



## **ANNUAL INFORMATION FORM**

**April 1, 2012**

## Table of Contents

CAUTION REGARDING FORWARD LOOKING STATEMENTS .....	3
CORPORATE STRUCTURE.....	4
General .....	4
Subsidiaries .....	4
GENERAL DEVELOPMENT OF THE BUSINESS .....	5
Three Year History.....	5
Recent and Future Developments.....	10
Significant Acquisitions .....	11
BUSINESS OF THE COMPANY .....	12
General .....	12
Segment Overview .....	12
Risk Factors.....	15
DIVIDENDS .....	21
DESCRIPTION OF CAPITAL STRUCTURE.....	21
Description of Share Capital .....	21
Description of 2016 Notes.....	21
RESTRICTED SHARE UNITS .....	24
MARKET FOR SECURITIES.....	24
DIRECTORS AND OFFICERS .....	24
TRANSFER AGENT AND REGISTRAR.....	27
MATERIAL CONTRACTS.....	27
LEGAL PROCEEDINGS AND REGULATORY ACTIONS .....	27
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	28
EXPERTS.....	29
AUDIT COMMITTEE.....	29
Audit Committee Charter .....	31
Audit Committee Oversight .....	31
Pre-Approval Policies and Procedures .....	31
External Auditor Service Fees (By Category).....	32
ADDITIONAL INFORMATION .....	32
AUDIT COMMITTEE CHARTER .....	A - 1

# CENTRIC HEALTH CORPORATION

## ANNUAL INFORMATION FORM

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In this document,

“**Active Health**” means, collectively, The Brenda Rusnak Clinics and ACTIVE Health Management Inc.

“**Active Health Services**” means, Active Health Services Ltd.

“**AHP**” means, Alegro Health Partners Inc.

“**AIF**” means, this annual information form.

“**Alaris**” means, Alaris Royalty Corp.

“**Board**” means, the Company’s board of directors.

“**BWC**” means, collectively, Blue Water Surgical Centre Ltd., Blue Water Rejuvenation Inc., Blue Water Diagnostics Ltd. and Windsor Endoscopy Centre Ltd.

“**CAR**” means, Community Advantage Rehabilitation Inc.

“**CCAC**” means, Community Care Access Centre.

“**Centric Disability Management**” means, Centric Disability Management Inc.

“**Centric Group**” refers to Centric Health Corporation and its consolidated subsidiaries unless the context otherwise requires or indicates.

“**Classic Care**” means, Classic Care Pharmacy Corporation.

“**Company**”, “**we**”, “**us**”, and “**our**” refer to Centric Health Corporation.

“**CSS**” means, Canada Surgical Solutions.

“**Direct Health Solutions**” refers to a business division of Centric Disability Management.

“**DMSU**” means, Don Mills Surgical Unit Limited.

“**DNPI Group**” means, collectively, Dedicated National Pharmacies Inc., Methadrug Clinic Limited and Union Medical Pharmacy Inc.

“**FCHC**” means, False Creek Health Care Centre Inc.

“**GHIS**” means, Global Health Investments & Solutions Inc.

“**GHIS Capital**” means, GHIS Capital, Inc., a former affiliate of GHIS. “**Jamon**” means, Jamon Investments LLC.

“**LifeMark**” means, LifeMark Health Limited Partnership.

“**LSC**” means, London Scoping Centre.

“**MOHLTC**” means, Ontario Ministry to Health and Long Term Care.

“**Motion Specialties**” means, Motion Specialties Incorporated.

“**Performance Medical Group**” means, collectively, Performance Orthotics Inc., Footcare Dispensary Inc., and Foot Stress Inc.

“**PrevCan**” means PrevCan, Inc.

“**Shareholders**” means, the holders of the Shares.

“**Shares**” means, the common shares in the capital of the Company.

“**Southlake**” means, Southlake Regional Hospital.

“**SSI**” means, Surgical Spaces Inc.

“**TSX**” means, the Toronto Stock Exchange.

“**TSXV**” means, the TSX Venture Exchange.

“**Work Able Centres**” refers to a business division of Centric Disability Management.

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

Certain statements in this AIF constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the heading “Risk Factors” and other statements concerning the Company’s 2012 objectives, strategies to achieve those objectives, as well as statements with respect to management’s beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans” or “continue”, or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include the highly competitive nature of the Company’s industry, government regulation and funding and other such risk factors described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company’s forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company’s forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statements. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking information contained in this AIF is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. All forward-looking statements in this AIF are qualified by these cautionary statements. Other than specifically required by applicable laws, we are under no obligation and we expressly disclaim any such obligation to update or alter the forward-looking statements whether as a result of new information, future events or otherwise except as may be required by law.

## CORPORATE STRUCTURE

### General

The Company was incorporated on February 2, 2001 pursuant to the *Canada Business Corporations Act*. The Company changed its name from Alegro Health Corp. to Centric Health Corporation by articles of amendment effective August 25, 2009.

The registered and head office of the Company is located at 20 Eglinton Avenue West, Suite 2100, Toronto, Ontario, M4R 1K8. The Company's phone number is 416-619-9410, its fax number is 416-481-4241 and the address of its website is [www.centrichealth.ca](http://www.centrichealth.ca).

### Subsidiaries

The principal subsidiaries of the Company, the corresponding jurisdictions of incorporation or formation, as the case may be, and the Company's percentage interest in such subsidiaries as of the date of this AIF are set forth in the table below:

<b>Name of Corporation</b>	<b>Percentage Interest held Directly or Indirectly by the Company</b>	<b>Jurisdiction of Incorporation/Formation</b>
Active Health Services Ltd.	100%	Ontario
Alegro Health Partners Inc.	100%	Canada
Centric Disability Management Inc.	100%	Ontario
Classic Care Pharmacy Corporation	100%	Ontario
Community Advantage Rehabilitation Inc.	100%	Ontario
Direct Health Solutions (2) Inc.	100%	Ontario
Don Mills Surgical Centres	100%	Ontario
Don Mills Surgical Unit Limited	100%	Ontario
False Creek Health Care Centre Inc.	100%	British Columbia
Haviland Drugs Limited	100%	Ontario
LifeMark Health Limited Partnership	100%	Alberta
Motion Specialties Inc.	100%	Ontario
Winnipeg Surgery Centre Inc.	100%	Manitoba

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

On May 28, 2009, the Company restructured the relationship between GHIS, GHIS Capital, the Company and AHP (the “**Restructuring**”). Pursuant to the Restructuring, the Company and GHIS amended the consulting agreement they entered into in July 2007 to (i) extend its term for three more years, (ii) reduce the GHIS fee for completing financings and mergers and acquisitions from 2% to 1.5%, and (iii) increase GHIS’ monthly consulting fee from \$15,000 per month to \$20,000 per month, plus an incentive fee equal to 1% of the Company’s weighted average market capitalization on an annual basis (which fee is only payable if the average market capitalization of the Company is at least \$20 million throughout such period). In addition, as part of the Restructuring, AHP restructured the rights of GHIS Capital in AHP by (i) repaying the 7% convertible debenture due December 31, 2011 in the principal amount of \$750,000 issued by AHP to GHIS capital, an affiliate of GHIS at the time (the “**AHP Convertible Debenture**”) and issuing a warrant (the “**AHP Warrant**”) to acquire a 25% equity interest in AHP, exercisable at a price of \$33,000 in the aggregate for a period of 3 years from its date of issuance, and (ii) amending the securityholder agreement in respect of AHP. The consulting agreement described above was replaced by a new 4-year consulting agreement on June 9, 2011. For more details, see “Interest of Management and Others in Material Transactions”.

On May 29, 2009, the Company successfully completed the acquisition of the businesses of Active Health. The total consideration paid for the acquisition was \$20.7 million, consisting of \$19.7 million cash and Shares having a value of \$1.0 million (based on the TSXV closing Share price of \$0.30 on May 4, 2009).

In addition, as part of an overall financing package for Active Health, the Company obtained two sources of funding: an \$11 million loan from a chartered Canadian bank and a private placement to an existing Shareholder of units comprising Shares and warrants to purchase Shares for an aggregate amount of \$6,765,000. The long-term loan was repayable over a five-year term, with quarterly payments of \$550,000. Interest on this loan is fixed by way of an interest rate swap; interest is payable monthly at an annual rate of 5.65%. During the year ended December 31, 2010, the loan was modified to a revolving facility. On June 9, 2011, the \$11 million loan was replaced by the Senior Secured Credit Facilities. See below for more details.

On August 25, 2009, a special meeting of Shareholders was held to approve the change of the Company’s name from Alegro Health Corp. to Centric Health Corporation.

On September 1, 2009, the Shares commenced trading on the TSX under the symbol “CHH” as a result of the Company’s graduation from the TSXV to the TSX.

On October 8, 2009, the Company entered into an agreement in principle (the “**Letter of Intent**”) to form a strategic alliance with PrevCan. PrevCan is focused on wellness, prevention, lifestyle and disease-management programs that offer innovative technologies with advanced outcome reporting and mentorship modules focusing on nutrition, physical activity, weight management, stress management,

tobacco cessation and diabetes management. The purpose of the alliance was to enhance the Company's partnership with healthcare professionals; expand the presence of PrevCan in Canada and internationally; and consequently augment the Company's product and service offerings, revenue streams and, ultimately, return on investment. Subsequent to December 31, 2009, the Company loaned PrevCan \$200,000.

The Letter of Intent was revised in January 2010, such that the Company agreed to loan PrevCan \$2 million by way of periodic advances over one year, maturing on May 1, 2011 and accruing interest at a rate of 6%. Upon maturity, at PrevCan's option, could either repay the loan and accrued interest or convert the loan into 50% of the fully diluted shares in PrevCan. Additional consideration, up to a maximum value of \$1 million in Shares and warrants to purchase Shares, may be advanced if certain stated milestones are achieved. Pursuant to the agreement, key PrevCan management and existing shareholders invested a further \$330,000 in PrevCan. As of December 31, 2011, the Company had loaned PrevCan \$2,028,000 including accrued interest due on the loan. As of December 31, 2011 the Company has recorded a provision for impairment of \$1,928,000 with regards to the loan receivable from PrevCan.

Effective January 1, 2010, two wholly-owned subsidiaries of the Company, Work Able Centres Inc. and Direct Health Solutions Inc., were amalgamated to form Centric Disability Management. Both Work Able Centres and Direct Health Solutions continue to carry on business as divisions within Centric Disability Management.

On February 12, 2010, Ingrid Davis was appointed to the Board. Ms. Davis is the Chief Operating Officer of GHIS and is responsible for key operational and strategic involvement with the partner companies with which GHIS has strategic alliances, joint ventures, investments and/or provides advisory services. Prior to joining GHIS, Ms. Davis was an executive director of Netcare Limited for 12 years.

On June 2, 2010, Tina Bishai was appointed to the position of President, Active Health Eldercare Division. Tina is responsible for providing strategic leadership, business development and innovative management to over 250 healthcare providers who currently service in excess of 32,000 beds.

On June 10, 2010, the Company, through its wholly-owned subsidiary, Direct Health Solutions (2), Inc. acquired a license to operate a sleep clinic for cash consideration of \$250,000. The Company began start-up operations during the year.

On June 25, 2010, Dr. Martin Barkin stepped down as the Chairman of the Company and Dr. Jack Shevel, a current director and then Interim President and Chief Executive Officer of the Company assumed the role of Chairman.

On September 1, 2010, the Company announced that it had acquired the business of CAR. CAR was a privately held homecare company specializing in the delivery of occupational therapy, physiotherapy, social work and dietitian services to adults and children in their homes and schools. The total

consideration paid for the acquisition was approximately \$2.0 million, consisting of \$500,000 of cash and the balance to be settled by way of approximately 2.1 million Shares, to be issued in annual tranches, subject to the business meeting the total performance target over a three year period. The Company also issued warrants to the vendors which are exercisable at the end of three years, for up to 1 million Shares at an exercise price of \$0.69 per Share, the vesting of the warrants is subject to CAR outperforming the total performance target.

On September 14, 2010, Dr. Paul Gamble was appointed to the Board. Dr. Gamble brings to the Company more than 30 years of experience in the healthcare industry and is currently President and CEO of the Michener Institute for Applied Health Sciences, Canada's only publicly-funded academic institution solely dedicated to applied healthcare education.

On September 29, 2010, the Company announced that it had acquired the assets of two pharmacies located on the Southlake Regional Health Centre campus in Newmarket, Ontario. The total consideration paid for the acquisition was \$7.27 million in cash.

On November 9, 2010, the Company announced that the independent members of its Board had approved the acceptance of \$10 million of unsecured subordinated loans from Jamon. The loans consist of (i) convertible debt in the principal amount of \$5 million with an interest rate of 6%, payable quarterly; and (ii) unsecured debt in the principal amount of \$5 million with an interest rate of 7%, payable quarterly. The convertible debt matures after three years and is convertible into Shares at \$1.00 of principal amount per Share. The unsecured debt matures after one year. The terms of the unsecured debt allow early repayment if the aggregate amount of funds raised from any equity offerings of the Company exceeds \$10 million. Jamon was also issued 1 million warrants to purchase Shares which are exercisable at \$1.00 per Share for a period of three years. Jamon is an associated entity of Dr. Jack Shevel, the Company's Chairman. The unsecured debt of \$5 million was repaid on June 9, 2011 with accrued interest of \$66,000. See below for more details.

On December 9, 2010, the Company announced the appointment of Mr. Daniel Carriere as President and Chief Executive Officer commencing January 2011. Prior to joining the Company, Mr. Carriere held the position of President and Chief Executive Officer of Southlake. He led the development of Southlake into one of Canada's leading healthcare campuses with a range of healthcare services.

On December 9, 2010, the Company announced that it had entered into an agreement to acquire Surgical Spaces Inc. ("SSI"), the owner and operator of two of Canada's leading ambulatory healthcare facilities, False Creek Surgical Centre in Vancouver and Maples Surgical Centre in Winnipeg. For more details, see "Significant Acquisitions – Surgical Spaces Inc."

On March 3, 2011, the Company completed a private placement of 17,940,000 Shares at a price of \$1.20 per Share for gross proceeds of \$21,528,000. The Company previously announced that it had agreed to sell the Shares on a "bought-deal" private placement basis to GMP Securities L.P. and Versant Partners Inc. (the "Underwriters"). The private placement includes 2,340,000 Shares issued pursuant to the exercise of an over-allotment option granted to the Underwriters. In addition to the share proceeds,

the Company also issued 538,200 warrants to the Underwriters with an exercise price of \$1.27 per Share for a period of two years.

On May 5, 2011, the Company entered into an agreement to purchase, among other things, all of the common units of LifeMark. LifeMark is one of Canada's largest rehabilitation and physiotherapy services companies. The LifeMark transaction was successfully completed on June 9, 2011. For more details, see "Significant Acquisitions – LifeMark Health Limited Partnership".

On May 19, 2011, the Company entered into agreements to acquire substantially all of the assets of BWC, along with 75% of the issued and outstanding securities of the LSC. BWC owns and operates three surgical and endoscopy facilities located in Sarnia and Windsor, Ontario. LSC, located in South London, Ontario, is a modern, outpatient clinic which provides a range of scoping procedures. The BWC and LSC transactions were completed on August 17, 2011. The total consideration paid for the assets of BWC was comprised of \$8 million in cash and the issuance of up to 6,153,846 Shares, to be released in incremental annual tranches, subject to the business achieving certain performance targets for a period of three years ending on June 30, 2014. The Company also issued warrants to the vendors to purchase up to 3,076,923 Shares at an exercise price of \$2.125 per Share for a period of two years after the warrants vest and become exercisable, the vesting of the warrants is subject to the business outperforming certain performance targets. The total consideration paid for the securities of LSC was comprised of \$500,000 in cash and the issuance of up to 675,000 Shares, to be release in incremental annual tranches, subject to the business attaining certain performance targets over a three year period ending June 30, 2013. The Company also issued warrants to the vendors to purchase up to 375,000 Shares at an exercise price of \$2.125 per Share for a period of two years after the warrants vest and become exercisable, the vesting of the warrants is subject to the business outperforming the total performance target.

On June 9, 2011, in connection with the LifeMark acquisition, a syndicate comprised of major Canadian banks provided senior secured credit facilities of \$195 million ("**Senior Secured Credit Facilities**") to the Company. The Senior Secured Credit Facilities replaced the existing debt of the Company and LifeMark and includes capacity for future acquisitions and general corporate purposes. In addition, the Senior Secured Credit Facilities include a \$40 million accordion feature for future expansion purposes. On August 15, 2011, the Senior Secured Credit Facilities was amended to, among other things, take into account certain acquisitions of the Company. A further amendment was made on November 30, 2011 to, among other things, amend the total debt to earnings ratio and increase the amount available under the revolving term credit facility from \$35 million to \$75 million.

On June 9, 2011, the Company appointed Dan Carriere, CEO and Craig Gattinger, an owner of LifeMark, to the Board of Directors.

On June 27, 2011, the Company entered into an asset purchase agreement with Grant Thornton Limited, the court-appointed receiver of the DNPI Group to purchase certain assets which includes a network of 10 specialty pharmacies servicing 33 treatment centers across Ontario which provide access to appropriate treatment and care for patients undergoing Methadone Maintenance Treatment. The DNPI

Group transaction was completed on August 15, 2011. The total consideration paid for the DNPI Group assets was \$9.7 million, comprised of \$9.24 million in cash and 200,000 Shares.

On July 22, 2011, the Company entered into an agreement to acquire 75% of the issued and outstanding securities of the Performance Medical Group. The Performance Medical Group operates clinics in over 50 locations, largely in Ontario, offering state-of-the-art custom orthotics, custom bracing, laser and shockwave therapy. The Performance Medical Group transaction was completed on December 8, 2011. The total consideration paid for the securities of the Performance Medical Group was comprised of \$3 million in cash and the issuance of up to 3 million Shares, to be released in equal annual tranches, subject to the entire business achieving certain performance targets for a period of two years ending on August 31, 2013. The Company also issued warrants to the vendors to purchase up to 2 million Shares at an exercise price of \$1.77 per Share for a period of two years after the warrants vest and become exercisable, the vesting of the warrants is subject to the entire business outperforming the total performance targets.

On July 28, 2011, the Company concluded a purchase agreement pursuant to which the arrangement formed in connection with the Restructuring between the Company, GHIS Capital and AHP was terminated effective July 31, 2011 (the “**AHP Transaction**”). For more details on the AHP Transaction, see “Interest of Management and Others in Material Transactions”.

On September 20, 2011, the Company entered into an agreement to acquire Medical Imaging Centres Inc. and certain business assets of Rads 24/7 Teleradiology Consultants and seven diagnostic imaging licences in Ontario (the “**MIC Agreement**”). The MIC Agreement was terminated on December 28, 2011.

On October 24, 2011, the Company filed a final short form base shelf prospectus to distribute up to \$265.5 million of Shares, debt securities and warrants to purchase Shares for a period of 25 months (“**Base Shelf Prospectus**”) to serve as a flexible, efficient mechanism and process which can be utilized if and when required, and subject to appropriate market conditions.

On November 8, 2011, the Company signed a letter of intent to acquire Motion Specialties. Motion Specialties is one of Canada’s largest home health care providers offering a selection of health care equipment. Total consideration, to be paid in cash, Shares and Shares and warrants subject to performance targets, is to be finalized during the due diligence and documentation phases of the transaction and will be subject to performance targets over a three-year period. The Company successfully acquired Motion Specialties on February 13, 2012. For more details, see “Recent and Future Developments”.

On November 17, 2011, the Company completed the acquisition of all of the outstanding shares of Classic Care. Classic Care provides pharmaceutical dispensing, delivery and consulting services to long-term care homes and retirement residences. Classic Care has locations in London, Burlington and Ottawa, servicing over 200 municipal, non-profit and for-profit care homes with over 16,000 residents. The total consideration paid for the Classic Care acquisition was approximately \$25 million in cash and

the issuance of 14,050,469 Shares, comprising of 2,810,094 Shares to be held in escrow, subject to certain conditions, including the business achieving certain performance targets over an 18 month period. The Company also issued warrants to the vendors to purchase up to 5 million Shares at an exercise price of \$1.78 per Share for a period of three years after the warrants vest and become exercisable, the vesting of the warrants is subject to Classic Care outperforming the total earnings target.

On December 13, 2011, the Company filed a prospectus supplement (“**Prospectus Supplement**”) to the Base Shelf Prospectus qualifying for distribution of up to 3,000 units (the “**Units**”), at a price of \$10,000 per Unit (the “**Public Offering**”). Each Unit was comprised of three components: (i) \$2,000 worth of Shares equal to 1,283 Shares priced at \$1.56 per Share, (ii) \$8,000 principal amount of unsecured, subordinated, convertible Notes due December 22, 2016 with an annual interest rate of 6% payable semi-annually (“**2016 Notes**”) and (iii) 1,283 Share purchase warrants (“**2016 Warrants**”) each of which entitles the holder thereof to purchase one Share at a price of \$1.66 per Share on December 22, 2016. In connection with the Public Offering, National Bank Financial Inc. (the “**Agent**”), reserved up to 85% of the Units to be offered, at the public offering price, for sale to certain eligible employees and associates of the Company and other professionals within the Company’s industry (the “**Directed Share Program**”).

On December 22, 2011, the Company completed the closing of the first tranche of the Public Offering for gross proceeds of \$10 million. Over 80% of the gross proceeds came by way of the Directed Share Program.

## **Recent and Future Developments**

On January 23, 2012, the Company amended the Senior Secured Credit Facilities to increase the total debt to earnings ratio to allow the Company greater flexibility to incur indebtedness pursuant to its growth strategy. For more details on the Senior Secured Credit Facilities, see “General Development of the Business – Three Year History”.

On February 13, 2012, the Company completed its acquisition of Motion Specialties, previously announced on November 8, 2011. The total consideration paid for all of the issued and outstanding shares of Motion Specialties was comprised of \$15 million in cash, subject to adjustments, and the issuance of 12.5 million Shares, comprised of 9 million shares to be held in escrow, subject to the business achieving certain performance targets over a three year period. The Company also issued warrants to the vendors to purchase up to 7.5 million Shares for a period of two years after the warrants vest and become exercisable, the vesting of the warrants is subject to the business outperforming the total performance targets.

On February 22, 2012, the Company completed the closing of the second tranche of the Public Offering. The total gross proceeds from the first and second closings were \$13.6 million or 1,361 Units. For more details on the Public Offering, see “General Development of the Business – Three Year History”.

The Company continues to pursue a deliberate strategy of organic growth, mergers and acquisitions and expansion opportunities. This expansion and diversification into healthcare sectors that demonstrate compelling growth prospects and present synergies, rationalization and cross-pollination benefits is intended to provide a suite of healthcare services to our partners and create meaningful stakeholder value.

### **Significant Acquisitions**

In 2011, the following transactions were significant acquisitions to the Company at the time of completion.

#### *Surgical Spaces Inc.*

On January 20, 2011, the Company completed its acquisition of SSI. Subsequent to the acquisition of SSI, SSI changed its name to False Creek Health Care Centre Inc. ("FCHC"). FCHC operates two surgical and medical centres, namely False Creek Surgical Centre and Maples Surgical Centre in Vancouver and Winnipeg, respectively. The total consideration paid for SSI was approximately \$24 million comprised of approximately \$8 million in cash, approximately \$5 million of assumed debt, and up to \$11 million by the issuance of Shares, subject to the business achieving a certain performance target for the year ended December 31, 2011. The Company also issued warrants to the vendors to purchase up to 8 million Shares at an exercise price of \$1.10 per Share for a period of three years after the warrants vest and become exercisable, the vesting of the warrants is subject to SSI outperforming the total performance target. The Company achieved a portion of the performance target and as a result will be issued 10,127,956 of the escrowed shares from this transaction. The remaining 1,700,000 that were held in escrow for this transaction and were not earned will be cancelled.

On March 31, 2011, the Company filed a Form 51-102F4 in respect of the SSI acquisition.

#### *LifeMark Health Limited Partnership*

On June 9, 2011, the Company successfully completed the acquisition of, among other things, LifeMark. LifeMark is one of Canada's largest rehabilitation and physiotherapy services companies with a network of over 120 clinics; contracts with 122 senior homes and more than 2,000 dedicated employees and consultants operating in seven provinces in Canada.

The LifeMark acquisition includes, among other things, the purchase of all of the common units of LifeMark, the intellectual property used by LifeMark in connection with its business, the intellectual property related to MediChair and replacement of the existing LifeMark debt for aggregate consideration of up to approximately \$215 million. The consideration was settled by cash of approximately \$135 million, the assumption of existing earn out obligations and future debt for acquisitions of up to \$20 million and \$60 million by the issuance of Shares at an issue price of \$1.28 per Share, subject to a valuation formula which includes the LifeMark business and certain acquisitions in progress achieving certain performance targets for the 12 month period ending on June 30, 2012 (the "**Warranty Period**").

Alaris, an integral partner to LifeMark's success in developing into a national physiotherapy and rehabilitation leader, was paid \$65 million cash for a portion of its financial interest in LifeMark and all of its financial interest in MediChair. Alaris continues to retain an interest in LifeMark which has redemption value of \$65.5 million ("the **Alaris interest**"). Alaris receives an annual preferred distribution of \$6.75 million ("**Alaris distributions**") subject to a guaranteed annual increase of 4% at the end of each year thereafter. The Company, Alaris and the general partner of LifeMark entered into an amended and restated partnership agreement on June 9, 2011, which, among other things, provides that there may be no redemption of the Alaris interest in LifeMark in the first two years following closing of the transaction. The redemption price of the Alaris interest escalates at 4% per annum commencing on the third anniversary of closing.

As part of the transaction, the Company implemented an outperformance bonus plan for a maximum of up to \$10 million in value for selected employees, subject to an outperformance formula which includes the LifeMark business and certain acquisitions in progress exceeding certain earnings target during the Warranty Period.

The maximum number of securities that may be issued in connection with the LifeMark acquisition is 46,875,000 Shares which are held in escrow subject to achievement of certain performance targets as stated in the purchase and sale agreement for the LifeMark transaction.

On August 23, 2011, the Company filed a Form 51-102F4 in respect of the LifeMark acquisition.

## **BUSINESS OF THE COMPANY**

### **General**

The Company provides medical and surgical services, pharmacy, medical assessment, multidisciplinary rehabilitation, and case management services to an extensive and diverse customer base. The Company provides healthcare services in the following three operating segments: (i) Physiotherapy (ii) Pharmacy (iii) Surgical and Medical Centres (iv) Assessments (v) Pharmacy and Home Medical Equipment. Further descriptions of the business units and their services are contained in the Segment Overview.

### **Segment Overview**

#### ***Physiotherapy***

The physiotherapy segment is comprised of: a physiotherapy clinic network, 103 physiotherapy clinics owned and operated by LifeMark, seniors' wellness operations and the homecare business operated by Community Advantage Rehabilitation, Inc. ("CAR"). The seniors' wellness and homecare businesses are largely funded by the Ontario Ministry to Health and Long Term Care ("MOHLTC").

This segment specializes in high quality rehabilitation and disability management services that focus on physiotherapy services to seniors in 454 retirement, assisted-living and long-term care homes with more than 45,000 residents operating primarily in the province of Ontario through its network of independent consultants.

Since its acquisition in May, 2009, the Active Health business has grown from servicing 251 homes to 339 homes before the addition of the LifeMark business. The Company's completion of the LifeMark acquisition on June 9, 2011, added 115 homes and 12,174 beds to the seniors' wellness operations.

CAR performs homecare services in the communities funded by the Community Care Access Centre ("CCAC") through the MOHLTC. CAR engages occupational therapists, physiotherapists, registered dietitians and social workers to fulfill these services.

### ***Pharmacy***

Building on its existing retail pharmacy operations in Ontario, the Company acquired two new pharmaceutical businesses in 2011. DNP and Classic Care provide the Company with niche pharmacy operations in emerging healthcare markets. On October 17, 2011 the Company acquired Classic Care which provides pharmaceutical dispensing, delivery and consulting services to long-term care facilities. On August 15, 2011, the Company completed its acquisition of the assets of DNP which is a network of specialty pharmacies that support the treatment and care of patients undergoing addiction treatment. The Company now has 18 pharmacies serving 34 treatment centres and pharmaceutical dispensing operations that service over 200 long-term care facilities with over 16,000 residents.

### ***Surgical and Medical Centres***

Centric Health has 7 Surgical and Medical Centres across Canada with a total of 13 operating rooms and 86 beds. The segment is comprised of the operations of Don Mills Surgical Unit Ltd. ("DMSU"), SSI, CSS and BWC.

Centric acquired BWC on August 17, 2011 which expanded the Company's surgical and medical offerings in southwestern Ontario. BWC provides surgical and endoscopic procedures in Sarnia, Windsor and London, Ontario

CSS was acquired on June 9, 2011, in the LifeMark transaction and performs primarily orthopaedic surgical procedures from its fully accredited, 13,000 square foot, non-hospital surgical facility in Calgary, Alberta. CSS has general and orthopaedic surgeons on its roster and annually performs approximately 1,200 day-surgeries in addition to its inpatient surgical procedures.

Centric completed its acquisition of SSI on January 19, 2011. SSI operates two surgical and medical centres in Vancouver and Winnipeg. Its Vancouver facility is equipped to offer full primary care, emergency care, diagnostic services, including CT and MRI scan capabilities, as well as a wide breadth of surgical services. Surgical specialties include plastic, reconstructive, cosmetic, orthopaedic, gynecology, urology, neurosurgery and otolaryngology. SSI's customers include regional health

authorities, workers' compensation boards, non-residents, private patients and various governmental agencies.

DMSU is an accredited, Toronto-based hospital operating since 1966 under Ontario's Private Hospitals Act and licensed by the MOHLTC. DMSU specializes in a mix of surgical services. Affiliated surgeons maintain active practices within their specialty areas and are members of the Royal College of Physicians and Surgeons. The hospital is licensed to service 20 overnight stay beds. During the year ended December 31, 2011, the Company began operations of the sleep clinic at the DMSU location. DMSU retains full-time, part-time and casual nursing and administrative staff of 18 people.

### ***Assessments***

The assessments segment is comprised of 11 medical assessment facilities across Canada. The operations in the assessments segment are preferred providers to a number of insurance companies in Canada. The Company has over 30 preferred provider assessment agreements and 3,750 assessors including 600 physicians.

This segment focuses on assessing and treating patients who have suffered motor vehicle and workplace injuries by providing independent evaluations to insurers and rehabilitation services to patients across Canada. Through relationships with patients, insurers and healthcare providers, the Company is providing superior service to its clients and patients by promoting best practice rehabilitative treatment plans and constantly compiling and analyzing data on patient outcomes.

Revenues and margins have been negatively impacted by the regulatory reform as well as consolidation within the industry. Management continues to pursue revenue-generating opportunities in the segment to mitigate the effect of regulatory changes and navigate the best outcomes for patients and the business. The outlook for this segment is positive with its increased national presence as well as implementation of efficiencies and cost savings in operations.

### ***Retail and Home Medical Equipment***

The Company diversified its services into retail and home medical equipment in 2011 through the acquisitions of MediChair as part of the LifeMark transaction, and the acquisition of Performance Medical Group. In addition, in February 2012 the Company further expanded its home medical equipment services through the acquisition of Motion Specialties and its 24 locations across Canada. With the acquisition Motion Specialties, the Company now has over 140 retail and home medical equipment locations across Canada.

MediChair is a franchise company with retail outlets across Canada. MediChair specializes in the sales of various wheelchairs and accessibility equipment for the home. The results of MediChair include corporate-owned stores as well as royalties earned from franchised stores. The Company owns five stores and has 55 franchise agreements for an additional 72 franchise locations across the country.

Revenue from MediChair is split between royalties earned and product sales from the corporate owned stores.

Performance Medical Group operates from clinics in over 50 locations offering state-of-the-art custom orthotics, custom bracing, laser and shockwave therapy.

Subsequent to December 31, 2011, the Company announced that it had completed the acquisition of Motion Specialties. Motion Specialties will meaningfully expand the Company's offering of home medical equipment as it is one of Canada's largest home health care providers. Motion Specialties has 24 locations across Canada and offers a wide range of mobility devices, including: wheelchairs, scooters, walkers, bathroom safety equipment, portable oxygen, Continuous Positive Airway Pressure ("CPAP") machines and home accessibility products such as stair lifts and home elevators.

## **Risk Factors**

A potential investor should carefully consider the risk factors set forth below in deciding whether to invest in securities of the Company. An investment in securities of the Company is suitable only for those investors who are willing to risk the loss of their entire investment. The following discussion of certain risk factors relating to the business of the Group is qualified in its entirety by reference to, and must be read in conjunction with, information appearing elsewhere in the financial statements and management's discussion and analysis ("**MD&A**") for the financial year ended December 31, 2011.

### ***Competition***

The markets for the Company's products and services are intensely competitive, subject to rapid change and significantly affected by market activities of other industry participants.

Other than relationships the Company has built up with insurance companies, healthcare providers and patients, there is little to prevent the entrance of those wishing to provide similar services to those provided by the Company and its subsidiaries. The businesses operating in the physiotherapy and assessments segment also compete for the provision of consulting services from independent healthcare professionals. Competitors with greater capital and/or experience may enter the market or compete for referrals from insurance companies and the services of available health care professionals. There can be no assurance that the Company will be able to compete effectively for these referrals and healthcare professionals, that additional competitors will not enter the market, that such competition will not make it more difficult or expensive to provide disability management services or that competitive pressures in the provision of these services in a geographic region will not otherwise adversely affect the Company.

### ***Government Regulation and Funding***

The Company operates businesses in an environment in which insurance regulation, policy and funding decisions play a key role. Changes in regulation and funding structures related to third party disability management services, or their interpretation and application, could adversely affect the business, financial condition and results of operation of the Company.

Insurance legislation changes enacted on September 1, 2010, affected the business as Assessments segment operates within the regulatory jurisdiction of these legislative changes. Auto insurance guidelines for accident benefit claims have changed and fees for independent medical assessments and rehabilitative treatments are now capped. This change may negatively affect the future financial results of this segment. To mitigate any negative impact, the assessment segment has expended resources to diversify offerings and expand its customer base to best capture the optimal sales mix in the marketplace.

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements and, as a result, the Company's businesses operate in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in governmental regulation and licensing requirements relating to healthcare services, or their interpretation and application, could adversely affect the business, financial condition and results of operations of these business units.

#### ***Credit Risk and Economic Dependence***

The Company is exposed to credit risk to the extent that its clients become unable to meet their payment obligations. The Company's exposure to concentrations of credit risk is limited. Accounts receivable and accrued receivables are from the Workplace Safety and Insurance Board, government agencies, employers and insurance companies.

The Company derived approximately 22% of its revenues for the year ended December 31, 2011 (2010 – 45%) from billings through its government billing privilege and as such is subject to concentration risk associated with its reliance on such billings.

#### ***Acquisition and Integration***

The Company hopes to make acquisitions of various sizes that fit particular niches within the Company's overall corporate strategy of developing a portfolio of integrated healthcare businesses. There is no assurance that it will be able to acquire businesses on satisfactory terms or at all. These acquisitions will involve the commitment of capital and other resources, and these acquisitions could have a major financial impact in the year of acquisition and beyond. The speed and effectiveness with which the Company integrates these acquired companies into its existing businesses may have a significant short-term impact on the Company's ability to achieve its growth and profitability targets.

The successful integration and management of acquired businesses involves numerous risks that could adversely affect the Company's growth and profitability, including that:

- (a) Management may not be able to manage successfully the acquired operations and the integration may place significant demands on management, thereby diverting its attention from existing operations;

- (b) Operational, financial and management systems may be incompatible with or inadequate to integrate into the Company's systems and management may not be able to utilize acquired systems effectively;
- (c) Acquisitions may require substantial financial resources that could otherwise be used in the development of other aspects of the business;
- (d) Acquisitions may result in liabilities and contingencies which could be significant to the Company's operations; and
- (e) Personnel from the Company's acquisitions and its existing businesses may not be integrated as efficiently or at the rate foreseen.

The acquisition of healthcare-related companies or assets involves a long cost recovery cycle. The sales processes for the products that these companies offer are often subject to lengthy customer approval processes that are typically accompanied by significant capital expenditures. Failures by the Company in achieving signed contracts after the investment of significant time and effort in the sales process could have an adverse impact on the Company's operating results.

### ***Referrals***

The success of the Company's Assessments segment is currently dependent upon insurance company referrals of patients for assessment and rehabilitation procedures and treatments. These referrals come through preferred provider and other service agreements established through competitive tendering processes. If a sufficiently large number of service agreements were discontinued, the business, financial condition and results of operations of the Company could be adversely affected.

In addition, in the Surgical and Medical Centres segment, the patient referrals are dependent on the surgical practitioners affiliated thereto. Surgical practitioners have no contractual obligation or economic incentive to refer patients to the surgical centres. Should surgical practitioners discontinue referring patients or performing operations at the surgical centres, the business, financial condition and results of operations of the Company could be adversely affected.

### ***Shortage of Healthcare Professionals***

As the Company expands its operations, it may encounter difficulty in securing the necessary professional medical and support staff to support its expanding operations. There is currently a shortage of certain medical specialty physicians and nurses in Canada and this may affect the Company's ability to hire physicians, nurses and other healthcare practitioners in adequate numbers to support its growth plans, which may adversely affect the business, financial condition and results of operations.

### ***Exposure to Epidemic or Pandemic Outbreak***

As the Company's businesses are focused on healthcare, its employees and/or facilities could be affected by an epidemic or pandemic outbreak, either within a facility or within the communities in which the Company operates. Despite appropriate steps being taken to mitigate such risks, there can be

no assurance that existing policies and procedures will ensure that the Company's operations would not be adversely affected.

### ***Confidentiality of Personal and Health Information***

The Company and its subsidiaries' employees have access, in the course of their duties, to personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Group's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients. If a client's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines or penalties.

### ***Information Technology Systems***

The Company's businesses depend, in part, on the continued and uninterrupted performance of its information technology systems. Sustained system failures or interruptions could disrupt the Centric Group's ability to operate effectively, which in turn could adversely affect its business, results of operations and financial condition.

The Centric Group's computer systems may be vulnerable to damage from a variety of sources, including physical or electronic break-ins, computer viruses and similar disruptive problems. Despite precautions taken, unanticipated problems affecting the information technology systems could cause interruptions for which the Company's insurance policies may not provide adequate compensation.

### ***Key Personnel***

The Company believes that its future success will depend significantly upon its ability to attract, motivate and retain highly skilled executive management. In addition, the success of each business unit depends on employing or contracting, as the case may be, qualified healthcare professionals. Currently, there is a shortage of such qualified personnel in Canada. The loss of healthcare professionals or the inability to recruit these individuals in markets that the Company operates in could adversely affect the Company's ability to operate its business efficiently and profitably.

### ***Litigation and Insurance***

In recent years, liability insurance coverage has become considerably more expensive and the availability of coverage has been reduced in certain cases. There is no assurance that the existing coverage will continue to be sufficient or that, in the future, policies will be available at adequate levels of insurance or at acceptable costs. The Company maintains professional malpractice liability insurance, directors' and officers' and general liability insurance in amounts it believes are sufficient to cover potential claims arising out of its operations. Some claims, however, could exceed the scope of its coverage or the coverage of particular claims could be denied.

Due to the nature of the services provided by the Company, general liability and error and omissions claims may be asserted against the Company with respect to disability management services and malpractice claims may be asserted against the Company, or any of its subsidiaries, with respect to

healthcare services. Although the Company carries insurance in amounts that management believes to be standard in Canada for the operation of healthcare facilities, there can be no assurance that the Company will have coverage of sufficient scope to satisfy any particular liability claim. The Company believes that it will be able to obtain adequate insurance coverage in the future at acceptable costs, but there can be no assurance that it will be able to do so or that it will not incur significant liabilities in excess of policy limits. Any such claims that exceed the scope of coverage or applicable policy limits, or an inability to obtain adequate coverage, could have a material adverse effect on the Company's business, financial condition and results of operations.

### ***Internal Control over Financial Reporting and Disclosure Controls and Procedures***

The Company may face risks if there are deficiencies in its internal control over financial reporting and disclosure controls and procedures. The Board, in conjunction with its Audit Committee, is responsible for assessing the progress and sufficiency of internal controls over financial reporting and disclosure controls and procedures and will make adjustments as necessary. However, these initiatives may not be effective at remedying any deficiencies in internal control over financial reporting and disclosure controls and procedures. Any deficiencies, if uncorrected, could result in the Company's financial statements being inaccurate and in future adjustments or restatements of its financial statements, which could adversely affect the price of the Shares and the Company's business, financial condition and results of operations.

### ***Capital Investment***

The timing and amount of capital expenditures by the Company will be dependent upon the Company's ability to utilize credit facilities, raise new debt, generate cash from operations, meet working capital requirements and sell additional Shares in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Company for necessary or desirable capital expenditures or that the amount required will be the same as currently estimated. Lack of these funds could limit the future growth of the Company and its subsidiaries and their respective cash flows.

### ***Dilution***

The Company's by-laws authorize the Company, in certain circumstances, to issue an unlimited number of Shares for the consideration and on those terms and conditions as are established by the Board without the approval of the Shareholders. Any further issuance of Shares may dilute the interests of existing Shareholders.

### ***Level of Indebtedness***

The Company currently has a significant amount of debt. The degree to which the Company is leveraged could have important consequences. For example, it could (i) make it more difficult for the Company to satisfy its obligations under its current indebtedness; (ii) increase the Company's vulnerability to general adverse economic and industry conditions; (iii) require the Company to dedicate a substantial portion of its cash flow from operations to make interest and principal payment on its debt, limiting the availability of its cash flow to fund future capital expenditures for existing or new markets, working capital and other general corporate purposes; (iv) limit the Company's flexibility in planning

for, or reacting to, changes in its business and the healthcare services industry; (v) place the Company at a competitive disadvantage compared with competitors that have less debt; and (vi) limit the Company's ability to borrow additional funds, even when necessary to maintain adequate liquidity. Despite the Company's anticipated levels of debt, it may still be able to incur substantially more debt. This could further exacerbate the risks associated with the Company's substantial debt.

#### ***Uncertainty of Liquidity and Capital Requirements***

The future capital requirements of the Company will depend on many factors, including the number and size of acquisitions consummated, rate of growth of its client base, the costs of expanding into new markets, the growth of the market for healthcare services and the costs of administration. In order to meet such capital requirements, the Company may consider additional public or private financing (including the incurrence of debt and the issuance of additional Shares) to fund all or a part of a particular venture, which could entail dilution of current investors' interest in the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional Shares or other securities exchangeable for or convertible into Shares to finance acquisitions may be restricted.

The current borrowings of the Company are secured by its lender by a general security agreement over substantially all of the assets of the Company. Should the Company not meet its covenants or obligations under these borrowing agreements when due, there is the risk that its lender may realize on its security and liquidate the assets of the Company.

#### ***Unpredictability and Volatility of Share Price***

Market prices for securities of healthcare services companies may be volatile. Factors such as announcements of new contracts, innovations, new commercial and medical products, patents, the development of proprietary rights by the Company or others, regulatory actions, publications, quarterly financial results of the Company or of competitors of the Company, public concerns over health, future sales of securities by the Company or by current Shareholders and other factors could have a significant effect on the market price and volatility of the Shares.

The securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Shares.

#### ***Significant Shareholders***

There are significant Shareholders that may be long-term holders of Shares. As such, the trading volumes and liquidity of the Shares may be low. In addition, relatively low liquidity may adversely affect the price at which the Shares trade on the TSX.

GHS and entities controlled by the shareholders of GHS own approximately 21% of the issued and outstanding Shares as at December 31, 2011.

## **DIVIDENDS**

The Company has not declared or paid any dividends on the outstanding Shares since its inception and it does not anticipate that it will do so in the foreseeable future. The declaration of dividends on the Shares is within the discretion of the Board and will depend on the assessment of, among other factors, the Company's earnings, capital requirements and operating and financial condition. At the present time, anticipated capital requirements are such that the Company intends to follow a policy of retaining earnings in order to finance the further development of the business.

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Description of Share Capital**

The Company is authorized to issue an unlimited number of Shares. As at April 1, 2012, there were 182,152,586 Shares issued and outstanding. Of this amount, 68,620,854 Shares are held in escrow, trust, or are subject to a hold period and are not freely tradeable. Each Share carries the right to one vote at all general meetings of Shareholders, whether ordinary or special, and the right to participate in any dividends declared by the Board. The Shares carry the right to receive a proportionate share of the Company's assets available for distribution to the Shareholders upon liquidation, dissolution or winding up of the Company. The Shares do not have any special liquidation, pre-emptive or conversion rights.

The Shares issued and outstanding as of April 1, 2012, exclude (i) 2,295,834 Shares reserved for issuance pursuant to outstanding stock options, which are exercisable at a weighted average exercise price of \$0.68 per Share; and (ii) 21,998,200 Shares reserved for issuance upon the exercise of warrants, which are exercisable at a weighted average exercise price of \$0.38 per Share. If all outstanding options and warrants are exercised in full, it will result in an additional 24,294,034 Shares being issued to the current holders of options and warrants and the Company will receive \$9,802,683 for the issuance of such Shares.

### **Description of 2016 Notes**

The Company has issued \$10.9 million principal amount of 2016 Notes with a maturity date of December 22, 2016. The 2016 Notes are direct, unsecured obligations of the Company subordinated in right of payment prior to any senior indebtedness of the Company. Holders of the 2016 Notes will subordinate and postpone the payment of interest and principal on the 2016 Notes to the Company's obligations with respect to the preferred partnership units issued by an affiliate of the Company to Alaris Income Growth Fund Partnership. The 2016 Notes were issued pursuant to a trust indenture dated December 22, 2011 (the "**Note Indenture**") between the Company and Equity Financial Trust Company, as trustee. The 2016 Notes bear interest at the rate of 6.0% per annum payable semi-annually

in equal amounts in arrears on June 30 and December 31 of each year, beginning on June 30, 2012 (or if such day is not a business day, the next following business day). The principal amount of the 2016 Notes and interest on the 2016 Notes is payable in cash or, at the option of the Company and subject to applicable regulatory approval, by payment of Shares.

Prior to the close of business on the earlier of (i) the last business day immediately preceding the Maturity Date and (ii) the last business day immediately preceding the date specified by the Company for redemption of the 2016 Notes, each 2016 Note will be convertible into fully-paid, non-assessable and freely tradable Shares at the option of the holder (the “**Conversion Right**”) at any time following the period (if any) that the closing price of the Shares on the TSX has been at least \$3.12 for 20 consecutive trading days at an initial conversion ratio of 320.51 Shares per \$1,000 principal amount of 2016 Notes (the “**Conversion Rate**”). Upon conversion, the Company may offer and the converting holder of 2016 Notes may agree to the delivery of cash for all or a portion of the 2016 Notes surrendered in lieu of Shares.

The 2016 Notes are redeemable after December 22, 2013 (except in limited circumstances on or before such date) at par, plus all accrued and unpaid interest. On redemption, the Company will repay the indebtedness represented by the 2016 Notes in cash. However, the Company may, at its option, subject to regulatory approval and the terms of the 2016 Notes, elect to satisfy its obligation to repay all or any portion of the principal amount of the 2016 Notes, by issuing and delivering Shares to the holders of the 2016 Notes.

The 2016 Notes are non-transferable, non-assignable and not listed on any stock exchange.

## ESCROWED SECURITIES

Designation of Class	Number of Shares Held in Escrow	Percentage of total issued and outstanding of Class
Shares <sup>(1)</sup>	600,000 Shares	0.35%
Shares <sup>(2)(8)</sup>	11,827,956 Shares	6.95%
Shares <sup>(3)(8)</sup>	46,875,000 Shares	27.57%
Shares <sup>(4)(8)</sup>	6,828,846 Shares	4.01%
Shares <sup>(5)(8)</sup>	3,000,000 Shares	1.76%
Shares <sup>(6)(8)</sup>	2,810,094 Shares	1.65%
Shares <sup>(7)</sup>	3,500,000 Shares	1.76%
Total	71,941,896 Shares	42.28%

- (1) These Shares are held in trust with the Company pursuant to the employment agreement with Mr. Carriere to be released, as described in the Restricted Share Units section, over three years.
- (2) These Shares are held in escrow pursuant to the terms of the purchase agreement of SSI, subject to performance targets for the year ended December 31, 2011. Subsequent to December 31, 2011, the Company issued 10,127,956 of the escrowed shares to the vendors of SSI and the remaining 1,700,000 escrowed shares were cancelled.
- (3) These Shares are held in escrow pursuant to the terms of the purchase agreement of LifeMark, subject to performance targets for the 12 month period ending on June 30, 2012.
- (4) These Shares are held in escrow pursuant to the terms of the purchase agreements of BWC and LSC, to be released incrementally, subject to performance targets for a period of three years ending on June 30, 2014.
- (5) These Share are held in escrow pursuant to the terms of the purchase agreement of Performance Medical Group, to be released incrementally, subject to performance targets for a period of two years ending on August 31, 2013.
- (6) These Shares are held in escrow pursuant to the terms of the purchase agreement of Classic Care, subject to performance targets over an 18 month period.
- (7) These Shares are issued to the shareholders of GHIS Capital and are held in escrow pursuant to the terms of the AHP Transaction, to be released in July of 2012.
- (8) All Shares held in escrow are held by the Company's transfer agent, Equity Financial Trust Company.

In addition to the above, the 2016 Notes and 2016 Warrants issued pursuant to the Public Offering are non-transferable and non-assignable and not listed on any securities exchanges. For more information, see "Recent and Future Developments" and see "Description of Share Capital – Description of 2016 Notes" for details on the terms of the 2016 Notes.

## RESTRICTED SHARE UNITS

Pursuant to the appointment of Mr. Daniel Carriere as President and CEO of the Company, Mr. Carriere was granted a one-time sign on bonus of 1,200,000 Shares to be released as follows: 100,000 on employment commencement; 500,000 Shares on the first anniversary; and 300,000 Shares on each of the second and third anniversaries. Pursuant to a settlement agreement with Mr. Carriere dated March 30, 2012, as of April 1, 2012, 450,000 Shares have been released to Mr. Carriere.

## MARKET FOR SECURITIES

The Shares are listed and traded on the TSX under the symbol “CHH”. The following table sets out the high and low Share prices and the trading volume on the TSX for the months indicated:

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
December 2011	\$1.80	\$1.42	969,800
November 2011	\$2.10	\$1.48	1,872,400
October 2011	\$1.67	\$1.25	3,321,200
September 2011	\$1.99	\$1.52	1,049,030
August 2011	\$2.35	\$1.65	2,019,600
July 2011	\$2.54	\$2.22	1,386,000
June 2011	\$3.00	\$2.00	4,602,400
May 2011	\$2.99	\$1.53	6,780,900
April 2011	\$1.71	\$1.46	3,110,000
March 2011	\$1.65	\$1.31	1,607,700
February 2011	\$1.64	\$1.07	2,135,600
January 2011	\$1.24	\$0.90	3,092,000

## DIRECTORS AND OFFICERS

All of the directors of the Company serve until the next annual general meeting of Shareholders or until their successors are elected or appointed in accordance with the Company’s by-laws and applicable law.

Our current directors and officers, their business background and principal occupations during the five preceding years and the periods during which each has served in their position as a directors and/or officer are as follows:

<b>Name and Municipality of Residence</b>	<b>Position with the Company</b>	<b>Date on which became a Director, if applicable, and Principal Occupations During the Last Five Years</b>
Dr. Jack Shevel California, USA	Director and Chairman of the Board	<ul style="list-style-type: none"> <li>- Director of the Company since June 25, 2009</li> <li>- Principal of GHIS since 2006</li> <li>- Prior to GHIS, founder and former CEO of a South African listed company Netcare Limited, a leading healthcare company in South Africa and the United Kingdom for 17 years</li> </ul>

<b>Name and Municipality of Residence</b>	<b>Position with the Company</b>	<b>Date on which became a Director, if applicable, and Principal Occupations During the Last Five Years</b>
Ingrid Davis California, USA	Director	<ul style="list-style-type: none"> <li>- Director of the Company since February 12, 2010</li> <li>- Chief Operating Officer of GHIS since January 2010</li> <li>- Prior to joining GHIS, Executive Director of Netcare Limited for 12 years</li> </ul>
Tom Magyarody <sup>(1)</sup> Ontario, Canada	Director	<ul style="list-style-type: none"> <li>- Independent Director of the Company since June 25, 2009</li> <li>- Chief Executive Officer and Executive Director of the Ontario Dental Association since April 2001</li> </ul>
Darren Youngleson <sup>(2)</sup> California, USA	Director	<ul style="list-style-type: none"> <li>- Director of the Company since June 25, 2009</li> <li>- Corporate Finance Executive of GHIS since 2006</li> <li>- Prior to joining GHIS, Senior Executive of Netcare Limited for 10 years</li> </ul>
Robert Wardell <sup>(3)</sup> Ontario, Canada	Director	<ul style="list-style-type: none"> <li>- Independent Director of the Company since June 25, 2009</li> <li>- Director of Katanga Mining Limited, Allied Nevada Gold Corp., Elgin Mining Inc. and Nuinsco Resources Limited</li> <li>- Member of the Institute of Chartered Accountants of Ontario</li> <li>- Vice-President, Finance and Chief Financial Officer of Victory Nickel Inc. from February 2007 to December 2008; Consultant from June 2006 to February 2007; and Senior Partner, Deloitte &amp; Touche, LLP from 1986 to May 2006</li> </ul>
Dr. Paul Gamble <sup>(4)</sup> Ontario, Canada	Director	<ul style="list-style-type: none"> <li>- Independent Director of the Company since September 14, 2010</li> <li>- President and CEO of the Michener Institute for Applied Health Sciences</li> <li>- Associate Professor and Director of the School of Health Services Management at Ryerson University from 1995 – 2003</li> <li>- Prior to 1995, President of the Hospital Council of Metropolitan Toronto</li> <li>- Member of the Canadian College of Health Service Executives and a former fellow of the Accrediting Commission on Education for Health Services Administration</li> </ul>
Craig Gattinger Alberta, Canada	Director	<ul style="list-style-type: none"> <li>- Director of the Company since June 9, 2011</li> <li>- Chief Executive Officer and former co-owner of LifeMark</li> </ul>
Daniel Carriere Ontario, Canada	President, Chief Executive Officer and Director	<ul style="list-style-type: none"> <li>- President and Chief Executive Officer of the Company since December 30, 2010</li> <li>- Director of the Company since June 9, 2011</li> <li>- Chief Executive Officer of Southlake Regional Health Centre from 1994 to December, 2010</li> </ul>
Peter Walkey Ontario, Canada	Chief Financial Officer and Corporate Secretary	<ul style="list-style-type: none"> <li>- Chief Financial Officer and Corporate Secretary of the Company since May 14, 2009</li> <li>- Chief Administration Officer of Extreme Fitness Inc. from July 2008 to November 2008</li> <li>- Chief Financial Officer of Prizm Income Fund from November 2003 to April 2008</li> </ul>

(1) Chair of the Nominating and Corporate Governance Committee and member of the Audit Committee and the Compensation and Human Resources Committee.

(2) Member of the Compensation and Human Resources Committee and the Nominating and Corporate Governance Committee

(3) Chair of the Audit Committee and member of the Nominating and Corporate Governance Committee.

<sup>(4)</sup> Chair of the Compensation and Human Resources Committee, member of the Audit Committee and member of the Nomination and Corporate Governance Committee.

Collectively, the officers and directors of the Company beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 65,691,801 Shares, representing approximately 36% of the outstanding Shares as at December 31, 2011. The officers and directors of the Company also held, in aggregate, 3,300,000 options to purchase Shares granted to directors, officers, employees which, if exercised, would increase the beneficial ownership of the officers and directors, collectively, to approximately 41% of the outstanding Shares.

Three of the Company's directors, Dr. Jack Shevel, Ingrid Davis and Darren Youngleson are shareholders of GHIS, which, together with entities controlled by officers of GHIS, own approximately 21% of the issued and outstanding Shares as at December 31, 2011.

No director or officer of the Company is, as at the date of this AIF, or has been, within the past ten years, a director, chief executive officer or chief financial officer of any company (including the Company) that (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days (an "order") while that person was acting in that capacity; or (ii) was subject to an order that was issued after the director, chief executive officer or chief financial officer ceased to be a director, chief executive officer or chief financial officer of the company which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or officer of the Company or, to the knowledge of the Company, any Shareholder holding a sufficient number of Shares to materially affect the control of the Company is, as at the date of this AIF, or has been, within the past ten years, 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 has, within the past ten years, 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 its assets.

Effective April 30, 2012, Mr Daniel Carriere will step down as President and Chief Executive Officer of the Company to pursue other interests. Upon Mr. Carriere's departure, Dr. Jack Shevel, Executive Chairman of the Company, will assume the role of interim President and Chief Executive Officer until a replacement has been appointed. Mr. Carriere will remain as a Non-Executive Director of the Company.

## TRANSFER AGENT AND REGISTRAR

The Company's transfer agent, registrar, trustee and payment agent is Equity Financial Trust Company at its head office in Toronto, Ontario.

## MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the Company has entered into the following material contracts within the most recently completed financial year or before the most recently completed financial year but that are still in effect:

- (a) Arrangement Agreement dated May 5, 2011 among, *inter alia*, the Company, LifeMark, by its general partner, and Alaris Income Growth Fund Partnership, by one of its general partners. For more details, see "Significant Acquisitions - LifeMark Health Limited Partnership".
- (b) Credit Agreement dated June 9, 2011 among the Company, as borrower, Canadian Imperial Bank of Commerce, National Bank Financial and other financial institutions listed as lenders, as amended on August 15, 2011, November 30, 2011 and January 23, 2012.
- (c) Second Amended and Restated Limited Partnership dated June 9, 2011 among, *inter alia*, 1141273 Alberta Ltd., as general partner, the Company and Alaris Income Growth Fund Partnership in respect of LifeMark (the "**LifeMark LP Agreement**"). The LifeMark LP Agreement was entered into in connection with acquisition of the LifeMark units. For more details, see "Significant Acquisitions - LifeMark Health Limited Partnership".
- (d) Consulting Agreement dated June 9, 2011 between the Company and GHIS for certain services to be rendered by GHIS.
- (e) Warrant Indenture dated December 22, 2011 between the Company and Equity Financial Trust Company, as warrant agent, providing for the issuance of Share purchase warrants in connection with the 2016 Warrants comprising of each Unit offered in the Public Offering.
- (f) Trust Indenture dated December 22, 2011 between the Company and Equity Financial Trust Company, as the indenture trustee, providing for the issuance of unsecured subordinated notes in connection with the 2016 Notes comprising of each Unit offered in the Public Offering.

Copies of the above documents are available under the Company's profile on SEDAR.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

During the first quarter of 2010, the former CEO of the Company commenced a claim seeking compensation for termination of her employment and additional compensation amounts. The Company settled this action in the three-month period ended September 30, 2011 and subsequently paid the settlement amount in full.

Except for the above, the Company is not, and was not during the most recently completed financial year, party to any material legal proceedings or regulatory actions. The Company is not aware of any litigation threatened or pending as of the date hereof against the Company and/or its subsidiaries which would be material to the Company's financial condition or results of operations.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

In the normal course of operations, the Company has entered into certain related party transactions which have been measured at the respective exchange amounts, being the consideration established and agreed to by the related parties.

A summary of the transactions with related parties for the years ended December 31, 2011, December 31, 2010 and December 31, 2009 are as follows:

	Years Ended December 31		
	2011	2010	2009
General and administrative expenses:			
Brenras	\$ Nil	\$ Nil	\$ 360,000
GHIS	\$6,142,000	\$ 874,000	\$ 478,000
Interest incurred on the GHIS Capital debenture:	\$ Nil	\$ Nil	\$ 21,000
Interest incurred on Jamon loans	\$ 500,000	\$ 92,000	\$ Nil

Included in accounts payable and accrued liabilities at December 31, 2011, 2010 and 2009, are \$4,785,000, \$237,000 and \$254,000, respectively, due to GHIS. Included in accrued liabilities at December 31, 2011, is \$226,000 due to Jamon.

Brenras Holdings Inc. ("Brenras") is wholly-owned by a significant Shareholder and former director of the Company. Brenras provided management services to the Company during the year ended December 31, 2009.

GHIS and entities controlled by the shareholders of GHIS own approximately 21% of the issued and outstanding Shares as at December 31, 2011. GHIS provided strategic and business development consulting services to the Company for the years ended December 31, 2011, 2010 and 2009. In 2011, GHIS and the Company entered into a new 4-year consulting agreement replacing the previous consulting agreement with GHIS (the "**2011 Consulting Agreement**"). Under the 2011 Consulting Agreement, the compensation for the services provided by GHIS were changed from the annual fee of \$240,000 plus 1% of the market capitalization to a fixed annual fee of \$1.2 million and completion fees, which are subject to approval of the Board from time to time, were changed from 1.5% of the enterprise value for completed transactions to 0.5% of the enterprise value for completed transactions. The performance fee earned in the year ended December 31, 2011 totaled \$404,000 (2010 - \$429,000; 2009 - \$234,000).

On July 28, 2011, the Company concluded the AHP Transaction whereby the existing arrangement between the Company, GHIS Capital and AHP was terminated effective July 31, 2011.

Following a process involving an independent committee of the Board, which included a fairness opinion from a national tier audit firm related to the value of the AHP Warrant, owned by GHIS Capital, the AHP Transaction was facilitated by way of the Company acquiring all of the shares of GHIS Capital. As consideration for such acquisition, the Company issued 3.5 million Shares to the shareholders of GHIS Capital, which represented less than 2.5% of the issued and outstanding Shares on a non-diluted basis at the time. The Shares will be held in escrow for one year. The security holder agreement between the Company and GHIS Capital was terminated upon the completion of the AHP Transaction on July 31, 2011.

As a consequence of the acquisition of GHIS Capital and the termination of the security holder agreement between the Company and GHIS Capital, the AHP Warrant was eliminated thus simplifying the Company's corporate structure and aligning the interests of all Shareholders.

GHIS Capital was related to GHIS by common control. During 2009, the Company paid interest of \$21,000 to GHIS Capital on the AHP Convertible Debenture (see Note 6 in the Company's 2010 audited consolidated financial statements). Concurrent with the closing of the acquisition of Active Health, the Company redeemed the AHP Convertible Debenture at its face amount of \$750,000 and also agreed to issue to GHIS Capital the AHP Warrant. For more details on the Restructuring from 2009, see "General Development of the Business – Three Year History".

On November 9, 2010, the Company announced that the independent members of its Board had approved the acceptance of \$10,000,000 of unsecured subordinated loans from Jamon. Jamon is an associated entity of Dr. Jack Shevel, the Company's Chairman and then Interim President and Chief Executive Officer. Dr. Shevel is also the President of GHIS, the Company's largest investor. One of the loans for \$5,000,000 was repaid on June 9, 2011. For more details on the loans from Jamon, see "General Development of the Business – Three Year History".

## **EXPERTS**

The Company's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have issued an independent auditors' report dated April 1, 2012 in respect of the Company's consolidated financial statements as at December 31, 2011 and for the year then ended. PricewaterhouseCoopers LLP 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. The 2009 consolidated financial statements were audited by MSCM LLP.

## **AUDIT COMMITTEE**

The members of the Audit Committee are: Robert Wardell, Tom Magyarody and Paul Gamble. All members of the Audit Committee are independent and financially literate for the purposes of National

Instrument 52-110 – *Audit Committees*. In addition to each member’s general business experience, the education and experience of each Audit Committee member that is relevant to the performance of responsibilities as an Audit Committee member is as follows:

Name	Relevant Education and Experience
Robert Wardell, CA	<p>Mr. Wardell is a director of the Company and a director of Katanga Mining Limited, Allied Nevada Gold Corp., Elgin Mining Inc. and Nuinsco Resources Limited. Formerly, Mr. Wardell was Vice-President, Finance and Chief Financial Officer of Victory Nickel Inc. from February 2007 to December 2008. He was a Consultant from June 2006 to February 2007 and Senior Partner, Deloitte &amp; Touche, LLP from 1986 to May 2006. Mr. Wardell is a member of the Institute of Chartered Accountants of Ontario.</p>
Tom Magyarody	<p>Mr. Magyarody has been the Executive Director and Chief Executive Officer for the Ontario Dental Association for the last 9 years. Prior to that he was the Executive Director, Corporate Affairs and Admin at the Ontario Medical Association for 7 years. He has been a board member on For Profit as well as Not for Profit boards over the last 10 years including AccertaClaim Servcorp Inc., HealthLink Clinical Data Network and University of Toronto Schools. He has also had experience in the Financial Services and Aerospace industries.</p> <p>He is a Professional Engineer with a Bachelor of Engineering and Management degree (McMaster 1979) as well as an MBA (McMaster 1982). He completed the Directors Education Program at the Joseph L. Rotman School of Management, University of Toronto in 2008.</p>
Dr. Paul Gamble	<p>Dr. Gamble brings to the Company more than 30 years of experience in the healthcare industry and is currently President and CEO of the Michener Institute for Applied Health Sciences, Canada's only publicly funded academic institution solely dedicated to applied healthcare education.</p> <p>Prior to his appointment at the Michener Institute, Dr. Gamble was Associate Professor and Director of the School of Health Services Management at Ryerson University, Toronto, from 1995 to 2003. Before this, he was the President of the Hospital Council of Metropolitan Toronto (HCMT), a non-profit association that represented 56 hospitals in and around the Greater Toronto Area. Dr. Gamble earned a Doctor of Public Health in Health Policy from the University of Michigan. He holds a Master of Health Science degree from the University of Toronto, and a Bachelor of Arts degree in Psychology as well as an Honours Bachelor of Science degree in Biology from McMaster University. He is a member of the Canadian College of Health Service Executives and a former fellow of the Accrediting Commission on Education for Health Services Administration</p>

The Audit Committee of the Board is principally responsible for:

- recommending to the Board the external auditor to be nominated for election by the Shareholders at each annual meeting of Shareholders and negotiating the compensation of such external auditor;

- overseeing the work of the external auditor;
- reviewing the Company's annual and interim financial statements, MD&A and press releases regarding earnings before they are reviewed and approved by the Board and publicly disseminated by the Company;
- reviewing the Company's financial reporting procedures to ensure adequate procedures are in place with respect to the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph;
- managing complaints with respect to accounting and auditing matters; and
- reviewing and approving the Company's overall risk management system and practices.

### **Audit Committee Charter**

The Audit Committee reviews its charter at least annually and recommends changes to the Board, as necessary. On March 3, 2010, the Board approved the Company's current Audit Committee Charter which is based on the rules and standards of the Ontario Securities Commission and sets out the Audit Committee's mandate, organization, powers and responsibilities. The charter was last reviewed by the Audit Committee on March 21, 2012. The complete Charter is attached as Schedule A to this AIF.

### **Audit Committee Oversight**

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in section II (4) of its Charter under "External Audits – Appointment and Authorization of Services".

## External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Company by its external auditor during the last two financial years.

Financial Year Ending	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees
December 31, 2011	\$ 1,088,754	\$ 698,048	\$ 242,457	\$ 426,867
December 31, 2010	\$ 213,000	\$ 17,000	\$ 23,600	\$ 85,000 <sup>(4)</sup>

Notes:

- (1) The aggregate fees billed for audit services. The audit fees for 2011 have increased as a result of the Company's growth throughout 2011.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the 'Audit Fees' column. These fees include the audit of SSI for 2010.
- (3) The aggregate fees billed for tax compliance, tax advice, and tax planning services.
- (4) These fees relate to professional services performed in connection with implementation assistance with International Financial Reporting Standards.

## ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans will be contained in the Company's management information circular (the "**Information Circular**") for its annual meeting of Shareholders to be held on or before June 30, 2012. Additional financial information relating to the Company is included in the Company's audited financial statements for the years ended December 31, 2011 and December 31, 2010 and the accompanying auditor's report and MD&A. Copies of the Information Circular, the Company's financial statements and related MD&A and other additional information relating to the Company may be found on the System for Electronic Document Analysis and Retrieval which can be accessed at [www.sedar.com](http://www.sedar.com).

## SCHEDULE A

### CENTRIC HEALTH CORPORATION

#### AUDIT COMMITTEE CHARTER

##### I. PURPOSE

The Board of Directors of Centric Health Corporation (the “Corporation”) has established the Audit Committee (the “Committee”) to augment and improve financial disclosure and ensure legal compliance by the Corporation with respect to financial reporting and related matters. The Committee shall assist the Board of Directors in fulfilling its financial oversight responsibilities including with respect to accounting and financial reporting processes, internal financial controls, financial risk management systems and internal and external audit functions. In general, the Committee will:

- (a) review quarterly and annual financial statements, prior to their review and approval by the Board of Directors, and satisfy itself with the fairness and consistency of the auditing practices used;
- (b) recommend to the Board of Directors the selection of the Corporation’s external auditors (which must be in good standing with the Canadian Public Accountability Board) to be nominated for appointment by the shareholders, as well as any external auditor required to perform other audit, review or attest services, and the compensation of all such auditors;
- (c) ensure the integrity of the audit process, including monitoring audits to ensure sufficient managerial independence and reporting as well as the external auditor’s qualifications and independence;
- (d) pre-approve all audit services and permitted non-audit services to be provided to the Corporation by its external auditors;
- (e) serve as liaison between the external auditors and the Corporation;
- (f) obtain assurances from management with respect to relationships with regulators, and the accuracy and timeliness of filings with regulatory authorities; and
- (g) perform any other duty as may be assigned by the Board of Directors from time to time or as may be required by the *Canada Business Corporations Act*, the *Securities Act* (Ontario) and all regulations, policies, rules and instruments under applicable securities laws, and any other applicable legislation.

##### II. RESPONSIBILITIES

The Committee has the following specific responsibilities:

###### 1. Financial Reporting - General

The Committee shall periodically review and discuss with management and the external auditor, as appropriate and/or applicable, the following:

- (a) the Corporation’s financial disclosure control policies and procedures as well as any impact these may have on the internal control over financial reporting;

- (b) the Corporation's internal financial control system at least annually to ensure that it is current and effective;
- (c) significant financial reporting issues;
- (d) any correspondence with regulators or published reports which raise material issues that may have a significant effect on the Corporation's financial statements;
- (e) any reports prepared by the external auditors and provided to the Committee relating to significant financial reporting issues including the Corporation's selection, application and disclosure of accounting principles and the effects, if any, on the Corporation's financial statements;
- (f) any recommendation made by the external auditors in the course of reviewing the Corporation's financial reporting or accounting processes;
- (g) changes in accounting policies, audit plan and control systems;
- (h) practices and procedures adopted by management to ensure continuing compliance with financial disclosure, audit and filing requirements; and
- (i) any other matter pertaining to auditing standards, laws or regulations the Committee determines necessary for discussion or review.

## 2. **Preparation and Release of Financial Information**

With respect to preparing and releasing financial information, the specific responsibilities of the Committee include:

- (a) reviewing the selection of accounting policies and audit plan for effectiveness;
- (b) reviewing and understanding the results of the external, independent audit;
- (c) satisfying itself as to the fairness, consistency and timeliness of the annual and periodic financial statements;
- (d) reviewing, from time to time, with the Chief Executive Officer and Chief Financial Officer of the Corporation their certificates under National Instrument 52-109 or any other applicable regulatory requirement;
- (e) presenting the approved financial statements to the Board of Directors for final approval;
- (f) reviewing and recommending to the Board of Directors for approval prior to public disclosure: the Corporation's annual and quarterly financial statements (whether stand alone or included in a prospectus or other offering document) and any related management's discussion and analysis (MD&A); and all earnings press releases;
- (g) reviewing portions of the Corporation's annual information form (AIF) and management information circular for any annual or special meeting of shareholders containing information within the Committee's mandate;

- (h) ensuring that procedures are in place for the review of all of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assessing the adequacy of such procedures;
- (i) reviewing all other press releases and public disclosures that contain material financial information or future earnings guidance regarding the Corporation, including the type and presentation of information to be included in such press releases or other disclosures; and
- (j) reviewing all material forward-looking financial information and future-oriented financial information publicly disclosed by the Corporation in filings with regulatory authorities, and the Corporation's policy for updating such information.

### **3. Internal Audit**

The Committee, in consultation with the Corporation's management, has the authority to engage, or shall delegate the authority to management to engage, the services of an accountant or accounting firm, other than the Corporation's external auditors, to perform supplemental reviews, special projects or other internal audit functions as necessary from time to time.

### **4. External Audits - Appointment and Authorization of Services**

The Committee has the authority to retain, and the Committee shall oversee, the activities of the external auditors, including the resolution of disagreements between the Corporation's management and the external auditor with respect to financial reporting. The Committee is authorized to determine the compensation, fees and all other terms of the external auditor's engagement, and to terminate the services of the external auditors, as the Committee may deem necessary or appropriate.

All external auditors shall report directly to the Committee.

At least annually, the Committee shall review and pre-approve the performance of all audit and lawfully permitted non-audit services, as well as the fees for such services. The Committee may delegate this function to the Committee's Chair so that, in the event of an issue arising between meetings of the Committee, such issues may be handled appropriately; provided, however, that the Chair shall fully report all action taken pursuant to this delegated authority at the next ensuing Committee meeting. The Committee need not approve in advance any non-audit services where:

- (a) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than 5% of the total amount of revenues paid by the Corporation to the external auditor during the fiscal year in which the non-audit services are provided;
- (b) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
- (c) such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.
- (d) The Committee shall meet with external auditors prior to the audit to confirm the planning and staffing of the audit.

## **5. Oversight of Independence and Qualifications of External Auditors**

In order to ensure the independence of the external auditors, at least annually the Committee shall review the relationship between the auditors and the Corporation. Additionally, the Committee shall review all professional services provided by the external auditors to the Corporation for propriety. The Committee shall provide a report of its findings to the Board of Directors, including recommendations for action to ensure the continued independence of the external auditors.

As part of the review process, the Committee shall obtain a report by the external auditors describing:

- (a) the firm's internal quality control procedures; and
- (b) any material issues raised by the most recent internal quality-control review or the audit firm or by any other governmental or professional authorities or any private sector regulatory board within the preceding five years.

The Committee is responsible for ensuring compliance by the external auditors with independence requirements and shall obtain, at least annually, from the external auditors their certificate as to their independence from the Corporation.

## **III. OTHER POWERS AND RESPONSIBILITIES**

### **1. Complaint Procedures**

The Committee is responsible for establishing and administering adequate procedures by which any concerns or complaints about any accounting, internal accounting controls, or any internal or external auditing matters, issues or disagreements are received and resolved. These procedures must allow for confidential and anonymous submissions by employees of the Corporation of concerns regarding questionable auditing or accounting matters.

The Committee shall ensure that all documents and records related to any complaint and investigation (where applicable) are retained for a period of five years, and that no person shall destroy any corporate or audit related records that may be subject to or related to an investigation by the Corporation or any federal, provincial or other regulatory body.

The Committee shall annually assess the adequacy of these procedures.

### **2. Charter and Committee Review**

The Committee shall review and assess the adequacy of the Committee Charter annually and report to the Board of Directors the results of such assessment. Any recommendations are to be put before the Board of Directors for approval.

The Committee shall also perform an annual review of the Committee's performance and report to the Board of Directors on the results of such evaluation.

### **3. Examinations and Investigations**

The Committee may conduct such examinations, investigations or inquiries, and/or engage special accounting, legal or other advisors the Committee deems necessary.

#### **4.Hiring Policies**

The Committee shall review and approve the Corporation's hiring policies regarding partners and employees and former partners and former employees of the current and former external auditors.

#### **5. Access**

In discharging its responsibilities, the Committee shall have full and direct access to all books, records, facilities and personnel of the Corporation.

### **IV.MEMBERSHIP AND ORGANIZATION OF COMMITTEE**

#### **1. Qualifications**

The Committee is to be comprised of not less than three members, each of whom must be a director of the Corporation, and:

- (a) independent; and
- (b) financially literate (meaning having 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 of the issues that can reasonably be expected to be raised by the financial statements of the Corporation),

in each case as determined in accordance with, and subject to available exemptions under, applicable laws.

#### **2. Chair**

The Board of Directors shall appoint one Committee member to serve as the Chair of the Committee.

#### **3. Appointment and Removal**

Members of the Committee shall be appointed by the Board of Directors and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board of Directors.

#### **4. Remuneration of Committee Members**

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board of Directors may determine from time to time and which shall be consistent with the Corporation's approved fee policy as it applies to non-executive directors.

Unless approved by the Board of Directors and specifically disclosed in the annual management information circular of the Corporation,

- (a) no member of the Committee may earn fees from the Corporation or any of its subsidiaries other than fees (which fees may include cash and/or securities or options or other in-kind consideration ordinarily available to Directors of the Corporation, as well as all of the regular benefits that Directors of the Corporation are entitled to receive, in accordance with the Corporation's applicable policy as it applies to non-executive Directors) for acting as members of the Board of Directors and members of committees of the Board of Directors; and

- (b) no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any of its subsidiaries.

## **V. CONDUCT OF MEETINGS**

### **1. Frequency**

The Committee shall meet at least four times per year, and at least once per calendar quarter. Additional meetings shall be scheduled as required or as requested by the Corporation.

### **2. Quorum**

A majority of the Committee members, present in person or by video or telephone conference facilities, shall constitute quorum for the transaction of business.

### **3. Notice**

The auditors are entitled to receive notice of every meeting of the Committee and submit agenda items as well as attend any meeting should they so choose.

### **4. Non Committee Member Attendees**

The Committee may request that any director, officer or employee of the Corporation, or any other person from whom the Committee would like advice or counsel, attend any meeting to provide such information or guidance.

### **5. Minutes**

A Committee member or the Corporate Secretary of the Corporation shall keep written minutes of the Committee meetings. The minutes are to be maintained with the books and records of the Corporation.

### **6. Delegation of Authority**

The Committee has the authority to delegate to one or more of its members where appropriate except where otherwise prohibited by law or regulation.

### **7. Meetings with Management and Auditors**

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Corporation's auditors to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately.

## **VII. LIMITATION OF AUDIT COMMITTEE'S ROLE**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management of the Corporation and the Corporation's auditors.

This Charter was approved by the Board of Directors on March 3, 2010.