



NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 24, 2013**

March 25, 2013



NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**Meeting**”) of the holders of common shares of Leisureworld Senior Care Corporation (the “**Company**”) will be held at Design Exchange, 234 Bay Street, 4th Floor, Library Room on Wednesday, April 24, 2013 at the hour of 10:00 a.m. (Toronto time) for the following purposes:

1. **TO RECEIVE** the financial statements of the Company for the period ended December 31, 2012, together with the report of the auditors thereon;
2. **TO ELECT** the directors of the Company for the ensuing year;
3. **TO APPOINT** auditors of the Company and authorize the board of directors of the Company to fix the remuneration of the auditors;
4. **TO CONSIDER** and, if deemed advisable, to pass a resolution, the full text of which is attached as Appendix A to the Management Information Circular, with or without variation, to continue, amend and restate the Shareholder Rights Plan Agreement dated March 23, 2010 between the Issuer and Computershare Trust Company of Canada (the “**Rights Plan**”); and
5. **TO TRANSACT** such further or other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The accompanying management information circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this notice.

DATED at Toronto, Ontario this 25th day of March, 2013.

BY ORDER OF THE BOARD OF DIRECTORS

“Dino Chiesa”

Chair of the Board of Directors

Leisureworld Senior Care Corporation

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INFORMATION CIRCULAR

Unless otherwise indicated, or the context otherwise requires, “**Company**” or “**Leisureworld**” refers to Leisureworld Senior Care Corporation and its direct and indirect subsidiaries. Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to “\$” are to Canadian dollars.

This information circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by or on behalf of management of Leisureworld, for use at the annual and special meeting (the “**Meeting**”) of holders (“**Shareholders**”) of common shares (“**Common Shares**”) of the Company to be held on April 24, 2013 at Design Exchange, 234 Bay Street, 4th Floor, Library Room commencing at 10:00 a.m. (Toronto time), and at all postponements or adjournments thereof, for the purposes set forth in the accompanying notice of the Meeting (the “**Notice of Meeting**”).

PROXY SOLICITATION AND VOTING

Solicitation of Proxies

The solicitation of proxies for the Meeting will be made primarily by mail, but proxies may also be solicited personally, in writing or by telephone by employees of the Company, at nominal cost. The Company will bear the cost in respect of the solicitation of proxies for the Meeting and will bear the legal, printing and other costs associated with the preparation of the Information Circular.

Appointment and Revocation of Proxies

Together with the Information Circular, the Shareholders will also be sent a form of proxy (a “**Form of Proxy**”). The persons named in such proxy are directors of the Company. **A Shareholder who wishes to appoint some other person to represent him, her or it at the Meeting may do so by crossing out the persons named in the enclosed Form of Proxy and inserting such person’s name in the blank space provided in the Form of Proxy or by completing another proper Form of Proxy. Such other person need not be a Shareholder of the Company.**

To be valid, proxies or instructions must be deposited at the offices of Computershare Trust Company of Canada (the “**Agent**”), 9th Floor, North Tower, 100 University Avenue, Toronto, Ontario, M5J 2Y1, so as not to arrive later than 10:00 a.m. (Toronto time) on April 22, 2013, or be deposited with the chair of the Meeting (the “**Chair of the Meeting**”) prior to the commencement of the Meeting. If the Meeting is adjourned, proxies or instructions to the Agent must be deposited 48 hours (excluding Saturdays, Sundays and holidays) before the time set for any reconvened meeting at which the proxy or instructions are to be used, or be deposited with the Chair of the Meeting prior to the commencement of the Meeting or any reconvened meeting.

The document appointing a proxy must be in writing and completed and signed by a Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. Instructions provided to the Agent by a Shareholder must be in writing and completed and signed by the Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. Persons signing as officers, attorneys, executors, administrators, and trustees or similarly otherwise should so indicate and provide satisfactory evidence of such authority.

A Shareholder that has given a proxy may revoke the proxy: (a) by completing and signing a proxy bearing a later date and depositing it as aforesaid; (b) by depositing an instrument in writing executed by the Shareholder or by his or her attorney authorized in writing: (i) at the registered office of the Company at any time up to and including the last business day preceding the day of the applicable Meeting, or any adjournment thereof, at which the proxy is to be used, or (ii) with the Chair of the Meeting prior to the commencement of such Meeting on the day of such

Meeting or any adjournment thereof; or (c) in any other manner permitted by law. A Shareholder that has given instructions to their nominee with respect to the voting of the Common Shares may revoke the instructions: (a) by completing and signing instructions bearing a later date and depositing it as aforesaid; (b) by depositing an instrument in writing executed by the Shareholder or by his or her attorney authorized in writing: (i) at the registered office of the Agent at any time up to and including the last business day preceding the day of the applicable Meeting, or any adjournment thereof, at which the instructions are to be relied on, or (ii) with the Chair of the Meeting prior to the commencement of such Meeting on the day of such Meeting or any adjournment thereof; or (c) in any other manner permitted by law.

Voting of Proxies

The persons named in the accompanying Form of Proxy will vote the Common Shares in respect of which they are appointed, on any ballot that may be called for, in accordance with the instructions of the Shareholder as indicated on the proxy. In the absence of such specification, such Common Shares will be voted at the Meeting as follows:

- **FOR the election of each of the nominees to the board of directors listed under the heading “Matters to be Considered at the Meeting – Election of Directors”;**
- **FOR the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company and to authorize the board of directors to fix the auditor’s remuneration; and**
- **FOR the passing of a resolution to continue, amend and restate the Shareholder Rights Plan Agreement dated March 23, 2010 between the Issuer and Computershare Trust Company of Canada (the “Rights Plan”).**

For more information on these issues, please see the section entitled “Matters to be Considered at the Meeting” in this Information Circular.

The persons appointed under the Form of Proxy are conferred with discretionary authority with respect to amendments to or variations of matters identified in the Form of Proxy and the Notice of Meeting and with respect to other matters, which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting, it is the intention of the persons designated in the enclosed Form of Proxy to vote in accordance with their best judgment on such matter or business. At the time of printing the Information Circular, the directors of the Company (the “**Directors**”, the “**Board**” or the “**Board of Directors**”) know of no such amendments, variations or other matters.

INFORMATION FOR BENEFICIAL HOLDERS OF SECURITIES

Information set forth in this section is very important to persons who hold Common Shares otherwise than in their own names. A non-registered securityholder of the Company (a “**Beneficial Holder**”) who beneficially owns Common Shares, but such Common Shares are registered in the name of an intermediary (such as a securities broker, financial institution, trustee, custodian or other nominee who holds securities on behalf of the Beneficial Holder or in the name of a clearing agency in which the intermediary is a participant) should note that only proxies or instructions deposited by securityholders whose names are on the records of the Company as the registered holders of Common Shares can be recognized and acted upon at the Meeting.

Common Shares that are listed in an account statement provided to a Beneficial Holder by a broker are likely not registered in the Beneficial Holder’s own name on the records of the Company and such Common Shares are more likely registered in the name of CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee.

Applicable regulatory policy in Canada requires brokers and other intermediaries to seek voting instructions from Beneficial Holders in advance of securityholders’ meetings. Every broker or other intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Holders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Holder by its broker is identical to that provided to registered securityholders. However, its purpose is limited to instructing the registered securityholder how to vote on behalf of the Beneficial Holder. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications Solutions (“**Broadridge**”). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Holders and asks Beneficial Holders to return the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions representing the voting of the securities to be represented at the Meeting. A Beneficial Holder receiving a Broadridge voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting. The voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although Beneficial Holders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of CDS or their broker or other intermediary, a Beneficial Holder may attend at the Meeting as proxy holder for the registered holder and vote their Common Shares in that capacity. Beneficial Holders who wish to attend the Meeting and indirectly vote their own Common Shares as proxy holder for the registered holder should enter their own names in the blank space on the Form of Proxy or voting instruction form provided to them and return the same to their broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or executive officer of the Company, no proposed nominee for election as a director of the Company, and no associate or affiliate of any such person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors or the reappointment of an auditor.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of Common Shares. As of the date of this Information Circular, there were 29,282,324 Common Shares outstanding.

At the Meeting, each Shareholder of record at the close of business on March 25, 2013, the record date established for the Notice of Meeting (the “**Record Date**”), will be entitled to one vote for each Common Share held on all matters proposed to come before the Meeting, except to the extent such Shareholder has transferred any such Common Shares after the Record Date and the transferee of such Common Shares establishes ownership thereof and makes a written demand to the Corporate Secretary of the Company, not later than 10 days before the date of the Meeting, to be included in the list of Shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote such Common Shares.

To the knowledge of the Directors, there are no persons that beneficially own or exercise control or direction over Common Shares carrying approximately 10% or more of the votes attached to the issued and outstanding Common Shares.

MATTERS TO BE CONSIDERED AT THE MEETING

Financial Statements

The annual report, the financial statements of the Company for the fiscal year ended December 31, 2012 (“**Fiscal 2012**”) and the auditors’ report thereon accompanying this Information Circular will be placed before the Shareholders at the Meeting. No formal action will be taken at the Meeting to approve the financial statements. If any Shareholder has questions regarding such financial statements, such questions may be brought forward at the Meeting.

Election of Directors

The number of Directors to be elected at the Meeting has been fixed at five. **The persons named in the enclosed Form of Proxy, if not expressly directed to the contrary in such Form of Proxy, intend to vote for the election, as Directors, of the proposed nominees whose names are set out below.** It is not contemplated that any of the proposed nominees will be unable to serve as a Director but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed Form of Proxy reserve the right to vote for another nominee at their discretion. Each nominee elected as a Director will hold office until the next annual meeting of the Shareholders or until his successor is elected or appointed.

The following table sets forth the names of, and certain information for, the individuals proposed to be nominated for election as Directors. The nominees make up the current Board of Directors of the Company. Biographies for each nominee, which include a summary of each nominee’s principal occupation and employment within the five preceding years, are set out in the Company’s annual information form dated March 25, 2013 (the “AIF”) and such information is incorporated by reference herein. The AIF can be found under the Company’s profile at www.sedar.com. Upon request, the Company will promptly provide a copy of the AIF free of charge to a securityholder of the Company.

Name and Province of Residence	Principal Occupation	Date Appointed as a Director	Ownership or Control over Common Shares
DINO CHIESA Ontario, Canada	Principal of Chiesa Group	March 2010	15,000
JANET GRAHAM ^{(1),(2),(3)} Ontario, Canada	Managing Director of IQ Alliance Incorporated and Corporate Director	March 2010	5,000
JACK MACDONALD ^{(1),(2),(3)} Ontario, Canada	Corporate Director	March 2010	12,000
JOHN McLAUGHLIN ^{(1),(2),(3)} Ontario, Canada	President of Tall Oak Management Inc. and Corporate Director	March 2010	10,000
DAVID CUTLER Ontario, Canada	President and Chief Executive Officer of Centric Health Corporation	March 2010	156,515 ⁽⁴⁾

Notes:

- (1) Members of the Compensation, Nominating and Governance Committee.
- (2) Members of the Audit Committee.
- (3) Independent members of the Board.
- (4) Mr. Cutler was issued 125,000 Common Shares prior to the completion of the Company’s initial public offering. 100,000 of the Common Shares vest in three equal instalments on the first, second and third anniversary of the grant date, subject to Mr. Cutler being actively employed by the Company at the vesting date. On March 23, 2011, 1/3 of the 100,000 Common Shares vested and on March 23, 2012, an additional 1/3 of the 100,000 Common Shares vested. Upon Mr. Cutler’s resignation as President and Chief Executive Officer of the Company on September 3, 2012, the Board approved the vesting of 25,000 of the final 1/3 of the 100,000 Common Shares and approved the vesting of the remaining 8,334 Common Shares on February 21, 2013. The 100,000 Common Shares includes the 10,000 Common Shares held on behalf of Davcar Holdings Inc. and the 10,000 Common Shares held on behalf of Individual Pension Plan of Davcar Consulting Inc.

Majority Voting

Effective March 15, 2011, the Board adopted, on a voluntary basis, majority voting principles for the election of Directors at an annual Shareholders' meeting. This includes the practice of ensuring that the proxy forms used for the election of Directors by Shareholders enable Shareholders to vote in favour of, or withhold their vote for, each Director nominee separately. In an uncontested election, any Director nominee who receives a greater number of votes "withheld" than votes "for" shall promptly submit to the Board his or her resignation, which shall take effect only upon the acceptance by the Board.

The Board, upon recommendation of the Compensation, Nominating and Governance Committee, shall within 90 days following the date of the applicable meeting determine either to accept or not accept the Director's resignation, and the Board shall promptly disclose, via press release, the determination, including, in cases where the Board has determined not to accept a resignation, the reasons therefor. It is generally expected that the Compensation, Nominating and Governance Committee will recommend that the Board accept such resignation except in extraordinary circumstances. If a resignation is accepted, the Board may appoint a new Director to fill any vacancy, or may reduce the size of the Board.

Appointment of Auditors

The audit committee of the Company (the "**Audit Committee**") recommends to the Shareholders that PricewaterhouseCoopers LLP, Chartered Accountants, ("**PWC**"), be appointed as the independent auditor of the Company, to hold office until the next annual meeting of the Shareholders or until their successor is appointed, and that the Directors be authorized to fix the remuneration of the auditors.

PWC has been the auditor of the Company since its inception. Specifically, PWC was first appointed on October 18, 2005 and continued to be the auditor of the Company following its initial public offering in March 2010. **The persons named in the enclosed Form of Proxy, if not expressly directed to the contrary in such Form of Proxy, will vote such proxies in favour of a resolution to appoint PWC as auditors of the Company and authorize the Directors to fix their remuneration.**

Audit Committee Information

Reference is made to the AIF for information relating to the Audit Committee as required under Form 52-110F1. The AIF can be found under the Company's profile at www.sedar.com. Upon request, the Company will promptly provide a copy of the AIF free of charge to a securityholder of the Company.

Confirmation and Amendment of Shareholder Rights Plan

On March 23, 2010, the Board of Directors of the Company adopted the Rights Plan. At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass a resolution (the "**Rights Plan Resolution**"), the full text of which is attached as Appendix A to this Information Circular, with or without variation, to continue, amend and restate the Rights Plan. The proposed amendments to the Rights Plan will be made by way of an amended and restated rights plan (the "**Amended and Restated Rights Plan**"), and the Amended and Restated Rights Plan will continue in effect only if it is approved by a majority of the votes cast by Shareholders at the Meeting.

The Board of Directors has determined that it is in the best interests of the Company that the Rights Plan be reconfirmed. The Board of Directors has further determined that it is in the best interests of the Company that the Rights Plan be amended and restated to reflect the proposed amendments discussed below. The amendments to the Rights Plan and the Amended and Restated Rights Plan have been adopted by the Board of Directors; however, to be effective, they must be approved by a majority of the votes cast by Independent Shareholders (as defined in the Rights Plan) at the Meeting.

The Board of Directors believes that the Amended and Restated Rights Plan is consistent with current Canadian corporate best practices and addresses institutional investor guidelines. Neither the Rights Plan nor and the Amended and Restated Rights Plan is intended to prevent a take-over of the Company.

Background

This summary is qualified in its entirety by reference to the text of the Rights Plan, the full text of which is attached as Appendix B in the form of a blackline comparison of the Amended and Restated Rights Plan to the Rights Plan. Capitalized terms used in this summary and not otherwise defined shall have the meaning ascribed thereto in Appendix B. Copies of the Rights Plan and the Amended and Restated Rights Plan are available upon written request from the Corporate Secretary of the Company, 302 Town Centre Blvd., Suite 200, Markham, Ontario, L3R 0E8 or may also be found on SEDAR at www.sedar.com and on the Company's website at www.leisureworld.ca.

The Rights Plan was adopted in order to ensure the equal treatment of all Shareholders and to give the Board of Directors more time to find an alternative value enhancing transaction in the context of any takeover bid for the Company.

Pursuant to the Rights Plan, the Company has issued one right (a "**Right**") for each Common Share which is currently outstanding and will issue one Right for each Common Share issued during the currency of the Rights Plan.

The Rights Plan utilizes the mechanism of the "Permitted Bid" (as described below) to ensure that a person seeking control of the Company gives Shareholders and the Board sufficient time to evaluate the bid, negotiate with the initial bidder and encourage competing bids to emerge. The purpose of the Rights Plan is to protect Shareholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or else become subject to the dilutive features of the Rights Plan.

Separation Time

The Rights will separate and be separately transferable from the Common Shares after the Separation Time (as defined below). Following the Separation Time, separate certificates evidencing the Rights ("**Rights Certificates**") will be provided for shareholders as of the Separation Time and each separate Rights Certificate alone will evidence the Rights. Registration of interests in and transfer of the Rights will be made only through a book entry system administered by CDS Clearing and Depository Services Inc.

The "**Separation Time**" is the close of business on the 10th Business Day following the earliest of:

- a) the date (the "**Common Share Acquisition Date**") of the first public announcement made by Leisureworld or an Acquiring Person (as defined below) that a person has become an Acquiring Person;
- b) the date of the commencement of a take-over bid by any person (an "**Offeror**") for the Common Shares, other than a Permitted Bid or a Competing Permitted Bid (both as defined below); or
- c) the date upon which a Permitted Bid ceased to be a Permitted Bid; or

in the case of items (b) or (c), such later date as may be determined by the Board.

If any take-over bid triggering the Separation Time expires or is cancelled, terminated or otherwise withdrawn prior to the Separation Time, the bid shall be deemed, for the purposes of determining the Separation Time, never to have been made.

Exercise Price of Rights

The initial exercise price established under the Rights Plan is \$100 per Common Share. After the Separation Time and prior to the occurrence of a Flip-In Event (as defined below), each Right entitles the registered holder to purchase one Common Share at the exercise price of \$100 per Common Share, subject to certain anti-dilution adjustments and other rights as are set out in the Rights Plan. The terms of the Rights adjust significantly upon the occurrence of a "Flip-In Event", as described below.

Flip-In Event

A “Flip-In Event” is triggered when a person becomes an Acquiring Person. Upon the occurrence of a Flip-in Event, Leisureworld must take such action as shall be necessary to ensure that each Right (except for Rights beneficially owned by the persons specified below) shall thereafter constitute the right to purchase from Leisureworld upon exercise thereof in accordance with the terms of the Rights Plan that number of Common Shares having an aggregate market price on the date of the consummation or occurrence of such Flip-In Event equal to twice the exercise price, for an amount in cash equal to the exercise price. By way of example, if at the time of such announcement the exercise price of the Rights is \$100 and the Common Shares have a market price of \$10 per Common Share, the holder of each Right would be entitled to purchase the number of Common Shares that has in the aggregate a market price of \$200 (i.e., 20 Common Shares in this example) for a price of \$100, that is, at a 50% discount.

The Rights Plan provides that Rights that are beneficially owned by:

- a) an Acquiring Person, any affiliate or associate of an Acquiring Person, any person acting jointly or in concert with an Acquiring Person, or any affiliate or associate of such Acquiring Person; or
- b) a transferee, direct or indirect, of Rights from any of the foregoing,

shall in certain circumstances become null and void without any further action and any holder of such Rights (including transferees) shall not have any rights whatsoever to exercise such Rights under any provision of the Rights Plan.

Acquiring Person

An “Acquiring Person” is a person who beneficially owns 20% or more of the outstanding Common Shares. An Acquiring Person does not, however, include:

- a) Leisureworld or any other affiliate controlled by Leisureworld;
- b) any person who owns, directly or indirectly, 20% or more of the securities of Leisureworld on closing of the initial public offering (a “**Grandfathered Person**”), provided, however, that this exemption shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after closing of the initial public offering, become the owner, directly or indirectly, of an additional 1% of the outstanding Common Shares, other than pursuant to certain exempt transactions described below; or
- c) any person who becomes the beneficial owner of 20% or more of the Common Shares as a result of certain exempt transactions.

Where a Person is deemed to beneficially own the Common Shares issuable under that Person’s Convertible Securities, those Common Shares will be considered to be outstanding for purposes of calculating the number and percentage of Common Shares beneficially owned by that Person.

Exempt transactions include:

- a) specified acquisitions or redemptions of Common Shares;
- b) acquisitions pursuant to a Permitted Bid (which may include a Competing Permitted Bid), as described below; or
- c) acquisitions of Common Shares in exchange for additional properties being acquired by Leisureworld.

Permitted Bids and Competing Permitted Bids

A “Permitted Bid” means a bid which is made by an Offeror by means of a take-over bid circular and which also complies with the following additional provisions:

- a) the bid is made to all holders of Common Shares, other than the Offeror, for all of the issued and outstanding Common Shares (including any Common Shares that may be issued on the conversion or exchange of securities issued by Leisureworld);
- b) the bid contains, and the take-up and payment for securities tendered or deposited thereunder is subject to, irrevocable and unqualified conditions that (A) no Common Shares shall be taken up or paid for pursuant to the bid prior to the close of business on the date which is not less than 60 days following the date of the bid and (B) no Common Shares shall be taken up or paid for pursuant to the bid unless, at the date referred to in (A) above, more than 50% of the Common Shares held by Independent Shareholders shall have been deposited or tendered pursuant to the bid and not withdrawn;
- c) the bid contains an irrevocable and unqualified provision that, unless the bid is withdrawn, Common Shares may be deposited pursuant to such bid at any time prior to the close of business on the date of first take-up or payment for Common Shares and that any Common Shares deposited pursuant to the bid may be withdrawn until taken up and paid for; and
- d) the bid contains an irrevocable and unqualified provision that if, on the date on which Common Shares may be taken up or paid for, more than 50% of the Common Shares held by Independent Shareholders shall have been deposited or tendered pursuant to the bid and not withdrawn, the Offeror will make a public announcement of that fact and the bid will remain open for deposits and tenders of Common Shares for not less than 10 business days from the date of such public announcement;

provided that if a bid constitutes a Competing Permitted Bid, the term “Permitted Bid” shall also mean the Competing Permitted Bid.

A “Competing Permitted Bid” means a bid that:

- a) is made after a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry of the Permitted Bid or other Competing Permitted Bid;
- b) satisfies all components of the definition of a Permitted Bid other than the requirements set out in paragraph (b)(A) of such description above; and
- c) contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified condition that no Common Shares will be taken up or paid for pursuant to the bid prior to the close of business on a date that is no earlier than the later of (A) 60 days after the date on which the earliest Permitted Bid then in existence was made and (B) 35 days after the date of the bid constituting the Competing Permitted Bid.

Neither a Permitted Bid nor a Competing Permitted Bid is required to be approved by the Board and such bids may be made directly to shareholders. Acquisitions of Common Shares made pursuant to a Permitted Bid or a Competing Permitted Bid do not give rise to a Flip-In Event.

Redemption and Waiver

The Board acting in good faith may, at any time prior to the occurrence of a Flip-In Event, elect to redeem all but not less than all of the Rights at a redemption price of \$0.0001 per Right (the “**Redemption Price**”). Rights will be deemed to immediately be redeemed at the Redemption Price where a person acquires Common Shares pursuant to a Permitted Bid or Competing Permitted Bid. If the Board elects or is deemed to have elected to redeem the Rights, the right to exercise the Rights will terminate and each Right will after redemption be null and void and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.

Under the Rights Plan, the Board may waive application of the Rights Plan to a take-over bid prior to the occurrence of a Flip-In Event. Once the Board has exercised its discretion to waive application of the Rights Plan in respect of any particular take-over bid and another take-over bid is made, the Board shall be deemed to have waived the application of the Rights Plan to such other take-over bid provided that such other take-over bid is made by way of a formal take-over bid circular to all holders of Common Shares prior to the expiry of the take-over bid in respect of which the waiver has been granted.

Amended and Restated Rights Plan

The amendments to the Rights Plan have been proposed in order to bring the Rights Plan in line with corporate best practices and institutional investor guidelines. The proposed amendments specifically include the following:

- The definition of “Beneficial Owner” has been amended to clarify that a Person who has a right to become the owner at law or in equity of any securities pursuant to a lock-up agreement or a similar agreement other than a Permitted Lock-up Agreement is a Beneficial Owner of such securities.
- An acquisition of Voting Securities or a Convertible Securities Acquisition pursuant to a distribution of Voting Securities or Convertible Securities made pursuant to a prospectus or private placement exemption provided that the Person acquires the Voting Securities or Convertible Securities in exchange for additional properties, assets or entities being acquired directly or indirectly by the Company has been deleted from the definition of “Exempt Acquisition”.
- The definition of “Permitted Bid” has been amended to allow for a partial bid.
- The acquisition by a Person of Voting Securities or Convertible Securities in connection with a distribution pursuant to a regular dividend reinvestment plan has been deleted from the definition of “Pro Rata Acquisition”.
- Section 5.1(a) has been amended to provide that, until the occurrence of a Flip-in Event, the Board of Directors may elect to redeem rights only with the consent of the holders of Voting Securities or Rights.
- Section 5.2(a) has been amended to provide that the Board of Directors may, at any time prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of Voting Securities otherwise than pursuant to a Take-over Bid made by means of a take-over bid circular to all holders of Voting Securities or otherwise than in the circumstances where the Board of Directors has determined that a Person became an Acquiring Person by inadvertence, waive the application of Section 3.1 to such Flip-in Event only with the prior consent of the holders of Voting Securities. In such event, the Board of Directors will extend the Separation Time to a date at least 10 Business Days subsequent to the meeting of Shareholders called to approve such waiver.
- Section 5.5(a) has been amended such that the Company may not supplement, amend, vary, rescind or delete any of the provisions of the Rights Plan without the approval of any holders of Rights or Voting Securities except to correct any clerical or typographical error or to make changes which are required to maintain the validity of the Rights Plan as a result of any change in any applicable legislation.

Apart from the above-mentioned amendments and certain other non-substantive amendments of a housekeeping nature to permit greater clarity and consistency, the Amended and Restated Rights Plan is identical to the Rights Plan in all material respects. If the Rights Plan Resolution is passed at the Meeting, the Amended and Restated Rights Plan will be effective as of the date the resolution is passed. If the Rights Plan Resolution is not passed, the Rights Plan will become void and of no further force and effect and the Company will no longer have any form of shareholder rights plan.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information regarding all significant elements of compensation paid, payable, awarded, granted, given or otherwise provided by the Company to (i) the President and Chief Executive Officer, (ii) the Executive Vice-President and Chief Financial Officer, (iii) the Executive Vice-President and Chief Operating Officer, (iv) the Vice-President, Finance, and (v) the Vice-President, Human Resources (collectively, the “**Named Executive Officers**” or “**NEOs**”).

For Fiscal 2012, the Named Executive Officers are: David Cutler, President and Chief Executive Officer until September 3, 2012; Dino Chiesa, Acting President and Chief Executive Officer from September 4, 2012; Manny DiFilippo, Executive Vice-President and Chief Financial Officer; Paul Rushforth, Executive Vice-President and Chief Operating Officer; Stephen Piunno, Vice-President, Finance; and Josephine DesLauriers, Vice-President, Human Resources.

Role of the Compensation, Nominating and Governance Committee

The Company’s Compensation, Nominating and Governance Committee consists of three Directors, being Mr. John McLaughlin, as chairman, Mr. Jack MacDonald and Ms Janet Graham. All members of the Compensation, Nominating and Governance Committee are independent Directors of the Company. Among other things, the Compensation, Nominating and Governance Committee:

- reviews and makes recommendations to the Board of the Company concerning the appointment of officers of the Company;
- annually reviews and makes recommendations to the Board of the Company concerning remuneration of officers of the Company;
- annually reviews the Chief Executive Officer’s goals and objectives for the upcoming year, provides an appraisal of the chief executive officer’s performance and reviews his or her compensation;
- makes recommendations concerning the remuneration of Directors and nomination of new Directors; and
- administers and makes recommendations regarding the operation of employee incentive plans.

Compensation Objectives and Strategy

Compensation plays an important role in recognizing the achievement of short-term and long-term business objectives. On November 24, 2010, the Compensation, Nominating and Governance Committee, on behalf of the Company, retained Chrysalis Group Inc., an independent consulting firm, to advise on the design, testing and implementation of senior executive compensation programs and emerging trends and best practices in both the long-term care and retirement residence sector, as well as Canadian companies of similar scope, size and complexity. The Compensation, Nominating and Governance Committee has worked with Chrysalis Group Inc. to establish a compensation framework with the goal of attracting, retaining and motivating talented senior management. During 2012, \$22,978 was paid to Chrysalis Group Inc. for services to the Compensation, Nominating and Governance Committee; no other services were provided by Chrysalis Group Inc. directly to the Company. An amount of \$45,646 was paid to Chrysalis Group Inc. during 2011.

The objectives of the Company’s compensation program are to:

- Attract, retain and motivate highly qualified employees with a history of proven success;
- align the interests of the employees with Shareholders’ interests and with the execution of the Company’s business strategy;

- establish performance goals that, if met, are expected to improve long-term Shareholder value; and
- tie compensation to those goals and provide meaningful rewards for achieving them.

Compensation Risk Management

The Company has designed its compensation programs in a standardized and balanced manner to appropriately align management with Shareholder interests by providing incentives to achieve both short-term and long-term performance objectives. The Company has the following in place to oversee and manage its compensation plans.

- Total compensation is benchmarked against the company’s peer group by the Compensation, Nominating and Governance Committee and its independent external compensation consultant. Total compensation is benchmarked and balanced between base salary, short-term and long-term incentives. The compensation plans are relatively consistent between executives, with increasing emphasis on long-term incentives for executives with higher levels of responsibility.
- Performance objectives linked to compensation plans are Board-approved. Financial objectives support the Company’s approved annual budget, and individual objectives support approved business strategies and priorities.
- The Compensation, Nominating and Governance Committee can use its discretion to ensure payouts are not overly influenced by an unusual result in a particular performance objective.
- Short-term performance is measured using several financial, business and individual performance objectives to determine incentive payouts. This balances the risks associated with relying on any one performance objective. The incentive opportunity is capped and payouts are generally determined based on audited financial statements.
- Restricted Share Units are designed to encourage a longer-term focus on shareholder value and are not fully vested immediately.
- The Company’s LTIP (described below) supports personal long-term ownership in the Company.

Benchmarking

The Company’s compensation program is benchmarked relative to a peer group of companies whose Canadian operations are similar in terms of revenues, complexity and focus and are broadly representative of the talent market for the Company. In designing the Company’s compensation program, the Compensation, Nominating and Governance Committee focuses on remaining competitive in the market with respect to total compensation for each executive. However, the Compensation, Nominating and Governance Committee does review each element of compensation for market competitiveness and may weigh a particular element more heavily based on the executive’s role within the Company.

The Compensation, Nominating and Governance Committee worked with Chrysalis Group Inc. to identify an appropriate comparator or peer group which was used for executive compensation benchmarking purposes for Fiscal 2012. The general comparator group consists of organizations with Canadian operations in the for-profit sector and were selected based on the organization’s strong customer, member or client service orientation and its ability both to manage complex supply chains and to distinguish its brand in a competitive marketplace. The peer group includes amongst others, ADP Canada, Cadillac Fairview Corporation, Cineplex Entertainment LP, Gamma Dynacare Medical Labs, Lifelabs Inc., Starbucks Corporation and Symcor Inc. The industry comparator group consists of 3 publicly traded long term care and retirement residence industry organizations with Canadian operations: Amica Mature Lifestyles Inc., Chartwell Seniors Housing Real Estate Investment Trust (“**Chartwell**”) and Extencicare Real Estate Investment Trust (“**Extencicare**”). Not all companies have suitable matches for each position. The ongoing appropriateness of this group is reviewed every two years.

Competitive data from the peer group, in addition to general trends from third party surveys, are used as guidelines to formulate compensation strategy. The Company targets base salary levels for all NEO's at the 50th percentile of the peer group. Overall compensation (salary, short-term and the expected value of long-term incentives) is targeted at the 50th percentile of the peer group, provided that all performance targets are met.

Elements of NEO Compensation

The Company's compensation for the Company's Named Executive Officers for 2012 consisted primarily of two elements: base salary and short-term incentives. In addition, the CEO, the CFO and the COO are also eligible to participate in the two long-term incentive plans described below.

Base Salary

Competitive base salary enables the attraction and retention of talented executives who will contribute to the success of the Company. Salaries are determined following an analysis of peer group benchmarks, general compensation trends and individual performance, including contributions to financial and business results. Salary is reviewed annually by the Compensation, Nominating and Governance Committee.

Short-Term Incentive Plan ("STIP")

The STIP is designed to motivate constantly improving financial and operating performance on an annual basis in order to increase shareholder value. STIP awards are based on performance achieved relative to pre-determined financial, business and individual performance targets. Awards are approved by the Compensation, Nominating and Governance Committee and earned awards are granted annually in cash.

The performance metrics include: absolute growth in Adjusted Funds from Operations ("**AFFO**"), absolute return to Shareholders, relative return to Shareholders against the TSX REIT sector and sector competitors, and individual goals related to the executive's specific portfolio of accountabilities. Minimum performance thresholds for each performance metric must be accomplished before a payout or partial payout under the STIP is made.

Long Term Incentive Plan and Restricted Share Unit Plan

The Shareholders of the Company approved the adoption of the Long Term Incentive Plan (the "**LTIP**") and the restricted share unit plan (the "**RSUP**") at the Company's Annual and Special Meeting of Shareholders held on April 18, 2012.

The LTIP and the RSUP are intended to reward senior management for their sustained contributions to the Company and provide an incentive to enhance long-term performance and increase Shareholder value. As of the date of this Information Circular, there have been (i) Incentive Amounts (as defined below) aggregating \$119,258.40, entitling eligible participants to acquire 9,435 Award Shares (as defined below), under the LTIP and (ii) RSU Awards (as defined below) aggregating \$119,258.40 in respect of which eligible participants have been credited 9,435 RSUs (each of which is redeemable for one Common Share) under the RSUP. Pursuant to the terms of the LTIP, the Participants have 30 days to elect whether to acquire their Award Shares.

(i) Long Term Incentive Plan

Under the LTIP, the Compensation, Nominating and Governance Committee may grant an award opportunity (each, an "**Incentive Amount**") annually in respect of the prior fiscal year to eligible participants as it, in its sole discretion, determines. Eligible participants under the LTIP include the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer and such other officers or employees of the Company as the Compensation, Nominating and Governance Committee may determine from time to time. Each eligible participant is entitled to purchase, subject to the terms of the LTIP, that number of Common Shares (rounded down to the nearest whole number) (the "**Award Shares**") equal to the quotient obtained by dividing such participant's Incentive Amount by the volume weighted average closing price of the Common Shares on the Toronto Stock Exchange (the "**TSX**") for the five trading days immediately preceding the date upon which the Compensation, Nominating and Governance Committee determine the annual STIP awards, the annual LTIP Awards and the annual RSUP awards, which date

shall be no later than 90 days following the preceding fiscal year end (the “**Determination Date**”). The required number of Award Shares will be issued from treasury pursuant to the terms of the LTIP.

Each participant may borrow from the Company, at the prime rate of interest per annum established by the Company’s bank at the time the Award Shares are issued or at such other interest rate as determined by the Compensation, Nominating and Governance Committee at the time the Award Shares are issued, an amount not greater than 95% of the aggregate purchase price for the Award Shares purchased in respect of a fiscal year (the “**Participant Loan**”) to acquire such Award Shares. The Participant Loan is due and payable on the date which is five years from the date the related Award Shares are issued. Until the Participant Loan has been repaid in full, the related Award Shares are pledged to the Company as security against the outstanding balance of the Participant Loan, any cash dividends declared on such Award Shares will be applied against the outstanding balance of the Participant Loan and the holder thereof shall not be entitled to assign, or exercise any voting rights attached to, such Award Shares. No Participant Loan, or portion thereof, shall be granted to any participant if such grant could result in the amounts then owing under all Participant Loans of such participant exceeding two times such participant’s then base salary.

Upon the retirement or death of a participant, subject to the discretion of the Compensation, Nominating and Governance Committee payment of the Participant Loan shall become due and payable on the date upon which all such amounts are otherwise payable under the terms of such Participant Loan. If a participant’s employment is terminated without cause or due to the participant’s incapacity to work, such participant is entitled to pay all amounts owing in accordance with the terms of such participant’s Participant Loan. If a change of control of the Company occurs or is reasonably expected to occur prior to the date upon which all amounts owing in respect of a participant’s Award Shares have been paid in full, subject to the discretion of the Compensation, Nominating and Governance Committee, the payment of all such amounts owing with respect to such Award Shares will become due and payable on the earlier of (i) such date as may be determined by the Compensation, Nominating and Governance Committee in their sole discretion, and (ii) the date upon which all such amounts are otherwise payable under the terms of the applicable Participant Loan. If a participant resigns or is terminated for cause, all amounts owing under the Participant Loan become due and payable on the date of resignation or termination.

(ii) Restricted Share Unit Plan

Under the RSUP, the Compensation, Nominating and Governance Committee may grant an award in the form of RSUs (each, an “**RSU Award**”) annually in respect of the prior fiscal year to eligible participants as it, in its sole discretion, determines. Eligible participants under the RSUP include the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer and such other officers or employees of the Company as the Compensation, Nominating and Governance Committee may determine from time to time. In respect of each RSU Award, the eligible participant will be credited that number of restricted share units (rounded down to the nearest whole number) (“**RSUs**”) equal to the quotient obtained by dividing such participant’s incentive amount by the volume weighted average closing price of the Common Shares on the TSX for the five trading days immediately preceding the Determination Date. An “RSU Account” will be maintained by the Company for each participant and will show the RSUs credited to such participant from time to time.

Subject to the discretion of the Compensation, Nominating and Governance Committee to accelerate vesting, one-third of a participant’s RSU Award will vest on the each of the first three anniversaries of the date upon which the RSUs are granted (each, a “**Vesting Date**”). RSUP participants are notionally entitled to receive distributions equal to the amount of dividends paid per Common Share. Such distributions will be credited to the participant’s RSU Account in the form of additional RSUs. The number of RSUs to be credited for each dividend will be equal to the aggregate amount of such dividend divided by the volume weighted average closing price of the Common Shares on the TSX for the five trading days immediately preceding the date such dividend was declared. For purposes of vesting, all such RSUs shall be deemed to have the same grant date as those RSUs for which the applicable dividends were declared. Participants are not entitled to transfer, assign, charge, pledge or hypothecate or otherwise alienate RSUs other than for normal estate settlement purposes.

Effective as of a given Vesting Date, subject to a participant’s option to redeem all or a portion of vested RSUs in cash, the Company will redeem each vested RSU by issuing one Common Share for each RSU so redeemed. Any lump sum payment in cash will be calculated by multiplying the number of RSUs to be redeemed for cash by the

volume weighted average closing price of the Common Shares on the TSX for the five trading days immediately preceding the applicable Vesting Date.

Upon the retirement or death of a participant, any unvested RSUs will vest at the discretion of the Compensation, Nominating and Governance Committee. If a participant is terminated without cause or due to incapacity to work, subject to the discretion of the Compensation, Nominating and Governance Committee, any unvested RSUs shall vest on the applicable Vesting Dates. In the event of a change of control of the Company, any unvested RSUs will vest on the earlier of (i) such date as may be determined by the Compensation, Nominating and Governance Committee in their sole discretion, and (ii) the applicable Vesting Dates. Unvested RSUs will be forfeited if the participant resigns or is terminated for cause prior to the applicable Vesting Date.

Copies of the LTIP and the RSUP are available upon written request from the Corporate Secretary of the Company, 302 Town Centre Blvd., Suite 200, Markham, Ontario, L3R 0E8 or may also be found on SEDAR at www.sedar.com and on the Company's website at www.leisureworld.ca.

Fiscal 2012 Performance Goals and Metrics

David Cutler resigned from his position as President and Chief Executive Officer effective September 3, 2012 and was not awarded an annual performance bonus. Dino Chiesa was not entitled to a performance bonus in Fiscal 2012 for performing the functions of the Acting President and Chief Executive Officer. Accordingly, performance metrics for the President and Chief Executive Officer were not applicable in determining compensation in Fiscal 2012. The performance goals and metrics for the Company's other NEOs in Fiscal 2012 were as follows:

Fiscal 2012 CFO STIP, LTIP and RSUP Performance Categories and Weightings

Upon the achievement of specific performance goals established by the Company, the CFO is awarded an annual performance bonus of up to 50% of his or her base salary payable in cash in accordance with the Company's STIP, up to 25% of his or her base salary as an incentive opportunity pursuant to the Company's LTIP and up to 25% of his or her base salary as a grant of RSUs pursuant to the Company's RSUP. The performance categories and weightings in determining the CFO's Fiscal 2012 annual performance bonus are as follows:

Performance Area	Performance Weighting %⁽¹⁾	Performance Achievement %
Absolute Growth in AFFO	25%	100%
Absolute Return to Shareholders above 10%	15%	100%
Payout Ratio Target of 80%	20%	100%
Return to Shareholders exceeding the median return of TSX REIT sector	15%	100%
Enhance Financial Systems and control G&A costs not to exceed 3.88% of gross revenue	15%	100%
Long Term Strategic Financial Planning	10%	80%
Total	100%	98%

Notes:

(1) Performance weighting reflects the portion of the target tied to each performance element.

Fiscal 2012 COO STIP, LTIP and RSUP Performance Categories and Weightings

Upon the achievement of certain performance goals established by the Company, the COO is awarded an annual performance bonus of up to 50% of his or her base salary payable in cash in accordance with the Company's STIP, up to 25% of his or her base salary as an incentive opportunity pursuant to the Company's LTIP and up to 25% of his or her base salary as a grant of RSUs pursuant to the Company's RSUP. The performance categories and weightings in determining the COO's Fiscal 2012 annual performance bonus is as follows:

<u>Performance Area</u>	<u>Performance Weighting %⁽¹⁾</u>	<u>Performance Achievement %</u>
Absolute Growth in AFFO	20%	100%
Absolute Return to Shareholders above 10%	10%	100%
Payout Ratio Target of 80%	15%	100%
Return to Shareholders exceeding the median return of TSX REIT sector	10%	100%
Resident Quality and Satisfaction Results	25%	100
Strategic growth and seamless integration of acquisitions	15%	80%
Enhance Reputation as Employer of Choice	5%	80%
Total	100%	96%

Notes:

(1) Performance weighting reflects the portion of the target tied to each performance element.

Fiscal 2012 Vice-President, Finance STIP Performance Categories and Weightings

The Vice-President, Finance is awarded an annual performance bonus of up to 25% of his or her base salary, payable in cash in accordance with the Company's STIP, upon the achievement of certain performance goals established by the Company. In calculating Mr. Piunno's STIP award for Fiscal 2012, 30% of the performance weighting was allocated to the AFFO meeting the Company's target for the year, 15% of the performance weighting was allocated to Leisureworld's finance department meeting cost budgets and 10% of the performance weighting was allocated to Mr. Piunno delivering a high quality financial plan for 2012 within the appropriate time frame. The balance of the performance weighting, an aggregate of 45%, was allocated based on Mr. Piunno's enhancing internal and external financial processes and delivering quality service and support to other areas within the Company, including the integration of acquisitions. Mr. Piunno achieved 100% of his performance targets.

Fiscal 2012 Vice-President, Human Resources STIP Performance Categories and Weightings

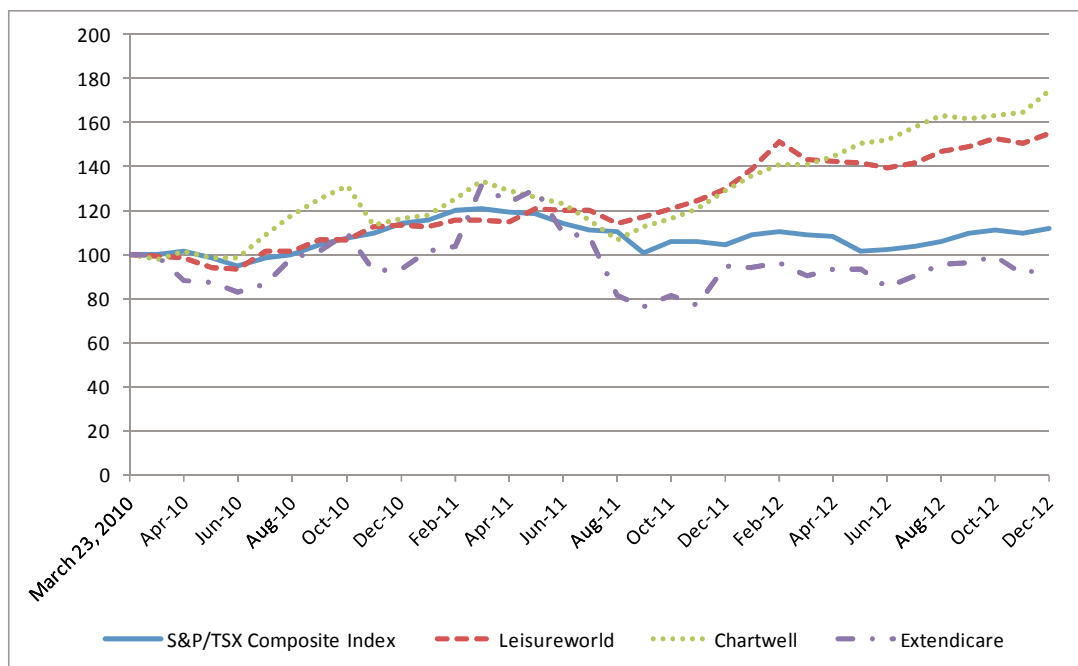
The Vice-President, Human Resources is awarded an annual performance bonus of up to 20% of his or her base salary, payable in cash in accordance with the Company's STIP, upon the achievement of certain performance goals established by the Company. In calculating Ms DesLauriers' STIP award for Fiscal 2012, 100% of the performance weighting was allocated to goal setting objectives to deliver exemplary resident focused care, maximizing resource utilization, promoting creativity and innovation and fostering a positive image in the workplace. Ms DesLauriers achieved 90% of her performance targets.

Performance Graph

The following graph compares the total cumulative Shareholder return for \$100 invested in Common Shares with the total cumulative shareholder return of two of our competitors, Chartwell and Extencicare, and the S&P/TSX Composite Index since the Company's initial public offering on March 23, 2010. During the period, the total

cumulative Shareholder return for \$100 invested in Common Shares was \$154.82 as compared to a total cumulative shareholder return of \$174.52, \$94.55 and \$111.64 for Chartwell, Extencicare and the S&P/TSX Composite Index, respectively.

**Cumulative Total Return on \$100 Investment Assuming Distributions are Re-invested
March 23, 2010 – December 31, 2012**



Date	03/23/10	12/31/10	12/31/11	12/31/12
Leisureworld	\$100	\$113.68	\$129.75	\$154.82
Chartwell	\$100	\$116.31	\$128.96	\$174.52
Extencicare	\$100	\$93.03	\$94.45	\$94.55
S&P/TSX Composite Index	\$100	\$114.09	\$104.15	\$111.64

Since the Company's initial public offering on March 23, 2010, Leisureworld's total cumulative Shareholder return outperformed the total cumulative shareholder return of one of its competitors, Extencicare, and the S&P/TSX Composite.

The Company's compensation to the CEO, the CFO and the COO is comprised primarily of two elements, one of which (the STIP) is tied to Common Share performance and one of which (annual salary) is not. In addition, the CEO, the CFO and the COO are also eligible to participate in the LTIP and the RSUP, which are also tied to Common Share performance. Annual awards made under the STIP, the LTIP and the RSUP are determined with references to the absolute return to Shareholders and the return to Shareholders exceeding the median return of the TSX REIT sector.

The Company's compensation to the Vice-President, Finance is comprised of two elements, one of which (the STIP) is tied to Common Share performance and the other (annual salary) is not. Annual awards made under the STIP to the Vice-President, Finance are determined, in part with reference to absolute return to Shareholders.

The Company's compensation to the Vice-President, Human Resources is comprised of two elements (annual salary and STIP), neither of which is tied to Common Share performance.

Summary Compensation Table

The following table provides a summary of the compensation for each of the Company's NEOs for the Company's three most recently completed financial years ending with Fiscal 2012.

Name and Principal Position	Year ⁽¹⁾	Salary (\$)	Share-Based Awards ⁽²⁾ (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)			All Other Compensation ⁽³⁾ (\$)	Total Compensation (\$)
					Short-Term Incentive Plans	Long-Term Incentive Plans	Pension Value (\$)		
DAVID CUTLER <i>President and Chief Executive Officer</i> ⁽⁴⁾	2010	311,233	N/A	N/A	311,233	N/A	N/A	20,962	643,428
	2011	400,000	150,000 ⁽⁸⁾	N/A	300,000	N/A	N/A	27,200	877,200
	2012	285,600	N/A	N/A	N/A	N/A	N/A	19,080	304,680
DINO CHIESA <i>Acting President and Chief Executive Officer</i> ⁽⁵⁾	2012	N/A	420,277 ⁽⁹⁾	N/A	N/A	N/A	N/A	73,750 ⁽¹⁰⁾	494,027
MARTIN LIDDELL <i>Executive Vice-President and Chief Financial Officer</i> ⁽⁶⁾	2010	188,607	N/A	N/A	150,886	N/A	N/A	9,430	348,923
	2011	125,862	N/A	N/A	N/A	N/A	N/A	226,293	352,155
MANNY DiFILIPPO <i>Executive Vice-President and Chief Financial Officer</i> ⁽⁷⁾	2011	114,945	28,736 ⁽¹¹⁾	N/A	57,470	N/A	N/A	7,247	208,398
	2012	244,420	59,883	N/A	119,766	N/A	N/A	14,533	438,602
PAUL RUSHFORTH <i>Executive Vice-President and Chief Operating Officer</i>	2010	188,607	N/A	N/A	150,886	N/A	N/A	12,944	352,437
	2011	242,500	50,015 ⁽¹²⁾	N/A	100,031	N/A	N/A	16,900	409,446
	2012	244,820	59,370	N/A	118,740	N/A	N/A	16,993	439,923
STEPHEN PIUNNO <i>Vice-President, Finance</i>	2010	124,054	N/A	N/A	31,013	N/A	N/A	7,562	162,629
	2011	160,000	N/A	N/A	40,000	N/A	N/A	10,000	210,000
	2012	182,500	N/A	N/A	45,625	N/A	N/A	10,900	239,025
JOSEPHINE DESLAURIERS <i>Vice-President, Human Resources</i>	2010	101,760	N/A	N/A	20,360	N/A	N/A	8,579	130,690
	2011	140,575	N/A	N/A	25,795	N/A	N/A	11,623	177,993
	2012	156,700	N/A	N/A	28,100	N/A	N/A	13,835	198,635

Notes:

- (1) Disclosure for the year 2010 relates to the period beginning on March 23, 2010 and ending on December 31, 2010.
- (2) Share-based awards include the RSU Awards granted pursuant to the RSUP and/or DSUs granted pursuant to the DSU Plan. In addition to the RSU Awards, certain of the Company's NEOs were awarded Incentive Amounts pursuant to the LTIP. Under the terms of the LTIP, Participants have 30 days to elect whether to acquire Award Shares. See "Statement of Executive Compensation – Equity Compensation Plans and Incentive Plan Awards".
- (3) Includes, except in the case of Dino Chiesa, car allowance and matching contributions by the Company to a registered retirement savings plan.
- (4) David Cutler resigned from his position as President and Chief Executive Officer effective September 3, 2012.
- (5) Mr. Chiesa assumed the role of Acting President and Chief Executive Officer effective September 4, 2012.
- (6) Martin Liddell resigned from his position as Executive Vice-President and Chief Financial Officer effective June 30, 2011. In accordance with the terms of his employment agreement Mr. Liddell was paid a severance in the amount of \$220,000.

- (7) Manny DiFilippo was appointed to the position of Executive Vice-President and Chief Financial Officer effective July 11, 2011.
- (8) Includes 4,462 RSUs (inclusive of distributions equal to the amount of dividends paid per Common Share in the form of additional RSUs), which vested on the first anniversary of the grant date. All such vested RSUs were redeemed for cash and paid by the Company to Mr. Cutler. The balance of the RSUs originally granted to Mr. Cutler have been forfeited.
- (9) Mr. Chiesa earned director fees of \$33,750 which he elected to be receive in the form of DSUs plus a matched amount by the Company of \$33,750 pursuant to the DSU Plan, and additional director fees of \$352,777, which he elected to receive in the form of DSUs as compensation received in his capacity as director for performing the additional functions required to assume the role of Acting President and Chief Executive Officer. The Company did not match the DSUs received by Mr. Chiesa on account of these additional fees.
- (10) All other compensation consists of director fees paid in cash to Mr. Chiesa.
- (11) Includes 865 RSUs (inclusive of distributions equal to the amount of dividends paid per Common Share in the form of additional RSUs), which vested on the first anniversary of the grant date. All such vested RSUs were redeemed for cash and paid by the Company to Mr. DiFilippo.
- (12) Includes 1,505 RSUs (inclusive of distributions equal to the amount of dividends paid per Common Share in the form of additional RSUs), which vested on the first anniversary of the grant date. All such vested RSUs were redeemed for cash and paid by the Company to Paul Rushforth.

Equity Compensation Plans and Incentive Plan Awards

The following table sets out all outstanding Common Share-based awards for each NEO as at the date hereof.

Name and Principal Position	Option-Based Awards				Share-Based Awards ⁽¹⁾		
	Number of Common Shares Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised “In-The- Money” Options (\$)	Number of Common Shares That Have Not Vested (#)	Market or Payout Value Of Share- Based Awards That Have Not Vested ⁽¹⁾ (\$)	Market or Payout value of vested share-based awards not paid out or distributed ⁽²⁾ (\$)
DAVID CUTLER <i>President and Chief Executive Officer</i> ⁽³⁾	N/A	N/A	N/A	N/A	0	0	0 ⁽⁵⁾
DINO CHIESA <i>Acting President and Chief Executive Officer</i> ⁽⁴⁾	N/A	N/A	N/A	N/A	39,314	506,757	N/A
MANNY DIFILIPPO <i>Executive Vice-President and Chief Financial Officer</i>	N/A	N/A	N/A	N/A	6,467	83,360	0
PAUL RUSHFORTH <i>Executive Vice-President and Chief Operating Officer</i>	N/A	N/A	N/A	N/A	7,707	99,343	0
STEPHEN PIUNNO <i>Vice-President, Finance</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
JOSEPHINE DESLAURIERS <i>Vice-President, Human Resources</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) In the case of RSUs, such value is based on the volume weighted average closing price of the Common Shares on the TSX for the five trading days immediately preceding an assumed Vesting Date of March 18, 2013 of \$12.89. In the case of DSUs, such value is based on a closing price of Common Shares on the TSX on an assumed designated date of March 18, 2013 of \$12.89.
- (2) Share-based awards include the RSU Awards granted pursuant to the RSUP and/or DSUs granted pursuant to the DSU Plan. In addition to the RSU Awards, certain of the Company’s NEOs were awarded Incentive Amounts pursuant to the LTIP. Under the terms of the LTIP, Participants have 30 days to elect whether to acquire Award Shares. See “Statement of Executive Compensation – Equity Compensation Plans and Incentive Plan Awards”.
- (3) David Cutler resigned from his position as President and Chief Executive Officer effective September 3, 2012.

- (4) Dino Chiesa assumed the role of Acting President and Chief Executive Officer effective September 4, 2012. Mr. Chiesa earned director fees of \$33,750 which he elected to be receive in the form of DSUs plus a matched amount by the Company of \$33,750 pursuant to the DSU Plan, and additional director fees of \$352,777, which he elected to receive in the form of DSUs as compensation received in his capacity as director for performing the additional functions required to assume the role of Acting President and Chief Executive Officer. The Company did not match the DSUs received by Mr. Chiesa on account of these additional fees
- (5) All of the vested 4,462 RSUs (inclusive of distributions equal to the amount of dividends paid per Common Share in the form of additional RSUs) have been redeemed for cash and paid by the Company to Mr. Cutler. The balance of the RSUs originally granted to Mr. Cutler have been forfeited.

The following table sets out the value of incentive plan awards vested or earned for each NEO during Fiscal 2012.

Name and Principal Position	Option-Based Awards – Value Vested During the Year (\$)	Share-Based Awards⁽¹⁾ – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
DAVID CUTLER <i>President and Chief Executive Officer⁽²⁾</i>	N/A	56,000 ⁽⁴⁾	N/A
DINO CHIESA <i>Acting President and Chief Executive Officer⁽³⁾</i>	N/A	N/A	N/A
MANNY DiFILIPPO <i>Executive Vice-President and Chief Financial Officer</i>	N/A	11,170	119,766
PAUL RUSHFORTH <i>Executive Vice-President and Chief Operating Officer</i>	N/A	19,444	118,740
STEPHEN PIUNNO <i>Vice-President, Finance</i>	N/A	N/A	45,625
JOSEPHINE DESLAURIERS <i>Vice-President, Human Resources</i>	N/A	N/A	28,100

Notes:

- (1) Share-based awards include the RSU Awards granted pursuant to the RSUP and/or DSUs granted pursuant to the DSU Plan. In addition to the RSU Awards, certain of the Company's NEOs were awarded Incentive Amounts pursuant to the LTIP. Under the terms of the LTIP, Participants have 30 days to elect whether to acquire Award Shares. See "Statement of Executive Compensation – Equity Compensation Plans and Incentive Plan Awards".
- (2) David Cutler resigned from his position as President and Chief Executive Officer effective September 3, 2012.
- (3) Dino Chiesa assumed the role of Acting President and Chief Executive Officer effective September 4, 2012.
- (4) All of the vested 4,462 RSUs (inclusive of distributions equal to the amount of dividends paid per Common Share in the form of additional RSUs) have been redeemed for cash and paid by the Company to Mr. Cutler.

Employment Agreements

David Cutler, President and Chief Executive Officer

David Cutler served as Leisureworld's President and Chief Executive Officer until his resignation on September 3, 2012. Mr. Cutler's employment agreement provided for an annual base salary in the amount of \$400,000 (which amount was subject to annual review) and an annual performance incentive payment for an amount up to 150% of Mr. Cutler's annual base salary upon the achievement of certain financial, operational and individual objectives established by Leisureworld. In addition, Mr. Cutler was entitled to customary benefits including a monthly car allowance in the amount of \$600. The agreement provided for termination without cause, upon which Mr. Cutler was entitled to immediate vesting of all short and long term incentive awards. Mr. Cutler's employment agreement also contained certain restrictive covenants that continued to apply following the termination of the agreement, including non-competition within Ontario for a period of nine months and non-solicitation of employees for a period of 12 months following termination.

Dino Chiesa, Acting President and Chief Executive Officer

Dino Chiesa assumed the role of Acting President and Chief Executive Officer effective September 4, 2012. He has not entered into an employment agreement with Leisureworld.

Manny DiFilippo, Executive Vice-President and Chief Financial Officer

Pursuant to the terms of an employment agreement with Leisureworld, Manny DiFilippo serves as Leisureworld's Executive Vice-President and Chief Financial Officer for an indefinite term. The agreement provides for an annual base salary, which is currently \$244,420 (which amount is subject to review annually), and an annual performance bonus of up to 50% of his base salary payable in cash in accordance with the Company's STIP, up to 25% of his base salary awarded as an Incentive Amount pursuant to the Company's LTIP and up to 25% of his base salary granted as RSUs pursuant to the Company's RSUP, upon the achievement of certain goals established by Leisureworld. In addition, Mr. DiFilippo is entitled to customary benefits including a monthly travel allowance in the amount of \$600. Leisureworld may terminate the agreement without cause upon providing written notice or pay in lieu of notice in accordance with the provisions of the *Employment Standards Act* (Ontario) plus two additional weeks per year of service to a maximum of 40 additional weeks and severance pay in accordance with the *Employment Standards Act* (Ontario); provided that in the case of a termination without cause or as a result of a change of control, Mr. DiFilippo's severance will not be less than six months' pay. No other early termination fee is payable to Mr. DiFilippo upon such termination. The agreement may also be terminated by Leisureworld for cause without giving notice, payment in lieu of notice or any other indemnity such as severance pay. The agreement provides for certain restrictive covenants that continue to apply following the termination of the agreement, including non-competition and non-solicitation of employees for a period of nine months following termination.

Paul Rushforth, Executive Vice-President and Chief Operating Officer

Pursuant to the terms of an employment agreement with Leisureworld, Paul Rushforth serves as Leisureworld's Chief Operating Officer for an indefinite term. The agreement provides for an annual base salary, which is currently \$244,820 (which amount is subject to review in late February of each fiscal year). Mr. Rushforth is also entitled to an annual performance bonus of up to 50% of his base salary payable in cash in accordance with the Company's STIP, up to 25% of his base salary awarded as an Incentive Amount pursuant to the Company's LTIP and up to 25% of his base salary granted as RSUs pursuant to the Company's RSUP) upon the achievement of certain goals established by Leisureworld. In addition, Mr. Rushforth is entitled to customary benefits including a monthly travel allowance in the amount of \$600. Leisureworld may terminate the agreement without cause upon providing written notice or pay in lieu of notice in accordance with the provisions of the *Employment Standards Act* (Ontario) plus three additional weeks per year of service to a maximum of 40 additional weeks and severance pay in accordance with the *Employment Standards Act* (Ontario). No other early termination fee is payable to Mr. Rushforth upon such termination. The agreement may also be terminated by Leisureworld for cause without giving notice.

Stephen Piunno, Vice-President, Finance

Pursuant to the terms of an employment agreement with Leisureworld, Stephen Piunno serves as Leisureworld's Vice-President, Finance for an indefinite term. The agreement provides for an annual base salary, which is currently \$182,500 (which amount is subject to review annually). In addition, Mr. Piunno is entitled to customary benefits including a monthly travel allowance in the amount of \$300 and re-imbursalment of 407 ETR expenses. Mr. Piunno is also entitled to an annual performance incentive payment with the achievement of certain financial and individual objectives, payable in cash for an amount of up to 25% of Mr. Piunno's annual base salary. Leisureworld may terminate the agreement without cause upon providing written notice or pay in lieu of notice in accordance with the provisions of the *Employment Standards Act* (Ontario). No other early termination fee is payable to Mr. Piunno upon such termination. The agreement may also be terminated by Leisureworld for cause without giving notice.

Josephine DesLauriers, Vice-President, Human Resources

Pursuant to the terms of an employment agreement with Leisureworld, Josephine DesLauriers serves as the Company's Vice-President, Human Resources for an indefinite term. The agreement provides for an annual base salary, which is currently \$156,700. In addition, Ms DesLauriers is entitled to customary benefits including a monthly travel allowance in the amount of \$500. Ms DesLauriers is also entitled to an annual performance incentive

payment with the achievement of certain financial and individual objectives, payable in cash for an amount of up to 20% of Ms DesLauriers' annual base salary. Leisureworld may terminate Ms DesLauriers' employment at any time without cause upon payment of an amount to Ms DesLauriers in lieu of notice equal to four weeks' salary based on Ms DesLauriers base salary for each year of service to a maximum of 12 months. No other early termination fee is payable to Ms DesLauriers upon such termination. The agreement may also be terminated by Leisureworld for cause without giving notice.

In addition, the employment agreements with executive officers contain, among other things, standstill covenants, including non-solicitation and confidentiality covenants.

Termination and Change of Control Benefits

Pursuant to the employment agreements outlined in greater detail above, the following table provides, for each of the foregoing NEOs, an estimate of the payments payable by the Company (or its subsidiaries), assuming a termination for any reason other than cause, or in connection with a change of control, taking place on December 31, 2012:

Name and Principal Position	Termination Payment (\$)	Fiscal 2012 Bonus (\$)	Vesting of Stock Based Compensation⁽¹⁾ (\$)	Employee Benefits (\$)	Total (\$)
DAVID CUTLER ⁽²⁾ <i>President and Chief Executive Officer</i>	0	N/A	56,000 ⁽⁴⁾	0	56,000
DINO CHIESA ⁽³⁾ <i>Acting President and Chief Executive Officer</i>	N/A	N/A	0	0	0
MANNY DIFILIPPO <i>Executive Vice-President and Chief Financial Officer</i>	131,987	119,766	0	0	251,753
PAUL RUSHFORTH <i>Executive Vice-President and Chief Operating Officer</i>	59,346	118,740	0	0	178,086
STEPHEN PIUNNO <i>Vice-President, Finance</i>	N/A	45,625	0	0	45,625
JOSEPHINE DESLAURIERS <i>Vice-President, Human Resources</i>	73,322	28,100	0	0	101,422

Notes:

- (1) Stock based compensation include the RSU Awards granted pursuant to the RSUP and/or DSUs granted pursuant to the DSU Plan. In addition to the RSU Awards, certain of the Company's NEOs were awarded Incentive Amounts pursuant to the LTIP. Under the terms of the LTIP, Participants have 30 days to elect whether to acquire Award Shares. See "Statement of Executive Compensation – Equity Compensation Plans and Incentive Plan Awards".
- (2) David Cutler resigned from his position as President and Chief Executive Officer effective September 3, 2012.
- (3) Dino Chiesa assumed the role of Acting President and Chief Executive Officer effective September 4, 2012. Mr. Chiesa's DSUs only vest and are payable upon his resignation as a director of the Company and not on his ceasing to perform the functions of the Acting President and Chief Executive Officer.
- (4) Includes 4,462 RSUs (inclusive of distributions equal to the amount of dividends paid per Common Share in the form of additional RSUs), which vested on the first anniversary of the grant date. All such vested RSUs were redeemed for cash and paid by the Company to Mr. Cutler. The balance of the RSUs originally granted to Mr. Cutler were forfeited.

Director Compensation

Director Fees

Each of the non-employee Directors of the Company is entitled to receive an annual retainer of \$25,000. The Chairman of the Board is entitled to an additional annual retainer of \$20,000. The chair of the Audit Committee is entitled to receive an additional annual retainer of \$10,000. The chair of the Compensation, Nominating and Governance Committee is entitled to receive an additional annual retainer of \$7,500. Each of the non-employee Directors of the Company are entitled to receive a fee of \$2,000 for each Board or Committee meeting which a non-employee Director attends in person and \$500 per meeting for attending by telephone. In addition, non-employee Directors who, at the request of the Board or management of the Company, attend to business matters or affairs of the Company that are unrelated to Board or Committee meetings are entitled to receive a fee of \$2,000 per diem while attending to such business matters or affairs. Non-employee Directors are also reimbursed for all reasonable travel and ancillary expenses.

Deferred Share Unit Plan

On February 22, 2012, the Board of Directors established a deferred share unit plan (“**DSU Plan**”) for Directors. The DSU Plan is intended to allow participants to participate in the long-term success of Leisureworld and promote a greater alignment of interests between the participants and shareholders of the Company, while reducing the cash requirements of Leisureworld, to the extent that participants elect to receive their fees in the form of notional shares. Each member of the Board that is not also an employee of the Company, at his or her discretion, will be eligible to participate in the DSU Plan. Under the DSU Plan, each such Director will be entitled to elect to have up to 100% of his or her annual retainer fees in respect of his or her services as Directors and/or committee chairs contributed to the DSU Plan. All such fees contributed to the DSU Plan are credited to such Director in the form of notional shares representing the volume weighted average closing price of the Common Shares on the TSX for the five trading days immediately preceding the date of contribution. The Company shall match the amount elected by such Director to be contributed to the DSU Plan such that the number of notional shares issued to such Director shall be equal in value to two times the contributed amount. For so long as the participant continues to serve on the Board of Directors, dividends accrue on the notional shares consistent with amounts declared by the Board of Directors on the Company’s common shares and additional notional shares representing the dividends are credited to the participant’s notional share account. Notional shares credited to the participant’s notional share account may be redeemed only when a participant no longer serves on the Board of Directors for any reason. Redemptions will be paid out in cash. Directors will be required to elect annually the amount of his or her fees that will be contributed to the DSU Plan for the upcoming year. Directors may change their election from year to year. Fees payable to a Director in respect of his or her attendance at a meeting are not eligible for purposes of the DSU Plan. Effective July 23, 2012, the DSU Plan was amended to permit the issuance of DSUs at such time and in such amounts as the Board of Directors may determine rather than annually.

The following table describes director compensation for the year ended December 31, 2012. Directors who are also officers of the Company are not entitled to any compensation for their services as a director.

Name ⁽¹⁾	Fees Earned (\$)	Share-based award ⁽²⁾ (\$)	Option-based Award (\$)	Non-equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Fees Earned (\$)
DAVID CUTLER ⁽³⁾	7,000	16,304	N/A	N/A	N/A	N/A	23,304
JANET GRAHAM	70,750	52,500	N/A	N/A	N/A	N/A	123,250
JACK MACDONALD	62,250	37,500	N/A	N/A	N/A	N/A	99,750
JOHN McLAUGHLIN	67,125	187,088 ⁽⁴⁾	N/A	N/A	N/A	N/A	254,213
TOTAL	207,125	293,392	N/A	N/A	N/A	N/A	500,517

Notes:

(1) Dino Chiesa’s director’s compensation for the year ended December 31, 2012 is summarized above under the heading “Statement of Executive Compensation – Summary Compensation Table”.

- (2) Share-based award consists of the annual retainer fees in respect of which the director elected to receive in the form of DSUs plus a matched amount by the Company pursuant to the DSU Plan.
- (3) David Cutler received no compensation from the period of January 1, 2012 to September 3, 2012.
- (4) John McLaughlin earned director fees of \$24,375 which he elected to be receive in the form of DSUs plus a matched amount by the Company of \$24,375 pursuant to the DSU Plan, and additional director fees of \$138,338, which he elected to receive in the form of DSUs as compensation received in his capacity as director for performing additional functions required to assist in the transition of Company management following the resignation of David Cutler as President and CEO. The Company did not match the DSUs received by Mr. McLaughlin on account of these additional fees.

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNIFICATION

The Company has obtained a directors' and officers' liability insurance policy, which covers corporate indemnification of Directors and officers and individual Directors and officers of the Company in certain circumstances. In addition, the Company has entered into indemnification agreements with its Directors and officers for liabilities and costs in respect of any action or suit against them in connection with the execution of their duties, subject to customary limitations prescribed by applicable law.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

As of the date hereof, except as described below, no individual who is a Director or executive officer of the Company, or at any time during the most recently completed financial year of the Company, was a Director or executive officer of the Company or any of its subsidiaries, no individual proposed as a nominee for election as a Director of the Company and no associates of any such director, executive officer or proposed nominee, is indebted to the Company.

Aggregate Indebtedness

The aggregate indebtedness to Leisureworld for the purchase of securities of the Company as at March 24, 2013 of all executive officers, directors, employees and former executive officers, directors and employees of the Company, excluding "routine indebtedness" (as defined under applicable securities laws), was approximately \$185,196. The table below represents the approximate aggregate indebtedness, excluding routine indebtedness, outstanding as at March 24, 2013, entered into in connection with a purchase of securities and all other indebtedness.

Purpose	Aggregate Indebtedness (\$)	
	To the Company or its subsidiaries	To Another Entity
Share purchases	185,196	N/A
Other	N/A	N/A

Indebtedness of Directors and Executive Officers under Securities Purchase and Other Programs

The table below represents amounts outstanding for each individual who is, or at any time during the year ended December 31, 2012 was, a director or executive officer of Leisureworld, each proposed nominee for election as director of Leisureworld, and each associate of any such director, executive officer or proposed nominee.

Indebtedness of Directors and Executive Officers under Securities Purchase and Other Programs

Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During the Year Ended December 31, 2012 (\$)	Amount Outstanding as at March 24, 2013 (\$)	Financially Assisted Securities Purchases during the Year Ended December 31, 2012 (#)	Security for Indebtedness	Amount Forgiven During the Year Ended December 31, 2012 (\$)
Securities Purchase Programs ⁽¹⁾						
David Cutler Director	Lender	142,500	nil	1 Purchase (12,625 Shares)	Common Shares	nil
Manny DiFilippo Chief Financial Officer	Lender	27,300	83,130	1 Purchase (2,418 Shares)	Common Shares	nil
Paul Rushforth Chief Operating Officer	Lender	47,515	102,066	1 Purchase (4,209 Shares)	Common Shares	nil

Other Programs – N/A

Notes:

- (1) Under the LTIP, each participant may borrow from the Company, at the prime rate of interest per annum established by the Company's bank at the time Award Shares are issued or at such other interest rate as determined by the Compensation, Nominating and Governance Committee at the time such Award Shares are issued, an amount not greater than 95% of the aggregate purchase price for the Award Shares purchased in respect of a fiscal year to acquire such Award Shares. Each such loan is due and payable on the date which is five years from the date the related Award Shares are issued. Until such loan has been repaid in full, the related Award Shares are pledged to the Company as security against the outstanding balance of such loan, any cash dividends declared on such Award Shares will be applied against the outstanding balance of such loan and the holder thereof shall not be entitled to assign, or exercise any voting rights attached to, such Award Shares.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of the Directors of the Company, no informed person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) of the Company, no proposed Director of the Company and no known associate or affiliate of any such informed person or proposed Director, during Fiscal 2012, has or has had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction which has or would materially affect Leisureworld or any of its subsidiaries, except as set forth in the AIF, which is incorporated by reference in this Information Circular and can be accessed on SEDAR at www.sedar.com. All defined terms not defined herein have the meanings ascribed to them in the AIF.

CORPORATE GOVERNANCE DISCLOSURE

The Board believes that good corporate governance improves corporate performance and benefits all Shareholders. Additionally, National Instrument 58-101 – *Disclosure of Corporate Governance Practices* prescribes certain disclosure by the Company of its corporate governance practices. This disclosure is presented below.

Board of Directors

- (a) The independent members of the Board are Janet Graham, Jack MacDonald and John McLaughlin.

- (b) The non-independent members of the Board are Dino Chiesa and David Cutler. Mr. Chiesa performs the functions of Acting President and Chief Executive Officer. Mr. Cutler was, within the last three years, an executive officer of Leisureworld and is, therefore, not considered independent under National Instrument 51-110 – Audit Committees.
- (c) Three of the five members of the Board are independent.
- (d) Janet Graham serves as director on the board of trustees of Milestone Apartments Real Estate Investment Trust.
- (e) While the Board of Directors anticipated holding regularly scheduled meetings in Fiscal 2012 at which only independent Directors were in attendance, in practice, the independent Directors functioned independently of the non-independent Directors by holding *in camera* meetings after board meetings and informally conferring on board matters as such members determined necessary or desirable. The opinions of independent Directors are also actively solicited by the Board Chair at each meeting of the Board of Directors.
- (f) The Chair of the Board, Dino Chiesa, because he currently performs the functions of the Acting President and Chief Executive Officer, is not an independent Director. Mr. Chiesa's responsibilities include establishing, in consultation with the chief executive officer of the Company, the Directors and appropriate members of management, the agendas for each meeting of the Board. The agenda for each committee meeting will be established by the Chair of that committee in consultation with appropriate members of the committee and management. Following David Cutler's resignation as President and Chief Executive Officer, Janet Graham has facilitated open and candid discussion among the Company's independent directors.
- (g) The following table sets forth the number of Board of Directors and Committee meetings held and attendance by Directors for Fiscal 2012:

<i>Director</i>	<i>Board Meetings Attended (in person or by telephone)</i>	<i>Committee Meetings Attended (in person or by telephone)</i>
DINO CHIESA	18 of 18	23 of 23
JANET GRAHAM	18 of 18	23 of 23
JACK MACDONALD	18 of 18	23 of 23
JOHN McLAUGHLIN	18 of 18	23 of 23
DAVID CUTLER ⁽¹⁾	13 of 18	3 of 16

Notes:

- (1) David Cutler did not attend any board meetings or committee meetings that related to his resignation as President and Chief Executive Officer.

Mandate of the Board of Directors

The mandate of the Board of Directors is attached to this Information Circular as Appendix C.

Position Descriptions

The Chair of the Board of Directors and Committee Chairs

The Board of Directors has adopted a written position description for the Chair of the Board which sets out the Chair's key responsibilities, including duties relating to setting Board meeting agendas, chairing Board and Shareholder meetings, ensuring Directors are apprised of matters which are material to Directors and providing advice, counsel and mentorship to the Company's management team. The Board has also adopted written position descriptions for the chair of the Audit Committee and for the chair of the Compensation, Nominating and Governance Committee, which position descriptions set out each of the committee chair's key responsibilities,

including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee. These descriptions are considered by the Board for approval annually.

The Chief Executive Officer

The primary functions of the chief executive officer are to lead the management of the business and affairs and to lead the implementation of the resolutions and the policies of the Board. The Board has developed a written position description and mandate for the chief executive officer which sets out the chief executive officer's key responsibilities, including duties relating to strategic planning and oversight of the Company's business. The chief executive officer mandate is considered by the Board for approval annually.

Orientation and Continuing Education

The Board encourages the Directors to take relevant training programs offered by different regulatory bodies and gives them the opportunity to expand their knowledge about the nature and operations of the Company.

Leisureworld will put in place an orientation program for new Directors under which a new Director will meet separately with members of the executive team. A new Director will be presented with a Director manual that reviews Board policies and procedures, the Company's current strategic plan, financial plan and capital plan, the most recent annual and quarterly reports and materials relating to key business issues.

The chair of each committee will be responsible for co-ordinating orientation and continuing director development programs relating to the committee's mandate. Each of the committee chairs will also be responsible for instituting a learning program that focuses on topics relevant to each committee's mandate.

Ethical Business Conduct

The Board of Directors has adopted a code of business conduct and ethics (the "Code") that sets out the principles that should guide the behaviour of Directors, officers and employees of Leisureworld. The Code addresses, among others, the following issues:

- conflicts of interest;
- protection and proper use of corporate assets and opportunities;
- confidentiality of corporate information;
- fair dealing with the Company's competitors and persons with whom Leisureworld has a business relationship;
- compliance with laws, rules and regulations; and
- reporting of any illegal or unethical behaviour.

Through the Company's whistleblower policy, the Board has established procedures that allow employees of the Company to confidentially and anonymously submit concerns to the chair of the Audit Committee (who is independent of management of Leisureworld) regarding any accounting or auditing matter or any other matter which such employee believes to be in violation of the Code. Any complaints received are acknowledged and promptly investigated by the chair of the Audit Committee, who will maintain a log of all complaints that are received, tracking their receipt, investigation and resolution. Any complaints that relate to a questionable accounting or auditing matter will be immediately brought to the attention, and reviewed under the direction, of the Audit Committee of the Company.

The Board of Directors (or any Committee to whom that authority has been delegated) can grant waivers of compliance with the Code. No such waiver has been granted since the adoption of the Code and consequently, the

Company filed no material change report during the last fiscal year pertaining to any conduct of a Director or executive officer of the Company that constitutes a departure from the Code.

A copy of the Code is available upon written request from the Corporate Secretary of the Company, 302 Town Centre Blvd., Suite 200, Markham, Ontario, L3R 0E8 or may also be found on SEDAR at www.sedar.com and on the Company's website at www.leisureworld.ca.

To ensure the Directors exercise independent judgment, in considering transactions, agreements or decisions in respect of which a Director or executive officer has a material interest, the Director or executive officer is required to recuse themselves from the Board meeting at the time such transaction, agreement or decision is considered by the Board and such individual will not be permitted to cast a vote on the matter.

Nomination of Directors

The Compensation, Nominating and Governance Committee has carefully reviewed and assessed the professional skills and abilities, the personality and other qualifications of each candidate, including the time and energy that the candidate is able to devote to the task as well as the contribution that he or she can make to the Board. The Compensation, Nominating and Governance Committee is composed entirely of independent Directors.

Compensation

The Compensation, Nominating and Governance Committee determines the compensation of the Company's Directors and officers. In order to establish the compensation of the Company's Directors and officers, the committee reviews, as appropriate, industry data published by compensation consultants for comparable executive positions. The committee reviews performance annually. The Compensation, Nominating and Governance Committee is composed entirely of independent Directors.

Compensation, Nominating and Governance Committee

The Compensation, Nominating and Governance Committee consists of three Directors, each of whom is an independent Director of the Company. Among other things, the Compensation, Nominating and Governance Committee:

- reviews and makes recommendations to the Board of the Company concerning the appointment of officers of the Company;
- annually reviews and makes recommendations to the Board of the Company concerning remuneration of officers of the Company;
- annually reviews the chief executive officer's goals and objectives for the upcoming year, provides an appraisal of the chief executive officer's performance and reviews his or her compensation;
- makes recommendations concerning the remuneration of Directors and nomination of new Directors; and
- administers and makes recommendations regarding the operation of employee incentive plans.

The Compensation, Nominating and Governance Committee is also responsible for developing the Company's approach to governance issues, monitoring and overseeing the quality and effectiveness of the corporate governance practices and policies of the Company and making recommendations to the Board with respect to new members of the Board and periodically reviewing the effectiveness of the Directors and the contribution of individual Directors. This committee is also responsible for developing and periodically reviewing and updating the Company's written disclosure policy. The disclosure policy, among other things, provides the following:

- articulates the legal obligations of the Company, its affiliates and their respective directors, officers and employees with respect to confidential information;

- identifies spokespersons of the Company, who are the only persons authorized to communicate with third parties such as analysts, media and investors;
- provides guidelines on the disclosure of forward looking information;
- adopts and implements corporate communication policies and ensures the effectiveness and integrity of communication and reporting to the Company's Shareholders and public generally;
- adopts and implements policies to prevent the selective disclosure of material information and ensures that, if selective disclosure does occur, a news release is issued immediately; and
- establishes "black-out" periods prior to and following the disclosure of quarterly and annual financial results and with respect to the disclosure of certain material changes, during which periods prescribed individuals and entities may not purchase or sell Common Shares.

Other Board Committees

Other than the Audit Committee and the Compensation, Nominating and Governance Committee, the Board does not have (and does not currently intend to have) any other standing committees.

OTHER BUSINESS

The Directors are not aware of any matters intended to come before the Meeting other than those items of business set forth in the attached Notice of Meeting accompanying this Information Circular. If any other matters properly come before the Meeting, it is the intention of the persons named in the Form of Proxy to vote in respect of those matters in accordance with their judgment.

ADDITIONAL INFORMATION

Financial information is provided in the Company's comparative financial statements and the Company's management's discussion and analysis for Fiscal 2012 (the "MD&A"). Copies of the Company's financial statements for Fiscal 2012, together with the auditors' report thereon, the MD&A, AIF (together with any document incorporated therein by reference) and this Information Circular are available upon written request from the Corporate Secretary of the Company, 302 Town Centre Blvd., Suite 200, Markham, Ontario, L3R 0E8. The Company may require payment of a reasonable charge if the request is made by a person who is not a Shareholder. These documents and additional information relating to the Company may also be found on SEDAR at www.sedar.com and on the Company's website at www.leisureworld.ca.

APPROVAL OF DIRECTORS

The contents and the sending of this Information Circular to the Shareholders have been approved by the Board of Directors.

BY ORDER OF THE BOARD OF DIRECTORS

Dated: March 25, 2013

"Dino Chiesa"

Chair of the Board of Directors

Leisureworld Senior Care Corporation

APPENDIX A

**CONTINUING, AMENDING AND RESTATING SHAREHOLDERS' RIGHTS PLAN
SHAREHOLDERS' RESOLUTION**

Be it resolved as an ordinary resolution of the Shareholders that:

1. The shareholder rights plan of the Company be continued, amended and restated and the Amended and Restated Rights Plan in the form substantially set forth in Appendix B to the management information circular of the Company dated March 25, 2013, which amends and restates the Rights Plan dated March 23, 2010, between the Company and Computershare Trust Company of Canada, as rights agent, and continues the rights issued under the Rights Plan is hereby approved; and
2. Any one director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute and, if appropriate, deliver all other documents and instruments and do all other things as in the opinion of such director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action.

APPENDIX B

**SHAREHOLDER RIGHTS PLAN
BLACKLINE OF THE AMENDED AND RESTATED RIGHTS PLAN AGAINST THE RIGHTS PLAN**

AMENDED AND RESTATED
SHAREHOLDER RIGHTS PLAN AGREEMENT

DATED AS OF ~~MARCH 23, 2010~~ ●, 2013

BETWEEN

LEISUREWORLD SENIOR CARE CORPORATION

AND

COMPUTERSHARE TRUST COMPANY OF CANADA

AS RIGHTS AGENT

AMENDED AND RESTATED
SHAREHOLDER RIGHTS PLAN AGREEMENT

AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT dated as of ~~●~~, 2013 (amending and restating the Shareholder Rights Plan Agreement dated as of March 23, 2010) between **LEISUREWORLD SENIOR CARE CORPORATION** (the “**Company**”), a company incorporated under the laws of the Province of British Columbia, and **COMPUTERSHARE TRUST COMPANY OF CANADA**, a company existing under the laws of Canada (the “**Rights Agent**”);

WHEREAS:

- (a) effective March 23, 2010, the Board of Directors of the Company, in the exercise of its fiduciary duties has determined that it is advisable and in the best interests of the Company to ~~adopt~~continue to have in place a shareholder rights plan (as amended hereby) (the “**Rights Plan**”) to ensure, to the extent possible, that all shareholders of the Company are treated fairly in connection with any take-over bid for the Company;
- (b) the Board of Directors has ~~authorized~~determined that the Rights Plan shall continue its ongoing effectiveness, upon receiving the requisite approval of Independent Shareholders;
- (c) in order to continue the Rights Plan, the Board of Directors has confirmed its authorization and issuance of:
 - (i) ~~and declared the issuance of~~ one Right effective at the Record Time in respect of each Common Share outstanding at the Record Time; and
 - (ii) ~~the issuance of~~ one Right in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time;
- (~~d~~) ~~each~~ Right entitles the holder thereof, after the Separation Time, to purchase securities of the Company pursuant to the terms and subject to the conditions set forth in this Agreement;
- (~~e~~) ~~the~~ Company has appointed the Rights Agent to act on behalf of the Company and the holders of Rights, and the Rights Agent has agreed to act on behalf of the Company in connection with the issuance, transfer, exchange and replacement of Rights Certificates, the exercise of Rights and other matters referred to in this Agreement; and
- (~~f~~) ~~capitalized~~ terms used above without definition have the meanings given to such terms in Article 1 of this Agreement;

NOW THEREFORE, in consideration of the premises and the respective agreements set forth herein, the Company and the Rights Agent agree as follows:

ARTICLE 1 - INTERPRETATION

1.1 Certain Definitions

For purposes of this Agreement, the following terms have the meanings indicated;

- (a) “**Acquiring Person**” means any Person who is the Beneficial Owner of 20% or more of the outstanding Voting Securities; provided, however, that the term “Acquiring Person” shall not include:
 - (i) the Company or any Subsidiary of the Company;

- (ii) any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Securities as a result of one or any combination of:
 - (A) a Voting Security Reduction,
 - (B) a Permitted Bid Acquisition,
 - (C) an Exempt Acquisition,
 - (D) a Convertible Security Acquisition, or
 - (E) a Pro Rata Acquisition;

provided, however, that if a Person becomes the Beneficial Owner of 20% or more of the outstanding Voting Securities by reason of one or any combination of (A), (B), (C), (D) or (E) above and thereafter becomes the Beneficial Owner of additional Voting Securities in an amount greater than 1% of the outstanding Voting Securities (other than pursuant to one or any combination of (A), (B), (C), (D) or (E) above), then as of the date such Person becomes the Beneficial Owner of such additional Voting Securities, such Person shall become an “Acquiring Person”;

- (iii) for a period of 10 days after the Disqualification Date (as defined below), any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Securities as a result of such Person becoming disqualified from relying on Clause B of the definition of “Beneficial Owner” solely because such Person makes or proposes to make a Take-over Bid, either alone or by acting jointly or in concert with any other Person (for the purposes of this definition, “**Disqualification Date**” means the first date of public announcement that any Person is making or has announced an intention to make a Take-over Bid, either alone, through such Person’s Affiliates or Associates or by acting jointly or in concert with any other Person, and includes, without limitation, a report filed pursuant to Section 101 of the Securities Act);
- (iv) an underwriter or member of a banking or selling group that becomes the Beneficial Owner of 20% or more of the Voting Securities in connection with a distribution to the public of securities of the Company, which includes, without limitation, a distribution of securities pursuant to a prospectus or by way of private placement; or
- (v) a Person (a “**Grandfathered Person**”) who is the Beneficial Owner of 20% or more of the outstanding Voting Securities of the Company determined as at the Record Time, provided, however, that this exception shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the Record Time, become the Beneficial Owner of additional Voting Securities in an amount greater than 1% of the outstanding Voting Securities (other than pursuant to one or any combination of a Voting Security Reduction, a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition).

- (b) “**Affiliate**”, when used to indicate a relationship with a Person, means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified Person.
- (c) “**Agreement**” means this shareholder rights plan agreement, as the same may be amended or supplemented from time to time; “hereof”, “herein”, “hereto” and similar expressions mean and refer to this Agreement as a whole and not to any particular part of this Agreement.
- (d) “**Associate**”, when used to indicate a relationship with a specified Person, means (i) a spouse of that Person, (ii) any Person of the same or opposite sex with whom that Person is living in a

conjugal relationship outside marriage, (iii) a child of that Person, or (iv) a relative of that Person or of a Person mentioned in items (i), (ii) or (iii) of this definition if that relative has the same residence as that Person.

- (e) A Person shall be deemed the “**Beneficial Owner**” of, to have “**Beneficial Ownership**” of, and to “**Beneficially Own**”:
- (i) any securities as to which such Person or any of such Person’s Affiliates or Associates is the owner at law or in equity;
 - (ii) any securities as to which such Person or any of such Person’s Affiliates or Associates has the right to become the owner at law or in equity (whether such right is exercisable immediately or within a period of 60 days thereafter and whether or not on condition or the happening of any contingency) pursuant to any agreement, arrangement, pledge or understanding, including but not limited to any lock-up agreement or similar agreement, arrangement or understanding that is not a Permitted Lock-up Agreement, whether or not in writing (other than (A) customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a public offering or private placement of securities and (B) pledges of securities in the ordinary course of business), or upon the exercise of any conversion right, exchange right, share purchase right (other than the Rights), warrant or option; and
 - (iii) securities which are Beneficially Owned within the meaning of Clauses 1.1(e)(i) or (ii) by any other Person with whom such Person is acting jointly or in concert;

provided, however, that a Person shall not be deemed the “**Beneficial Owner**” of, or to have “**Beneficial Ownership**” of, or to “**Beneficially Own**”, any security because:

- (A) the holder of such security has agreed pursuant to a Permitted Lock-up Agreement to deposit or tender such security to a Take-over Bid made by such Person, made by any of such Person’s Affiliates or Associates or made by any other Person acting jointly or in concert with such Person, or such security has been deposited or tendered pursuant to any Take-over Bid made by such Person, made by any of such Person’s Affiliates or Associates or made by any other Person acting jointly or in concert with such Person, until such deposited or tendered security has been taken up or paid for, whichever shall first occur;
- (B) such Person, any of such Person’s Affiliates or Associates or any other Person acting jointly or in concert with such Person holds such security provided that:
 - (1) the ordinary business of any such Person (the “**Investment Manager**”) includes the management of mutual funds or other investment funds for others (which others, for greater certainty, may include or be limited to one or more employee benefit plans or pension plans) and the Investment Manager holds such security in the ordinary course of such business in the performance of such Investment Manager’s duties for the account of any other Person (a “**Client**”), including non-discretionary accounts held on behalf of a Client by a broker or dealer registered under applicable law,
 - (2) such Person (the “**Trust Company**”) is licensed to carry on the business of a trust company under applicable laws and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons (each an “**Estate Account**”) or in relation to other accounts (each an “**Other Account**”) and holds such security in the ordinary course of such duties for the estate of any such deceased or incompetent Person or for such other accounts,

- (3) such Person is established by statute for purposes that include, and the ordinary business or activity of such Person (the “**Statutory Body**”) includes, the management of investment funds for employee benefit plans, pension plans, insurance plans or various public bodies,
- (4) such Person is a Crown agent or agency (a “**Crown Agent**”), or
- (5) such Person (the “**Administrator**”) is the administrator or trustee of one or more pension funds or plans (a “**Plan**”) or is a Plan registered under the laws of Canada or any province thereof or the laws of the United States of America or any State thereof;

provided, in any of the above cases, that the Investment Manager, the Trust Company, the Statutory Body, the Crown Agent, the Administrator or the Plan, as the case may be, is not then making a Take-over Bid or has not then announced an intention to make a Take-over Bid, other than an Offer to Acquire Voting Securities or other securities by means of a distribution by the Company or by means of ordinary market transactions (including prearranged trades) executed through the facilities of a stock exchange or organized over-the-counter market, in each case, alone or by acting jointly or in concert with any other Person;

- (C) such Person is (1) a Client of the same Investment Manager as another Person on whose account the Investment Manager holds such security, (2) an Estate Account or an Other Account of the same Trust Company as another Person on whose account the Trust Company holds such security or (3) a Plan with the same Administrator as another Plan on whose account the Administrator holds such security;
 - (D) such Person is the registered holder of securities solely as the result of carrying on the business of or acting as a nominee of a securities depository; or
 - (E) such Person is (1) a Client of an Investment Manager and such security is owned at law or in equity by the Investment Manager, (2) an Estate Account or an Other Account of a Trust Company and such security is owned at law or in equity by the Trust Company or (3) a Plan and such security is owned at law or in equity by the Administrator of the Plan.
- (f) “**Board of Directors**” means the board of directors of the Company.
 - (g) “**Business Day**” means any day other than a Saturday, Sunday or a day on which banking institutions in City of Toronto, Ontario are authorized or obligated by law to close.
 - (h) “**Canadian Dollar Equivalent**” of any amount, which is expressed in United States dollars means, on any date, the Canadian dollar equivalent of such amount determined by multiplying such amount by the U.S. – Canadian Exchange Rate in effect on such date.
 - (i) “**Canadian – U.S. Exchange Rate**” means, on any date, the inverse of the U.S. – Canadian Exchange Rate in effect on such date.
 - (j) “**Close of Business**” on any given date means the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the principal transfer office in the City of Toronto, Ontario of the transfer agent for the Common Shares (or, after the Separation Time, the principal transfer office in Toronto of the Rights Agent) is closed to the public.

- (k) “**Common Shares**” means the common shares in the capital of the Company.
- (l) “**Competing Permitted Bid**” means a Take-over Bid that:
- (i) is made after a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry of that Permitted Bid or Competing Permitted Bid (in this definition, the “**Prior Bid**”);
 - (ii) satisfies all the provisions of the definition of a Permitted Bid, other than the requirement set out in Clause (ii) of the definition of Permitted Bid; and
 - (iii) contains, and the take-up and payment for securities tendered or deposited thereunder are subject to, irrevocable and unqualified conditions that:
 - (A) no Voting Securities shall be taken up or paid for pursuant to such Take-over Bid (x) prior to the Close of Business on a date that is not earlier than the later of the last day on which the Take-over Bid must be open for acceptance after the date of such Take-over Bid under applicable Canadian provincial securities legislation and the earliest date on which Voting Securities may be taken up or paid for under any Prior Bid; and (y) then only if, at the time that such Voting Securities are first taken up or paid for, more than 50% of the then outstanding Voting Securities held by Independent Shareholders have been deposited or tendered pursuant to such Take-over Bid and not withdrawn; and
 - (B) in the event that the requirement set forth in Subclause (iii)(A)(y) of this definition is satisfied, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Common Shares for not less than 10 Business Days from the date of such public announcement;
- provided always that a Competing Permitted Bid will cease to be a Competing Permitted Bid at any time when such bid ceases to meet any of the provisions of this definition and provided that, at such time, any acquisition of Voting Securities made pursuant to such Competing Permitted Bid, including any acquisitions of Voting Securities theretofore made, will cease to be a Permitted Bid Acquisition.
- (m) A Person is “**controlled**” by another Person if:
- (i) in the case of a body corporate:
 - (A) securities entitled to vote in the election of directors carrying more than 50 per cent of the votes for the election of directors are held, directly or indirectly, by or for the benefit of the other Person;
 - (B) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such corporation;
 - (ii) in the case of a Person that is not a body corporate, more than 50% of the voting or equity interests of such entity are held, directly or indirectly, by or on behalf of the Person or Persons;
- and “**controls**”, “**controlling**” and “**under common control with**” shall be interpreted accordingly.
- (n) “**Convertible Securities**” means, at any time, any securities issued by the Company from time to time (other than the Rights) carrying any purchase, exercise, conversion or exchange right

pursuant to which the holder thereof may acquire Voting Securities or other securities which are convertible into, exercisable into or exchangeable for Voting Securities (in each case, whether such right is exercisable immediately or after a specified period and whether or not on condition or the happening of any contingency).

- (o) “**Convertible Security Acquisition**” means the acquisition by a Person of Voting Securities upon the exercise of Convertible Securities received by such Person pursuant to a Permitted Bid Acquisition, Exempt Acquisition or a Pro Rata Acquisition.
- (p) “**Co-Rights Agents**” has the meaning ascribed thereto in Subsection 4.1(a).
- (q) “**Disposition Date**” has the meaning ascribed thereto in Subsection 5.2(c).
- (r) “**Election to Exercise**” has the meaning ascribed thereto in Clause 2.2(d)(ii).
- (s) “**Exempt Acquisition**” means an acquisition of Voting Securities or a Convertible Securities Acquisition (i) in respect of which the Board of Directors has waived the application of Section 3.1 pursuant to the provisions of Section 5.2, (ii) pursuant to a distribution of Voting Securities or Convertible Securities (and the conversion or exchange of such Convertible Securities) made by the Company pursuant to a prospectus or private placement provided that the Person does not acquire a greater percentage of the securities offered in the distribution than the percentage of Voting Securities Beneficially Owned by that Person immediately prior to the distribution, or (iii) pursuant to an amalgamation, merger or other statutory procedure requiring shareholder approval ~~or (iv) pursuant to a distribution of Voting Securities or Convertible Securities (and the conversion or exchange of such Convertible Securities) made pursuant to a prospectus or private placement exemption provided that the Person acquires the Voting Securities or Convertible Securities (and the conversion or exchange of such Convertible Securities) in exchange for additional properties, assets or entities being acquired directly or indirectly by the Company.~~
- (t) “**Exercise Price**” means, the price at which a holder may purchase the securities issuable upon exercise of one whole Right which, subject to adjustment in accordance with the terms hereof, shall be \$100 per Common Share determined as at the Separation Time.
- (u) “**Expansion Factor**” has the meaning ascribed thereto in Clause 2.3(a)(x).
- (v) “**Expiration Time**” means the close of business on that date which is the earliest of the date of termination of this Agreement pursuant to Section 5.17 or, if this Agreement is reconfirmed pursuant to Section 5.17, the close of business on the tenth anniversary of the date hereof.
- (w) “**Flip-in Event**” means a transaction in or pursuant to which any Person becomes an Acquiring Person.
- (x) “**holder**” has the meaning ascribed thereto in Section 2.8.
- (y) “**Independent Shareholders**” shall mean holders of Voting Securities, other than:
 - (i) any Acquiring Person;
 - (ii) any Offeror, other than any Person who by virtue of Clause (B) of the definition of “Beneficial Owner” is not deemed to Beneficially Own the Voting Securities held by such Person;
 - (iii) any Affiliate or Associate of any Acquiring Person or Offeror;
 - (iv) any Person acting jointly or in concert with any Acquiring Person or Offeror; and

- (v) any employee benefit plan, deferred profit sharing plan, stock participation plan and any other similar plan or trust for the benefit of employees of the Company unless the beneficiaries of the plan or trust direct the manner in which the Voting Securities are to be voted or direct whether the Voting Securities are to be tendered to a Take-over Bid.

- (z) “**Market Price**” per security of any securities on any date of determination shall mean the average of the daily closing prices per share of such securities (determined as described below) on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date; provided, however, that if an event of a type analogous to any of the events described in Section 2.3 shall have caused the closing prices used to determine the Market Price on any Trading Days not to be fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day, each such closing price so used shall be appropriately adjusted in a manner analogous to the adjustment provided for in Section 2.3 or as the Board of Directors shall otherwise determine in order to make it fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day. The closing price per security of any securities on any date shall be:
 - (i) the closing board lot sale price or, in case no such sale takes place on such date, the average of the closing bid and asked prices for each of such securities as reported by the principal Canadian stock exchange (as determined by the Board of Directors) on which such securities are listed or admitted to trading;
 - (ii) if for any reason none of such prices is available on such day or the securities are not listed or posted for trading on a Canadian stock exchange, the last sale price or, in case no such sale takes place on such date, the average of the closing bid and asked prices for each of such securities as reported by the principal national United States securities exchange (as determined by the Board of Directors) on which such securities are listed or admitted to trading;
 - (iii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange or a national United States securities exchange, the last sale price or, in case no sale takes place on such date, the average of the high bid and low asked prices for each of such securities in the over-the-counter market, as quoted by any reporting system then in use (as determined by the Board of Directors); or
 - (iv) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange or a national United States securities exchange or quoted by any such reporting system, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities selected by the Board of Directors;

provided, however, that if for any reason none of such prices is available on such day, the closing price per share of such securities on such date means the fair value per share of such securities on such date as determined by a nationally recognized investment dealer or investment banker. The Market Price shall be expressed in Canadian dollars and, if initially determined in respect of any day forming part of the 20 consecutive Trading Day period in question in United States dollars, such amount shall be translated into Canadian dollars on such date at the Canadian Dollar Equivalent thereof.

- (aa) “**Nominee**” has the meaning ascribed thereto in Subsection 2.2(c).

- (bb) “**Offer to Acquire**” includes:
 - (i) an offer to purchase or a solicitation of an offer to sell Voting Securities or Convertible Securities; and

- (ii) an acceptance of an offer to sell Voting Securities or Convertible Securities, whether or not such offer to sell has been solicited;

or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell.

- (cc) “**Offeror**” means a Person who has announced a current intention to make or who is making a Take-over Bid;
- (dd) “**Offeror’s Securities**” means Voting Securities Beneficially Owned by an Offeror on the date of the Offer to Acquire.
- (ee) “**Permitted Bid**” means a Take-over Bid made by an Offeror by way of take-over bid circular which also complies with the following provisions:
 - (i) the Take-over Bid is made to all holders of Voting Securities, other than the Offeror, ~~for all of the issued and outstanding Voting Securities (including and Voting Securities that may be issued on the conversion or exchange of securities issued by~~ as registered on the books of the Company);
 - (ii) the Take-over Bid contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no Voting Securities will be taken up or paid for pursuant to the Take-over Bid prior to the close of business on the date which is not less than 60 days following the date of the Take-over Bid and only if at such date more than 50% of the Voting Securities held by Independent Shareholders shall have been deposited or tendered pursuant to the Take-over Bid and not withdrawn;
 - (iii) the Take-over Bid contains an irrevocable and unqualified provision that unless the Take-over Bid is withdrawn, Voting Securities may be deposited pursuant to such Take-over Bid at any time during the period of time described in Clause 1.1(ee)(ii) and that any Voting Securities deposited pursuant to the Take-over Bid may be withdrawn until taken up and paid for; and
 - (iv) the Take-over Bid contains an irrevocable and unqualified provision that in the event that the provisions set forth in Clause 1.1(ee)(ii) are satisfied, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Voting Securities for not less than 10 Business Days from the date of such public announcement;

provided always that a Permitted Bid will cease to be a Permitted Bid at any time when such bid ceases to meet any of the provisions of this definition and provided that, at such time, any acquisition of Voting Securities made pursuant to such Permitted Bid, including any acquisition of Voting Securities theretofore made, will cease to be a Permitted Bid Acquisition.

- (ff) “**Permitted Bid Acquisition**” means an acquisition of Voting Securities made pursuant to a Permitted Bid or a Competing Permitted Bid.
- (gg) “**Permitted Lock-up Agreement**” means an agreement between a Person and one or more holders of Voting Securities or Convertible Securities (each a “**Locked-up Person**”) (the terms of which are publicly disclosed and a copy of which is made available to the public (including the Company) not later than the date the Lock-up Bid (as defined below) is publicly announced or, if the Lock-up Bid has been made prior to the date on which such agreement is entered into, forthwith, and in any event not later than the date of such agreement), pursuant to which each such Locked-up Person agrees to deposit or tender Voting Securities or Convertible Securities (or both) to a Take-over Bid (the “**Lock-up Bid**”) made or to be made by the Person or any of such

Person's Affiliates or Associates or any other Person referred to in Clause (iii) of the definition of Beneficial Owner; provided that:

- (i) the agreement:
 - (A) permits the Locked-up Person to terminate its obligation to deposit or tender, and permits the Locked-up Person to withdraw if already deposited or tendered, the Voting Securities or Convertible Securities (or both) from the Lock-up Bid in order to tender or deposit such securities to another Take-over Bid or to support another transaction that represents an offering price for each Voting Security or Convertible Security that exceeds, or provides a value that is greater than, the offering price or value represented or proposed to be represented by the Lock-up Bid; or
 - (B)
 - (1) permits the Locked-up Person to terminate its obligation to deposit or tender, and permits the Locked-up Person to withdraw if already deposited or tendered, the Voting Securities or Convertible Securities from the agreement in order to tender or deposit the Voting Securities or Convertible Securities to another Take-over Bid, or to support another transaction that provides for a consideration for each Voting Security or Convertible Security that exceeds by as much as or more than a specified amount (the "**Specified Amount**") the consideration for each Voting Security or Convertible Security contained in or proposed to be contained in, and is made for at least the same number of Voting Securities or Convertible Securities as, the Lock-up Bid; and
 - (2) does not by its terms provide for a Specified Amount that is greater than 7% over the consideration for each Voting Security or Convertible Security contained in or proposed to be contained in the ~~Lockup~~Lock-up Bid;

and, for greater clarity, the agreement may contain a right of first refusal or permit a period of delay to give such Person an opportunity to at least match a higher consideration in another Take-over Bid and may provide for any other similar limitation on a Locked-up Person's right to withdraw Voting Securities or Convertible Securities (or both) from the agreement, as long as the Locked-Up Person can accept another bid or tender to another transaction; and

- (ii) no "break-up" fees, "top-up" fees, penalties, expenses or other amounts that exceed in the aggregate the greater of:
 - (A) the cash equivalent of 2½% of the price or value payable under the Lock-up Bid to a Locked-up Person; and
 - (B) 50% of the amount by which the price or value payable under another Take-over Bid or transaction to a Locked-up Person exceeds the price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid,

is payable by a Locked-up Person pursuant to the agreement in the event a Locked-up Person fails to deposit or tender Voting Securities or Convertible Securities (or both) to the Lock-up Bid, withdraws Voting Securities or Convertible Securities (or both) previously tendered thereto or supports another transaction.

- (hh) "**Person**" includes any individual, firm, partnership, association, trust, body corporate, corporation, unincorporated organization, syndicate, governmental entity or other entity.

- (ii) “**Pro Rata Acquisition**” means an acquisition by a Person of Voting Securities or Convertible Securities pursuant to:
- (i) a stock distribution, stock split or other event in respect of securities of the Company of one or more particular classes or series pursuant to which such Person becomes the Beneficial Owner of Voting Securities or Convertible Securities on the same *pro rata* basis as all other holders of securities of the particular class, classes or series;
 - (ii) the acquisition or the exercise by the Person of only those rights to purchase Voting Securities distributed to that Person in the course of a distribution to all holders of securities of the Company of one or more particular classes or series pursuant to a rights offering (other than the Rights) or pursuant to a prospectus provided that the Person does not thereby acquire a greater percentage of such Voting Securities, or securities convertible into or exchangeable for Voting Securities, so offered than the Person’s percentage of Voting Securities Beneficially Owned immediately prior to such acquisition; or
 - ~~(iii) the distribution to a Person pursuant to a regular dividend reinvestment or other plan of the Company made available to Shareholders where such plan permits the holder to direct that dividends paid in respect of such Voting Securities be applied to purchase from the Company further securities of the Company; or~~
 - (iii) ~~(iv)~~ a distribution of Voting Securities, or securities convertible into or exchangeable for Voting Securities (and the conversion or exchange of such convertible or exchangeable securities), made pursuant to a prospectus or by way of a private placement, provided that the Person does not thereby acquire a greater percentage of such Voting Securities, or securities convertible into or exchangeable for Voting Securities, so offered than the Person’s percentage of Voting Securities Beneficially Owned immediately prior to such acquisition.
- (jj) “**Record Time**” means the close of business on March 23, 2010.
- (kk) “**Redemption Price**” has the meaning ascribed thereto in Subsection 5.1(a).
- (ll) “**Right**” means a right to purchase a Common Share upon the terms and subject to the conditions set forth in this Agreement.
- (mm) “**Rights Certificate**” means the certificates representing the Rights after the Separation Time, which shall be substantially in the form attached hereto as Attachment I.
- (nn) “**Rights Register**” has the meaning ascribed thereto in Subsection 2.6(a).
- (oo) “**Securities Act**” means the *Securities Act* (Ontario) as amended from time to time, and the regulations thereunder, and any comparable or successor laws or regulations thereto.
- (pp) “**Separation Time**” shall mean the close of business on the 10th Trading Day after the earlier of:
- (i) the Stock Acquisition Date;
 - (ii) the date of the commencement of or first public announcement of the intent of any Person (other than the Company or any Subsidiary of the Company) to commence a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid); and
 - (iii) the date upon which a Permitted Bid or Competing Permitted Bid ceases to be such;

or, in the case of clauses (ii) and (iii) of this definition, such later date as may be determined by the Board of Directors in good faith; provided that if any such Take-over Bid expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-over Bid shall be deemed, for the purposes of this provision, never to have been made.

- (qq) “**Shareholder Approval**” means approval by a majority of the votes cast by the holders of Voting Securities at a meeting called and held in accordance with applicable laws and the articles and by-laws of the Company or a written resolution approved by holders of a majority of the outstanding Voting Securities excluding, in all cases, Voting Securities held by Persons who are not Independent Shareholders.
- (rr) “**Stock Acquisition Date**” shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, the filing of an early warning report pursuant to the Securities Act) by the Company or an Acquiring Person that an Acquiring Person has become such.
- (ss) A corporation shall be deemed to be a “**Subsidiary**” of another corporation if:
 - (i) it is controlled by:
 - (A) that other;
 - (B) that other and one or more corporations each of which is controlled by that other; or
 - (C) two or more corporations each of which is controlled by that other; or
 - (ii) it is a Subsidiary of a corporation that is that other’s Subsidiary.
- (tt) “**Take-over Bid**” means an Offer to Acquire Voting Securities, or securities convertible into Voting Securities, where the Voting Securities subject to the Offer to Acquire, together with (i) the Voting Securities into which securities subject to the Offer to Acquire are convertible and (ii) the Offeror’s Securities, constitute in the aggregate 20% or more of the outstanding Voting Securities at the date of the Offer to Acquire.
- (uu) “**Trading Day**”, when used with respect to any securities, means a day on which the principal Canadian stock exchange on which such securities are listed or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any Canadian stock exchange, a Business Day.
- (vv) “**U.S. – Canadian Exchange Rate**” means, on any date:
 - (i) if on such date the Bank of Canada sets an average noon spot rate of exchange for the conversion of one United States dollar into Canadian dollars, such rate; and
 - (ii) in any other case, the rate for such date for the conversion of one United States dollar into Canadian dollars calculated in such manner as may be determined by the Board of Directors from time to time acting in good faith.
- (ww) “**U.S. Dollar Equivalent**” of any amount, which is expressed in Canadian dollars means, on any date, the United States dollar equivalent of such amount determined by multiplying such amount by the Canadian – U.S. Exchange Rate in effect on such date.
- (xx) “**Voting Security Reduction**” means an acquisition or redemption by the Company of Voting Securities or any other transaction which, by reducing the number of Voting Securities

outstanding, increases the proportionate number of Voting Securities Beneficially Owned by any person to 20% or more of the Voting Securities then outstanding.

(yy) “**Voting Securities**” shall mean the Common Shares of the Company and any other securities in the capital of the Company entitled to vote generally ~~in~~for the election of ~~all~~ directors.

1.2 Currency

All sums of money, which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

1.3 Headings

The division of this Agreement into Articles, Sections, Subsections, Clauses, Paragraphs, Subparagraphs or other portions hereof and the insertion of headings, subheadings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Calculation of Number and Percentage of Beneficial Ownership of Outstanding Voting Securities

For purposes of this Agreement, the percentage of Voting Securities Beneficially Owned by any Person, shall be and be deemed to be the product (expressed as a percentage) determined by the formula:

$$100 \times A/B$$

where:

- A = the number of votes for the election of all directors generally attaching to the Voting Securities Beneficially Owned by such Person; and
- B = the number of votes for the election of all directors generally attaching to all outstanding Voting Securities.

For the purposes of the foregoing formula, where any Person is deemed to Beneficially Own unissued Voting Securities which may be acquired pursuant to Convertible Securities, such Voting Securities shall be deemed to be outstanding for the purpose of calculating the percentage of Voting Securities Beneficially Owned by such Person in both the numerator and the denominator, but no other unissued Voting Securities which may be acquired pursuant to any other outstanding Convertible Securities shall, for the purposes of that calculation, be deemed to be outstanding.

1.5 Acting Jointly or in Concert

For the purposes of this Agreement, a Person is acting jointly or in concert with every other Person who, as a result of any agreement, commitment, or understanding, whether formal or informal, with the first Person acquires or offers to acquire Voting Securities or Convertible Securities, and an Affiliate of such Person (other than (A) customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a distribution of securities by way of prospectus or private placement; or (B) pledges of securities in the ordinary course of business).

ARTICLE 2-3 THE RIGHTS

2.1 Issuance and Evidence of Holdings of Rights

One Right in respect of each Common Share outstanding at the Record Time and each Common Share which may be issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time shall be issued in accordance with the terms hereof. Notwithstanding the foregoing, one Right in respect of each Common Share issued after the Record Time upon the exercise of rights pursuant to Convertible Securities outstanding at the Record Time may be issued after the Separation Time but prior to the Expiration Time.

Certificates representing Common Shares which are issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time shall also evidence one Right for each Common Share represented thereby and shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

“Until the Separation Time (as defined in the Shareholder Rights Agreement referred to below), this certificate also evidences and entitles ~~to~~the holder hereof to certain Rights described in a Shareholder Rights Plan Agreement dated as of March 23, ~~2010~~2010, as may be amended or supplemented from time to time (the “**Shareholder Rights Agreement**”) between Leisureworld Senior Care Corporation (the “**Company**”) and Computershare Trust Company of Canada (the “**Rights Agent**”), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Company. Under certain circumstances set out in the Shareholder Rights Agreement, the rights may expire, may be amended or redeemed, may become null and void or may be evidenced by separate certificates and no longer evidenced by this certificate. The Company will mail or arrange for the mailing of a copy of the Shareholder Rights Agreement to the holder of this certificate without charge as soon as practicable, after the receipt of a written request therefor.”

Certificates representing Common Shares that are issued and outstanding at the Record Time shall evidence one Right for each Common Share represented thereby, notwithstanding the absence of the foregoing legend, until~~the close of business on~~ the earlier of the Separation Time and the Expiration Time.

Registered holders of Common Shares who have not received a share certificate and are entitled to do so on the earlier of the Separation Time and the Expiration Time shall be entitled to Rights as if such certificates had been issued and such Rights shall for all purposes hereof be evidenced by the corresponding entries on the Company’s securities register for shares.

2.2 Exercise of Rights; Detachment of Rights

- (a) Subject to adjustment as herein set forth, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase one Common Share for the Exercise Price (which Exercise Price and number of Common Shares are subject to adjustment as set forth below). Notwithstanding any other provision of this Agreement, any Rights held by the Company or any of its Subsidiaries shall be void.
- (b) Until the Separation Time:
 - (i) the Rights shall not be exercisable and no Right may be exercised; and
 - (ii) each Right will be evidenced by the certificate for the associated Common Share registered in the name of the holder thereof (which certificate shall also be deemed to represent a Rights Certificate) and will be transferable only together with, and will be transferred by a transfer of, such associated Common Share.
- (c) From and after the Separation Time and prior to the Expiration Time:
 - (i) the Rights shall be exercisable; and
 - (ii) the registration and transfer of Rights shall be separate from and independent of the Common Shares.

Promptly following the Separation Time, the Company will prepare and the Rights Agent will mail to each holder of record of Common Shares as of the Separation Time (other than an Acquiring Person, and, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of record of such Rights (a “**Nominee**”)) at such holder’s address as shown by the records of the Company (the Company hereby agreeing to furnish copies of such records to the Rights Agent for this purpose):

- (x) a Rights Certificate appropriately completed, representing the number of Rights held by such holder at the Separation Time and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule or regulation or with any rule or regulation of any self-regulatory organization, stock exchange or quotation system on which the Rights may from time to time be listed or traded, or to conform to usage; and
- (y) a disclosure statement describing the Rights,

provided that a Nominee shall be sent the materials provided for in (x) and (y) in respect of all Common Shares held of record by it which are not Beneficially Owned by an Acquiring Person.

- (d) Rights may be exercised, in whole or in part, on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent:
 - (i) the Rights Certificate evidencing such Rights;
 - (ii) an election to exercise such Rights (an “**Election to Exercise**”) substantially in the form attached to the Rights Certificate appropriately completed and executed by the holder or his executors or administrators or other personal representatives or his or their legal attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Rights Agent; and
 - (iii) payment by certified cheque, banker’s draft or money order payable to the order of the Company, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being exercised.
- (e) Upon receipt of a Rights Certificate, together with a duly completed Election to Exercise executed in accordance with Clause 2.2(d)(ii), which does not indicate that such Right is null and void as provided by Subsection 3.1(eb), and payment as set forth in Clause 2.2(d)(iii), the Rights Agent (unless otherwise instructed by the Company in the event that the Company is of the opinion that the Rights cannot be exercised in accordance with this Agreement) will thereupon promptly:
 - (i) requisition from the transfer agent for the Common Shares certificates representing the number of such Common Shares to be purchased (the Company hereby irrevocably agreeing to authorize its transfer agent to comply with all such requisitions);
 - (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuing fractional Common Shares;
 - (iii) after receipt of the certificates referred to in Clause 2.2(e)(i), deliver the same to or upon the order of the registered holder of such Rights Certificates, registered in such name or names as may be designated by such holder;
 - (iv) after receipt of the certificates referred to in Clause 2.2(e)(i), deliver any cash referred to in Clause 2.2(e)(ii) to or to the order of the registered holder of such Rights Certificate; and
 - (v) tender to the Company all payments received on exercise of the Rights.

- (f) In case the holder of any Rights exercises less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised (subject to the provisions of Subsection 5.6(a)) will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.
- (g) The Company covenants and agrees that it will:
 - (i) take all such action as may be necessary and within its power to ensure that all Common Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Common Shares (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered and fully paid and non-assessable.
 - (ii) take all such actions as may be necessary and within its power to comply with the requirements of its constituting documents, the Securities Act and the securities laws or comparable legislation of each of the provinces and territories of Canada and any other applicable law, rule or regulation, in connection with the issuance and delivery of the Rights Certificates and the issuance of any Common Shares upon exercise of Rights;
 - (iii) use reasonable efforts to cause all Common Shares issued upon exercise of Rights to be listed on the stock exchanges on which such Common Shares were traded immediately prior to the Stock Acquisition Date;
 - (iv) cause to be reserved and kept available out of the authorized and unissued Common Shares, the number of Common Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights;
 - (v) pay when due and payable, if applicable, any and all federal, provincial and municipal transfer taxes and charges (not including any income or capital taxes of the holder or exercising holder or any liability of the Company to withhold tax) which may be payable in respect of the original issuance or delivery of the Rights Certificates, or certificates for Common Shares to be issued upon exercise of any Rights, provided that the Company shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being transferred or exercised; and
 - (vi) after the Separation Time, except as permitted by Section 5.1, not take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

2.3 Adjustments to Exercise Price; Number of Rights

The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3.

- (a) In the event the Company at any time after the Separation Time and prior to the Expiration Time:
 - (i) declares or pays a dividend on Common Shares payable in Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares or other capital stock) other than pursuant to any optional dividend reinvestment plan or a dividend payable in Voting Securities in lieu of a regular periodic cash dividend;
 - (ii) subdivides or changes the then outstanding Common Shares into a greater number of Common Shares;

- (iii) consolidates or changes the then outstanding Common Shares into a smaller number of Common Shares; or
- (iv) otherwise issues any Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares) in respect of, in lieu of or in exchange for existing Common Shares in a reclassification, amalgamation, merger, statutory arrangement, or consolidation,

the Exercise Price, the number of Rights outstanding and the securities purchasable upon exercise of the Rights shall be adjusted as of the record or effective date as follows:

- (x) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Common Shares (the “**Expansion Factor**”) that a holder of one Common Share immediately prior to such distribution, subdivision, change, consolidation or issuance would hold thereafter as a result thereof (assuming the exercise of any such exchange, conversion or acquisition rights); and
- (y) each Right held prior to such adjustment shall become that number of Rights equal to the Expansion Factor and the adjusted number of Rights will be deemed to be allocated among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the shares issued in respect of such distribution, subdivision, change, consolidation or issuance, so that each such Common Share will have exactly one Right associated with it.

To the extent that any such exchange, conversion or acquisition rights are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would be in effect, based on the number of Common Shares actually issued on the exercise of such rights.

In the event the Company at any time after the Record Time and prior to the Separation Time issues any Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares), each such Common Share shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such associated Common Share.

- (b) If, after the Separation Time and prior to the Expiration Time, the Company shall issue any equity securities other than Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire shares of any such capital stock) in a transaction of a type described in Clause 2.3(a)(i) or (iv), the shares of such capital stock shall be treated herein as nearly equivalent to Common Shares to the extent practicable and appropriate under the circumstances, as determined by the Board of Directors, and the shares purchasable upon exercise of Rights shall be adjusted as necessary such that the shares purchasable upon exercise of each Right after such adjustment will be the shares that a holder of the shares purchasable upon exercise of one Right immediately prior to such issuance would hold thereafter as a result of such issuance. Notwithstanding Section 5.5, the Company and the Rights Agent are authorized and agree to amend this Agreement in order to give effect to the foregoing.
- (c) In the event that at any time after the Record Time and prior to the Expiration Time there shall occur:
 - (i) a reclassification or redesignation of the Common Shares or any change of the Common Shares into other shares (other than as the result of an event described in Subsection 2.3(a));
 - (ii) a consolidation, merger or amalgamation of the Company with or into another body corporate (other than a consolidation, merger or amalgamation which does not result in a

reclassification of the Common Shares or a change of the Common Shares into other shares); or

- (iii) the transfer of all or substantially all of the assets of the Company to another body corporate;

a holder of a Right shall thereafter be entitled to receive and shall accept upon exercise of such Right, in lieu of the number of Common Shares to which such holder was theretofore entitled to acquire upon such exercise, the kind and amount of shares and/or other securities or property which such holder would have been entitled to receive as a result of such occurrence if, on the effective date thereof, such holder had been the holder of the number of Common Shares to which such holder was then entitled upon exercise of such Right. The Company shall take all necessary steps so that holders of Rights shall thereafter be entitled to acquire such shares and/or other securities or property, subject to adjustment thereafter in accordance with provisions the same, as nearly as may be possible, as those contained in this Section 2.3.

- (d) Notwithstanding anything herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one percent in the Exercise Price; provided, however, that any adjustments which by reason of this Subsection 2.3(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 2.3 shall be made to the nearest cent or to the nearest ten-thousandth of a share. Notwithstanding the first sentence of this Subsection 2.3(d), any adjustment required by this Section 2.3 shall be made no later than the earlier of:
 - (i) three years from the date of the transaction which gives rise to such adjustment; and
 - (ii) the Expiration Time.
- (e) irrespective of any adjustment or change in the Exercise Price or the number of Common Shares issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Exercise Price per Common Share and the number of Common Shares which were expressed in the initial Rights Certificates issued hereunder.
- (f) In any case in which this Section 2.3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Common Shares and other securities of the Company, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Company, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or other securities upon the occurrence of the event requiring such adjustment.
- (g) Notwithstanding anything contained in this Section 2.3 to the contrary, the Company shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in their good faith judgment the Board of Directors shall determine to be advisable, in order that any:
 - (i) consolidation or subdivision of Common Shares;
 - (ii) issuance (wholly or in part for cash) of Common Shares or securities that by their terms are convertible into or exchangeable for Common Shares;
 - (iii) stock distributions; or

- (iv) issuance of rights, options or warrants, hereafter made by the Company to holders of its Common Shares,

shall not be taxable to such shareholders.

- (h) Whenever an adjustment to the Exercise Price or a change in the securities purchasable upon exercise of the Rights is made pursuant to this Section 2.3, the Company shall promptly and in any event, where such change or adjustment occurs prior to the Separation Time, not later than the Separation Time:
 - (i) file with the Rights Agent and with each transfer agent for the Common Shares a certificate specifying the particulars of such adjustment or change; and
 - (ii) cause notice of the particulars of such adjustment or change to be given to the holders of the Rights.

Failure to file such certificate or to cause such notice to be given as aforesaid, or any defect therein, shall not affect the validity of such adjustment or change.

- (i) The Company covenants and agrees that, after the Separation Time, it will not, except as permitted by the provisions hereof, take (or permit any Subsidiary of the Company to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

2.4 Date on Which Exercise Is Effective

Each Person in whose name any certificate for Common Shares or other securities, if applicable, is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Common Shares or other securities, if applicable, represented thereon, and such certificate shall be dated the date upon which the Rights Certificate evidencing such Rights was duly surrendered in accordance with Subsection 2.2(d) (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the Common Share transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Common Share transfer books of the Company are open.

2.5 Execution, Authentication, Delivery and Dating of Rights Certificates

- (a) The Rights Certificates shall be executed on behalf of the Company by its President, Chief Executive Officer or Vice-President, Chief Financial Officer under the corporate seal of the Company reproduced thereon. The signature of any of these officers on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices either before or after the countersignature and delivery of such Rights Certificates.
- (b) Promptly after the Company learns of the Separation Time, the Company will notify the Rights Agent of such Separation Time and will deliver Rights Certificates executed by the Company to the Rights Agent for countersignature, and the Rights Agent shall manually or by facsimile signature countersign (in a manner satisfactory to the Company) and send such Rights Certificates to the holders of the Rights pursuant to Subsection 2.2(c) hereof. No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent as aforesaid.
- (c) Each Rights Certificate shall be dated the date of countersignature thereof.

2.6 Registration, Transfer and Exchange

- (a) After the Separation Time, the Company will cause to be kept a register (the “**Rights Register**”) in which, subject to such reasonable regulations as it may prescribe, the Company will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed registrar for the Rights (the “**Rights Registrar**”) for the purpose of maintaining the Rights Register for the Company and registering Rights and transfers of Rights as herein provided and the Rights Agent hereby accepts such appointment. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.

After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Subsection 2.6(c), the Company shall execute, and the Rights Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder’s instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.

- (b) All Rights issued upon any registration of transfer or exchange of Rights Certificates shall be the valid obligations of the Company, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.
- (c) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company or the Rights Agent, as the case may be, duly executed by the holder thereof or such holder’s attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.6, the Company or the Rights Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.

2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates

- (a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Company shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.
- (b) If there shall be delivered to the Company and the Rights Agent prior to the Expiration Time:
- (i) evidence to their reasonable satisfaction of the destruction, loss or theft of any Rights Certificate; and
 - (ii) such security or indemnity as may be reasonably required by each of them in their sole discretion to save each of them and any of their agents harmless;

then, in the absence of notice to the Company or the Rights Agent that such Rights Certificate has been acquired by a *bona fide* purchaser, the Company shall execute and upon the Company’s request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

- (c) As a condition to the issuance of any new Rights Certificate under this Section 2.7, the Company or the Rights Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.

- (d) Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights, duly issued hereunder.

2.8 Persons Deemed Owners of Rights

The Company, the Rights Agent and any agent of the Company or the Rights Agent may deem and treat the Person, in whose name a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever. In this Agreement, unless the context otherwise requires, the term “holder” of any Right means the registered holder of such Right (or, prior to the Separation Time, the associated Common Share).

2.9 Delivery and Cancellation of Certificates

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Company may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificate shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9, except as expressly permitted by this Agreement. The Rights Agent shall, subject to applicable laws, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Company on request.

2.10 Agreement of Rights Holders

Every holder of Rights, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of Rights that:

- (a) such holder of Rights shall be bound by and subject to the provisions of this Agreement, as amended from time to time in accordance with the terms hereof, in respect of all Rights held;
- (b) prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated Common Share certificate representing such Right;
- (c) after the Separation Time, the Rights Certificates will be transferable only on the Rights Register as provided herein;
- (d) prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Company, the Rights Agent and any agent of the Company or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the associated Common Share certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary;
- (e) such holder of Rights has waived his right to receive any fractional Rights or any fractional shares or other securities upon exercise of a Right (except as provided herein); and
- (f) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or any other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or

by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation.

- (g) subject to the provisions of Section 5.4, without the approval of any holder of Rights or Voting Securities and upon the sole authority of the Board of Directors, acting in good faith, this Agreement may be supplemented or amended from time to time pursuant to and as provided herein.

2.11 Rights Certificate Holder Not Deemed a Shareholder

No holder, as such, of any Rights or Rights Certificate shall be entitled to vote, receive distributions or be deemed for any purpose whatsoever the holder of any Common Share or any other share or security of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed or deemed or confer upon the holder of any Right or Rights Certificate, as such, any right, title, benefit or privilege of a holder of Common Shares or any other shares or securities of the Company or any right to vote at any meeting of shareholders of the Company whether for the election of directors or otherwise or upon any matter submitted to holders of Common Shares or any other shares of the Company at any meeting thereof, or to give or withhold consent to any action of the Company, or to receive notice of any meeting or other action affecting any holder of Common Shares or any other shares of the Company except as expressly provided herein, or to receive distributions, distributions or subscription rights, or otherwise, until the Right or Rights evidenced by Rights Certificates shall have been duly exercised in accordance with the terms and provisions hereof.

ARTICLE 3 – ADJUSTMENTS TO THE RIGHTS IN THE EVENT OF CERTAIN TRANSACTIONS

3.1 Flip-in Event

- (a) Subject to Subsection 3.1(b) and Sections 5.1 and 5.2, in the event that prior to the Expiration Time a Flip-in Event shall occur, the Company shall take such action as shall be necessary to ensure and provide, within 10 Business Days thereafter or such longer period as may be required to satisfy the requirements of the applicable securities laws or comparable legislation so that, except as provided below, each Right shall thereafter constitute the right to purchase from the Company, upon exercise thereof in accordance with the terms hereof, that number of Common Shares having an aggregate Market Price on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 in the event that after such occurrence, an event of a type analogous to any of the events described in Section 2.3 shall have occurred).
- (b) Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are or were Beneficially Owned on or after the earlier of the Separation Time or the Stock Acquisition Date by:
 - (i) an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of such Person acting jointly or in concert with an Acquiring Person); or
 - (ii) a transferee of Rights, directly or indirectly, from an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person), where such transferee becomes a transferee concurrently with or subsequent to the Acquiring Person becoming such in a transfer that the Board of Directors has determined is part of a plan, understanding or scheme of an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of such Person acting jointly or in concert with an Acquiring Person), that has the purpose or effect of avoiding this Clause 3.1(b),

shall become null and void without any further action, and any holder of such Rights (including transferees) shall thereafter have no right to exercise such Rights under any provision of this Agreement and further shall thereafter not have any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise.

- (c) Any Rights Certificate that represents Rights Beneficially Owned by a Person described in either Clause 3.1(b)(i) or (ii) or transferred to any nominee of any such Person, and any Rights Certificate issued upon the transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain the following legend:

“The Rights represented by this Rights Certificate were issued to a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person or a Person who was acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Plan Agreement). This Rights Certificate and the Rights represented hereby are void or shall become void in the circumstances specified in Subsection 3.1(b) of the Shareholder Rights Plan Agreement.”

provided, however, that the Rights Agent shall not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but shall impose such legend only if instructed to do so by the Company in writing or if a holder fails to certify upon transfer or exchange in the space provided on the Rights Certificate that such holder is not a Person described in such legend.

ARTICLE 4 THE RIGHTS AGENT

4.1 General

- (a) The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents (the “**Co-Rights Agents**”) as it may deem necessary or desirable subject to the approval of the Rights Agent. In the event the Company appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and Co-Rights Agents shall be as the Company may determine. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements reasonably incurred in the execution and administration of this Agreement and the exercise and performance of its duties hereunder, with the prior approval of the Company. The Company also agrees to indemnify the Rights Agent and its directors, officers, employees and agents for, and to hold ~~it~~them harmless against, any loss, liability, or expense, incurred without gross negligence, bad faith or wilful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability, which right to indemnification will survive the termination of this Agreement.
- (b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Common Shares, Rights Certificate, certificate for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.
- (c) The Company shall inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and, at any time upon request shall provide to the Rights Agent an incumbency certificate certifying the then current officers of the Company.

4.2 Merger, Amalgamation or Consolidation or Change of Name of Rights Agent

- (a) Any corporation into which the Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation, statutory arrangement or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any corporation succeeding to the shareholder services business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4 hereof. In case, at the time such successor Rights Agent succeeds to the agency created by this Agreement, any of the Rights Certificates have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights [Certificate](#) have not been countersigned, any successor Rights Agent may countersign such Rights Certificates in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.
- (b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

4.3 Duties of Rights Agent

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, all of which the Company and the holders of certificates for Common Shares and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

- (a) the Rights Agent may at the Company's expense retain and consult with legal counsel (who may be legal counsel for the Company) and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion; the Rights Agent may also, with the prior approval of the Company, consult with such other experts as the Rights Agent shall consider necessary or appropriate to properly carry out the duties and obligations imposed under this Agreement and the Rights Agent shall be entitled to act and rely in good faith on the advice of any such expert or advisor;
- (b) whenever in the performance of its duties under this Agreement, the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a Person believed by the Rights Agent to be the President, Chief Executive Officer or Vice-President, Chief Financial Officer of the Company and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken, omitted or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate;
- (c) the Rights Agent will be liable hereunder only for its own gross negligence, bad faith or wilful misconduct;
- (d) the Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for Common Shares or the Rights Certificates

(except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Company only;

- (e) the Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any certificate for a Common Share or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Subsection 3.1(b) hereof) or any adjustment required under the provisions of Section 2.3 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 describing any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this Agreement or any Rights or as to whether any Common Shares will, when issued, be duly and validly authorized, executed, issued and delivered and fully paid and non-assessable;
- (f) the Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement;
- (g) the Rights Agent is hereby authorized and directed to accept instructions in writing with respect to the performance of its duties hereunder from any person believed by the Rights Agent to be the President, Chief Executive Officer or Vice-President, Chief Financial Officer of the Company, and to apply to such persons for advice or instructions in connection with its duties, and it shall not be liable for any action taken, omitted or suffered by it in good faith in accordance with instructions of any such person;
- (h) the Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement;
- (i) nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity; and
- (j) the Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in good faith in the selection and continued employment thereof.

4.4 Change of Rights Agent

The Rights Agent may resign and be discharged from its duties under this Agreement upon 60 days' notice (or such lesser notice as is acceptable to the Company) in writing mailed to the Company and to each transfer agent of Common Shares by registered or certified mail. The Company may remove the Rights Agent upon 60 days' notice in writing, mailed to the Rights Agent and to each transfer agent of the Common Shares by registered or certified mail and to the holders of the Rights in accordance with Section 5.10. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Company will appoint a successor to the Rights Agent. If the Company fails to make such appointment within a period of 60 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent, then by prior written notice to the Company the resigning Rights Agent or the holder of any Rights (which holder shall, with such notice,

submit such holder's Rights Certificate, if any, for inspection by the Company), may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation incorporated under the laws of Canada or a province thereof authorized to carry on the business of a trust company in the Province of Ontario. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent upon receipt of any and all outstanding amounts owing by the Company to the Rights Agent pursuant to this Agreement, shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares and mail a notice thereof in writing to the holders of the Rights in accordance with Section 5.10. Failure to give any notice provided for in this Section 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the any successor Rights Agent, as the case may be.

4.5 Compliance with Money Laundering Legislation

The Rights Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Rights Agent reasonably determines that such an act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Rights Agent reasonably determine at any time that its acting under this Agreement has resulted in it being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Company, provided: (i) that the Rights Agent's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Rights Agent's satisfaction within such 10-day period, then such resignation shall not be effective.

4.6 Privacy Provision

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individual's personal information (collectively, "**Privacy Laws**") applies to obligations and activities under this Agreement. Despite any other provision of this Agreement, neither party will take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Company will, prior to transferring or causing to be transferred personal information to the Rights Agent, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or will have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Rights Agent will use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws.

ARTICLE 5 – MISCELLANEOUS

5.1 Redemption of Rights

- (a) Until the occurrence of a Flip-in Event, as to which the application of Section 3.1 has not been waived pursuant to Section 5.2, the Board of Directors, may at any time, ~~without~~with the consent of the holders of Voting Securities or Rights ~~acting in good faith~~(obtained as described set forth in Subsection 5.5(b) or 5.5(c), respectively), elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.0001 per Right, appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3, if an event of the type analogous to any of the events described in Section 2.3 shall have occurred (such redemption price being herein referred to as the "**Redemption Price**").
- (b) If a Person acquires, pursuant to a Permitted Bid or a Competing Permitted Bid or pursuant to an Exempt Acquisition occurring under Subsection 5.2(b) hereof, outstanding Voting Securities, the Board of Directors of the Company shall, immediately upon such acquisition and without further formality, be deemed to have elected to redeem the Rights at the Redemption Price.

- (c) Where a Take-over Bid that is not a Permitted Bid or Competing Permitted Bid expires, is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all of the outstanding Rights at the Redemption Price.
- (d) If the Board of Directors elects to or is deemed to have elected to redeem the Rights (i) the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price, and (ii) subject to Subsection 5.1(f), no further Rights shall thereafter be issued.
- (e) Within 10 Business Days of the Board of Directors electing or having been deemed to have elected to redeem the Rights, the Company shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the Rights Register of the Rights Agent, or, prior to the Separation Time, on the share register maintained by the Company's transfer agent or transfer agents. Each such notice of redemption shall state the method by which the payment of the Redemption Price shall be made.
- (f) Upon the Rights being redeemed pursuant to Subsection 5.1(c), all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares as of the Separation Time had not been mailed to each such holder and for all purposes of this Agreement, the Separation Time shall be deemed not to have occurred.

5.2 Waiver of Flip-In Events

- (a) ~~The~~Subject to the prior consent of the holder of Voting Securities obtained as set forth in Subsection 5.5(b), the Board of Directors may, at any time prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of Voting Securities otherwise than pursuant to a Take-over Bid made by means of a take-over bid circular to all holders of Voting Securities or otherwise than in the circumstances set forth in Subsection 5.2(c), waive the application of Section 3.1 to such Flip-in Event by written notice delivered to the Rights Agent. In such event, the Board of Directors shall extend the Separation Time to a date at least 10 Business Days subsequent to the meeting of Shareholders called to approve such waiver.
- (b) The Board of Directors may, at any time prior to the occurrence of a Flip-in Event that would occur as a result of a Take-over Bid made by way of a take-over bid circular sent to all holders of Voting Securities, waive the application of Section 3.1 to such Flip-in Event by written notice delivered to the Rights Agent; provided, however, that if the Board of Directors waives the application of Section 3.1 to such a Flip-in Event, the Board of Directors shall be deemed to have waived the application of Section 3.1 to any other Flip-in Event occurring by reason of any Take-over Bid which is made by means of a take-over bid circular to all holders of Voting Securities prior to the expiry of any Take-over Bid in respect of which a waiver is, or is deemed to have been, granted under this Subsection 5.2(b).
- (c) The Board of Directors may waive the application of Section 3.1 in respect of the occurrence of any Flip-in Event if the Board of Directors has determined that a Person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person under this Agreement and, in the event that such a waiver is granted by the Board of Directors, such Stock Acquisition Date shall be deemed not to have occurred. Any such waiver pursuant to this Subsection 5.2(c) must be on the condition that such Person, within 14 days after the foregoing determination by the Board of Directors or such earlier or later date as the Board of Directors may determine (the "**Disposition Date**"), has reduced its Beneficial Ownership of Voting Securities such that the Person is no longer an Acquiring Person. If the Person remains an Acquiring Person at the close of business on the Disposition Date, the Disposition Date shall be deemed to be the date of occurrence of a further Stock Acquisition Date and Section 3.1 shall apply thereto.

5.3 Expiration

No Person shall have any rights whatsoever pursuant to this Agreement or in respect of any Right after the Expiration Time, except the Rights Agent as specified in Subsection 4.1(a) of this Agreement.

5.4 Issuance of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in the number or kind or class of securities purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

5.5 Supplements and Amendments

- (a) The Company may, at any time without the approval of shareholders of the Company or holders of Rights, make amendments to this Agreement to correct any clerical or typographical error or which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation or regulations or rules thereunder. ~~The Company may, prior to the date of the shareholders' meeting referred to in Section 5.17, supplement, amend, vary, rescind or delete any of the provisions of this Agreement without the approval of any holders of Rights or Voting Securities where the Board of Directors acting in good faith deems such action necessary or desirable.~~ Notwithstanding anything in this Section 5.5 to the contrary, no such supplement or amendment shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent to such supplement or amendment.
- (b) Subject to Subsection 5.5(a), the Company may, with the prior consent of the holders of Voting Securities obtained as set forth below, at any time prior to the Separation Time, supplement, amend, vary, rescind or delete any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if the action requiring such approval is authorized by the affirmative vote of a majority of the votes cast by Independent Shareholders present or represented at and entitled to be voted at a meeting of the holders of Voting Securities duly called and held in compliance with applicable laws and the articles of the Company.
- (c) The Company may, with the prior consent of the holders of Rights, at any time on or after the Separation Time, amend supplement, amend, vary, rescind or delete any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally), provided that no such amendment, variation or deletion shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent thereto. Such consent shall be deemed to have been given if such amendment, variation or deletion is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders and representing 50% plus one of the votes cast in respect thereof.
- (d) Any approval of the holders of Rights shall be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the Company's articles of incorporation and by-laws with respect to meetings of shareholders of the Company.
- (e) Any amendments made by the Company to this Agreement pursuant to Subsection 5.5(a) which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation or regulation thereunder shall:

- (i) if made before the Separation Time, be submitted to the holders of Voting Securities of the Company at the next meeting of holders of Voting Securities and the holders of Voting Securities may, by the majority referred to in Subsection 5.5(b), confirm or reject such amendment;
- (ii) if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called for on a date not later than immediately following the next meeting of shareholders of the Company and the holders of Rights may, by resolution passed by the majority referred to in Subsection 5.5(d), confirm or reject such amendment.

Any such amendment shall, unless the Board of Directors otherwise stipulates, be effective from the date of the resolution of the Board of Directors adopting such amendment, until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such amendment is confirmed, it continues in effect in the form so confirmed. If such amendment is rejected by the shareholders or the holders of Rights or is not submitted to the shareholders or holders of Rights as required, then such amendment shall cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent resolution of the Board of Directors to amend this Agreement to substantially the same effect shall be effective until confirmed by the shareholders or holders of Rights, as the case may be.

5.6 Fractional Rights and Fractional Shares

- (a) The Company shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. After the Separation Time, in lieu of issuing fractional Rights, the Company shall pay to the holders of record of the Rights Certificates (provided the Rights represented by such Rights Certificates are not void pursuant to the provisions of Subsection 3.1(b), at the time such fractional Rights would otherwise be issuable), an amount in cash equal to the fraction of the Market Price of one whole Right that the fraction of a Right that would otherwise be issuable is of one whole Right.
- (b) The Company shall not be required to issue fractions of Common Shares upon exercise of Rights or to distribute certificates which evidence fractional Common Shares. In lieu of issuing fractional Common Shares, the Company shall pay to the registered holders of Rights Certificates, at the time such Rights are exercised as herein provided, an amount in cash equal to the fraction of the Market Price of one Common Share that the fraction of a Common Share that would otherwise be issuable upon the exercise of such Right is of one whole Common Share at the date of such exercise.

5.7 Rights of Action

Subject to the terms of this Agreement, all rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights. Any holder of Rights, without the consent of the Rights Agent or of the holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce such holder's right to exercise such holder's Rights, or Rights to which such holder is entitled, in the manner provided in such holder's Rights and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

5.8 Regulatory Approvals

Any obligation of the Company or action or event contemplated by this Agreement shall be subject to the receipt of any requisite approval or consent from any governmental or regulatory authority. Without limiting the generality of

the foregoing, any issuance of or delivery of equity securities of the Company upon the exercise of Rights and any amendment or supplement to this Agreement shall be subject to the prior necessary approvals of the Toronto Stock Exchange and any other exchange upon which the Common Shares may be listed to the extent required by the rules of the Toronto Stock Exchange or other exchange at the relevant time.

5.9 Declaration as to Non-Canadian Holders

If in the opinion of the Board of Directors (who may rely upon the advice of counsel) any action or event contemplated by this Agreement would require compliance by the Company with the securities laws or comparable legislation of a jurisdiction outside Canada, the Board of Directors acting in good faith shall take such actions as it may deem appropriate to ensure such compliance. In no event shall the Company or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to Persons who are citizens, residents or nationals of any jurisdiction other than Canada, in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes. If it would be necessary in any jurisdiction other than Canada to register any of the Rights or securities issuable on exercise of Rights prior to such issue or delivery, the Company will use its best efforts to establish procedures whereby shareholders entitled to such Rights, or holders of Rights entitled to securities upon the exercise of Rights, will have the ability to trade or exercise such Rights, or and be issued such securities, without the need to register those securities in the jurisdiction in which they reside, through the establishment of a trustee to hold and sell such securities in Canada, or such other mechanism as the Board of Directors believes is appropriate.

5.10 Notices

- (a) Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Company shall be sufficiently given or made if delivered, sent by first class mail, postage prepaid, or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

Leisureworld Senior Care Corporation
302 Town Centre Blvd, Suite 200
Markham, Ontario L3R 0E8

Attention: ~~David Cutler~~ [Chief Executive Officer](#)
Facsimile No.: 905-489-0790

With a copy to:

Goodmans LLP
Bay Adelaide Centre
333 Bay St. Suite 3400
Toronto, ON M5H 2S7

Attention: Stephen Pincus
Facsimile No.: 416-979-1234

- (b) Notices or demands authorized or required by this Agreement to be given or made by the Company or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered, sent by first class mail, postage prepaid, or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto Ontario M5J 2Y1

Attention: Manager, Client Services
Facsimile No.: 416-981-9679

- (c) Notices or demands authorized or required by this Agreement to be given or made by the Company or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by first class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the register of the Rights Agent or, prior to the Separation Time, on the register of the Company for the Common Shares. Any notice which is mailed or sent in the manner herein provided shall be deemed given, whether or not the holder receives the notice.
- (d) Any notice given or made in accordance with this Section 5.10 shall be deemed to have been given and to have been received on the day of delivery, if so delivered, on the third Business Day (excluding each day during which there exists any general interruption of postal service due to strike, lockout or other cause) following the mailing thereof, if so mailed, and on the day of telegraphing, telecopying or sending of the same by other means of recorded electronic communication (provided such sending is during the normal business hours of the addressee on a Business Day and if not, on the first Business Day thereafter).
- (e) Each of the Company and the Rights Agent may from time to time change its address for notice under Subsection 5.10(a) or (b) by notice to the other given in the manner aforesaid.

5.11 Costs of Enforcement

The Company agrees that if the Company fails to fulfil any of its obligations pursuant to this Agreement, then the Company will reimburse the holder of any Rights for the costs and expenses (including legal fees) reasonably incurred by such holder to enforce his rights pursuant to any Rights or this Agreement.

5.12 Successors

All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and enure to the benefit of their respective successors and assigns hereunder.

5.13 Benefits of this Agreement

Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; further, this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the holders of the Rights.

5.14 Governing Law

This Agreement and each Right issued hereunder shall be deemed to be a contract made under the laws of the Province of Ontario and for all purposes shall be governed by and construed in accordance with the laws of such Province applicable to contracts to be made and performed entirely within such Province.

5.15 Severability

If any term or provision hereof or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective only as to such jurisdiction and to the extent of such invalidity or unenforceability in such jurisdiction without invalidating or rendering unenforceable or ineffective the remaining terms and provisions hereof in such jurisdiction or the application of such term or provision in any other jurisdiction or to circumstances other than those as to which it is specifically held invalid or unenforceable.

5.16 Effective Date

This Agreement is effective and in full force and effect in accordance with its terms from and after March 23, 2010.

5.17 Reconfirmation

This Agreement must be reconfirmed by a resolution passed by a majority of greater than 50% of the votes cast by all holders of Voting Securities who vote in respect of such reconfirmation at the third, sixth and ninth annual meetings following the closing of the Company's initial public offering.

If the Agreement is not so reconfirmed or is not presented for reconfirmation at such annual meeting, the Agreement and all outstanding Rights shall terminate and be void and of no further force and effect on and from the date of termination of the annual meeting; provided that termination shall not occur if a Flip-in Event has occurred (other than a Flip-in Event which has been waived pursuant to Subsection 5.2), prior to the date upon which this Agreement would otherwise terminate pursuant to this Section 5.17.

5.18 Determinations and Actions by the Board of Directors

All actions, calculations and determinations (including all omissions with respect to the foregoing) which are done or made by the Board of Directors, in good faith, shall not subject the Board of Directors or any director of the Company to any liability whatsoever to the holders of the Rights.

5.19 Time of the Essence

Time shall be of the essence in this Agreement.

5.20 Execution in Counterparts

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

5.21 Fiduciary Duties of Directors

Nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of the Voting Securities reject or accept any Take-over Bid or take any other action including the commencement, prosecution, defence or settlement of any litigation and the solicitation of additional or alternative Take-over Bids or other proposals to shareholders that the directors believe are necessary or appropriate in the exercise of their fiduciary duties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

LEISUREWORLD SENIOR CARE CORPORATION

By: ~~“David Cutler”~~
Name: ~~David Cutler~~
Title: ~~President and Chief Executive Officer~~

COMPUTERSHARE TRUST COMPANY OF CANADA

By: ~~“Josette Koffyberg”~~
Name: ~~Josette Koffyberg~~
Title: ~~Professional, Client Services~~
~~Computershare Investor Services Inc.~~

By: ~~“Christine Lawson”~~
Name: ~~Christine Lawson~~
Title: ~~Manager, Client Services~~

By: _____
Name: _____
Title: _____

ATTACHMENT I

LEISUREWORLD SENIOR CARE CORPORATION

SHAREHOLDER RIGHTS PLAN AGREEMENT

FORM OF RIGHTS CERTIFICATE

Certificate No. _____

Rights _____

THE RIGHTS ARE SUBJECT TO TERMINATION ON THE TERMS SET FORTH IN THE SHAREHOLDER RIGHTS PLAN AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SUBSECTION 3.1(b) OF THE SHAREHOLDER RIGHTS PLAN AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES OR TRANSFEREES OF AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES, MAY BECOME VOID.

Rights Certificate

This certifies that _____, or registered assigns, is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Shareholder Rights Plan Agreement, dated as of March 23, 2010, as the same may be amended or supplemented from time to time (the “**Shareholder Rights Agreement**”), between Leisureworld Senior Care Corporation, a corporation incorporated under the laws of the Province of British Columbia (the “**Company**”) and Computershare Trust Company of Canada, a company incorporated under the laws of Canada (the “**Rights Agent**”) (which term shall include any successor Rights Agent under the Shareholder Rights Agreement), to purchase from the Company at any time after the Separation Time (as such term is defined in the Shareholder Rights Agreement) and prior to the Expiration Time (as such term is defined in the Shareholder Rights Agreement), one fully paid common share of the Company (a “**Common Share**”) at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with the Form of Election to Exercise (in the form provided hereinafter) duly executed and submitted to the Rights Agent at its principal office in the City of Toronto. The Exercise Price shall be \$100, expressed in Canadian dollars, (as such term is defined in the Shareholder Rights Agreement) per Common Share at the Separation Time, subject to adjustment in certain events as provided in the Shareholder Rights Agreement.

This Rights Certificate is subject to all of the terms and provisions of the Shareholder Rights Agreement, which terms and provisions are incorporated herein by reference and made a part hereof and to which Shareholder Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Company and the holders of the Rights Certificates. Copies of the Shareholder Rights Agreement are on file at the registered office of the Company.

This Rights Certificate, with or without other Rights Certificates, upon surrender at any of the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

No fractional Common Shares will be issued upon the exercise of any Rights evidenced hereby, but in lieu thereof a cash payment will be made, as provided in the Shareholder Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive distributions or be deemed for any purpose the holder of Common Shares or of any other securities which may at any time be issuable upon the exercise hereof; nor shall anything contained in the Shareholder Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a holder of Voting Securities of the Company or any right to vote for the election of directors or upon any matter submitted to holder of Voting Securities at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting

holders of Voting Securities (except as provided in the Shareholder Rights Agreement), or to receive distributions or subscription rights, or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Shareholder Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Date: _____

LEISUREWORLD SENIOR CARE CORPORATION

By: _____
Authorized Signature

Countersigned:

COMPUTERSHARE TRUST COMPANY OF CANADA

By: _____
Authorized Signature

By: _____
Authorized Signature

FORM OF ELECTION TO EXERCISE

(To be exercised by the registered holder if such holder desires to exercise the Rights represented by this Certificate.)

TO: _____

The undersigned hereby irrevocably elects to exercise _____ whole Rights represented by the attached Rights Certificate to purchase the Common Shares or other securities, if applicable, issuable upon the exercise of such Rights and requests that certificates for such securities be issued in the name of:

(Name)

(Address)

(City and Province)

(Social Insurance Number or other taxpayer identification number)

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

(Name)

(Address)

(City and Province)

(Social Insurance Number or other taxpayer identification number)

Dated: _____ Signature: _____

Signature Guaranteed: _____ (Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a member firm of a recognized stock exchange in Canada, a Canadian Schedule I chartered bank, a trust company in Canada or a member a recognized Medallion (STAMP, MSP or SEMP) Program.

CERTIFICATE

(To be completed if true.)

The undersigned party exercising Rights hereunder hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof. Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Agreement.

Signature

(please print name of signatory)

NOTICE

In the event the certification set forth above in the Form of Election to Exercise is not completed upon exercise of the Right(s) evidenced hereby, the Company will deem the Beneficial Owner of the Right(s) evidenced by this Rights Certificate to be an Acquiring Person (as defined in the Rights Agreement) and, accordingly, such Rights shall be null and void and not transferable or exercisable.

(To be attached to each Rights Certificate.)

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights represented by this Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto

(Please print name and address of transferee.)

the Rights represented by this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____, as attorney, to transfer the within Rights on the books of the Company, with full power of substitution.

Dated: _____

Signature: _____

Signature Guaranteed:

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a member firm of a recognized stock exchange in Canada, a Canadian Schedule I chartered bank, a trust company in Canada or a member of a recognized Medallion (STAMP, MSP or SEMP) Program.

CERTIFICATE

(To be completed if true.)

The undersigned party transferring Rights hereunder hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or by any Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof. Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Agreement.

Signature

(please print name of signatory)

(To be attached to each Rights Certificate.)

NOTICE

In the event the certification set forth above in the Form of Assignment is not completed, the Company will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person (as defined in the Rights Agreement) and, accordingly, such Rights shall be null and void and not transferable or exercisable.

APPENDIX C

LEISUREWORLD SENIOR CARE CORPORATION

CHARTER OF THE BOARD OF DIRECTORS

The purpose of this mandate is to set out the mandate and responsibilities of the board of directors (the “**Board**”) of Leisureworld Senior Care Corporation (the “**Company**”), subject to the provisions of applicable statutes.

1. Composition

The Board shall be constituted with a majority of individuals who qualify as “independent” as defined in National Instrument 58-201 – *Corporate Governance Guidelines*.

2. Responsibilities of the Board of Directors

The Board is responsible for the stewardship of the Company and in that regard shall be specifically responsible for:

- (a) adopting a strategic planning process and approving, on at least an annual basis, a budget, and evaluating and discussing a strategic plan for the upcoming year which takes into account, among other things, the opportunities and risks of the Company’s business and investments;
- (b) supervising the activities and managing the investments and affairs of the Company;
- (c) approving major decisions regarding the Company;
- (d) defining the roles and responsibilities of management;
- (e) reviewing and approving the business and investment objectives to be met by management;
- (f) assessing the performance of and overseeing management;
- (g) reviewing the Company’s debt strategy;
- (h) identifying and managing risk exposure;
- (i) ensuring the integrity and adequacy of the Company’s internal controls and management information systems;
- (j) succession planning;
- (k) establishing committees of the Board, where required or prudent, and defining their mandate;
- (l) maintaining records and providing reports to Shareholders;
- (m) ensuring effective and adequate communication with Shareholders, other stakeholders and the public;
- (n) determining the amount and timing of distributions to Shareholders; and
- (o) acting for, voting on behalf of and representing the Company as the holder of limited partnership interests in Leisureworld Senior Care LP.

It is recognized that every director in exercising powers and discharging duties must act honestly and in good faith with a view to the best interest of the Company. Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In this regard, they will comply with their duties of honesty, loyalty, care, diligence, skill and prudence.

In addition, directors are expected to carry out their duties in accordance with policies adopted by the board of directors from time to time.

It is expected that Management will co-operate in all ways to facilitate compliance by the Board with its legal duties by causing the Company and its subsidiaries to take such actions as may be necessary in that regard and by promptly reporting any data or information to the Board that may affect such compliance.

3. Meetings

The Board will meet not less than four times per year: three meetings to review quarterly results; and one prior to the issuance of the annual financial results of the Company. The Board shall function with a non-management chair and shall meet periodically without management present to ensure that the Board functions independently of management. At each Board meeting, unless otherwise determined by the Board, an in-camera meeting of independent directors will take place. The Board shall maintain a policy which permits individual directors to engage outside advisors at the cost of the Company.

The Board appreciates having certain members of senior management attend each Board meeting to provide information and opinion to assist the directors in their deliberations. Management attendees will be excused for any agenda items which are reserved for discussion among directors only.

4. Board Meeting Agendas and Information

The Chair, in consultation with management of the Company, will develop the agenda for each Board meeting. Agendas will be distributed to the directors before each meeting, and all Board members shall be free to suggest additions to the agenda in advance of the meeting

Whenever practicable, information and reports pertaining to Board meeting agenda items will be circulated to the directors in advance of the meeting. Reports may be presented during the meeting by members of the Board, management and/or staff, or by invited outside advisors. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it will not be prudent or appropriate to distribute written materials in advance.

5. Measures for Receiving Shareholder Feedback

All publicly disseminated materials of the Company shall provide for a mechanism for feedback of Shareholders.

6. Telephone Board Meetings

A director may participate in a meeting of the directors or in a committee meeting by means of telephone, electronic or such other communications facilities as permit all persons participating in the meeting to communicate with each other and a director participating in such a meeting by such means is deemed to be present at the meeting.

While it is the intent of the Board to follow an agreed meeting schedule as closely as possible, it is felt that, from time to time, with respect to time sensitive matters telephone board meetings may be required to be called in order for directors to be in a position to better fulfill their legal obligations. Alternatively, management may request the directors to approve certain matters by unanimous consent.

7. Expectations of Management

Management shall be required to report to the Board at the request of the Board on the performance of the Company, new and proposed initiatives, the Company's business and investments, management concerns and any other matter the Board or its Chair may deem appropriate. In addition, the Board expects Management to promptly report to the Chair any significant developments, changes, transactions or proposals respecting the Company or its subsidiaries.

8. Communications Policy

The Board approves the content of the Company's major communications to Shareholders and the investing public including the Annual Report, Management Information Circular, the Annual Information Form and any prospectuses which may be issued. The Audit Committee shall review and recommend to the Board the approval of the quarterly and annual financial statements (including the Management Discussion & Analysis) and press releases relating to financial matters. The Board also has responsibility for monitoring all of the Company's external communications. However, the Board believes that it is the function of management to speak for the Company in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public.

The Board shall have responsibility for reviewing the Company's policies and practices with respect to disclosure of financial and other information including insider reporting and trading. The Board shall approve and monitor the disclosure policies designed to assist the Company in meeting its objective of providing timely, consistent and credible dissemination of information, consistent with disclosure requirements under applicable securities law. The Board shall review the Company's policies relating to communication and disclosure on an annual basis.

Generally, communications from Shareholders and the investment community will be directed to the Chief Financial Officer, who will coordinate an appropriate response depending on the nature of the communication. It is expected, if communications from stakeholders are made to the Chair or to other individual directors, management will be informed and consulted to determine any appropriate response.

9. Internal Control and Management Information Systems

The Board has responsibility for the integrity of the Company's internal control and management information systems. All material matters relating to the Company and its business require the prior approval of the Board. Management is authorized to act, without Board approval, on all ordinary course matters relating to the Company's business.

The Audit Committee has responsibility for ensuring internal controls are appropriately designed, implemented and monitored and for ensuring that management and financial reporting is complete and accurate, even though management may be charged with developing and implementing the necessary procedures.



Leisureworld

SENIOR CARE CORPORATION