



LEISUREWORLD SENIOR CARE CORPORATION

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2013**

March 24, 2014

TABLE OF CONTENTS

GENERAL MATTERS..... 1
FORWARD-LOOKING STATEMENTS 1
NON-IFRS MEASURES..... 2
CORPORATE STRUCTURE 3
GENERAL DEVELOPMENT OF THE BUSINESS 3
INDUSTRY OVERVIEW..... 5
BUSINESS OF LEISUREWORLD 11
RISK FACTORS 16
DIVIDENDS..... 22
DESCRIPTION OF CAPITAL STRUCTURE..... 23
INDEBTEDNESS 27
MARKET FOR SECURITIES..... 30
DIRECTORS AND EXECUTIVE OFFICERS 31
CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS 34
CONFLICTS OF INTEREST 35
AUDIT COMMITTEE INFORMATION 36
PROMOTERS 37
LEGAL PROCEEDINGS AND REGULATORY ACTIONS..... 37
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS..... 37
TRANSFER AGENT AND REGISTRAR 38
MATERIAL CONTRACTS 38
INTERESTS OF EXPERTS 38
ADDITIONAL INFORMATION..... 38

SCHEDULE “A” CHARTER OF THE AUDIT COMMITTEE

GENERAL MATTERS

Unless otherwise indicated or the context otherwise requires, “**Company**” or “**Leisureworld**” refers to Leisureworld Senior Care Corporation (“**LSCC**”) 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**”), Care Planning Partners Inc., Statistics Canada, etc. Some data is also based on Leisureworld’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 Leisureworld believes these sources are reliable, Leisureworld has not independently verified the information and cannot guarantee its accuracy or completeness.

The information contained in this AIF is as of March 24, 2014, 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”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not anticipate” or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “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 Leisureworld”, “Risk Factors”, “Dividends”, “Description of Capital Structure”, “Indebtedness”,
- demographic trends,
- future government funding levels,
- 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 improvements in occupancy and growth in NOI,
- 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, but 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 Leisureworld's management,
- material changes to government and environmental regulations affecting Leisureworld's operations,
- material shifts in demographic trends,
- failure by Leisureworld to maintain good relationships with its unionized employees, and
- the risks described under "Risks Factors" and those risks discussed 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 management of Leisureworld regarding current and anticipated market conditions,
- expected government priorities and spending,
- absence of material changes to government and environmental regulations affecting the Leisureworld's operations,
- management's views as to demographic trends,
- Leisureworld's ability to maintain good relationships with its unionized employees,
- the successful attainment of certain goals as discussed in this AIF, and
- the financial and operating attributes of Leisureworld 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 Leisureworld believes that NOI is a relevant measure of its ability to pay dividends on the Company's Common Shares. 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 and impairment losses.

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 Leisureworld's performance. Leisureworld'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.

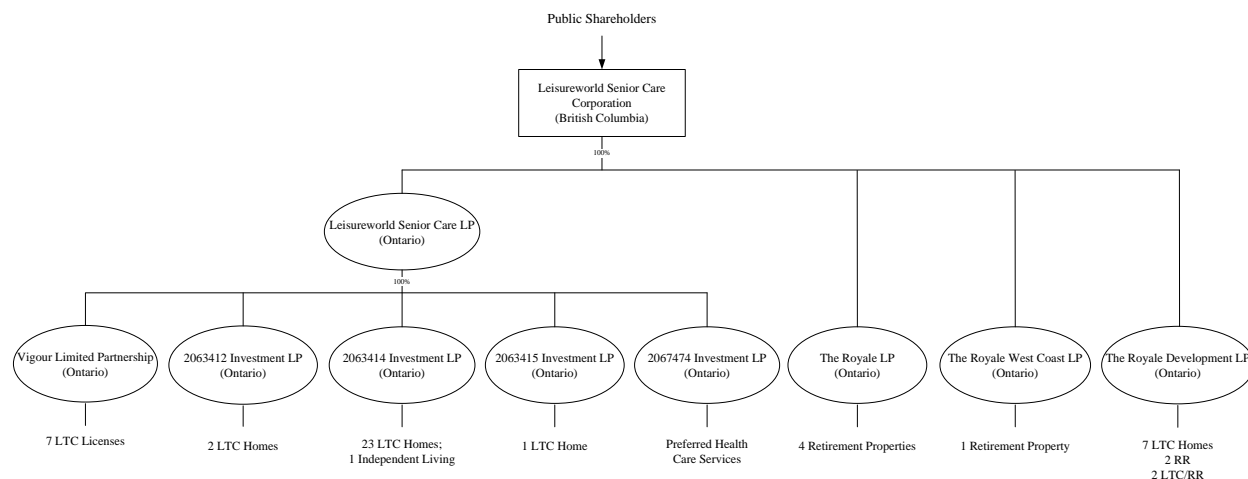
See management’s discussion and analysis for the year ended December 31, 2013, available at www.sedar.com, for a more detailed description of all of the supplemental measures of performance used by the Company.

CORPORATE STRUCTURE

Leisureworld Senior Care Corporation was incorporated under the *Business Corporations Act* (Ontario) on February 10, 2010 and was 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.

The head office of the Company is located at 302 Town Centre Blvd., Suite 200, Markham, Ontario, L3R 0E8. The registered office of the Company is located at 1900 – 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

Leisureworld’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 LSCC and its material subsidiaries as at March 24, 2014 (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

Leisureworld owns and operates 35 long-term care (“**LTC**”) homes (representing an aggregate of 5,733 beds), all of which are located in the Province of Ontario. Leisureworld also owns and operates 10 retirement residences (“**RR**”) (representing 1,065 suites) in the Provinces of Ontario and British Columbia. Under its management services division, Leisureworld provides management and consulting services to LTC homes and retirement residences in Ontario. The fourth segment of the Company’s business is Preferred Health Care Services (“**Home Care**” or “**PHCS**”), an accredited provider of professional nursing and personal support services for both community-based home healthcare and LTC homes. The general development of the Company’s business over the past three fiscal years, including key acquisitions, is summarized below.

Expansion into Retirement Sector and into British Columbia

On April 27, 2011, Leisureworld acquired its first two RRs, comprising 294 suites, located in Kingston and Kanata, Ontario, through The Royale LP, a limited partnership wholly-owned by Leisureworld (the “**Royale Acquisition**”). The net purchase price for the Royale Acquisition was approximately \$89.0 million after working capital adjustments and a holdback of \$5.5 million held in escrow as an income guarantee to complement cash flow from the RRs during the lease-up period.

The Royale Acquisition constituted a significant acquisition for the Company and a business acquisition report dated July 11, 2011 was filed under the Company's SEDAR profile at www.sedar.com.

On May 24, 2012, two of Leisureworld's wholly-owned subsidiaries, The Royale LP and The Royale West Coast LP completed the acquisition (the "**BC Acquisition**") of three luxury retirement residences in the Greater Vancouver Area in British Columbia comprising 392 suites. The purchase price for the BC Acquisition was \$119.8 million, including a \$1.0 million mark-to-market adjustment on assumed debt and a holdback of approximately \$2.0 million held in escrow as an income guarantee to complement cash flow from one of the RRs during its lease-up period

Growth of LTC and RR Portfolios and Expansion into Management Services

On July 16, 2012, one of the Company's subsidiaries, The Royale Development LP completed the acquisition of the Madonna Long-Term Care Residence, a 160 bed, Class A LTC home in Orleans, Ontario. The purchase price for the transaction was \$19.9 million, subject to a working capital adjustment, which was satisfied both in cash and through the assumption of a mortgage in the amount of approximately \$15.7 million.

On April 19, 2013 the Company acquired a license 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, Leisureworld, through The Royale Development LP, completed the 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 RRs 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 Leisureworld gaining approximately 1,500 experienced employees.

The approximately \$253.0 million purchase price 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 totaling 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 Leisureworld's public offering of subscription receipts and convertible debentures described below under "Public Financings".

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 at www.sedar.com.

Public Financings

The Royale Acquisition was financed in part from the net proceeds of the Company's public issuance of 4,381,500 subscription receipts, at a price of \$10.50 per subscription receipt, completed on April 27, 2011. Each subscription receipt was automatically exchanged for one Common Share upon completion of the Royale Acquisition.

The BC Acquisition was financed in part from the net proceeds of the Company's public issuance of 4,680,500 subscription receipts at a price of \$12.05 per subscription receipt, completed on May 23, 2012, and the issuance of 82,988 Common Shares to one of the sellers at an issue price of \$12.05 per Common Share. Each of the subscription receipts issued was automatically exchanged for one Common Share upon completion of the BC Acquisition.

The cash portion of the purchase price for the Specialty Care Acquisition was funded from the net proceeds of Leisureworld'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 (the "**Convertible Debentures**"), completed on April 25, 2013. 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 LSCC, 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, and to pay all associated fees and expenses.

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

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

Lois Cormack was appointed as President and Chief Executive Officer of the Company on April 22, 2013 and sits on the board of directors. Dino Chiesa, chair of the board, had assumed the role of Acting President and Chief Executive Officer following David Cutler’s resignation from the position in September, 2012 until Ms. Cormack’s appointment.

Michael Annable was appointed as Executive Vice President, Human Resources, and Chief Administrative Officer of the Company on November 13, 2013.

Debbie Doherty was appointed as Executive Vice President Operations, Retirement and Management Services of the Company on December 2, 2013.

Manny DiFilippo resigned as Executive Vice President and Chief Financial Officer of the Company on January 8, 2014. On that day, Timothy McSorley was appointed as Executive Vice President and Chief Financial Officer (Interim).

Paula Jourdain Coleman was appointed to the board of directors of the Company on February 5, 2014. David Cutler resigned as a director of the Company on January 31, 2014.

INDUSTRY OVERVIEW

Long-Term Care

LTC homes are designed to accommodate seniors who require 24-hour per day care in a residential setting and who live with a cognitive or physical impairment. Most LTC homes either directly provide, or contract to provide, ancillary medical services such as pharmacy and prescription services, rehabilitation therapy and complex care such as dialysis, wound management, palliative care, dementia care, and management of conditions such as diabetes, stroke, and Multiple Sclerosis. In addition to being subject to general health and safety regulations and privacy laws, all LTC homes in the Province of Ontario must be licensed by the MOHLTC under the *Long-Term Care Homes Act, 2007* (Ontario) (the “**LTCHA**”), which came into effect on July 1, 2010. In Ontario, LTC homes are eligible for funding from the MOHLTC, including through service accountability agreements with Ontario’s Local Health Integration Networks (“**LHINS**”), and are subject to strict regulation, care standards and inspections.

Resident ability to pay is not a barrier to admission to LTC homes in Ontario. Residents of LTC homes are directly charged only for accommodation costs and, in the event these amounts are unaffordable for the residents, government 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 of LTC homes pay a higher accommodation rate for private and semi-private accommodation, and such rates are fixed by government.

LTC homes are social infrastructure assets as they provide essential health services. 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:** The Ontario LTC sector provides an essential service to Ontario communities. LTC licenced homes provide 24-hour nursing support, daily assistance with personal care and supervision throughout the day to individuals who may otherwise require hospital care. Access is controlled through Community Care Access Centres and homes are regulated and funded by government. LTC homes provide specialized services such as memory care, falls prevention, end of life care and skin and wound management, to seniors at a much lower cost than in other settings such as hospitals.
- **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 must be licensed in order to operate as an LTC home and to receive government funding. The licensing requirements are extensive. In the Province of Ontario, there are currently no issuances of new licences anticipated and there are also restrictions on the transfer of licences. Operational funding is tied to the delivery of statutorily mandated services. These regulations create significant barriers to entry.

Leisureworld is a well-established LTC provider, with a sophisticated understanding of the regulatory requirements and significant experience and expertise in operating LTC homes.

In addition to the regulatory barriers to entry, the successful operation of an LTC home demands a broad range of expertise, which creates additional barriers to entry. The operational skills required include management of health care operations, financial management and reporting, asset management, maintenance, community relationships, labour relations, government relations and financing. Leisureworld has significant expertise in each of these areas, and has dedicated head office staff responsible for specific areas of expertise, the cost of which is allocated across many business units.

- **Sustainable competitive advantage:** LTC homes have a sustainable competitive advantage over other Ontario seniors' housing classes due to the affordability for seniors (ability to pay is not a barrier to entry) and the provision of 24 hour a day, 7 day a week care. Additionally, they provide a cost-effective alternative to Complex Continuing Care or acute care hospital beds for eligible patients. Moreover, there is excess demand over supply with a wait list of 21,800 as of September 2013 (MOHLTC Long Term Care System Report).
- **Stability of revenues:** LTC homes enjoy predictable revenue for the following reasons: (i) a significant portion of revenues is received from MOHLTC funding; (ii) LTC homes are characterized by consistently high occupancy levels; and (iii) revenue from preferred accommodation is available for a significant portion of licenced beds.

LTC Regulation

In Ontario, all LTC homes are regulated by the MOHLTC, including fees, adequacy of physical structures, standard of care and accommodation, equipment and personnel. LTC homes must be licensed under the LTCHA in order to operate. The LTCHA has sections governing: resident rights, care and services, admission, operations of homes, funding, licensing, municipal and northern homes, compliance and enforcement, administration and transition.

Under the *Local Health System Integration Act, 2006* (Ontario), the management of certain local health services, including the funding of and setting performance goals for Ontario LTC, is under the purview of 14 regional non-profit corporations known as Local Health Integration Networks. LHINs are responsible for administering components of Ontario LTC funding arrangements. Licensees are required to enter into Service Agreements with the applicable LHINs and the MOHLTC funding is provided to LTC homes each month through the LHINs. Admissions to LTC homes are controlled by Community Care Access Centres. Prospective residents must meet a number of legislated eligibility criteria to gain admission to an LTC home. Once declared eligible, a person is placed on a waiting list and is admitted when a bed becomes available.

LTC Funding Model

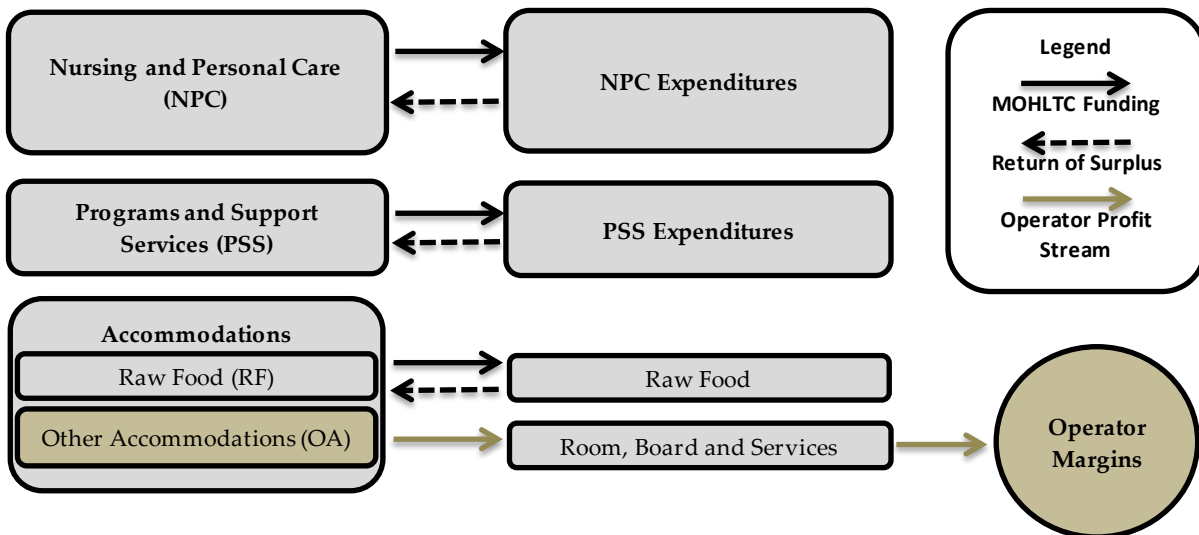
Ontario LTC homes are funded through a well-defined funding model. Licensed operators of Ontario LTC homes are entitled to operating subsidies (subject to annual reconciliation), as well as various capital renewal program

payments. Provincial support for the Ontario LTC sector has been demonstrated by annual increases in funding. Operational funding of LTC homes is currently paid monthly and is divided into three “envelopes”. The three envelopes are Nursing and Personal Care, Programs and Support Services and Accommodation, which includes the Food Component. Total operational funding 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.

- **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:** The flow-through envelope portion funded by the MOHLTC comprises a raw food-only component (the “**Food Component**”) and an other accommodation component (“**OA**”). 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, including mortgage payments and taxes.

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 Food Component of the accommodation 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”. Effective for 2013, the MOHLTC has provided the ability to balance between the funding envelopes with the exception of the Food Component of the Accommodation envelope. Funding related to the OA component of the Accommodation 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 Accommodation envelope (a practice known as “overspending”). Thus, operators of LTC homes have an incentive to manage costs within their funding envelopes. 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 for 2013.

Capital Renewal Initiatives

The MOHLTC categorizes and provides structural compliance and capital funding for homes according to four structural classification types (Classes A, B, C and D). 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 Leisureworld'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 (other than operators of Class D LTC homes) 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 New — \$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, these 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 Leisureworld's portfolio receives the \$10.35 funding, with the maximum remaining term of the funding at 13 years and an average remaining term of 9 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. Ongoing consultation has been taking place with the province's LTC providers and with organizations such as the Ontario Long-Term Care Association to establish an appropriate capital renewal program. Following the establishment of an accepted capital renewal program, Leisureworld expects to redevelop its Class B and C beds over several years.

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 evaluates the roles, responsibilities and competencies of a home's professional and support staff. It also assesses the organization's services, systems and infrastructure. The quality framework of the accreditation council defines quality through eight dimensions: population focus; accessibility; safety; work life; client centered services; continuity of services; efficiency; and effectiveness. All of Leisureworld'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. As well, preferred premiums are received from residents for semi-private or private accommodation.

LTC Competitive Structure

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 Leisureworld. 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 some consolidation in recent years which is expected to continue.

According to Care Planning Partners Inc., the 10 largest participants in the Ontario LTC sector together own and operate approximately 37% of the beds in LTC homes. Further, no participant exceeds an 8% market share of beds in the Province of Ontario and only three participants exceed a 5% market share of such beds.

Leading LTC sector participants in the Province of Ontario include:

Operator	LTC Beds	% of Total	LTC Homes	% of Total
Leisureworld Senior Care Corporation ⁽¹⁾⁽²⁾	5,733	7.40%	35	5.67%
Revera Inc.	5,472	7.06%	46	7.46%
Extencicare Canada Inc. ⁽¹⁾	4,946	6.38%	34	5.51%
Chartwell Seniors Housing REIT ⁽¹⁾	3,449	4.45%	26	4.21%
Toronto Long-Term Care Homes and Services	2,640	3.41%	10	1.62%
Schlegel Villages	1,563	2.02%	11	1.78%
Omni Health Care Ltd.	1,415	1.83%	17	2.76%
Jarlette Health Services	1,322	1.71%	12	1.94%
Caessant Care	1,237	1.60%	15	2.43%
Niagara Region	974	1.26%	9	1.46%
Total major providers	28,751	37.1%	215	34.6%
Estimated Provincial Total	77,500		622	

Source: Care Planning Partners Inc.

Notes:

(1) Publicly traded, listed on the Toronto Stock Exchange.

(2) One owned LTC home (Orillia) is managed on behalf of Spencer House Inc., a non-profit charitable organization, which holds the MOHLTC license related to such LTC home and is the counterparty to the service agreement with the applicable LHIN.

However, the most notable feature of the LTC competitive environment is the fact that the waiting lists for LTC homes have grown to approximately 21,800, reflecting the inadequate supply of licensed LTC spaces to care for residents who are in need of 24-hour care and services.

Retirement Residences

RRs contain hotel style rooms and suites that are generally rented to residents on a monthly basis in conjunction with a meal and service package. Accommodation and services are all private-pay based on market rates. RRs are typically focused on independent living or assisted living, which includes some care and services based on resident needs and preferences that the resident may purchase.

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**”) and provides consumer protection but does not provide funding for the provision of care and services in RR facilities. All RRs are required to be licensed by the RHRA in order to operate in Ontario. 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.

Home Care

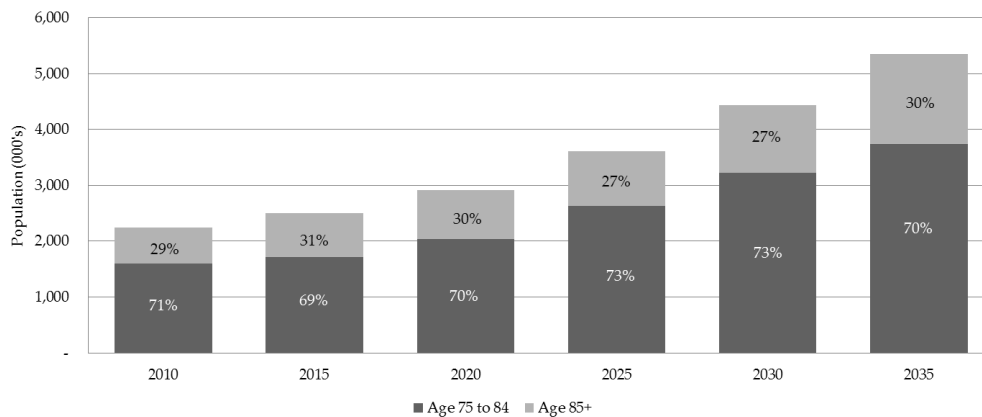
Home Care services in Ontario are designed to accommodate seniors that require assistance in day-to-day activities and healthcare. Funding for such services is provided by Ontario’s Community Care Access Centres (“**CCACs**”), which were created by the MOHLTC partially to administer publicly funded home care in the Province of Ontario. The Government of Ontario continues to fund a wide range of home healthcare and community support services to enable seniors to continue to live in their own homes. Currently, Leisureworld’s Preferred Health Care Services holds three CCAC contracts for personal support worker services. The MOHLTC, Ontario’s LHINs and CCACs are now moving forward with “Home First”, a similar initiative to “Aging at Home”, designed to support seniors in living at home with government subsidized home healthcare and community services.

Demand for Seniors Housing

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

- **Favourable demographics:** 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 148% between 2010 and 2035, representing a compound annual growth rate of 3.71%. 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



Source: Statistics Canada, CANSIM table 052-0005.

- **Increasing seniors’ affluence:** Seniors generally fund the cost of the seniors’ living that best suits their individual needs by: selling their existing home; from income generated from their savings and pension plans, and/or financial support from family members.

According to Canada Mortgage and Housing Corporation, 86.3% of Canadian seniors between the ages of 75 and 84 own their homes mortgage-free.

According to Statistics Canada, the average, after-tax household income of a Canadian economic family with two members or more (an economic family is defined as a group of individuals sharing a common dwelling unit, who are related by blood, marriage, common-law relationships, or adoption) was \$60,700 in 1991 (inflation adjusted to 2011 dollars), compared to \$79,600 in 2011.

In LTC residences, seniors can choose to live in private or semi-private accommodation that affords greater dignity for the resident receiving care and services, and offers privacy for day-to-day living.

- **Changing family dynamics:** As more and more families have both spouses working full-time outside of the home and changes in lifestyle reducing the ability of adult children to care for their aging parents, seniors' housing facilities have become an attractive option. There is also an increasing demand for home healthcare services, retirement living and LTC.
- **Alternative to Hospitals:** Rising healthcare costs have resulted in pressures to reduce the length of hospital stays through the provision of home healthcare and transitions to long-term care. These pressures have been a predominant factor in the LTC wait-list numbers, demand for LTC and, high occupancy in LTC. According to the MOHLTC, there are currently 77,500 LTC beds in Ontario and a wait list of approximately 21,800 individuals. Approximately 10% of the individuals currently on wait lists for LTC beds are occupying acute care beds in Ontario hospitals. The average cost for the Ontario government to fund an acute care hospital bed for a senior is \$500 to \$1,000 per day, compared to approximately \$158 per day in a LTC home (Source: MOHLTC Health Data Branch: Hospital HIT Indicator, 2013).
- **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 usually 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; (iii) the continual increase in the demand for LTC and (iv) stability of government funding and subsidization of fees.

The Retirement sector is less insulated from economic cycles when compared to the LTC sector as seniors may not choose retirement living if affordability becomes a factor. However, 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 LEISUREWORLD

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

Leisureworld has achieved critical mass and expects to maintain growth through:

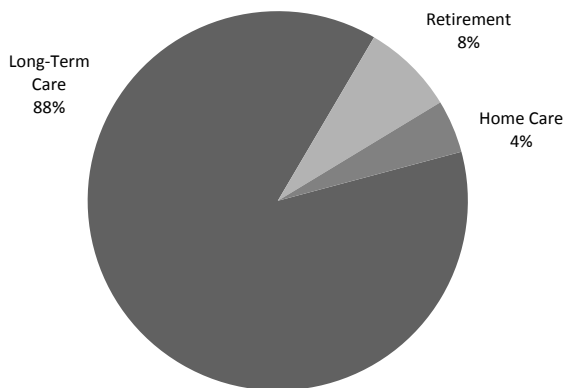
- **Organic Growth** — increasing capacity, increasing RR occupancy levels and maintaining consistently high LTC occupancy, maximizing preferred accommodation occupancy in LTC, increasing Home Care contract volumes, investing in technology and process improvements, and continuing disciplined cost management.

- **Acquisition Growth** — consolidation opportunities in a highly fragmented market. The Company’s key acquisitions over the past three years are summarized above under the heading “*General Development of the Business*”.
- **Capital Renewal Initiatives and Development** — The LTC properties are comprised largely of “New” LTC homes within the Class A category, which represent approximately 61% of Leisureworld’s LTC beds. Class B and C homes represent 8% and 31% of the LTC beds, respectively. Leisureworld is well positioned to participate in a capital renewal initiative when the Class B and C beds require redevelopment. Redevelopment would start when there is a workable program with appropriate MOHLTC funded construction premiums. Leisureworld’s management has the necessary skills and ability to take full advantage of the Capital Renewal Initiatives and other property development opportunities. From 1998 to 2006, Leisureworld developed 13 new LTC homes, representing 2,260 beds, and 1 RR, actively participating in the design, construction and management of these properties.

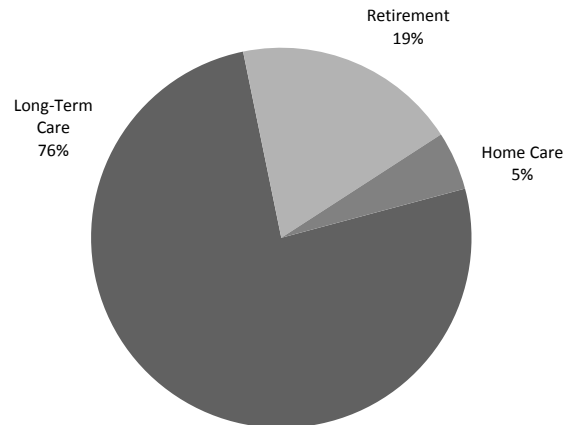
Core Business Operations

The following is the business segment contribution to the Company’s revenues and NOI for the year ended December 31, 2013.

Net Revenue Contribution by Segment



NOI Contribution by Segment

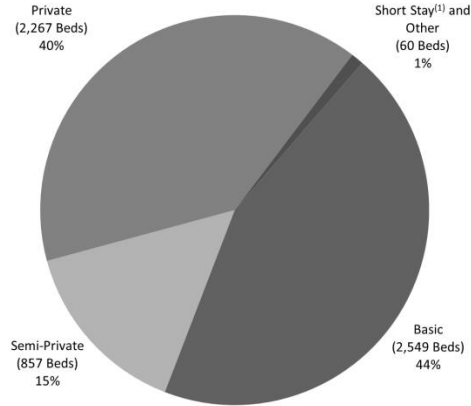


Long-Term Care

In 2013, the LTC portfolio generated approximately 88% of Leisureworld’s net revenues and approximately 76% of the NOI.

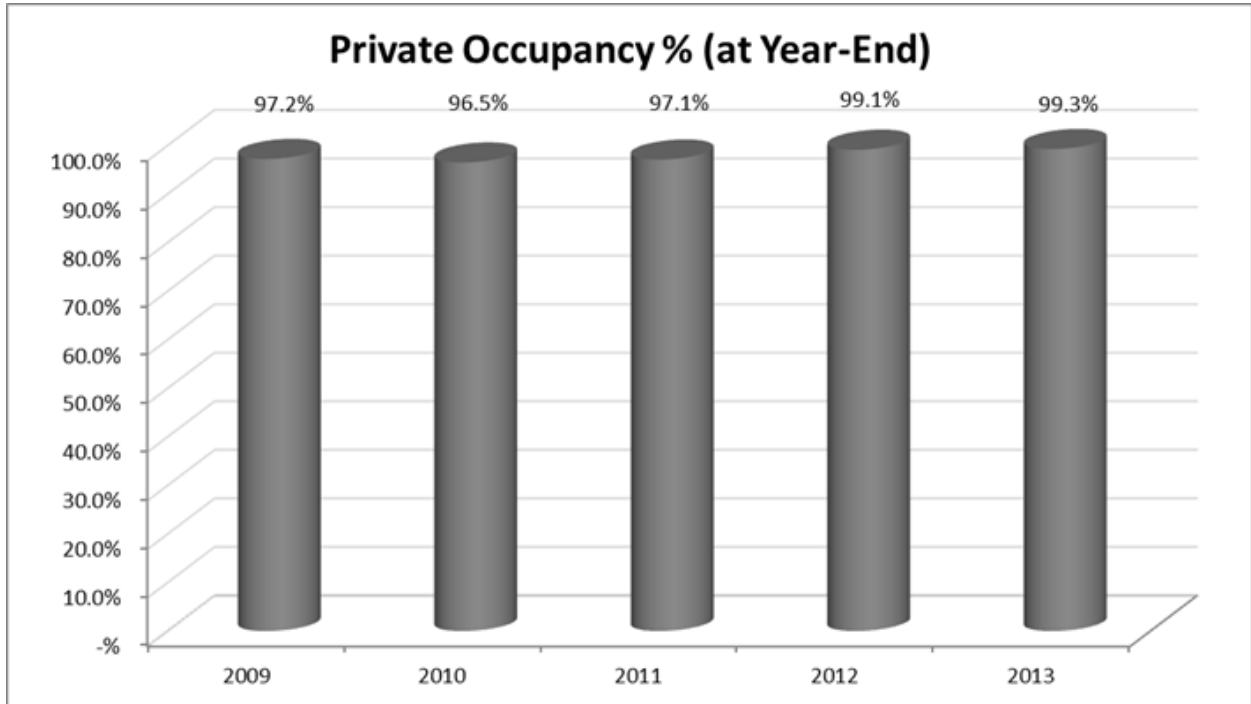
Approximately 55% of Leisureworld’s LTC beds are designated as preferred accommodation (private and semi-private rooms). Approximately 4% of the revenues and 23% of the NOI from Leisureworld’s LTC operations are derived from charging residents the regulated premiums for these types of accommodations. Effective July 1, 2013, the MOHLTC announced that the regulated per diem premiums had increased to \$21.50 and \$10.00 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.

Summary of LTC Beds by Accommodation Type



Note:

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



Overview of Leisureworld LTC Homes

Leisureworld has LTC homes across the province of Ontario and there is a significant wait list for admission to a Leisureworld home. The average annual occupancy at Leisureworld's LTC homes is consistently above 97%, and was 98.9% as at December 31, 2013. The following table outlines Leisureworld's LTC homes by Class and bed classification.

Summary of Leisureworld LTC Homes

Name of LTC Home	Year Built	Class	Bed Type				Total
			Private	Semi-Private	Basic	Interim, Short Stay or Convalescent ⁽¹⁾	
Altamont	1965	C	5	90	63	1	159
Barrie	1972	C	3	31	23	-	57
Bloomington Cove	1973/2002	New/C	67	-	44	1	112
Bradford Valley	2003/2009	New	138	-	108	-	246
Brampton Meadows	2003	New	96	-	64	-	160
Brampton Woods	2003	New	96	0	54	10	160
Brantford							
Expansion	2002	New	32	-	-	-	32
Original	1972	C	2	38	49	1	90
Case Manor	2006	New	58	-	38	-	96
Cedarvale	1990	B	27	9	24	-	60
Cheltenham	1976	C	10	92	67	1	170
Creedan Valley	1975	C	13	30	52	-	95
Ellesmere	2003	New	134	-	90	-	224
Elmira	2000	New	58	0	36	2	96
Etobicoke	2001	New	80	0	80	0	160
Granite Ridge	2002/2003	New	134	-	90	-	224
Lawrence	2002	New	134	0	90	0	224
Madonna	2007	New	96	-	64	-	160
Mississauga	1970	C	13	129	94	1	237
Mississauga Road	2004	New	96	-	64	-	160
Muskoka							
Expansion ⁽²⁾	2013	New	-	-	-	24	24
Original	1999	New	68	-	112	2	182
Norfinch	2003	New	96	-	64	-	160
North Bay	1975	C	30	20	92	6	148
O'Connor Court	2001	New	100	-	60	-	160
O'Connor Gate	2001	New	80	-	78	0	158
Orillia ⁽³⁾	2006	New	94	-	66	-	160
Oxford	1975	C	8	40	30	2	80
Richmond Hill	2003	New	96	-	64	-	160
Rockcliffe	1968	C	24	98	81	1	204
Scarborough	1991	B	30	106	159	4	299
St. George	1972	C	4	18	213	3	238
Streetsville	1976	C	8	64	46	0	118
Trillium Centre	1992/2003	New/B	112	-	78	-	190
Tullamore	1965	C	3	92	63	1	159
Vaughan	2004	New	134	-	90	-	224
Woodhall Park	2004	New	88	-	59	-	147
Total			2,267	857	2,549	60	5,733
Percent of Total			39.5%	14.9%	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 Leisureworld; Spencer House Inc. has also appointed Leisureworld as manager of the Orillia LTC home's 160 LTC beds.

Approximately 61% of the total beds of the Leisureworld LTC Homes are Class A (consisting almost entirely of New beds) as shown in the following table:

Leisureworld 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) 3,470 of Leisureworld's 3,494 Class A LTC beds are "New" beds that qualify for capital funding of \$10.35 per day, per bed.

Commitment to Quality of Care

Leisureworld has internal programs to constantly improve the quality of the services and care it provides to residents and maintain compliance with regulations set by the MOHLTC.

Resident satisfaction is evaluated regularly and is currently at approximately 84%, based on industry-recognized survey methodologies. Leisureworld employs certified experts who provide ongoing education, leadership on best practices, and policy and program updates to all staff to ensure continuing quality improvement.

Retirement Residences

Leisureworld's retirement portfolio consists of ten retirement properties, three of which are located in British Columbia and six of which are located in Ontario. Four properties were acquired as part of the Specialty Care Acquisition, discussed above, on December 2, 2013 and the remaining two are The Royale Kingston and The Royale Kanata; as well, there is one independent living community ("IL") in Ontario. Leisureworld's RR portfolio, while still growing its revenue base, currently generates approximately 8% of net revenues and approximately 19% of the NOI for Leisureworld.

Property	Location	Suites	Acquisition Date	Occupancy at Acquisition	Occupancy at Quarter End							
					Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Scarborough IL	Scarborough, ON	53	--	--	88.7%	84.9%	98.1%	98.1%	98.1%	96.2%	94.3%	94.3%
The Royale Kanata	Kanata, ON	158	April 27, 2011	41.8%	58.9%	66.5%	68.4%	71.5%	68.4%	69.0%	67.7%	69.6%
The Royale Kingston	Kingston, ON	136	April 27, 2011	52.9%	65.4%	72.8%	71.3%	69.9%	68.4%	76.5%	76.5%	80.1%
The Royale Astoria	Port Coquitlam, BC	135	May 24, 2012	59.3%	--	59.3%	58.5%	57.0%	55.6%	59.3%	65.9%	71.9%
The Royale Pacifica	Surrey, BC	130	May 24, 2012	94.6%	--	90.0%	88.5%	89.2%	93.1%	93.1%	100.0%	96.2%
The Royale Peninsula	Surrey, BC	127	May 24, 2012	94.5%	--	92.9%	83.5%	82.7%	83.5%	78.0%	84.3%	80.3%
Cedarvale	Keswick, ON	130	December 2, 2013	83.1%	--	--	--	--	--	--	--	83.8%
Island Park	Campbellford, ON	85	December 2, 2013	100.0%	--	--	--	--	--	--	--	96.5%
Lincoln Park	Grimsby, ON	70	December 2, 2013	94.3%	--	--	--	--	--	--	--	87.1%
Trillium	Kingston, ON	41	December 2, 2013	92.7%	--	--	--	--	--	--	--	92.7%
TOTAL		1,065		74.9%	66.0%	76.3%	75.4%	75.5%	75.1%	76.3%	79.4%	82.9%

Home Care services

PHCS operates Leisureworld's Home Care segment. PHCS offers personal support to seniors in their homes, funded through CCACs, private pay home care, education and relief staffing services. PHCS broadens Leisureworld's

presence across the continuum of seniors' care. PHCS has been providing professional nursing and personal support services in Ontario since 1987. Leisureworld's Home Care segment contributes approximately 4% of its revenue and generates approximately 5% of its NOI.

Outlook

Leisureworld expects to continue to benefit from its strong and stable performance in Home Care and its expanded LTC and RR portfolio resulting from the Specialty Care Acquisition (see "*General Development of the Business – Growth of LTC and RR Portfolios and Expansion into Management Services*"). The Specialty Care Acquisition also brings to Leisureworld a proven retirement home operating platform. As this proven platform is implemented across Leisureworld's RR portfolio, management expects to experience continued steady improvement in occupancy and NOI.

Leisureworld will benefit from organic growth as the retirement homes which are currently in lease up, make progress towards a stabilized occupancy which is expected to lead to NOI growth throughout 2014 and 2015.

Leisureworld continues to invest in technology, back office process improvements and disciplined cost management and as the Specialty Care assets, management team and third party management business are integrated, Leisureworld is expected to benefit from NOI growth.

Operational Permits and Environmental Matters

Leisureworld holds all necessary licences and approvals required to operate its business, including licences for the LTC homes issued by the MOHLTC (with the exception of the Orillia LTC home which it manages on behalf of Spencer House Inc., the holder of the licence from the MOHLTC). Management believes that each of the Leisureworld homes and their operations is in compliance in all material respects with environmental, health and safety laws.

It is Leisureworld's 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 generally conducted. Appropriate remediation activities would be undertaken if required.

Employees

As at December 31, 2013, the Leisureworld employed, directly and indirectly, approximately 7,500 people. Approximately 80% of Leisureworld employees are represented by union locals of one of the following: the Service Employees International Union, the Ontario Nurses Association, the Christian Labour Association of Canada, the Canadian Union of Public Employees, Unifor or the BC Government and Service Employees Union. The *Hospital Labour Disputes Arbitration Act* (Ontario), which prohibits strikes and lockouts in the seniors' housing industry, governs the Leisureworld LTC homes' labour relations. Leisureworld believes that it has a good relationship with all of its employees.

Seasonality and Cyclicalities

The results of the Company are subject to various factors including, but not limited to seasonality of utility expenses, timing of government funding rate increases and the timing of revenue recognition to match spending under the flow-through envelopes.

RISK FACTORS

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

Business Risks

Leisureworld 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 accommodation funding or residency fees (including anticipated increases in such fees). The inability to achieve such funding or fees 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 Leisureworld properties or general economic conditions; the imposition of increased or new taxes; capital expenditure requirements; health-related risks and disease outbreaks. Moreover, there is no assurance future occupancy rates at the Leisureworld 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 Leisureworld, which could adversely affect its results and Leisureworld's ability to pay dividends to shareholders.

Government Regulation and LTC Funding in Ontario

LTC homes are subject to extensive regulation and frequent regulatory change. There can be no assurance that future regulatory changes affecting the seniors' housing industry, will not adversely affect Leisureworld's business.

All LTC homes are required to adhere to quality control and other care-related operating standards. Accordingly, all LTC homes are subject to inspections by government authorities to ensure compliance with applicable regulations and to investigate complaints, including resident injury or death. It is not unusual for the stringent MOHLTC inspection procedures to identify deficiencies in operations across LTC homes in Ontario. Every effort is made by the Company to correct legitimate problem areas that have been identified. It is possible that Leisureworld may not be able to remedy deficiencies or address complaints within the time frames allowed or in a manner satisfactory to the MOHLTC, which could lead to the MOHLTC requiring periods of enhanced monitoring and imposing sanctions (such as limiting admissions at the applicable LTC home), which, in turn, could have an impact on Leisureworld's business.

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 Leisureworld, which could adversely affect its results and ability to pay dividends to shareholders.

All RRs are required to be licensed under the *Retirement Homes Act, 2010* (Ontario) (the "RHA") to operate in Ontario and RRs in Ontario are regulated under the RHA. Leisureworld has obtained all required licenses. There can be no assurance that future regulatory changes affecting RRs will not adversely affect Leisureworld.

Licence Terms

The LTCHA contains a licence term regime for all LTC homes which will result in licence terms for the Leisureworld homes ranging from 15 years for Class B and C homes to a minimum of 20 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 21,800 in Ontario and the demand for LTC beds projected to increase management is of the view that licenses will continue to be renewed. A failure of Leisureworld's LTC licences to be renewed or conditional renewal could have an impact on the Leisureworld business.

Acquisitions

The success of Leisureworld's business acquisition activities will be determined by numerous factors, including the ability of Leisureworld 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 Leisureworld 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 Leisureworld'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 Leisureworld 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 Leisureworld 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 Leisureworld, which could adversely affect Leisureworld's results and ability to pay dividends to its shareholders.

Financing Risk

Leisureworld expects its working capital needs and capital expenditure needs to increase in the future as it continues to expand and enhance its portfolio. Leisureworld'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 Leisureworld 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 Leisureworld's cash flow is devoted to servicing its debt and there can be no assurance that Leisureworld will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on its debt. If Leisureworld 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 Leisureworld, which could adversely affect its results and ability to pay dividends. Leisureworld 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 Leisureworld 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 Leisureworld's current debt instruments include such covenants.

Redevelopment of Class B and C homes

Any redevelopment of Leisureworld's Class B and Class C beds would 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 Leisureworld'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 Leisureworld.

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 Leisureworld properties are unionized with approximately 80% of employees represented by union locals of either the Service Employees International Union, the Ontario Nurses Association, the Christian Labour Association of Canada, the Canadian Union of Public Employees or Unifor. While Leisureworld has traditionally maintained positive labour relations, there can be no assurance the Leisureworld 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 Leisureworld business is labour intensive

The Leisureworld business is labour intensive, with labour-related costs comprising a substantial portion of Leisureworld’s direct operating expenses. Leisureworld’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 Leisureworld 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 Leisureworld, which could adversely affect its results and ability to pay dividends.

Reliance on key personnel

Leisureworld’s success depends upon the retention of senior management. There can be no assurance that Leisureworld 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 Leisureworld’s business, its operating results and financial condition. Leisureworld does not currently carry any “key man” life insurance on its executives.

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

Leisureworld’s ability to sustain or grow its business is heavily dependent on efficient, proper and uninterrupted operations at its Leisureworld 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 Leisureworld 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 Leisureworld, entail an inherent risk of liability, including with respect to injury to or death of its residents. Management expects that from time to time Leisureworld may be subject to such lawsuits as a result of the nature of its businesses. Leisureworld 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 war, terrorism or environmental contamination, which are either uninsurable or are not insurable on an economic basis. A successful claim against Leisureworld not covered by, or in excess of, its insurance could have a material adverse effect on Leisureworld and its business, operating results and financial condition. Claims against Leisureworld, regardless of their merit or eventual outcome, also may have a material adverse effect on the ability to attract residents or expand Leisureworld's business, and will require management of Leisureworld to devote time to matters unrelated to the operation of the business.

Competition

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

Geographic concentration

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

Changes in Leisureworld's credit ratings may affect Leisureworld's capital structure

The credit ratings assigned to the Senior B Debentures (see "*Indebtedness – Senior Secured Debentures*") are an assessment of Leisureworld'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 Leisureworld's credit ratings may affect its capital structure.

Environmental Liabilities

Leisureworld 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 Leisureworld knew of or was responsible for their presence. The failure to address such issues may adversely affect Leisureworld's ability to sell such properties or to borrow using such properties as collateral and could potentially result in claims against Leisureworld. Notwithstanding the above, management is not aware of any material non-compliance, liability or other claim in connection with any of Leisureworld's properties. It is Leisureworld'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 Leisureworld 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 Leisureworld's business, financial condition or results of operation, and dividends.

Risks Relating to a Public Company and Common Shares

Volatile market price for common shares

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

- actual or anticipated fluctuations in Leisureworld's quarterly results of operations;
- changes in estimates of future results of operations by Leisureworld or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to Leisureworld;
- addition or departure of Leisureworld's executive officers and other key personnel;
- release or other transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Leisureworld or its competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in Leisureworld'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 Common Shares may decline even if Leisureworld'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 Leisureworld'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 Common Shares by those institutions, which could adversely affect the trading price of the Common Shares. There can be no assurance that fluctuations in price and volume will not occur due to these and other factors.

LSCC is a holding company

LSCC is a holding company and a substantial portion of its assets are the partnership units of its subsidiaries. As a result, investors in Leisureworld are subject to the risks attributable to its subsidiaries. As a holding company, Leisureworld conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Leisureworld'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 Leisureworld. 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 Leisureworld'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 Leisureworld.

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 Leisureworld'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.

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

Leisureworld is subject to reporting and other obligations under applicable Canadian securities laws and Toronto Stock Exchange rules, including National Instrument 52-109. These reporting and other obligations place significant demands on Leisureworld's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause Leisureworld to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If Leisureworld 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 Leisureworld's reported financial information, which could result in a lower trading price of its Common Shares.

Management does not expect that Leisureworld'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 common shares 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 Common Shares in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. However, the future sale of a substantial number of Common Shares by Leisureworld's officers and directors and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Shares.

Directors and officers may have conflicts of interest

Certain of the directors and officers of Leisureworld 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 Leisureworld 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 Leisureworld.

Dilution and future sales of common shares may occur

LSCC's articles permit the issuance of an unlimited number of common shares and an unlimited number of 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>
2011	\$0.8500
2012	\$0.8542
2013	\$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 Leisureworld and was redeemed, for nominal consideration, immediately following closing of the IPO and no further special shares may be issued. As at March 24, 2014, the Company had outstanding 36,262,924 Common Shares and \$46.0 million in aggregate principal amount of extendible convertible unsecured subordinated 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, LSCC 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 LSCC and Computershare Trust Company of Canada (the “**Convertible Debenture Indenture**”).

Convertible Debentures may not be redeemed by Leisureworld 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 Leisureworld 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 Toronto Stock Exchange (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 Leisureworld 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 Leisureworld 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, Leisureworld 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 Leisureworld’s amended and restated shareholder rights plan agreement dated as of April 24, 2013 (the “**Rights Plan**”) between Leisureworld and Computershare Trust Company of Canada, as rights agent, a copy of which is available at www.sedar.com. 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 which is currently outstanding and will issue one Right for each Common Share issued during the currency of the Rights Plan.

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

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

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

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

Acquiring Person

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

- (a) Leisureworld or any other affiliate controlled by Leisureworld;
- (b) any person who owns, directly or indirectly, 20% or more of the securities of Leisureworld on closing of the 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 Leisureworld.

Permitted Bids and Competing Permitted Bids

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

- (a) the bid is made to all holders of Common Shares, other than the Offeror, 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.

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. Leisureworld’s current debt strategy revolves around the use of five types of debt: secured debentures, conventional property-specific secured mortgages, credit facilities, construction loans and convertible debentures.

Commencing in 2014 and beyond, the Company intends to start building a debt maturity schedule (for fixed term debt) spread evenly over a ten-year period as a means to manage interest rate risks, and to be able to finance acquisition opportunities as they arise. Leisureworld intends to capitalize on external growth opportunities in the future and management intends to build the ten-year debt maturity ladder around the Senior B Debentures (See “*Indebtedness – Senior Secured Debentures*”) so as to reduce the risk of this single large debt maturing.

Leisureworld has adopted interest coverage guidelines which are consistent with the coverage covenants contained in its credit facilities. 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. Leisureworld has also adopted leverage guidelines which are measures intended to manage its leverage.

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

Year	Amortizing Debt						Total	% of Total	Weighted Average Interest on Maturing Debt
	Series A Debentures	Floating Rate Debt	Convertible Debentures	Construction Loans	Regular Principal Payments	Principal Due at Maturity			
2014	-	-	-	13,351	6,846	13,243	33,440	5.5%	4.6%
2015	294,326	73,000	-	-	6,444	-	373,770	61.9%	4.5%
2016	-	-	-	-	6,745	10,020	16,765	2.8%	4.2%
2017	-	-	-	-	26,772	11,329	38,101	6.3%	4.1%
2018	-	-	46,000	-	5,109	22,217	73,326	12.1%	5.0%
2019	-	-	-	-	3,938	37,860	41,798	6.9%	4.3%
2020	-	-	-	-	1,181	-	1,181	0.2%	-%
2021	-	-	-	-	1,232	-	1,232	0.2%	-%
2022	-	-	-	-	1,284	-	1,284	0.2%	-%
2023	-	-	-	-	953	12,407	13,360	2.2%	3.0%
Thereafter	-	-	-	-	4,172	5,477	9,649	1.6%	5.2%
	294,326	73,000	46,000	13,351	64,676	112,553	603,906	100.0%	
Mark-to-market adjustment arising from acquisition							(1,337)		
Less: Deferred financing costs							(1,694)		
Less: Deferred financing costs convertible debentures							(1,657)		
Less: Equity component of convertible debentures							(515)		
							598,703		

Convertible Debentures

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

Senior Secured Debentures

Series A Debentures

On November 24, 2005, Leisureworld Senior Care LP (“**LSCLP**”) issued an aggregate principal amount of \$310.0 million 4.814% Series A Senior Secured Notes due November 24, 2015 (the “**Series A Debentures**”). The Series A Debentures were outstanding on December 31, 2013, but were redeemed in full on February 24, 2014.

The Series A Debentures were issued pursuant to an amended and restated master trust indenture dated November 21, 2005 (the “**Trust Indenture**”), as supplemented by a first supplemental indenture dated November 21, 2005, between LSCLP and BNY Trust Company of Canada. The Series A Debentures were collateralized by the assets of LSCLP and its subsidiary entities and guaranteed by those subsidiary entities. The Series A Debentures required payment of interest only while outstanding, and interest on the Series A Debentures was payable semi-annually in arrears in May and November of each year. The Series A Debentures were redeemable in whole or in part at the option of LSCLP at any time, upon not less than 30 days’ and not more than 60 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 A Debentures could be purchased for cancellation by LSCLP 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.

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 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

As at December 31, 2013, the Series A Debentures were rated as "A- (negative)" by Standard & Poor's Rating Services and rated as "A (stable)" by DBRS Limited ("DBRS").

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 1.875% 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 LSCC and is subject to certain customary financial and non-financial covenants. On September 24, 2013, Leisureworld extended the maturity date on this revolving credit facility to April 26, 2015. As at December 31, 2013, the Company had drawn \$47.0 million from 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 the bankers acceptance rate plus 187.5 bps. The debt is secured by the Astoria property and associated assets, is guaranteed by LSCC, and is subject to certain customary financial and non-financial covenants. Interest on the term loan is payable monthly in advance.

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 LSCC 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*”), The Royale Development LP 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, 2029. The mortgage is collateralized by a first collateral mortgage on the property, is guaranteed by LSCC, 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 Royale Development LP assumed six mortgages in the aggregate amount of approximately \$59.2 million and a construction loan in the amount of approximately \$13.3 million. 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 Leisureworld and located at the respective properties, are guaranteed by LSCC, and are subject to certain customary financial and non-financial covenants. The construction loan is interest-only, and bears interest at prime rate plus 1.25% per annum. The loan is collateralized by a first charge on the specific property and is payable on demand on or before December 31, 2014

In addition, to fund the Specialty Care Acquisition, The Royale Development LP entered into two new term loan facilities totaling 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 Leisureworld and located at the respective properties, are guaranteed by LSCC, and are subject to certain customary financial and non-financial covenants.

Four of the six mortgages assumed, the construction loan assumed, and the two new debt facilities entered into, by The Royale Development LP in connection with the Specialty Care Acquisition, as well as the mortgage assumed in connection with the acquisition of the Madonna property, are all governed by a facilities agreement dated December 2, 2013 between The Royale Development LP 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 “LW”. 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 2013:

Month	Toronto Stock Exchange		
	High	Low	Volume
January	\$ 12.89	\$ 12.44	1,067,560
February	\$ 13.17	\$ 12.46	1,179,024
March	\$ 13.01	\$ 12.70	795,266
April	\$ 13.19	\$ 12.50	1,816,328

May	.....	\$ 13.16	\$ 12.69	1,600,421
June	.....	\$ 12.90	\$ 11.82	2,156,887
July	.....	\$ 12.93	\$ 12.34	1,711,418
August	.....	\$ 12.65	\$ 10.00	2,976,252
September	.....	\$ 11.11	\$ 10.26	2,400,475
October	.....	\$ 11.28	\$ 10.39	2,551,648
November	.....	\$ 11.75	\$ 10.17	2,348,714
December	.....	\$ 11.56	\$ 10.95	1,013,153

The Convertible Debentures, which were issued on April 25, 2013, are listed for trading on the TSX under the symbol “LW.DB”. The following table sets out the reported high and low prices and volume traded of the Convertible Debentures on the TSX for each month in 2013 during which they were outstanding.

Month	Toronto Stock Exchange		
	High	Low	Volume
April	\$ 102.00	\$ 100.52	5,118,000
May	\$ 101.90	\$ 100.75	2,024,000
June	\$ 101.00	\$ 99.75	986,000
July	\$ 100.75	\$ 99.00	736,000
August	\$ 100.00	\$ 95.60	620,000
September	\$ 99.60	\$ 96.00	446,000
October	\$ 100.00	\$ 97.96	550,000
November	\$ 100.50	\$ 98.50	545,000
December	\$ 100.00	\$ 98.25	520,000

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 of directors 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 24, 2014, the directors and executive officers of the Company collectively beneficially own, directly or indirectly, or exercise control and direction over 693,462 Common Shares representing, in the aggregate less than 2% of the issued and outstanding Common Shares, calculated on a fully diluted basis.

Name and Municipality of Residence	Position with the Company	Principal Occupation if Different from Position Held
Dino Chiesa ^{(1),(2),(3)} Toronto, Ontario	Director	Principal of Chiesa Group
Janet Graham ^{(1),(2),(3)} Toronto, Ontario	Director	Managing Director of IQ Alliance Incorporated and Corporate Director

Name and Municipality of Residence	Position with the Company	Principal Occupation if Different from Position Held
Jack C. MacDonald ^{(1),(2),(3)} Burlington, Ontario	Director	Corporate Director
John McLaughlin ^{(1),(2),(3)} Oakville, Ontario	Director	President of Tall Oak Management Inc. and Corporate Director
Paula Jourdain Coleman ⁽³⁾ Oakville, Ontario	Director	President, Lakebridge Investments Inc.
Lois Cormack ⁽⁴⁾ Bradford, Ontario	Director, President and Chief Executive Officer	—
Timothy McSorley ⁽⁵⁾ Richmond Hill, Ontario	Executive Vice-President and Chief Financial Officer (Interim)	—
Paul Rushforth ⁽⁶⁾ Stouffville, Ontario	Executive Vice-President Operations, Long Term Care	—
Michael Annable ⁽⁷⁾ Guelph, Ontario	Executive Vice-President Human Resources and Chief Administrative Officer	—
Debbie Doherty ⁽⁸⁾ Port Hope, Ontario	Executive Vice-President Operations, Retirement & Management Services	—
David Veneziano ⁽⁹⁾ Toronto, Ontario	Vice-President, General Counsel & Corporate Secretary	—

Notes:

- (1) Members of the Audit Committee.
- (2) Members of the Compensation, Nominating and Governance Committee.
- (3) Independent members of the Board.
- (4) Ms. Cormack was appointed as President and Chief Executive Officer on April 22, 2013. During the past 5 years, her previous principal occupation was as President of Specialty Care Inc.
- (5) Mr. McSorley was appointed as Executive Vice-President and Chief Financial Officer (Interim) on January 8, 2014. During the past 5 years, his previous principal occupation was as Chief Financial Officer of Canadian Real Estate Investment Trust.
- (6) Mr. Rushforth has been an executive officer of Leisureworld for over 5 years. During that time, he was Executive Vice President and Chief Operating Officer of Leisureworld until his title changed to Executive Vice President, Operations, Long Term Care on December 2, 2013.
- (7) Mr. Annable was formally appointed as Executive Vice-President 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).
- (8) Ms. Doherty was appointed as Executive Vice-President, Operations, Retirement & Management Services on December 2, 2013. During the past 5 years, her previous principal occupation was as Chief Operating Officer of Specialty Care Inc.
- (9) Mr. Veneziano was appointed as Vice-President, General Counsel and Corporate Secretary on March 4, 2013. During the past 5 years, his previous principal occupation was as an associate at Goodmans LLP.

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 President 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 Directors and Chair of the Audit Committee of Toronto Waterfront Revitalization Corporation, a corporation without share capital. Ms. Graham is 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, 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). In addition to his role as a Director of LSCC, Mr. MacDonald is the lead external director on the Advisory board of Micco Company, a privately held company based in Halifax, 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. Previously, Mr. McLaughlin

worked in various positions with Extendicare Inc. including Managing Director of Extendicare (UK) Ltd., President of Extendicare (Canada) Inc., and President of Extendicare Health Care Services Inc., Extendicare's US operations. Prior to joining Extendicare 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 Leisureworld's board of directors in February 2014, following Leisureworld'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 joined Leisureworld in April, 2013 as President and CEO. She has a history as a leader in the management of efficient, high quality long term care, retirement living and health care services, most recently as President of Specialty Care Inc. Under Ms. Cormack's leadership, that organization achieved excellent operational and financial performance; with growth of over 32% in 4 years and development of a successful third party management services and consulting division. Ms. Cormack has extensive experience and relationships in the Ontario Health Care system and seniors care sector; including the regulatory and policy environment as well as a wealth of experience in developing, leasing and operating LTC and retirement homes.

Ms. Cormack was a member of the Board of Directors of the Ontario Long-Term Care Association (OLTCA) for a number of years and also served a term as OLTCA President. She has served on a number of provincial and national committees including Health Quality Ontario, Canadian Alliance for Long Term Care and the Ontario Expert Panel on Innovation in Long Term Care. She currently sits on the Advisory Council, Health Services Management Division at Ryerson University.

Ms. Cormack 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 former board member of Futuremed Healthcare Products Corporation, which is a supplier to Leisureworld. Ms. Jourdain Coleman has an indirect minority interest in two retirement properties that are managed by Leisureworld and 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⁾

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.

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:

<u>Year</u>	<u>Audit Fees</u>	<u>Audit Related Fees⁽¹⁾</u>	<u>Tax Fees⁽²⁾</u>	<u>All Other Fees⁽³⁾</u>	<u>Total Fees</u>
2013	\$312,181	\$408,109	\$107,520	nil	\$827,810
2012	\$320,011	\$202,874	\$107,154	nil	\$630,039
2011	\$378,012	\$193,994	\$126,362	\$1,786	\$700,154

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 Leisureworld for the purposes of applicable securities legislation during the last two completed fiscal years of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Leisureworld'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 (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 Leisureworld 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 Accountants, (“**PWC**”) who have prepared an independent auditors’ report dated February 26, 2014 in respect of the Company’s financial statements with accompanying notes as at and for the year ended December 31, 2013. PWC has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered 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 May 21, 2014 annual 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, 2013.

**SCHEDULE “A”
CHARTER OF THE AUDIT COMMITTEE**

1. Purpose

The Audit Committee (the “**Committee**”) is appointed by the board of directors (the “**Board**”) of Leisureworld Senior Care Corporation (the “**Corporation**”) to assist in the oversight and evaluation of:

- the quality and integrity of the financial statements of the Corporation;
- the internal control and financial reporting systems of the Corporation;
- the compliance by the Corporation with legal and regulatory requirements in respect of financial disclosure;
- the qualification, independence and performance of the Corporation’s independent auditors;
- the performance of the Corporation’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, 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 Corporation.

The Committee is not responsible for:

- planning or conducting audits;
- certifying or determining the completeness or accuracy of the Corporation’s financial statements or that those financial statements are in accordance with generally accepted accounting principles, or
- guaranteeing the report of the Corporation’s independent auditor.

The fundamental responsibility for the Corporation’s financial statements and disclosure rests with management and the independent auditors are responsible for auditing those financial statements. It is not the duty of the Committee to conduct investigations, to itself resolve disagreements (if any) between 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 Corporation 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 Corporation’s financial statements;
- compliance by the Corporation with legal or regulatory requirements in respect of financial matters and disclosure;
- the performance and independence of the Corporation’s independent auditor;

- the effectiveness of systems of control (including risk management) established by management to safeguard the assets (real and intangible) of the Corporation; 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 Corporation'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. Each of the members of the Committee shall meet the standards for independence required by applicable regulatory, stock exchange and securities law requirements and, without limitation, shall be financially literate (or acquire that familiarity within a reasonable period after appointment). This shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity that can reasonably be expected to be raised by the Corporation's financial statements. No member of the Committee shall accept (directly or indirectly) any consulting, advisory or other compensatory fee from the Corporation (other than remuneration for acting in his or her capacity as a director) or be an "affiliated person" of the Corporation. (For this purpose, an "affiliate" of a person is a person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the first person.) Without the approval of the Board, no member of the Committee shall concurrently serve on the audit committee of a competitor or client.

4. Responsibilities

It is recognized that, in fulfilling their responsibilities, members of the Committee are not full-time employees of the Corporation. 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 Corporation'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 Corporation 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 Auditors

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 Corporation.
- 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.
- Adopt policies and procedures for the pre-approval of the retention of the Corporation's independent auditor for all audit and permitted non-audit services (subject to any restrictions on such services imposed by applicable legislation), 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.

4.2 *The Audit Process, Financial Statements and Related Disclosure*

The Committee shall, as it determines to be appropriate:

- Review with management and the independent auditor:
 - the proposed audit plan and scope of review by the independent auditor;
 - before public disclosure, the Corporation’s annual audited financial statements and quarterly unaudited financial statements, the Corporation’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 Corporation’s public disclosure of financial information extracted or derived from the Corporation’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 Corporation’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 Corporation’s financial statements;
 - all critical accounting policies and practices used;
 - all alternative treatments of financial information within GAAP 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 information;
 - the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise), on the Corporation’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 Corporation’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 Corporation’s consolidated financial statements.

- Review with management the Corporation's guidelines and policies with respect to risk assessment and the Corporation's major financial and business risk exposures and the steps management has taken to monitor and control such exposures.
- 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 related 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 Corporation's response to that letter or communication; and
 - any changes to the Corporation's significant accounting principles and practices suggested by the independent auditor and 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 Corporation'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 Corporation'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 Corporation's public disclosure documents, including any management information circular distributed in connection with the solicitation of proxies from the Corporation's security holders.

4.3 *Compliance*

The Committee shall, as it determines appropriate:

- Review with the Corporation's Chief Financial Officer, other members of management and the independent auditor any correspondence with regulators or provincial agencies and any employee complaints or published reports, which raise material issues regarding the Corporation's financial statements or accounting policies.
- Review with the Corporation's external legal counsel legal matters that may have a material impact on the financial statements or accounting policies.
- 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 Corporation with concerns regarding any accounting or auditing matters.
- Review independent financial analyst commentary concerning the Corporation and its financial reporting.

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 Chair of the Committee shall be selected by the Board. If the Chair of the Committee is not present, the members of the Committee may designate a Chair for the meeting by majority vote of the members of the Committee present.

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. 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 periodically with the Chief Financial Officer, the independent auditors and external legal counsel in separate sessions. Meeting agendas shall be developed by the Committee chair in consultation with the Corporation'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 independent auditors, the Chief Financial Officer and the external legal counsel.

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 Corporation, 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 auditors as well as anyone in the Corporation.

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 Corporation 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.