Court File No.: CV-10-412963-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

THE HONOURABLE	)	Monday, the 26th day
	)	
JUSTICE PERELL	)	of March, 2012

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

ANDREW SORENSEN

Plaintiff

\- and -

EASYHOME LTD., DAVID INGRAM, STEVE GOERTZ, CHRIS FREGREN, ~~DOUGLAS ANDERSON, DONALD K. JOHNSON, RONALD G. GAGE, ROBERT W. KORTHALS, NANCIE LATAILLE, DAVID LEWIS and JOSEPH ROTUNDA~~ PMP

Defendants

Proceeding under the *Class Proceedings Act*, 1992

ORDER

THIS MOTION, made by the Plaintiffs was for an order granting leave to commence an action to plead the causes of action contained in Part XXIII.1 of the *Securities Act*.

ON CONSENT of counsel for the Plaintiff and for the Defendants:

1. **THIS COURT ORDERS** that leave is granted to the Plaintiffs to commence an action under Part XXIII.1 of the *Securities Act* by filing a Fresh as Amended Statement of Claim, without underlining ("the Fresh Claim"), substantially in the form attached hereto as Schedule "A", pleading those statutory causes of action in respect of the following disclosure documents:

i. Management's Discussion and Analysis and Audited Annual Financial Statements the fiscal year ended December 31, 2007;

ii. Management's Discussion and Analysis and Interim Financial Statements, for the 3 months ended March 31, 2008;

iii. Management's Discussion and Analysis and Interim Financial Statements, for the 3 and 6 months ended June 30, 2008;

iv. Management's Discussion and Analysis and Interim Financial Statements, for the 3 and 9 months ended September 30, 2008;

v. Management's Discussion and Analysis and Audited Annual Financial Statements for the fiscal year ended December 31, 2008;

vi. Management's Discussion and Analysis and Interim Financial Statements, for the 3 months ended March 31, 2009;

vii. Management's Discussion and Analysis and Interim Financial Statements, for the 3 and 6 months ended June 30, 2009;

viii. Management's Discussion and Analysis and Interim Financial Statements, for the 3 and 9 months ended September 30, 2009;

ix. Management's Discussion and Analysis and Audited Annual Financial Statements, for the fiscal year ended December 31, 2009;

x. Management's Discussion and Analysis and Interim Financial Statements, for the 3 months ended March 31, 2010; and

xi. Management's Discussion and Analysis and Interim Financial Statements, for the 3 and 6 months ended June 30, 2010;

2. **THIS COURT ORDERS** that the title of proceedings in the Fresh Claim be amended to read as follows:

ANDREW SORENSEN

Plaintiff

- and -

EASYHOME LTD., DAVID INGRAM, STEVE GOERTZ and CHRIS FREGREN

Defendants

3. **THIS COURT ORDERS** that no costs are payable with respect to this motion.

Perell J.

THE HONOURABLE JUSTICE PERELL

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

MAY - 3 2012

AS DOCUMENT NO.:
À TITRE DE DOCUMENT NO.:
PER / PAR:

SCHEDULE "A"

Court File No.: CV-10-412963-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

ANDREW SORENSEN

Plaintiff

- and -

EASYHOME LTD., DAVID INGRAM, STEVE GOERTZ and CHRIS FREGREN

Defendants

Proceeding under the *Class Proceedings Act, 1992*

FRESH AS AMENDED STATEMENT OF CLAIM
(NOTICE OF ACTION ISSUED ON OCTOBER 25, 2010)

CLAIM

DEFINITIONS

1. The following definitions apply for the purpose of this Statement of Claim:

(a) "*CJA*" means the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;

(b) "**Class**" or "**Class Members**" means all persons, other than **Excluded Persons**, who acquired securities of **EH** during the **Class Period**;

(c) "**Class Period**" means the period from April 8, 2008 to October 14, 2010;

(d) "*CPA*" means the *Class Proceedings Act, 1992*, S.O. 1992, c.6, as amended;

(e) "**Defendants**" means **EH**, **Ingram**, **Goertz** and **Fregren**;

(f) "**EH**" means the co-defendant, easyhome Ltd.;

(g) "**EF**" means easyfinacial Services Inc.;

(h) "**Excluded Persons**" means the past or present subsidiaries, officers, directors, partners, affiliates, legal representatives, heirs, predecessors, successors and assigns of **EH** or a predecessor of **EH**, and all family members of the current or former officers and directors of EH, and any entity in which any **Defendant** has or had a controlling interest;

(i) "**Fraud**" means the theft of **EH** funds, by way of fraudulent loan activity, committed by the manager of an **EF** kiosk;

(j) "**Fregren**" means the co-defendant, Chris Fregren;

(k) "**GAAP**" means Canadian generally accepted accounting principles;

(l) "**Goertz**" means the co-defendant, Steve Goertz;

(m) "**Individual Defendants**" means **Ingram**, **Goertz** and **Fregren**;

(n) "**Ingram**" means the co-defendant, David Ingram;

(o) "**MD&A**" means Management's Discussion and Analysis;

(p) "**MI 52-109**" means Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings;

(q) "**NI 51-102**" means National Instrument 51-102 – Continuous Disclosure Obligations;

(r) "***OBCA***" means the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended;

(s) "***OSA***" means the *Securities Act*, R.S.O. 1990, c. S.5, as amended;

(t) "**Representation**" means the express or implied statement that
   - (i) The financial results and other statements concerning **EH**'s business contained in each of the **EH** disclosure documents pleaded herein were accurate and reliable;
   - (ii) **EH**'s internal controls over financial reporting were effective and provided reasonable assurances regarding the accuracy and reliability of the financial data contained in **EH**'s financial reporting;
   - (iii) **EH**'s consolidated financial statements were compiled in accordance with GAAP;

(u) "**Securities Legislation**" means
   - (i) *Securities Act*, RSA 2000, c S-4;
   - (ii) *Securities Act*, SNB 2004, c S-5;
   - (iii) *Securities Act*, RSO 1990, c S.5;
   - (iv) *The Securities Act*, CCSM c S50;
   - (v) *Securities Act*, RSBC 1996, c 418;
   - (vi) *The Securities Act 1988*, SS 1988-89, c S-42.2;
   - (vii) *Securities Act*, RSNS 1989, c 418;
   - (viii) *Securities Act*, RSNL 1990, c S-13;
   - (ix) *Securities Act*, RSPEI 1988, c S-3.1;
   - (x) *Securities Act*, RSQ c V-1.1;
   - (xi) *Securities Act*, SNWT 2008, c 10;
   - (xii) *Consolidation of Securities Act*, SNu 2008, c 12; and
   - (xiii) *Securities Act*, SY 2007, c 16;

each as amended, and all of the regulations, rules and policies promulgated pursuant thereto or by securities regulatory authorities constituted thereunder;

(v) "**SEDAR**" means the System for Electronic Document Analysis and Retrieval used for electronically filing most securities related information with the Canadian Securities Administrators; and

(w) "**TSX**" means the Toronto Stock Exchange.

RELIEF SOUGHT

2. The Plaintiff claims, on his own behalf and on behalf of the other Class Members:

(a) a declaration that the disclosure documents referred to herein contained a misrepresentation;

(b) general damages in the amount of $10 million, or such other amount as the Court may award at trial;

(c) an order directing a reference or giving such other directions as may be necessary to determine issues not determined in the trial of the common issues;

(d) pre-judgment interest and post-judgment interest, compounded, or pursuant to ss. 128 and 129 of the *CJA*;

(e) costs of this action on a substantial indemnity basis or in an amount that provides full indemnity plus, pursuant to s. 26(9) of the *CPA*, the costs of notice and of administering the plan of distribution of the recovery in this action plus applicable taxes; and

(f) such further and other relief as this Honourable Court deems just.

THE PARTIES

<u>The Plaintiff</u>

3. The Plaintiff, Andrew Sorensen, is an individual residing in British Columbia. The Plaintiff purchased 1,100 shares of EH at inflated prices during the Class Period, and continued to own those shares at the end of the Class Period.

The Defendants

4. EH is a publicly traded corporation. EH's registered office is located in Toronto, Ontario, its head office is located in Edmonton, Alberta, and its executive office is located in Mississauga, Ontario.

5. EH is a reporting issuer and a responsible issuer under the Securities Legislation, and EH's shares trade on the TSX under the ticker "EH."

6. Ingram is an individual residing in Ontario. He is a Director, and the President and Chief Executive Officer of EH. He has held these positions since May 2001.

7. Goertz is an individual residing in Ontario. He is the Senior Vice President and Chief Financial Officer of EH, and has held these positions since August 16, 2009.

8. Fregren is an individual residing in Ontario. He was the Senior Vice President and Chief Financial Officer of EH from April 17, 2006 to August 16, 2009.

OVERVIEW OF THE ACTION
EH, EF and the Fraud

9. EH is a merchandise leasing company. It was formed under the laws of the province 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.

10. EH's core business is leasing, with or without an option to purchase, brand name household furnishings, appliances and home electronic products, either through its own corporate stores or through franchised locations. Additionally, EH offers a variety of financial services through EF.

15. These acts and omissions caused EF to overstate the consumer loans receivable balance and understate the amount of consumer loans that were not current or were otherwise in default. The false amounts were incorporated into EH's disclosure documents issued during the Class Period.

16. The Representation was therefore false, insofar as:

(a) one of the results of the Fraud was that EH's financial results were overstated during the Class Period and required restatement;

(b) the disclosure of the Fraud revealed to market, the Plaintiff, and Class Members for the first time that EH's internal controls were either inadequate and failed, or were ignored and thus did not provide reasonable assurance as to the accuracy of the financial information and results published by EH during the Class Period; and

(c) because EH's internal controls were ineffective, the Fraud was permitted to occur causing the overstatement of EH's financial results during the Class Period, resulting in the failure of EH's annual and interim financial statements to be prepared in accordance with GAAP.

17. As a consequence of the foregoing, the price at which EH securities traded during the Class Period was artificially inflated. That inflation reflected the Representation. When the truth was revealed, that inflation was removed and the Class Members suffered loss.

EH'S REPORTING OBLIGATIONS UNDER THE *OSA*

18. EH is a reporting issuer and a responsible issuer under the Securities Legislation.

19. EH is and was required to issue and file with SEDAR throughout the Class Period:

(a) within 60 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP that must include a comparative statement to the end of each of the corresponding periods in the previous financial year;

(b) within 90 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP, including comparative financial statements relating to the period covered by the preceding financial year;

(c) contemporaneously with each of the above, a management's discussion and analysis of EH's financial condition and results of operations for the relevant period; and

(d) within 90 days of the end of the fiscal year, an Annual Information Form, including material information about the company and its business at a point in time in the context of its historical and possible future development.

20. The Securities Legislation imposed specific obligations on the Individual Defendants in the preparation of EH's continuous disclosure documents which each Individual Defendant accepted in assuming his or her position as a director or officer of EH as a reporting issuer. Those obligations included:

(a) The obligations imposed on the CEO and CFO of EH to review and certify the accuracy of each of EH's quarterly and annual financial statements and MD&A;

(b) The obligation imposed on EH's directors to review and approve the release of EH's quarterly and annual financial statements.

21. As each of the Individual Defendants knew throughout the Class Period, it was their job to ensure the accuracy of these documents on which persons making investments in EH securities would rely in making their decisions to invest.

THE REPRESENTATION

22. Throughout the Class Period, EH issued the MD&As financial statements and certifications under MI 52-109 that are identified below, each of which contained the Representation. The Representation was false in that:

(i) The financial results and other statements concerning EH's business contained in each of the EH disclosure documents pleaded herein were in fact not accurate and reliable. Specifically, throughout the Class Period EH's consolidated GAAP revenues and consumer loans receivable balance were inflated and EH's income taxes recoverable and future tax assets were understated by the existence of the fraud;

(ii) EH's internal controls over financial reporting were not reasonably effective and did not provide reasonable assurances regarding the accuracy and reliability of the financial data contained in EH's financial reporting. Had they been reasonably effective, they would have led to the discovery of the fact, revealed by the existence of the Fraud, that EH's standard policies and procedures for the oversight of EF employees and kiosks were inadequate and, in any case, were not being followed, and that material information relating to EH's subsidiary, EF, was not being made known to EH; and

(iii) EH claims that its consolidated financial statements were prepared by management in accordance with GAAP. A fundamental requirement of GAAP is that financial statements should fairly present the financial position, results of operations and cash flows of an entity in accordance with GAAP, as of the stated reporting date. EH's financial statements did not fairly state the financial position, results of operations and cash flows of the business, as stated herein throughout the Class Period. Hence, contrary to EH's public assertions, the company's financial statements did not comply with GAAP.

FY 2007 MD&A

23. On April 8, 2008, EH issued and filed with SEDAR its Annual Report for the fiscal year ended December 31, 2007, which included EH's audited annual financial statements and MD&A for that year.

24. Ingram and Fregren filed with SEDAR the related Certifications of Annual Filings under MI 52-109 on Form 52-109F1.

25. The MD&A and related Certifications of Annual Filings contained the Representation. The Representation was unqualified in material respects. The Representation was contained in the following statements made in the Audited Annual Financial

Statements, MD&A and Certifications of Interim Filings for the year ended December 31, 2007, among others:

> "Management has concluded that these deficiencies could not result in a material misstatement of our annual or interim consolidated financial statements that would not otherwise be prevented or detected by other internal controls in place," "easyhome Ltd. maintains a system of internal controls to provide reasonable assurance that transactions are properly authorized, financial records are accurate and reliable, and the Company's assets are properly accounted for and adequately safeguarded"
>
> "The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP")"
>
> "the [...] filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the [...] filings"

and the data in the financial reports themselves, including the data relating to consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets.

26. Further, none of those documents disclosed that as of the date of their release, EH had internal control weaknesses that could (and, in fact, did):

(a) cause EH's standard policies and procedures for the oversight of EF employees and kiosks to be inadequate and/or not be followed;

(b) result in the omission of material information relating to EF from those documents;

(c) allow a significant fraud to occur; and

(d) result in a material misstatement of EH's annual or interim consolidated financial statements.

27. The Representation was materially false and/or materially misleading, because:

(a) The financial results were inaccurate and in fact EH's consolidated GAAP revenues and consumer loans receivable balance were inflated and EH's income taxes recoverable and future tax assets were understated by the existence of the Fraud;

(b) EH's internal controls over financial reporting were ineffective in their design and operation in the following particular respects, among others:

  (i) material information relating to EF was not made known to EH due to:

    (A) inadequate independent oversight and verifications of compliance with EH's corporate policies carried out on an ongoing basis or at the relevant reporting financial date; and

    (B) inadequate regular monitoring of performance and operational measures to determine activity inconsistent with normal performance and operational parameters; and

(c) the failure to accurately report the results of EH's business, including its consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets and the lack of adequate internal controls rendered EH's financial statements non-compliant with GAAP.

28. Each of Ingram and Fregren authorized, permitted or acquiesced in the release of the audited annual financial statements, MD&A and certifications of annual filings on form 52-109F1.

Q1 2008 MD&A & Related Certifications

29. On May 16, 2008, EH issued and filed with SEDAR its Unaudited Interim Financial Statements, and on May 20, 2008 its MD&A for the 3 months ended March 31, 2008. Additionally, Ingram and Fregren filed with SEDAR the related Certifications of Interim Filings under MI 52-109 on Form 52-109F2.

30. The MD&A and the related Certifications of Interim Filings contained the Representation. The Representation was contained in the following statements, among others:

> "The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP")"
>
> "the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings"

and the data in the financial reports themselves, including the data relating to consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets.

31. The Representation was unqualified in material respects. More particularly, the Representation contained no qualification to account for EH having, at the time of reporting, continuing internal control weaknesses that could (and, in fact, did):

(a) cause EH's standard policies and procedures for the oversight of EF employees and kiosks to be inadequate and/or not be followed;

(b) cause material information relating to EF to be unknown to EH;

(c) allow a significant fraud to occur undetected; and

(d) result in a material misstatement of EH's annual or interim consolidated financial statements.

32. The Representation was materially false and/or materially misleading, because EH's internal controls over financial reporting were, in fact, ineffective as a result of material weaknesses in their design and operation. Those material weaknesses, which are particularized at paragraph 29, were not the subject of a qualification to the Representation, nor were they otherwise made known to the Plaintiff and the Class Members when the aforementioned disclosure documents were issued.

33. Each of Ingram and Fregren authorized, permitted or acquiesced in the release of the interim financial statements, MD&A and certifications of interim filings on form 52-109F2.

Q2 2008 MD&A & Related Certifications

34. On August 14, 2008, EH issued and filed with SEDAR its Unaudited Interim Financial Statements and MD&A for the 3 and 6 months ended June 30, 2008. Additionally, Ingram and Fregren then filed with SEDAR the related Certifications of Interim Filings under MI 52-109 on Form 52-109F2.

35. The MD&A and the related Certifications of Interim Filings contained the Representation. The Representation was contained in the following statements, among others:

> "The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP")"
>
> "the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings"

and the data in the financial reports themselves, including the data relating to consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets.

36. The Representation was unqualified in material respects. More particularly, the Representation contained no qualification to account for EH having, at the time of reporting, continuing internal control weaknesses that could (and, in fact, did):

(a) cause EH's standard policies and procedures for the oversight of EF employees and kiosks to be inadequate and/or not followed;

(b) cause material information relating to EF to be unknown to EH;

(c) allow a significant fraud to occur undetected; and

(d) result in a material misstatement of EH's annual or interim consolidated financial statements.

37. The Representation was materially false and/or materially misleading, because EH's internal controls over financial reporting were, in fact, ineffective as a result of material weaknesses in their design and operation. Those material weaknesses, which are particularized at paragraph 29, were not the subject of a qualification to the Representation, nor were they otherwise made known to the Plaintiff and the Class Members when the aforementioned disclosure documents were issued.

38. Each of Ingram and Fregren authorized, permitted or acquiesced in the release of the interim financial statements, MD&A and certifications of interim filings on form 52-109F2.

Q3 2008 MD&A & Related Certifications

39. On November 14, 2008, EH issued and filed with SEDAR its Unaudited Interim Financial Statements and MD&A for the 3 and 9 months ended September 30, 2008. Additionally, Ingram and Fregren then filed with SEDAR the related Certifications of Interim Filings under MI 52-109 on Form 52-109F2.

40. The MD&A and the related Certifications of Interim Filings contained the Representation. The Representation was contained in the following statements, among others:

> "The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP")"
>
> "the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings"

and the data in the financial reports themselves, including the data relating to consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets.

41. The Representation was unqualified in material respects. More particularly, the Representation contained no qualification to account for EH having, at the time of reporting, continuing internal control weaknesses that could (and, in fact, did):

(a) cause EH's standard policies and procedures for the oversight of EF employees and kiosks to be inadequate and/or not followed;

(b) cause material information relating to EF to be unknown to EH;

(c) allow a significant fraud to occur undetected; and

(d) result in a material misstatement of EH's annual or interim consolidated financial statements.

42. The Representation was materially false and/or materially misleading, because EH's internal controls over financial reporting were, in fact, ineffective as a result of material weaknesses in their design and operation. Those material weaknesses, which are particularized at paragraph 29, were not the subject of a qualification to the Representation, nor were they otherwise made known to the Plaintiff and the Class Members when the aforementioned disclosure documents were issued.

43. Each of Ingram and Fregren authorized, permitted or acquiesced in the release of the interim financial statements, MD&A and certifications of interim filings on form 52-109F2.

FY 2008 MD&A & Related Certifications

44. On March 12, 2009, EH issued and filed with SEDAR its Audited Annual Financial Statements and MD&A for the fiscal year ended December 31, 2008. Additionally, Ingram and Fregren filed with SEDAR the related Certifications of Annual Filings under MI 52-109 on Form 52-109F1.

45. The MD&A and the related Certifications of Annual Filings contained the Representation. The Representation was contained in the following statements made in the Audited Annual Financial Statements, MD&A and Certifications of Interim Filings for the year ended December 31, 2008, among others:

> "While the Company makes ongoing enhancements to its internal controls over financial reporting, no material changes outside of the issues noted with respect to the account reconciliation and inventory counts were identified in the Company's ICFR during the period October 1 to December 31, 2008, that had materially affected, or are reasonably likely to materially affect, the Company's ICFR"
>
> "easyhome Ltd. maintains a system of internal controls to provide reasonable assurance that transactions are properly authorized, financial records are accurate and reliable, and the Company's assets are properly accounted for and adequately safeguarded"
>
> "The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP")"
>
> "the [...] filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light

> of the circumstances under which it was made, with respect to the period covered by the [...] filings"

and the data in the financial reports themselves, including the data relating to consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets.

46. The Representation was unqualified in material respects. More particularly, the Representation contained no qualification to account for EH having, at the time of reporting, continuing internal control weaknesses that could (and, in fact, did):

    (a) cause EH's standard policies and procedures for the oversight of EF employees and kiosks to be inadequate and/or not followed;

    (b) cause material information relating to EF to be unknown to EH;

    (c) allow a significant fraud to occur undetected; and

    (d) result in a material misstatement of EH's annual or interim consolidated financial statements.

47. The Representation was materially false and/or materially misleading, because EH's internal controls over financial reporting were, in fact, ineffective as a result of material weaknesses in their design and operation. Those material weaknesses, which are particularized at paragraph 29, were not the subject of a qualification to the Representation, nor were they otherwise made known to the Plaintiff and the other Class Members when the aforementioned disclosure documents were issued.

48. Each of Ingram and Fregren authorized, permitted or acquiesced in the release of the audited annual financial statements, MD&A and certifications of annual filings on form 52-109F1.

Q1 2009

49. On May 14, 2009, EH issued and filed with SEDAR its Unaudited Interim Financial Statements and MD&A for the 3 months ended March 31, 2009. Additionally, Fregren and Ingram filed with SEDAR the related Certifications of Interim Filings under MI 52-109 on Form 52-109F2.

50. EH reported in the Unaudited Interim Financial Statements and MD&A for the 3 months ended March 31, 2009 that its GAAP revenues were $43.9M.[1] EH also reported that its consolidated operations had consumer loans receivable in the amount of $4.3M.

51. The MD&A and related certifications for the 3 months ended March 31, 2009 contained the Representation. The Representation was contained in the following statements, among others:

> "The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP")"
>
> "the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings"

and the data in the financial reports themselves, including the data relating to consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets.

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1 Dollar amounts in this Statement of Claim have been approximated and rounded for convenience.

52. The Representation was unqualified in material respects. More particularly, the Representation contained no qualification to account for EH having, at the time of reporting, continuing internal control weaknesses that could (and, in fact, did):

(a) cause EH's standard policies and procedures for the oversight of EF employees and kiosks to be inadequate and/or not followed;

(b) cause material information relating to EF to be unknown to EH;

(c) allow a significant fraud to occur undetected; and

(d) result in a material misstatement of EH's annual or interim consolidated financial statements.

53. The Representation was materially false and/or materially misleading, because EH's internal controls over financial reporting were, in fact, ineffective as a result of continuing material weaknesses in their design and operation. Those material weaknesses, which are particularized at paragraph 29, were not the subject of a qualification to the Representation, nor were they otherwise made known to the Plaintiff and the other Class Members when the aforementioned disclosure documents were issued.

54. Additionally, and in consequence of the aforementioned weaknesses, the Fraud was perpetrated and continued undetected during Q1 2009. Consequently, EH's revenues for the 3 months ended March 31, 2009 were overstated and not reported in accordance with GAAP. For the 3 months ended March 31, 2009, EH's consumer

loans receivable were \$4.06M,[2] and consolidated GAAP revenues were \$43.8M. EH, in its Interim Financial Statements, had overstated its consumer loans receivable by at least \$150,000, and overstated its consolidated GAAP revenues by \$109,000.

55. Each of Ingram and Fregren authorized, permitted or acquiesced in the release of the interim financial statements, MD&A and certifications of interim filings on form 52-109F2.

Q2 2009

56. On August 14, 2009, EH issued and filed with SEDAR its Unaudited Interim Financial Statements and MD&A for the 3 and 6 months ended June 30, 2009. Additionally, Fregren and Ingram then filed with SEDAR the related Certifications of Interim Filings under MI 52-109 on Form 52-109F2.

57. EH reported in the Unaudited Interim Financial Statements and MD&A for the 3 months ended June 30, 2009 that its GAAP revenues were \$43.5M. EH also reported that its consolidated operations had consumer loans receivable in the amount of \$5.76M.

58. The MD&A and related certifications for the 3 and 6 months ended June 30, 2009 contained the Representation. The Representation was contained in the following statements, among others:

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2 The net impacts of the Fraud for Q1 and Q2 2009 include approximately \$120,000 per quarter that may be attributable to the year ended December 31, 2008. The financial statements for the year ended December 31, 2008 have not been restated as this was not considered a material adjustment for that reporting period by EH. See: MD&A issued and filed with SEDAR on November 15, 2010.

> "The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP")"
>
> "the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings"

and the data in the financial reports themselves, including the data relating to consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets.

59. The Representation was unqualified in material respects. More particularly, the Representation contained no qualification to account for EH having, at the time of reporting, continuing internal control weaknesses that could (and, in fact, did):

(a) cause EH's standard policies and procedures for the oversight of EF employees and kiosks to be inadequate and/or not followed;

(b) cause material information relating to EF to be unknown to EH;

(c) allow a significant fraud to occur undetected; and

(d) result in a material misstatement of EH's annual or interim consolidated financial statements.

60. The Representation was materially false and/or materially misleading, because EH's internal controls over financial reporting were, in fact, ineffective as a result of continuing material weaknesses in their design and operation. Those material weaknesses, which are particularized at paragraph 29, were not the subject of a qualification to the Representation, nor were they otherwise made known to the

Plaintiff and the other Class Members when the aforementioned disclosure documents were issued.

61. Additionally, and in consequence of the aforementioned weaknesses, the Fraud was perpetrated and continued undetected during Q2 2009. Consequently, EH's revenues for the 3 and 6 months ended June 30, 2009 were overstated and not reported in accordance with GAAP. For the 3 months ended June 30, 2009, EH's consumer loans receivable were \$5.17M[3] and consolidated GAAP revenues were \$43.3M. EH, in its Interim Financial Statements and MD&A for the 3 months ended June 30, 2009, had overstated its consumer loans receivable by at least \$475,000, and its GAAP revenues by \$159,000.

62. Each of Ingram and Fregren authorized, permitted or acquiesced in the release of the interim financial statements, MD&A and certifications of interim filings on form 52-109F2.

Q3 2009

63. On November 9, 2009, EH issued and filed with SEDAR its Unaudited Interim Financial Statements and MD&A for the 3 and 9 months ended September 30, 2009. Additionally, Goertz and Ingram then filed with SEDAR the related Certifications of Interim Filings under MI 52-109 on Form 52-109F2.

3 The net impacts of the Fraud for Q1 and Q2 2009 include approximately \$120,000 per quarter that may be attributable to the year ended December 31, 2008. The financial statements for the year ended December 31, 2008 have not been restated as this was not considered a material adjustment for that reporting period by EH. See: MD&A issued and filed with SEDAR on November 15, 2010.

64. EH reported in the Unaudited Interim Financial Statements and MD&A for the 3 and 9 months ended September 30, 2009 that its GAAP revenues were $42.5M. EH also reported that its consolidated operations had consumer loans receivable in the amount of $7.13M.

65. The MD&A and related certifications for the 3 and 9 months ended September 30, 2009 contained the Representation. The Representation was contained in the following statements, among others:

> "The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP")"
>
> "the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings"

and the data in the financial reports themselves, including the data relating to consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets.

66. The Representation was unqualified in material respects. More particularly, the Representation contained no qualification to account for EH having, at the time of reporting, continuing internal control weaknesses that could (and, in fact, did):

(a) cause EH's standard policies and procedures for the oversight of EF employees and kiosks to be inadequate and/or not followed;

(b) cause material information relating to EF to be unknown to EH;

(c) allow a significant fraud to occur undetected; and

(d) result in a material misstatement of EH's annual or interim consolidated financial statements.

67. The Representation was materially false and/or materially misleading, because EH's internal controls over financial reporting were, in fact, ineffective as a result of continuing material weaknesses in their design and operation. Those material weaknesses, which are particularized at paragraph 29, were not the subject of a qualification to the Representation, nor were they otherwise made known to the Plaintiff and the other Class Members when the aforementioned disclosure documents were issued.

68. Additionally, and in consequence of the aforementioned weaknesses, the Fraud was perpetrated and continued undetected during Q3 2009. Consequently, EH's revenues for the 3 and 9 months ended September 30, 2009 were overstated and not reported in accordance with GAAP. For the 3 months ended September 30, 2009 EH's consumer loans receivable were \$6.27M and consolidated GAAP revenues were \$42.3M. EH, in its Interim Financial Statements and MD&A for the 3 months ended June 30, 2009, had overstated its consumer loans receivable by \$862,000, and its GAAP revenues by \$168,000.

69. Each of Ingram and Goertz authorized, permitted or acquiesced in the release of the interim financial statements, MD&A and certifications of interim filings on form 52-109F2.

FY 2009

70. On March 24, 2010, EH issued and filed with SEDAR its Audited Annual Financial Statements and MD&A for the fiscal year ended December 31, 2009. Additionally, on

March 30, 2010, Ingram and Goertz then filed with SEDAR the related Certifications of Annual Filings under MI 52-109 on Form 52-109F1.

71. EH reported in the audited Annual Financial Statements and MD&A for the fiscal year ended December 31, 2009 that its GAAP revenues were \$43.95M. EH also reported that its consolidated operations had consumer loans receivable in the amount of \$10.2M.

72. The MD&A and related certifications for the fiscal year ended December 31, 2009 contained the Representation. The Representation was contained in the following statements made in the Audited Annual Financial Statements, MD&A and Certifications of Interim Filings for the year ended December 31, 2008, among others:

> "While the Company makes other ongoing enhancements to its internal controls over financial reporting, no material changes outside of the issues noted were identified in the Company's ICFR during the period October 1 to December 31, 2009, that had materially affected, or are reasonably likely to materially affect, the Company's ICFR."
>
> "The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP")"
>
> "the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings"

and the data in the financial reports themselves, including the data relating to consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets.

73. The Representation was unqualified in material respects. More particularly, the Representation contained no qualification to account for EH having, at the time of reporting, continuing internal control weaknesses that could (and, in fact, did):

(a) cause EH's standard policies and procedures for the oversight of EF employees and kiosks to be inadequate and/or not followed;

(b) cause material information relating to EF to be unknown to EH;

(c) allow a significant fraud to occur undetected; and

(d) result in a material misstatement of EH's annual or interim consolidated financial statements.

74. The Representation was materially false and/or materially misleading, because EH's internal controls over financial reporting were, in fact, ineffective as a result of material weaknesses in their design and operation. Those material weaknesses, which are particularized at paragraph 29, were not the subject of a qualification to the Representation, nor were they otherwise made known to the Plaintiff and the other Class Members when the aforementioned disclosure documents were issued.

75. Additionally, and in consequence of the aforementioned weaknesses, the Fraud was perpetrated and continued undetected during Q4 2009. Consequently, EH's revenues for the fiscal year ended December 31, 2009 were overstated and not reported in accordance with GAAP. In fact, EH's consumer loans receivable were \$8.94M and consolidated GAAP revenues for the fiscal year ended December 31, 2009 were \$43.7M. EH, in its Interim Financial Statements and MD&A for the 3 months ended June 30, 2009, had overstated its consumer loans receivable by \$1.28M, and its GAAP revenues by \$244,000.

76. Each of Ingram and Goertz authorized, permitted or acquiesced in the release of the audited annual financial statements, MD&A and certifications of annual filings on form 52-109F1.

Q1 2010

77. On April 27, 2010, EH issued and filed with SEDAR its Unaudited Interim Financial Statements and MD&A for the 3 months ended March 31, 2010. Additionally, Goertz and Ingram filed with SEDAR the related Certifications of Interim Filings under MI 52-109 on Form 52-109F2.

78. EH reported in the Unaudited Interim Financial Statements and MD&A for the 3 months ended March 31, 2010 that its GAAP revenues were $44.3M. EH also reported that its consolidated operations had consumer loans receivable in the amount of $13M.

79. The MD&A and related certifications for the 3 months ended March 31, 2010 contained the Representation. The Representation was contained in the following statements, among others:

> "The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP")"
>
> "the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings"

and the data in the financial reports themselves, including the data relating to consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets.

80. The Representation was unqualified in material respects. More particularly, the Representation contained no qualification to account for EH having, at the time of reporting, continuing internal control weaknesses that could (and, in fact, did):

(a) cause EH's standard policies and procedures for the oversight of EF employees and kiosks to be inadequate and/or not followed;

(b) cause material information relating to EF to be unknown to EH;

(c) allow a significant fraud to occur undetected; and

(d) result in a material misstatement of EH's annual or interim consolidated financial statements.

81. The Representation was materially false and/or materially misleading, because EH's internal controls over financial reporting were, in fact, ineffective as a result of material weaknesses in their design and operation. Those material weaknesses, which are particularized at paragraph 29, were not the subject of a qualification to the Representation, nor were they otherwise made known to the Plaintiff and the other Class Members when the aforementioned disclosure documents were issued.

82. Additionally, and in consequence of the aforementioned weaknesses, the Fraud was perpetrated and continued undetected during Q1 2010. Consequently, EH's revenues for the 3 months ended March 31, 2010 were overstated and not reported in accordance with GAAP. For the 3 months ended March 31, 2010 EH's consumer loans receivable were $11.2M, and consolidated GAAP revenues were $43.95M. EH,

in its Interim Financial Statements had overstated its consumer loans receivable by $1.79M and its consolidated GAAP revenues by $343,000.

83. Each of Ingram and Goertz authorized, permitted or acquiesced in the release of the interim financial statements, MD&A and certifications of interim filings on form 52-109F2.

Q2 2010

84. On August 5, 2010, EH issued and filed with SEDAR its Unaudited Interim Financial Statements and MD&A for the 3 and 6 months ended June 30, 2010. Additionally, Goertz and Ingram then filed with SEDAR the related Certifications of Interim Filings under MI 52-109 on Form 52-109F2.

85. EH reported in the Unaudited Interim Financial Statements and MD&A for the 3 months ended June 30, 2010 that its GAAP revenues were $45.5M. EH also reported that its consolidated operations had consumer loans receivable in the amount of $19.3M.

86. The MD&A and related certifications for the 3 and 6 months ended June 30, 2010 contained the Representation. The Representation was contained in the following statements, among others:

> "The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP")"
>
> "management expects that subsequent testing before the end of the year will confirm that the control weakness have been adequately addressed"
>
> "the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated

> or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings"

and the data in the financial reports themselves, including the data relating to consolidated GAAP revenues, consumer loans receivable balance, income taxes recoverable and future tax assets.

87. The Representation was unqualified in material respects. More particularly, the Representation contained no qualification to account for EH having, at the time of reporting, continuing internal control weaknesses that could (and, in fact, did):

    (a) cause EH's standard policies and procedures for the oversight of EF employees and kiosks to be inadequate and/or not followed;

    (b) cause material information relating to EF to be unknown to EH;

    (c) allow a significant fraud to occur undetected; and

    (d) result in a material misstatement of EH's annual or interim consolidated financial statements.

88. The Representation was materially false and/or materially misleading, because EH's internal controls over financial reporting were, in fact, ineffective as a result of material weaknesses in their design and operation. Those material weaknesses, which are particularized at paragraph 29, were not the subject of a qualification to the Representation, nor were they otherwise made known to the Plaintiff and the other Class Members when the aforementioned disclosure documents were issued.

89. Additionally, and in consequence of the aforementioned weaknesses, the Fraud was perpetrated and continued undetected during Q2 2010. Consequently, EH's revenues for the 3 and 6 months ended June 30, 2010 were overstated and not reported in accordance with GAAP. For the 3 months ended June 30, 2009, EH's consumer loans

receivable were $16.7M and consolidated GAAP revenues were $44.95M. EH, in its Interim Financial Statements and MD&A for the 3 months ended June 30, 2010, had overstated its consumer loans receivable by $2.6M, and its GAAP revenues by $510,000.

90. Each of Ingram and Goertz authorized, permitted or acquiesced in the release of the interim financial statements, MD&A and certifications of interim filings on form 52-109F2.

91. For the years ended December 31, 2008 and 2009, EH disclosed in its Annual MD&A that it was making ongoing enhancements to its internal controls over financial reporting. It was noted that:

> "Management has concluded that these deficiencies could not result in a material misstatement of our annual or interim consolidated financial statements that would not otherwise be prevented or detected by other internal controls in place."

However, the existing controls and those enhancements were ignored or were not sufficient to detect or prevent the Fraud or the inclusion of EF's false financial information in the public disclosure documents of EH.

THE TRUTH IS REVEALED

92. After the close of trading on October 14, 2010, EH issued and filed a Press Release, which was subsequently filed as a Material Change Report with SEDAR on October 29, 2010. The Press Release was titled "easyhome Ltd. Discovers Employee Fraud at an easyfinancial Kiosk: Company Taking Action to Ensure No Consumers are Affected and to Correct Procedures." The Press Release stated, in part, that:

> easyhome Ltd. (TSX: EH), Canada's leading merchandise leasing company and a growing provider of financial services, today announced that it has discovered an employee fraud, in the amount of approximately $3.4 million before taxes, perpetrated against the Company's easyfinancial Services business.
>
> The Company is taking immediate action to mitigate the financial damage of the fraud and to enhance easyhome's ability to prevent and detect such criminal activity in the future. While the fraud is significant, it is not expected to have a material adverse impact on the Company's future outlook.
>
> The fraud, which occurred at an easyfinancial kiosk, was detected by the Company during a detailed review of its consumer loans receivable portfolio.
>
> A prompt internal investigation indicates that the manager of an easyfinancial kiosk fraudulently withdrew Company funds by processing fictitious loan applications. Subsequent fictitious loans were later processed to maintain the required payments on the original fraudulent loans, exponentially increasing the size of the total fraudulent loan balance. Additionally, the Company's standard policies for oversight and internal audit were not adhered to for this location.
>
> The preliminary results of the Company's internal investigation were provided to local police and the manager has been terminated with cause. Additionally, the more senior managers responsible for auditing this easyfinancial location have been suspended pending the full outcome of the investigation.
>
> [...]
>
> The Company estimates that it will take a total charge of approximately $3.4 million, before taxes, which will require restatement of prior period financial statements. The restatement by quarter and fiscal year has not yet been determined but will be disclosed in the Company's third quarter earnings release.

93. On October 15, 2010 at 3:00PM EST, EH held a conference call to discuss the Fraud.

Ingram, speaking for EH, described the Fraud, which took place over "30 months":

> [...]Our investigation has revealed that the manager of one of our easyfinancial kiosks set up a Ponzi-type scheme to fraudulently steal money from the Company. This manager processed fictitious loan applications from nonexistent customers and paid the loan proceeds to herself directly,

> generally by loading the stolen funds onto prepaid credit cards. Once the original fraudulent loans were processed, subsequent and additional fraudulent loans were created and the proceeds of these new loans were used to make the necessary regular payments on those original loans, thus hiding the original theft and exponentially increasing the size of the total fraudulent loan balance.
>
> [...] The Company estimates that the total fraudulent loan recorded on its consumer loans receivable portfolio as of today is CAD3.4 million. This amount must be written off and after adjusting for income taxes will be charged to the current and prior fiscal periods which will require restatement of prior period financial statements. The restatement by quarter has not yet been determined but will be disclosed in the Company's third-quarter earnings release.

94. Ingram, discussing EH's internal control over financial reporting, stated, in part:

> The Company has a standard set of review and internal audit practices that are designed to detect against unusual or suspicious loan activity, including the monitoring of exception reporting and regular internal audits. In the case of this one easyfinancial kiosk, these practices were not adhered to, allowing this fraud to go undetected between 2008 and this month.
>
> [...] The review that was just completed revealed a number of significant anomalies within the loan transactions originating from one isolated location.
>
> [...] I am also extremely disappointed that our field supervision did not detect this fraud within their audit responsibilities.
>
> And finally, I am embarrassed that as senior managers we did not question and probe the indicators more thoroughly that now look so obvious in hindsight.
>
> [...]
>
> The problem for us is that it took too long for this to set off the alarm bells within our organization [...]

95. Ingram also commented on the execution of EH's operating protocols and the success of its internal control over financial reporting:

> [...] regional managers generally supervise 10 to 12 locations in easyfinancial, and their job is to every three months beyond the normal maintenance visit of a store is to pull customer files by looking at the customer master list and randomly sample through all those customers and validate the quality and the content of information and the identity of the individual.
>
> In this particular situation, the individual didn't sample the customer list. They sampled what was in the filing cabinet and therefore there is a gap between what was written as loans and what was being stored at the store as loans.
>
> [...] It wasn't the process that was wrong. It was the local manager that didn't review and follow the process the way it was written and expected to be managed.
>
> We have examined what happened and we are comfortable that this happened because the local manager with the field supervisor did not manage the process on the risk side appropriately [...]

96. With the foregoing background, and in answering questions during the conference call, Ingram described some indicia of the previously undetected Fraud:

Disproportionate amount of invalid SIN numbers

> [...] against the other 58 kiosks, the one thing that jumped out in that examination is that in this particular store, 46% of the SIN numbers were invalid.
>
> When we run it across the rest of the organization, it's close to 3% [...]

Disproportionate volume of continuing cash repayments

> [...] if you look at the rest of the Company kiosks, on average approximately 85% of all accounts are set up on preauthorized payment going straight from the bank on their check straight to us. In her particular location, that number was only 33%.
>
> [...] When we looked at the Company number, we were satisfied that 85% allowed for the occasional preauthorized payment that was -- went NSF and didn't have funds that could support it and therefore we had to set up a local payment. What we did not see on the reporting information was the local

> conversion rates, which was available for the regional managers to review and audit.

Exponentially growing kiosk loan book

> What clearly should not have happened is that one individual should have been allowed to go unchecked and we were satisfied by the field operators when we asked the same questions as the portfolio kept building and kept getting bigger and bigger. We asked them to go and keep examining the store and come back to us and give assurance that everything was correct.
>
> On that good faith, we continued to drive on. In hindsight, the embarrassment is that yes, we should have all seen and we should have probed further why this was happening and we should have asked more pointed questions. We didn't […]

97. Ingram, discussing the cumulative impact of the Fraud, concluded that:

> The net impact on the easyfinancial consumer loan portfolio will be to reduce the number of active customers from 15,000 to 14,000 and to reduce the total loan portfolio by CAD3.4 million.

98. The 1,000 fictitious customers represented up to 6.7% of the customers in EH's consumer loan portfolio. Further, EH's consumer loan portfolio held $19.3M in consumer loans receivable as at the end of Q2 2010, and the fictitious loans accounted for a substantial percentage of that amount.

99. On October 15, 2010, as a result of the disclosure of the Fraud perpetrated by the employee, the deficiencies in EH's internal controls, and possible improper revenue recognition by EH, EH's stock price fell in excess of 19.5% on extraordinarily heavy trading volume.

100. On November 15, 2010, EH issued and filed with SEDAR its Unaudited Interim Financial Statements and MD&A for the 3 and 9 months ended September 30, 2010. The MD&A for the 3 and 9 months ended September 30, 2010 reported the results of its internal investigation, as is particularized in paragraph 14.

101. In the MD&A for the 3 and 9 months ended September 30, 2010, EH revealed, amongst other things, that:

(a) $1.53 million had been erroneously recognized by EH as revenue received from the proceeds of fictitious loans in quarters prior to July 1, 2010;

(b) $0.6 million had been erroneously recognized by EH as revenue received from the proceeds of fictitious loans in the three months ended September 30, 2010, which was not reflected in the interim consolidated financial statements for such period;

(c) $0.7 million had been either fraudulently removed from EH or inappropriately applied as principal payments against legitimate consumer loans receivable;

(d) the consumer loans receivable provision required an increase of $0.9 million to provide for the increased risk of non-collection of the remaining customer accounts at the specific easyfinancial kiosk due to fraudulent loans and non-compliance with the EH's standard underwriting procedures;

(e) to eliminate the fraudulent loans associated with the Fraud from EH's consumer loans receivable portfolio and provide for the other financial impacts of the Fraud as at September 30, 2010, the gross consumer loans receivable (consumer loans receivable before provision) was reduced by $2.8 million and the related provision was increased by $0.9 million. Altogether, the net impact of the employee Fraud was a reduction in the consumer loans receivable balance of $3.7 million as of September 30, 2010; and

(f) as a result of the required restatements, the previously filed consolidated financial statements of EH for each of the quarterly periods from March 31, 2009 through to June 30, 2010 and the annual consolidated financial statements for the year ended December 31, 2009 and the associated MD&A for the applicable periods should no longer be relied upon.

102. Additionally, in the MD&A for the 3 and 9 months ended September 30, 2010, EH disclosed that Ingram and Goertz had concluded that, as at September 30, 2010, the

ICFR were ineffective as a result of material weaknesses in the design and operation of ICFR, including the following:

(a) the execution of independent reviews to ensure that operating procedures were performed in accordance with established standards;

(b) the regular monitoring of appropriate performance and operational measures by qualified management personnel to highlight instances of activity outside of normal parameters; and

(c) embedding process controls that limit transactions to a predetermined criteria to limit or highlight unusual transactions.

103. As a result of the Fraud-related disclosures contained in EH's Unaudited Interim Financial Statements and MD&A for the 3 and 9 months ended September 30, 2010, EH's stock price fell from a closing price of $9.10 on November 12, 2010 (the trading day prior to November 15, 2010) to a closing price of $8.90 per share on November 18, 2010. This constituted a decrease of 2.2%.

104. As a result of the Representation, which was false EH's securities were issued and traded at artificially high prices during the Class Period, and upon the correction of the Representation and those related misrepresentations, that inflation was removed, and the Plaintiffs and the Class Members suffered loss and damage.

THE RELATIONSHIP BETWEEN THE REPRESENTATION AND THE PRICE OF EH'S SECURITIES

105. The price of EH's publicly-traded securities was directly affected by the Representation and EH's failure to disclose that the internal controls over financial reporting, as such controls concerned EF, were ineffective so as to provide reasonable assurances regarding the reliability of financial reporting and preparation of EH's consolidated financial statements in accordance with GAAP.

106. The financial performance and condition of an issuer and the reliability of its disclosures are of fundamental importance to investors considering a purchase of an issuer's securities, and investors cannot accurately evaluate an issuer's financial performance and condition unless the issuer's financial statements are prepared in accordance with GAAP based on accurate and reliable internal information. The Defendants were or ought to have been aware at all material times of the effect of the Representation upon the price of EH's publicly-traded securities.

107. The disclosure documents referenced above, each of which either implicitly or explicitly contained the Representation, were issued to the public, or issued to the public and filed with SEDAR, and thereby became immediately available to and were reproduced for inspection by the Class Members, the public, financial analysts, professional investors, and the financial press through the internet and other media.

108. EH routinely transmitted the documents referred to above to the financial press, financial analysts and prospective and actual holders of EH securities.

109. EH regularly communicated with public investors and financial analysts via established market-communication mechanisms, including through regular disseminations of press releases on newswire services in Canada.

110. EH was the subject of analysts' reports that were based, in whole or in part, upon the Representation.

111. EH's securities were traded on the TSX, which is an efficient and automated market. The price at which EH's securities traded on the TSX incorporated material

information about EH's financial results, including the Representation, which was disseminated to the public through the documents referred to above, as well as by other means.

SECTION 138.3 OF THE *OSA*

112. At all material times, EH was a "responsible issuer" within the meaning of Part XXIII.1 of the *OSA*.

113. The Individual Defendants were, at material times, officers and/or directors of EH within the meaning of the *OSA*.

114. Each of the following EH disclosure documents is a "core document" within the meaning of Part XXIII.1 of the *OSA*:

(a) Audited Annual Financial Statements and MD&A for the fiscal year ended December 31, 2007 (but only in respect of EH, Ingram and Fregren);

(b) Unaudited Interim Financial Statements and MD&A for the 3 months ended March 31, 2008 (but only in respect of EH, Ingram and Fregren);

(c) Unaudited Interim Financial Statements and MD&A for the 3 and 6 months ended June 30, 2008 (but only in respect of EH, Ingram and Fregren);

(d) Unaudited Interim Financial Statements and MD&A for the 3 and 9 months ended September 30, 2008 (but only in respect of EH, Ingram and Fregren);

(e) Audited Annual Financial Statements and MD&A for the fiscal year ended December 31, 2008 (but only in respect of EH, Ingram and Fregren);

(f) Unaudited Interim Financial Statements and MD&A for the 3 months ended March 31, 2009 (but only in respect of EH, Ingram and Fregren);

(g) Unaudited Interim Financial Statements and MD&A for the 3 and 6 months ended June 30, 2009 (but only in respect of EH, Ingram and Fregren);

(h) Unaudited Interim Financial Statements and MD&A for the 3 and 9 months ended September 30, 2009 (but only in respect of EH, Ingram and Goertz);

(i) Audited Annual Financial Statements and MD&A for the fiscal year ended December 31, 2009 (but only in respect of EH, Ingram and Goertz);

(j) Unaudited Interim Financial Statements and MD&A for the 3 months ended March 31, 2010 (but only in respect of EH, Ingram and Goertz); and

(k) Unaudited Interim Financial Statements and MD&A for the 3 and 6 months ended June 30, 2010 (but only in respect of EH, Ingram and Goertz).

115. EH released the documents referred to in paragraph 127 above.

116. The documents referred to in paragraph 114 above explicitly or implicitly contained the Representation and the other related misrepresentations identified in paragraphs 23 to 91 above, all of which constituted a misrepresentation within the meaning of the *OSA*. The documents identified in paragraph 114 above did not disclose the Fraud, which was a fact required to be disclosed in order to make the statements contained in EH's Class Period disclosure documents accurate.

117. Each of the Individual Defendants authorized, permitted and/or acquiesced in the release of those of the documents identified in paragraph 114 above that were released by EH at the time when that Individual Defendant was an officer of EH.

DAMAGES

118. The Plaintiffs and the other Class Members are entitled to damages assessed in accordance with section 138.5 of the *OSA*.

119. The Plaintiff and the other Class Members are also entitled to recover, as damages or costs in accordance with the *CPA*, the costs of administering the plan to distribute the recovery in this action.

REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO

120. The Plaintiff pleads that this action has a real and substantial connection with Ontario because, among other things:

(a) EH's registered office is in Ontario;

(b) EH is an *OBCA* company;

(c) EH is a reporting issuer in Ontario;

(d) EH shares are traded on the TSX, which is located in Toronto, Ontario;

(e) EH and EF conduct a substantial amount of their business in Ontario;

(f) the disclosure documents referenced herein were issued from and disseminated in Ontario;

(g) a substantial proportion of the Class Members reside in Ontario;

(h) each of the Defendants carries on business in Ontario; and

(i) a substantial portion of the damages sustained by the Class Members was sustained in Ontario.

RELEVANT LEGISLATION

121. The Plaintiff pleads and relies on the *CJA*, *CPA*, the Securities Legislation and *OBCA*, all as amended.

SERVICE OUTSIDE OF ONTARIO

122. This originating process may be served without court order outside Ontario in that the claim is:

(a) in respect of personal property in Ontario (rule 17.02(a));

(b) in respect of a tort committed in Ontario (rule 17.02(g));

(c) in respect of damages sustained in Ontario arising from a tort wherever committed (rule 17.02(h));

(d) against a person outside Ontario who is a necessary or proper party to a proceeding properly brought against another person served in Ontario (rule 17.02(o)); and

(e) against a person carrying on business in Ontario (rule 17.02(p)).

PLACE OF TRIAL

123. The Plaintiff proposes that this action be tried in the City of Toronto, in the Province of Ontario, as a proceeding under the *CPA*.

November 22, 2010
As Amended March 19, 2012

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Michael G. Robb (LSUC# : 45787G)
Tel: (519) 660-7872
Fax: (519) 660-7873

47 Colborne St., Unit 203
Toronto, ON M5E 1P8

Daniel E. H. Bach (LSUC#: 52087E)
Tel: (416) 362-8334
Fax: (519) 660-2085

Lawyers for the Plaintiff

ANDREW SORENSEN Plaintiff and EASYHOME LTD., et al. Defendants

Court File No: CV-10-412963-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

FRESH AS AMENDED STATEMENT OF CLAIM (NOTICE OF ACTION ISSUED ON OCTOBER 25, 2010)

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Michael G. Robb (LSUC# : 45787G)
Tel: (519) 660-7872
Fax: 519-660-7873

47 Colborne St., Unit 203
Toronto, ON M5E 1P8

Daniel E. H. Bach (LSUC#: 52087E)
Tel: (416) 362-8334
Fax: (519) 660-2085

Lawyers for the Plaintiff

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

ORDER
(Leave – Part XXIII.1 of the *Securities Act*)

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Michael G. Robb (LSUC #: 45787G)
Daniel E. H. Bach (LSUC #: 52087E)
Tel: 519.660.2121
Fax: 519.660.6065

Lawyers for the Plaintiff