

MATERIAL CHANGE REPORT

1. **Name and Address of Reporting Issuer:**

CML HealthCare Inc.
6560 Kennedy Road
Mississauga, ON L5T 2X4

2. **Date of Material Change:**

January 1, 2011

3. **News Release:**

A news release was issued and disseminated on January 4, 2011 through Marketwire and subsequently filed on the System for Electronic Document Analysis and Retrieval (SEDAR). A copy of the news release is attached hereto as Schedule "A".

4. **Summary of Material Change:**

On January 1, 2011, CML Healthcare Income Fund (the "**Fund**") converted from an income trust to a corporation pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario) (the "**Arrangement**"). Pursuant to the Arrangement, holders of units of the Fund (the "**Units**") received, for each Unit of the Fund held, one common share of CML HealthCare Inc. ("**New CML**"), which is the successor reporting issuer to the Fund.

As a result of the completion of the Arrangement and related transactions, New CML now directly and indirectly operates the businesses that were previously operated by the Fund and its subsidiaries. The management and trustees of the Fund are now the management and directors of New CML.

New CML's common shares commenced trading on the Toronto Stock Exchange on January 4, 2011 under the symbol "CLC".

5. **Full Description of Material Change:**

Please see news release attached hereto as Schedule "A".

6. **Reliance on subsection 7.1(2) of National Instrument 51-102:**

Not applicable.

7. **Omitted Information:**

None.

8. **Executive Officer:**

For further information, please contact:

Paul Bristow, President and Chief Executive Officer
(905) 565-0043

9. **Date of Report:**

January 11, 2011.

SCHEDULE "A"
News Release

CML HealthCare Income Fund Completes Corporate Conversion

MISSISSAUGA, ON, Jan. 4 - CML HealthCare Inc. (TSX: CLC) (the "Company") is pleased to announce that CML HealthCare Income Fund (the "Fund") has completed the previously announced conversion from an income trust structure to a publicly-traded corporation named CML HealthCare Inc., pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario). The conversion was approved by the unitholders of the Fund at a special meeting of unitholders held on December 1, 2010, by a vote of 99.8 percent in favour. Under the plan of arrangement, unitholders of the Fund received, for each unit of the Fund held, one common share of the Company. The Company's common shares are scheduled to commence trading on the Toronto Stock Exchange on January 4, 2011 under the symbol "CLC".

As a result of the conversion, the Company now directly and indirectly operates the businesses that were previously operated by the Fund and its subsidiaries. The management and trustees of the Fund are now the management and directors of the Company.

As previously announced, the Company anticipates an initial post-conversion monthly dividend of \$0.0629 per share (\$0.7548 per share on an annualized basis) commencing with an initial payment date in February 2011 for shareholders of the Company of record on a date in January 2011, both dates to be determined by the Company's Board of Directors. Any decision to declare and pay dividends on the Company's common shares will be made by the Company's Board of Directors, in its sole and absolute discretion, upon consideration of the Company's earnings, financial and operational requirements, and such other factors and conditions it deems advisable at a future time.

About CML HealthCare Inc.

CML HealthCare Inc. is one of North America's largest community-based healthcare services provider. Based in Mississauga, Ontario, CML HealthCare Inc. is a leading provider of laboratory testing services in Ontario, the largest provider of medical imaging services in Canada and is a leading provider of medical imaging services in the U.S. Northeast. CML HealthCare Inc. is publicly-traded on the Toronto Stock Exchange under the symbol "CLC" and has approximately 89.8 million common shares outstanding. To reach CML HealthCare Inc. via the worldwide web, log on to www.cmlhealthcare.com.

Caution concerning forward-looking statements

This document includes forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario) and other provincial securities law in Canada. These forward-looking statements include, among others, statements with respect to our objectives, goals and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective" and "continue" (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. We caution readers not to place undue reliance on these statements, as a number of important factors, many of which are beyond our control, could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: a reduction of funds from operations; general economic conditions; dependence on government-based revenues in Canada;

pending and proposed legislative or regulatory developments in Canada including the impact of changes in laws, regulations and the enforcement thereof; intensifying competition, resulting from established competitors and new entrants in the businesses in which we operate; our ability to complete strategic acquisitions and to integrate our acquisitions successfully; insurance coverage of sufficient scope to satisfy any liability claims; operational and infrastructure risks including possible equipment failure and performance of information technology systems; fluctuations in total patient referrals; technological change and obsolescence; loss of services of key senior management personnel; privacy laws; dependence on our subsidiary to pay its interest obligations to us; unpredictability and volatility of the share price; nature of the shares; fluctuations in cash dividends and capital investment; leverage and restrictive covenants; timing and amount of capital expenditures; restrictions on potential growth; tax-related risks; dilution; future sales of shares. Additional factors related to the business operations in the U.S. imaging market include, but are not limited to: potential termination of the management services agreement between our subsidiary, American Radiology Services and American Radiology Associates, P.A., or other arrangements with contracted radiology practices; fluctuations in total patient referrals; changes in third-party reimbursement rates or methodology; increased pressure to control healthcare costs; increased competition; technological change; exposure to professional malpractice liability; potential termination of relationship with Johns Hopkins; currency fluctuations; ability to grow business in the United States; U.S. income tax matters; different regulatory environment characterized by extensive regulation; penalties arising from failure to comply with all regulations; federal and state fraud and abuse laws; reversal of Board of Physician's decisions or legislative change; loss of licensing, certification or accreditation; Certificate of Need regulations; privacy legislation; legislative change affecting prices that physicians or suppliers can charge; avoidance of fee-splitting; environmental health and safety laws; and the uncertainty of the U.S. regulatory environment.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When reviewing our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations, and about material factors or assumptions applied in making forward-looking statements, may be found in the "Risk Factors" section, under "Business Risks" and elsewhere in our Management's Discussion and Analysis of Operating Results and Financial Position for the year ended December 31, 2009 and elsewhere in our filings with Canadian securities regulators. Except as required by Canadian securities law, we do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf; such statements speak only as of the date made.

For further information:

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