



SIENNA SENIOR LIVING INC.

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2015**

March 15, 2016

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GENERAL MATTERS

Unless otherwise indicated or the context otherwise requires, the “**Company**” or “**Sienna**” refers to Sienna Senior Living Inc. (“**SSLP**”) and its direct and indirect subsidiary entities. Unless otherwise indicated, all dollar amounts in this Annual Information Form (“**AIF**”) are expressed in Canadian dollars and references to “\$” are to Canadian dollars.

Market data and other statistical information used in this AIF are based on independent industry publications, government publications, reports by market research firms, or other published independent sources, including the Ontario Ministry of Health and Long-term Care (“**MOHLTC**”), Canada Mortgage and Housing Corporation (“**CMHC**”), CBRE Limited, Ontario’s Local Health Integration Networks (“**LHINs**”), Statistics Canada, etc. Some data is also based on the Company’s good faith estimates that are derived from its review of internal data and information, as well as independent sources, including those listed above. Although the Company believes these sources are reliable, the Company has not independently verified the information and cannot guarantee its accuracy or completeness.

The information contained in this AIF is as of March 15, 2016, unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

Certain statements in this AIF may be considered “forward-looking information” as defined under applicable securities laws (“**forward-looking statements**”). All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “plans”, “projects”, “estimates”, “forecasts”, “intends”, “continues”, “anticipates”, “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements in this AIF include, but are not limited to:

- statements made in the sections of this AIF entitled: “General Development of the Business”, “Industry Overview”, “Business of the Company”, “Risk Factors”, “Dividends”, “Description of Capital Structure”, “Indebtedness”,
- demographic trends,
- the competitive nature of the Company’s industry,
- government policy and regulation,
- embarking on capital renewal initiatives,
- the continued stable performance of the Company’s business,
- renewal of the Company’s licences and contracts,
- the ability to grow the business through acquisitions and other measures,
- expected stability or improvements in occupancy and NOI performance,
- the Company’s ability to execute its debt strategy,
- the impact on the Company’s business of current and anticipated economic conditions, and
- the Company’s ability to continue to pay dividends to shareholders.

These forward-looking statements reflect the current expectations of the Company's management regarding future events and operating performance, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual events could differ materially from those projected herein and depend on a number of factors. These factors include, but are not limited to:

- actual future market conditions being different than those anticipated by the Company's management,
- material changes to government and environmental regulations affecting the Company's operations,
- material shifts in demographic or economic trends, and
- the risks described under "Risk Factors" and those risks discussed from time to time in the Company's other public filings on SEDAR, accessible at www.sedar.com.

Material factors or assumptions that were applied to drawing a conclusion or making an estimate set out in forward-looking statements include:

- the views of the Company's management regarding current and anticipated market conditions,
- expected government policy and spending trends,
- absence of material changes to government and environmental regulations affecting the Company's operations,
- management's views as to demographic trends,
- the Company's ability to recruit and retain qualified personnel,
- the successful attainment of certain goals as discussed in this AIF, and
- the financial and operating attributes of the Company as at the date hereof.

Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this AIF are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. **Accordingly, readers should not place undue reliance on forward-looking statements.** The forward-looking statements in this AIF speak only as of the date of this AIF. Except as required by applicable securities laws, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

NON-IFRS MEASURES

Net operating income ("NOI") is not a measure recognized under International Financial Reporting Standards ("IFRS") and does not have a standardized meaning prescribed by IFRS. NOI is a supplemental measure of a Company's performance and the Company believes that NOI is a relevant measure of the underlying performance of its operating business segments. The IFRS measurement most directly comparable to NOI is net income (loss).

NOI is defined as net income (loss) computed in accordance with IFRS, excluding gains or losses from the sale of depreciable real estate, but before the provision (recovery) of income taxes, depreciation and amortization, net finance charges, administrative expenses, impairment losses and non-recurring items such as transaction costs.

NOI should not be construed as alternatives to net income (loss) or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's method of calculating NOI may

differ from other issuers’ methods and accordingly, this measure may not be comparable to measures presented by other issuers.

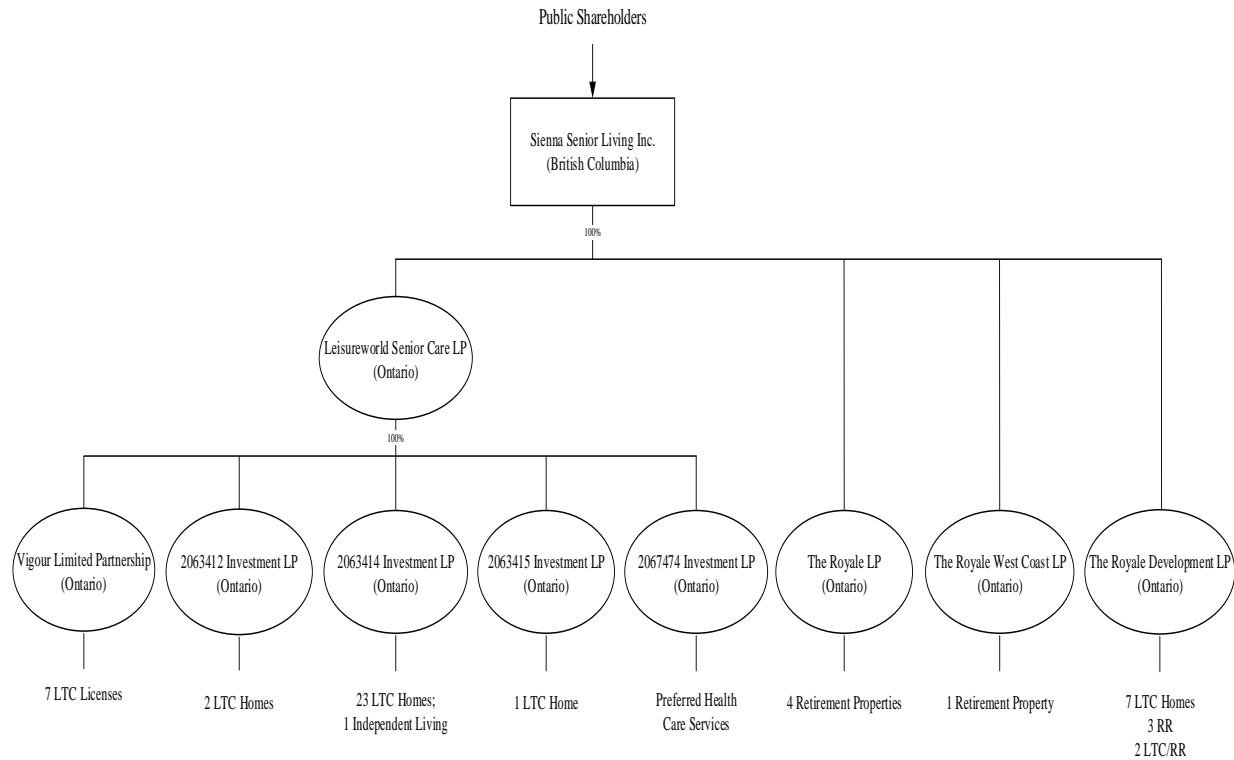
See management’s discussion and analysis for the year ended December 31, 2015, a copy of which is available on SEDAR (accessible at www.sedar.com) or on the Company’s website at www.siennaliving.ca, for a more detailed description of all of the supplemental measures of performance used by the Company.

CORPORATE STRUCTURE

Sienna Senior Living Inc. was incorporated under the *Business Corporations Act* (Ontario) as Leisureworld Senior Care Corporation on February 10, 2010 and subsequently continued under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) on March 18, 2010. The Company closed the initial public offering (the “**IPO**”) of its common shares (the “**Common Shares**”) on March 23, 2010. In connection with a Company-wide rebranding initiative that took effect on May 1, 2015, the Company changed its name from Leisureworld Senior Care Corporation to Sienna Senior Living Inc., pursuant to the filing of a Notice of Alteration with the British Columbia Registry Services on April 23, 2015. In connection with the name change to Sienna Senior Living Inc., the Company commenced trading under the symbol “**SIA**”.

The head office of the Company is located at 302 Town Centre Blvd., Suite 300, Markham, Ontario, L3R 0E8. The registered office of the Company is located at 1900 – 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

The Company’s business is carried on through a number of wholly-owned limited partnerships formed under the laws of the Province of Ontario. The following chart illustrates, in simplified form, the structure of SSLI and its material subsidiaries as at March 15, 2016 (including jurisdiction of establishment/incorporation of various entities):



NOTES:

* In some cases, LTC licences are held separately from other assets. One LTC home is managed, with the licence for such home held by Spencer House Inc., a non-profit organization.

GENERAL DEVELOPMENT OF THE BUSINESS

The Company owns and operates 11 retirement residences (“RR” or “**Retirement Residences**”) in the Provinces of Ontario and British Columbia (representing an aggregate of 1,206 suites) and 35 long-term care (“LTC” or “**Long-Term Care**”) homes in the Province of Ontario (representing an aggregate of 5,733 beds). Under its management services division, the Company provides management services to LTC homes and Retirement Residences in Ontario. The Company also owns Preferred Health Care Services (“**Home Care**” or “**PHCS**”), an accredited provider of personal support services for community-based home care. The general development of the Company’s business over the past three fiscal years, including key acquisitions, is summarized below.

Growth of LTC and RR Portfolios and Expansion into Management Services

On April 19, 2013, the Company acquired a licence to operate 88 LTC beds in the Toronto area from Christie Gardens Apartments and Care Inc. for \$2.2 million in cash.

On December 2, 2013, the Company, through The Royale Development LP (“**RDLP**”), completed an acquisition from Specialty Care Inc. and certain other related parties (collectively “**Specialty Care**”) of a portfolio of 10 properties in Ontario consisting of six LTC homes, two RR and two properties containing both LTC and RR components (the “**Specialty Care Acquisition**”). The Specialty Care Acquisition comprised in total 1,235 LTC beds and 326 retirement suites, as well as the third party management services businesses previously operated by Specialty Care. In addition, this transaction resulted in the Company gaining approximately 1,500 experienced employees.

The purchase price of approximately \$254.0 million for the Specialty Care Acquisition, subject to adjustments, was satisfied, in part, by the assumption of approximately \$72.5 million of existing debt and the issuance of 564,516 Common Shares to the vendor for \$7.0 million. A further portion of the purchase price was funded from new credit facilities aggregating approximately \$62.5 million, which bear interest at a weighted average rate of 4.4% per annum and have a weighted average term to maturity of approximately 5.8 years. The balance of the purchase price was paid in cash funded from the net proceeds of the Company’s public offering of subscription receipts and convertible debentures completed on April 25, 2013.

The Specialty Care Acquisition constituted a significant acquisition for the Company and a business acquisition report dated February 14, 2014 was filed under the Company’s SEDAR profile, accessible at www.sedar.com.

On May 1, 2015, the Company commenced trading under the symbol “SIA” following a legal name change from Leisureworld Senior Care Corporation to Sienna Senior Living Inc. Shareholder approval for the name change was sought and received at the annual and special meeting of shareholders of the Company held on April 21, 2015. Concurrent with the legal name change, all of the Company’s RR and LTC homes were renamed to reflect their connection to the local community in which the residences and homes operate, and further aligned its divisions under one Sienna brand.

On December 31, 2015, RDLP, one of the Company’s subsidiaries, completed the acquisition of Traditions of Durham Residence (“**Traditions**”), a 140-suite independent and assisted living residence located in Oshawa, Ontario (the “**Traditions Acquisition**”). The purchase price for the transaction was \$37.0 million (prior to closing costs and subject to customary closing adjustments). The purchase price was partially satisfied through the assumption of a property-level mortgage in the amount of approximately \$22.7 million. The remainder of the purchase price was satisfied by available cash and drawdowns from the Company’s credit facilities.

Public Financings

The cash portion of the purchase price for the Specialty Care Acquisition was funded from the net proceeds of the Company’s public offering of 6,353,750 subscription receipts (the “**Subscription Receipts**”) and \$46.0 million in aggregate principal amount of 4.65% extendible convertible unsecured subordinated debentures due January 2, 2014 (the “**Convertible Debentures**”), completed on April 25, 2013 (see “*Description of Capital Structure – Convertible Debentures*”). On the completion of the Specialty Care Acquisition, each Subscription Receipt was exchanged for one Common Share and the maturity date of the Convertible Debentures was automatically extended to June 30, 2018.

Bond Refinancing

On February 3, 2014, Leisureworld Senior Care LP (“**LSCLP**”), a wholly-owned subsidiary of SSLI, issued \$322.0 million of aggregate principal amount of 3.474% Series B Senior Secured Debentures with a maturity date of February 3, 2021 (the “**Series B Debentures**”). The proceeds from the issuance of the Series B Debentures were used to repay all of the outstanding 4.814% Series A Senior Secured Debentures of LSCLP (the “**Series A Debentures**”) on February 24, 2014, together with all associated fees and expenses.

The Series B Debentures are described in greater detail under the heading “*Indebtedness – Senior Secured Debentures*”.

Credit Facilities

On March 31, 2015, the Red Oak Retirement Residence and Royale Place Retirement Residence (the “**Ontario Portfolio**”) extended the maturity of its revolving credit facility from April 26, 2015 to April 26, 2017. This revolving credit facility bears interest at 187.5 basis points (“bps”) per annum over the floating 30-day bankers’ acceptance rate, and is secured by the Ontario Portfolio assets of the Company’s subsidiary, The Royale LP, guaranteed by the Company and is subject to certain customary financial and non-financial covenants. As at December 31, 2015, the Company had drawn \$47,000 under this credit facility.

On March 31, 2015, the Company extended the maturity of its Astoria Retirement Residence’s (“**Astoria**”) credit facility of \$22,500 from May 23, 2015 to May 22, 2017. This credit facility bears a floating interest equal to the floating 30-day bankers’ acceptance rate plus 187.5 bps per annum. The credit facility is secured by Astoria’s assets and guaranteed by the Company and is subject to certain customary financial and non-financial covenants. As at December 31, 2015, the Company had drawn \$22,500 under this credit facility.

On October 10, 2015, the Company’s subsidiary, Leisureworld Senior Care LP (“**LSCLP**”) increased its revolving credit facility by \$10,000 to \$20,000 and extended the maturity date by one year to October 13, 2016. This credit facility, together with the Series B Debentures described under “*Indebtedness*”, are collateralized by all assets of LSCLP and its subsidiary partnerships, guaranteed by its subsidiary partnerships, and are subject to certain customary financial and non-financial covenants. As at December 31, 2015, no amounts have been drawn on this revolving credit facility.

Key Changes in the Company’s Executive Officers and Board of Directors

On April 4, 2013, the Company announced the appointment of Lois Cormack as President and Chief Executive Officer of the Company, effective April 22, 2013. Ms. Cormack was subsequently appointed to the board of directors of the Company (the “**Board**”) effective November 13, 2013.

On November 13, 2013, the Company announced the appointment of Michael Annable as Executive Vice President, People and Chief Administrative Officer of the Company.

On December 2, 2013, the Company appointed Debbie Doherty as Executive Vice President Operations, Retirement and Management Services, who served in such capacity until May 2015.

On January 8, 2014, the Company announced the resignation of Manny DiFilippo as Executive Vice President and Chief Financial Officer of the Company, and the appointment of Timothy McSorley as Interim Executive Vice President and Chief Financial Officer.

On February 5, 2014, the Company appointed Paula Jourdain Coleman to the Board, filling the vacancy resulting from the resignation of David Cutler on January 31, 2014.

On May 20, 2014, the Company announced the appointment of Nitin Jain as Executive Vice President and Chief Financial Officer of the Company effective June 9, 2014, who replaced Timothy McSorley.

On January 26, 2015, the Company appointed Cristina Alaimo as Vice President and General Counsel, who replaced David Veneziano following his resignation in June 2014.

On February 17, 2015, the Company appointed Joanne Dykeman as Executive Vice President Operations, Long Term Care, who replaced Paul Rushforth following his retirement in December 2014.

INDUSTRY OVERVIEW

Levels of Care

Seniors living residences provide a continuum of care, based on the individual's assessed needs and level of independence. Seniors who enjoy a high level of independence and require little assistance with activities of daily living (ADL) may choose to live in seniors apartments or condos; while those who require greater assistance with ADL and access to 24-7 nursing care are best suited to long-term care. A full description of the levels of care are detailed below:

- **Independent Living (IL):** independent living is the privacy and freedom of home combined with the convenience and security of on-call assistance and a maintenance-free environment. Residents typically have the option of purchasing à-la-carte services including meal packages, housekeeping, transportation, laundry. It is apartment-style accommodation with a full kitchen and is private pay. Tenure may be rental or some form of ownership such as condominium or life-lease.
- **Independent Supportive Living (ISL):** supportive living is designed for seniors who pay for services such as 24-hour response, housekeeping, laundry, meals, transportation and accommodation as part of a total monthly private pay fee or rental rate. These residents require little or no assistance with daily living activities but benefit from the social setting and meal preparation. Some residences include a minimum amount of daily care but primarily this level of accommodation is for the senior who can live more independently with the option of additional care and services available on an as needed basis. Accommodation is private bed-sitting, one or two bedroom units with kitchenettes. Tenure is typically rental.
- **Assisted Living (AL):** assisted living is designed for frail seniors who need assistance with daily living activities but do not require skilled nursing care. These units can be offered in a separate wing, separate floor or separate building. In some communities, delivery of assisted living services is available through government home care services.
- **Memory Care / Alzheimer's (MC):** memory care is a specialized level of care for seniors with memory impairment, Alzheimer's, or other forms of dementia. Mild cases of dementia are typically suitably addressed within secure assisted living wings/floors. Moderate to severe levels of MC require specialized and more intensive "hands-on" care.
- **Long-Term Care (LTC):** long-term care, also known as nursing homes, are residences for people who are not able to live independently and require skilled nursing care on a daily basis. Eligibility for placement is based on a person's care requirements and is determined and arranged through Government agencies. The resident pays for the accommodation as set by the local Government and the government pays for care, programs and supplies.

Source: CBRE Limited, Valuation & Advisory Services. (2015). *Feasibility Study: 'Seniors Housing Definitions'*.

Retirement Residences

Retirement Residences focus on Independent Living (IL), Independent Supportive Living (ISL), Assisted Living (AL), or in some cases Memory Care (MC) and generally provide studio, one-bedroom or two-bedroom accommodation suites and amenity space. Amenities can include dining rooms, activity rooms, exercise rooms, bistros, games rooms, pools, libraries, lounges, theatres and outdoor space. Suites are rented to residents on a monthly basis, and provide for meals, snacks, leisure activities, transportation and, in some cases, AL services, which includes some care and services based on resident needs and preferences (such as assistance with bathing, medication administration and activities of daily living). Accommodation and services are private-pay based on market rates.

Retirement Residences are subject to regulation. The *Retirement Homes Act, 2010* (Ontario) received Royal Assent on June 8, 2010. This legislation created a new regulatory body, the Retirement Home Regulatory Authority (the “**RHRA**”) that provides consumer protection, but does not provide funding, for the provision of care and services in Ontario RR facilities. RRs are required to be licensed by the RHRA in order to operate in Ontario. RRs are inspected regularly by RHRA inspectors and the reports are publicly posted. In British Columbia, the *Community Care and Assisted Living Act* (British Columbia) provides consumer protection and regulation of independent living homes and assisted living facilities. All types of seniors housing providing personal support in British Columbia must be registered with the Assisted Living Registry.

RR occupancy and average rent in Canada experienced an overall increase in 2015 compared to 2014, with Ontario and British Columbia posting slight decreases in vacancy rates due to resident intake outpacing the increase in the number of spaces in the residences surveyed, and Ontario posting the highest average rent for bachelor units and private rooms (Source: CMHC, Seniors Housing Report, Canada Highlights, 2015).

Long-Term Care

The Ontario LTC sector provides essential health services to Ontario communities. This sector can be distinguished from other sectors of the seniors housing industry based on a number of factors, including the following:

- **Provision of an essential service:** LTC licenced homes provide essential health services in the form of 24-hour nursing support, assistance with activities of daily living, mobility, personal care and supervision to individuals who may otherwise require hospital care. LTC homes also provide specialized services such as memory care, continence management, skin and wound management, falls prevention and end of life care. Access is controlled through Ontario’s Community Care Access Centres (“CCACs”) and homes are regulated under the *Long-Term Care Homes Act, 2007* (Ontario) (the “LTCHA”) (as described below).
- **Significant barriers to entry:** Barriers to entry are both regulatory and operational. The LTC sector in the Province of Ontario is regulated by the MOHLTC, which requires that a home and operator must be licensed in order to operate as an LTC home and provider. The licensing requirements are extensive. In the Province of Ontario, the MOHLTC must approve the transfer of existing licences and no new issuances of licences are anticipated. These regulations create significant barriers to entry. In addition to the regulatory barriers to entry, the successful operation of an LTC home requires a broad range of specialized expertise, including expertise in gerontological care, chronic disease management, health care operations, financial management and reporting, asset management, community and stakeholder engagement, labour relations and government relations. The Company has significant expertise in each of these areas, and has dedicated support services staff responsible for specific areas of expertise.
- **Sustainable competitive advantage:** LTC homes have a sustainable competitive advantage over other Ontario seniors housing classes due to the affordability for seniors (on the basis that ability to pay is not a barrier to entry) and the provision of care 24-hours a day, 7 days a week. Residents of LTC homes are directly charged a co-payment for accommodation, which is annually set by the MOHLTC. Resident ability to pay the co-payment is not a barrier to admission to LTC homes in Ontario. In the event these amounts are unaffordable for a resident, MOHLTC subsidies are provided through a rate reduction mechanism to reduce the basic accommodation charge. LTC accommodation is generally comprised of ward, semi-private and private rooms. Residents pay a higher accommodation rate for private and semi-private accommodation, and such rates are fixed annually by the MOHLTC. In addition, there is excess demand over supply with a wait list of approximately 24,520 as of June 2015 (Source: MOHLTC Long-Term Care System Report, June 2015).

LTC Funding Model

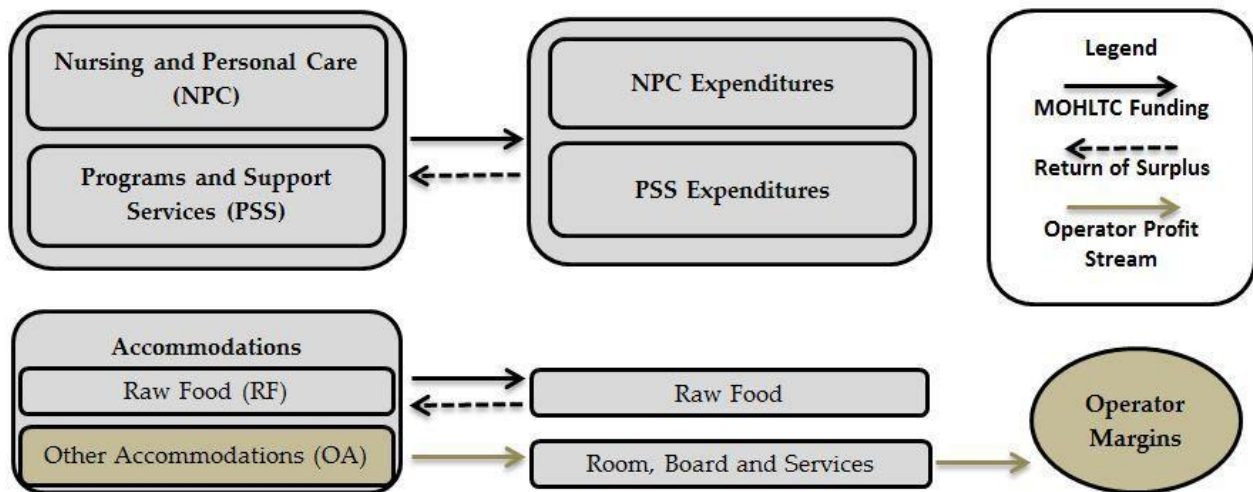
Licensed operators of Ontario LTC homes are entitled to operational funding for care services to residents (subject to annual reconciliation), as well as various capital renewal program payments. Operational funding of LTC homes is used to fund care and is currently paid monthly and is divided into three “envelopes”. The three envelopes are Nursing and Personal Care, Programs and Support Services and Accommodations (which includes the raw food-only (“**Raw Food**”)

component and other accommodation (“OA”) component. Total operational revenue received by operators includes a provincial government component and a direct charge to residents in respect of accommodation services. Each envelope is structured as a fixed amount per resident per day, or “rate”. If a LTC home’s average annual occupancy meets or exceeds 97%, it is the MOHLTC’s policy to provide funding based on 100% occupancy. Provincial support for the Ontario LTC sector has been demonstrated by annual increases in funding.

- **Nursing and Personal Care:** Flow-through envelope funded by the MOHLTC and designed to cover expenses associated with nursing and personal care staffing as well as medical and nursing supplies. LTC homes receive funding based on the assessed care needs of their residents.
- **Programs and Support Services:** Flow-through envelope funded by the MOHLTC and designed to cover expenses associated with therapeutic services, pastoral care, recreation, staff training, volunteer coordination and other services.
- **Accommodation:** Flow-through envelope funded by the MOHLTC and comprised of Raw Food and OA components. In connection with the OA component, a co-payment is charged to residents to cover funding for room and board expenses, such as housekeeping, dietary services, laundry and linen, administration, and building/property operations and maintenance.

Funding provided to the Nursing and Personal Care and Programs and Support Services may only be applied to expenses categorized for each respective envelope. Funding received from the Nursing and Personal Care or Programs and Support Services envelopes, or from the Raw Food component of the Accommodations envelope, in excess of the amounts spent by the operator must be reimbursed to the MOHLTC during an annual reconciliation process, and any subsequent reimbursements may result in current year adjustments, known as “prior period adjustments”. The OA component of the Accommodations envelope may be applied to expenses under any envelope or may generally be retained for profit. Should an operator incur costs in excess of the amount allocated for the flow-through envelopes, then that expenditure must be paid from the OA component of the Accommodations envelope. The following diagram provides an overview of the overall funding framework for an LTC home in the Province of Ontario on a normalized basis.

MOHLTC Funding Model⁽¹⁾



Notes:

(1) Basic model not taking into account any permitted cost transfers between eligible envelopes, which became effective in 2013.

Capital Renewal Initiatives

The MOHLTC categorizes and provides structural compliance and capital funding for LTC homes according to three structural classification types – Classes A, B and C. The Class designations are made by reference to whether or not the home meets or exceeds certain MOHLTC structural design guidelines. Class A homes, which make up the majority of the Company’s portfolio, substantially meet (or, in the case of Class A beds designated as “New”, meet or exceed) the MOHLTC’s most recent design standards which were issued in 1998.

Capital funding is available to operators of LTC homes under the following MOHLTC programs, which together make up the “**Capital Renewal Initiatives**”:

- **Structural Compliance Premiums:** Structural compliance funding is provided on a per person per day basis and applies to those operators who have fully or partially financed their own construction costs. The amount depends on the design standard that the LTC home meets and the amount of any government grants received. The current *per diem* funding levels are (on a per resident basis): Class A homes which are not receiving capital cost funding (explained below) — \$5.00, Class B homes — \$2.50, Class C homes — \$1.00.
- **Capital Cost Funding for New Beds (\$10.35 Government Per Diem Payments):** Capital funding applies to homes that have New beds as a result of being constructed after April 1, 1998. Under the development agreements, New beds (whether converted or newly constructed) receive a 20-year commitment from the MOHLTC to provide per diem funding of up to \$10.35 per bed. Approximately 61% of the Company’s portfolio receives the \$10.35 funding, with the maximum remaining term of the funding at 12 years and an average remaining term of 8 years.
- **Class B and C Beds:** There are currently approximately 35,000 Class B and C beds in Ontario and the MOHLTC has publicly recognized the need for governmental funding to assist in the redevelopment of Ontario’s Class B and C beds (OANHSS, 2015). In October 2014, an announcement was made by the MOHLTC in regards to a LTC home renewal strategy to support operators in upgrading older LTC homes. The announcement included a number of initiatives, including a commitment to continue to increase premiums for preferred accommodation, and an extension to 30 years for the licence terms of Class A homes. LTC renewal strategy details communicated to all stakeholders in March 2015 included a construction funding subsidy policy that increased the per diem funding amount to a minimum of \$16.65 per resident per day for 25 years. The Company expects to develop older homes through this program and is currently undergoing detailed planning for its approximately 2,200 Class B and C beds.

In addition to operational funding and subsidies pursuant to the Capital Renewal Initiatives, LTC operators receive additional revenue from the following sources:

- **Accreditation:** LTC homes that are accredited by the Commission on Accreditation of Rehabilitation Facilities (or previously by Accreditation Canada) earn an additional *per diem* of \$0.33 per bed from the MOHLTC. The Commission on Accreditation of Rehabilitation Facilities, a not-for-profit, independent organization provides healthcare organizations with a self-regulatory review process to assess and improve the quality of care and services provided to clients and residents. Accreditation is granted through a regular peer review process that examines and assesses the organization’s services, systems and infrastructure. All of the Company’s LTC homes are currently accredited and are re-accredited every three years.
- **Municipal Taxes, High Intensity Funding, Pay Equity & Preferred Accommodation:** The MOHLTC also provides additional funding or reimbursement for various other items including reimbursement of LTC homes’ municipal property tax obligations (currently up to 85%) and additional funding for high intensity needs and specialty programs (e.g., convalescent care, and peritoneal dialysis). Funds are also provided to operators of LTC homes to cover past and continuing pay equity obligations for LTC homes that have used the “proxy pay equity method”. Pay equity funding varies from home to home based on individual

payroll obligations. An equalization adjustment of up to \$3.25 per resident per day is provided to LTC homes. Preferred premiums are received from residents for semi-private or private accommodation.

LTC Ownership

The LTC sector in the Province of Ontario is comprised of a number of private and public sector operators offering a variety of services similar to those offered by the Company. The Ontario LTC sector has historically been fragmented, with small operators (including not for profit operators, which operate approximately 50% of the LTC beds in Ontario) providing most of the beds. The sector has experienced consolidation in recent years, which is expected to continue.

Home Care

Home Care services in Ontario are designed to support seniors that require assistance in day-to-day activities and healthcare while living in their own homes. Funding for such services is provided by Ontario's CCACs, which are mandated by the MOHLTC with the administration of publicly funded home care and the management of LTC access and wait lists in the Province of Ontario. The Government of Ontario continues to fund a wide range of home care and community support services to enable seniors to continue to live in their own homes.

The current system goals are to improve integration with other sectors, improve care coordination, improve patient care and increase value for money. Home Care service providers must ensure their key performance indicators (KPI) are meeting or exceeding provincial targets in order to continue to receive their allocated funding volumes.

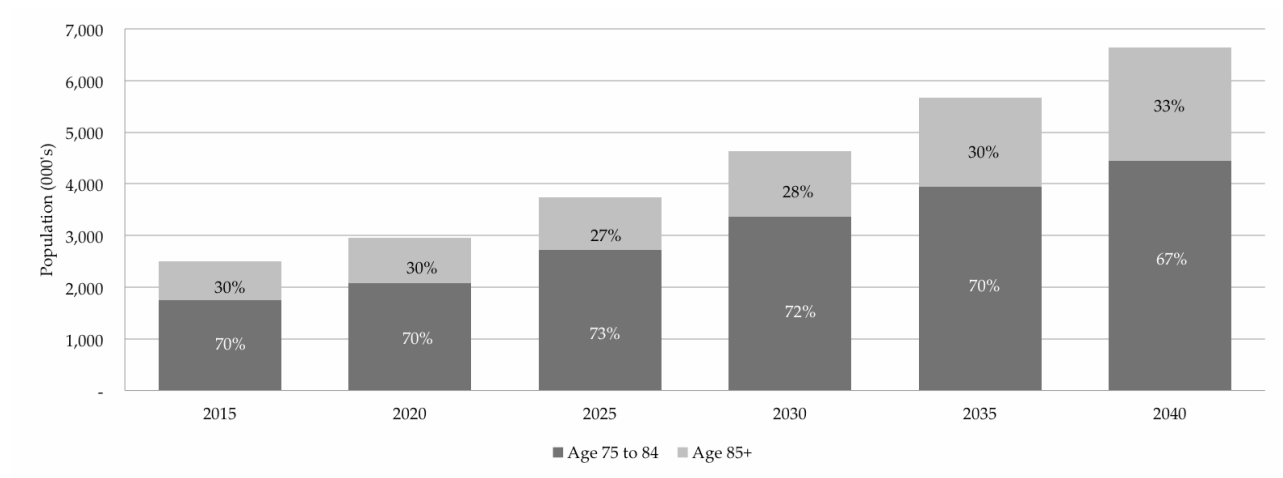
The Home Care sector in Ontario is experiencing a period of transition, with various calls to strengthen patient-centred care in the province with more consistent and accessible home care services, including through increased accountability and integration of home and community care by transferring direct responsibility for service management and delivery from the CCACs to the LHINs (Source: MOHLTC Discussion Paper, "Patients First, A Proposal to Strengthen Patient-Centred Health Care in Ontario", December 2015).

Demand for Seniors Housing

The demand for seniors housing and programs continues to grow in Canada. Management believes the aging demographic, increasing life expectancy, increasing seniors affluence and changing family dynamics have, and will continue to, increase demand for LTC, RR and home care services. The primary factors driving demand, among others, are described below:

Aging demographic: The primary demographic group living in LTC homes and RR communities are Canadians who are older than 85 years of age. According to Statistics Canada, the 75-plus and 85-plus age cohorts in Canada are anticipated to be among the fastest growing population groups. Canada's 85-plus age cohort is projected to grow over 191% between 2015 and 2040 (projected as at July 2013). Projected growth in 85-plus age cohort in the province of Ontario mirrors the national forecast.

Estimated Population in Canada's 75 to 84 and 85+ Age Cohorts



Recession stability: The LTC sector has historically been insulated from economic cycles. This can be attributed to several factors: (i) demand for LTC housing is not discretionary but driven by need, which does not fluctuate during economic cycles; (ii) stability of tenure, as seniors, once having moved into a facility, are generally unable to move to alternative accommodation; and (iii) the continual increase in the demand for LTC.

The Retirement sector is less insulated from economic cycles when compared to the LTC sector, as seniors choose retirement living usually based on need and affordability. Certain of the same factors that support the recession stability of the LTC sector also apply to RRs: (i) seniors are generally retired and receiving stable, fixed and predictable income from private and public pensions, RRSPs and other fixed income investment securities; and (ii) stability of tenure, as seniors, once having moved into a retirement home are reluctant or are unable to move to alternative accommodation, until they require the level of care that makes them eligible for LTC.

BUSINESS OF THE COMPANY

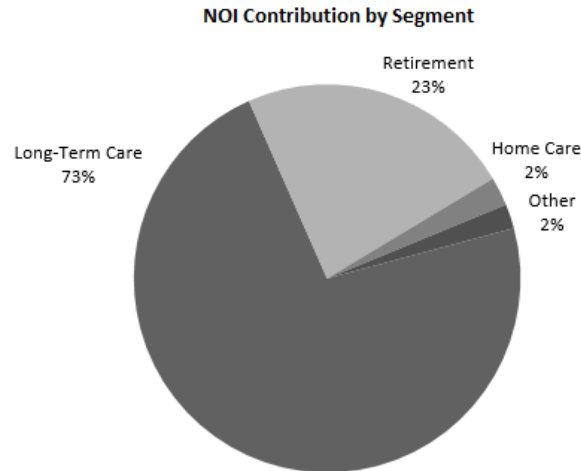
The Company and its predecessors have been operating since 1972. The Company is one of Canada's largest operators of seniors housing and is the largest owner and operator of licensed LTC in Ontario. Since inception, the Company has expanded both through acquisition and organically, which reflects a proven ability to increase the capacity and occupancy of its portfolio.

The Company has achieved critical mass and expects to maintain growth through:

- **Organic Growth** — maximizing the Company's existing assets by maintaining stabilized RR occupancy levels and maximizing assisted living services and fees, maintaining consistently high LTC occupancy, maximizing preferred accommodation occupancy in LTC, and disciplined cost management.
- **Acquisition Growth** — consolidation opportunities in a fragmented market for all Company segments. The Company has executed well on its key acquisitions over the past three years, which acquisitions are summarized above under the heading "General Development of the Business". The Company continually evaluates strategic growth opportunities that are complementary to its high quality portfolio and provide long-term shareholder value.
- **Capital Renewal Initiatives and Development** — the current LTC properties are comprised largely of "New" LTC homes within the Class A category, which represent approximately 61% of the Company's LTC beds. Class B and C homes represent 8% and 31% of the LTC beds, respectively. The Company is well positioned to participate in the Capital Renewal Initiatives described elsewhere in this AIF (see "Industry Overview - MOHLTC Funding Model - Capital Renewal Initiatives").

Core Business Operations

The following is the business segment contribution to the Company's NOI for the year ended December 31, 2015.



ASSET CLASS	COMMUNITIES	LONG-TERM CARE (Beds)				RETIREMENT (Suites / Apartments)	TOTAL
		Basic and Other	Semi-Private	Private - \$18.00 Premium	Private -Up to \$25.00 Premium	Total	Beds / Suites / Apartments
LONG-TERM CARE	35	2,609	857	240	2,027	—	5,733
RETIREMENT	11	—	—	—	—	1,206	1,206
TOTAL	46	2,609	857	240	2,027	1,206	6,939

Retirement Residences

The Company's retirement portfolio consists of 11 retirement properties, three of which are located in British Columbia and eight of which are located in Ontario. One Ontario property was added from the Company's Traditions Acquisition on December 31, 2015. Four of the Ontario properties were acquired as part of the Specialty Care Acquisition on December 2, 2013 (see "General Development of the Business – Growth of LTC and RR Portfolios and Expansion into Management Services"), and the remaining two are Red Oak Retirement Residence and Royale Place Retirement Residence. The Company also has one Independent Living community ("IL") in Ontario. The Company's RR portfolio, while still growing its revenue base, generated approximately 9% of its net revenues and approximately 23% of its NOI in 2015.

Overview of the Company's Retirement Residences

The Company has RRs in the Provinces of British Columbia and Ontario. The average occupancy of the Company's RRs was 89.3% for 2015. The following table outlines the Company's RRs.

Summary of the Company's Retirement Residences

Property	Location	Year Built	Total Suites
Astoria Retirement Residence	Port Coquitlam, BC	2010	135
Pacifica Retirement Residence	Surrey, BC	2008	130

Property	Location	Year Built	Total Suites
Peninsula Retirement Residence	Surrey, BC	2006	127
Island Park Retirement Residence	Campbellford, ON	2005	85
Lincoln Park Retirement Residence	Grimsby, ON	2006	70
Red Oak Retirement Residence	Kanata, ON	2010	158
Cedarvale Lodge Retirement & Care Community	Keswick, ON	1990	130
Royale Place Retirement Residence	Kingston, ON	2010	136
Trillium Retirement and Care Community	Kingston, ON	1992/2003	42
Midland Gardens Seniors Apartments	Scarborough, ON	1991	53
Traditions of Durham Retirement Residence	Oshawa, ON	2010/2012	140

The Company's ability to provide a variety of accommodation types and services enables residents to stay in retirement residences as long as they can.

The Company's Retirement Residences are subject to regulation and must be licensed to operate by the RHRA in Ontario and subject to registration with the Assisted Living Registry in British Columbia. RRs are inspected regularly by RHRA inspectors in Ontario and the reports are publicly posted.

Long-Term Care

In 2015, the Company's LTC portfolio contributed approximately 86% of its net revenues and generated approximately 73% of its NOI. Approximately 55% of the Company's LTC beds are designated as preferred accommodation (private and semi-private rooms). Approximately 4% of the net revenues and 27% of the NOI from the Company's LTC operations were derived from charging residents the regulated premiums for these types of accommodations. Effective July 1, 2015, the MOHLTC announced that the regulated per diem premiums had increased to \$25.00 and \$12.00 for new admissions to private and semi-private accommodation, respectively, in Class A homes, with existing residents in such preferred accommodations being grandfathered at historical rates. The rates for Class C homes are currently \$18.00 and \$8.00 for private and semi-private accommodation, respectively.

Overview of the Company's LTC Homes

The Company has LTC homes across the Province of Ontario and there is a significant wait list for admission to a Sienna home. The average annual occupancy at the Company's LTC homes is consistently above 97%, and was an average of 98.7% for 2015. The following table outlines the Company's LTC homes by Class and bed classification.

Summary of the Company's LTC Homes

Name of LTC Home	Year Built	Class	Bed Type				Total
			Private	Semi-Private	Basic	Interim, Short Stay or Convalescent ⁽²⁾	
Altamont Care Community	1965	C	5	90	63	1	159
Barnswallow Place Care Community	2000	New	58	0	36	2	96
Bloomington Cove Care Community	1973/2002	New/C	67	—	44	1	112
Bradford Valley Care Community	2003/2009	New	138	—	108	-	246
Camilla Care Community	1970	C	13	129	94	1	237
Case Manor Care Community	2006	New	58	-	38	—	96

Name of LTC Home	Year Built	Class	Bed Type				Total
			Private	Semi-Private	Basic	Interim, Short Stay or Convalescent ⁽²⁾	
Cedarvale Lodge Retirement and Care Community	1990	B	27	9	24	—	60
Cheltenham Care Community	1976	C	10	92	67	1	170
Creedan Valley Care Community	1975	C	13	30	52	—	95
Deerwood Creek Care Community	2001	New	80	0	80	0	160
Fieldstone Commons Care Community	2003	New	134	—	90	—	224
Fountain View Care Community	2001	New	80	—	78	0	158
Fox Ridge Care Community Expansion	2002	New	32	—	—	—	32
Original	1972	C	2	38	49	1	90
Granite Ridge Care Community	2002/2003	New	134	—	90	—	224
Harmony Hills Care Community	2001	New	100	—	60	-	160
Hawthorn Woods Care Community	2003	New	96	0	54	10	160
Langstaff Square Care Community	2003	New	96	—	64	—	160
Madonna Care Community	2007	New	96	—	64	—	160
Maple Grove Care Community	2003	New	96	—	64	—	160
Midland Gardens Care Community	1991	B	30	106	159	4	299
Muskoka Shores Care Community Expansion ⁽²⁾	2013	New	—	—	—	24	24
Original	1999	New	68	—	112	2	182
Norfinch Care Community	2003	New	96	—	64	—	160
Orillia ⁽³⁾	2006	New	94	—	66	—	160
Owen Hill Care Community	1972	C	3	31	23	—	57
Rockcliffe Care Community	1968	C	24	98	81	1	204
Secord Trails Care Community	1975	C	8	40	30	2	80
Silverthorn Care Community	2004	New	96	—	64	—	160
St. George Care Community	1972	C	4	18	213	3	238
Streetsville Care Community	1976	C	8	64	46	0	118
Trillium Retirement and Care Community.	1992/2003	New/B	112	—	78	—	190
Tullamore Care Community	1965	C	3	92	63	1	159
Waters Edge Care Community	1975	C	30	20	92	6	148
Weston Terrace Care Community	2002	New	134	0	90	0	224
Woodbridge Vista Care Community	2004	New	134	—	90	—	224
Woodhall Park Care Community	2004	New	88	—	59	—	147

Total	2,267	857	2,549	60	5,733
Percent of Total	39.5%	15.0%	44.5%	1.0%	100.0%

Notes:

- (1) Short stay and convalescent care beds are reserved for people requiring stays in an LTC home of less than 30 and 90 days, respectively. Short stay beds are designed to provide home caregivers with relief from their caregiving duties on a periodic basis. Convalescent care beds are typically used to provide resident support following a hospital stay. Short stay beds are funded at 100% occupancy regardless of actual occupancy and convalescent care beds are funded at 100% occupancy, provided average annual occupancy meets or exceeds 80%. In addition, convalescent care beds earn additional funding as a result of the higher level of care required.

- (2) The original structure at Muskoka was built in 1975 and was rebuilt in 1999 to meet new LTC design standards. Further renovation was completed in the spring of 2013 to accommodate an additional 12 convalescent care and 12 interim LTC beds.
- (3) The Orillia LTC home opened on November 17, 2006. Spencer House Inc., a non-profit organization, holds the licence from the MOHLTC to operate the LTC beds at the Orillia LTC home and is the counterparty to the service agreement with the applicable LHIN and leases the Orillia LTC home's land, buildings, furniture, fixtures and equipment from the Company; Spencer House Inc. has also appointed Sienna as manager of the Orillia LTC home's 160 LTC beds.

Approximately 61% of the total beds of the Company's LTC homes are Class A (consisting almost entirely of New beds) as shown in the following table:

LTC Homes Breakdown of Beds by Class

Beds by Class ⁽¹⁾	Number of Beds	Percentage of Portfolio
Class A ⁽²⁾	3,494	60.9%
Class B	453	7.9%
Class C	1,786	31.2%
Total	5,733	100.0%

Notes:

- (1) Class A homes substantially meet or, in the case of the subset of "New" LTC homes, meet or exceed 1998 design standards. Class B homes exceed 1972 standards but do not meet 1998 design standards. Class C homes meet 1972 standards.
- (2) 3,464 of the Company's 3,494 Class A LTC beds are "New" beds that qualify for capital funding of \$10.35 per day, per bed.

Home Care Services

PHCS operates the Company's Home Care segment. PHCS offers personal support services to seniors in their homes, funded through CCACs and private pay home care. PHCS has been in operation in Ontario since 1987. In 2015, the Company's Home Care segment contributed approximately 4% of its net revenues and generated approximately 2% of its NOI.

Currently, the Company holds three CCAC contracts in the Greater Toronto Area for personal support worker services through its ownership of PHCS, the Company's personal support services provider for community-based home care. PHCS continues to invest in quality driven programs and ongoing education for its front line workers and to maintain high quality of care and services for continued performance on all KPIs.

Management Services

The Company operates a management services business that is focused on third party management in both the LTC and RR sectors. In 2015, the Company's Management Services segment contributed approximately 1% of its net revenues and generated approximately 2% of its NOI.

Outlook

Management believes that the Company continues to be well positioned for both organic and external growth, supported by the favourable demographics of a growing seniors population, the strong demand for seniors services and the regulatory and operational barriers to the seniors living sector.

Retirement

In 2015, the Company continued to enhance its retirement platform and made strong improvements in sales and marketing through rebranding efforts focused on each local community. The Company made further contributions towards increased resident satisfaction through enhanced care services offerings, as well as improvements to the resident

culinary experience and leisure programs at the residences. The Company believes that these efforts contributed to positive results in 2015. The RR portfolio experienced a 13% increase in same property NOI over 2014 and as at occupancy increased by 6.8% over 2014 to 93.6% from 86.8%.

Management expects moderate growth in the RR portfolio as the Company continues to build on the recent sales and marketing improvements and operating platform. The Company anticipates growing revenue through enhanced care services and rate increases consistent with market rates, and by maintaining the current margin percentage.

Long-Term Care

During 2015, the Company's LTC division delivered solid results, as reflected by the same property NOI increase of 1.8% over 2014. The Company continued to experience strong demand for all Classes of LTC beds, with average occupancy at 98.7%. As of December 31, 2015, 64.1% of the Company's Class A private LTC beds, compared to 53.7% as of December 31, 2014, have been converted to the increased per resident rates of \$19.75, \$21.50, \$23.25 or \$25.00 per day.

In 2016, management expects that LTC will continue to achieve stable performance, with continued conversion of the Class A private LTC beds to the new preferred accommodation rates and focus on disciplined cost management.

Management continues to work through detailed feasibility analyses and related planning with respect to the potential redevelopment of its older LTC homes, as per the MOHLTC's renewal strategy guidelines, with a view to redevelop or upgrade to the new Class A structural classifications. MOHLTC approval is required to proceed with redevelopment projects. Management anticipates that redeveloped LTC homes will be mostly greenfield projects, requiring extended periods of time for both planning and approvals phases. As at this time, for redevelopment projects to be feasible and in line with the Company's growth and operating strategies, management expects to endeavour to create and implement, to the extent possible, a seniors living continuum by providing a range of independent living, assisted living, memory care and specialized LTC services.

General and Administrative Expenses

In 2015, the Company incurred one-time rebranding costs of \$489, consistent with the original anticipated cost of \$500. Management believes that the Company has, and will continue to, realize benefits from the rebranding initiatives: building local brand reputation, improved online presence and efficiencies in marketing and promotions and to facilitate the Company's future growth. In 2015, the Company further undertook additional upgrades to modernize its information technology infrastructure and employee payroll system, which management believes results in important improvements to the security and management of Company information and processes.

Management believes that General and Administrative expenses are at a sustainable level, adjusted for inflation, to enable the Company to continue to meet regulatory requirements and support strong operations.

Operational Permits

The Company holds the necessary licences and approvals required to operate its business, including licences for the LTC homes issued by the MOHLTC. Management believes that each of the Company's homes and their operations is in compliance in all material respects with environmental, health and safety laws.

Employees

As at December 31, 2015, the Company employed, directly and indirectly, approximately 8,170 employees. Approximately 83% of the Company's employees are represented by union locals of one of the following: Service Employees International Union (SEIU), Ontario Nurses Association (ONA), Christian Labourers Association of Canada (CLAC), Canadian Union of Public Employees (CUPE), UNIFOR, British Columbia Government Employees Union (BCGEU), Healthcare, Office and Professional Employees Union (HOPE), The Labourers' International Union of North America (LIUNA) and International Brotherhood of Teamsters (TEAMSTERS). The *Hospital Labour Disputes Arbitration Act* (Ontario), which prohibits strikes and lockouts in the seniors housing industry, governs the Company's

LTC homes' labour relations. The Company has comprehensive programs to continually develop the knowledge, skills and commitment of its employees, including: orientation and onboarding, online learning, management and leadership development, professional development, quality of work life initiatives, health and safety education, and awards and recognition programs, and employment engagement is evaluated annually.

Seasonality and Cyclicity

The results of the Company are subject to various factors including, but not limited to, seasonality of utility expenses, exposure to variable weather conditions, timing of co-payment changes, timing of revenue recognition to match spending under the flow-through envelopes, timing of acquisitions and capital markets and financing activities.

RISK FACTORS

There are certain risks inherent in the activities of the Company, including the ones described below.

Business risks

The Company is subject to general business risks inherent in the seniors' housing industry. These risks include fluctuations in levels of occupancy and the inability to achieve adequate OA or preferred accommodation revenue or annual increases (including anticipated increases) in resident rates. The inability to achieve such rate increases could occur as a result of, among other factors, regulations controlling LTC funding or regulations controlling rents for RR homes. Additional risks include possible future changes in labour relations; increases in labour costs, other personnel costs, and other operating costs; competition from or oversupply of other similar properties; changes in conditions of the Company properties or general economic conditions; the imposition of increased or new taxes; capital expenditure requirements; health-related risks, natural disasters and disease outbreaks. Moreover, there is no assurance that future occupancy rates at the Company homes will be consistent with historical occupancy rates achieved. Any one of, or a combination of, these factors may have an adverse impact on the business, operating results and financial condition of the Company, which could adversely affect its results and the Company's ability to pay dividends to shareholders.

Government regulation

Both LTC homes and RRs are subject to extensive regulation and the potential for regulatory change. There can be no assurance that future regulatory changes affecting the seniors' housing industry will not adversely affect the Company's business.

All RRs and LTC homes are required to adhere to quality control, public health, infection control and other care-related operating standards. Accordingly, all RRs and LTC homes are subject to regulatory inspections to ensure compliance with applicable regulations and to investigate complaints, including resident injury or death. It is not unusual for the stringent inspection procedures to identify deficiencies in operations. Every effort is made by the Company to correct legitimate problem areas that have been identified. It is possible that the Company may not be able to remedy deficiencies or address complaints within the time frames allowed or in a manner satisfactory to the applicable regulatory authority, which could lead to periods of enhanced monitoring and imposing sanctions (such as limiting admissions in the case of an LTC home), which, in turn, could have an impact on the Company's business. Further, once deficiencies have been corrected, it could nonetheless take a period of time before public records note the compliance.

All RRs are required to be licensed under the *Retirement Homes Act, 2010* (Ontario) to operate in Ontario and RRs in Ontario are regulated under this statute. In British Columbia, the *Community Care and Assisted Living Act* (British Columbia) provides consumer protection and regulation of independent living homes and assisted living facilities. All types of seniors housing providing personal support in British Columbia must be registered with the Assisted Living Registry. The Company has obtained all required licences and registrations. There can be no assurance that future regulatory changes affecting RRs will not adversely affect the Company.

LTC funding in Ontario

The provincial regulation of LTC homes includes the control of resident co-payment fees. The MOHLTC funds care and support programs provided in LTC homes and subsidizes accommodation costs for qualifying residents. As a result of increasing healthcare costs, the risk exists that funding agencies may in the future reduce the level of, or eliminate, such fees, payments or subsidies. There can be no assurance that the current level of such fees, payments and subsidies will be continued or that such fees, payments and subsidies will increase commensurate with expenses. A reduction of these fees, payments or subsidies could have an impact on the business, operating results or financial condition of the Company, which could adversely affect its results and ability to pay dividends to shareholders.

Licence terms

The LTCHA contains a licence term regime for all LTC homes which will result in licence terms for the Company homes ranging from 15 years for Class B and C homes to 30 years for Class A homes. Under the LTCHA, ultimate control of LTC licences in Ontario remains with the MOHLTC, including approval of new licences, and transfer, renewal or revocation of existing licences. Although the licence does not support any guarantee of continued operation beyond the term of the licence, with an existing wait list of approximately 24,520 in Ontario as of June 2015 (Source: MOHLTC Long-Term Care System Report, June 2015) and the demand for LTC beds projected to increase, management is of the view that licences will continue to be renewed. A failure of the Company's LTC licences to be renewed or conditional renewal could have an impact on the Company business.

Acquisitions

The success of the Company's business acquisition activities will be determined by numerous factors, including the ability of the Company to identify suitable acquisition targets, competition for acquisition opportunities, purchase price, ability to obtain adequate financing on reasonable terms, financial performance of the businesses after acquisition, and the ability of the Company to effectively integrate and operate the acquired businesses. Acquired businesses may not meet financial or operational expectations due to unexpected costs associated with the acquisition, as well as the general investment risks inherent in any real estate investment or business acquisition, including the existence of unexpected or undisclosed liabilities and the risk that the Company's recourse against third parties may not be adequate to mitigate such liabilities entirely. Moreover, new acquisitions may require significant management attention or capital expenditures that would otherwise be allocated to existing businesses. Any failure by the Company to identify suitable candidates for acquisition or operate the acquired businesses effectively may have an adverse effect on its business, results of operations or financial condition.

Capital intensive industry

The ability of the Company to maintain and enhance its properties in a suitable condition to meet regulatory standards, operate efficiently and remain competitive in its markets will require it to commit a portion of cash to its facilities and equipment. Significant future capital requirements could have a material adverse effect on the business, operating results or financial condition of the Company, which could adversely affect the Company's results and ability to pay dividends to its shareholders.

Financing risk

The Company expects its working capital needs and capital expenditure needs to increase in the future as it continues to expand and enhance its portfolio. The Company's ability to raise additional capital will depend on the financial success of its current business and the successful implementation of its key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond its control. No assurance can be given that it will be successful in raising the required capital at reasonable cost and at the required times, or at all. Further equity financings may have a dilutive effect on shareholders. If the Company is unsuccessful in raising additional capital, it may not be able to continue its business operations and advance its growth initiatives, which could adversely impact its results and the ability to pay dividends to its shareholders.

A portion of the Company's cash flow is devoted to servicing its debt and there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on its debt.

If the Company were unable to meet such interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. If this were to occur, it could have an impact upon the business, operating results or financial condition of the Company, which could adversely affect its results and ability to pay dividends. The Company is subject to the risk that its existing indebtedness may not be able to be refinanced at maturity or that the terms of any refinancing may not be as favourable as the terms of its existing indebtedness. If the Company requires additional debt financing, its lenders may require it to agree on restrictive covenants that could limit its flexibility in conducting future business activities or that contain customary provisions that, upon an event of default or other breach of debt covenant, result in the acceleration of repayment of amounts owed and that restrict the dividends that may be paid to shareholders. Some of the Company's current debt instruments include such covenants.

Redevelopment of Class B and C homes

The redevelopment of the Company's Class B and Class C beds may include significant capital outlays. To the extent such redevelopment plans proceed on significantly different timing or terms, including with respect to the levels of expected MOHLTC funding, there could be an adverse effect on the Company's results and ability to pay dividends to its shareholders.

Real property ownership

All real property investments are subject to a degree of risk. They are affected by various factors, including changes in general economic conditions (such as the availability of long-term mortgage funds) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to residents, competition from other available space and various other factors, including increasing property taxes. In addition, fluctuations in interest rates could have a material adverse effect on the business, operating results or financial condition of the Company.

Reconciliations of MOHLTC funding will result in current year adjustments made in respect of prior years

Reconciliations of MOHLTC funding versus actual expenses are performed annually, based on previous calendar years. From time to time, the reconciliations will result in current year adjustments made in respect of prior years. These "prior period adjustments" can have either a favourable or unfavourable impact on NOI generally related to differences identified in the reconciliation attributable to occupancy days, special circumstances and differences between projected and actual property tax.

Labour relations

Employees working at the Company properties are unionized with approximately 83% of employees represented by union locals. While the Company has traditionally maintained positive labour relations, there can be no assurance the Company will not at any time, whether in connection with a renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees, which could have a material adverse effect on the Company's operating results and financial condition. However, all LTC homes in the Province of Ontario are governed by the *Hospital Labour Disputes Arbitration Act* (Ontario), which prohibits strikes and lockouts in the seniors housing industry. Therefore, collective bargaining disputes are more likely to be resolved through compulsory third party arbitration.

The Company business is labour intensive

The business of the Company is labour intensive, with labour-related costs comprising a substantial portion of the Company's direct operating expenses. The Company's businesses compete with other providers with respect to attracting and retaining qualified personnel. Any shortage of qualified personnel and general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for such personnel. An increase in labour related costs or a failure to attract, train and retain qualified and skilled personnel could adversely affect the business, results of operations and financial condition of the Company, which could adversely affect its results and ability to pay dividends.

Reliance on key personnel

The Company's success depends upon the retention of senior management. There can be no assurance that the Company would be able to find qualified replacements for the individuals who make up its senior management team if their services were no longer available. The loss of services of one or more members of such senior management team could have a material adverse effect on the Company's business, its operating results and financial condition. The Company does not currently carry any "key man" life insurance on its executives.

Information systems security threats

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Any significant damage to administrative or Company properties, as a result of fire or other calamities, could have a material adverse effect

The Company's ability to sustain or grow its business is heavily dependent on efficient, proper and uninterrupted operations at its Company properties. Power failures or disruptions, the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment and the destruction of buildings, equipment and other facilities due to natural disasters or other causes could severely affect its ability to continue operations. While it does maintain certain insurance policies covering losses due to fire, lightning and explosions, there can be no assurance its coverage would be adequate to compensate the Company for the actual cost of replacing such buildings, equipment and infrastructure nor can there be any assurance that such events would not have a material adverse effect on its business, financial condition, results of operations or prospects.

Liability and insurance

The businesses, which are carried on, directly or indirectly, by the Company, entail an inherent risk of liability, including with respect to injury to or death of its residents. Management expects that from time to time the Company may be subject to such lawsuits as a result of the nature of its businesses. The Company maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. There are certain types of risks, generally of a catastrophic nature, such as floods, earthquakes, power outages, war, terrorism or environmental contamination, which are either uninsurable or are not insurable on an economic basis. A successful claim against the Company not covered by, or in excess of, its insurance could have a material adverse effect on the Company and its business, operating results and financial condition. Claims against the Company, regardless of their merit or eventual outcome, also may have a material adverse effect on the ability to attract residents or expand the Company's business, and will require management of the Company to devote time to matters unrelated to the operation of the business.

Competition

Numerous other seniors housing facilities, predominantly RRs, compete with the Company's RR in seeking residents. The existence of competing owners and competition for residents could have an adverse effect on the Company's ability to find residents for its seniors housing properties and on the rents charged, and could adversely affect the Company's revenues along with its ability to meet its debt obligations and the Company's ability to pay dividends on its Common Shares.

Geographic concentration

A majority of the business and operations of the Company are conducted in Ontario. The fair value of the Company assets and the income generated therefrom could be negatively affected by changes in local and regional economic conditions. The Company has expanded its retirement portfolio to include 3 properties in British Columbia.

Changes in the Company's credit ratings may affect the Company's capital structure

The credit ratings assigned to the Senior B Debentures (see "*Indebtedness – Senior Secured Debentures*") are an assessment of the Company's ability to pay its obligations. DBRS Limited has assigned a rating of A (low), with a Stable trend, to the Series B Debentures. Real or anticipated changes in the Company's credit ratings may affect its capital structure.

Environmental liabilities

The Company is subject to various environmental laws and regulations under which it could become liable for the costs of removing or remediating certain hazardous, toxic or regulated substances released on or in its properties or disposed of at other locations, in some cases regardless of whether or not the Company knew of or was responsible for their presence. The failure to address such issues may adversely affect the Company's ability to sell such properties or to borrow using such properties as collateral and could potentially result in claims against the Company. Notwithstanding the above, management is not aware of any material non-compliance, liability or other claim in connection with any of the Company's properties. It is the Company's operating policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring or financing any property. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, Phase II or Phase III environmental site assessments are conducted. Appropriate remediation activities would be undertaken if required.

Environmental laws and regulations may change and the Company may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on the Company's business, financial condition or results of operation, and dividends.

Risks Relating to a Public Company and Common Shares

Volatile market price for securities of the Company

The market price for securities of the Company, including the Common Shares, may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in estimates of future results of operations by the Company or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;

- addition or departure of the Company's executive officers and other key personnel;
- release or other transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional securities, including Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets may experience price and volume fluctuations that affect the market prices of equity securities of companies and that are unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the securities of the Company may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the securities of the Company by those institutions, which could adversely affect the trading price of the Company's securities, including the Common Shares. There can be no assurance that fluctuations in price and volume will not occur due to these and other factors.

Sienna Senior Living Inc. is a holding company

SSLI is a holding company and a substantial portion of its assets are the partnership units of its subsidiaries. As a result, investors in SSLI are subject to the risks attributable to its subsidiaries. As a holding company, SSLI conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to SSLI. The ability of these entities to pay distributions will depend on their operating results and may be subject to applicable laws and regulations and to contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to SSLI.

Dividend policy

Commencing with the December 2012 dividend, the Board established a dividend policy authorizing the declaration and payment of an annual dividend of \$0.90 per Common Share, to be paid to holders of Common Shares on a monthly basis. Any determination to pay cash dividends will be at the discretion of the Board after taking into account such factors as the Company's financial condition, results of operations, current and anticipated cash needs, regulatory capital requirements, the requirements of any future financing agreements and other factors that the Board may deem relevant.

The company needs to comply with financial reporting and other requirements as a public company

The company is subject to reporting and other obligations under applicable Canadian securities laws and Toronto Stock Exchange ("TSX") rules, including National Instrument 52-109. These reporting and other obligations place significant demands on the Company's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed, which could also cause investors to lose confidence in the Company's reported financial information, which could result in a lower trading price of its securities.

Management does not expect that the Company's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Future sales of the Company's securities by directors and executive officers

Subject to compliance with applicable securities laws, officers and directors and their affiliates may sell some or all of their securities in the Company in the future. No prediction can be made as to the effect, if any, such future sales will have on the market price of the Company's securities prevailing from time to time. However, the future sale of a substantial number of securities by the Company's officers and directors and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Company's securities.

Directors and officers may have conflicts of interest

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company are being made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

Dilution and future sales of the Company's securities may occur

SSLI's articles permit the issuance of an unlimited number of common shares and an unlimited number of preferred shares (the "**Preferred Shares**"), and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine the price and the terms of issue of further issuances of Common Shares and Preferred Shares.

DIVIDENDS

The Company's dividend policy is at the discretion of its board of directors (the "**Board**"). Commencing with the December 2012 dividend, the Board established a dividend policy authorizing the declaration and payment of an annual dividend of \$0.90 per Common Share, to be paid to holders of Common Shares on a monthly basis. Future dividends, if any, will depend on the operations and assets of the Company and will be subject to various factors, including, without limitation, the Company's financial performance, fluctuations in its working capital, the sustainability of its margins, its capital expenditure requirements, obligations under its credit facilities, provisions of applicable law (including satisfying the dividend solvency test applicable to BCBCA companies) and other factors that the Board may deem relevant from time to time. There can be no guarantee that the Company will maintain its current dividend policy. See "*Risk Factors*".

The chart below sets out the amount of cash dividends paid by the Company for each of the three most recently completed fiscal years.

<u>Year-Ended</u>	<u>Cash Dividend per Common Share</u>
2013	\$0.9000
2014	\$0.9000
2015	\$0.9000

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of: (a) one special share; (b) an unlimited number of Common Shares; and (c) an unlimited number of Preferred Shares, issuable in series. The special share was issued on the formation of SSLI and was redeemed, for nominal consideration, immediately following closing of the IPO and no further special shares may be issued. As at March 15, 2016, the Company had outstanding 36,541,603 Common Shares and \$46.0 million in aggregate principal amount of extendible convertible unsecured subordinated debentures (see “*Description of Capital Structure – Convertible Debentures*”), which, in the aggregate, are convertible into 2,746,269 Common Shares.

Common Shares

Holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders of the Company, except meetings of holders of another class of shares. Each Common Share entitles the holder thereof to one vote.

Subject to the preferences accorded to holders of any other shares of the Company ranking senior to the Common Shares from time to time with respect to the payment of dividends, holders of Common Shares are entitled to receive, if, as and when declared by the Board, such dividends as may be declared thereon by the Board from time to time in equal amounts per share on the Common Shares at the time outstanding, without preference or priority.

In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Company, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (a “**Distribution**”), holders of Common Shares are entitled, after payment of debts and other liabilities, in each case subject to the preferences accorded to the holders of any other shares of the Company ranking senior to the Common Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Company.

Preferred Shares

The Preferred Shares are issuable at any time and from time to time in one or more series. The Board is authorized to fix before issue the number of, the consideration per share of, the designation of, and the provisions attaching to, the Preferred Shares of each series, which may include voting rights, the whole subject to the issue of a certificate of amendment setting forth the designation and provisions attaching to the Preferred Shares or shares of the series. The Preferred Shares of each series will rank on par with the Preferred Shares of every other series and will be entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to payment of dividends and on a Distribution. If any cumulative dividends (whether or not declared), non-cumulative dividends declared or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series will participate ratably in accordance with the amounts that would be payable on such Preferred Shares if all such dividends were declared and paid in full or the sums that would be payable on such shares on the return of capital were paid in full, as the case may be.

Convertible Debentures

On April 25, 2013, SSLI issued \$46.0 million aggregate principal amount of 4.65% extendible convertible unsecured subordinated debentures due January 2, 2014, convertible into Common Shares at \$16.75 per Common Share. Upon closing of the Specialty Care Acquisition on December 2, 2013, the maturity date of the Convertible Debentures was automatically extended to June 30, 2018. The Convertible Debentures bear interest at 4.65% per annum, which is payable semi-annually in June and December, and were issued pursuant to a trust indenture dated April 25, 2013 between SSLI and Computershare Trust Company of Canada (the “**Convertible Debenture Indenture**”).

Convertible Debentures may not be redeemed by SSLI prior to June 30, 2016, except in the event of the satisfaction of certain conditions after a change of control has occurred. On or after June 30, 2016 and prior to June 30, 2017, the Convertible Debentures may be redeemed by SSLI in whole or in part from time to time, on not more than 60 days’ and not less than 30 days’ prior notice, at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date on which notice of redemption is given exceeds 125%

of the conversion price. On or after June 30, 2017, the Convertible Debentures may be redeemed by SSLI in whole or in part and from time to time, on not more than 60 days' and not less than 30 days' prior notice, at a price equal to the principal amount thereof plus accrued and unpaid interest.

Upon the occurrence of a change of control, whereby more than 66.67% of the Common Shares are acquired by any person, or group of persons acting jointly, each holder of the Convertible Debentures may require SSLI to purchase their debentures at 101% of the principal amount plus accrued and unpaid interest. If 90% or more of the Convertible Debenture holders do so, SSLI has the right to redeem all of the remaining Convertible Debentures.

Shareholders' Rights Plan

Summary

The following is a summary of certain material provisions of the Company's amended and restated shareholder rights plan agreement dated as of April 24, 2013 (the "**Rights Plan**") between SSLI and Computershare Trust Company of Canada, as rights agent, a copy of which is available on SEDAR (accessible at www.sedar.com) or on the Company's website at www.siennaliving.ca. This summary does not purport to be complete and is qualified entirely by the Rights Plan.

Pursuant to the Rights Plan, the Company has issued one right (a "**Right**") for each Common Share that 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 such bidders are subject to the dilutive features of the Rights Plan.

Separation Time

The Rights will separate and trade separately 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 the Company 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;
- (c) the date upon which a Permitted Bid ceased to be a Permitted Bid; or
- (d) 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 will be 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, the Company 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 the Company 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) the Company or any other affiliate controlled by the Company;
- (b) any person who owns, directly or indirectly, 20% or more of the securities of SSLI on closing of the IPO (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 IPO, 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 the Company.

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, as registered on the books of the Company;
- (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, with the consent of the holders of voting securities of the Company, 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.

The Board, subject to the prior consent of holders of voting securities of the Company, 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. In such event, the Board shall extend the Separation Time to a date at least 10 days following the meeting of shareholders called to approve such waiver.

Reconfirmation and Amendment

In order to remain effective, the Rights Plan must be reconfirmed by shareholders at the third, sixth and ninth annual meeting of shareholders following the IPO. The Rights Plan, as amended and restated to reflect current Canadian best corporate practices and address institutional investor guidelines, was reconfirmed by shareholders at the Company's annual and special meeting of shareholders on April 24, 2013 and is expected to be presented to shareholders for reconfirmation at the Company's annual and special meeting of shareholders to be held on April 19, 2016.

INDEBTEDNESS

Debt Strategy and Maturity Schedule

The Company's objectives are to access and maintain the lowest cost of debt with the most flexible terms available. The Company's current debt strategy revolves around the use of four types of debt: secured debentures, conventional property-specific secured mortgages, bank credit facilities and convertible debentures.

The Company plans and has started to optimize a debt maturity schedule over a ten-year period in order to manage interest rate and financial risks. This is a multi-year strategy which will take considerable time to execute. In fiscal 2016 and beyond, the Company plans to capitalize on external growth opportunities and refinancing of mortgages to build the ten-year debt maturity ladder around the Senior B Debentures (See "*Indebtedness – Senior Secured Debentures*") so as to reduce the risk when this debenture matures.

The Company has adopted interest coverage guidelines which are consistent with the coverage covenants contained in its bank credit facility agreements. Interest coverage ratios provide an indication of the ability to service or pay interest charges relating to the underlying debt. Some interest coverage ratios, as defined in certain debt instruments, may be defined differently and there may be unique calculations depending on the lender.

The following table summarizes the Company's long-term debt commitments by maturity date (all amounts are expressed in thousands of Canadian dollars):

Year	Series B Debentures	Floating Rate Debt	Convertible Debentures	Amortizing Debt		Total	% of Total	Weighted Average Interest on Maturing Debt
				Regular Principal Payments	Principal Due at Maturity			
2016	—	—	—	8,547	10,020	18,567	2.9%	4.2%
2017	—	69,500	—	7,421	32,506	109,427	17.0%	3.6%
2018	—	—	46,000	7,027	22,217	75,244	11.7%	5.0%
2019	—	—	—	5,921	37,860	43,781	6.8%	4.3%
2020	—	—	—	2,663	19,992	22,655	3.5%	3.5%
2021	322,000	—	—	2,661	—	324,661	50.4%	3.5%
2022	—	—	—	2,773	—	2,773	0.4%	—%
2023	—	—	—	2,505	12,407	14,912	2.3%	3.0%
2024	—	—	—	2,205	20,617	22,822	3.5%	4.2%
2025	—	—	—	761	—	761	0.1%	—%
Thereafter	—	—	—	2,708	5,477	8,185	1.3%	5.2%
	322,000	69,500	46,000	45,192	161,096	643,788	100.0%	
						1,252		
						(4,029)		
						(1,009)		
						(209)		
						639,793		

Convertible Debentures

The terms of the outstanding Convertible Debentures are summarized above under “*Description of Capital Structure – Convertible Debentures*”.

Senior Secured Debentures

Series B Debentures

On February 3, 2014, LSCLP issued \$322.0 million of aggregate principal amount of 3.474% Series B Senior Secured Debentures with a maturity date of February 3, 2021 (the Series B Debentures). The proceeds from the issuance of the Series B Debentures were used to redeem all of the outstanding Series A Debentures on February 24, 2014, and to pay all associated fees and expenses.

The Series B Debentures were issued pursuant to a fourth supplemental indenture to the Trust Indenture dated February 3, 2014 between LSCLP and BNY Trust Company of Canada (the “**Trust Indenture**”). The Series B Debentures are collateralized by the assets of LSCLP and its subsidiary entities and guaranteed by those subsidiary entities. The Series B Debentures require payment of interest only while outstanding, and interest on the Series B Debentures, at 3.474% per annum, is payable semi-annually in arrears in February and August of each year. The Series A Debentures are redeemable in whole or in part at the option of LSCLP at any time, upon not less than 15 days’ and not more than 30 days’ notice to the holders of the Series B Debentures, at a redemption price equal to the greater of (i) the face amount of such notes and (ii) the Canada Yield Price, as defined in the Trust Indenture on the business day preceding the date notice of redemption is given, in each case together with accrued and unpaid interest. The Series B Debentures may be purchased for cancellation at any time, in whole or in part, in the market or by tender or private contract at a price not to exceed the redemption price therefore plus any reasonable costs of purchase.

The Trust Indenture includes customary restrictions on the business of LSCLP and its subsidiary entities. These include restrictions on distributions, sales of assets and incurrence of additional indebtedness which, among other things, are based on LSCLP’s maintaining specified debt service coverage ratios. In addition, the Trust Indenture includes customary events of default. LSCLP’s covenants in respect of the Series B Debentures include the maintenance of a principal reserve fund to be used for debenture repayment. The principal reserve fund will be funded by LSCLP at least semi-annually to a predetermined minimum balance of \$45.5 million to be available for principal repayment by the maturity date of the Series B Debentures.

Credit Ratings

The Series B Debentures are presently rated as “A (low)” with a Stable trend from DBRS. The following information relating to DBRS credit ratings is based on information made available to the public by DBRS.

The DBRS long-term debt rating scale provides an opinion on the risk of default; that is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which the obligations have been issued. Ratings are based on quantitative and qualitative considerations relevant to the borrowing entity and the relative ranking of claims. DBRS’ credit ratings for long-term debt instruments range from AAA to D. Each rating category other than AAA and D also contains subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the “middle” of the category. Long-term debt securities rated “A” are of good credit quality and the capacity for payment of financial obligations is considered substantial.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The credit ratings on the Series B Debentures may not reflect the potential impact of all risks on the value of the Series B Debentures. In addition, real or anticipated changes in the Company’s credit ratings will generally affect the market value of the Series B Debentures. The ratings are not a recommendation to buy, sell or hold securities and the ratings may be changed, suspended or withdrawn if, in their judgment, circumstances so warrant.

Credit Facilities and Mortgage Debt

On June 29, 2012, The Royale LP converted a \$55.0 million bridge financing that had been obtained in connection with the Royale Acquisition (see “*General Development of the Business – Expansion into Retirement Sector and into British Columbia*”) into a \$61.5 million revolving credit facility. Amounts borrowed under the facility bear interest at 187.5 bps per annum over the floating 30-day bankers’ acceptance rate published by the Bank of Canada. The facility is secured by The Royale LP’s properties situated in Kingston and Kanata. The facility is guaranteed by SSLI and is subject to certain customary financial and non-financial covenants. On December 3, 2014, the Company reduced the amount available to be borrowed by \$4.5 million to \$57.0 million. On March 31, 2015, the Company re-extended the maturity date on this revolving credit facility to April 26, 2017. As at December 31, 2015, the Company had drawn \$47.0 million on this credit facility.

The Company entered into two credit facilities in connection with the BC Acquisition (see “*General Development of the Business – Expansion into Retirement Sector and into British Columbia*”), one of which remains outstanding: a \$26.0 million term loan to finance the acquisition of the Astoria property. This term loan bears a floating interest rate equal to 187.5 bps per annum over the floating 30-day bankers’ acceptance rate published by the Bank of Canada. The debt is secured by the Astoria property and associated assets, is guaranteed by SSLI, and is subject to certain customary financial and non-financial covenants. Interest on the term loan is payable monthly in advance. On December 3, 2014, the Company reduced the amount available to be borrowed by \$2.0 million to \$24.0 million. The Company further reduced the amount available to be borrowed on June 2, 2015 by \$1.5 million to \$22.5 million. As at December 31, 2015, the Company had drawn \$22.5 million under this credit facility.

On April 19, 2013, The Royale LP entered into an approximately \$18.0 million Canadian Mortgage and Housing Corporation insured mortgage on the Pacifica property. The mortgage was arranged to refinance debt incurred on the acquisition of the Pacifica property. It bears interest at 3.04% per year, has a 25-year amortization period and matures on June 1, 2023. The mortgage is collateralized by a first collateral mortgage on the Pacifica property and a general security agreement providing a first charge on all assets and undertakings, is guaranteed by SSLI as to \$5.4 million, and is subject to certain customary financial and non-financial covenants.

As part of the acquisition for the Peninsula property (see “*General Development of the Business – Expansion into Retirement Sector and into British Columbia*”), The Royale West Coast LP assumed a mortgage in the amount of approximately \$23.7 million. The mortgage bears an interest rate of 5.18% and matures on January 1, 2017. The mortgage is subject to certain customary financial and non-financial covenants and is collateralized by a first collateral mortgage on the property and a general security agreement providing a first charge on all associated assets and undertakings. Interest and principal on the mortgage is due on the first day of each month.

As part of the acquisition of the Madonna property (see *General Development of the Business – Growth of LTC and RR Portfolios and Expansion into Management Services*”), RDLP assumed a mortgage in the amount of approximately \$15.7 million which bears interest at the floating monthly bankers’ acceptance rate plus a stamping fee of 1.5% per annum and matures in April 16, 2029. The mortgage is collateralized by a first collateral mortgage on the property, is guaranteed by SSLI, and is subject to certain customary financial and non-financial covenants. The Company, in conjunction with the assumption of the mortgage, assumed the related interest rate swap contract to effectively fix the floating bankers’ acceptance rate at 3.7%. The swap is collateralized by a second mortgage on the property. Interest and principal on the mortgage is payable monthly on the 16th day of each month.

In connection with the Specialty Care Acquisition (see *General Development of the Business – Growth of LTC and RR Portfolios and Expansion into Management Services*”), The RDLP assumed six mortgages in the aggregate amount of approximately \$59.2 million (with a fair value of \$61.3 million) and a construction loan in the amount of approximately \$13.3 million (which was repaid in 2014). The mortgages bear fixed interest rates ranging from 3.02% to 7.11% with maturity dates through to 2018. The mortgages are secured by a first charge on all assets owned by the Company and located at the respective properties, are guaranteed by SSLI, and are subject to certain customary financial and non-financial covenants. The construction loan was interest-only, bearing interest (at prime rate plus 1.25% per annum) and collateralized by a first charge on the specific property. On December 12, 2014, RDLP assumed a mortgage in the principal amount of approximately \$34 million. The mortgage replaces two of the original six mortgages and the construction loan assumed as part of the Specialty Care Acquisition that reached maturity, bears interest at 3.96% per annum and matures on December 12, 2024.

In addition, to fund the Specialty Care Acquisition, The RDLP entered into two new term loan facilities aggregating approximately \$62.5 million. The first, in the initial principal amount of approximately \$9.5 million, is an amortizing term loan which bears interest at 4.60% per annum and matures on December 2, 2018. The second, in the initial principal amount of \$53.0 million, is an amortizing term loan which bears interest at 4.30% per annum and matures on December 2, 2019. The debts are secured by a first charge on all assets owned by the Company and located at the respective properties, are guaranteed by SSLI, and are subject to certain customary financial and non-financial covenants.

As part of the Traditions Acquisition (see *General Development of the Business – Growth of LTC and RR Portfolios and Expansion into Management Services*”), The RDLP assumed a mortgage in the amount of approximately \$22.7 million. The mortgage bears interest at the rate of 3.49% per annum and matures on March 11, 2020. The mortgage is collateralized by a first collateral mortgage on the property and secured by its assets and undertakings. The mortgage is subject to certain customary financial and non-financial covenants.

Two of the five mortgages assumed and the two new debt facilities entered into by RDLP in connection with the Specialty Care Acquisition, as well as the mortgage assumed in connection with the acquisition of the Madonna property, as well as the mortgage assumed in connection with the acquisition of Traditions, are all governed by a facilities agreement dated December 31, 2015 between RDLP and The Toronto Dominion Bank (the “**Facilities Agreement**”).

MARKET FOR SECURITIES

The outstanding Common Shares of the Company trade on the TSX under the symbol “SIA”. The following table sets out the reported high and low prices and the volume traded of the Common Shares on the TSX for each month during 2015:

Month	Toronto Stock Exchange		
	High	Low	Volume
January	\$ 15.10	\$ 13.79	2,569,401
February	\$ 14.95	\$ 14.34	1,400,373
March	\$ 15.25	\$ 14.21	1,859,128
April	\$ 16.16	\$ 14.76	1,896,314
May	\$ 15.85	\$ 14.52	1,402,067

Month	Toronto Stock Exchange		
	High	Low	Volume
June	\$ 15.76	\$ 14.55	1,371,990
July	\$ 16.25	\$ 14.99	1,626,418
August	\$ 16.04	\$ 14.50	1,488,661
September\$ 17.55	\$ 17.55	\$ 15.59	2,008,458
October	\$ 17.60	\$ 16.63	2,644,176
November	\$ 18.13	\$ 15.57	2,316,021
December	\$ 17.48	\$ 15.50	2,233,309

The outstanding Convertible Debentures of the Company trade on the TSX under the symbol “LW.DB”. The following table sets out the reported high and low prices and the volume traded of the Convertible Debentures on the TSX for each month in 2015:

Month	Toronto Stock Exchange		
	High	Low	Volume
January	\$ 103.00	\$ 101.00	237,000
February	\$ 103.50	\$ 101.50	479,000
March	\$ 103.50	\$ 102.50	514,000
April	\$ 104.50	\$ 101.99	500,000
May	\$ 104.50	\$ 101.60	402,200
June	\$ 103.00	\$ 101.00	864,000
July	\$ 103.35	\$ 101.75	478,000
August	\$ 103.90	\$ 100.00	659,000
September\$ 17.55	\$ 108.00	\$ 100.54	1,368,000
October	\$ 109.50	\$ 105.51	1,061,000
November	\$ 111.07	\$ 106.80	2,146,000
December	\$ 108.46	\$ 101.00	672,000

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, as of the date hereof, for each of the directors and executive officers of the Company, the person’s name, municipality of residence, positions with the Company (i.e., directorship) and principal occupation. Ms. Cormack and Ms. Jourdain Coleman were appointed to the Board on November 13, 2013 and February 5, 2014, respectively. Each of the other directors has been a director since the closing of the IPO in March 2010. The term of office for each of the directors will expire at the time of the next annual meeting of the shareholders of the Company. See also the key changes in the Company’s executive officers and board of directors described above under the heading “*General Development of the Business – Key Changes in the Company’s Executive Officers and Board of Directors*”.

As of March 15, 2016, the directors and executive officers of the Company collectively beneficially own, directly or indirectly, or exercise control and direction over 720,142 Common Shares (representing in the aggregate approximately 1.97% of the issued and outstanding Common Shares as at such date).

Name and Municipality of Residence	Position with the Company	Date on which became a Director and Principal Occupation if Different from Position Held
Dino Chiesa ^{(1),(2),(3)} Toronto, Ontario	Director	Independent Director since March 2010 Principal of Chiesa Group
Janet Graham ^{(1),(2),(3)} Toronto, Ontario	Director	Independent Director since March 2010 Managing Director of IQ Alliance Incorporated and Corporate Director
Jack C. MacDonald ^{(1),(2),(3)} Burlington, Ontario	Director	Independent Director since March 2010 Corporate Director
John McLaughlin ^{(1),(2),(3)} Oakville, Ontario	Director	Independent Director since March 2010 President of Tall Oak Management Inc. and Corporate Director
Paula Jourdain Coleman ^{(1),(2),(3),(4)} Oakville, Ontario	Director	Independent Director since February 2014 President, Lakebridge Investments Inc.
Lois Cormack ⁽⁵⁾ Bradford, Ontario	Director, President and Chief Executive Officer	Director since November 2013
Nitin Jain ⁽⁶⁾ Etobicoke, Ontario	Executive Vice-President and Chief Financial Officer	—
Joanne Dykeman ⁽⁷⁾ Orono, Ontario	Executive Vice-President Operations, Long Term Care	—
Michael Annable ⁽⁸⁾ Guelph, Ontario	Executive Vice President People and Chief Administrative Officer	—
Cristina Alaimo ⁽⁹⁾ Toronto, Ontario	Vice-President, General Counsel & Corporate Secretary	—

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation, Nominating and Governance Committee.
- (3) Independent member of the Board.
- (4) Ms. Jourdain Coleman was appointed as a member of each of the Audit Committee and Compensation, Nominating and Governance Committee effective as of February 24, 2016.
- (5) Ms. Cormack was appointed as President and Chief Executive Officer effective April 22, 2013. During the past 3 years as CEO of Sienna Senior Living and previous principal occupation was as President of Specialty Care Inc.
- (6) Mr. Jain was appointed as Executive Vice-President and Chief Financial Officer on May 20, 2014. During the past 5 years, his previous principal occupation was as: Head of Finance for Real Estate at Canadian Tire Corporation and CT REIT (March 2012 – June 2014), Associate Vice President, Financial Planning & Analysis at Canadian Tire Corporation (January 2011 – March 2012), and various senior finance roles at General Electric (June 2008-January 2011).
- (7) Ms. Dykeman was appointed as Executive Vice-President, Operations, Long Term Care on February 17, 2015. During the past 5 years, her previous principal occupation was as Vice President, Clinical Services and Quality at Revera Long Term Care Canada
- (8) Mr. Annable was formally appointed as Executive Vice President, People and Chief Administrative Officer on November 13, 2013. During the past 5 years, his previous principal occupation was as: Vice President of Human Resources Administration, TJX Canada (February 2011 - August 2013), Self Employed, M.J. Annable and Associates Inc. (consulting Sears Canada/TJX Canada), (September 2009 - February, 2011), and Executive Vice-President, Administration Linamar Corporation (1991-2009).
- (9) Ms. Alaimo was appointed as Vice-President, General Counsel and Corporate Secretary on January 26, 2015. During the past 5 years, her previous principal occupation was as: Vice President and General Counsel, Centric Health Corporation (March 2014 – January 2015), Principal, Alaimo Law (March 2013 – present), General Counsel, Cervello Capital Group of Companies (portfolio of public and private junior resource companies) (March 2012 – January 2013) and an associate at Goodmans LLP (October 2003 – March 2012). Ms. Alaimo continues to provide legal consulting services as Principal of Alaimo Law.

Biographies

The following are brief profiles of the directors of the Company. The principal occupations of each of the directors of the Company for the five years preceding the date of this AIF are set out below.

Dino Chiesa — Chair and Director

Mr. Chiesa served as the immediate past chair of CMHC, one of Canada's largest financial institutions, and is principal of Chiesa Group, a commercial real estate developer. Mr. Chiesa has also served as Trustee and Vice-Chair of Canadian Apartment Properties Real Estate Investment Trust ("CAP REIT"), a TSX-listed Canadian residential real estate investment trust, since June 2004 following its merger with Residential Equities Real Estate Investment Trust ("Res REIT"). Mr. Chiesa served as President and Chief Executive Officer of Res REIT from 1999 until its merger with CAP REIT in 2004. Prior to that, from 1989 to 1999, Mr. Chiesa held several positions within the Government of Ontario, including Assistant Deputy Minister, Municipal Affairs and Housing and Chief Executive Officer of each of Ontario Housing Corporation and Ontario Mortgage Corporation. Mr. Chiesa is a member of the Board of Trustees of Morguard North American Residential REIT. He is a former Director of Dynacare Laboratories, Inc., was a member of the Board of Trustees of Sunrise Senior Living Real Estate Investment Trust and has served on the board of two public hospitals. Mr. Chiesa sits on the advisory board for the Shulich School of Business at York University and is a member of the Expert Advisory Committee on Real Estate Development at Ryerson University. Additionally, Mr. Chiesa has been active in the charitable sector, including his role as chair at Villa Charities. Mr. Chiesa holds a Bachelor of Arts in Economics from McMaster University.

Janet Graham — Director

Ms. Graham has been a Managing Director of IQ Alliance Incorporated, a Toronto based real estate advisory services firm, since August 2002. Prior to joining IQ Alliance Incorporated, Ms Graham was an independent consultant for a number of years delivering real estate related financial advisory services to major corporate clients. Prior to March 1996, Ms. Graham held senior positions at a Canadian chartered bank and its affiliated investment bank for 15 years specializing in corporate finance and corporate lending to real estate and other companies.

Ms. Graham is a member of the Board of Trustees and Chair of the Audit Committee of Milestone Apartments Real Estate Investment Trust, a publicly-traded Canadian real estate investment trust and a member of the Board of Trustees and Chair of the Audit Committee of Automotive Properties Real Estate Investment Trust, a publicly-traded Canadian real estate investment trust. Ms. Graham is a former member of the Board of Directors and Chair of the Audit Committee of Toronto Waterfront Revitalization Corporation, a corporation without share capital and a former member of the Board of Directors and member of the Audit Committee of Altus Group Limited, a publicly-traded Canadian company and a former member of the Board of Trustees and Chair of the Audit and Special Committees of Partners Real Estate Investment Trust (formerly, Charter Real Estate Investment Trust), a publicly-traded Canadian real estate investment trust. She is also a former member of the Board of Trustees and member of the Audit Committee of IPC US Real Estate Investment Trust, a publicly-traded Canadian real estate investment trust and a former member of the Board of Directors and member of the Audit Committee of Crystal River Capital, Inc., a public Maryland corporation.

Ms. Graham holds a Bachelor of Applied Science from Guelph University, a Master of Business Administration from York University and holds a CPA, CA designation.

Jack C. MacDonald — Director

Until September 2012, Mr. MacDonald served as Chair of Compass Group Canada & ESS North America. Prior to this role he was Chief Executive Officer of the company for the period 1996 to 2010. Compass Group Canada is a \$1.6 billion subsidiary of Compass Group PLC, a public company traded on the FTSE 100. Compass Group provides food and facilities management services in a number of sectors including healthcare, business & industry, education, leisure & recreation and remote sites. Mr. MacDonald had been an officer of Compass Group North America from June 1997 until his retirement in 2012. Prior to Compass, he worked with MDS Health Group as President, Communicare Division

(1991-1996); with Marriott Corporation as President of its Canadian Management Services Division (1984-1991); and with Clearwater Sea Foods Corp. as Vice-President, Sales & Retail Operations (1980– 1984).

Mr. MacDonald is the Chair of the Advisory Board of Micco Companies, a privately held company operating in Nova Scotia. Mr. MacDonald's previous board roles include Honourary Chair, Toronto Zoo Campaign – “Wild for Life”; Chair, Canadian Aboriginal Business Hall of Fame; member of the Province of Ontario Investment and Trade Advisory Council; Chair, Canadian Foundation for Dietetic Research; Chair, President's Advisory Council for Humber College; Director of the Colorectal Cancer Screening Initiative Foundation; and Director of the Canadian Physiotherapy Association. Mr. MacDonald was educated in Nova Scotia and has completed three years at Acadia University towards a B.Sc. in mathematics and engineering. In 2007, Mr. MacDonald was given an Honourary Bachelor of Applied Science degree from Humber College. He has also successfully completed the Institute of Corporate Directors programme at the University of Toronto's Rotman School of Management.

John McLaughlin — Director

Mr. McLaughlin is President of Tall Oak Management Inc., a privately held management consulting and investment Company. From 2004 to 2012 Mr. McLaughlin served on the Board of Directors of Futuremed Healthcare Products Corporation serving as Chairman from 2006 to March 2012. From 2008 to 2011 he served on the Board of Directors of Aim Health Group where he was Chair of the Audit Committee. Currently, he is a Director of Medical Pharmacies Group Inc., a privately held institutional and retail pharmacy company and a Director of the Darling Home for Kids, a respite facility for children with complex medical needs. Previously, Mr. McLaughlin worked in various positions with Extencicare Inc. including Managing Director of Extencicare (UK) Ltd., President of Extencicare (Canada) Inc., and President of Extencicare Health Care Services Inc., Extencicare's US operations. Prior to joining Extencicare Mr. McLaughlin was Chief Executive Officer of a number of Canadian hospitals. He has served on the Board of the Ontario Long Term Care Association in several posts including Chair. He is a graduate of St. Mary's University and of the University of Western Ontario's Executive Development Program.

Paula Jourdain Coleman — Director

Ms. Jourdain Coleman is the owner and President of Lakebridge Investments Inc., a privately-held investment company with interests in both seniors housing and real estate. Ms. Jourdain Coleman joined SSLI's board of directors in February 2014, following the Company's 2013 acquisition of a portfolio of Specialty Care properties as well as its management business. Ms. Jourdain Coleman previously served as Chairman and CEO of Specialty Care Inc. where she led its transformation from four small rural homes into a vibrant organization with fourteen long term care and retirement communities, as well as an active consulting practice and management business. Ms. Jourdain Coleman has over thirty years' experience in long term care management, facility development, government relations and financial management.

Ms. Jourdain Coleman currently serves on the Board of Directors of George Brown College Foundation and is a member of the International Women's Forum. She previously served on the board of directors of St. Joseph's Health Care Centre and is also a past President of the Ontario Long Term Care Association (OLTCA) and the Ontario Retirement Communities Association (ORCA).

Ms. Jourdain Coleman holds a Masters in Social Work from Wilfrid Laurier University and a Masters of Business Administration from York University.

Lois Cormack — Director, President & Chief Executive Officer

Lois Cormack is the President and CEO of the Company. Ms. Cormack is leading the Company's transformation and growth strategy, and rebranding of the Company to Sienna Senior Living. Prior to joining the Company in 2013, Ms. Cormack served as the past President of Specialty Care Inc. Prior to joining Specialty Care Inc., Ms. Cormack operated her own independent consulting firm and held senior leadership roles in the health care and seniors' living sectors. She has extensive experience and relationships in the health care and seniors' care sectors, including in the regulatory and policy environment in the Province of Ontario, as well as a wealth of experience in developing, leasing and operating LTC and retirement homes. As a respected leader in the seniors' living space, Ms. Cormack has served on a number of

provincial and national committees, including as Chair of the Board of Directors of the Ontario Long-Term Care Association (OLTCA). Ms. Cormack currently sits on the Board of Governors of Seneca College.

Ms. Cormack was recently named as one of Canada's top female entrepreneurs in Profit/Canadian Business's W100 for 2014 and 2015. She holds a Masters of Health Administration from the University of Toronto and is a graduate of the Ivey Executive Program, Richard Ivey School of Business, Western University, Ontario and is a Certified Health Executive with the Canadian College of Health Leaders.

Directorships

Except as described above, none of the directors are currently directors of other issuers that are also reporting issuers (or the equivalent) in a territory of Canada or in a foreign territory.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

None of the directors or executive officers of the Company is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any person or company (including the Company) that was subject to one of the following orders, that was in effect for a period of more than 30 consecutive days:

- (a) a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued while the director or executive officer was acting in the capacity as director or executive officer; or
- (b) a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of the directors or executive officers of the Company, or shareholders holding a sufficient number of securities of the Company to affect materially its control:

- (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer of the shareholder; or
- (c) has had imposed any penalties or sanctions by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a security regulatory authority or has had imposed any penalties or sanctions by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interests which they may have in any project or opportunity of the Company. However, the Company's directors and officers may serve on the boards and/or as officers of other companies which may compete

in the same industry as the Company, giving rise to potential conflicts of interest. To the extent that such other companies may participate in ventures in which the Company may participate or enter into contracts with the Company, they may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that a conflict of interest arises at a meeting of the directors of the Company, such conflict of interest must be declared and the declaring parties must recuse themselves from the meeting and abstain from participating and voting for or against the approval of any project or opportunity in which they may have an interest. Provided such steps are followed and subject to any limitations in the Company's constating documents, a transaction would not be void or voidable because it was made between the Company and one or more of its directors or by reason of such director being present at the meeting at which such agreement or transaction was approved. The remaining directors will determine whether or not the Company will participate in any such project or opportunity.

To the best of the Company's knowledge, other than as set forth below, there are no known existing or potential conflicts of interest among the Company, directors, officers or other members of management of the Company as a result of their outside business interests.

Mr. John McLaughlin is a board member of Medical Pharmacies Group Inc., a supplier to the Company, as well as a former board member of Futuremed Healthcare Products Corporation, a supplier to the Company that was acquired by Cardinal Health Canada in 2012 (with Cardinal Health Canada continuing as a supplier of the Company).

Ms. Jourdain Coleman has an indirect minority interest in a retirement property that is managed by the Company, and held an indirect minority interest in another retirement property that was managed by the Company during the 2015 fiscal year (which property was purchased by the Company as part of the Traditions Acquisition on December 31, 2015). Ms. Jourdain Coleman is a significant shareholder, director, and officer of PAR Ventures Inc. (formerly Specialty Care Inc.), which has certain ongoing rights and obligations vis-à-vis the Company in connection with the Specialty Care Acquisition.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest, and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The text of the Audit Committee's charter is attached as Schedule "A".

Composition of Audit Committee

The members of the Company's Audit Committee are:

Janet Graham (Chairperson)	Independent ⁽¹⁾	Financially literate ⁽²⁾
Dino Chiesa	Independent ⁽¹⁾	Financially literate ⁽²⁾
Jack MacDonald	Independent ⁽¹⁾	Financially literate ⁽²⁾
John McLaughlin	Independent ⁽¹⁾	Financially literate ⁽²⁾
Paula Jourdain Coleman ⁽³⁾	Independent ⁽¹⁾	Financially literate ⁽²⁾

Notes:

- (1) Pursuant National Instrument 52-110 - Audit Committees, as amended, of the Canadian Securities Administrators ("NI 52-110"), a member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

- (2) An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. The Board has determined that each member of the Audit Committee is financially literate, having reference to the definition contained in NI 52-110 and consideration of the relevant education and experience of each member of the Audit Committee.
- (3) Ms. Jourdain Coleman was appointed a member of the Audit Committee effective as of February 24, 2016.

Relevant Education and Experience

The Board believes that the composition of the Audit Committee reflects a high level of financial literacy. Each member of the Company's Audit Committee has education and experience (see "*Directors and Executive Officers*") that is relevant to his or her performance as an Audit Committee member and has, in particular, education and experience that have provided the member with:

- (a) an understanding of the accounting principles used by the Company to prepare its financial statements;
- (b) the ability to assess the general application of the above noted principles in connection with estimates, accruals and reserves;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements or experience actively supervising individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Sections 2.4 (De Minimis Non-audit Services), 3.2 (Initial Public Offerings), 3.3(2) (Controlled Companies), 3.4 (Events Outside Control of Members), 3.5 (Death, Disability or Resignation of Audit Committee Member), 3.6 (Temporary Exemption for Limited and Exceptional Circumstances), 3.8 (Acquisition of Financial Literacy) of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 thereof.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year has the Audit Committee made a recommendation to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board to review the performance of the Company's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve in writing any non-audit services or additional work which the Chair of the Audit Committee deems is necessary, and the Chair will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the committee's consideration, and if thought fit, approval in writing.

External Auditor Service Fees

The fees billed by the Company's external auditors for the last three fiscal years are as follows:

Year	Audit Fees	Audit Related Fees⁽¹⁾	Tax Fees⁽²⁾	All Other Fees⁽³⁾	Total Fees
2015.....	\$379,225	\$0	\$27,405	nil	\$406,660
2014.....	\$513,439	\$200,001	\$198,739	nil	\$912,178
2013.....	\$312,181	\$408,109	\$107,520	nil	\$827,810

Notes:

- (1) Fees charged for assurance and related services that are reasonably related to the performance of an audit, and not included under Audit Fees.
- (2) Fees charged for tax compliance, tax advice and tax planning services.
- (3) Fees for services other than disclosed in any other column.

PROMOTERS

No person was considered a promoter of the Company for the purposes of applicable securities legislation during the last two completed fiscal years of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company's business is involved in various legal actions and proceedings which arise from time to time in the ordinary course. In view of the quantum of the amounts claimed and the insurance coverage maintained by the Company, the Company considers that the aggregate contingent liability resulting from those legal actions and proceedings is not material.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set forth below, no director, executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares, or any known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction within the last three years or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary entity of the Company.

Paula Jourdain Coleman held a minority direct and indirect interest in Specialty Care Inc. and related entities which participated as vendors in the Specialty Care Acquisition and the Traditions of Durham acquisition (see "*General Development of the Business – Growth of LTC and RR Portfolios and Expansion into Management Services*"). Ms. Jourdain Coleman also previously served as Chairman and CEO of Specialty Care Inc.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices located in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts in the ordinary course of business, which have been entered into by SSLI and/or its subsidiary entities and which are still in effect:

- the Trust Indenture (see "Indebtedness – Senior Secured Debentures")
- the Rights Plan (see "Description of Capital Structure — Shareholders' Rights Plan")
- the Facilities Agreement (see "Indebtedness – Credit Facilities and Mortgage Debt")

- the Convertible Debenture Indenture (See “Description of Capital Structure – Convertible Debentures”).

INTERESTS OF EXPERTS

The Company’s auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, (“PwC”) who have prepared an independent auditors’ report dated February 24, 2016 in respect of the Company’s financial statements with accompanying notes as at and for the year ended December 31, 2015. PwC has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

Additional information, including directors’ and officers’ remuneration and indebtedness, and principal holders of the Company’s securities will be contained in the Company’s information circular for its April 19, 2016 annual and special meeting of shareholders. Additional financial information is provided in the Company’s financial statements and management’s discussion and analysis for the year ended December 31, 2015.

SCHEDULE "A"

CHARTER OF THE AUDIT COMMITTEE

1. Purpose

The Audit Committee (the "**Committee**") is appointed by the board of directors (the "**Board**") of Sienna Senior Living Inc. (the "**Company**") to assist in the oversight and evaluation of:

- the quality and integrity of the financial statements and other financial information relating to the Company;
- the design and implementation of the Company's internal controls and disclosure controls;
- the compliance by the Company with legal and regulatory requirements in respect of financial disclosure;
- the qualification, independence and performance of the Company's independent auditor;
- the development, review and assessment of the Company's complaints procedure with respect of the reporting of illegal or unethical behaviour;
- the performance of the Company's Chief Financial Officer; and
- any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

In addition, the Committee provides an avenue for communication between the independent auditor, the Company's Chief Financial Officer and other senior financial management, other employees and the Board concerning accounting, and auditing matters.

The Committee is directly responsible for the appointment, compensation, retention (and termination) and oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the Company.

The Committee is not responsible for:

- planning or conducting audits,
- certifying or determining the completeness or accuracy of the Company's financial statements or that those financial statements are in accordance with generally accepted accounting principles ("**GAAP**") or International Financial Reporting Standards ("**IFRS**"), or
- guaranteeing the report of the Company's independent auditor.

Each member of the Committee shall be entitled to rely in good faith upon:

- financial statements of the Company represented to him or her by senior management of the Company or in a written report of the independent auditor to present fairly the financial position of the Company in accordance with GAAP or IFRS, as applicable; and
- any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

In this context, "**good faith reliance**" means that the Committee member has considered the relevant issues, questioned the information provided and assumptions used, and assessed whether the analysis provided by senior

management or the expert is reasonable. Generally, good faith reliance does not require that the member question the honesty, competence and integrity of senior management or the expert unless there is a reason to doubt their honesty, competency and integrity.

The fundamental responsibility for the Company's financial statements and disclosure rests with senior management and the independent auditor is responsible for auditing those financial statements. It is not the duty of the Committee to conduct investigations, to itself resolve disagreements (if any) between senior management and the independent auditor or to ensure compliance with applicable legal and regulatory requirements.

2. Reports

The Committee shall report to the Board on a regular basis and, in any event, before the public disclosure by the Company of its quarterly and annual financial results. The reports of the Committee shall include any issues of which the Committee is aware with respect to:

- the quality or integrity of the Company's financial statements;
- compliance by the Company with legal or regulatory requirements in respect of financial matters and disclosure;
- the performance and independence of the Company's independent auditor;
- the effectiveness of systems of control (including Risk management) established by management to safeguard the assets (real and intangible) of the Company; and
- the proper maintenance of accounting and other records.

The Committee shall also prepare, as required by applicable law, any audit committee report required for inclusion in the Company's publicly filed documents.

3. Composition

The members of the Committee shall be three or more individuals who are appointed (and may be replaced) by the Board on the recommendation of the Company's Compensation, Governance and Nominating Committee. The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of Shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed. The Board may appoint a member to fill a vacancy that occurs in the Committee between annual elections of Directors. Any member of the Committee may be removed from the Committee by a resolution of the Board. Unless the Chair is elected by the Board, the members of the Committee may designate a Chair by majority vote of the members of the Committee.

Each of the members of the Committee shall be independent and financially literate as defined for the purposes of in National Instrument NI 52-110 – *Audit Committees*, as it may be amended or replaced from time to time. No member of the Committee shall:

- accept (directly or indirectly) any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries¹ (other than remuneration for acting in his or her capacity as a director) or be an "affiliated person"² of the Company or any of its subsidiaries;

¹ A person or company is considered to be a subsidiary of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary of a person or company that is the other's subsidiary.

² A person or company is considered to be an affiliated entity of a person or company if (a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company or (b) the person is an individual who (i) both a director and an employee of an affiliated entity, or (ii) an executive officer, general partner or managing member of an affiliated entity.

- concurrently serve on the audit committee of a competitor or client without the prior approval of the Committee, the Compensation, Governance and Nominating Committee and the Board; or

4. Responsibilities

It is recognized that, in fulfilling their responsibilities, members of the Committee are not full-time employees of the Company. As such, it is not the duty or responsibility of the Committee or its members to conduct “field work” or other types of auditing or accounting reviews or procedures or to determine that the Company’s financial statements are complete and accurate. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information, and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board).

The Committee shall have authority over, and shall be responsible for, the following specific matters:

4.1 Independent Auditor

The Committee shall:

- Recommend to the Board the independent auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attestation services for the Company.
- Establish the compensation of the independent auditor.
- Obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Committee and the Board.
- Oversee the independent auditor and, in the context thereof, require the independent auditor to report to the Committee (among other things) any disagreement between management and the independent auditor regarding financial reporting and the resolution of each such disagreement.
- Pre-approve all audit and non-audit services (subject to any restrictions on such non-audit services imposed by applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators).
- Adopt such policies and procedures as it determines appropriate for the pre-approval of the retention of the independent auditor by the Company and any of its subsidiaries for any audit and permitted non-audit services, including procedures for the delegation of authority to provide such approval to one or more members of the Committee.
- At least annually, review the qualifications, performance and independence of the independent auditor. In doing so, the Committee should, among other things, undertake the measures set forth in Appendix “A” to this Charter.
- at least annually, obtain and review a report by the auditor describing: (A) the auditor’s internal quality-control procedures, including the safeguarding of confidential information; and (B) any material issues raised by (i) the most recent internal quality control review or peer review of the auditor which relates to services provided to the Company or its subsidiaries by the auditor, or (ii) the review of the auditor by any independent oversight body, such as the Canadian Public Accountability Board or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the auditor (but only where the results of such review have been made publicly available), and in the case of each of (i) and (ii), the steps taken to deal with any issues raised in any such review;

4.2 The Audit Process, Financial Statements and Related Disclosure

The Committee shall:

- Meet with senior management and/or the independent auditor to review and discuss:
 - the planning and staffing of the audit by the independent auditor;
 - before public disclosure, the Company’s annual audited financial statements and quarterly unaudited financial statements, the Company’s accompanying disclosure of Management’s Discussion and Analysis (“MD&A”) and earnings press releases and make recommendations to the Board as to the approval and dissemination of those statements and disclosure;
 - the adequacy of the procedures for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements, other than the public disclosure referred to in the immediately preceding paragraph and periodically assess the adequacy of those procedures and consider whether they are complete and consistent with the information known to committee members;
 - financial information and any earnings guidance provided to analysts and rating agencies, recognizing that this review and discussion may be done generally (consisting of a discussion of the types of information to be disclosed and the types of presentations to be made) and need not take place in advance of the disclosure of each release or provision of guidance;
 - any significant financial reporting issues and judgments made in connection with the preparation of the Company’s financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Company’s financial statements;
 - all critical accounting policies and practices used;
 - all alternative treatments of financial information within GAAP or IFRS, as applicable, that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
 - the use of “pro forma” or “adjusted” non-GAAP or non-IFRS information;
 - the effect of new regulatory and accounting pronouncements
 - the effect of any material off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise), on the Company’s financial statements;
 - any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Committee by the Chief Executive Officer and the Chief Financial Officer during their certification process in documents filed with applicable securities regulators;
 - the adequacy of the Company’s internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel and any special steps adopted in light of any material control deficiencies; and
 - the establishment, and periodic review, of procedures for the review of financial information extracted or derived from the Company’s consolidated financial statements.

- In conducting its review of the financial statements and related management’s discussion and analysis:
 - consider the quality of, and not just the acceptability of, the accounting principles, and the reasonableness of senior management’s judgments, analyses and estimates made in connection with the preparation of the financial statements or that have a significant effect upon the financial statements, and the clarity of the disclosures in the financial statements;
 - discuss the effect of off-balance sheet transactions, arrangements, obligations (including contingent liabilities) and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Company’s financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, and/or significant components of revenues and expenses;
 - consider any proposed changes in accounting practices or policies and their impact on consolidated financial statements of the Company;
 - discuss with senior management, the auditor and, if necessary, legal counsel, a report from senior management describing any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters have been disclosed in the financial statements;
 - discuss with senior management and the auditor any correspondence with regulators or governmental agencies, employee or other complaints or published reports that raise material issues regarding the Company’s consolidated financial statements or accounting policies;
 - discuss with the auditor any special audit steps taken in light of material weaknesses in internal control;
 - review the results of the audit, including any reservations or qualifications in the auditor’s opinion;
 - discuss with senior management all significant variances between comparative reporting periods;
 - discuss with the auditor any difficulties encountered in the course of the audit work, including any restrictions on the scope of their procedures and access to requested information, accounting adjustments proposed by the auditor which were not applied (because they were immaterial or otherwise) and significant disagreements with senior management and the method of resolution;
 - discuss with the auditor any material issues relating to the Company’s activities on which the Company’s audit team consulted the auditor’s national office;
 - discuss with senior management and the auditor the appropriate disclosure of any transactions between the Company and its officers, directors, or other related parties; and
 - consider any other matter which in its judgment should be taken into account in reaching its recommendation to the Board concerning the approval of the financial statements.

- Review with the independent auditor:
 - the quality as well as the acceptability of the accounting principles that have been applied;
 - any problems or difficulties the independent auditor may have encountered during the provision of its audit services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to management and the Company's response to that letter or communication; and
 - any changes to the Company's significant accounting principles and practices suggested by the independent auditor or members of management.
- Review with management all related party transactions and the development of policies and procedures related to those transactions.
- Following completion of the annual audit, review with each of management and the independent auditors any significant issues, concerns or difficulties encountered during the course of the audit including:
 - restrictions on the scope of work or on access to required or requested information;
 - issues or concerns that arose during the course of the audit concerning the Company's internal accounting controls, or the fair presentation, completeness or accuracy of the financial statements; and
 - analyses prepared by management or the auditors setting forth significant financial reporting issues and judgments made in connection with preparation of the financial statements (including analysis of the effects of alternative treatments under generally accepted accounting principles).
- Periodically review reports on the Company's information technology systems that support the financial reporting process.
- Receive and review reports from other Board committees with regard to matters that could affect the audit or results of operations.
- Oversee appropriate disclosure of the Charter, and other information required to be disclosed by applicable legislation in the Company's public disclosure documents, including any management information circular distributed in connection with the solicitation of proxies from the Company's security holders.

4.3 Compliance

The Committee shall, as it determines appropriate:

- Obtain reports from senior management that the Company and its subsidiaries are in conformity with applicable legal requirements;
- Review with the Company's Chief Financial Officer, other members of management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Company's financial statements or accounting policies.
- Review senior management's written representations to the independent auditor.

- Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Corporation's Code of Business Conduct and Ethics.
- Review with the Company's General Counsel and/or external legal counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
- Discuss with senior management the guidelines and policies utilized by senior management with respect to financial risk assessment and management, and the major financial risk exposures and the procedures to monitor and control such exposures in order to assist the Committee in assessing the completeness, adequacy and appropriateness of financial risk disclosure in Management's Discussion and Analysis and in the financial statements.
- Establish procedures for:
 - the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of the Company with concerns regarding any accounting or auditing matters.
- Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

4.4 Delegation

To avoid any confusion, the Committee responsibilities identified above are the sole responsibility of the Committee and may not be delegated to a different committee.

5. **Meetings**

The Committee shall meet in accordance with a schedule established each year by the Committee, and at other times that the Committee may determine. Quorum for all meetings shall be a majority of the Committee members or such greater number as the Committee shall, by resolution, determine. Minutes shall be maintained of all meetings of the Committee and copies of the minutes shall be made available to all members of the Board.

The Committee shall meet separately, periodically, with the Chief Financial Officer and other financial management, and the independent auditor and may request any member of the Company's senior management, the General Counsel or external legal counsel or independent auditor to attend meetings of the Committee or with any members of, or advisors to, the Committee.

Meeting agendas shall be developed by the Committee chair in consultation with the Company's management and the independent auditors. Committee members may propose agenda items through communication with the Chair of the Committee or the Chief Financial Officer. Agendas, together with appropriate briefing materials, shall be circulated to Committee members prior to meetings. At the discretion of the Committee, members of management and others may attend Committee meetings other than the separate sessions with the Chief Financial Officer, the independent auditor and General Counsel and/or external legal counsel.

The auditor is entitled to receive notice of every meeting of the Committee and, at the expense of the Company, to attend and be heard thereat and, if so requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the auditor.

6. **Resources and Authority**

The Committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to engage and establish the compensation of, at the expense of the Company, outside advisors including experts in particular areas of accounting, legal counsel and other experts or consultants as it determines necessary to

carry out its duties, without seeking approval of the Board or management. The Committee will advise the Board of any such action taken.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and has direct access to the independent auditor as well as anyone in the Company.

7. Annual Evaluation

At least annually, the Committee shall, in a manner it determines to be appropriate:

- Perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with this Charter.
- Review and assess the adequacy of its Charter (including with respect to the procedures regarding the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements) and recommend to the Board any improvements to this Charter that the Committee determines to be appropriate.

Appendix “A”

Qualifications, Performance and Independence of Independent Auditor

- Review the experience and qualifications of the senior members of the independent auditor’s team.
- Confirm with the independent auditor that it is in compliance with applicable legal, regulatory and professional standards relating to auditor independence.
- Review and approve clear policies for the hiring by the Company of employees or partners or former employees or former partners of the current and former independent auditor.
- Review annual reports from the independent auditor regarding its independence and consider whether there are any non-audit services or relationships that may affect the objectivity and independence of the independent auditor and, if so, recommend that the Board take appropriate action to satisfy itself of the independence of the independent auditor.
- Obtain and review such report(s) from the independent auditor as may be required by applicable legal and regulatory requirements.
- Conduct an evaluation (taking into account the opinions of management) of the independent auditors qualification, performance and independence and present to the Board the Committee’s conclusion in such regard.

Review, as required, the independent auditors’ plans with respect to the partner rotation.