software and services to financial institutions and other new channels have generated some momentum, but there can be no assurances that such contracts will be entered on favourable terms or at all, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence upon Key Personnel

The Company competes for qualified personnel and if qualified professionals cannot be attracted, motivated and retained, the business and results of operations and financial condition of the Company could be materially adversely affected.

Dependence on Proprietary Technology

The Company relies on a combination of copyright and trade secret laws and contractual provisions to establish and protect its rights in its software and proprietary technology, namely its Canadian licensing rights to Home-Link's CARE II CRM software and ownership rights to the ICON Software. The Company generally enters into non-disclosure agreements with employees and customers and historically has restricted access to its software products' source codes. The Company regards its source code as proprietary information, and attempts to protect the source code versions of its products as trade secrets and as unpublished copyrighted works. In a few cases, the Company has provided copies of source codes for certain products to customers and strategic partners, for the purpose of special customization for identified projects. In these cases, the Company relies on non-disclosure and other contractual provisions to protect its proprietary rights. Despite the Company's precautions, it may be possible for unauthorized parties to copy or otherwise reverse engineer portions of the Company's products or otherwise obtain and use information that the Company regards as proprietary.

Existing copyright and trade secret laws offer only limited protection, and the laws of certain countries in which the Company's may in the future be used do not protect the Company's products and intellectual property rights to the same extent as the laws of Canada and the United States. Certain provisions of the license and strategic alliance agreements that may in the future be entered into by the Company, including provisions protecting against unauthorized use, transfer and disclosure, may be unenforceable under the laws of certain jurisdictions, and the Company is required to negotiate limits on these provisions from time to time.

There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate to deter misappropriation of its technology or independent development by others of technologies that are substantially equivalent or superior to the Company's technology. The Company could incur substantial costs in protecting and enforcing its intellectual property rights. Moreover, from time to time, third parties may assert patent, trademark, copyright and other intellectual property rights to technologies that are important to the Company. There can be no assurance that the assertion of such claims will not result in litigation or that the Company would prevail in such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party or, if such a license is required, that it would be available on terms acceptable to the Company. Furthermore, litigation, regardless of its outcome, could result in substantial cost to the Company and divert management's attention and resources from the Company's operations. Any infringement claim or litigation against the Company could, therefore, materially adversely affect the Company's business, results of operations and financial condition.

Profitability

The Company completed its acquisition of the ICON Software on April 13, 2004. There can be no assurances that the Company will be successful in licensing the ICON Software in markets outside of North America or on favourable terms.

Stock Listing

There can be no assurance as to whether the Company will be able to list its Common Shares on a recognized Canadian stock exchange or, if Common Shares are listed, an active and liquid trading market will develop. See "Item 6 – Market For Securities – Market for Securities".

ITEM 4 – DIVIDEND POLICY

Dividend Plan

The Company does not anticipate paying cash dividends in the foreseeable future on its Common Shares, but intends to retain future earnings for reinvestment in its business. Any future determination to pay cash dividends will be at the discretion of the Board of Directors, subject to compliance with any contractual restrictions, and will depend upon the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deems relevant.

The Series A Preferred Shares entitle the holder thereof to receive, if declared by the Board of Directors, a fixed preferential cumulative quarterly dividend of 2.25% of the redemption value of the Series A Preferred Shares and a cumulative aggregate preferential annual participation dividend equal to 0.64% of the consolidated pre-tax income of the Company, with the first such annual dividend accruing on February 28, 2003. See "Item 5 – Description of Share Capital – Preferred Shares".

The Series B Preferred Shares entitle the holder thereof to receive, if declared by the Board of Directors, a fixed preferential cumulative quarterly dividend of 2.25% of the redemption value of the Series B Preferred Shares and a cumulative aggregate preferential annual participation dividend equal to 11% of the consolidated pre-tax income of the Company multiplied by the quotient of (i) the weighted average number of Series B Preferred Shares issued, divided by (ii) 22,000,000, with the first such annual dividend accruing on February 28, 2003. See "Item 5 – Description of Share Capital – Preferred Shares".

The Series C Preferred Shares entitle the holder thereof to receive, if declared by the Board of Directors, a fixed preferential cumulative quarterly dividend of 2.50% of the redemption value of the Series C Preferred Shares and a cumulative aggregate preferential annual participation dividend equal to 9.25% of the consolidated pre-tax income of the Company multiplied by the quotient of (i) the weighted average number of Series C Preferred Shares issued, divided by (ii) 18,500,000, with the first such annual dividend accruing on February 28, 2005. See " Item 5 – Description of Share Capital – Preferred Shares".

The Series D Preferred Shares entitle the holder thereof to receive, if declared by the Board of Directors, a fixed preferential non-cumulative annual dividend of 3.50% of the redemption value of the Series D Preferred Shares payable at the discretion of the Board of Directors, with such annual dividend to be payable (if declared) on the last day of February in each year. See " Item 5 – Description of Share Capital – Preferred Shares".

ITEM 5 – DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of Common Shares, an unlimited number of Non-Voting Common Shares and an unlimited number of preference shares issuable in series of which there are 3,443,687 Common Shares, 1,280,000 Series A Preferred Shares, 22,000,000 Series B Preferred Shares, 9,787,250 Series C Preferred Shares, no Series D Preferred Shares and 3,500,000 Non-Voting Common Shares are issued and outstanding as fully-paid and non-assessable shares as of May 31, 2006. The Company issued a \$2,000,000 debenture on April 13, 2004, which was converted by Centract into 2,000,000 Series B Preferred Shares on July 12, 2004 for \$1.00 per share. Following the completion of the year ended February 28, 2006, the 3,500,000 Series D Preferred Shares held by Centract were automatically converted into 3,500,000 Non-Voting Common Shares pursuant to the provisions attaching to the Series D Preferred Shares. Pursuant to the earn-out provisions of the Purchase Agreement the Company issued 9,763,061 Series C Preferred Shares on May 17, 2006.

The following summary of the provisions of the Company's share capital is qualified by the detailed provisions of the articles of the Company.

Common Shares

The holders of Common Shares are entitled, subject to the rights of holders of preferred shares and any other shares ranking senior to the holders of Common Shares, to dividends if, as and when declared by the Board of Directors, to one vote per share at meetings of Shareholders of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares.

Non-Voting Common Shares

The holders of Non-Voting Common Shares will be entitled, subject to the rights of holders of preferred shares and any other shares ranking senior to the holders of Non-Voting Common Shares, to the same rights as holders of Common Shares and shall rank on parity with the Common Shares with respect to dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company. In the event that any offer is made to holders of Common Shares that is not concurrently made to purchase Non-Voting Common Shares that is identical to the offer to purchase Common Shares with respect to price per share, percentage of outstanding shares for which the offer is made and in all other material respects ("Exclusionary Offer"), and greater than 50% of the holders of the outstanding Common Shares (inclusive of Common Shares owned immediately prior to the Exclusionary Offer), tender to such offer then, the Company shall use its best efforts to cause the offeror to extend the Exclusionary Offer to holders of Non-Voting Common Shares on the same terms and conditions. The Company has entered into an agreement with the holder of the Series D Preferred Shares to use its reasonable commercial efforts to seek a listing for the Non-Voting Common Shares on a recognized Canadian stock exchange, upon written request by the holder of the Series D Preferred Shares, exercisable at any time after five years from the date of issuance of the Non-Voting Common Shares.

Preferred Shares

The preferred shares may be issued in one or more series. Prior to the issue of any such series, the directors are required to fix the number, designation and the rights attaching to the shares of such series. With respect to dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, the preferred shares of each series will rank on a parity with the preferred shares of every other series and are entitled to preference over the Common Shares. The preference shares of any series also are entitled to such other preferences over the Common Shares and the shares of any other class ranking junior to the preferred shares as may be fixed by the directors.

By Articles of Amendment dated April 13, 2004, the Company amended its share capital to provide for the issuance of up to 1,280,000 Series A Preferred Shares, up to 22,000,000 Series B Preferred Shares, up to 18,500,000 Series C Preferred Shares, up to 3,500,000 Series D Preferred Shares and up to 3,500,000 Non-Voting Common Shares.

The Series A Preferred Shares entitle the holder thereof to receive, if declared by the Board of Directors, a fixed preferential cumulative quarterly dividend of 2.25% of the redemption value of the Series A Preferred Shares with the first such quarterly dividend accruing on December 31, 2002 and thereafter on March 31, June 30, September 30 of each year. In addition, the Series A Preferred Shares entitle the holder thereof to receive, if declared by the Board of Directors, a cumulative aggregate preferential annual participation dividend equal to 0.64% of the consolidated pre-tax income of the Company of the amount arrived at by applying the formulae below, with the first such annual dividend accruing on February 28, 2003: (i) the Company's annual consolidated net income before tax calculated in accordance with GAAP and shown on the Company's audited consolidated financial statements for the subject year, if positive, or zero if negative; less (ii) the aggregate amount of any quarterly dividends accrued on the Series A Preferred Shares, Series B Preferred Shares, the Series C Preferred Shares or the Series D Preferred Shares, whether or not declared or paid; multiplied by (iii) the fraction which has the numerator the total issued and outstanding Series A Preferred Shares as at the last day of the subject financial year, and which has as its denominator 1,280,000. The Series A Preferred Shares are redeemable by the Company at any time after December 1, 2004 upon payment of the sum of \$1.00 for each share to be redeemed.

The Series B Preferred Shares entitle the holder thereof to receive, if declared by the Board of Directors, a fixed preferential cumulative quarterly dividend of 2.25% of the redemption value of the Series B Preferred Shares with the first such quarterly dividend accruing on December 31, 2002 and thereafter on March 31, June 30, September 30 of each year. In addition, the Series B Preferred Shares entitle the holder thereof to receive, if declared by the Board of Directors, a cumulative aggregate preferential annual participation dividend equal to 11% of the consolidated pre-tax income of the Company by applying the formulae below, with the first such annual dividend accruing on February 28, 2003: (i) the Company's annual consolidated net income before tax calculated in accordance with GAAP and shown on the Company's audited consolidated financial statements for the subject year, if positive, or zero if negative; less (ii) the aggregate amount of any quarterly dividends accrued on the Series A Preferred Shares, Series B Preferred Shares, the Series C Preferred Shares or the Series D Preferred Shares whether or not declared or paid; multiplied by (iii) the fraction which has the numerator the weighted average number of issued and outstanding Series B Preferred Shares as at the last day of the subject financial year, and which has as its denominator 22,000,000. The Series B Preferred Shares are redeemable by the Company at any time after December 1, 2004 upon the payment of the sum of \$1.00 for each share to be redeemed.

The Series C Preferred Shares entitle the holder thereof to receive, if declared by the Board of Directors, a fixed preferential cumulative quarterly dividend of 2.50% of the redemption value of the Series C Preferred Shares with the first such quarterly dividend accruing on March 31, 2004 and thereafter on June 30, September 30, December 31 and March 31 of each year. In addition, the Series C Preferred Shares entitle the holder thereof to receive, if declared by the Board of Directors, a cumulative aggregate preferential annual participation dividend equal to 9.25% of the consolidated pre-tax income of the Company by the figure derived by applying the formulae below, with the first such annual dividend accruing on February 28, 2005: (i) the Company's annual consolidated net income before tax calculated in accordance with GAAP and shown on the Company's audited consolidated financial statements for the subject year, if positive, or zero if negative; less (ii) the aggregate amount of any quarterly dividends accruing on the Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares or Series D Preferred Shares, whether or not declared or paid; multiplied by (iii) the fraction which has the numerator the total issued and

outstanding Series C Preferred Shares as at the last day of the subject financial year, and which has as its denominator 18,500,000. Provided the Company has previously redeemed the Series A Preferred Shares and Series B Preferred Shares, the Company may redeem the Series C Preferred Shares at any time after December 1, 2005 upon payment of the sum of \$1.00 for each share to be redeemed. The Company has entered into an agreement with the holder of the contractual right to receive Series C Preferred Shares to use its reasonable commercial efforts to seek a listing for the Series C Preferred Shares on a recognized Canadian stock exchange, upon written request by such holder of the contractual right to receive the Series C Preferred Shares, exercisable at any time after five years from the date of issuance of the Series C Preferred Shares.

The Series D Preferred Shares entitle the holder thereof to receive, if declared by the Board of Directors, a fixed preferential non-cumulative annual dividend of 3.50% of the redemption value of the Series D Preferred Shares payable at the discretion of the Board of Directors with such dividend payable (if declared) on the last day of February in each year. The holder of the Series D Preferred Shares shall have the right, exercisable at any time and from time to time to convert each Series D Preferred Share into one Non-Voting Common Share, subject to adjustment. The Series D Preferred Shares automatically converted into 3,500,000 Non-Voting Common Shares on the basis of one Series D Preferred Share into one Non-Voting Common Share following the year ended February 28, 2006, in which the Cumulative Net Income of the Company exceeded \$12,000,000. Provided the Company has previously redeemed the Series A Preferred Shares and the Series B Preferred Shares, the Company may redeem the Series D Preferred Shares at any time after December 1, 2005 upon payment of the sum of \$1.00 for each share to be redeemed. Upon receipt of a notice from the Company to redeem all or any portion of the Series D Preferred Shares, the holder of each Series D Preferred Share shall have the right, exercisable at any time not less than five days prior to such redemption date, to convert such number of Series D Preferred Shares as are subject to the redemption notice. For purposes herein, "Cumulative Net Income" means the consolidated net income before tax calculated in accordance with GAAP and shown on the Company's consolidated financial statements for the period commencing on the April 13, 2004.

Other Shares to be Issued

In connection with the ICON Transaction, the Company will issue up to an additional 18,500,000 Series C Preferred Shares will be issuable on the basis of one Series C Preferred Share for each \$1.00 of Cumulative Licensing Revenue earned by the Company in excess of \$8,000,000 for the period from April 13, 2004 to February 29, 2008. Centract earned \$24,189 pursuant to the Earn-Out during the year ended February 28, 2005 and in connection therewith 24,189 Series C Preferred Shares were issued by the Company to Centract on or about May 31, 2005. Centract earned \$9,763,061 pursuant to the Earn-Out during the year ended February 28, 2006 and in connection therewith 9,763,061 Series C Preferred Shares were issued by the Company to Centract on May 17, 2006.

Debenture

On April 13, 2004, the Company issued to Centract a convertible debenture in the principal amount of \$2,000,000, bearing interest at prime, payable quarterly in arrears, and maturing five years from the date of issuance. The principal amount of the Debenture would have been payable upon maturity or default. On July 12, 2004, Centract exercised its right to convert the Debenture into 2,000,000 Series B Preferred Shares on the basis of each \$1.00 of principal outstanding.

ITEM 6 – MARKET FOR SECURITIES

Market for Securities

None of the Common Shares, Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares or Series D Preferred Shares are currently listed for trading on a stock exchange, nor will the Non-Voting Common Shares be listed for trading on a stock exchange upon the issuance thereof. The Common Shares were de-listed from the TSX on August 29, 2002 due to the Company's inability to meet the TSX's continued listing requirements.

The Company has entered into an agreement with the holder of the contractual right to receive Series C Preferred Shares to use its reasonable commercial efforts to seek a listing for the Series C Preferred Shares on a recognized Canadian stock exchange, upon written request by such holder of the contractual right to receive the Series C Preferred Shares, exercisable at any time after five years from the date of issuance of the Series C Preferred Shares. The Company has entered into an agreement with the holder of the Series D Preferred Shares to use its reasonable commercial efforts to seek a listing for the Non-Voting Common Shares on a recognized Canadian stock exchange, upon written request by the holder of the Series D Preferred Shares, exercisable at any time after five years from the date of issuance of the Non-Voting Common Shares.

Prior Purchases and Sales of Securities

On April 13, 2004, the Company issued 3,500,000 Series D Preferred Shares in connection with the completion of the ICON Transaction for 1.00 per Series D Preferred Share. Following the year ended February 28, 2006, the Company issued 3,500,000 Non-Voting Common Shares upon the automatic conversion of the Series D Preferred Shares on the basis of one Non-Voting Common Share for each Series D Preferred Share. On July 12, 2004, the Company issued an additional 2,000,000 Series B Preferred Shares upon conversion of the Debenture on the basis of one Series B Preferred Share for each \$1.00 principal of Debenture. Except for the foregoing, there have been no issuances of securities that have been sold or purchases of securities by the Company since October 21, 2002, being the date of closing of the Brascan Transaction. Centract earned \$24,189 pursuant to the Earn-Out during the year ended February 28, 2005 and 24,189 Series C Preferred Shares were issued by the Company to Centract on or about May 31, 2005. Centract earned \$9,763,061 pursuant to the Earn-Out during the year ended February 28, 2006 and 9,763,061 Series C Preferred Shares were issued by the Company to Centract on May 17, 2006.

ITEM 7 – ESCROWED SECURITIES

There are no securities of the Company that are subject to any escrow arrangements.

ITEM 8 – DIRECTORS AND OFFICERS OF THE COMPANY

Name, Occupation and Security Holding

The section entitled "Information Concerning the Corporation – Directors and Officers of the Corporation" contained in the Company's 2006 Management Information Circular Relating to the Annual Meeting of Shareholders, which will be mailed out to shareholders of the Company on or about June 23, 2006, is hereby incorporated by reference. A copy of this document is available on Company's web site and may also be obtained from the Company upon written request to the Secretary of the Company and has been filed and is available on SEDAR (www.sedar.com).

Corporate Cease Trade Orders, Bankruptcies, Penalties and Sanctions and Individual Bankruptcies

Mr. Meretsky was an officer of the Company and Mr. Paterson was a director of the Company when the Company obtained protection of the CCAA Court on January 29, 2002. Except for the foregoing, the Company confirms that, to the best of its knowledge, information and belief and after due inquiry, no proposed director, officer or promoter of the Company is, or within the five years prior to the date of this Annual Information Form has been, a director, officer or promoter of any other issuer that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order, or an order that denied the issuer access to any statutory exemptions for a period of more than thirty consecutive days; or, (ii) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that issuer. In addition, no proposed director, officer or promoter of the Company has, within the

five years prior to the date of this Annual Information Form, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

No proposed director, officer or promoter of the Company has, within the 10 years prior to the date of this Annual Information Form, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer, or theft or fraud.

Conflicts of Interest

Mr. Freedman is a related director as he is an officer of Centract, which is a "significant shareholder" (*i.e.*, defined as a "shareholder with the ability to exercise a majority of the votes for the election of the board of directors" of the Company). Prior to his retirement on May 19, 2005, Mr. Dean was a related director as he was an officer of Centract. The Company confirms that, to the best of its knowledge, information and belief and after due inquiry, there is no existing or potential material conflicts of interest between the Company or any subsidiary of the Company and any director or officer of the Company or any subsidiary of the Company.

ITEM 9 – PROMOTERS

Centract holds a total of 1,652,905 Common Shares, representing 48.0% of the issued and outstanding Common Shares, 1,280,000 Series A Preferred Shares, 22,000,000 Series B Preferred Shares, 9,787,250 Series C Preferred Shares and 3,500,000 Non-Voting Common Shares, representing all of the issued and outstanding Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Non-Voting Shares. Centract acquired the Series A Preferred Shares and Series B Preferred Shares in connection with the Company's purchase of Home-Link and concurrent financing transaction and the Icon Transaction. Centract acquired the Series C Preferred Shares and 3,500,000 Series D Preferred Shares (which were subsequently converted into 3,500,000 Non-Voting Common Shares) in connection with the Company's purchase of ICON Software. See "Item 2 – General Development of the Business – Acquisitions and Corporate Developments – Acquisition of ICON".

On April 13, 2004 the Company acquired from Centract and Relocations, the Purchased Assets in connection with the ICON Transaction. The purchase price paid by the Company to Centract in connection with the acquisition of the ICON Software is \$5,500,000, of which \$2,000,000 was paid at closing by the issuance of the Debenture (which was subsequently converted into 2,000,000 Series B Preferred Shares) and \$3,500,000 was paid by the issuance of 3,500,000 Series D Preferred Shares. The purchase price for the purchased assets will be increased by \$1.00 for each \$1.00 of Cumulative Licensing Revenue in excess of \$8,000,000 received by the Company, up to a maximum earn-out of \$18,500,000 (the "Earn-Out") (for a total purchase price of up to \$24,000,000). The Earn-Out will be payable for the most recently completed fiscal year on an annual basis and prior to May 31 in each of 2005, 2006, 2007 and 2008 by the issuance of (i) up to 18,500,000 Series C Preferred Shares on the basis of one Series C Preferred Share for each \$1.00 of Earn-Out earned, and (ii) an amount in cash equal to the aggregate dividends that would have been received by Centract if Centract had received the Series C Preferred Shares to be issued on the Effective Date.

ITEM 10 – INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In fiscal 2006, the Company paid \$0.4 million in management fees to Centract for services provided by Centract including accounting, payroll, internal audit and other administrative activities related to the day-to-day activities of the Company as well as strategic planning and guidance provided by senior executives of Centract. In addition, the Company paid approximately \$0.1 million to Centract for rent of the premises used by the Company. Relocations, a company related to Centract, paid the Company \$10.4 million pursuant to the Centract License in fiscal 2006. Home-Link received \$0.1 million in revenue from companies related to Centract in fiscal 2006. In fiscal 2005, the

Company paid \$0.6 million in management fees to Centract for services provided by Centract including accounting, payroll, internal audit and other administrative activities related to the day-to-day activities of the Company as well as strategic planning and guidance provided by senior executives of Centract. In addition, the Company paid approximately \$0.1 million to Centract for rent of the premises used by the Company and Home-Link. Relocations, a company related to Centract, paid the Company \$8.3 million pursuant to the Centract License in fiscal 2005. Home-Link received \$0.2 million in revenue from companies related to Centract in fiscal 2005.

In fiscal 2004, the Company paid \$0.4 million in management fees to Centract for services provided by Centract including accounting, payroll, internal audit and other administrative activities related to the day-to-day activities of the Company as well as strategic planning and guidance provided by senior executives of Centract. In addition, the Company paid approximately \$0.1 million to Centract for rent of the premises used by the Company and Home-Link. Relocations, a company related to Centract, paid the Company \$1.5 million for software development and hardware upgrades in fiscal 2004. Home-Link received \$0.2 million in revenue from companies related to Centract in fiscal 2004.

Except for the transactions referred to in “Item 9 – Promoters” in connection with the ICON Transaction, no insider or proposed nominee for election as a director of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction in the prior three financial years of the Company that has materially affected or will materially affect the Company.

ITEM 11 – TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares of the Company is Computershare Trust Company of Canada, 100 University Avenue, 11th Floor, Toronto, Ontario, Canada, M5J 2Y1. The registers for the Series A Preferred Shares, the Series B Preferred Shares, the Series C Preferred Shares, the Series D Preferred Shares and the Non-Voting Common Shares are located at the Company’s office at 39 Wynford Drive, Toronto, Ontario, M3C 3K5. The Company acts as transfer agent for the Series A Preferred Shares, the Series B Preferred Shares, the Series C Preferred Shares, the Series D Preferred Shares and the Non-Voting Common Shares.

ITEM 12 – MATERIAL CONTRACTS

The only material contract that to which the Company is currently a party is the Purchase Agreement. See “General Development of the Business - Acquisitions and Corporate Development”.

ITEM 13 – INTERESTS OF EXPERTS

Names of Experts

The Company did not retain or name experts as having prepared or certified a statement, report or valuation described or included in a filing or referred to in a filing made under National Instrument 51-102 in the fiscal year ended February 28, 2006.

ITEM 14 – ADDITIONAL INFORMATION

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities, options to purchase securities of the Company, is contained in the management information circular dated May 31, 2006 prepared in connection with the 2006 Annual Meeting of Shareholders a copy of which is available on SEDAR at www.sedar.com. Additional financial information is provided in the Company’s comparative financial statements for the fiscal year ended February 28, 2006 contained in the Company’s 2006 Annual Report to Shareholders a copy of which is available on SEDAR at www.sedar.com. Additional information about the Company is available on SEDAR at www.sedar.com.

The Company will also provide to any person upon request to the Secretary of the Company at:

39 Wynford Drive, Toronto, Ontario M3C 3K5
Facsimile: (416) 446-0050 / Email: information@homeserve.ca

- (a) when securities of the Company are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed in respect of a distribution of the Company's securities:
 - (i) one copy of the Company's most recent annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference therein;
 - (ii) one copy of the comparative financial statements of the Company for its most recently completed financial year, together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year;
 - (iii) one copy of the Company's information circular in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate; and
 - (iv) one copy of any other documents that are incorporated by reference in the preliminary short form prospectus or short form prospectus and are not required to be provided under clauses (i), (ii) or (iii) above.
- (b) at any other time, one copy of any of the documents referred to in clauses (i), (ii) or (iii) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of the Company.

APPENDIX A - FORM 52-110F1

1. Audit Committee Charter

CHARTER

I. PURPOSE

The Audit Committee is a committee of the Board of Directors. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by:

- reviewing the financial reports and other financial information provided by the Corporation to any governmental body or the public and other relevant documents;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation's independent auditor and providing an open avenue of communication among the independent auditor, financial and senior management and the Board of Directors;
- serving as an independent and objective party to monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements;
- encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section III of this Charter.

II. COMPOSITION AND MEETINGS

The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent directors, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances require. The Committee shall meet within forty-five (45) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related Management Discussion & Analysis and shall meet within ninety (90) days following the end of the fiscal year end to review and discuss the audited financial results for the year and related Management Discussion & Analysis.

The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their audit related duties, members of the Committee shall have full access to all corporate information and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and independent auditors of the Corporation.

As part of its job to foster open communication, the Committee should meet at least annually with

management and the independent auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee or at least its Chair should meet with the independent auditor and management quarterly to review the Corporation's financial statements.

Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as the Audit Committee or the Chairman of the Committee shall determine upon 48 hours notice to each of members. The notice period may be waived by a quorum of the Committee. Each of the Chairman of the Committee, members of the Committee, Chairman of the Board, independent auditors, Chief Executive Officer, Chief Financial Officer or Secretary shall be entitled to request that the Chairman of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request.

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, as conditions dictate.
3. Describe briefly in the Corporation's annual report and more fully in the Corporation's Management Information Circular the Committee's composition and responsibilities and how they were discharged.
4. Submit the minutes of all meetings of the audit committee to the Board of Directors.

Documents/Reports Review

5. Review the organization's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent auditor.
6. Review policies and procedures with respect to directors' and officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the independent auditor, based on terms of reference agreed upon by the independent auditor and the Audit Committee.
7. Review with financial management and the independent auditor any filings with regulatory bodies such as securities commissions prior to filing or prior to the release of earnings. The Chair of the Committee may represent the entire Committee for purposes of this review.

Independent Auditor

8. Recommend to the Board of Directors the selection of the independent auditor, considering independence and effectiveness and approve the fees and other compensation to be paid to the independent auditor. Instruct the independent auditor that the Board of Directors, as the shareholders' representative, is the independent auditor's client.
9. Monitor the relationship between management and the independent auditor including reviewing any management letters or other reports of the independent auditor and discussing any material differences of opinion between management and the independent auditor.
10. Review and discuss, on an annual basis, with the independent auditor all significant relationships they have with the Corporation to determine their independence.
11. Review and approve requests for any management consulting engagement to be performed by the independent auditor and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter and related fees.
12. Review the performance of the independent auditor and approve any proposed discharge of the independent auditor when circumstances warrant. Consider with management and the independent auditor the rationale for employing accounting/auditing firms other than the principal independent auditor.
13. Periodically consult with the independent auditor out of the presence of management about significant risks

or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

14. Arrange for the independent auditor to be available to the Audit Committee and the full Board of Directors as needed.

Financial Reporting Processes

15. In consultation with the independent auditor review the integrity of the organization's financial reporting processes, both internal and external.
16. Consider the independent auditor's judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices or are minority practices.
17. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the independent auditor and ensure that the accountants' reasoning is described in determining the appropriateness of changes in accounting principles and disclosure

Process Improvement

18. Establish regular and separate systems of reporting to the Audit Committee by each of management and the independent auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
19. Review the scope and plans of the independent auditor's audit and reviews prior to the audit and reviews being conducted. The Committee may authorize the independent auditor to perform supplemental reviews or audits as the Committee may deem desirable.
20. Following completion of the annual audit and quarterly reviews, review separately with each of management and the independent auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the independent auditor received during the course of the audit and reviews.
21. Review any significant disagreements among management and the independent auditor in connection with the preparation of the financial statements.
22. Where there are significant unsettled issues the Committee shall ensure that there is an agreed course of action for the resolution of such matters.
23. Review with the independent auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
24. Review activities, organizational structure, and qualifications of the chief financial officer and the staff in the financial reporting area and see to it that matters related to succession planning within the company are raised for consideration at the full Board of Directors.

Ethical and Legal Compliance

25. Review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code. Review through appropriate actions taken to ensure compliance with the Code of Ethical Conduct and to review the results of confirmations and violations of such Code.
26. Review management's monitoring of the Corporation's system in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
27. Review, with the organization's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the organization's financial

statements.

Risk Management

28. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage.

General

29. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The committee shall be empowered to retain independent counsel, accountants and other professionals to assist It in the conduct of any investigation.
30. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.
31. Notwithstanding the foregoing and subject to applicable law, the Committee shall not be responsible to plan or conduct internal or external audits or to determine that the Corporation's financial statements are in accordance with generally accepted accounting principles as these are the responsibility of management and the independent auditor. Nothing contained in this Charter is intended to require the Committee to ensure the Corporation's compliance with applicable laws or regulations.

2. Composition of the Audit Committee

The Audit Committee is comprised of William Danis (Chair), Donald W. Paterson and Jason Meretsky. Mr. Meretsky was Secretary of the Corporation and was a partner of a law firm that provided legal services to the Corporation until April 30, 2004. Mr. Meretsky ceased to be an employee of or receive an income from the Company in January, 2003. The Company considers each of the members of the Audit Committee to be unrelated.

3. Relevant Education and Experience

All members of the Audit Committee are financially literate, which includes the ability to read and understand the Corporation's financial statements, and the Chairman of the Audit Committee is a member of the Canadian Institute of Chartered Accountants and Institution of Chartered Accountants of Ontario.

4. External Auditor Service Fees (By Category)

(a) Audit Fees

In Fiscal 2006, the Company paid \$53,500 to Ernst & Young in audit fees, compared with \$50,000 paid for audit fees to Ernst & Young in fiscal 2005.

(b) Audit-Related Fees

In Fiscal 2006, the Company paid \$6,786 to Ernst & Young in audit related fees, compared with \$7,250 paid for audit related fees to Ernst & Young in fiscal 2005.

(c) Tax Fees

In Fiscal 2006, the Company paid \$3,919 to Ernst & Young in fees for tax work, compared with \$12,000 for tax work to Ernst & Young in fiscal 2005.

(d) All Other Fees

In Fiscal 2006 and Fiscal 2005, the Company did not pay Ernst & Young fees for work other than audit or tax work.