LIFELABS ONTARIO INC.

- and -

CML HEALTHCARE INC.

ARRANGEMENT AGREEMENT

DATED JUNE 24, 2013
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ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT dated June 24, 2013,

BETWEEN:

LifeLabs Ontario Inc., a corporation existing under the laws of the Province of Ontario ("Acquiror")

- and -

CML HEALTHCARE INC., a corporation existing under the laws of the Province of Ontario ("Company")

WHEREAS:

A. Acquiror and Company wish to propose an arrangement involving the acquisition by Acquiror of all of the issued and outstanding common shares of Company in exchange for cash;

B. The Board has unanimously determined that it is in the best interests of Company to enter into the transactions contemplated herein;

C. The Parties intend to carry out the transactions contemplated herein by way of a plan of arrangement under the provisions of the Business Corporations Act (Ontario);

D. Acquiror has entered into lock-up agreements with the directors and senior officers of Company, pursuant to which, among other things, such directors and senior officers have agreed to vote all of the common shares of Company held by them in favour of the Arrangement Resolution, on the terms and subject to the conditions set forth in such agreements; and

E. The Parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to such arrangements.

THIS AGREEMENT WITNESSES THAT in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:
ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement (including the Schedules and the Recitals hereto), the following terms shall have the following meanings, and grammatical variations shall have the respective corresponding meanings, unless the context otherwise requires:

“Acquisition Proposal” means, other than the transactions contemplated by this Agreement to which Acquiror or an affiliate of Acquiror is a party, any bona fide offer, proposal, expression of interest, or inquiry, whether written or oral, from any Person or group of Persons acting jointly or in concert (other than Acquiror or any of its affiliates) made after the date hereof relating to:

(i) any acquisition or sale, direct or indirect, whether in a single transaction or a series of related transactions, of (a) the assets of Company or any of its subsidiaries that, individually or in the aggregate, constitute 20% or more of the consolidated assets, or contribute 20% or more of the consolidated revenues or earnings, of Company and its subsidiaries taken as a whole; or (b) any voting or equity interests (or securities convertible into or exercisable for voting or equity interests) representing 20% or more of the issued and outstanding voting or equity interests of Company or of any of its subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the consolidated assets, or contribute 20% or more of the consolidated revenues or earnings, of Company and its subsidiaries taken as a whole;

(ii) any take-over bid, tender offer or exchange offer for any class of voting or equity securities of Company;

(iii) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Company or involving any of its subsidiaries whose assets, revenues or earnings, individually or in the aggregate, constitute 20% or more of the consolidated assets, revenues or earnings of Company and its subsidiaries taken as a whole, or any liquidation, dissolution or winding-up of Company or any of its subsidiaries whose assets, revenues or earnings, individually or in the aggregate, constitute 20% or more of the consolidated assets, revenues or earnings of Company and its subsidiaries taken as a whole; or

(iv) any proposal or offer to do, proposed amendment of, or public announcement of an intention to do any of the foregoing.

“affiliate” has the meaning ascribed thereto in the Securities Act;

“Agreement” means this arrangement agreement, together with the Schedules attached hereto and the Disclosure Letter, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof;

(REDACTED)
“Arrangement” means the arrangement under section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto in accordance with Section 9.1 hereof or the Plan of Arrangement or at the direction of the Court in the Final Order with the consent of Company and Acquiror, each acting reasonably;

“Arrangement Resolution” means the special resolution of the Shareholders approving the Arrangement to be considered at the Special Meeting, substantially on the terms and in the form of Schedule B hereto;

“Articles of Arrangement” means the articles of arrangement of Company in respect of the Arrangement, which shall be in form and content satisfactory to Company and Acquiror, each acting reasonably.

“Board” means the board of directors of Company as the same is constituted from time to time;

“Business Day” means any day, other than a Saturday, a Sunday or a statutory or civic holiday in Toronto, Ontario;

“Certificate of Arrangement” means the certificate of arrangement to be issued by the Director pursuant to Section 183(2) of the OBCA in respect of the Articles of Arrangement;

“Change in Recommendation” has the meaning ascribed thereto in Section 8.2(c)(i);

“Circular” means the notice of the Special Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto, to be sent to the Shareholders in connection with the Special Meeting, as amended, supplemented or otherwise modified from time to time;

“Common Shares” means common shares in the capital of Company, as currently constituted;

“Confidentiality Agreement” means the confidentiality agreement made as of the 19th day of April, 2013, between Acquiror and Company, as it may be amended;

“Consideration” means the consideration to be received by the Shareholders pursuant to the Plan of Arrangement consisting of, for each Common Share, $10.75 in cash, in accordance with section 3(a)(ii) of the Plan of Arrangement;

“Contract” means any written or oral contract, agreement, license, franchise, lease, arrangement or other right or obligation;

“Court” means the Ontario Superior Court of Justice;

“Data Room” means the website hosted by Company via Intralinks under the project name “Project Cache”, the contents of which as at 9:44 a.m. (Eastern time) on the date of this Agreement are set forth in the index of documents, which is appended to the Disclosure Letter (provided that, for greater certainty, the attachment of such index to the Disclosure Letter shall not constitute a representation or warranty that is not expressly set out in this Agreement);
“Depositary” means any trust company, bank or financial institution agreed to in writing between Acquiror and Company for the purpose of, among other things, receiving Letters of Transmittal (as defined in the Plan of Arrangement);

“Disclosure Letter” means the disclosure letter executed by Company and delivered to Acquiror on the date hereof in connection with the execution of this Agreement;

“Dissent Rights” means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement;

“DSUs” means the outstanding deferred share units granted under or otherwise subject to Company’s deferred share unit plan dated January 1, 2011, as set forth in the Disclosure Letter;

“Effective Date” means the date upon which the Arrangement becomes effective, as set out in the Plan of Arrangement;

“Effective Time” means the time on the Effective Date that the Arrangement becomes effective, as set out in the Plan of Arrangement;

“Employee Plan” means any employee benefit, fringe benefit, supplemental unemployment benefit, bonus, incentive, profit sharing, termination, severance, change of control, pension, retirement, stock option, stock purchase, stock appreciation, health, welfare, medical, dental, disability, life insurance and similar plans, programmes, arrangements or practices relating to the current or former directors, officers, employees or consultants of Company or any of its subsidiaries maintained, sponsored or funded by, Company or any of its subsidiaries or under which Company or any of its subsidiaries has any liability, whether written or oral, funded or unfunded, insured or self-insured, registered or unregistered, other than plans established by statute and administered by a Governmental Entity, excluding those relating to employees or others engaged in the diagnostic imaging business;

“Environmental Laws” means all applicable federal, provincial and local Laws, imposing liability or standards of conduct for, or relating to, the regulation of activities, materials, substances, radiation or wastes in connection with, or for, or to, the protection of human health, safety, the environment or natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation);

“Environmental Liabilities” means, with respect to any Person, all liabilities, remedial and removal costs, investigation costs, capital costs, operation and maintenance costs, losses, damages, (including punitive damages, property damages, consequential damages and treble damages), costs and expenses, fines, penalties and sanctions incurred as a result of, or related to, any claim, suit, action, administrative order, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law arising under, or related to, any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Substance whether on, at, in, under, from or about or in the vicinity of any real or personal property;
“Environmental Permits” means all permits, licenses, written authorizations, certificates, approvals, program participation requirements, sign-offs or registrations required by or available with or from any Governmental Entity under any Environmental Laws;

“Expense Reimbursement” has the meaning ascribed thereto in Section 8.3(a);

“Fairness Opinion” has the meaning ascribed thereto in Section 3.1(a);

“Final Order” means the final order of the Court pursuant to section 182 of the OBCA approving the Arrangement, as such order may be amended by the Court at any time prior to the Effective Date with the consent of Acquiror and Company, each acting reasonably or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal with Acquiror and Company, each acting reasonably;

“Financial Statements” has the meaning ascribed thereto in Section 3.1(i);

“Governmental Entity” means any applicable: (a) multinational, federal, provincial, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency; (b) subdivision, officer, agent, commission, board or authority of any of the foregoing; (c) quasi-governmental or private body, including any tribunal, commission, committee, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; or (d) stock exchange, including the TSX;

“Hazardous Substance” means any pollutant, contaminant, waste or chemical or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous or deleterious substance, radiation or material, including petroleum, polychlorinated biphenyls, asbestos and urea-formaldehyde insulation, and any other material or contaminant regulated or defined under any Environmental Law;

“IFRS” means international financial reporting standards applicable to public issuers in Canada;

“including” means including without limitation, and “include” and “includes” each have a corresponding meaning;

“Intellectual Property” means any inventions, patent applications, patents, trade-marks (both registered and unregistered), trade names, copyrights, trade secrets and other proprietary information owned by Company or any of its subsidiaries or for which Company or any of its subsidiaries has any license or other right to use, as set out in the Disclosure Letter;

“Interim Order” means the interim order of the Court in a form acceptable to Company and Acquiror, each acting reasonably, made in connection with the Arrangement and providing for, among other things, the calling and holding of the Special Meeting, as the same may be amended, supplemented or varied by the Court with Acquiror and Company, each acting reasonably;

“Key Regulatory Approvals” means the Regulatory Approvals set out in paragraphs 1 and 2 of Schedule C hereto;
“Law” or “Laws” means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgements, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, and the term “applicable” with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, assets, property or securities and emanate from a Person having jurisdiction over the Party or Parties or its or their business, undertaking, assets, property or securities;

“Liens” means any hypothecs, mortgages, pledges, assignments, liens, charges, security interests, encumbrances and adverse rights or claims, other third Person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing;

“Lock-Up Agreements” means each of the lock-up agreements dated the date hereof between Acquiror and each of the Locked-Up Shareholders substantially in the form of Schedule D;

“Locked-Up Shareholders” means the directors of Company that hold Common Shares and Thomas Wellner, Tom Weber, Peter Brent, Kent Wentzell, John McGraw, Wendy Gilmour, Rebecca Waddell, Ari Sahakian and Tom Hudson;

“Material Adverse Effect” means any change, effect, event, circumstance, fact or occurrence that individually or in the aggregate with other such changes, effects, events, circumstances, facts or occurrences, is or would reasonably be expected to be, material and adverse to the business, condition (financial or otherwise), properties, assets (tangible or intangible), liabilities (including any contingent liabilities), operations or results of operations of Company and its subsidiaries, taken as a whole, except any change, effect, event, circumstance, fact or occurrence resulting from or relating to: (i) the announcement of the execution of this Agreement or the transactions contemplated hereby; (ii) general political, economic or financial conditions in Canada (provided that such conditions do not have a materially disproportionate effect on Company and its subsidiaries, taken as a whole, relative to other companies in its industry); (iii) the state of securities markets in general (provided that it does not have a materially disproportionate effect on Company and its subsidiaries, taken as a whole, relative to other companies in its industry); (iv) regulatory changes to the funding of the Canadian medical diagnostic service provider industry; (v) any other changes to the Canadian medical diagnostic service provider industry generally (provided that such changes do not have a materially disproportionate effect on Company and its subsidiaries, taken as a whole, relative to other companies in its industry); (vi) the commencement or continuation of any war, armed hostilities or acts of terrorism; (vii) any decrease in the trading price or any decline in the trading volume of the Common Shares (it being understood that the causes underlying such change in trading price or trading volume (other than those in items (i) to (vi) above) may be taken into account in determining whether a Material Adverse Effect has occurred);

“Material Contracts” means any Contract: (i) which, if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect; (ii) under which Company or any of its subsidiaries has directly or indirectly guaranteed any liabilities or obligations of a third party (other than ordinary course endorsements for collection) in excess of $1 million in the aggregate; (iii) relating to indebtedness for borrowed money, whether incurred,
assumed, guaranteed or secured by any asset, with an outstanding principal amount in excess of
$5 million; (iv) under which Company or any of its subsidiaries is obligated to make or expects
to receive payments in excess of $2.5 million over the remaining term of the Contract; (v) that
would reasonably be expected to materially delay or prevent the consummation of the
Arrangement; (vi) that restricts the incurrence of indebtedness by Company or any of its
subsidiaries or the incurrence of any Liens on any property or assets of Company or any of its
subsidiaries; or (vii) that limits or restricts Company or any of its subsidiaries from engaging in
any line of business or any geographic area in any material respect;

“material change” has the meaning ascribed thereto in the Securities Act;

“material fact” has the meaning ascribed thereto in the Securities Act;

“MD&A” has the meaning ascribed thereto in Section 3.1(i);

“OBCA” means the Business Corporations Act (Ontario) and the regulations made thereunder,
as promulgated or amended from time to time, and includes any successor thereto;

“Options” means the outstanding options to purchase Common Shares granted under or
otherwise subject to the Stock Option Plan, as set forth in the Disclosure Letter;

“ordinary course of business”, when used in relation to the taking of any action by Company or
any of its subsidiaries, means that the action is consistent in nature and scope with the recent
practices of Company and its subsidiaries and is taken in the ordinary course of day-to-day
operations of Company and its subsidiaries;

“Outside Date” means November 30, 2013, or such later date as may be agreed to in writing by
Acquiror and Company;

“Parties” means Company and Acquiror, and “Party” means either of them;

“Permit” means any license, permit, certificate, accreditation, consent, order, grant, approval,
classification, registration or other authorization of and from any Governmental Entity, including
Environmental Permits;

“Permitted Encumbrances” means (a)(i) liens for taxes, assessments and governmental charges
or levies not yet due and payable and for which appropriate provision has been made in
accordance with IFRS, and (ii) encumbrances such as materialmen’s, mechanics’, carriers’,
workmen’s and repairmen’s liens and other similar liens arising in the ordinary course of
business (but excluding those not discharged in the ordinary course of business); (b) access
agreements, servitudes, easements and rights of way relating to sewers, water lines, gas lines,
pipelines, electric lines, telephone and cable lines, and other similar services or products; (c)
zoning restrictions and other limitations imposed by any Governmental Entity having jurisdiction
over real property; (d) reservations in federal patents; (e) as to properties comprising any portion
of Company’s properties which are leased, or otherwise held by contractual interest, the terms
and conditions of the leases and other contracts pertaining thereto that have been included in the
Data Room prior to the date of this Agreement; and (f) customary rights of general application
reserved to or vested in any Governmental Entity to control or regulate any interest in
Company’s interests; provided that such liens, encumbrances, exceptions, agreements,
restrictions, limitations, contracts and rights (i) were not incurred in connection with any indebtedness and (ii) do not, individually or in the aggregate, have a material adverse effect on the value or materially impair or add material cost to the use of the subject property;

“Person” includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

“Plan of Arrangement” means the plan of arrangement, substantially in the form and on the terms set out in Schedule A hereto, and any amendments or variations thereto made in accordance with Section 9.1 hereof or the Plan of Arrangement;

“Pre-Acquisition Reorganization” has the meaning ascribed thereto in Section 5.4(b);

“Proposed Agreement” has the meaning ascribed thereto in Section 7.3(a);

“PSUs” means the outstanding performance share units granted under or otherwise subject to Company’s performance share unit plan dated January 1, 2011, as set forth in the Disclosure Letter;

“Public Disclosure Record” means all documents and information filed by Company under applicable Securities Laws on the System for Electronic Document Analysis Retrieval (SEDAR) after January 1, 2011 and prior to the date hereof which are publicly available as of the date hereof;

“Regulatory Approvals” means those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities set out in Schedule C hereto;

“Release” means any release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Substance in the indoor or outdoor environment, including the movement of Hazardous Substance through or in the air, soil, surface water, groundwater or property;

“Representatives” means, in respect of a Person, (a) its directors, officers, employees, agents, representatives and any financial advisor, law firm, accounting firm or other professional firm retained to assist the Person in connection with the transactions contemplated in this Agreement, and (b) the Person’s affiliates and subsidiaries and the directors, officers, employees, agents and representatives and advisors thereof;

“Response Period” has the meaning ascribed thereto in Section 7.3(a);

“Returns” means all reports, forms, elections, information statements and returns (whether in tangible, electronic or other form) relating to, filed or required to be filed or prepared in connection with any Taxes, including any amendments, schedules, attachments, supplements, appendices and exhibits thereto;
“RSUs” means the outstanding restricted share units granted under or otherwise subject to Company’s restricted share unit plan dated January 1, 2011, as set forth in the Disclosure Letter;

“Securities Act” means the Securities Act (Ontario) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time;

“Securities Authorities” means the securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada, collectively;

“Securities Laws” means the Securities Act, together with all other applicable provincial or territorial securities laws, rules and regulations and published policies thereunder and the rules of the TSX applicable to companies listed thereon, as now in effect and as they may be promulgated or amended from time to time;

“Shareholder Approval” has the meaning ascribed thereto in Section 2.1(a)(i)(B);

“Shareholders” means the registered or beneficial holders of Common Shares;

“Special Meeting” means the special meeting of Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider, among other things, the Arrangement Resolution;

“Stock Option Plan” means the Stock Option Plan of Company dated January 1, 2011;

“subsidiary” means, in respect of a Party, any body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such Party and shall include any body corporate, partnership, joint venture or other entity over which such Party directly or indirectly exercises direction or control or which is in a like relation to a subsidiary;

“Superior Proposal” means a bona fide unsolicited, written Acquisition Proposal made after the date of this Agreement that:

(i) did not result from a breach of Section 7.1 or Section 7.2 by Company or its Representatives;

(ii) relates to the acquisition of 100% of the outstanding Common Shares (other than Common Shares owned by the Person making the Acquisition Proposal together with its Affiliates) or all or substantially all of the consolidated assets of Company and its subsidiaries;

(iii) is not subject to any due diligence condition;

(iv) in respect of which the Board determines in good faith (after consultation with its financial advisors and outside legal counsel) that, having regard to all of its terms and conditions: (a) such Acquisition Proposal is reasonably capable of being
completed in accordance with its terms without undue delay, taking into account all financial, legal, regulatory and other aspects of such Acquisition Proposal and the Person making such Acquisition Proposal, (b) such Acquisition Proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable to Shareholders, from a financial point of view, than the Arrangement (after taking into account any change to the Arrangement proposed by Acquiror pursuant to Section 7.3(b), and (c) any required financing to complete such Acquisition Proposal is available or committed and, subject to conditions that the Board determines in its good faith judgment, after consultation with its financial advisors and outside legal counsel, the likelihood of the failure to be satisfied is remote.

“Superior Proposal Notice” has the meaning ascribed thereto in Section 7.3(a);

“Tax Act” means the Income Tax Act (Canada) and the regulations thereunder, as amended from time to time;

“Taxes” in respect of a Person means: (a) any and all taxes, impost, levies, withholdings, duties, fees, premiums, assessments and other charges of any kind, however denominated and instalments in respect thereof, including any interest, penalties, fines or other additions that have been, are or will become payable in respect thereof, imposed by any Governmental Entity, including for greater certainty all income or profits, taxes (including Canadian and United States federal, provincial, state and territorial income taxes), payroll and employee withholding taxes, employment taxes, unemployment insurance, disability taxes, social insurance taxes, sales and use taxes, ad valorem taxes, excise taxes, goods and services taxes, harmonized sales taxes, franchise taxes, gross receipts taxes, capital taxes, business license taxes, mining royalties, alternative minimum taxes, estimated taxes, abandoned or unclaimed (escheat) taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, severance taxes, workers’ compensation, government pension plan premiums or contributions and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which such Person or any of its subsidiaries is required to pay, withhold or collect, together with any instalment, interest, penalties or other additions to tax that may become payable in respect of such taxes, and any interest in respect of such interest, penalties and additions whether disputed or not; and (b) any liability for the payment of any amount described in clause (a) of this definition as a result of being a member of an affiliated, consolidated, combined or unitary group for any period, as a result of any Tax sharing or Tax allocation agreement, arrangement or understanding, or as a result of being liable to another Person’s Taxes as a transferee or successor, by contract or otherwise;

“Termination Fee” has the meaning ascribed thereto in Section 8.3(a);

“Termination Fee Event” has the meaning ascribed thereto in Section 8.3(a); and

“TSX” means the Toronto Stock Exchange.
1.2 Interpretation Not Affected by Headings

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. Unless the contrary intention appears, references in this Agreement to an Article, Section or Schedule by number or letter or both refer to the Article, Section or Schedule, respectively, bearing that designation in this Agreement.

1.3 Number and Gender

In this Agreement, unless the contrary intention appears, words importing the singular include the plural and vice versa, and words importing gender include all genders.

1.4 Date for Any Action

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

1.5 Currency

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada and “$” refers to Canadian dollars.

1.6 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under IFRS and all determinations of an accounting nature required to be made shall be made in a manner consistent with IFRS consistently applied.

1.7 Knowledge

In this Agreement, references to “the knowledge of Company” means the actual collective knowledge, following due inquiry, of the following officers of Company: Thomas G. Wellner (Chief Executive Officer), Tom S. Weber (Chief Financial Officer), Peter Brent (General Counsel) and Kent Wentzell (Senior Vice President, Regional Operations – Medical Diagnostics), Rebecca Waddell (Vice President, Human Resources) and Ari Sahakian (Vice President, Corporate Development).

1.8 Subsidiaries

References to Company in Article 3, where the context permits, refer to Company on a consolidated basis.

1.9 Schedules

The following Schedules are annexed to this Agreement and are incorporated by reference into this Agreement and form a part hereof:
ARTICLE 2
THE ARRANGEMENT

2.1 Court Orders

(a) Company shall apply to the Court pursuant to section 182 of the OBCA for the Interim Order and the Final Order as follows:

(i) as soon as reasonably practicable following the date of execution of this Agreement, but in any event not later than July 22, 2013, Company shall prepare, file, proceed with and diligently prosecute an application to the Court for the Interim Order, the terms of which are acceptable to Company and Acquiror, each acting reasonably, which shall provide, among other things:

(A) for the class of Persons to whom notice is to be provided in respect of the Arrangement and the Special Meeting and the manner in which such notice is to be provided;

(B) that the requisite approval for the Arrangement Resolution shall be 66⅔% of the votes cast on the Arrangement Resolution by Shareholders present in person or represented by proxy at the Special Meeting ("Shareholder Approval");

(C) that in all other respects, the terms, conditions and restrictions of Company’s constating documents, including quorum requirements and other matters, shall apply in respect of the Special Meeting;

(D) for the grant of the Dissent Rights to registered holders of Common Shares;

(E) for notice requirements with respect to the presentation of the application to the Court for the Final Order;

(F) that the Special Meeting may be adjourned or postponed from time to time by management of Company in accordance with the terms of this Agreement without the need for additional approval of the Court; and
(G) that the record date for Shareholders entitled to notice of and to vote at the Special Meeting will not change in respect of any adjournment(s) or postponement(s) of the Special Meeting.

(b) Subject to obtaining the approvals contemplated by the Interim Order, and as may be directed by the Court in the Interim Order, Company shall take all steps necessary or desirable to submit the Arrangement to the Court and to apply for the Final Order.

2.2 Special Meeting

Subject to receipt of the Interim Order and the terms of this Agreement:

(a) Company agrees to convene and conduct the Special Meeting for the purposes of considering the Arrangement Resolution in accordance with the Interim Order, Company’s constating documents and applicable Laws as soon as reasonably practicable and in any event on or before September 6, 2013, and not to adjourn or postpone the Special Meeting, except (i) as required for quorum purposes or by applicable Law or by a Governmental Entity, (ii) as required under Section 7.3(e) of this Agreement or otherwise expressly permitted under this Agreement, or (iii) for an adjournment consented to by Acquiror for the purpose of attempting to obtain the requisite approval of the Arrangement Resolution.

(b) Company shall fix a record date for the purposes of determining the Shareholders entitled to receive notice of and to vote at the Special Meeting, which record date shall be July 26, 2013 or such other date as agreed by Company and Acquiror, each acting reasonably;

(c) Company will use commercially reasonable efforts to solicit proxies in favour of the approval of the Arrangement Resolution, including, if so requested by Acquiror, acting reasonably, using dealer and proxy solicitation services and cooperating with any Persons engaged by Acquiror to solicit proxies in favour of the approval of the Arrangement Resolution;

(d) Company shall give notice to Acquiror of the Special Meeting and allow Acquiror’s Representatives to attend the Special Meeting.

(e) Company shall instruct Company’s transfer agent to report to Acquiror and its designated Representatives on a daily basis on each of the last ten (10) Business Days prior to the Special Meeting as to the aggregate tally of the proxies received by Company in respect of the Arrangement Resolution and any further information respecting such proxies as Acquiror may reasonably request.

(f) Company will promptly advise Acquiror of any written notice of dissent or purported exercise by any Shareholder of Dissent Rights received by Company in relation to the Arrangement Resolution and any withdrawal of Dissent Rights received by Company and, subject to applicable Law, any written communications sent by or on behalf of Company to any Shareholder exercising
or purporting to exercise Dissent Rights in relation to the Arrangement Resolution. Company shall not make any payment or settlement offer, or agree to any such settlement, prior to the Effective Time with respect to any such notice of dissent or purported exercise of Dissent Rights unless Acquiror shall have given its prior written consent, not to be unreasonably withheld to such payment, settlement offer or settlement as applicable.

2.3 Circular

(a) Company shall prepare and complete the Circular in compliance with the Interim Order and applicable Laws and file the Circular and other documentation required in connection with the Special Meeting on a timely basis, in all jurisdictions where the same is required to be filed and mail the same to each Shareholder and any other Persons as required by the Interim Order and in accordance with all applicable Laws, in all jurisdictions where the same is required.

(b) Company shall ensure that the Circular complies in all material respects with the Interim Order and applicable Laws, and, without limiting the generality of the foregoing, that the Circular does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made (other than in each case with respect to any information relating to and provided by Acquiror and its affiliates) and shall provide Shareholders with information in sufficient detail to permit them to form a reasoned judgement concerning the matters to be placed before them at the Special Meeting. Subject to Sections 7.1 to 7.3, the Circular will include the unanimous recommendation of the Board that Shareholders vote in favour of the Arrangement Resolution, a copy of the Fairness Opinion and a statement that each director of Company intends to vote all of such director’s Common Shares (including any Common Shares issued upon the exercise of any Options) in favour of the Arrangement Resolution, subject to the other terms of this Agreement and the Lock-Up Agreements.

(c) Acquiror will furnish to Company all such information regarding Acquiror and its affiliates as may be reasonably required by Company in the preparation of the Circular and other documents related thereto. Acquiror shall ensure that no such information will include any untrue statement of a material fact or omit to state a material fact required to be stated in the Circular in order to make any information so furnished or any information concerning Acquiror and its affiliates not misleading in light of the circumstances in which it is disclosed.

(d) Acquiror and its legal counsel shall be given a reasonable opportunity to review and comment on the Circular and other documents related thereto, prior to the Circular being printed and mailed to Shareholders and filed with the Securities Authorities, and reasonable consideration shall be given to any comments made by Acquiror and its counsel, provided that all information relating to Acquiror included in the Circular shall be in form and content satisfactory to Acquiror.
Each of Company and Acquiror shall each promptly notify each other if at any time before the Effective Date, it becomes aware (in the case of Company only with respect to Company and in the case of Acquiror only with respect to Acquiror) that the Circular contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or that otherwise requires an amendment or supplement to the Circular, and the Parties shall co-operate in the preparation of any amendment or supplement to the Circular, as required or appropriate, and Company shall promptly mail or otherwise publicly disseminate any amendment or supplement to the Circular to Shareholders and, if required by the Court or applicable Laws, file the same with the Securities Authorities and as otherwise required.

2.4 Final Order

If (i) the Interim Order is obtained, and (ii) the Arrangement Resolution is passed at the Special Meeting by Shareholders as provided for in the Interim Order, then, subject to the terms of this Agreement, Company shall as soon as reasonably practicable thereafter and in any event within three Business Days thereafter take all steps necessary or desirable to submit the Arrangement to the Court and diligently pursue an application for the Final Order pursuant to section 182 of the OBCA.

2.5 Court Proceedings

Subject to the terms of this Agreement, Acquiror will cooperate with and assist Company in seeking the Interim Order and the Final Order, including by providing Company on a timely basis any information required to be supplied by Acquiror in connection therewith. Company will provide Acquiror and legal counsel to Acquiror with reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, and will give reasonable consideration to all such comments. Company will also provide legal counsel to Acquiror on a timely basis with copies of any notice of appearance or notice of intent to oppose and any evidence served on Company or its legal counsel in respect of the application for the Interim Order or the Final Order or any appeal therefrom. Subject to applicable Law, Company will not file any material with the Court in connection with the Arrangement or serve any such material, and will not agree to modify or amend materials so filed or served, except as contemplated hereby or with Acquiror’s prior written consent, such consent not to be unreasonably withheld, conditioned or delayed; provided that nothing herein shall require Acquiror to agree or consent to any increase in the Consideration or other modification or amendment to such filed or served materials that expands or increases Acquiror’s obligations set forth in this Agreement.

2.6 Articles of Arrangement and Effective Date

The Articles of Arrangement shall include the form of Plan of Arrangement attached to this Agreement and any amendments or variations thereto made in accordance with the Plan of Arrangement or made at the discretion of the Court in the Final Order with the consent of Company and Acquiror, each acting reasonably, and unless otherwise agreed to in writing by Acquiror and Company, be filed by Company with the Director not later than the fifth Business
Day after the satisfaction or, where not prohibited by applicable Law, the waiver of the conditions set forth in Article 6 by the applicable Party for whose benefit such conditions exist (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited by applicable Law, the waiver of those conditions as of the Effective Time by the applicable Party for whose benefit such conditions exist). Upon the Arrangement Resolution having been approved and adopted by the Shareholders at the Special Meeting, in accordance with the Interim Order and Company obtaining the Final Order and filing the Articles of Arrangement, the Arrangement shall be effective at the Effective Time on the Effective Date and will have all of the effects provided by applicable Law. The closing of the Arrangement shall occur on the date that the Certificate of Arrangement is issued and shall take place at the offices of Goodmans LLP in Toronto or such other location as may be agreed by the Parties.

2.7 Payment of Consideration

Acquiror will, following receipt of the Final Order and prior to the Effective Time, provided that all conditions precedent in Article 6 have been satisfied or waived, other than those conditions that are capable of satisfaction only at the Effective Time, deliver or cause to be delivered to the Depositary in escrow (the terms and conditions of such escrow to be satisfactory to the Parties) pending the Effective Time, sufficient funds to pay the aggregate Consideration to be paid to Shareholders (other than payments to Shareholders exercising Dissent Rights and who have not withdrawn their notice of objection) under the Arrangement.

2.8 Preparation of Filings

(i) Acquiror and Company shall co-operate in the preparation of any application for the Key Regulatory Approvals and any other orders, registrations, consents, filings, rulings, exemptions, no-action letters and approvals and the preparation of any documents reasonably deemed by either of them to be necessary to discharge its respective obligations or otherwise advisable under applicable Laws in connection with this Agreement or the Plan of Arrangement.

(ii) Acquiror will inform Company of any material communications it has with the staff of the Competition Bureau or the Commissioner of Competition and will permit Company to participate in or review any such material communication before it is made. Company will inform Acquiror of any material communications it has with the staff of the Competition Bureau or the Commissioner of Competition and will permit Acquiror to participate in or review any such material communication before it is made. Notwithstanding the foregoing, submissions, filings or other written communications to the Commissioner of Competition or the staff of the Competition Bureau may be redacted as necessary before sharing with the other Party to address reasonable solicitor-client or other privilege or confidentiality concerns, provided that external legal counsel to Acquiror and Company shall receive non-redacted versions of drafts or final submissions, filings or other written communications to the Commissioner of Competition or the staff of the Competition Bureau, except for information that relates to the valuation of the proposed transactions
contemplated by this Agreement, on the basis that the redacted information will not be shared with their respective clients.

2.9 Announcement and Shareholder Communications

Acquiror and Company shall issue a joint press release with respect to this Agreement and the Arrangement promptly following the execution of this Agreement, the text of such announcement to be in a form approved by each of Acquiror and Company in advance, acting reasonably and without delay. Each Party shall consult with the other Party prior to issuing any other press releases or otherwise making public written statements with respect to the Arrangement or this Agreement and shall provide the other Party with a reasonable opportunity to review and comment on all such press releases or public written statements prior to the release thereof. Acquiror and Company agree to co-operate in the preparation of presentations, if any, to Shareholders regarding the Plan of Arrangement; provided, however, that the foregoing shall be subject to each Party’s overriding obligation to make any disclosure or filing required under applicable Laws or stock exchange rules, and the Party making such disclosure shall use all commercially reasonable efforts to give prior oral or written notice to the other Party and reasonable opportunity to review or comment on the disclosure or filing, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure or filing.

2.10 Withholding Taxes

Acquiror, Company and the Depositary shall be entitled to deduct and withhold from any amount payable or otherwise deliverable to any Person hereunder or under the Plan of Arrangement and from all dividends or other distributions or other payments otherwise payable to any former securityholders of Company such amounts as Acquiror, Company or the Depositary determines, acting reasonably, are permitted or required to be deducted or withheld therefrom under any provision of applicable Laws in respect of Taxes or under the administrative practice of the relevant Governmental Entity administering such Law. To the extent that such amounts are so deducted or withheld and remitted to the applicable Governmental Entity, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF COMPANY

3.1 Representations and Warranties

Company hereby represents and warrants to and in favour of Acquiror as follows, except to the extent that such representations and warranties are qualified by the Disclosure Letter (which shall make reference to the applicable section, subsection, paragraph or subparagraph below in respect of which such qualification is being made), and acknowledges that Acquiror is relying upon such representations and warranties in connection with the entering into of this Agreement.
(a) **Fairness Opinion and Directors’ Approvals.** As of the date hereof:

(i) Goldman, Sachs & Co. has delivered an oral opinion to the Board to the effect that as of the date of such opinion, subject to the assumptions and limitations set out therein, the Consideration to be received by Shareholders under the Arrangement is fair from a financial point of view to the Shareholders (the “**Fairness Opinion**”), and such opinion has not been withdrawn or modified as of the date of this Agreement.; and

(ii) the Board has unanimously determined that the Arrangement is in the best interests of Company and is fair to the Shareholders and accordingly has unanimously resolved to recommend to the Shareholders that they vote in favour of the Arrangement Resolution. The Board has unanimously approved the Arrangement pursuant to the Plan of Arrangement and the execution and performance of this Agreement.

(b) **Organization and Qualification.** Each of Company and its subsidiaries is duly incorporated and validly existing under the applicable Laws of its jurisdiction of incorporation, continuance or creation and has all necessary corporate or legal power and capacity to own its property and assets as now owned and to carry on its business as it is now being conducted. A true and complete copy of the constating documents of Company and each of its subsidiaries has been included in the Data Room. Copies of such constating documents are accurate and complete and have not been amended or superseded and no steps or proceedings have been taken or are pending or contemplated to amend, supplement or cancel such constating documents. Each of Company and its subsidiaries is duly registered, licensed or otherwise authorized and qualified to do business and is in good standing in each jurisdiction in which the character of the properties, owned, leased, licensed or otherwise held, or the nature of its respective activities, makes such registration, licensing or qualification necessary, and has all governmental licenses, authorizations, permits, consents and approvals required to own, lease and operate its properties and assets and to carry on its business as now conducted, except where the failure to be so registered, licensed, qualified, authorized, approved or in good standing or to have such permits would not reasonably be expected to be, individually or in the aggregate, material to the business of Company and its subsidiaries as presently conducted.

(c) **Authority Relative to this Agreement.** Company has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by Company as contemplated by this Agreement, and to perform its obligations hereunder and under such agreements and instruments. The execution and delivery of this Agreement by Company and the performance by Company of its obligations under this Agreement have been duly authorized by the Board and except for obtaining Shareholder Approval, the Interim Order and the Final Order in the manner contemplated herein, and providing the Director under the OBCA with Articles of Arrangement in prescribed form and any records, information or other documents required by him in connection with the Arrangement, no other corporate proceedings on its part
are necessary to authorize this Agreement or the Arrangement, other than, with respect to the Circular and other matters relating thereto, the approval of the Board. This Agreement has been duly executed and delivered by Company, and constitutes a legal, valid and binding obligation of Company, enforceable against Company in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

(d) **No Violation.** Neither the authorization, execution and delivery of this Agreement by Company nor the completion of the transactions contemplated by this Agreement or the Arrangement, nor the performance of its obligations thereunder, nor compliance by Company with any of the provisions hereof will:

(i) result in a violation or breach of, constitute a default (or an event which, with notice or lapse of time or both, would become a default), require any consent or approval to be obtained or notice to be given under, or give rise to any third party right of termination, cancellation, suspension, acceleration, penalty or payment obligation or right to purchase or sale under, any provision of:

(A) its or any of its subsidiaries’ articles, charters or by-laws or other comparable organizational documents;

(B) any material Permit or Material Contract to which Company or any of its subsidiaries is a party or to which it or any of their respective properties or assets is bound; or

(C) any Laws, regulation, order, judgment or decree of any Governmental Entity applicable to Company or any of its subsidiaries or their respective properties or assets, subject to obtaining the Regulatory Approvals; or

(ii) give rise to any rights of first refusal or trigger any change in control provisions, rights of first offer or first refusal or any similar provisions or any restrictions or limitation under any note, bond, mortgage, indenture, Material Contract or material Permit to which Company or any of its subsidiaries is a party;

(iii) give rise to any termination, amendment, cancellation or acceleration of indebtedness or other penalty or payment obligation (including any payment conditioned on a change of control of Company or any of its subsidiaries), or cause any third party indebtedness to come due before its stated maturity or cause any available credit to cease to be available; or

(iv) result in the imposition of any Lien upon any of the property or assets of Company or any of its subsidiaries, or restrict, hinder, impair or limit the
ability of Company or any of its subsidiaries to conduct their business as and where it is now being conducted, except as would not and would not reasonably be expected to be, individually or in the aggregate, material to the business of Company and its subsidiaries (taken as a whole) as presently conducted.

The consents listed in Section 3.1(d) of the Disclosure Letter are the only consents, approvals and notices required from any third party under any Material Contracts of Company or its subsidiaries in order for Company and its subsidiaries to proceed with the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement and the Arrangement pursuant to the Plan of Arrangement.

(e) Capital Structure.

(i) The authorized share capital of Company consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As of the close of business on June 21, 2013, there are issued and outstanding 89,842,397 Common Shares and no preferred shares. As of the close of business on June 21, 2013, an aggregate of up to 765,718 Common Shares are issuable upon the exercise of Options. Except for the Options and the Plan of Arrangement, there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) of any character whatsoever requiring or which may require the issuance, sale or transfer by Company of any securities of Company (including Common Shares), or any securities or obligations convertible into, or exchangeable or exercisable for, or otherwise evidencing a right or obligation to acquire, any securities of Company (including Common Shares) or any of its subsidiaries. Section 3.1(e)(i) of the Disclosure Letter sets forth, for all of the outstanding Options, a true and complete list as at the date hereof setting out the name of each holder of Options, the number of Options held by such person and the exercise price, date of grant, vesting schedule and expiry date of such Options. Company has included in the Data Room a true and complete copy of the Stock Option Plan. Since the close of business on December 31, 2012, no Common Shares have been issued other than pursuant to the terms of Options outstanding at that time, and no Options have been issued. All outstanding Common Shares have been duly authorized and validly issued, are fully paid and non-assessable, and all Common Shares issuable upon the exercise of Options in accordance with their respective terms have been duly authorized and, upon issuance, will be validly issued as fully paid and non-assessable, and are not and will not be subject to, or issued in violation of, any pre-emptive rights. All securities of Company (including the Common Shares and the Options) have been issued in compliance with all applicable Laws and Securities Laws. There are no securities of Company or of any of its subsidiaries outstanding which have the right to vote generally (or are convertible into or exchangeable for securities having the right to vote generally) with the Shareholders on any
matter. There are no outstanding contractual or other obligations of Company or any subsidiary to repurchase, redeem or otherwise acquire any of its securities or with respect to the voting or disposition of any outstanding securities of any of its subsidiaries. There are no outstanding bonds, debentures or other evidences of indebtedness of Company or any of its subsidiaries having the right to vote (or that are convertible for or exercisable into securities having the right to vote) with the holders of the outstanding Common Shares on any matters. There are no shareholder agreements, voting trusts or other agreements or understandings to which Company or any of its subsidiaries is a party with respect to the voting of the capital stock or other equity interests of Company or any of its subsidiaries.

(ii) On the date hereof, there are 213,058 RSUs, 94,593 PSUs and 160,073 DSUs issued and outstanding. Section 3.1(e)(ii) of the Disclosure Letter contains a complete and accurate list of all RSUs, PSUs and DSUs issued and outstanding as of the date hereof, including, with respect to each such RSU, PSU and DSU, a unique identifier for the holder, the date of grant, the base price per Common Share subject to such RSU, PSU and DSU, the number of Common Shares covered by such RSU, PSU and DSU at the time of grant (as adjusted to reflect all splits, combinations, share dividends and other adjustments), the vesting schedule (including a description of all applicable accelerated vesting provisions) and the expiration date. No Common Shares will be issued upon settlement of any RSUs, PSUs or DSUs. All grants of RSUs, PSUs and DSUs were validly issued and properly in accordance with the Chart of Authority approved by the Board or Chief Executive Officer as required. Company has included in the Data Room a true and complete copy of each of the restricted share unit plan, performance share unit plan and deferred share unit plan governing such RSUs, PSUs and DSUs.

(f) Ownership of Subsidiaries. Section 3.1(f) of the Disclosure Letter includes complete and accurate lists of all subsidiaries owned, directly or indirectly, by Company, each of which is wholly-owned. All of the issued and outstanding shares of capital stock and other ownership interests in the subsidiaries of Company are duly authorized, validly issued, fully paid and, where the concept exists, non-assessable, and all such shares and other ownership interests held directly or indirectly by Company are legally and beneficially owned free and clear of all Liens, and there are no outstanding options, warrants, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to purchase or acquire, or securities convertible into or exchangeable for, any such shares of capital stock or other ownership interests in or material assets or properties of any of the subsidiaries of Company. There are no contracts, commitments, agreements, understandings, arrangements or restrictions which require any subsidiaries of Company to issue, sell or deliver any shares in its share capital or other ownership interests, or any securities or obligations convertible into or exchangeable for, any shares of its share capital or other
ownership interests. Neither Company nor any of its subsidiaries own, beneficially or of record, any equity interest of any kind in any other Person. Except for Hemostasis Reference Laboratory Inc., CML Healthcare Bioanalytics Inc. and Rocky Mountain Analytical Inc., all other subsidiaries of Company are inactive, hold no material assets and have no liabilities.

(g) Reporting Status and Securities Laws Matters. Company is a “reporting issuer” in each of the provinces and territories of Canada and is not on the list of reporting issuers in default under Securities Laws in any province or territory of Canada. Company is in compliance, in all material respects, with all applicable Securities Laws and there are no current, pending or threatened proceedings before any Securities Authority or other Governmental Entity relating to any alleged non-compliance with any Securities Laws. The Common Shares are listed on, and Company is in compliance with the rules and policies of, the TSX. Company is not subject to regulation by any other stock exchange. No delisting, suspension of trading in or cease trading order with respect to any securities of Company and, to the knowledge of Company, no inquiry or investigation (formal or informal) of any Securities Authority, the TSX is in effect or ongoing or, to the knowledge of Company, expected to be implemented or undertaken.

(h) Public Filings. Company has filed all documents required to be filed by it in accordance with applicable Securities Laws with the Securities Authorities and/or the TSX. All such documents and information comprising the Public Disclosure Record, as of their respective dates (or, if amended, as of the date of such amendment), (1) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and (2) complied in all material respects with the requirements of applicable Securities Laws, and any amendments to the Public Disclosure Record required to be made have been filed on a timely basis with the Securities Authorities or the TSX. Company has not filed any confidential material change report with any Securities Authorities or the TSX that at the date of this Agreement remains confidential.

(i) Financial Statements. Company’s audited financial statements as at and for the fiscal years ended December 31, 2012 and 2011 (including the notes thereto) and related management’s discussion and analysis (“MD&A”) and Company’s consolidated financial statements as at and for the three months ended March 31, 2013 (collectively, the “Financial Statements”) were prepared in accordance with IFRS consistently applied (except (A) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Company’s independent auditors, or (B) in the case of unaudited interim statements, are subject to normal period-end adjustments and may omit notes which are not required by applicable Laws in the unaudited statements) and present fairly in all material respects the consolidated financial condition, results of operations, changes in financial position of Company and its subsidiaries as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal period-end
adjustments) and reflect reserves required by IFRS in respect of all material contingent liabilities, if any, of Company and its subsidiaries on a consolidated basis. Except as set forth in such Financial Statements, neither Company nor any of its subsidiaries has any documents creating any material off-balance sheet arrangements as at the date thereof. Neither Company nor any of its subsidiaries is a party to, or has any commitment to become a party to, any joint venture, partnership agreement or any similar contract where the purpose or effect of such arrangement is to avoid disclosure of any material transactions involving Company or any of its subsidiaries in Company’s Financial Statements. There has been no material change in Company’s accounting policies, except as described in the notes to the Financial Statements, since December 31, 2012.

(j) Internal Controls and Financial Reporting. Company has established and designed disclosure controls and procedures and internal controls over financial reporting, as those terms are defined in National Instrument 52-109 – Certification of Disclosure of Issuers’ Annual and Interim Filings to provide (i) reasonable assurance that material information relating to Company, including its subsidiaries, is made known to the Chief Executive Officer and Chief Financial Officer of Company on a timely basis, particularly during the periods in which the annual or interim filings are being prepared; and (ii) reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Company has evaluated the effectiveness of Company’s disclosure controls and procedures and has disclosed in its MD&A its conclusions about the effectiveness of its disclosure controls and procedures. Company has evaluated the effectiveness of Company’s internal control over financial reporting and has disclosed in its MD&A its conclusions about the effectiveness of internal control over financial reporting and, if applicable, the necessary disclosure relating to any material weaknesses. Company has not failed to disclose any information regarding any event, circumstance or action taken or failed to be taken within the knowledge of Company as at the date of this Agreement which could reasonably be expected to be material to Company and its subsidiaries on a consolidated basis. To the knowledge of Company, as of the date of this Agreement:

(i) there are no significant deficiencies in the design or operation of, or material weaknesses in, the internal controls over financial reporting of Company that could reasonably be expected to adversely affect Company’s ability to record, process, summarize and report financial information; and

(ii) there is and has been no fraud, whether or not material, involving management or any other employees who have a significant role in the internal control over financial reporting of Company. Since January 1, 2012, neither Company nor any of its subsidiaries has received any: (x) complaints from any source regarding accounting, internal accounting controls or auditing matters; or (y) expressions of concern from employees of Company or any Company subsidiary regarding questionable accounting or auditing matters.
(k) **Books and Records.** The financial books, records and accounts of Company and its subsidiaries: (i) have been maintained in accordance with applicable Laws and IFRS on a basis consistent with prior years; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions, acquisitions and dispositions of the assets of Company; and (iii) accurately and fairly reflect the basis for Financial Statements.

(l) **Minute Books.** The corporate minute books of Company and its subsidiaries included in the Data Room contain minutes of all meetings and resolutions of their respective boards of directors and committees of such boards of directors or managers, as applicable, other than those portions of minutes of meetings reflecting discussions of the Arrangement, and shareholders or members, as applicable, held according to applicable Laws and are complete and accurate in all material respects.

(m) **No Undisclosed Liabilities.** Except as disclosed in Section 3.1(m) of the Disclosure Letter, Company and its subsidiaries have no outstanding indebtedness, liability or obligation (including liabilities or obligations to fund any operations or work, to give any guarantees or for Taxes) which, individually, exceeds $1 million, whether accrued, absolute, contingent or otherwise, and are not party to or bound by any suretyship, guarantee, indemnification or assumption agreement, or endorsement of, or any other similar commitment with respect to the obligations, liabilities or indebtedness of any Person, other than those specifically disclosed in the Public Disclosure Record filed prior to the date of this Agreement, specifically identified in the Financial Statements, or incurred in the ordinary course of business since the date of the most recent financial statements of Financial Statements. Company and its subsidiaries do not have any obligations to issue any debt securities, or guarantee or otherwise become responsible for material obligations of any other Person.

(n) **No Collateral Benefit.** To the knowledge of Company, no “related party” of Company (within the meaning of Multilateral Instrument 61-101 – *Take-Over Bids and Special Transactions*) is, or will be, entitled to receive a “collateral benefit” (within the meaning of such instrument) as a consequence of the Arrangement or other transactions contemplated hereby, excluding benefits relating to post-closing continuation of employment and/or service as a board member.

(o) **No Material Change.** Since December 31, 2012, except as contemplated by this Agreement or as disclosed in Section 3.1(o) of the Disclosure Letter:

(i) there has not occurred any event, change, development or state of circumstances which is or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

(ii) there has not been any acquisition or sale by Company or any of its subsidiaries of any material property or assets;
(iii) other than in the ordinary course of business consistent with past practice, there has not been any incurrence, assumption or guarantee by Company or any of its subsidiaries of any material debt for borrowed money, any creation or assumption by Company or any of its subsidiaries of any Lien or any making by Company or any of its subsidiaries of any loan, advance or capital contribution to or investment in any other Person, except as disclosed in the Financial Statements or the June 30 Projected Balance Sheet set forth in the Disclosure Letter;

(iv) there has been no dividend or distribution of any kind declared, paid or made by Company on any Common Shares other than the quarterly cash dividend of $0.1325 per common share payable on April 19, 2013 to shareholders of record as at the close of business on March 28, 2013;

(v) there has not been any write-down by Company or any of its subsidiaries of any of the material assets of Company or any of its subsidiaries;

(vi) there has not been any change in financial or tax accounting methods, principles or practices by Company or any of its subsidiaries, and Company and its subsidiaries have not effected any change in its accounting methods, principles or practices, except as required by applicable Law;

(vii) Company has not effected or passed any resolution to approve a split, consolidation or reclassification of any of the outstanding Common Shares; and

(viii) there has not been any increase in or modification of the compensation payable to or to become payable by Company or any of its subsidiaries to any of their respective directors, officers, employees or consultants or any grant to any such director, officer, employee or consultant of any increase in severance or termination pay or any increase or modification of any bonus, pension, insurance or benefit arrangement (including the granting of Options pursuant to the Stock Option Plan) made to, for or with any of such directors, officers, employees or consultants.

(p) Litigation. Except as disclosed in Section 3.1(p) of the Disclosure Letter, there is no claim, action, suit, grievance, complaint, proceeding or investigation that has been commenced or, to the knowledge of Company, is threatened affecting Company or any of its subsidiaries or affecting any of their respective property or assets, at Law or in equity, including matters arising under Environmental Laws, which, individually or in the aggregate: (i) has or could reasonably be expected to result in liability to Company in excess of $1 million, (ii) would reasonably be expected to prevent or materially delay the consummation of the Arrangement or other transactions contemplated hereby, or (iii) involves or would reasonably be expected to involve any allegations of violations of criminal law. Neither Company nor any of its subsidiaries nor their respective assets or properties is subject to any outstanding judgment, order, writ, injunction or decree.
(q) **Taxes.** Except as disclosed in Section 3.1(q) of the Disclosure Letter:

(i) Each of Company and its subsidiaries has duly and timely filed all Returns required to be filed prior to the date hereof with the appropriate Governmental Authorities and all such Returns were, at the time of filing, true and correct in all material respects.

(ii) Each of Company and its subsidiaries has duly and timely paid all Taxes, including all instalments on account of Taxes for the current year that are due and payable by it whether or not assessed by the appropriate Governmental Entity.

(iii) There are no material proceedings, investigations, audits or claims now pending against Company or any of its subsidiaries in respect of any Taxes.

(iv) Each of Company and its subsidiaries has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any Person, including any employees and any non-resident Person, the amount of all Taxes and other deductions required by any Laws to be withheld from any such amount and has duly and timely remitted the same to the appropriate Governmental Entity.

(v) Neither Company nor any of its subsidiaries has waived any statute of limitations with respect to any material Taxes, agreed to any extension of time with respect to the assessment, reassessment or collection of a material Tax.

(vi) Each of Company and its subsidiaries has charged, collected and remitted on a timely basis all Taxes as required under Applicable Law on any sale, supply or delivery whatsoever, made by it.

(vii) The terms and conditions made or imposed in respect of every transaction (or series of transactions) in which Company or any of its subsidiaries, on the one hand, and any person that is not dealing at arm’s length with Company (for purposes of the Tax Act), on the other hand, participated do not differ from those that would have been made between persons dealing at arm’s length, and Company and its subsidiaries have complied in all material respects with the transfer pricing requirements of any applicable Law.

(r) **Property.** The real property leases entered into by Company or any of its subsidiaries listed in Section 3.1(r) of the Disclosure Letter are all of the leases relating to all lands and premises used by Company and its subsidiaries in conducting their respective businesses and activities, and are in full force and effect, and Company and such subsidiaries are entitled to all rights and benefits thereunder in accordance with the terms thereof. Company has included in the Data Room true and complete copies of all such leases. Neither Company nor any
of its subsidiaries has received written notice that any party to any such lease intends to cancel, terminate or otherwise modify or not renew such lease, and to the knowledge of Company, no such action has been threatened.

(s) **Ownership of Assets.** Each of Company and its subsidiaries has good and marketable title to all of its material assets and property free and clear from all Liens, except for Permitted Encumbrances and assets subject to capital leases as recorded in the Financial Statements and the June 30 Projected Balance Sheet, and such material assets and property are sufficient to permit the continued operation of the business of Company and its subsidiaries as presently conducted. No person has any Contract or any right or privilege capable of becoming a right to purchase any personal property from Company or any of its subsidiaries that would reasonably be expected to be, individually or in the aggregate, material to the business of Company and its subsidiaries as presently conducted.

(t) **Intellectual Property.** With respect to Intellectual Property of Company and its subsidiaries:

(i) Company and its subsidiaries own, free and clear from all Liens, except for Permitted Encumbrances, all of the Intellectual Property reasonably necessary for the conduct of their respective businesses and activities. The Intellectual Property owned by Company and its subsidiaries comprises all of the Intellectual Property that is used in or is reasonably necessary to conduct their respective businesses and activities.

(ii) Section 3.1(t) of the Disclosure Letter sets forth a true, complete and correct list of all Intellectual Property for which a registration or application has been filed with a Governmental Entity. All such Intellectual Property is in good standing.

(iii) Except as would not, individually or in the aggregate, reasonably be expected to be material to Company and its subsidiaries taken as a whole: (i) the prior and continuing operation of the business of Company and its subsidiaries did not and does not interfere with, infringe upon, misappropriate, or otherwise come into conflict with, any intellectual property rights of third parties, and (ii) there is no claim or demand of any person pertaining to, or any proceeding which is pending or, to the knowledge of Company, threatened, that challenges the rights of Company or any of its subsidiaries in respect of any Intellectual Property, or claims that any activities of the business of Company or any of its subsidiaries infringes any intellectual property rights of any third party, and to the knowledge of Company, no facts exist which would ground an infringement claim against Company or any of its subsidiaries by any third party in relation to the business of Company or any of its subsidiaries.

(u) **Material Contracts.** With respect to the Material Contracts of Company and its subsidiaries:
(i) Section 3.1(u) of the Disclosure Letter includes a complete and accurate list of all Material Contracts to which Company or any of its subsidiaries is a party and that are currently in force and Company has included in the Data Room, true and complete copies of all such Material Contracts.

(ii) Except as disclosed in Section 3.1(u) of the Disclosure Letter, all of the Material Contracts of Company and its subsidiaries are in full force and effect, and Company and its subsidiaries are each entitled to all rights and benefits thereunder in accordance with the terms thereof. Company and its subsidiaries have not waived any rights under a Material Contract and no material default or breach exists in respect thereof on the part of Company or its subsidiaries or, to the knowledge of Company, on the part of any other party thereto, and no event has occurred which, after the giving of notice or the lapse of time or both, would constitute such a default or breach or trigger a right of termination of any of such Material Contracts.

(iii) All of the Material Contracts of Company and its subsidiaries are valid and binding obligations of Company and its subsidiaries, as applicable, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other Laws affecting the enforcement of creditors’ rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.

(iv) Neither Company nor any of its subsidiaries has received written notice that any party to a Material Contract of Company intends to cancel, terminate or otherwise modify or not renew such Material Contract, and to the knowledge of Company, no such action has been threatened.

(v) Permits.

(i) Company and its subsidiaries have obtained and are in compliance with all Permits required by applicable Laws, necessary to conduct their current business as now being conducted except for any matter that would not and would not reasonably be expected to be, individually or in the aggregate, material to the business of Company and its subsidiaries as presently conducted;

(ii) each Permit obtained by Company and its subsidiaries is in full force and effect and not subject to any dispute, except for any such dispute that would not and would not reasonably be expected to be, individually or in the aggregate, material to the business of Company and its subsidiaries as presently conducted;

(iii) there are no facts, events or circumstances that would reasonably be expected to result in a failure to obtain or failure to be in material compliance with all Permits as are necessary to conduct the business of Company and its subsidiaries as presently conducted;
(iv) no event has occurred which, with the giving of notice, lapse of time or both, could constitute a material default under, or in respect of, any of Permits; and

(v) neither Company nor any of its subsidiaries has received any order, request, complaint, claim, report or notice from any Person alleging a material violation of any Permit.

(w) Environmental Matters.

(i) Company and its subsidiaries have, in all material respects, carried on their businesses and operations in compliance with all applicable Environmental Laws and all terms and conditions of all Environmental Permits;

(ii) Neither Company nor any of its subsidiaries has received any order, request, complaint, claim or notice from any Person alleging a violation of any Environmental Law; and

(iii) Neither Company nor any of its subsidiaries has assumed or retained any Environmental Liabilities in connection with, or as a result of, any transaction, acquisition, financing or disposition of shares, assets or lands.

(x) Compliance with Laws.

(i) Company and its subsidiaries have complied with and are not in violation of any applicable Laws, other than non-compliance or violations which would not reasonably be expected to be material to Company and its subsidiaries on a consolidated basis and have not received any written notices or other correspondence from any Governmental Entity regarding any circumstances that have existed or currently exist which would lead to a loss, suspension, or modification of, or a refusal to issue, any material license, permit, authorization, approval, registration or consent of a Governmental Entity relating to its activities which would reasonably be expected to restrict, curtail, limit or adversely affect the ability of Company or any of its subsidiaries to operate their businesses in a manner which would have a Material Adverse Effect. To the knowledge of Company, neither Company nor any of its subsidiaries or Representatives has been or is the subject of any investigation, has been or is being threatened to be charged with, or been given, or is in possession of, notice of any violation of any applicable Laws by any Governmental Entity.

(ii) Company and its subsidiaries and, to the knowledge of Company, its Representatives (i) have complied and are in compliance in all material respects with the Corruption of Foreign Public Officials Act (Canada) and all other international anti-bribery conventions and all applicable anti-corruption or bribery Laws in any jurisdiction in which Company or any of its subsidiaries conducts or has conducted its business (each as
applicable to Company and each of its subsidiaries), each as amended, and
the rules and regulations thereunder, (ii) have not become aware of or
taken any action, directly or indirectly, that would result in a violation by
such Persons of such legislation, and (iii) have not received any written
notice or written claims from any Governmental Entities relating to any
material non-compliance by such Persons with any Permits or Laws.

(y) Employment Matters.

(i) Company has included in the Data Room a complete and accurate list of
all of its employees and employees of its subsidiaries and other Persons
who are receiving remuneration for work or services provided to Company
or its subsidiaries who are not employees as of the date of this Agreement,
and the position, union or non-union status, length of service, location of
employment, compensation and benefits of each employee and the terms
on which each other Person is engaged, excluding employees or others
engaged in the diagnostic imaging business. Except as noted on the list
referred to above, no employee of Company or its subsidiaries is on long-
term disability leave, receiving benefits pursuant to applicable workers’
compensation or otherwise an inactive employee.

(ii) Except as disclosed in Section 3.1(y) of the Disclosure Letter, neither
Company nor any of its subsidiaries is party to (A) any written or oral
agreement, arrangement, plan, obligation, policy or understanding
providing for notice, pay in lieu of notice, severance or termination pay to
any director, employee, officer or consultant in excess of that required by
applicable Law, or (B) any employment or consulting agreement with any
director, officer, employee or consultant.

(iii) Except as disclosed in Section 3.1(y) of the Disclosure Letter, neither
Company nor any of its subsidiaries is party to or bound by any collective
bargaining agreement or similar commitment, subject to any application
for certification, or, to the knowledge of Company, subject to any
threatened or apparent union-organizing campaigns in relation to their
employees, nor are there any current, or to the knowledge of Company,
pending or threatened strikes or lockouts at Company or of any of its
subsidiaries.

(iv) Company and its subsidiaries have been and are now in compliance, in all
material respects, with all applicable Laws with respect to employment
and labour, including employment standards, labour relations, human
rights, occupational health and safety, workers’ compensation and pay
equity, and there are no current, or, to the knowledge of Company,
pending or threatened claims, actions, suits, grievances, complaints,
proceedings or investigations before any Governmental Entity by any
employees or former employees of Company or its subsidiaries or with
respect to employment and labour matters.
(v) All Employee Plans are listed in Section 3.1(y) of the Disclosure Letter and true, correct, up-to-date and complete copies of each Employee Plan (or, where oral, written summaries of the material terms thereof) as amended as of the date hereof together with all related documentation and all amendments thereto, including all annuity contracts, trust agreements and any other funding agreements, collective agreements and participation agreements, copies of material correspondence, including correspondence with Governmental Entities, trustees and collective bargaining agents, with respect to each Employee Plan and plan summaries, employee booklets and personnel manuals have been included in the Data Room. The booklets, brochures, summaries, descriptions and manuals prepared for, and circulated to, the current and former participants and their beneficiaries concerning each Employee Plan, together with all written communications of a general nature provided to such current and former participants and their beneficiaries, accurately describe the benefits provided under each such Employee Plan referred to therein.

(vi) All Employee Plans are, and have been, established, registered, qualified, administered, funded and invested in all material respects in accordance with the terms of such Employee Plans including the terms of the material documents that support such Employee Plans, any applicable collective agreement and all applicable Laws and none of Company nor any subsidiary of Company, or any agent of Company or a subsidiary of Company, has been in breach of any contractual or fiduciary obligation with respect to the administration of the Employee Plans or the trusts or other funding media relating thereto.

(vii) None of the Employee Plans is a “registered pension plan” as that term is defined in subsection 248(1) of the Tax Act that provides, or at any time provided benefits on a defined benefit basis and none of the Employee Plans is a “multi-employer pension plan” as that term is defined in subsection 1(1) of the Pension Benefits Act (Ontario) or in similar legislation of any other jurisdiction.

(viii) All contributions or premiums required to be made by Company or a subsidiary of Company under the terms of any Employee Plan, any collective bargaining agreement or by Law have been made in a timely fashion in accordance with Laws and the terms of the Employee Plans and any applicable collective bargaining agreement, no Taxes, penalties or fees are owing or exigible in respect of any of the Employee Plans and neither Company nor any subsidiary of Company has and as of the Effective Date will not have, any actual or potential unfunded liabilities (other than liabilities accruing after the Effective Date) with respect to any of the Employee Plans. All liabilities of Company and its subsidiaries (whether accrued, absolute, contingent or otherwise) related to any Employee Plans have been fully and accurately reflected in the financial statements of Company.
(ix) None of the Employee Plans provides non-pension benefits beyond retirement or other termination of service to current or former employees, officers, directors or consultants of Company or any subsidiary of Company or to the beneficiaries or dependants of such current or former employees, officers, directors or consultants, other than continuances of benefits required by law through notice period or as provided in terms of employment agreements set out in section 10.0 of the Data Room.

(x) Neither the execution of this Agreement nor the consummation of the transactions contemplated herein (either alone or in conjunction with any other additional or subsequent event, contingent or otherwise) will or may result in any payment (whether of severance pay or otherwise), acceleration of payment or vesting of benefits, forgiveness of indebtedness, vesting, distribution, restriction on funds, increase the amount payable or result in any other obligation pursuant to, any of the Employee Plans or otherwise.

(z) Related Party Transactions. With the exception of any contracts related to Options, there are no Contracts or other transactions currently in place between Company, on the one hand, and: (i) any officer or director of Company or any of its subsidiaries; and (ii) any affiliate or associate of any such officer or director.

(aa) Brokers. Except as disclosed by Company to Acquiror, no broker, investment banker, financial advisor or other Person is entitled to any broker’s, finder’s, financial advisor’s or other similar fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Company, and the aggregate amount of such fees that may become payable in respect of all such arrangements is set out in Section 3.1(aa) to the Disclosure Letter.

(bb) Insurance. The property, operations and assets of Company and its subsidiaries are and have been insured by reputable and financially responsible third party insurers against loss or damage by insurable hazards or risks on a basis consistent with insurance obtained by reasonably prudent participants in comparable businesses. As of the date hereof, Company and its subsidiaries have such policies of insurance as are listed in Section 3.1(bb) of the Disclosure Letter. All insurance maintained by Company and its subsidiaries is in full force and effect and is in good standing and is in amounts and in respect of such risks as are normal and usual for companies of similar size operating in their industry.

(cc) Privacy. Each of Company and its subsidiaries maintains privacy and data security policies, processes, and controls in compliance with applicable Laws in all material respects. Each of Company and its subsidiaries has collected, used and disclosed personal information with consent of the relevant individual (except where otherwise permitted by Laws) and in accordance with its privacy policies, statements, consents and disclosures.

[REDACTED]
3.2 Disclaimer

Acquiror agrees and acknowledges that, except as set forth in this Agreement, Company makes no representation or warranty, express or implied, at law or in equity, with respect to Company, its businesses, the past, current or future financial condition or its assets, liabilities or operations, or its past, current or future profitability, performance or cash flows, individually or in the aggregate, and any such other representations or warranties are hereby expressly disclaimed. Without limiting the generality of the foregoing, Company expressly disclaims any representation or warranty that is not set forth in this Agreement.

3.3 Survival of Representations and Warranties

The representations and warranties of Company contained in this Agreement shall survive the execution and delivery of this Agreement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF ACQUIROR

4.1 Representations and Warranties

Acquiror hereby represents and warrants to and in favour of Company as follows, and acknowledges that Company is relying upon such representations and warranties in connection with the entering into of this Agreement:

(a) Authority Relative to this Agreement. Acquiror has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Acquiror and the performance by Acquiror of its obligations hereunder have been duly authorized by its board of directors and no other corporate proceedings on its part are necessary to authorize this Agreement or the Arrangement. This Agreement has been duly executed and delivered by Acquiror and constitutes a legal, valid and binding obligation of Acquiror, enforceable against Acquiror in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, reorganization or other Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

(b) Organization. Acquiror is a corporation duly incorporated, amalgamated, continued or created and validly existing under the Laws of its jurisdiction of incorporation, continuance or creation.

(c) No Violations. Neither the authorization, execution and delivery of this Agreement by Acquiror nor the completion of the transactions contemplated by the Agreement or the Arrangement, nor the performance of its obligations thereunder, nor compliance by Acquiror with any of the provisions thereof will result in a violation or breach of, constitute a default (or an event which, with notice or lapse of time or both, would become a default), require any consent or
approval to be obtained or notice to be given under, or give rise to any third party right of termination, cancellation, suspension, acceleration, penalty or payment obligation or right to purchase or sale under, any provision of (i) the articles of incorporation, by-laws or other constating documents of Acquiror, (ii) any material agreement to which Acquiror is a party or to which Acquiror, or any of its properties or assets is bound, or (iii) any Law applicable to Acquiror or its properties or assets, except (A) for the Key Regulatory Approvals, and (B) in the case of (i), (ii) and (iii) above for such breaches, defaults, consents, terminations, cancellations, suspensions, accelerations, penalties, payment obligations or rights which would not individually or in the aggregate materially adversely affect Acquiror’s ability to perform its obligations under this Agreement.

(d) **Sufficient Funds.** Acquiror will have at the Effective Time sufficient cash on hand to consummate the Arrangement and the other transactions contemplated by this Agreement.

(e) **Investment Canada Act.** Acquiror is not a non-Canadian for the purposes of the *Investment Canada Act* (Canada).

### 4.2 Survival of Representations and Warranties

The representations and warranties of Acquiror contained in this Agreement shall survive the execution and delivery of this Agreement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

### ARTICLE 5

**COVENANTS OF COMPANY AND ACQUIROR**

#### 5.1 Covenants of Company Regarding the Conduct of Business

Company covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except as required by this Agreement or to the extent set forth on Schedule B to the Disclosure Letter, required by applicable Laws or any Governmental Entities or consented to by Acquiror in writing (which consent shall not be unreasonably withheld or delayed), Company shall, and shall cause each of its subsidiaries to, conduct its business in the ordinary course of business consistent with past practice, and use commercially reasonable efforts to maintain and preserve their business organization, assets, employees, goodwill and business relationships. Without limiting the generality of the foregoing, but subject to Section 5.2, from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except as required by this Agreement or to the extent otherwise expressly authorized by this Agreement, Company shall not, nor shall it permit any of its subsidiaries to, directly or indirectly, without the prior written consent of Acquiror (such consent not to be unreasonably withheld, conditioned or delayed):

(a) take any action except in the ordinary course of business;
(b) (i) amend its articles, charter or by-laws or other comparable organizational documents; (ii) split, combine or reclassify any shares in the capital of Company or any of its subsidiaries; (iii) issue, grant, deliver, sell or pledge, or agree to issue, grant, deliver, sell or pledge, any shares of Company or its subsidiaries, or any rights convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares or other securities of Company or its subsidiaries, other than the issuance of Common Shares pursuant to the terms of the outstanding Options in accordance with their terms on the date hereof; (iv) redeem, purchase or otherwise acquire, or offer to redeem, purchase or otherwise acquire, any outstanding securities of Company or any of its subsidiaries, (v) amend the terms of any of its securities; (vi) adopt a plan of liquidation or resolution providing for the liquidation or dissolution of Company or any of its material subsidiaries; (vii) amend its accounting policies or adopt new accounting policies, in each case except as required in accordance with IFRS; (ix) reorganize, amalgamate, combine or merge Company or any of its subsidiaries with any other Person; or (ix) enter into any agreement with respect to any of the foregoing;

(c) except as expressly provided in Section 5.2: (i) sell, pledge, hypothecate, lease, license, sell and lease back, mortgage, dispose of or encumber or otherwise transfer, in whole or in part, assets with a value in excess of $2.5 million in the aggregate; (ii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets or otherwise), directly or indirectly, any assets, securities, properties, interests, business, corporation, partnership or other business organization or division thereof, or make any investment either by the purchase of securities, contribution of capital, property transfer, or purchase of any other property or assets of any other Person, or acquire any license rights, other than acquisitions in the ordinary course of business not in excess of $10 million in the aggregate; (iii) incur, create, assume or otherwise become liable for, any indebtedness for borrowed money or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other Person, or make any loans, capital contributions, investments or advances other than pursuant to a Contract in existence on the date hereof or in connection with acquisitions permitted under clause (ii) of this Section 5.1(c); (iv) waive, release, grant or transfer any rights of material value; or (v) authorize or propose any of the foregoing or enter into any agreement to do any of the foregoing;

(d) incur, or commit to incur, capital expenditures in excess of $2.5 million in the aggregate unless such capital expenditures are in the capital plan that forms part of Company’s budget as set forth in the Disclosure Letter;

(e) other than as is necessary to comply with applicable Laws: (i) grant to any officer, employee, consultant or director of Company or any of its subsidiaries an increase in compensation in any form, or grant any general salary increase, except as provided for in the 2013 wage budget set out in Section 5.1(e) to the Disclosure Letter; (ii) make any loan to any officer, employee, consultant or director of Company or any of its subsidiaries; (iii) take any action with respect to the grant of any severance, change of control, bonus or termination pay to, or enter into any
employment agreement, deferred compensation or other similar agreement (or amend any such existing agreement) with, grant any award or benefit under any Employee Plan, or hire or terminate employment (except for just cause or poor performance, and the backfill of those positions in the ordinary course) of, any officer, employee, consultant or director of Company or any of its subsidiaries; (iv) increase any benefits payable under any existing Employee Plan, severance or termination pay policies or employment agreements, or adopt or materially amend any Employee Plan or any compensation plan or policy or other similar plan, agreement, trust, fund or arrangement or policy for the benefit of directors, officers, employees, consultants or former directors, officers, employees or consultants of Company or any of its subsidiaries; (v) increase bonus levels or other benefits payable to any director, executive officer, consultant or employee of Company or any of its subsidiaries; (vi) (for greater certainty subject to Section 5.4(b)) provide for accelerated vesting, removal of restrictions or an exercise of any stock based or stock related awards (including stock options, stock appreciation rights, deferred share units, performance units and restricted share awards) or any other award or benefit under an Employee Plan upon a change of control occurring on or prior to the Effective Time; (vii) establish, adopt or amend (except as required by applicable Law) any collective bargaining agreement or similar agreement or any Employee Plan, or (viii) make any payment to a holder of Options in consideration for the extinguishment or termination of Options;

(f) authorize, approve, agree to issue, issue or award any options under the Stock Option Plan or any other securities convertible into or exercisable for Common Shares;

(g) settle, pay, discharge, satisfy, compromise, waive, assign or release (i) any material action, claim or proceeding brought against Company and/or any of its subsidiaries (except where the action, claim or proceeding is insured and the Company’s contribution does not exceed its deductible); or (ii) any action, claim or proceeding brought by any present, former or purported holder of its securities in connection with the transactions contemplated by this Agreement or the Plan of Arrangement;

(h) enter into any agreement or arrangement that limits or otherwise restricts Company or any affiliate, or that would, after the Effective Time, limit or restrict Company or any of its affiliates from competing in any manner, excluding covenants provided relating to the diagnostic imaging business in connection with the sales described in Section 5.2(b);

(i) propose or enter into, or amend in any material respect, any agreement, arrangement, commitment, or offer with respect to a joint venture, partnership or other mutual co-operation or distribution agreement which (in any case) is material to the Company;

(j) waive, release or assign any material rights, claims or benefits of Company or any of its subsidiaries;
(k) engage in any transaction with any related parties, other than with its wholly-owned subsidiaries in the ordinary course of business;

(l) enter into any Contract which would be a Material Contract if in existence on the date hereof (other than the renewal of a Contract in existence on the date hereof on terms materially consistent with terms in existence on the date hereof, and the entry into a Contract that is a Material Contract pursuant to clause (iv) of the definition of “Material Contract” but which is permitted under Section 5.1(c)(ii)) or modify or amend in any material respect, transfer or terminate any Material Contract, or waive, release or assign any material rights or claims thereto or thereunder;

(m) take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entity to institute proceedings for the suspension, revocation or limitation of rights under, any material Permits necessary to conduct its businesses as now conducted or as proposed to be conducted, or fail to prosecute with commercially reasonable due diligence any pending applications to any Governmental Entities for material Permits;

(n) fail to use its commercially reasonable efforts to conduct its affairs so that all of its representations and warranties contained herein shall be true and correct on the Effective Date;

(o) except as required by applicable Law, make, change or rescind any material Tax election, file any amended material Return, settle or compromise any material Tax liability, agree to an extension or waiver of the statute of limitations with respect to material Taxes, make a request for a Tax ruling or enter into any closing agreement with respect to a material Tax, surrender any right to claim a material Tax refund, or change any material method of Tax accounting;

(p) pay dividends on the Common Shares other than the payment of a dividend in July, 2013 in the amount of $0.1325 per Common Share to holders of record on June 28, 2013; or

(q) agree, resolve or commit to do any of the foregoing.

Company shall use commercially reasonable efforts to cause the current insurance (or re-insurance) policies maintained by Company or any of its subsidiaries, including directors’ and officers’ insurance, not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing having comparable deductibles and providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect; provided that, subject to Section 7.5, none of Company or any of its subsidiaries shall obtain or renew any insurance (or re-insurance) policy for a term exceeding 12 months.
Company shall promptly notify Acquiror in writing of any event, circumstance, change or development that, to the knowledge of Company, is or would reasonably be expected to have a Material Adverse Effect or result in a breach of any representations and warranties set forth in Section 3.1 of this Agreement.

5.2 Exceptions

Notwithstanding Section 5.1, Company shall have the right to:

(a) [REDACTED]

(b) sell, dispose of or encumber or otherwise transfer, in whole or in part, its diagnostic imaging assets [REDACTED]

5.3 Mutual Covenants

(a) Each of the Parties covenants and agrees that, except as contemplated in this Agreement, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms:

(i) it shall, and shall cause its subsidiaries to, use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder as set forth in Article 6 to the extent the same is within its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the Plan of Arrangement, including using commercially reasonable efforts to: (A) oppose, lift or rescind any injunction or restraining order against it or other order or action against it seeking to stop, or otherwise adversely affecting its ability to make and complete, the Plan of Arrangement; and (B) co-operate with the other Party in connection with the performance by it and its subsidiaries of their obligations hereunder; in addition, subject to the terms and conditions of this Agreement, none of the Parties shall knowingly take or cause to be taken any action which would reasonably be expected to prevent or materially delay the consummation of the transactions contemplated hereby;

(ii) it shall not take any action, refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with this Agreement or which would reasonably be expected to, individually or in the aggregate, materially delay or materially impede the making or completion of the Plan of Arrangement except as permitted by this Agreement; and

(iii) each Party shall not, and shall cause their respective Affiliates not to, enter into any transaction, or any agreement to effect any transaction, or otherwise take any action that might reasonably be expected to make it
more difficult or to increase the time required to obtain the Key Regulatory Approvals. [REDACTED]

5.4 **Additional Covenants of Company**

Company covenants and agrees that:

(a) except as contemplated in this Agreement, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, it shall, and shall cause its subsidiaries to, (i) use commercially reasonable efforts to obtain all Regulatory Approvals required to be obtained by it and all other third party and other consents, waivers, permits, exemptions, orders, approvals, agreements, amendments and modifications to the Material Contracts that are necessary to permit the consummation of the Arrangement; (ii) use commercially reasonable efforts to obtain the requisite approvals of the Shareholders to the Arrangement Resolution, (iii) effect or make promptly and diligently all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by it in connection with the Plan of Arrangement, (iv) promptly notify Acquiror of material written communications of any nature from any Governmental Entity and provide Acquiror with copies thereof, and (v) not make any material written communications or submissions to any Governmental Entity or participate in any substantive meeting or discussion (whether in person, by telephone or otherwise) with any Governmental Entity without the approval of Acquiror, acting reasonably.

(b) Company shall use commercially reasonable efforts to accelerate the vesting of any and all outstanding Options, PSUs, RSUs and DSUs such that all outstanding Options, PSUs, RSUs and DSUs shall be fully vested on or immediately prior to the Effective Time. In respect of the Options, in accordance with the terms of the Stock Option Plan and upon the Board providing holders of options with 10 days’ notice of the Arrangement prior to the Effective Date, unless such vested Options are exercised prior to or at the Effective Time, such Options shall expire and be of no further force or effect upon completion of the Arrangement. In respect of the DSUs, in accordance with the terms of Company’s deferred share unit plan, upon any holder of DSUs ceasing to be a director of Company and being no longer otherwise employed by Company, an amount equal to the value of such vested DSUs shall be immediately payable by Company in cash. In respect of the RSUs and PSUs, in accordance with the terms of Company’s restricted share unit plan and Company’s performance share unit plan, respectively, an amount equal to the value of such vested RSUs and PSUs shall be immediately payable by Company at the Effective Time in cash.

(c) Company shall effect such reorganization of its business, operations, subsidiaries and assets or such other transactions as Acquiror may reasonably request, including the continuance of such subsidiaries of Company into such jurisdictions as Acquiror may specify (each, a “Pre-Acquisition Reorganization”) prior to the Effective Time, and the Plan of Arrangement, if required, shall be modified
accordingly; provided, however, that Company need not effect a Pre-Acquisition Reorganization (or any element thereof) which in the opinion of Company, acting reasonably: (i) would require Company to obtain the prior approval of the Shareholders in respect of such Pre-Acquisition Reorganization other than at the Special Meeting; or (ii) would impede or delay the consummation of the Arrangement. Without limiting the generality of the foregoing and other than as set forth in clause (ii) above, Company shall use commercially reasonable efforts to obtain all necessary consents, approvals or waivers from any persons to effect each Pre-Acquisition Reorganization, and Company shall cooperate with Acquiror in structuring, planning and implementing any such Pre-Acquisition Reorganization. Acquiror shall provide written notice to Company of any proposed Pre-Acquisition Reorganization at least 10 Business Days prior to the Effective Date. In addition:

(i) Acquiror shall indemnify and save harmless Company and its subsidiaries and their respective Representatives from and against any and all liabilities, losses, damages, claims, costs, expenses, interest awards, judgments and penalties suffered or incurred by any of them in connection with or as a result of any Pre-Acquisition Reorganization or as a result of the reversal (where such reversal is determined by Company to be necessary, acting reasonably) of all or any of the Pre-Acquisition Reorganization steps in the event the Arrangement does not proceed (including actual out-of-pocket costs and expenses for filing fees and external counsel);

(ii) unless the Parties otherwise agree, any Pre-Acquisition Reorganization to be effected shall not become effective unless Acquiror shall have confirmed in writing the satisfaction or waiver of all conditions in its favour in Section 6.1 and Section 6.2 and shall have confirmed in writing that it is prepared to promptly without condition (other than the satisfaction of the condition contemplated by Section 6.2(a) as it relates to the Pre-Acquisition Reorganization) proceed to effect the Arrangement;

(iii) any Pre-Acquisition Reorganization shall not require Company or any subsidiary to contravene any applicable Laws, their respective organizational documents or any Material Contract;

(iv) Company and its subsidiaries shall not be obligated to take any action that has a material likelihood of resulting in any material adverse Tax or other consequences to any securityholder of Company; and

(v) such cooperation does not require the directors, officers or employees of Company to take any action in any capacity other than as a director, officer or employee, as applicable.

(d) Acquiror acknowledges and agrees that the planning for and implementation of any Pre-Acquisition Reorganization requested by Acquiror shall not be considered a breach of any covenant under this Agreement and shall not be
considered in determining whether a representation or warranty of Company hereunder has been breached. Acquiror and Company shall work cooperatively and use commercially reasonable efforts to prepare prior to the Effective Time all documentation necessary and do such other acts and things as are necessary to give effect to such Pre-Acquisition Reorganization. For greater certainty, Company shall not be liable for any Taxes arising as a result of, or the failure of Acquiror to benefit from any anticipated Tax efficiency as a result of, a Pre-Acquisition Reorganization.

5.5 Additional Covenants of Acquiror

(a) Acquiror agrees to use its reasonable best efforts and to take promptly any and all steps necessary to obtain the Key Regulatory Approvals. For the purposes of this Section 5.5(a), and subject to Section 5.5(b), “reasonable best efforts” shall include proposing, negotiating, committing to and/or effecting, by consent decree, hold separate orders, or otherwise, the sale, divestiture or disposition of, or holding separate (through the establishment of a trust or otherwise) of, the assets of Company to be acquired pursuant hereto as are required to be divested in order to obtain the Key Regulatory Approvals relating to the Competition Act. In addition, Acquiror shall defend through litigation on the merits any claim asserted in court by any party in order to avoid entry of, or to have vacated or terminated, any decree, order or judgment (whether temporary, preliminary or permanent) that would restrain or prevent the completion of the transactions contemplated by this Agreement.

(b) Notwithstanding Section 5.5(a), in using its “reasonable best efforts” to obtain the Key Regulatory Approvals relating to the Competition Act, Acquiror shall not be required to propose, negotiate, commit to and/or effect the sale, divestiture or disposition of, or hold separate assets the sale, divestiture, disposition or holding separate of which would materially adversely affect the operation, conduct or profitability of the business of Company and its subsidiaries, taken as a whole, including (i) any contracts or arrangements pursuant to which Company is, or would be, entitled to receive revenues, either directly or indirectly, from the Government of Ontario, or (ii) Company’s laboratory located in Mississauga, Ontario or any licences related thereto.

(c) Acquiror shall pay any requisite filing fees in relation to any filing or application made in respect of the Competition Act in relation to the Arrangement.

(d) Acquiror shall not extend or consent to any extension of the waiting period under the Competition Act or enter into any agreement with the Commissioner of Competition to not consummate the Arrangement, except with the written consent of the Company, acting reasonably.
ARTICLE 6
CONCLUSIONS

6.1 Mutual Conditions Precedent

The obligations of the Parties to complete the transactions contemplated by this Agreement are subject to the fulfillment, on or before the Effective Time, of each of the following conditions precedent, each of which may only be waived with the mutual consent of Acquiror and Company:

(a) the Arrangement Resolution shall have been approved and adopted by the Shareholders at the Special Meeting in accordance with the Interim Order;

(b) the Interim Order and the Final Order shall each have been obtained on terms consistent with this Agreement, and shall not have been set aside or modified in a manner unacceptable to Company and Acquiror, acting reasonably, on appeal or otherwise;

(c) there shall not exist any prohibition at Law, including a cease trade order, injunction or other prohibition or order at Law or under applicable legislation, and there shall not have been any action taken under any Law or by any Governmental Entity or other regulatory authority, that makes it illegal or otherwise directly or indirectly restrains, enjoins, prevents or prohibits the consummation of the Arrangement;

(d) the Key Regulatory Approvals shall have been obtained;

(e) no act, action, suit, demand or proceeding shall have been taken or threatened by any Governmental Entity or any other Person and no Governmental Entity shall have enacted, issued, promulgated, applied for (or advised either Acquiror or Company in writing that it has determined to make such application), made any order or enforced or entered any Law (whether temporary, preliminary or permanent), in each case, (i) that restrains, enjoins or otherwise prohibits consummation of, or dissolves, the Arrangement, or (ii) which, if the Arrangement were completed, would have a Material Adverse Effect; and

(f) this Agreement shall not have been terminated pursuant to Article 9.

6.2 Additional Conditions Precedent to the Obligations of Acquiror

The obligations of Acquiror to complete the transactions contemplated by this Agreement are subject to the fulfillment of each of the following conditions precedent on or before the Effective Date or such other time as specified below (each of which is for the exclusive benefit of Acquiror and may be waived by Acquiror in whole or in part at any time):

(a) all covenants of Company under this Agreement to be performed on or before the Effective Time which have not been waived in writing by Acquiror shall have been duly performed by Company in all material respects, and Acquiror shall have received a certificate of Company addressed to Acquiror and dated the
Effective Date, signed on behalf of Company by a senior executive officer of Company (on Company’s behalf and without personal liability), confirming the same as at the Effective Time;

(b) all representations and warranties of Company shall be true and correct in all respects as of the date hereof and as of the Effective Time as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where any failure or failures of any such representations and warranties to be so true and correct in all respects would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Company; provided that the representations and warranties of Company in Sections 3.1(b) [Organization and Qualification], 3.1(c) [Authority relative to this Agreement] and 3.1(e) [Capital Structure] shall be true in all material respects as of the date hereof and as of the Effective Time as though made on and as of the Effective Time, and Acquiror shall have received a certificate of Company addressed to Acquiror and dated the Effective Date, signed on behalf of Company by a senior executive officer of Company (on Company’s behalf and without personal liability), confirming the same as at the Effective Time;

(c) since the date of this Agreement, there shall not have occurred, or have been disclosed to the public (if previously undisclosed to the public prior to the date hereof) any event that has resulted in, or would reasonably be expected to have a Material Adverse Effect, and Company shall have provided to Acquiror a certificate of a senior executive officer of Company certifying the same as at the Effective Time;

(d) all Options shall have been exercised (as required under the Lock-Up Agreements) or otherwise terminated or extinguished; and

(e) the aggregate number of Common Shares held, directly or indirectly, by those holders of such shares who have validly exercised Dissent Rights and not withdrawn such exercise in connection with the Arrangement (or instituted proceedings to exercise Dissent Rights) shall not exceed 10% of the aggregate number of Common Shares outstanding immediately prior to the Effective Time.

6.3 Additional Conditions Precedent to the Obligations of Company

The obligations of Company to complete the transactions contemplated by this Agreement are subject to the fulfillment of each of the following conditions precedent on or before the Effective Date or such other time as specified below (each of which is for the exclusive benefit of Company and may be waived by Company in whole or in part at any time):

(a) all covenants of Acquiror under this Agreement to be performed on or before the Effective Time which have not been waived in writing by Company shall have been duly performed by Acquiror in all material respects, and Company shall have received a certificate of Acquiror, addressed to Company and dated the Effective Date, signed on behalf of Acquiror by a senior executive officer (on
Acquiror’s behalf and without personal liability), confirming the same as at the Effective Time;

(b) all representations and warranties of Acquiror set forth in this Agreement shall be true and correct in all respects as of the date hereof and as of the Effective Time as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where any failure or failures of any such representations and warranties to be so true and correct in all respects would not, individually or in the aggregate, reasonably be expected to materially and adversely affect Acquiror’s ability to complete the Arrangement and the other transactions contemplated by this Agreement, and Company shall have received a certificate of Acquiror, addressed to Company and dated the Effective Date, signed on behalf of Acquiror by a senior executive officer of Acquiror (on Acquiror’s behalf and without personal liability), confirming the same as at the Effective Time; and

(c) Acquiror shall have fully satisfied its obligations under Section 2.7.

6.4 Satisfaction of Conditions

The conditions precedent set out in Section 6.1, Section 6.2 and Section 6.3 shall be conclusively deemed to have been satisfied, waived or released when the Certificate of Arrangement is issued by the Director.

6.5 Notice and Cure Provisions

Each Party will give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof until the earlier to occur of the termination of this Agreement and the Effective Time of any event or state of facts which occurrence or failure would, or would be likely to:

(a) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect on the date hereof or at the Effective Time; or

(b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party hereunder prior to the Effective Time.

Acquiror may not exercise its rights to terminate this Agreement pursuant to Section 8.2(c)(iii) [Company Breach] and Company may not exercise its right to terminate this Agreement pursuant to Section 8.2(d)(iii) [Acquiror Breach] unless the Party intending to rely thereon has delivered a written notice to the other Party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfilment of the applicable condition or for the applicable termination right, as the case may be. If any such notice is delivered, provided that a Party is proceeding diligently to cure such matter and such matter is capable of being cured, no Party
may terminate this Agreement until the earlier of (i) the Outside Date and (ii) expiration of a period of 10 Business Days from such notice, and then only if such matter has not been cured by such date. If such notice has been delivered prior to the making of the application for the Final Order or the Special Meeting, such application and/or such filing shall be postponed until the expiry of such period (without causing any breach of any other provision contained herein).

ARTICLE 7
ADDITIONAL COVENANTS

7.1   Non-Solicitation

    (a) On and after the date hereof until the date upon which this Agreement is terminated, and except as otherwise expressly provided in this Section 7.1, Company shall not, directly or indirectly, or through any of its Representatives, and shall cause its subsidiaries and their Representatives not to, directly or indirectly:

           (i) solicit, initiate, encourage or facilitate (including by way of furnishing information or entering into any form of written or oral agreement, arrangement or understanding) any inquiries or proposals whatsoever which would constitute or that could reasonably be expected to result in an actual or potential Acquisition Proposal;

           (ii) participate in any discussions or negotiations with any Person (other than Acquiror, any of its affiliates or its or their Representatives) regarding an Acquisition Proposal or that could reasonably be expected to result in an actual or potential Acquisition Proposal;

           (iii) approve, accept, endorse or recommend, or remain neutral with respect to, or propose publicly to accept, approve, endorse or recommend or remain neutral to, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal for a period of no more than ten calendar days following the public announcement of such Acquisition Proposal shall not be considered to be in violation of this Section 7.1(a));

           (iv) accept or enter into or publicly propose to accept or enter into, any agreement, understanding or arrangement or other contract in respect of an Acquisition Proposal; or

           (v) make a Change in Recommendation.

    (b) Except as otherwise provided in this Section 7.1, Company shall, and shall cause its subsidiaries and its and their Representatives to, immediately cease and cause to be terminated any solicitation, encouragement, discussion or negotiation with any Persons (other than Acquiror and its Representatives) conducted heretofore by Company, its subsidiaries or its or their Representatives with respect to or which could reasonably be expected to result in an actual or potential Acquisition
Proposal, whether or not initiated by Company or any of its Representatives and, in connection therewith, Company will discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise) and shall as soon as possible request, to the extent that it is entitled to do so (and exercise all rights it has to require) the return or destruction of all confidential information (including all material including or incorporating or otherwise reflecting any material confidential information) regarding Company and its subsidiaries previously provided to any such Person or any other Person. Company agrees that, except as permitted by Section 7.1(c), neither it nor any of its subsidiaries shall terminate, waive, amend or modify any provision of any existing confidentiality agreement relating to a potential Acquisition Proposal or any standstill agreement to which it or any of its subsidiaries is a party (it being acknowledged and agreed that the automatic termination of any standstill provisions of any such agreement as the result of the entering into and announcement of this Agreement by Company, pursuant to the express terms of any such agreement, shall not be a violation of this Section 7.1(c)) and Company undertakes to enforce all standstill, non-disclosure, non-disturbance, non-solicitation and similar covenants that it or any of its subsidiaries have entered into prior to the date hereof;

(c) If at any time following the date of this Agreement and prior to obtaining the Shareholder Approval of the Arrangement Resolution at the Special Meeting, Company or any of its Representatives receives a written Acquisition Proposal (that was not solicited after the date hereof in contravention of Section 7.1(a) and provided that Company is in compliance with Sections 7.1(a) and 7.1(b)), the Board may (directly or through its advisors or Representatives):

(i) if it believes, acting in good faith, after consultation with its financial advisors and outside legal counsel, that the Acquisition Proposal is, or could reasonably be expected to result in a Superior Proposal, contact the Person(s) making such Acquisition Proposal and its advisors solely for the purpose of clarifying such Acquisition Proposal and any material terms thereof and the conditions thereto and likelihood of consummation so as to determine whether such proposal is, or is reasonably likely to be, a Superior Proposal; and

(ii) if, in the opinion of the Board, the Acquisition Proposal constitutes or, if consummated in accordance with its terms, would be a Superior Proposal, then Company may:

(A) furnish information with respect to Company and its subsidiaries to the Person making such Acquisition Proposal; and

(B) participate in discussions or negotiations with, the Person making such Acquisition Proposal;
provided that Company shall not, and shall not allow its Representatives to, disclose any non-public information with respect to Company to such Person (i) if such non-public information has not been previously provided to, or is not concurrently provided to, Acquiror; (ii) Company has provided 24 hours’ prior written notice to Acquiror of its decision to take such action, (iii) without entering into a confidentiality and standstill agreement (if one has not already been entered into) which is customary in such situations and which is no less favourable to Company and no more favourable to the counterparty than the confidentiality and standstill provisions contained in the Confidentiality Agreement; and (iii) without providing a copy of such confidentiality agreement to Acquiror.

### 7.2 Notification of Acquisition Proposals

(a) Company shall promptly notify Acquiror, at first orally and then in writing, promptly and in any event within 24 hours of receipt of any oral or written proposal, inquiry, offer or request received by Company or its Representatives after the date hereof (i) relating to an Acquisition Proposal or potential Acquisition Proposal or inquiry that could reasonably be expected to result in an actual or potential Acquisition Proposal or any amendment thereof; (ii) for discussions or negotiations in respect of an Acquisition Proposal or potential Acquisition Proposal; or (iii) for non-public information relating to Company or its subsidiaries, access to properties, books and records or a list of the Shareholders. Such notice shall indicate the identity of the Person making such proposal, inquiry or request, include a copy of the Acquisition Proposal and include a copy of any other documentation received by Company or its Representatives and such other details of the Acquisition Proposal known to Company as Acquiror may reasonably request. Company shall promptly inform Acquiror of any change to the material terms, of such proposal, inquiry, offer or request and shall provide copies of any written documents or correspondence provided to Company relating to such Acquisition Proposal. Company shall keep Acquiror informed on a prompt basis of the status, including any change to the price offered or any other material terms, of any such proposal (including amendments and proposed amendments), inquiry, offer, request, development or negotiations, or any amendment to the foregoing, and will respond promptly to all inquiries by Acquiror with respect thereto.

(b) Subject to Section 7.3(a), at any time following the date of this Agreement and prior to obtaining Shareholder Approval, if Company receives an Acquisition Proposal which the Board concludes, after consultation with its financial advisors and outside legal counsel, constitutes a Superior Proposal, the Board may, subject to compliance with the procedures set forth in Section 8.2 and Section 8.3, terminate this Agreement to enter into a definitive agreement with respect to such Superior Proposal.
7.3 Responding to Acquisition Proposal and Superior Proposals

(a) Subject to compliance with Company’s obligations in Section 7.1 and Section 7.2, Company may enter into a definitive agreement (a “Proposed Agreement”) with any third party providing for an Acquisition Proposal, if such Acquisition Proposal is a Superior Proposal; provided that Company may do so only after Company has provided Acquiror with written notice of the Board’s determination that it has received a Superior Proposal and of the intention of the Board to approve or recommend such Superior Proposal and/or of Company to enter into an agreement with respect to such Superior Proposal (a “Superior Proposal Notice”), which identifies the party making the Superior Proposal, specifies the cash amount that the Board has ascribed to any non-cash consideration being offered in the Superior Proposal, and provides Acquiror with a copy of any Proposed Agreement, in each case not less than five Business Days (the “Response Period”) prior to the proposed execution of such Proposed Agreement by Company. For purposes of this Agreement, the Response Period shall expire at 5:00 p.m. (Toronto time) on the fifth Business Day following the day on which the Superior Proposal Notice and Proposed Agreement was provided to Acquiror.

(b) During the Response Period, Company acknowledges and agrees that Acquiror shall have the right, but not the obligation, to offer to amend the terms of the Agreement and the Plan of Arrangement in order to provide for terms at least equivalent to those provided for in the Superior Proposal, and Company shall negotiate any such amendments in good faith with Acquiror. If Acquiror does so, then the Board shall review any such proposal by Acquiror to determine (acting in good faith and in accordance with its fiduciary duties) whether the Acquisition Proposal to which Acquiror is responding would continue to be a Superior Proposal when assessed against the amended Agreement and Plan of Arrangement as proposed by Acquiror. If the Board determines that the Acquisition Proposal would thereby cease to be a Superior Proposal, it will cause Company to enter into an amendment to this Agreement and the Plan of Arrangement reflecting the offer by Acquiror to amend the terms of the Agreement and Plan of Arrangement and will further agree not to enter into the applicable Proposed Agreement and not to withdraw, modify or change any recommendation regarding the Plan of Arrangement save and except to reaffirm its recommendation of the amended Plan of Arrangement.

(c) The Board will promptly reaffirm its recommendation of the Arrangement by press release after (i) any Acquisition Proposal is publicly announced or made and the Board determines it is not a Superior Proposal or (ii) the Board determines that a proposed amendment to the terms of the Arrangement would result in an Acquisition Proposal not being a Superior Proposal when assessed against the Arrangement as it is proposed to be amended as at the termination of the Response Period, and Acquiror has so amended the terms of the Arrangement in accordance with Section 7.3(b). Acquiror will be given a reasonable opportunity to review and comment on the form and content of any such press release.
(d) If (i) Acquiror does not offer to amend the terms of the Agreement and Plan of Arrangement within the Response Period or (ii) the Board determines acting in good faith and in the proper discharge of its fiduciary duties that the Acquisition Proposal would nonetheless remain a Superior Proposal with respect to Acquiror’s proposal to amend the Agreement and Plan of Arrangement, and therefore rejects Acquiror’s offer to amend the Plan of Arrangement and this Agreement, Company shall be entitled to terminate this Agreement pursuant to Section 8.2(d)(i) following the expiry of the Response Period and enter into the Proposed Agreement upon payment to Acquiror of the amount payable pursuant to Section 8.3.

(e) Company acknowledges and agrees that each successive modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for purposes of the requirement of Section 7.3 to initiate an additional five Business Day Response Period. In the event Company provides the notice contemplated by Section 7.2(a) on a date which is less than 11 days prior to the Special Meeting, Acquiror will be entitled to require Company to adjourn or postpone the Special Meeting in accordance with the terms of this Agreement to a date specified by Acquiror that is not more than 10 days after the scheduled date of the Special Meeting, provided that in no event shall such adjourned or postponed meeting be held on a date that is less than five Business Days prior to the Outside Date. If a Response Period would not terminate before the date fixed for the Special Meeting, Company shall adjourn or postpone the Special Meeting to a date that is at least five Business Days after the expiration of the applicable Response Period.

(f) Nothing in this Agreement shall prevent the Board from responding through a directors’ circular or otherwise as required by applicable Laws to an Acquisition Proposal that it determines is not a Superior Proposal. Acquiror and its advisors shall be given a reasonable opportunity to review and comment on the content of any directors’ circular prior to its printing and Company shall consider for inclusion all reasonable comments made by Acquiror and its advisors.

7.4 Access to Information; Confidentiality

From the date hereof until the earlier of the Effective Time and the termination of this Agreement, subject to compliance with applicable Law and the terms of any existing Contracts, Company shall, and shall cause its subsidiaries and their respective officers, directors, employees, independent auditors, accounting advisers and agents to, afford to Acquiror and its Representatives (upon reasonable advance notice and, at the option of Company, with a Company representative present), such reasonable access during regular business hours as Acquiror may reasonably require at all reasonable times, without disruption to the conduct of Company business [REDACTED]. Acquiror and Company acknowledge and agree that information furnished pursuant to this Section 7.4 shall be subject to the terms and conditions of the Confidentiality Agreement.
7.5 **Insurance and Indemnification**

(a) Company shall be entitled to purchase run off directors’ and officers’ liability insurance for a period of up to six years from the Effective Date with the prior written consent of Acquiror, not to be unreasonably withheld, provided that the aggregate cost thereof does not exceed 200% of the annual premiums currently in effect. Acquiror shall cause Company to ensure that the articles and/or by-laws of Company and its subsidiaries (or their respective successors) shall contain the provisions with respect to indemnification set forth in Company’s or the applicable subsidiary’s current articles and/or by-laws, which provisions shall not, except to the extent required by applicable Laws, be amended, repealed or otherwise modified for a period of six years from the Effective Date in any manner that would adversely affect any rights of indemnification of individuals who, immediately prior to the Effective Date, were directors or officers of Company or any of its subsidiaries.

(b) Acquiror agrees that it shall directly honour all rights to indemnification or exculpation now existing in favour of present and former officers and directors of Company and its subsidiaries, and acknowledges that such rights, shall survive the completion of the Plan of Arrangement and shall continue in full force and effect for a period of not less than six years from the Effective Date.

(c) The provisions of this Section 7.5 are intended for the benefit of, and shall be enforceable by, each insured or indemnified Person, his or her heirs and his or her legal representatives and, for such purpose, Company hereby confirms that it is acting as agent and trustee on their behalf. Furthermore, this Section 7.5 shall survive the termination of this Agreement as a result of the occurrence of the Effective Date for a period of six years.

**ARTICLE 8**

**TERM, TERMINATION, AMENDMENT AND WAIVER**

8.1 **Term**

This Agreement shall be effective from the date hereof until the earlier of the Effective Time and the termination of this Agreement in accordance with its terms.

8.2 **Termination**

Subject to the last paragraph of this Section 8.2, this Agreement, may be terminated and the Arrangement may be abandoned at any time prior to the Effective Time (notwithstanding any approval of this Agreement or the Arrangement Resolution by the Shareholders or the Arrangement by the Court):

(a) by mutual written agreement of Company and Acquiror;
(b) by either Company or Acquiror, if

(i) the Effective Date shall not have occurred on or before the Outside Date, except that the right to terminate this Agreement under this Section 8.2(b)(i) shall not be available to any Party whose failure to fulfill any of its obligations or breach of any of its representations and warranties under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by the Outside Date;

(ii) after the date hereof, there shall be enacted or made any applicable Law or there shall exist any injunction or court order that makes consummation of the Arrangement illegal or otherwise prohibits or enjoins Company or Acquiror from consummating the Arrangement and such applicable Law, injunction or court order shall have become final and non-appealable, provided that the Party seeking to terminate this Agreement shall have used commercially reasonable efforts to prevent the entry of or remove or lift such prohibition or injunction; or

(iii) the Arrangement Resolution shall have failed to obtain the Shareholder Approval at the Special Meeting (including any adjournment or postponement thereof) in accordance with the Interim Order;

(c) by Acquiror, if:

(i) prior to obtaining the Shareholder Approval, the Board withholds, withdraws, amends, qualifies or modifies, in any manner adverse to Acquiror or the consummation of the Arrangement the recommendation of the Board that the Shareholders vote in favour of the Arrangement Resolution, or fails to publicly reaffirm its recommendation of the Arrangement within five Business Days (and in any case prior to the Special Meeting) after having been requested in writing by Acquiror to do so, including for greater certainty in the circumstances described in Section 7.1(a)(v) (a “Change in Recommendation”);

(ii) any of the conditions set forth in Section 6.1 or Section 6.2 has not been satisfied or waived by the Outside Date or such condition is incapable of being satisfied by the Outside Date, provided that Acquiror is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 6.1 or Section 6.3 not to be satisfied;

(iii) subject to Section 6.5, Company breaches any representation or warranty of Company set forth in this Agreement which breach would, individually or in the aggregate, be reasonably expected to cause the condition in Section 6.2(b) not to be satisfied or Company breaches any covenant (with the exception of the covenants contained in Sections 7.1, 7.2 and 7.3) or material obligation made in this Agreement, in each case, in any material respect; provided that Acquiror is not then in breach of this Agreement so
as to cause any of the conditions set forth in Section 6.1 or Section 6.3 not to be satisfied;

(iv) Company is in breach or in default of any of its obligations or covenants set forth in Sections 7.1, 7.2 or 7.3 in any material respect;

(v) the Special Meeting has not occurred on or before September 6, 2013; provided that the right to terminate this Agreement pursuant to this Section 8.2(c)(v) shall not be available to Acquiror if the failure by Acquiror to fulfil any obligation hereunder is the cause of, or results in, the failure of the Special Meeting to occur on or before such date;

(vi) Company approves or recommends, or enters into an agreement (other than a confidentiality agreement pursuant to Section 7.1(b)) concerning, or proposes publicly to approve or recommend or enter into an agreement (other than a confidentiality agreement pursuant to Section 7.1(b)) concerning, any Superior Proposal; or

(vii) if there shall occur after the date hereof a Material Adverse Effect; or

(d) by Company, if:

(i) Company, subject to and after complying with the terms of this Agreement including Section 7.3, proposes to enter into a Proposed Agreement with respect to a Superior Proposal; provided that concurrently with such termination, Company pays the Termination Fee payable pursuant to Section 8.3;

(ii) any of the conditions set forth in Section 6.1 or Section 6.3 has not been satisfied or waived by the Outside Date or such condition is incapable of being satisfied by the Outside Date, provided that Company is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 6.1 or Section 6.2 not to be satisfied; or

(iii) subject to Section 6.5, Acquiror breaches any representation or warranty of Acquiror set forth in this Agreement which breach would, individually or in the aggregate, be reasonably expected to cause the condition set forth in Section 6.3(b) not to be satisfied, or Acquiror breaches any covenant or material obligation in this Agreement, in each case, in any material respect; provided that Company is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 6.1 or Section 6.2 not to be satisfied.

The Party desiring to terminate this Agreement pursuant to this Section 8.2 (other than pursuant to Section 8.2(a)) shall give notice of such termination to the other Party. If this Agreement is terminated pursuant to this Section 8.2, this Agreement shall become void and of no effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party hereto, except as otherwise expressly
contemplated hereby, and provided that the provisions of this paragraph and Section 8.3, and Article 9 and the provisions of the Confidentiality Agreement (pursuant to the terms set out therein) shall survive any termination hereof pursuant to Section 8.2; provided further that neither the termination of this Agreement nor anything contained in this Section 8.2 shall relieve a Party from any liability arising prior to such termination.

8.3 Expense Reimbursement and Termination Fee

(a) Each Party shall pay all fees, costs and expenses incurred by such Party in connection with this Agreement and the Arrangement; provided that Company acknowledges that Acquiror, in connection with the negotiation and completion of the transactions contemplated by this Agreement and the Arrangement, shall be deemed to have incurred fees, costs and expenses in the aggregate amount of $5 million (the “Expense Reimbursement”) and Company shall pay to Acquiror the Expense Reimbursement if this Agreement is terminated pursuant to Section 8.2(c)(iii) [Company breach of representations/covenants] promptly by wire transfer of immediately available funds, except in a circumstance where Company is entitled to terminate this Agreement pursuant to Section 8.2(b) [Failure of Effective Date to Occur prior to the Outside Date] or Section 8.2(d)(iii) [Acquiror breach of representations/covenants], in which event no Expense Reimbursement will be payable hereunder.

(b) Acquiror shall be entitled to a fee of $35 million (the “Termination Fee”) upon the occurrence of any of the following events (each a “Termination Fee Event”) which shall be paid by Company within the time specified in respect of each such Termination Fee Event:

(i) The Agreement is terminated by Acquiror pursuant to Section 8.2(c)(i) [Change in Recommendation], Section 8.2(c)(iv) [Company breach of non-solicitation covenants] or Section 8.2(c)(vi) [Company enters Superior Proposal], in which case the Termination Fee shall be paid on the first Business Day following such termination;

(ii) The Agreement is terminated by Company pursuant to Section 8.2(d)(i) [Company enters Superior Proposal], in which case the Termination Fee shall be paid concurrent with such termination; or

(iii) The Agreement is terminated by Acquiror pursuant to Section 8.2(c)(ii) [Failure to satisfy conditions by Outside Date], Section 8.2(c)(iii) [Company breach of representations/covenants] or Section 8.2(c)(v) [Failure to hold Special Meeting by specified date], by either Party pursuant to Section 8.2(b)(i) [Effective Date not before Outside Date] or Section 8.2(b)(iii) [Failure to obtain Shareholder Approval] or by Company pursuant to Section 8.2(d)(ii) [Failure to satisfy conditions by Outside Date] (in circumstances where Acquiror would also be entitled to terminate this Agreement pursuant to Section 8.2(c)(iii) [Company breach of representations/covenants], Section 8.2(c)(v) [Failure to hold Special Meeting by specified date] or Section 8.2(b)(iii) [Failure to obtain
Shareholder Approval], but only if, in the case of this Section 8.3(b)(iii), prior to the earlier of the termination of this Agreement or the holding of the Special Meeting, an Acquisition Proposal shall have been made to Company, or the intention to make an Acquisition Proposal with respect to Company shall have been publicly announced by any Person (other than Acquiror or any of its affiliates) and within twelve months following the date of such termination:

(A) an Acquisition Proposal is consummated by Company; or

(B) Company and/or one or more of its subsidiaries enters into a definitive agreement in respect of, or the Board approves or recommends, an Acquisition Proposal and at any time thereafter (whether or not within twelve months following the date of termination of this Agreement), an Acquisition Proposal is consummated;

in which case an amount equal to the Termination Fee less the Expense Reimbursement actually paid to Acquiror, if any, shall be payable within two Business Days following the closing of the applicable transaction referred to therein. For the avoidance of doubt, in the event that Company terminates this Agreement at a time when Acquiror would have had the right to terminate this Agreement and be entitled hereunder to receive the Termination Fee or the Expense Reimbursement, Acquiror shall be entitled to receipt of the Termination Fee or the Expense Reimbursement that would have been (or would have subsequently become) payable had Acquiror terminated this Agreement at such time.

(c) The Termination Fee shall be payable by Company to Acquiror by wire transfer in immediately available funds to an account specified by Acquiror.

(d) Each of the Parties acknowledges that the agreements contained in this Section 8.3 are an integral part of the transactions contemplated in this Agreement and that, without those agreements, the Parties would not enter into this Agreement. The Parties further acknowledge and agree that the Termination Fee is a payment of liquidated damages which is a genuine pre-estimate of the damages which Acquiror will suffer or incur as a result of the cancellation and termination of all rights and obligations with respect to the indirect acquisition of Company by Acquiror, that such payments are not for lost profits or a penalty, and that no Party shall take any position inconsistent with the foregoing. Company irrevocably waives any right it may have to raise as a defense that any such liquidated damages are excessive or punitive. Acquiror hereby acknowledges and agrees that, upon any termination of this Agreement under circumstances where Acquiror is entitled to the Termination Fee and such Termination Fee is paid in full to Acquiror, Acquiror shall be precluded from any other remedy against Company at law or in equity or otherwise (including, without limitation, an order for specific performance), and shall not seek to obtain any recovery, judgment, or damages of any kind, including consequential, indirect, or punitive damages,
against Company or any of its subsidiaries or any of their respective directors, officers, employees, partners, managers, members, shareholders or affiliates in connection with this Agreement or the transactions contemplated hereby.

(e) Upon written notice to Company, Acquiror may assign its right to receive the Termination Fee or the Expense Reimbursement to any of its subsidiaries or affiliates.

(f) Nothing in this Section 8.3 shall relieve or have the effect of relieving any Party in any way from liability for damages incurred or suffered by a Party as a result of an intentional or wilful breach of this Agreement.

(g) Nothing in this Section 8.3 shall preclude a Party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or otherwise to obtain specific performance of any such covenants or agreements, without the necessity of posting bond or security in connection therewith.

ARTICLE 9
GENERAL PROVISIONS

9.1 Amendment

This Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Special Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties, and any such amendment may, subject to the Interim Order and the Final Order and applicable Law, without limitation:

(a) change the time for performance of any of the obligations or acts of the Parties;

(b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;

(c) waive compliance with or modify any of the covenants herein contained and waive or modify the performance of any of the obligations of the Parties; and/or

(d) waive compliance with or modify any mutual conditions precedent herein contained.

9.2 Waiver

Any Party may (i) extend the time for the performance of any of the obligations or acts of the other Party, (ii) waive compliance, except as provided herein, with any of the other Party’s agreements or the fulfilment of any conditions to its own obligations contained herein, or (iii) waive inaccuracies in any of the other Party’s representations or warranties contained herein or in any document delivered by the other Party; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party
and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived.

9.3 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by facsimile transmission (with transmission confirmation), or as of the following Business Day if sent by prepaid overnight courier, to the Parties at the following addresses (or at such other addresses as shall be specified by any Party by notice to the other given in accordance with these provisions):

(a) if to Acquiror:

   LifeLabs Ontario Inc.
   Royal Bank Plaza, South Tower
   Toronto, Ontario M5J 2J2

   Attention: General Counsel
   Facsimile: (416) 361-6075

   with a copy (which shall not constitute notice) to:

   Blake, Cassels & Graydon LLP
   199 Bay Street, Suite 4000
   Toronto, Ontario M5L 2A9

   Attention: Jeffrey R. Lloyd
   Facsimile: (416) 863-2653

(b) if to Company:

   60 Courtneypark Dr. West, Unit #1
   Mississauga, Ontario
   L5W 0B3

   Attention: Chief Executive Officer
   Facsimile: (905) 565-2844

   with a copy (which shall not constitute notice) to:

   Goodmans LLP
   Suite 3400, 333 Bay Street
   Toronto, Ontario, Canada M5H 2S7

   Attention: Kenneth R. Wiener
   Facsimile: (416) 979-1234
9.4 Governing Law; Waiver of Jury Trial

This Agreement shall be governed, including as to validity, interpretation and effect, by the laws of the Province of Ontario and the laws of Canada applicable therein. Each of the Parties hereby irrevocably attorns to the exclusive jurisdiction of the Courts of the Province of Ontario in respect of all matters arising under and in relation to this Agreement and waives any defences to the maintenance of an action in the Courts of the Province of Ontario. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF THE PARTIES IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT.

9.5 Injunctive Relief

The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, except as provided for in Section 8.3, the Parties shall be entitled to an injunction or injunctions, specific performance and other equitable relief to prevent or address breaches of this Agreement, and any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief is hereby being waived.

9.6 Time of Essence

Time shall be of the essence in this Agreement.

9.7 Entire Agreement, Binding Effect and Assignment

Acquiror may assign all or any part of its rights under this Agreement to, and its obligations under this Agreement may be assumed by, a wholly-owned direct or indirect subsidiary of Acquiror, provided that if such assignment and/or assumption takes place, Acquiror shall continue to be liable jointly and severally with such subsidiary for all of its obligations hereunder. This Agreement shall be binding on and shall enure to the benefit of the Parties and their respective successors and permitted assigns.

This Agreement (including the Schedules hereto and the Disclosure Letter, including the schedules thereto) and the Confidentiality Agreement constitute the entire agreement, and supersede all other prior agreements and understandings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof and thereof and, except as expressly provided herein, this Agreement is not intended to and shall not confer upon any Person other than the Parties any rights or remedies hereunder. Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by either of the Parties without the prior written consent of the other Party.
9.8 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

9.9 Counterparts, Execution

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

[Remainder of page intentionally left blank. Signature page follows.]
IN WITNESS WHEREOF Acquiror and Company have caused this Agreement to be executed as of the date first written above.

LIFELABS ONTARIO INC.

Per: (Signed) “John Knowlton”
Name: John Knowlton
Title: Director

Per: (Signed) “Ryan Doersam”
Name: Ryan Doersam
Title: Director

CML HEALTHCARE INC.

Per: (Signed) “Patrice E. Merrin”
Name: Patrice E. Merrin
Title: Chairman of the Board
SCHEDULE A
TO THE ARRANGEMENT AGREEMENT

PLAN OF ARRANGEMENT

UNDER SECTION 182 OF THE
BUSINESS CORPORATIONS ACT (ONTARIO)

(see attached)
1. **INTERPRETATION**

(a) **Definitions:** In this Plan of Arrangement, unless the context otherwise requires, the following words and terms shall have the meaning hereinafter set out:

(i) “**Acquiror**” means LifeLabs Ontario Inc., a corporation existing under the laws of Ontario;

(ii) “**Arrangement**” means the arrangement under section 182 of the OBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto in accordance with Section 9.1 of the Arrangement Agreement or this Plan of Arrangement or at the direction of the Court in the Final Order with the consent of Company and Acquiror, each acting reasonably;

(iii) “**Arrangement Agreement**” means the Arrangement Agreement dated June 24, 2013 to which this Plan of Arrangement is attached as Schedule A, as the same may be amended, varied or supplemented from time to time;

(iv) “**Arrangement Resolution**” means the special resolution of the Shareholders approving the Arrangement to be considered at the Special Meeting, substantially on the terms and in the form of Schedule B to the Arrangement Agreement;

(v) “**Business Day**” means any day, other than a Saturday, Sunday or a statutory or civic holiday in Toronto, Ontario;

(vi) “**Common Shares**” means common shares in the capital of Company, as currently constituted;

(vii) “**Company**” means CML HealthCare Inc., a corporation existing under the laws of Ontario;

(viii) “**Court**” means the Ontario Superior Court of Justice;

(ix) “**Depository**” means any trust company, bank or financial institution agreed to in writing between Acquiror and Company for the purpose of, among other things, receiving Letters of Transmittal in connection with the Arrangement;

(x) “**Dissenting Shareholder**” means a registered Shareholder who has duly exercised a Dissent Right;
(xi) “Dissent Rights” shall have the meaning set out in Section 4(a) hereof;

(xii) “Dissent Shares” means the Common Shares held by a Dissenting Shareholder and in respect of which the Dissenting Shareholder has validly exercised Dissent Rights;

(xiii) “Effective Date” means the date following the date upon which all of the conditions to completion of the Arrangement as set out in Sections 6.1, 6.2 and 6.3 of the Arrangement Agreement have been satisfied or waived in accordance with the Arrangement Agreement, all documents agreed to be delivered thereunder have been delivered to the satisfaction of the recipient, acting reasonably, and the filings required under Section 182 of the OBCA have been filed with the registrar of companies;

(xiv) “Effective Time” means 12:01 a.m. (Toronto time) on the Effective Date or such other time on the Effective Date as may be specified in writing by Acquiror;

(xv) “Final Order” means the final order of the Court pursuant to Section 182 of the OBCA, after a hearing upon the fairness of the terms and conditions of the Arrangement, approving the Arrangement, as such order may be amended by the Court at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

(xvi) “Governmental Entity” has the meaning given to such term in the Arrangement Agreement;

(xvii) “Interim Order” means the interim order of the Court providing for, among other things, the calling and holding of the Special Meeting, as such order may be amended, supplement or varied by the Court;

(xviii) “Letter of Transmittal” means the letter of transmittal(s) to be delivered by Company to the Shareholders providing for the delivery of the Common Shares to the Depositary;

(xix) “Lien” means any hypothec, mortgage, pledge, assignment, lien, charge, security interest, encumbrance or adverse right or claim, other third Person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

(xx) “OBCA” means the Business Corporations Act (Ontario) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

(xxi) “Person” includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government
(including any Governmental Entity) or any other entity, whether or not having legal status;

(xxii) “Shareholders” means the registered or beneficial holders of Common Shares; and

(xxiii) “Special Meeting” means the special meeting of Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider, among other things, the Arrangement Resolution.

(b) Interpretation Not Affected by Headings. The headings contained in this Plan of Arrangement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement. The terms “this Plan of Arrangement”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions refer to this Plan of Arrangement and not to any particular article, section, subsection, paragraph, subparagraph, clause or sub-clause hereof and include any agreement or instrument supplementary or ancillary hereto.

(c) Date for any Action. If the date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

(d) Number and Gender. In this Plan of Arrangement, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders and neuter.

(e) Reference to Persons. A reference to a Person includes any successor to that Person. A reference to any statute includes all regulations made pursuant to such statute and the provisions of any statute or regulation which amends, supplements or supersedes any such statute or regulation.

(f) Currency. Unless otherwise stated in this Plan of Arrangement, all references herein to amounts of money are expressed in lawful money of Canada.

2. EFFECT OF THE ARRANGEMENT

(a) This Plan of Arrangement is made pursuant to and subject to the provisions of the Arrangement Agreement. If there is any conflict of inconsistency between the provisions of this Plan of Arrangement and the provisions of the Arrangement Agreement, the provisions of this Plan of Arrangement shall govern.

(b) At the Effective Time, the Arrangement shall without any further authorization, act or formality on the part of the Court be binding upon Acquiror, Company and the Shareholders.
3. THE ARRANGEMENT

(a) Commencing at the Effective Time, the following shall occur and shall be deemed to occur in the following order (at five minute intervals) without any further act or formality:

(i) Each Dissent Share held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to Acquiror and in respect of each such Dissent Share:

(A) each Dissenting Shareholder shall have cease to have any rights as a Shareholder in respect of such Dissent Share other than the right to be paid fair value by Acquiror for such share as provided under Section 4 and such holder’s name shall be removed from the central securities register of Company in respect of such share at such time; and

(B) Acquiror shall be deemed to be the holder of such Dissent Share (free and clear of any Lien) on the Effective Date and shall be entered in the central securities register of Company as the holder thereof.

(ii) Each outstanding Common Share (other than a Dissent Share) will be transferred to, and acquired by Acquiror, free and clear of all Liens, in exchange for the sum of $10.75 in cash and, in respect to each such Common Share:

(A) each such holder shall cease to be the holder of such Common Share so exchanged and such holder’s name shall be removed from the central securities register of Company in respect of such share at such time; and

(B) Acquiror shall be deemed to be the holder of such Common Share (free and clear of any Lien) on the Effective Date and shall be entered in the central securities register of Company as the holder thereof.

4. DISSENT RIGHTS

(a) Each registered Shareholder may exercise rights of dissent (“Dissent Rights”) with respect to the Common Shares held by it pursuant to and in the manner set forth in Section 185 of the OBCA and as modified by the Interim Order and this Section 4, provided that notwithstanding Subsection 185(6) of the OBCA, the written notice setting forth such registered Shareholder’s objection to the Arrangement Resolution referred to in Subsection 185(6) of the OBCA must be received by Company not later than 5:00p.m. Toronto time on the business day which is two business days immediately preceding the date of the Special Meeting.
(as it may be adjourned or postponed from time to time). Dissenting Shareholders who:

(i) are ultimately entitled to be paid by Acquiror fair value for their Dissent Shares, shall be deemed to have transferred such Dissent Shares (free and clear of any Lien) to Acquiror in accordance with Section 3(a)(i); and

(ii) are ultimately not entitled, for any reason, to be paid by Acquiror fair value for their Common Shares in respect of which they dissent, shall be deemed to have participated in the Arrangement in respect of those Common Shares on the same basis as a non-dissenting Shareholder and shall be entitled to receive only the cash consideration that such non-dissenting Shareholders are entitled to receive, on the basis set forth in Section 3(a)(ii).

(b) In no event shall Acquiror or Company or any other person be required to recognize a Dissenting Shareholder as a registered or beneficial owner of Common Shares or any interest therein (other than the rights set out in this Section 4) at or after the Effective Time, and at the Effective Time the names of such Dissenting Shareholders shall be deleted from the central securities register of Company as at the Effective Time.

(c) For greater certainty, in addition to any other restrictions in the Interim Order, no person shall be entitled to exercise Dissent Rights with respect to Common Shares in respect of which a person has voted in favour of the Arrangement.

5. POST EFFECTIVE TIME AND PAYMENT

(a) Payment of Consideration.

(i) Upon surrender to the Depositary for cancellation of a certificate or certificates (as applicable) which, immediately prior to the Effective Time, represented outstanding Common Shares that were transferred pursuant to Section 3(a)(ii), together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, each Shareholder represented by such surrendered certificate(s) shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder, after the Effective Time, the consideration which such holder has the right to receive under this Plan of Arrangement for such Common Shares, less any amounts withheld as provided under the Arrangement Agreement, and any certificate(s) so surrendered shall forthwith be cancelled.

(ii) From and after the Effective Time, each certificate that immediately prior to the Effective Time represented Common Shares shall be deemed to represent only the right to receive the consideration in respect of such Common Shares required under this Plan of Arrangement, less any amounts withheld as provided under the Arrangement Agreement. Any
such certificate formerly representing Common Shares not duly surrendered on or before the sixth anniversary of the Effective Date shall cease to represent a claim by, or interests of, any former holder of Common Shares of any kind or nature against, or in, Company or Acquiror. On such date, all cash to which such former holder was entitled shall be deemed to have been surrendered to Acquiror.

(iii) No former holder of Common Shares shall be entitled to receive any consideration with respect to such Common Shares other than the consideration to which such former holder is entitled to receive in accordance with Section 3(a)(ii) and, for greater certainty, no such holder with be entitled to receive any interest, dividends, premium or other payment in connection therewith.

(b) Lost Certificates. In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Common Shares that were transferred pursuant to Section 3(a)(ii) of this Plan of Arrangement shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, Acquiror or the Depositary, as applicable, will issue and deliver in exchange for such lost, stolen or destroyed certificate, the consideration to which the holder is entitled pursuant to this Plan of Arrangement. When authorizing such issuance and delivery in exchange for any lost, stolen or destroyed certificate, the Person to whom such consideration is to be issued and delivered shall, as a condition precedent to the delivery of such consideration, give a bond satisfactory to Acquiror (acting reasonably) in such sum as Acquiror may direct, or otherwise indemnify Acquiror in a manner satisfactory to Acquiror, acting reasonably, against any claim that may be made against Acquiror with respect to the certificate alleged to have been lost, stolen or destroyed.

6. AMENDMENT

(a) Acquiror and Company reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that any amendment, modification or supplement must be contained in a written document which is filed with the Court and, if made following the Special Meeting, then: (i) approved by the Court, and (ii) if the Court directs, approved by the Shareholders and in any event communicated to them, and in either case in the manner required by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement, if agreed to by Company and Acquiror, may be made at any time prior to or at the Special Meeting, with or without any other prior notice or communication and, if so proposed and accepted by the Persons voting at the Special Meeting (other than as may be required under the Interim Order) shall become part of this Plan of Arrangement for all purposes.
(c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Special Meeting will be effective only if it is consented to by Company and Acquiror and, if required by the Court, by the Shareholders.

(d) Any amendment, modification or supplement to this Plan of Arrangement may be made by Company and Acquiror without approval of the Shareholders provided that it concerns a matter which, in the reasonable opinion of Company and Acquiror is of an administrative or ministerial nature required to better give effect to the implementation of this Plan of Arrangement and is not materially adverse to the financial or economic interests of any of the Shareholders.

(e) Notwithstanding the foregoing provisions of this Section 6, no amendment, modification or supplement of this Plan of Arrangement may be made prior to the Effective Time except in accordance with the terms of the Arrangement Agreement.

7. FURTHER ASSURANCES

(a) Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement and shall become effective without any further act or formality, each of the parties shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein.
SCHEDULE B
TO THE ARRANGEMENT AGREEMENT

ARRANGEMENT RESOLUTION

(see attached)
ARRANGEMENT RESOLUTION

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the arrangement (“Arrangement”) under Section 182 of the Business Corporations Act (Ontario), all as more particularly described and set forth in the plan of arrangement (as may be modified or amended, the “Plan of Arrangement”) attached as Appendix “●” to the management information circular of CML HealthCare Inc. (the “Company”) dated ●, 2013 (the “Circular”), and all transactions contemplated thereby, be and are hereby authorized, approved and adopted;

2. the Plan of Arrangement be and is hereby authorized, approved and adopted;

3. the arrangement agreement dated June 24, 2013 between the Company and LifeLabs Ontario Inc., as may be amended from time to time (the “Arrangement Agreement”), and all transactions contemplated therein, and the actions of the directors of the Company in approving the Arrangement and the Arrangement Agreement and the actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement and causing the performance by the Company of its obligations thereunder, be and are hereby confirmed, ratified, authorized and approved;

4. notwithstanding that this resolution has been duly passed (and the Arrangement approved and agreed) by the shareholders of the Company or that the Arrangement has been approved by the Ontario Superior Court of Justice, the directors of the Company be and are hereby authorized and empowered, without further notice to, or approval of, the shareholders of the Company (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and to revoke this resolution at any time prior to the Effective Time (as defined in the Arrangement Agreement); and

5. any director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute, with or without the corporate seal and, if appropriate, deliver any and all other agreements, applications, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do, or cause to be done, any and all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Arrangement Agreement, the completion of the Arrangement and related transactions in accordance with the Arrangement Agreement and the matters authorized hereby, including, without limitation, (i) all actions required to be taken by or on behalf of the Company, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities and (ii) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by the Company, such determination to be conclusively evidenced by the execution and delivery of any such document, agreement or instrument, and the taking or doing of any such action.”
SCHEDULE C
TO THE ARRANGEMENT AGREEMENT

REGULATORY APPROVALS

1. The issuance of an advance ruling certificate pursuant to section 102 of the *Competition Act* (Canada) in respect of the Arrangement (and such advance ruling certificate has not been rescinded prior to the Effective Time), or the expiration or termination of the waiting period under section 123 of the *Competition Act* (Canada) in accordance with the *Competition Act* (Canada) applicable to the Arrangement, or the obligation to give the requisite notice in respect of the Arrangement has been waived pursuant to paragraph 113(c) of the *Competition Act* (Canada). In the case of the expiration of the applicable waiting period under section 123 of the *Competition Act* (Canada) or the waiver of the merger notification obligations pursuant to paragraph 113(c) of the *Competition Act* (Canada), Acquiror shall also have been advised in writing by the Commissioner of Competition or his representative that, in effect, the Commissioner of Competition, at that time, does not intend to make an application under section 92 of the *Competition Act* (Canada) in respect of the transactions contemplated by the Arrangement (a “no-action letter”), and any terms and conditions attached to any such advice are acceptable to Acquiror, acting reasonably, and such advice has not been rescinded prior to the Effective Time.

2. The receipt of all approvals, consents, rulings, certificates, permits, licences, authorizations from the Ministry of Health and Long Term Care (Ontario), including with respect to any funding agreements with such Ministry, on terms and conditions satisfactory to Acquiror, acting reasonably. For greater certainty, regulatory changes to the capped funding of the Ontario medical diagnostic service provider industry shall not cause any such terms and conditions relating to funding agreements with the Ministry to not be satisfactory to Acquiror.

3. Approvals required in connection with diagnostic imaging licences, including with respect to execution of the Arrangement Agreement and completion of the Arrangement, in the event that any diagnostic imaging licences have not been divested by the Effective Date.
SCHEDULE D
TO THE ARRANGEMENT AGREEMENT

FORM OF LOCK-UP AGREEMENT

(see attached)
LOCK-UP AGREEMENT

THIS AGREEMENT made the ___ day of ______________, 2013.

BETWEEN:

___________________________
(insert name)

___________________________
(insert address)

___________________________
(hereinafter called the “Holder”),

- and -

LIFELABS ONTARIO INC.
a company existing under the laws of Ontario,

(hereinafter called “Acquiror”),

WHEREAS the Holder is the registered and/or beneficial owner of, or has the power to control or direct, the common shares (the “Subject Shares”) of CML HealthCare Inc. (“Company”) and the stock options (the “Subject Options”) of Company listed in Schedule A hereto;

AND WHEREAS Acquiror is concurrently herewith entering into an arrangement agreement (the “Arrangement Agreement”) with Company which provides for, among other things, Acquiror directly or indirectly acquiring all of the outstanding common shares (the “Shares”) of Company in a plan of arrangement (the “Transaction”) pursuant to which the holders of Shares will receive consideration of $● in cash per Share (the “Consideration”);

AND WHEREAS this Agreement sets out the terms and conditions of the agreement of the Holder, among other things, (i) to vote or cause to be voted the Subject Shares in favour of the Transaction and any other matter that could reasonably be expected to facilitate the Transaction and (ii) to abide by the restrictions and covenants set forth herein;

AND WHEREAS Acquiror is relying on the covenants, representations and warranties of the Holder set forth in this Agreement in connection with Acquiror’s execution and delivery of the Arrangement Agreement;

NOW THEREFORE this Agreement witnesses that, in consideration of the premises and the covenants and agreement herein contained, the parties hereto agree as follows:

ARTICLE 1

INTERPRETATION

1.1 All capitalized terms used but not otherwise defined herein shall have the respective meaning ascribed to them in the Arrangement Agreement. All references herein to the
Arrangement Agreement or any portion thereof refer to the Arrangement Agreement as it may be amended or modified from time to time subsequent to the date hereof.

1.2 If the date on which any action is required to be taken hereunder by a party to this Agreement is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day. In this Agreement, references from or through any date mean, unless otherwise specified, from and including that date and/or through and including that date, respectively.

ARTICLE 2
THE TRANSACTION

2.1 Acquiror hereby covenants and irrevocably agrees that it shall not, without the prior written consent of the Holder: (a) impose additional conditions to completion of the Transaction; or (b) if the Holder holds Subject Shares, change the amount or form of Consideration (other than to increase the total consideration per Share or add additional consideration).

2.2 Acquiror hereby covenants and irrevocably agrees with the Holder that from the date hereof until the earlier of (i) the termination of this Agreement pursuant to Article 8, and (ii) the Effective Date, that Acquiror shall use all commercially reasonable efforts to consummate the Transaction in accordance with the terms and conditions of the Arrangement Agreement.

ARTICLE 3
CERTAIN COVENANTS OF THE HOLDER

3.1 The Holder hereby covenants and irrevocably agrees that it shall, from the date hereof until the earlier of (i) the termination of this Agreement pursuant to Article 8 and (ii) the Effective Date:

(a) not, directly or indirectly, (i) solicit, assist, initiate, encourage or knowingly facilitate any inquiries, proposals or offers regarding any actual or potential Acquisition Proposal, (ii) engage in any discussions or negotiations with any Person regarding any actual or potential Acquisition Proposal, (iii) accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement or undertaking related to any actual or potential Acquisition Proposal, (iv) provide any confidential information relating to Company to any person or group in connection with any actual or potential Acquisition Proposal, or (v) otherwise co-operate in any way with any other person or group to do or seek to do any of the foregoing (subject, in all cases, to Section 5.1 of this Agreement);

(b) immediately cease and cause to be terminated any solicitation, facilitation, promotion, encouragement and all discussions and negotiations, if any, with any person or group or any agent or representative of any person or group conducted before the date of this Agreement with respect to any actual or potential Acquisition Proposal;
(c) not option, sell, transfer, tender, deposit, pledge, encumber, grant a security interest in, hypothecate or otherwise convey or enter into any forward sale, repurchase agreement or other monetization transaction with respect to any of the Subject Shares, Subject Options, or any right or interest therein, to any person or group or agree to do any of the foregoing;

(d) except for proxies or voting instructions to vote, or cause to be voted, securities granted in accordance with this Agreement, not grant or agree to grant any proxy, power of attorney or other right to vote the Subject Shares or the Subject Options or enter into any voting trust, vote pooling or other agreements with respect to the right to vote, call meetings of shareholders or give consents or approval of any kinds as to the Subject Shares;

(e) not, without the prior written consent of Acquiror, requisition or join in the requisition of any meeting of the securityholders of Company for the purpose of considering any resolution;

(f) not make any statements against the Transaction or any aspect of the Arrangement Agreement and not bring, or threaten to bring, any suit or proceeding for the purpose of, or which has the effect of, directly or indirectly, stopping, preventing, impeding or varying the Transaction or any aspect thereof;

(g) take all such steps as are necessary or advisable to ensure that at the Effective Time, the Subject Shares will be held by the Holder with good and marketable title thereto, free and clear of any and all mortgages, liens, charges, restrictions, security interests, adverse claims, pledges, encumbrances and demands of any nature or kind whatsoever;

(h) not take any other action of any kind which might reasonably be regarded as likely to reduce the success of, or delay or interfere with the completion of, the Transaction; and

(i) not do indirectly that which it may not do directly by the terms of this Article 3.

3.2 If the Holder acquires any additional Shares (including Shares acquired upon exercise of any Subject Options) or Options following the date hereof, the Holder acknowledges that such additional Common Shares and/or Options shall be deemed to be Subject Shares and Subject Options for purposes of this Agreement and the Holder shall abide by the terms of this Agreement in respect of such Shares and Options.
ARTICLE 4
AGREEMENT TO VOTE

4.1 If the Holder is the registered and/or beneficial owner of, or has the power to control or direct the voting of, Subject Shares, the Holder hereby irrevocably and unconditionally covenants and agrees that from the date hereof until the earlier of (i) the Effective Date, and (ii) the termination of this Agreement:

(a) the Holder shall vote or to cause to be voted the Subject Shares at the Special Meeting (or any adjournment or postponement thereof) in favour of the Transaction including, without limitation, the Arrangement Resolution and any other matter that could reasonably be expected to facilitate the Transaction;

(b) the Holder shall vote or cause to be voted the Subject Shares against any matter that could reasonably be expected to delay, prevent or frustrate the successful completion of the Transaction at any meeting of the shareholders of Company called for the purpose of considering same;

(c) if the Holder is the holder of record of the Subject Shares, no later than five Business Days prior to the date of the Special Meeting, the Holder shall deliver or cause to be delivered to Company, with a copy to Acquiror concurrently, a duly executed irrevocable proxy or proxies in respect of the Subject Shares directing the holder of such proxy or proxies to vote in favour of the Transaction including, without limitation, the Arrangement Resolution and/or any matter that could reasonably be expected to facilitate the Transaction;

(d) if the Holder is the beneficial owner of the Subject Shares, no later than 10 Business Days prior to the date of the Special Meeting, the Holder shall deliver or cause to be delivered, a duly executed voting instruction form to the intermediary through which the Holder holds its beneficial interest in the Subject Shares (provided that if the Holder is a non-objecting beneficial owner, such voting instructions shall be delivered directly to Company), with a copy to Acquiror concurrently, instructing that the Subject Shares be voted at the Special Meeting in favour of the Transaction including, without limitation, the Arrangement Resolution and/or any matter that could reasonably be expected to facilitate the Transaction; and

(e) such proxy or proxies in Section 4.1(c) shall name those individuals as may be designated by Company in the Circular and shall not be revoked without the written consent of Acquiror.

For the avoidance of doubt, if the Holder is the beneficial owner but not the holder of record of the Subject Shares, the Holder will be deemed to satisfy its obligations under this Section 4.1 to vote or to cause to be voted the Subject Shares if he or she duly instructs that the Subject Shares be voted in the applicable manner.
4.2 The Holder irrevocably and unconditionally covenants and agrees that the Holder will not exercise any rights of dissent provided under any applicable Laws or otherwise in connection with the Transaction.

4.3 The Holder irrevocably and unconditionally consents to the details of this Agreement being set out in the Circular and this Agreement being made publicly available, including by filing on SEDAR.

ARTICLE 5
FIDUCIARY OBLIGATIONS

5.1 Notwithstanding any other provision of this Agreement, Acquiror hereby agrees and acknowledges that the Holder is bound hereunder solely in his or her capacity as a securityholder of Company and that the provisions hereof shall not be deemed or interpreted to bind the Holder in his or her capacity as a director or officer of Company.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF THE HOLDER

6.1 The Holder represents, warrants and, where applicable, covenants, to Acquiror as follows and acknowledges that Acquiror is relying upon these representations, warranties and covenants in connection with the entering into of this Agreement and the Arrangement Agreement:

(a) the Holder has all necessary power, authority, capacity and right to enter into this Agreement and to carry out each of his, her or its obligations under this Agreement. This Agreement has been duly executed and delivered by the Holder and, assuming the due authorization, execution and delivery by Acquiror, constitutes a legal, valid and binding obligation, enforceable by Acquiror against the Holder in accordance with its terms, subject, however, to limitations imposed by Law in connection with bankruptcy, insolvency or similar proceedings and to the extent that the award of equitable remedies such as specific performance and injunction is within the discretion of the court from which they are sought;

(b) the Holder is, and will be immediately prior to the Effective Date, either (i) the legal and beneficial owner of record, or (ii) the beneficial owner exercising control and direction over (but not the holder of record of), the Subject Shares and the Subject Options listed in Schedule A, in each case, with good and marketable title thereto, free and clear of any and all mortgages, liens, charges, restrictions, security interests, adverse claims, pledges, encumbrances and demands or rights of others of any nature or kind whatsoever;

(c) the Holder has the sole right to vote all the Subject Shares;

(d) no individual or entity has any agreement or option, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option, for the purchase, acquisition or transfer from the Holder of any of the Subject Shares or the Subject Options or any interest therein or right thereto,
(e) (i) the Subject Shares and the Subject Options are the only securities of Company or its subsidiaries owned, directly or indirectly, or over which control or direction is exercised, by the Holder and (ii) the Holder has no agreement or option, or right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option, for the purchase or acquisition by the Holder of additional securities of Company other than the Subject Options;

(f) no consent, waiver, approval, authorization, exemption, registration, licence or declaration of or by, or filing with, or notification to any Governmental Entity which has not been made or obtained is required to be made or obtained by the Holder in connection with (i) the execution and delivery by the Holder and enforcement against the Holder of this Agreement or (ii) the consummation of any transactions by the Holder provided for in this Agreement, except for, in either case, the filing of insider trading reports under applicable securities legislation;

(g) the Holder is not a party to, bound or affected by or subject to, any by-law, contract, provision, statute, regulation, judgment, order, decree or law which would in any material respect be violated, contravened, breached by, or under which any material default would occur as a result of, the execution and delivery of this Agreement by the Holder or the consummation of any of the transactions provided for in this Agreement; and

(h) there are no legal proceedings in progress or pending before any Governmental Entity or, to the knowledge of the Holder, threatened against the Holder or its affiliates that would adversely affect in any manner the ability of the Holder to enter into this Agreement and to perform its obligations hereunder or the title of the Holder to any of its Subject Shares and there is no judgment, decree or order against the Holder that would adversely affect in any manner the ability of the Holder to enter into this Agreement and to perform its obligations hereunder or the title of the Holder to any of the Subject Shares.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES OF THE OFFEROR

7.1 Acquiror represents, warrants and, where applicable, covenants to the Holder as follows and acknowledges that the Holder is relying upon these representations, warranties and covenants in connection with the entering into of this Agreement:

(a) Acquiror is validly existing under the laws of Ontario and has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder;

(b) the execution and delivery of this Agreement by Acquiror and the performance by it of its obligations hereunder have been duly authorized by its board of directors
(c) Acquiror will have sufficient funds to distribute to all the shareholders of Company the Consideration to which they are entitled upon consummation of the Transaction; and

(d) there are no legal proceedings in progress or pending before any Governmental Entity or, to the knowledge of Acquiror, threatened against Acquiror or its affiliates that would adversely affect in any manner the ability of Acquiror to enter into this Agreement or the Arrangement Agreement and to perform its obligations hereunder or thereunder.

ARTICLE 8
TERMINATION

8.1 This Agreement may be terminated by Acquiror by notice in writing to the Holder if:

(a) the Holder has not complied in all material respects with its covenants to Acquiror contained herein;

(b) any of the representations and warranties of the Holder contained herein shall have been at the date hereof, or become, untrue or inaccurate in any material respect; or

(c) there is passed any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited;

8.2 This Agreement may be terminated by the Holder by notice in writing to Acquiror if:

(a) Acquiror has not complied with its covenants to the Holder contained in Section 2.1 or Acquiror has not complied in all material respects with its other covenants to the Holder contained in this Agreement;

(b) any of the representations and warranties of Acquiror contained shall have been at the date hereof, or become, untrue or inaccurate in any material respect; or

(c) there is passed any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited.
8.3 This Agreement shall automatically terminate:

(a) on the Outside Date, if the Effective Date has not occurred by the Outside Date;

(b) upon termination of the Arrangement Agreement in accordance with its terms, including, without limiting the generality of the foregoing, as a result of a decision by Company to terminate the Arrangement Agreement contemporaneously with the entering into by Company of a definitive agreement with a third party providing for an Acquisition Proposal that is a Superior Proposal; or

(c) at the Effective Time.

8.4 This Agreement may also be terminated on the date upon which Acquiror and the Holder mutually agree to terminate this Agreement.

8.5 In the case of termination of this Agreement pursuant to Section 8.1, 8.2, 8.3 or 8.4, this Agreement shall terminate and be of no further force or effect. Notwithstanding anything else contained herein, such termination shall not relieve any party from liability for any breach of this Agreement by the party prior to such termination.

**ARTICLE 9**

**GENERAL**

9.1 The Holder and Acquiror shall, from time to time, promptly execute and deliver all such further documents and instruments and do all such acts and things as the other party may reasonably require to effectively carry out the intent of this Agreement.

9.2 This Agreement shall not be assignable by any party without the prior written consent of the other parties. This Agreement shall be binding upon and shall enure to the benefit of and be enforceable by each of the parties hereto and their respective successors and permitted assigns.

9.3 Time shall be of the essence of this Agreement.

9.4 Any notice or other communication required or permitted to be given hereunder shall be sufficiently given if in writing, delivered or sent by telex or facsimile transmission:

(a) in the case of the Holder:

__________________________
(insert name)

__________________________
(insert address)

Fax: ________________________ (insert fax number)
Attention: __________________ (insert name)
(b) in the case of Acquiror:

LifeLabs Ontario Inc.
Royal Bank Plaza, South Tower
Toronto, Ontario M5J 2J2

Attention: General Counsel
Facsimile: (416) 361-6075

with a copy (which shall not constitute notice) to:

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Toronto, Ontario M5L 2A9

Attention: Jeffrey R. Lloyd
Facsimile: (416) 863-2653

or at such other address as the party to which such notice or other communication is to be given has last notified the party giving the same in the manner provided in this section and if so given shall be deemed to have been received on the date of such delivery or sending (or, if such day is not a business day, on the next following business day).

9.5 This Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and the Holder and Acquiror irrevocably attorn to the jurisdiction of the courts of the Province of Ontario.

9.6 Each of the parties hereto agrees with the others that: (i) money damages would not be a sufficient remedy for any breach of this Agreement by any of the parties; (ii) in addition to any other remedies at law or in equity that a party may have, such party shall be entitled to seek equitable relief, including injunction and specific performance, in addition to any other remedies available to the party, in the event of any breach of the provisions of this Agreement; and (iii) any party that is a defendant or respondent shall waive any requirement for the securing or posting of any bond in connection with such remedy. Each of the parties hereby consents to any preliminary applications for such relief to any court of competent jurisdiction. The prevailing party shall be reimbursed for all costs and expenses, including reasonable legal fees, incurred in enforcing the other party’s obligations hereunder. Such remedies shall not be deemed to be exclusive remedies for the breach of this Agreement but shall be in addition to all other remedies at law or in equity.

9.7 This Agreement constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

9.8 If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Law or public policy, all other conditions and provisions of this
Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the Transaction is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the Transaction is fulfilled to the fullest extent possible.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce more than one counterpart.
IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

[HOLDER]

Per: ____________________________
Name of holder: ____________________________
Name of Signatory: ____________________________
Title: ____________________________

LIFELABS ONTARIO INC.

Per: ____________________________
Name: ____________________________
Title: ____________________________

Per: ____________________________
Name: ____________________________
Title: ____________________________