NOTICE OF ANNUAL AND SPECIAL MEETING

AND

MANAGEMENT INFORMATION CIRCULAR

OF

KINGSWAY ARMS RETIREMENT RESIDENCES INC.

FOR THE ANNUAL AND SPECIAL MEETING

TO BE HELD ON MARCH 30, 2016

TO CONSIDER THE PROPOSED ACQUISITION OF

SHARES OF MAINSTREET HEALTH HOLDINGS INC.

AND RELATED MATTERS

February 29, 2016

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Reverse Takeover described in this information circular.

These materials are important and require your immediate attention. They require you to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal or other professional advisors.

KINGSWAY ARMS RETIREMENT RESIDENCES INC.

February 29, 2016

To: Holders of common shares of Kingsway Arms Retirement Residences Inc.

You are invited to attend an annual and special meeting (the "**Meeting**") of the holders (collectively, the "**Kingsway Shareholders**") of common shares ("**Kingsway Common Shares**") of Kingsway Arms Retirement Residences Inc. ("**Kingsway**") to be held at 333 Bay Street, suite 3400, Toronto, Ontario, M5H 2S7 on March 30, 2016 at 11:00 a.m.

At the Meeting, Kingsway Shareholders will be asked to consider, and if deemed advisable, pass a resolution (the "**Acquisition Resolution**") authorizing, among other things, the acquisition (the "**Acquisition**") of all of the shares ("**MHI Holdco Shares**") of Mainstreet Health Holdings Inc. ("**MHI Holdco**") held by Mainstreet Investment Company, LLC or its affiliates (collectively, "**Mainstreet**"), representing approximately 75% of the issued and outstanding MHI Holdco Shares, in consideration for the issuance of 81,160,000 Kingsway Common Shares and 307,659,850 non-voting shares of Kingsway ("**Kingsway Non-Voting Shares**" and, collectively with the Class A shares in the capital of Kingsway and the Kingsway Common Shares, "**Kingsway Shares**"), resulting in a reverse takeover of Kingsway by Mainstreet. Kingsway, upon completion of the Acquisition, shall hereinafter be referred to as the "**Resulting Issuer**" and the Kingsway Shares, upon completion of the Acquisition, shall hereinafter be referred to as the "**Resulting Issuer Shares**".

Further business of the Meeting includes proposed resolutions to: approve and ratify the right (the "**Conversion Right**") of certain funds (collectively, the "**Funds**") managed by Magnetar Financial LLC, as holders of the subordinated convertible debentures (the "**Convertible Debentures**") of MHI Holdco in the aggregate principal amount of approximately US$109 million, to convert the Convertible Debentures into MHI Holdco Shares, and the resulting dilution of the Resulting Issuer's interest in MHI Holdco in the event that the Funds exercise the Conversion Right; elect the directors of Kingsway for the ensuing year; change the current auditors of Kingsway; continue Kingsway under the *Business Corporations Act* (British Columbia); change the name of Kingsway; amend the authorized capital of Kingsway; approve new articles of Kingsway, consolidate the outstanding Resulting Issuer Shares on a 1 for 250 basis; adopt a deferred share incentive plan; approve a loan by Mainstreet to MHI Holdco or its affiliate in the amount of US$1.96 million; approve the issuance of subordinated convertible debentures of MHI Holdco to the Funds and/or the issuance of MHI Holdco Shares to the Funds and/or a loan or other financing by the Funds to MHI Holdco or its affiliate in an aggregate amount of US$13.5 million; and approve the indirect acquisition by MHI Holdco of the property known as The Claremont of Hanover Park, located at 2000 W. Lake Street, Hanover Park, Illinois, 60133; each of which will be implemented in connection with, or following the completion of, the Acquisition.

The board of directors of Kingsway (the "**Kingsway Board**") has determined that the matters of business proposed to be considered by the Kingsway Shareholders at the Meeting are in the best interests of Kingsway and the Kingsway Shareholders. **The Kingsway Board unanimously recommends that Kingsway Shareholders vote in favour of each of the matters of business proposed to be considered by Kingsway Shareholders at the Meeting.**

The accompanying management information circular sets forth the text of certain of the resolutions proposed to be considered by Kingsway Shareholders at the Meeting and additional information in respect of the various items of business to be considered at the Meeting, including information concerning Kingsway, MHI Holdco and, assuming completion of the Acquisition, the Resulting Issuer. **Please give this material your careful consideration and, if you require assistance, consult your financial, legal or other professional advisors.** If you are unable to attend the Meeting in person, please complete the enclosed form of proxy in order to ensure your representation at the Meeting.

Yours very truly,

Dan Amadori
Chairman

KINGSWAY ARMS RETIREMENT RESIDENCES INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the "**Meeting**") of holders ("**Kingsway Shareholders**") of common shares ("**Kingsway Common Shares**") of **KINGSWAY ARMS RETIREMENT RESIDENCES INC.** ("**Kingsway**") will be held at 333 Bay Street, suite 3400, Toronto, Ontario, M5H 2S7 on March 30, 2016 at 11:00 a.m. for the following purposes:

(a) to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution (the "**Acquisition Resolution**") approving the acquisition (the "**Acquisition**") of all of the shares ("**MHI Holdco Shares**") of Mainstreet Health Holdings Inc. ("**MHI Holdco**") held by Mainstreet Investment Company, LLC or its affiliates (collectively, "**Mainstreet**"), representing approximately 75% of the issued and outstanding MHI Holdco Shares, in consideration for 81,160,000 Kingsway Common Shares and 307,659,850 non-voting shares ("**Kingsway Non-Voting Shares**" and, collectively with the Class A shares in the capital of Kingsway and the Kingsway Common Shares, "**Kingsway Shares**") of Kingsway (the "**Consideration Shares**") on a pre-Consolidation (as defined herein) basis (Kingsway, upon completion of the Acquisition, shall hereinafter be referred to as the "**Resulting Issuer**" and the Kingsway Shares, upon completion of the Acquisition, shall hereinafter be referred to as the "**Resulting Issuer Shares**");

(b) conditional on the proposed Acquisition Resolution being passed, to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution of the disinterested Kingsway Shareholders (the "**Convertible Debenture Resolution**") approving and ratifying (i) the right (the "**Conversion Right**") of certain funds (collectively, the "**Funds**") managed by Magnetar Financial LLC (the "**Funds Manager**"), as holders of convertible debentures (the "**Convertible Debentures**") of MHI Holdco in the aggregate principal amount of approximately US$109 million, to convert the Convertible Debentures into MHI Holdco Shares, and (ii) the resulting dilution of the Resulting Issuer's interest in MHI Holdco in the event that the Funds exercise the Conversion Right;

(c) to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution to elect the directors of Kingsway for the ensuing year;

(d) conditional on the proposed Acquisition Resolution being passed, to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution to change the existing auditors of Kingsway and to authorize the board of directors of Kingsway (the "**Board**") to fix the remuneration of the new auditors of Kingsway;

(e) conditional on the proposed Acquisition Resolution being passed, to consider and, if deemed advisable, pass, with or without variation, a special resolution (the "**Continuance Resolution**") to authorize Kingsway to continue (the "**Continuance**") under the *Business Corporations Act* (British Columbia) (the "**BCBCA**");

(f) conditional on the proposed Acquisition Resolution being passed, to consider and, if deemed advisable, pass, with or without variation, a special resolution (the "**Special Resolution**") (i) to effect the changing of Kingsway's name (the "**Name Change**") to "Mainstreet Health Investments Inc.", or such other name as may be accepted by the relevant regulatory authorities and approved by the Board; (ii) to amend the authorized capital of Kingsway to create a new class of non-voting shares (the "**Capital Reorganization**"); and (iii) conditional on the proposed Continuance Resolution being passed, to approve new articles of Kingsway (the "**New Articles**") in the form attached as Schedule "H" to this circular;

(g) conditional on the proposed Acquisition Resolution being passed, to consider and, if deemed advisable, pass, with or without variation, a special resolution (the "**Consolidation Resolution**") approving the consolidation of the Resulting Issuer Shares (the "**Consolidation**") on the basis of

one post-Consolidation Resulting Issuer Share for every 250 pre-Consolidation Resulting Issuer Shares;

(h) conditional on the proposed Acquisition Resolution being passed, to consider and, if deemed advisable, pass, an ordinary resolution of the disinterested Kingsway Shareholders (the "**Plan Resolution**") approving a deferred share incentive plan of Kingsway (the "**Deferred Share Incentive Plan**");

(i) conditional on the proposed Acquisition Resolution being passed, to consider and, if deemed advisable, pass, an ordinary resolution (the "**Hanover Park Resolution**") (i) approving a loan (the "**Hanover Park Loan**") by Mainstreet to MHI Holdco or its affiliate in the principal amount of US$1.96 million; (ii) approving the issuance of subordinated convertible debentures of MHI Holdco to the Funds and/or the issuance of MHI Holdco Shares to the Funds and/or a loan or other financing by the Funds to MHI Holdco or its affiliate in an aggregate amount of US$13.5 million; and (iii) approving the indirect acquisition by MHI Holdco of the property known as The Claremont of Hanover Park, located at 2000 W. Lake Street, Hanover Park, Illinois, 60133 (the "**Hanover Park Property**"); and

(j) to transact such further and other business as may properly come before the Meeting or any adjournment(s) thereof.

The accompanying management information circular contains the full text of each of the above resolutions and provides additional information relating to the subject matter of the Meeting, including the Acquisition. In order to become effective, (i) the Acquisition Resolution, the resolution electing the directors of Kingsway for the ensuing year, the resolution replacing the auditor of Kingsway and the Hanover Park Resolution must be approved by a majority of the votes cast by Kingsway Shareholders present in person or by proxy at the Meeting or any adjournment(s) thereof, (ii) the Convertible Debenture Resolution and the Plan Resolution must be approved by a majority of the votes cast by disinterested Kingsway Shareholders present in person or by proxy at the Meeting or any adjournment(s) thereof, and (iii) the Continuance Resolution, the Special Resolution and the Consolidation Resolution must be approved by two-thirds of the votes cast by Kingsway Shareholders present in person or by proxy at the Meeting or any adjournment(s) thereof.

The Kingsway Board has fixed February 29, 2016 as the record date for the determination of Kingsway Shareholders entitled to receive this Notice of Annual and Special Meeting of Shareholders and to attend and vote at the Meeting or any adjournment(s) thereof.

If you are a registered Kingsway Shareholder and are unable to attend the Meeting in person, please complete, sign, date and return the enclosed form of proxy. A proxy will not be valid unless the completed form of proxy is received by Computershare Investor Services Inc. ("**Computershare**"), 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or any adjournment(s) thereof.

DATED this 29th day of February, 2016.

BY ORDER OF THE BOARD OF DIRECTORS OF KINGSWAY ARMS RETIREMENT RESIDENCES INC.

By: *"Dan Amadori"*
Dan Amadori
Chairman

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GLOSSARY OF TERMS

Unless the context otherwise provides, the following terms used in this Circular and the Schedules hereto shall have the meanings ascribed to them as set forth below, in addition to other terms defined elsewhere in this Circular.

"**Acceptance Period**" means the thirty (30) day period following the delivery of the Notice of Sale.

"**Acquisition**" means the acquisition of all of the shares of MHI Holdco held by Mainstreet in consideration for the Consideration Shares pursuant to the Share Purchase Agreement.

"**Acquisition Resolution**" means the ordinary resolution approving the Acquisition.

"**Additional Securities**" means any additional MHI Holdco Shares, options to purchase MHI Holdco Shares or securities exchangeable or convertible into MHI Holdco Shares, or other securities of MHI Holdco.

"A**ffiliate**" means a company that is affiliated with another company as described below:

A company is an "Affiliate" of another company if:

(a) one of them is the subsidiary of the other, or

(b) each of them is controlled by the same Person.

A company is "controlled" by a Person if:

(a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

(a) a company controlled by that Person, or

(b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

"**AFFO**" means FFO, subject to certain adjustments, including: (i) mark-to-market adjustments on mortgages, amortization of deferred financing costs, and compensation expense related to deferred share incentive plans, (ii) adjusting for any differences resulting from recognizing property rental revenues on a straight-line basis, (iii) adjustments related to interest expense on convertible debentures, and (iv) other adjustments as determined by the directors of the Resulting Issuer.

"**Alexander Healthcare**" means Alexander Healthcare Land Holdings Inc.

"**Alexander Healthcare Agreement**" means the agreement arising under the letter dated January 5, 2015 from Alexander Healthcare to 2172568 Ontario Limited with respect to the management of the Aurora Property.

"**AL**" means assisted living.

"**Amadori Escrow Agreement**" means the escrow agreement to be entered into among the Resulting Issuer's registrar and transfer agent, the Resulting Issuer and Dan Amadori in compliance with the requirements of the TSXV.

"Appraiser" means Tellatin, Short & Hansen Inc.

"**Arm's Length Transaction**" means a transaction which is not a Related Party Transaction.

"**Articles of Amalgamation**" means the articles of amalgamation effective July 31, 2015 pursuant to which Kingsway amalgamated with its wholly owned subsidiaries, 2322003 Ontario Inc. and 2172568 Ontario Limited.

"**Asset Management Agreement**" means the asset management agreement to be entered into between the Resulting Issuer, MHI US, MHI Partnership and MAMI pursuant to which MAMI will be the asset manager of the properties owned by the Resulting Issuer, MHI US and MHI Partnership.

"**Associate**" when used to indicate a relationship with a Person, means:

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;

(b) any partner of the Person;

(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity;

(d) in the case of a Person, who is an individual:

(i) that Person's spouse or child, or

(ii) any relative of the Person or of his spouse who has the same residence as that Person;

but

(e) where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D.1.00 of the Exchange Rule Book and Policies with respect to that Member firm, Member corporation or holding company.

"**Aurora Property**" means the lands, buildings and improvements municipally known as 145 Murray Drive, Aurora, Ontario, L4G 2C7.

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended, supplemented, modified, replaced or restated from time to time.

"**Building**" means all buildings, structures and improvements located on Land.

"**Business Day**" means any day other than a Saturday, Sunday or a statutory holiday in Toronto, Ontario.

"**CAGR**" means compound annual growth rate.

"**Canadian Development Agreement**" means the development agreement to be entered into among Mainstreet LLC, MAMI and the Resulting Issuer, as described under "*Information Concerning the Resulting Issuer – Executive Compensation – Arrangements with Mainstreet*" in this Circular.

"**Capital Reorganization**" means the amendment of Kingsway's authorized capital to create the Kingsway Non-Voting Shares**.**

"**CCRC**" means continuing care retirement community.

"**Change of Board Time**" means 12:01 a.m. on the day following the date on which the Acquisition is completed.

"**Clarington Property**" means the lands, buildings and improvements municipally known as 65 Clarington Boulevard, Bowmanville, Ontario, L1C 0A1.

"**Class B Unit**" means the Class B units of MHI Partnership, which are exchangeable for Resulting Issuer Shares pursuant to the Mainstreet Exchange Agreement.

"**CMS**" means the United States Center for Medicare and Medicaid Services.

"**Coattail Agreement**" means the customary coattail agreement to be entered into among Mainstreet, the Resulting Issuer and a trustee.

"**Code**" means the *United States Internal Revenue Code of 1986*, as amended from time to time.

"**Companies Law**" means Companies Law (2013 Revision) of the Cayman Islands, as amended or revised from time to time.

"**Computershare**" means Computershare Investor Services Inc.

"**CON**" means certificate of need.

"**Consideration Shares**" means the 81,160,000 Kingsway Common Shares and 307,659,850 Kingsway Non-Voting Shares to be issued to Mainstreet (on a pre-Consolidation basis) in consideration for all of the MHI Holdco Shares held by Mainstreet, which represent approximately 75% of the issued and outstanding shares of MHI Holdco.

"**Consolidation**" means the consolidation of Resulting Issuer Shares on the basis of one post-Consolidation Resulting Issuer Share for every 250 pre-Consolidation Resulting Issuer Shares.

"**Consolidation Resolution**" means the special resolution to approve the Consolidation, as set forth in the Notice of Meeting.

"**Continuance**" means the continuance of Kingsway out of the Province of Ontario and into the Province of British Columbia.

"**Continuance Resolution**" means the special resolution to approve the Continuance, as set forth in the Notice of Meeting.

"**control person**" means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

"**Conversion Right**" means the right of the Funds, as the holders of the Convertible Debentures, to convert the Convertible Debentures into MHI Holdco Shares on the terms set forth in the Convertible Debentures.

"**Convertible Debentures**" means the subordinated convertible debentures of MHI Holdco issued by MHI Holdco to the Funds in the aggregate principal amount of approximately US$108 million, which amount has subsequently increased to approximately US$109 million as of December 31, 2015 by capitalizing a portion of the interest accrued and payable on the Convertible Debentures in accordance with their terms.

"**Convertible Debenture Resolution**" means the ordinary resolution of disinterested Kingsway Shareholders to approve and ratify the Conversion Right and the potential dilution of the Resulting Issuer's interest in MHI Holdco in the event the Funds exercise the Conversion Right.

"**CPPI**" means Care Planning Partners Inc.

"**Deferred Share**" means a bookkeeping entry, equivalent in value to a Resulting Issuer Common Share, credited to a Participant's account in accordance with the terms and conditions of the Deferred Share Incentive Plan, and for clarity includes an entry in respect of Individual Contributed Deferred Shares, Resulting Issuer Contributed Deferred Shares and Discretionary Deferred Shares.

"**Deferred Share Incentive Plan**" means the deferred share incentive plan of the Resulting Issuer to be implemented following the completion of the Acquisition.

"**Development Agreements**" means, together, the Canadian Development Agreement and the US Development Agreement, as described under "*Information Concerning the Resulting Issuer – Executive Compensation – Arrangements with Mainstreet*" in this Circular.

"**Development Property**" means a Building and the Land on which it is erected, or the Interest therein, suitable for inclusion in the Resulting Issuer's portfolio of properties.

"**Discretionary Deferred Shares**" means Deferred Shares granted from time to time to Participants at the discretion of the Resulting Issuer Board or the Resulting Issuer CGN Committee.

"**Elected Amount**" means the amount, as elected by the director of the Resulting Issuer, in accordance with applicable tax law, between 0% and 100% of the base annual retainer fees paid by the Company to such director in a calendar year for service on the Resulting Issuer Board, (but specifically excluding meeting fees and fees for acting as a Committee Chair).

"**Eli Lilly**" means Eli Lilly and Company.

"**Equicom**" means NATIONAL Public Relations Inc.

"**Excess Bed Rights**" means any excess, unused bed rights designated in writing by tenant to landlord under the Master Lease as not necessary or useful for operations contained in the licenses for the properties in the Symphony Portfolio.

"**Exchange**" or the "**TSXV**" means the TSX Venture Exchange Inc.

"**Exchange Policies**" means the policies of the Exchange and all orders, policies, rules, regulations and by-laws of the Exchange, as amended from time to time.

"**Existing Development Funds**" means Mainstreet Development Fund II, L.P., Mainstreet Mezzanine Fund II, L.P., Mainstreet Friends, Family and Employees Development Fund LLC, Mainstreet Development Fund III LLC and Mainstreet Sidecar Fund LLC.

"**Facility**" means the US$200,000,000 senior credit facility with a syndicate of lenders, led jointly by KeyBank Capital Markets and National Bank of Canada, comprised of the Term Loan and the Revolver.

"**FAPI**" means foreign accrual property income.

"**FFO**", consistent with the REALpac definition, means net profit in accordance with IFRS, (i) plus or minus fair value adjustments on investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus certain other fair value adjustments; (iv) plus transaction costs expensed as a result of the purchase of property being accounted for as a business combination; (v) plus distributions on exchangeable units (also referred to as payments or interest on exchangeable units); (vi) plus property taxes accounted for under IFRIC-21; and (vii) plus deferred income tax expense, after adjustments for equity accounted entities calculated to reflect FFO on the same basis as consolidated properties.

"**Final Exchange Bulletin**" means the TSXV bulletin approving the Acquisition.

"**FIRPTA**" means the *Foreign Investment in Real Property Act of 1980*.

"**First Mainstreet Loan**" means a US$2.0 million loan made by Mainstreet to MHI US on October 30, 2015, which was subsequently repaid in full in December 2015.

"**First Public Offering**" means the first public offering of Resulting Issuer Common Shares by the Resulting Issuer effected by way of prospectus within 12 months following the date of the Asset Management Agreement.

"**Funds**" means certain funds managed by the Funds Manager.

"**Funds Manager**" means Magnetar Financial LLC.

"**GDP**" means United States gross domestic product.

"**Gross Book Value**" means, at any time, the greater of (A) the value of the assets of the Resulting Issuer and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet prepared in accordance with IFRS; and (B) the historical cost of the seniors housing and care properties owned by the Resulting Issuer, plus (i) the carrying value of cash and cash equivalents, (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.

"**Hanover Park Loan**" means a loan by Mainstreet to MHI Holdco or its Affiliate in the amount of US$1.96 million in order to fund, in part, the indirect acquisition by MHI Holdco of the Hanover Park Property.

"**Hanover Park Loan Agreement**" means the loan agreement to be entered into among Mainstreet and MHI Holdco or its Affiliate in respect of the Hanover Park Loan.

"**Hanover Park Property**" means the property in the Symphony Portfolio known as The Claremont of Hanover Park, located at 2000 W. Lake Street, Hanover Park, Illinois, 60133.

"**Hanover Park Resolution**" means the ordinary resolution approving: (a) the Hanover Park Loan; (b) the issuance of subordinated convertible debentures of MHI Holdco to the Funds and/or the issuance of MHI Holdco Shares to the Funds and/or a loan or other financing by the Funds to MHI Holdco or its Affiliate in an aggregate amount of US$13.5 million; and (c) the acquisition of the Hanover Park Property.

"**Health Reform Laws**" means the United States *Patient Protection and Affordable Care Act* (2010), as modified by the United States *Health Care and Education Reconciliation Act* (2010).

"**HLP**" means HealthLease Properties Real Estate Investment Trust.

"**IFRS**" means International Financial Reporting Standards issued by the International Accounting Standards Committee.

"**IL**" means independent living.

"**Individual Contributed Deferred Shares**" means Deferred Shares granted to directors of the Resulting Issuer further to their Elected Amount.

"**insider**", if used in relation to an issuer, means:

(a) a director or senior officer of the issuer;

(b) a director or senior officer of a Person that is an insider or subsidiary of the issuer;

(c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or

(d) the issuer itself if it holds any of its own securities.

"**Interest**" means, in relation to a Development Property, any beneficial interest in the whole or any part of such property, including any beneficial or ownership interest in the securities of a single asset entity beneficially owning such Development Property.

"**Intermediary**" means an intermediary that a Non-Registered Holder deals with in respect of its Kingsway Common Shares.

"**JDA**" means Joseph David Advertising.

"**Joint Commission**" means an independent, not-for-profit organization that accredits and certifies health care organizations and programs in the United States.

"**KAH**" means Kingsway Arms Holdings Inc.

"**KAMS**" means Kingsway Arms Management Services Inc.

"**KAMS Agreements**" means the management agreements entered into between Kingsway and KAMS.

"**Kingsway**" means Kingsway Arms Retirement Residences Inc., a corporation existing under the laws of the Province of Ontario.

"**Kingsway Audit Committee**" means the Audit Committee of the Kingsway Board.

"**Kingsway Board**" means the board of directors of Kingsway.

"**Kingsway Class A Shares**" means the Class A preferred shares in the capital of Kingsway.

"**Kingsway Common Shares**" means the common shares in the capital of Kingsway.

"**Kingsway Compensation Committee**" means the Compensation Committee of the Kingsway Board.

"**Kingsway Non-Voting Shares**" means the non-voting shares in the capital of Kingsway.

"**Kingsway Shareholders**" means the registered holders and/or beneficial holders of Kingsway Common Shares, as the context requires.

"**Kingsway Shares**" means, collectively, the Kingsway Common Shares, the Kingsway Non-Voting Shares and the Kingsway Class A Shares.

"**Lamerac**" means Lamerac Financial Corp.

"**Land**" means land owned or leased by Mainstreet or MAMI.

"**Listing Requirements**" means the listing requirements of the TSXV.

"**Mainstreet**" means Mainstreet Investment Company, LLC, together with its Affiliates.

"**Mainstreet Escrow Agreement**" means the escrow agreement to be entered into among the Resulting Issuer's registrar and transfer agent, the Resulting Issuer and Mainstreet in compliance with the requirements of the TSXV.

"**Mainstreet Exchange Agreement**" means the exchange agreement to be entered into among the Resulting Issuer, MAMI, MHI Holdco, MHI US, MHI GP and MHI Partnership.

"**Mainstreet LLC**" means Mainstreet Property Group, LLC.

"**Mainstreet Parties**" means MAMI, Mainstreet LLC, the Principal, Principal Entities and/or their respective Affiliates.

"**MAMI**" means Mainstreet Asset Management, Inc. and, where applicable, its Affiliates and their respective permitted successors and assigns.

"**Management Information Circular**" or "**Circular**" means this management information circular of Kingsway dated February 29, 2016.

"**Master Lease**" means the master lease agreement dated October 30, 2015 between the MHI Symphony Property Owners and the Master Tenant pursuant to which the MHI Symphony Property Owners leased the Properties to the Master Tenant.

"**Master Tenant**" means Symcare ML, LLC.

"**MDC**" means MDC Partners Inc.

"Meeting" means the annual and special meeting of the shareholders of Kingsway scheduled to be held on March 30, 2016.

"**Meeting Materials**" means the Notice of Meeting and this Circular.

"**Member**" has the meaning given to such term in Exchange Policies.

"**MHI GP**" means Mainstreet Health Holdings GP, LLC.

"**MHI Holdco**" means Mainstreet Health Holdings Inc.

"**MHI Holdco Asset Management Agreement**" means the agreement dated October 29, 2015 among MAMI, the Funds Manager (on behalf of the Funds), MHI Holdco, MHI US and MHI Partnership.

"**MHI Holdco Shareholders**" means the holders of MHI Holdco Shares.

"**MHI Holdco Shareholders Agreement**" means the shareholders agreement dated October 29, 2015 among MHI Holdco and the MHI Holdco Shareholders.

"**MHI Holdco Shares**" means the shares in the capital of MHI Holdco.

"**MHI Partnership**" means Mainstreet Health Holdings, LP.

"**MHI Symphony Property Owners**" means MS Aria, LP, MS Buffalo Grove, LP, MS 87th Street, LP, MS Midway, LP, MS Park South, LP, MS Ivy, LP, MS Bronzeville, LP, MS Jackson Square, LP, MS South Shore, LP and MS Claremont, LP.

"**MHI US**" means Mainstreet Health US Holdings, Inc.

"**Name Change**" means the proposed name change of Kingsway to "Mainstreet Health Investments Inc.".

"**Negative Approval Right**" means the right of the Funds, included in the MHI Holdco Shareholders Agreement and the Convertible Debentures, to approve any term of the Acquisition that the Funds determine, in their reasonable discretion, would, if implemented, have or would likely have a material adverse effect upon the Funds and their investment in the Convertible Debentures.

"**New Articles**" means the proposed new articles of Kingsway attached as Schedule "H" to this Circular.

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators.

"**Non-Arm's Length Party**" means, in relation to a company, a Promoter, officer, director, other insider or control person of that company (including an issuer) and any Associates or Affiliates of any of such Persons and in relation to an individual, means any Associate of the individual or any company of which the individual is a Promoter, officer, director, insider or control person.

"**Non-Competition Agreement**" means the non-competition agreement to be entered into between the Resulting Issuer, MHI US, MAMI, Mainstreet LLC and Paul Ezekiel Turner.

"**Non-Registered Holders**" means holders of beneficial interests in Kingsway Common Shares whose names do not appear in Kingsway's register of shareholders.

"**Notice of Meeting**" means the notice of annual and special meeting of Kingsway Shareholders which accompanies this Management Information Circular.

"**Notice of Sale**" means the notice in writing to be delivered by the Selling Shareholder to the Other Shareholders irrevocably offering to sell them the MHI Holdco Shares subject to a Third Party Offer at the same price and in all material respects on the same terms and conditions as provided in a Third Party Offer.

"**OBCA**" means the *Business Corporations Act* (Ontario), as amended, supplemented, modified, replaced or restated from time to time.

"**Offered Investment**" means any investment opportunity identified by MAMI or Mainstreet LLC, as applicable, involving the acquisition, directly or indirectly, of an ownership or other interest in senior housing properties in the United States or Canada, subject to certain exceptions as described in this Circular.

"**Option Plan**" means the existing stock option plan of Kingsway.

"**Original Slate**" means the persons nominated for election as directors of Kingsway to hold office until the earlier of (i) the next annual meeting of the Kingsway Shareholders, or until their successors are elected or appointed; or (ii) the Change of Board Time.

"**Other Shareholders**" means the MHI Holdco Shareholders who are not the Selling Shareholder.

"**Participants**" means Service Providers to whom Deferred Shares have been granted under the Deferred Share Incentive Plan.

"**PCA Reports**" means property condition assessment reports.

"**Person**" means any individual, partnership, limited partnership, joint venture, trust, body corporate unincorporated organization, committee, trade creditors committee, government or agency, or instrumentality thereof, or any other entity whosoever designated or constituted.

"**Phase I ESA Report**" means a Phase I environmental site assessment report.

"**Plan Resolution**" means the ordinary resolution of the disinterested Kingsway Shareholders approving the Deferred Share Incentive Plan.

"**post-Consolidation Resulting Issuer Shares**" means the shares of the Resulting Issuer as constituted following completion of the Consolidation.

"**Principal**" means Paul Ezekiel Turner.

"**Principal Entities**" means all persons beneficially owned or controlled by the Principal.

"**Pro Group**" means:

(a) Subject to subparagraphs (b), (c) and (d) "Pro Group" shall include, either individually or as a group:

i. the Member;

ii. employees of the Member;

iii. partners, officers and directors of the Member;

iv. Affiliates of the Member; and

v. Associates of any parties referred to in subparagraphs (i) through (iv);

(b) The Exchange may, in its discretion, include a Person or party in the Pro Group for the purposes of a particular calculation where the Exchange determines that the Person is not acting at arm's length to the Member;

(c) The Exchange may, in its discretion, exclude a Person from the Pro Group for the purposes of a particular calculation where the Exchange determines that the Person is acting at arm's length of the Member; and

(d) The Exchange may deem a Person who would otherwise be included in the Pro Group pursuant to subparagraph (a) to be excluded from the Pro Group where the Exchange determines that:

i. the Person is an Affiliate or Associate of the Member is acting at arm's length of the Member;

ii. the Associate or Affiliate has a separate corporate and reporting structure;

iii. there are sufficient controls on information flowing between the Member and the Associate or Affiliate; and

iv. the Member maintains a list of such excluded Persons.

"**Promoter**" has the meaning given to such term in the *Securities Act* (Ontario).

"**Properties**" means the 10 properties acquired by MHI US from Symphony on October 30, 2015 pursuant to the Symphony Purchase Agreement, together with the Hanover Park Property, which together comprise the Symphony Portfolio.

"**Property Appraisal**" means the independent estimate of the market value of the Properties.

"**Public Offering**" means an offering of equity securities (or securities capable of converting to equity) of the Resulting Issuer.

"**Public Shareholders**" means a registered or beneficial holder of shares or, if the context requires, other securities of a company that is not a Promoter, Insider, or an Associate or an Affiliate of the Insider nor any member of the Pro Group.

"**Record Date**" means February 29, 2016.

"**RECs**" means recognized environmental conditions.

"**Registered Shareholders**" means holders of Kingsway Common Shares whose names appear in the Kingsway register of shareholders.

"**Related Party Transaction**" has the meaning ascribed to that term in the Exchange Policies, and includes a related party transaction that is determined by the Exchange to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non-Arm's Length Parties, or other circumstances exist which may compromise the independence of the issuer with respect to the transaction.

"**Resulting Issuer**" means Kingsway, upon completion of the Acquisition.

"**Resulting Issuer Audit Committee**" means the Audit Committee of the Resulting Issuer Board.

"**Resulting Issuer Board**" means the board of directors of the Resulting Issuer, who will be appointed immediately following the completion of the Acquisition.

"**Resulting Issuer CGN Committee**" means the Compensation, Nominating and Governance Committee of the Resulting Issuer Board.

"**Resulting Issuer Class A Shares**" means the Class A preferred shares in the capital of the Resulting Issuer.

"**Resulting Issuer Common Shares**" means the common shares in the capital of the Resulting Issuer.

"**Resulting Issuer Contributed Deferred Shares**" means the Deferred Shares granted to directors of the Resulting Issuer further to the Resulting Issuer's obligation to match the Elected Amount pursuant to the Deferred Share Incentive Plan.

"**Resulting Issuer Investment Committee**" means the Investment Committee of the Resulting Issuer Board.

"**Resulting Issuer Non-Voting Shares**" means the non-voting shares in the capital of the Resulting Issuer.

"**Resulting Issuer Shares**" means, collectively, the Resulting Issuer Common Shares, the Resulting Issuer Non-Voting Shares and the Resulting Issuer Class A Shares.

"**Resulting Issuer Shareholders**" means the holders of Resulting Issuer Shares.

"**Resulting Issuer Slate**" means, subject to and conditional upon completion of the Acquisition, the persons nominated for election as directors of Kingsway to hold office from the Change of Board Time until the earlier of the next annual meeting of the Kingsway Shareholders or until their successors are elected or appointed.

"**Revolver**" means the US$50,000,000 senior secured revolving line of credit forming part of the Facility.

"**Second Mainstreet Loan**" means the US$2.5 million loan made by Mainstreet to MHI US on October 30, 2015, which was subsequently increased to US$3.5 million on February 26, 2016.

"**Selling Shareholder**" means an MHI Holdco Shareholder that has received a Third Party Offer to purchase any of its MHI Holdco Shares, which it has conditionally accepted subject to the rights of other MHI Holdco Shareholders pursuant to the MHI Holdco Shareholders Agreement.

"**Service Providers**" means (i) directors, officers, managers, employees or service providers of the Resulting Issuer or a subsidiary of the Resulting Issuer; (ii) directors, officers, managers and employees of MAMI; and/or (iii) employees of certain service providers who spend a significant amount of time and attention on the affairs and business of the Resulting Issuer or a subsidiary of the Resulting Issuer.

"**Share Purchase Agreement**" means the agreement entered into among Kingsway, Mainstreet and the Funds Manager (on behalf of the Funds for the limited purpose of certain sections of the agreement) dated December 2, 2015, as amended on January 25, 2016 and as amended and restated as of February 29, 2016, pursuant to which Kingsway will acquire all of the issued and outstanding shares of MHI Holdco held by Mainstreet, which represent approximately 75% of the issued and outstanding MHI Holdco Shares, in consideration for the Consideration Shares.

"**SNF**" means skilled nursing property.

"**Special Resolution**" means the special resolution approving the Name Change, the Capital Reorganization and the New Articles, as set forth in the Notice of Meeting.

"**Sub-Subtenants**" means the new operators of each property comprising the Symphony Portfolio pursuant to sub-sublease agreements entered into with the Subtenant dated October 30, 2015.

"**Subtenant**" means Symcare Healthcare LLC.

"**Suitable Development Properties**" means income-producing seniors housing and care properties focused on providing care primarily to seniors that are proposed to be owned in fee simple and long-term, triple-net leased to an identified creditworthy tenant operator, but specifically excluding any property that is subject to the right of first opportunity in favour of Welltower under agreements between Mainstreet and Welltower unless such right of first opportunity has expired or Welltower has elected not to exercise such right of first opportunity in respect of such property.

"**Swap Agreement**" means the interest rate swap agreement entered into among MHI Holdco, MHI Partnership and National Bank of Canada effective January 29, 2016.

"**Symphony**" means Symphony Post-Acute Network and its Affiliates.

"**Symphony Acquisition Financing**" the indebtedness incurred by one or more subsidiaries of MHI Holdco in connection with the acquisition of the Symphony Portfolio.

"**Symphony Portfolio**" means the portfolio of Properties indirectly acquired by MHI US from Symphony on October 30, 2015 pursuant to the Symphony Purchase Agreement, together with the Hanover Park Property.

"**Symphony Purchase Agreement**" means the purchase agreement dated August 21, 2015, as amended on September 30, 2015 and February 26, 2016, among the MHI Symphony Property Owners, The Claridge, L.L.C., Halsted Associates, LLC, Halsted Associates, LLC – Series RH, Ren Realty, LLC, Church Street Station Properties, LLC, Encore Realty Partners, LLC, Claremont Extended Healthcare Realty, LLC, The Claridge At Cicero Limited Partnership, The Renaissance At Beverley, L.P., Nuvision Holdings L.L.C. and SSO LLC, pursuant to which MHI US indirectly acquired the Symphony Portfolio.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended from time to time.

"**Term Loan**" means the US$150,000,000 senior secured term loan forming part of the Facility.

"**Third Party**" means an unrelated third party.

"**Third Party Offer**" means a *bona fide* written all cash offer to purchase any of the MHI Holdco Shares from an MHI Holdco Shareholder.

"**Treaty**" means the Canada-United States Tax Convention.

"**TSX**" means the Toronto Stock Exchange.

"**US Development Agreement**" means the development agreement to be entered into among Mainstreet LLC, MAMI, the Resulting Issuer and MHI Partnership, as described under "*Information Concerning the Resulting Issuer – Executive Compensation – Arrangements with Mainstreet*" in this Circular.

"**Value-Add Funds**" means the investment vehicles to be established by Mainstreet focused primarily on "value-add" seniors housing investments, including Mainstreet Opportunity Fund, LP.

"**Voting and Support Agreements**" means the amended and restated voting and support agreements dated February 29, 2016 entered into by Mainstreet and Kingsway Shareholders holding approximately 45% of the outstanding Kingsway Common Shares pursuant to which such Kingsway Shareholders have agreed to, among other things, vote their Kingsway Common Shares in favour of all matters relating to the Acquisition.

"**Welltower**" means Welltower Inc.

"**Xgen**" means Xgen Ventures Inc.

Words importing the singular number only include the plural and vice versa, and words importing any gender include all genders.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Circular contains forward-looking statements or forward-looking information within the meaning of applicable securities laws which may include, but is not limited to, statements or information with respect to the anticipated benefits resulting from the Acquisition, the timing and success of applications to obtain approvals required with respect to the Acquisition and the nature of the business and operations of the Resulting Issuer following the completion of the Acquisition. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Resulting Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and forward-looking information. Such factors include, among others, the risks and uncertainties involved in satisfying the conditions to close the Acquisition, the difficulties associated with the nature of the Resulting Issuer's business and operations following the Acquisition, as well as those factors discussed in the sections entitled "*Proxy-Related Information – Risk Factors*" in this Circular. Although Kingsway has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements and forward-looking information contained herein are made as of the date of this Circular, and Kingsway and the Resulting Issuer disclaim any obligation to update any forward-looking statements or forward-looking information if these beliefs, estimates and opinions or circumstances should change, except as required by applicable law. There can be no assurance that forward-looking statements and forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and information. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information due to the inherent uncertainty in them. All forward-looking statements and forward-looking information contained or incorporated by reference in this Circular are qualified by this cautionary statement.

See the section entitled "*Proxy-Related Information – Risk Factors*" in this Circular for a discussion of the factors that could cause actual results or performance to be materially different from those expressed or implied by such underlying forward-looking statements and forward-looking information.

MARKET AND INDUSTRY DATA

The market and industry data contained in this Circular is based upon, among other things, information from independent industry and other publications. None of the sources of market and industry data have provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, the Acquisition and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data at any particular point in time, the voluntary nature of the data gathering process or other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. Kingsway has not independently verified any of the data from third party sources referred to in this Circular or ascertained the underlying assumptions relied upon by such sources.

CURRENCY

Unless otherwise indicated in this Circular, all references to "**dollars**" or the use of the symbol "**$**" are to Canadian dollars, and all references to "**U.S. dollars**" or "**US$**" are to United States dollars.

The following table sets forth, for the periods indicated, certain information concerning the exchange rate for translating U.S. dollars into Canadian dollars based on rates quoted by the Bank of Canada website. No representation is made that U.S. dollars could be converted to Canadian dollars at that rate or any other rate.

	Year ended December 31			
	2015	2014	2013	2012
	($)	($)	($)	($)
Highest rate during the period	1.3990	1.1643	1.0697	1.0418
Lowest rate during the period	1.1728	1.0614	0.9839	0.9710
Average rate for the period	1.2787	1.1045	1.0299	0.9996
Rate at the end of period	1.3840	1.1601	1.0636	0.9949

On February 29, 2016, the exchange rate for translating U.S. dollars into Canadian dollars (based on rates quoted by the Bank of Canada website) was $1.3523.

SUMMARY

The following is a summary of information relating to Kingsway, MHI Holdco and the Resulting Issuer (assuming completion of the Acquisition and related transactions) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Circular and in the Schedules attached hereto.

Time, Date and Place of Meeting: An annual and special meeting of the Kingsway Shareholders will be held at 333 Bay Street, suite 3400, Toronto, Ontario, M5H 2S7 on March 30, 2016 at 11:00 a.m.

Purpose of the Meeting: The purpose of the Meeting is to consider the proposed Acquisition and related matters and, if deemed advisable, pass, with or without variation, resolutions to approve all matters relating to the Acquisition including the Acquisition Resolution, the Convertible Debenture Resolution, the election of directors of Kingsway for the ensuing year, a change in the auditors of Kingsway, the Continuance Resolution, the Special Resolution, the Consolidation Resolution, the Plan Resolution and the Hanover Park Resolution, as more particularly disclosed in this Circular.

Parties: Kingsway is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia, and the outstanding Kingsway Common Shares are listed on the TSXV under the symbol "KWA". Currently, Kingsway does not have any material properties or assets other than cash.

MHI Holdco is a private company incorporated under the laws of the Cayman Islands for the purpose of indirectly acquiring the Symphony Portfolio. Prior to the acquisition of the Symphony Portfolio, MHI Holdco had no operations.

Mainstreet is an investment company specializing in real estate development, value investments and health care.

Acquisition of MHI Holdco: Pursuant to the Share Purchase Agreement, subject to the fulfillment of certain conditions (including Kingsway Shareholder approval), Kingsway has agreed to acquire all of the shares of MHI Holdco held by Mainstreet, representing approximately 75% of the issued and outstanding MHI Holdco Shares, in consideration for the issuance of the Consideration Shares at a deemed issue price of US$0.04 (and, in any event, not less than $0.05). If completed, the Acquisition will constitute a "Reverse Takeover" of Kingsway under Exchange Policies.

If the Acquisition and the other transactions contemplated herein are completed, it is anticipated that, immediately thereafter, the Resulting Issuer will have issued and outstanding 101,450,000 Resulting Issuer Common Shares and 307,659,850 Resulting Issuer Non-Voting Shares. Following the completion of the transactions: (i) the Resulting Issuer will continue the business of MHI Holdco; (ii) former Kingsway Shareholders will hold an aggregate of 20,290,000 Resulting Issuer Common Shares or 20% of the outstanding Resulting Issuer Common Shares; and (iii) Mainstreet will hold an aggregate of 81,160,000 Resulting Issuer Common Shares or 80% of the outstanding Resulting Issuer Common Shares and all of the outstanding Resulting Issuer Non-Voting Shares.

Shareholder Approval:	The Acquisition Resolution, the resolution electing the directors of Kingsway for the ensuing year, the resolution replacing the auditors of Kingsway and the Hanover Park Resolution must be approved by the affirmative vote of a majority of the votes cast by Kingsway Shareholders in respect thereof at the Meeting or any adjournment(s) thereof. The Convertible Debenture Resolution and the Plan Resolution must be approved by the affirmative vote of a majority of the votes cast by disinterested Kingsway Shareholders in respect thereof at the Meeting or any adjournment(s) thereof. The Continuance Resolution, the Special Resolution and the Consolidation Resolution must be approved by the affirmative vote of not less than two-thirds of the votes cast by Kingsway Shareholders in respect thereof at the Meeting or any adjournment(s) thereof. Pursuant to the Continuance Resolution, Kingsway Shareholders are being asked to approve the continuance of Kingsway under the BCBCA. See "*Business of the Meeting – Continuance*". Pursuant to the Special Resolution, Kingsway Shareholders are being asked to approve the following special matters: • to change the name of Kingsway to "Mainstreet Health Investments Inc." or such other name as the Kingsway Board, in its sole discretion, deems appropriate. See "*Business of the Meeting – Special Resolution – Name Change*"; • to amend the articles of Kingsway to create the Kingsway Non-Voting Shares. See "*Business of the Meeting – Special Resolution – Capital Reorganization*"; and • to approve the New Articles. See "*Business of the Meeting – Special Resolution – New Articles*". Pursuant to the Consolidation Resolution, Kingsway Shareholders are being asked to approve the consolidation of Resulting Issuer Shares on a 250:1 basis, being one post-Consolidation Resulting Issuer Share for each 250 pre-Consolidation Resulting Issuer Shares. See "*Business of the Meeting Consolidation*".
Voting and Support Agreements:	Kingsway Shareholders holding approximately 45% of the outstanding Kingsway Common Shares have entered into the Voting and Support Agreements in favour of Mainstreet pursuant to which such Kingsway Shareholders have agreed to vote their Kingsway Shares in favour of, among other things, all matters relating to the Acquisition to be considered at the Meeting.
Stock Exchange Approval:	The TSXV has conditionally approved the Acquisition and the other items contemplated in this Circular subject to Kingsway fulfilling all of the requirements of the TSXV.
Estimated Funds Available:	Following the completion of the Acquisition, the Resulting Issuer will have total financial resources equal to approximately US$49,168,000.
Principal Purposes:	Following the completion of the Acquisition, the Resulting Issuer intends to apply its available funds to satisfy working capital needs and to pay for costs

in connection with the pursuit and acquisition of senior care properties. See "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*" in this Circular.

Selected *Pro Forma* Financial Information:

The following table sets forth information for the Resulting Issuer on a *pro forma* basis in thousands of US dollars as of the completion of the Acquisition summarized from the unaudited *pro forma* financial statements contained in Appendix II hereto. This summary should be read in conjunction with such unaudited *pro forma* statements:

Total Assets	10,535
Total Liabilities	81
Share Capital	12,890
Contributed Surplus	200
Deficit	(2,636)
Shareholders' Equity	10,454

Market for Securities

The outstanding Kingsway Common Shares are listed on the TSXV under the symbol "KWA". The closing price of the outstanding Kingsway Common Shares on the TSXV on November 5, 2015, the day immediately prior to the announcement of the Acquisition, was $0.04.

No public market exists for the outstanding shares of MHI Holdco.

Interests of Insiders, Promoters or Control Persons:

Pursuant to the Asset Management Agreement, MAMI will have the right to nominate one individual to the Resulting Issuer Board or, at any such time as MAMI beneficially owns or exercises control or direction over, directly or indirectly, 10% or more of the Resulting Issuer Shares (after giving effect to the exchange of the Class B Units held by MAMI but without giving effect to the exercise, conversion or exchange of any other securities exercisable for, convertible into or exchangeable for Resulting Issuer Shares), two individuals to the Resulting Issuer Board.

Arm's Length Transaction

The Acquisition is an Arm's Length Transaction as defined in the Exchange Policies.

Conflicts of Interest:

Certain of the directors and officers of the Resulting Issuer are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the business of the Resulting Issuer. Accordingly, situations may arise where some of the directors or officers will be in direct competition with the Resulting Issuer. See "*Risk Factors – Potential Conflicts of Interest*" in this Circular.

Interests of Experts	No person whose profession or business gives authority to a statement made by the person and who is named as having prepared or certified a part of this Circular or as having prepared or certified a report or valuation described or included in this Circular, holds any beneficial interest, directly or indirectly, in any property of Kingsway, MHI Holdco or the Resulting Issuer or an Associate or Affiliate of Kingsway, MHI Holdco or the Resulting Issuer, other than as described herein. Collins Barrow Toronto LLP, the auditors of Kingsway, audited the consolidated financial statements of Kingsway for the years ended December 31, 2013 and December 31, 2014 and delivered the auditor's report thereon, which are incorporated by reference into this Circular. Collins Barrow Toronto LLP is independent of Kingsway in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. MNP LLP, the former auditors of Kingsway, audited the consolidated financial statements for the year ended December 31, 2012 and delivered the auditor's report thereon, which are incorporated by reference into this Circular. MNP LLP is independent of Kingsway in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. KPMG LLP, the auditors of MHI Holdco, audited the financial statements of MHI Holdco for the period ended December 31, 2015 and delivered the auditor's report thereon, which are included in this Circular. KPMG LLP is independent of MHI Holdco in accordance with the Rules of Professional Conduct of Chartered Professional Accountants of Ontario. The Phase I ESA Reports and PCA Reports referenced herein were prepared by Partner Engineering and Science, Inc. See "*Narrative Description of the Business – Symphony Portfolio*" in this Circular. The Property Appraisal referenced herein was prepared by Tellatin, Short & Hansen, Inc. See "*Narrative Description of the Business – Symphony Portfolio*" in this Circular.
Risk Factors:	The Kingsway Shareholders should consider that the Acquisition may subject them to additional risks to which they are currently not subject. See "*Proxy-Related Information – Risk Factors*" in this Circular.
Recommendation of Directors:	The Kingsway Board recommends that the Kingsway Shareholders vote in favour of the Acquisition and the other matters proposed by management at the Meeting.

INTRODUCTION

The information contained in this Circular, unless otherwise indicated, is as of February 29, 2016.

This Circular accompanies the Notice of Meeting and form of proxy which have been issued in connection with the Meeting to be held on March 30, 2016 at the times and places set out in the accompanying Notice of Meeting. **This Circular is furnished in connection with the solicitation of proxies by management of Kingsway for use at the Meeting and at any adjournment(s) of the Meeting. No person has been authorized to give any information or make any representations in connection with the Acquisition or other matters to be considered at the Meeting, other than those contained in this Circular, and if given or made, any such information or representation must not be relied upon as having been authorized.**

The Meeting has been called for the purpose of considering, among other matters, and, if deemed advisable, passing the Acquisition Resolution, the Convertible Debenture Resolution, the Continuance Resolution, the Special Resolution, the Consolidation Resolution, the Plan Resolution and the Hanover Park Resolution, as well as resolutions to elect the directors of Kingsway for the ensuing year and replace the existing auditors of Kingsway.

All summaries of, and references to, the Acquisition in this Circular are qualified in their entirety by reference to the complete text of the Share Purchase Agreement. **You are urged to carefully read the full text of the Share Purchase Agreement, a copy of which has been filed on SEDAR at www.sedar.com.**

All capitalized terms used in this Circular have the meanings set forth under "*Glossary of Terms*" or as otherwise defined herein.

This Circular does not constitute the solicitation of an offer to purchase any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

Information contained in this Circular should not be construed as legal, tax or financial advice and Kingsway Shareholders are urged to consult their own professional advisers in connection therewith.

PROXY RELATED INFORMATION

GENERAL MATTERS

Solicitation of Proxies

The cost of soliciting proxies will be borne by Kingsway. In addition to solicitation by mail, certain officers and directors of Kingsway may solicit proxies by telephone, telegraph or personally at nominal cost.

Manner Proxies will be Voted

The Kingsway Common Shares represented by the accompanying form of proxy (if the same is properly executed in favour of management nominees, and is received at the offices of Computershare, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 not later than 11:00 a.m. (local time) on March 28, 2016 or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned Meeting) will be voted at the Meeting and, where a choice is specified in respect of any matter to be acted upon, will be voted in accordance with the specification made. **IN THE ABSENCE OF SUCH A SPECIFICATION, SUCH KINGSWAY COMMON SHARES WILL BE VOTED IN FAVOUR OF SUCH MATTER.**

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice, and with respect to other matters which may properly come before the Meeting. At the date hereof, management of Kingsway knows of no such amendments, variations or other matters.

Alternate Proxy

Each Kingsway Shareholder has the right to appoint a person or company other than the person named in the accompanying form of proxy, who need not be a Kingsway Shareholder, to attend and act for him or her and on his or her behalf at the Meeting or any adjournment thereof. Any Kingsway Shareholder wishing to exercise such right may do so by inserting in the blank space provided in the accompanying form of proxy the name of the person or company whom such Kingsway Shareholder wishes to appoint as proxy, or by duly completing another proper form of proxy, and duly depositing the same before the specified time.

Revocability of Proxy

A Kingsway Shareholder giving a proxy has the power to revoke it. Such revocation may be made by the Kingsway Shareholder attending the Meeting, by the Kingsway Shareholder duly executing another form of proxy bearing a later date and duly depositing the same before the specified time, or by written instrument revoking such proxy executed by the Kingsway Shareholder or his or her attorney authorized in writing or, if the Kingsway Shareholder is a body corporate, under its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the registered office of Kingsway, 208 Evans Avenue, suite 115, Toronto, Ontario, M8Z 1J7, at any time up to and including the last business day preceding the date of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof. If such written instrument is deposited with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, such instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to such proxy.

Advice to Non-Registered Holders

Only registered Kingsway Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most Kingsway Shareholders are "non-registered" Kingsway Shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust corporation through which they purchased the Kingsway Common Shares. A person is a Non-Registered Holder in respect of Kingsway Common Shares which are held either: (a) in the name of an Intermediary that the Non-Registered Holder deals with in respect of the Kingsway Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited), of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, Kingsway has distributed copies of the Meeting Materials to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Intermediaries will frequently use service companies (such as Broadridge Financial Solutions, Inc.) to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Kingsway Common Shares beneficially owned by the Non-Registered Holder and must be completed, but not signed, by the Non-Registered Holder and deposited with Computershare; or

b) more typically, be given a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Kingsway Common Shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders named in the form and insert the Non-Registered Holder's name in the blank space provided. Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.

Record Date for Notice and Voting

Only Kingsway Shareholders of record at the close of business on February 29, 2016 need be mailed notice of the Meeting. A quorum for the transaction of business at any meeting of Kingsway Shareholders is two persons present in person, each being either a Kingsway Shareholder entitled to vote thereat or a duly appointed proxy for an absent Kingsway Shareholder so entitled. A Kingsway Shareholder of record as at the close of business on February 29, 2016 will be entitled to vote his or her Kingsway Common Shares in person or by proxy at the Meeting (subject in the case of voting by proxy to the timely deposit of his or her executed form of proxy with Computershare as specified in the notice of the Meeting).

REQUISITE SECURITYHOLDER APPROVALS

To approve a motion for an ordinary resolution, a simple majority of the votes cast in person or by proxy at the Meeting or any adjournment(s) thereof will be required. To approve a motion for a special resolution, at least two-thirds of the votes cast in person or by proxy will be required.

All resolutions to be submitted to the Kingsway Shareholders at the Meeting or any adjournment(s) thereof, other than the Special Resolution, the Continuance Resolution and the Consolidation Resolution must be approved by ordinary resolution. The Special Resolution, the Continuance Resolution and the Consolidation Resolution must be approved by special resolution. The Convertible Debenture Resolution and the Plan Resolution must be approved by a majority of disinterested Kingsway Shareholders.

Registered Shareholders have certain rights of dissent in respect of the Continuance (see "*Business of the Meeting – Continuance*" in this Circular).

INTERESTS OF CERTAIN PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this Circular, including, but not limited to, the Schedules attached hereto, no informed person, none of the directors or executive officers of Kingsway, none of the persons who have been directors or executive officers of Kingsway since the commencement of Kingsway's last completed financial year and no Associate or Affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the commencement of Kingsway's most recently completed financial year or in any matter to be acted upon at the Meeting.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of February 29, 2016, no person who is or at any time during the most recently completed financial year was a director or executive officer of Kingsway, and no Associate of any of the foregoing persons is indebted to Kingsway.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at the date hereof, Kingsway has issued and outstanding 20,290,000 fully paid and non-assessable Kingsway Common Shares, with each Kingsway Common Share carrying the right to one vote. To the knowledge of the directors and officers of Kingsway, the only persons or corporations beneficially owning, directly or indirectly, or exercising control or direction over securities carrying in excess of 10% of the voting rights attached to any class of outstanding voting securities of Kingsway are:

Name	Number of Kingsway Common Shares	% of Kingsway Common Shares
Joseph Schillaci	2,242,000	11.05
Dan Amadori (Director and Chief Financial Officer)	3,140,000	15.48

In the aggregate, the directors and senior officers of Kingsway own or control, directly or indirectly, 5,776,000 Kingsway Common Shares, representing approximately 28.47% of the outstanding Kingsway Common Shares.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

General

The Kingsway Board and senior management consider good corporate governance to be central to the effective and efficient operation of Kingsway. The Kingsway Board has not yet adopted any specific policies regarding corporate governance, however, it intends to continue to review and implement corporate governance guidelines as appropriate.

The Board of Directors

The Kingsway Board is currently composed of six directors. National Policy 58-201 – *Corporate Governance Guidelines* recommends that the board of directors of every listed corporation be constituted with a majority of individuals who qualify as "independent" directors within the meaning that term is given in NI 52-110. NI 52-110 provides that a director is "independent" if he or she has no direct or indirect "material relationship" with the corporation. "Material relationship" is defined as a relationship which could, in the view of the corporation's board of director, be reasonably expected to interfere with the exercise of a director's independent judgment.

Patrick Byrne (current chief executive officer of Kingsway) is a member of senior management and accordingly is not considered to be "independent" of Kingsway within the meaning of NI 52-110. Dan Amadori, the chief financial officer and chair of the Kingsway Board, provides services to Kingsway under an agreement with Lamerac. Accordingly he is not considered to be "independent" of Kingsway within the meaning of NI 52-110. For further information regarding Kingsway's arrangements with Lamerac, see "*Information Concerning Kingsway Arms Retirement Residences Inc. – Executive Compensation*" in this Circular.

John Mackinnon, Frank T. Rossi, Bruce Dimytosh and Don MacKinnon are considered by the Kingsway Board to be "independent" within the meaning of NI 52-110, and comprise a majority of the Kingsway Board.

Directorships

The following table sets forth the directors of Kingsway who currently hold or have held directorships or senior management positions with other reporting issuers:

Name	Reporting Issuer	Exchange	Position	From	To
Dan Amadori	Hy-Drive Technologies Ltd.	TSXV	Director Chief Financial Officer	July 2004 July 2004	May 2008 January 2005
	Xgen Ventures Inc.	TSXV	President Director Chief Financial Officer	August 1998 August 1998 December 2005	December 2005 September 2009 September 2009
	Micromem Technologies Inc.	OTCQX CSE	Chief Financial Officer	July 2004	Current
	Leader Capital Corp.	TSXV	Chief Financial Officer	July 2004	February 2008
	Ontex Resources Limited	TSXV	Director	September 2004	February 2006

Orientation and Continuing Education

The Kingsway Board does not have any formal policies with respect to the orientation of new directors nor does it take any measures to provide continuing education for the directors. At this stage of Kingsway's development and given the levels of experience of the current members of the Kingsway Board, the Kingsway Board does not feel it necessary to have such policies or programs in place. As Kingsway grows in size and scope, the Kingsway Board

anticipates that it will develop a formal orientation program for new directors and provide ongoing educational opportunities for all directors.

Ethical Business Conduct

To date, the Kingsway Board has not adopted a formal written code of business conduct and ethics. However, the small size of Kingsway's operations allows the Kingsway Board to monitor on an ongoing basis the activities of management and ensure that the highest standard of ethical conduct is maintained. As Kingsway grows in size and scope, the Kingsway Board anticipates that it will formulate and implement a formal code of business conduct and ethics.

Nomination of Directors and Compensation

The size and membership of the Kingsway Board is reviewed annually, taking into account the number of directors required to carry out the Kingsway Board's duties effectively and the need to maintain a diversity of views and experience. The Kingsway Board does not have a nominating committee as the directors are of the view that, given the current size of the Kingsway Board, it can effectively carry out the functions of a nominating committee. In recommending new nominees, the Kingsway Board considers qualifications and areas of expertise. The Kingsway Board monitors, but does not formally assess, the performance of individual members of the Kingsway Board.

Board Committees

The Kingsway Board has established the Kingsway Audit Committee and the Kingsway Compensation Committee.

Assessments

The Kingsway Board does not, at present, have a formal process in place for assessing the effectiveness of the Kingsway Board as a whole, its committees or individual directors. Based on Kingsway's size, its stage of development and the small number of individuals on the Kingsway Board, the Kingsway Board considers a formal assessment process to be inappropriate at this time.

AUDIT COMMITTEE DISCLOSURE

The Kingsway Audit Committee was established for the purpose of overseeing Kingsway's accounting and financial reporting processes and the annual external audits of Kingsway's consolidated financial statements. The Kingsway Audit Committee's charter is set out in Schedule "A" to this Circular.

Audit Committee Members

As of the date of this Circular, the members of the Kingsway Audit Committee are Bruce Dimytosh (chair), Don MacKinnon and Dan Amadori. Bruce Dimytosh and Don MacKinnon are independent members of the Kingsway Audit Committee. The following is a description of their experience in relation to financial statement and financial reporting matters:

> *Bruce Dimytosh*. Bruce Dimytosh is President and Founder of Prism Interim Management Solutions Inc., former Executive Vice President of Operations of Bento Nouveau Company Ltd. and former President and Co-Owner of Marks Supply Inc.
>
> *Don MacKinnon*. Don MacKinnon was Senior Vice President, Real Estate Finance, RioCan REIT. He retired in December 2011.
>
> *Dan Amadori*. Dan Amadori practised as a Chartered Accountant with a major international firm from 1974 to 1986. He served as President of a privately held communications company between 1986 and 1988. In 1988 he founded Lamerac, a mergers and acquisitions advisory company, and continues to serve as its President. He has served as an officer and director of a number of private, public and not for profit entities over the past 20 years. He is currently an officer of Micromem Technologies Inc.

Each of Bruce Dimytosh, Don MacKinnon and Dan Amadori is familiar with accounting principles, financial statements and financial reporting requirements. The Kingsway Board has determined that each of the members of the Audit Committee is financially literate within the meaning of NI 52-110, as each has the ability to read and understand 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 in Kingsway's financial statements.

Audit Fees

The following table provides details in respect of audit, audit related and tax fees paid by Kingsway to Collins Barrow Toronto LLP for services as the external auditors of Kingsway.

	Audit Fees	Audit-Related Fees	Tax Fees
Year Ended December 31, 2013	$36,500	Nil	$4,120
Year Ended December 31, 2014	$35,000	Nil	$7,000

Exemptions

The Corporation is relying on section 6.1 of NI 52-110 as Kingsway is a venture issuer as defined in NI 51-102.

RISK FACTORS

The following are certain risk factors inherent in an investment in securities of the Resulting Issuer.

Real Property Ownership and Tenant Risks

Following completion of the Acquisition, the primary assets of the Resulting Issuer will be the Properties. It is expected that the Resulting Issuer will acquire interests in other real property (primarily senior care properties in the United States initially and potentially Canada) in the future. All real property investments are subject to elements of risk. By specializing in a particular type of real estate, the Resulting Issuer will be exposed to adverse effects on that segment of the real estate market and will not benefit from a diversification of its portfolio by property type.

The value of real property and any improvements thereto depends on the credit and financial stability of tenants, and upon the vacancy rates of the properties. As the Resulting Issuer's properties will initially be leased to a single operator and its Affiliates, AFFO will be adversely affected if that operator is unable to meet its obligations under its leases.

In the event of default by an operator, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the Resulting Issuer's investment may be incurred. Furthermore, at any time, an operator of any of the properties in which the Resulting Issuer has an interest may experience cash flow issues, including in respect of paying its payments under the applicable leases, and/or seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and termination of such operator's lease, any of which events could have an adverse effect on the Resulting Issuer's financial condition and results of operations and decrease the amount of cash available for distribution. Moreover, in the event of the failure of an operator, the Resulting Issuer may be required to arrange for Mainstreet to operate the properties until another operator can be found. Mainstreet's ability to operate the properties will be subject to the Resulting Issuer and Mainstreet receiving the required regulatory approvals. See "*Information Concerning the Resulting Issuer – Executive Compensation – Arrangements with Mainstreet*" in this Circular.

Upon the expiration of any lease, there can be no assurance that the lease will be renewed or the operator replaced. The terms of any subsequent lease may be less favourable to the Resulting Issuer than the existing lease. The ability to rent unleased properties will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for seniors housing and care properties, competition from other available premises and various other factors, many of which will be beyond the Resulting Issuer's control.

Additionally, due to changing trends in the design of the types of properties that will be owned by the Resulting Issuer, it is possible that the Resulting Issuer's properties will be less desirable than newer models developed by competitors. This, in turn, would affect the ability of the Resulting Issuer to renew its leases with existing operators and, in the event such leases are not renewed, to rent unleased properties.

Liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the Resulting Issuer's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Resulting Issuer was to be required to liquidate its real property investments, the proceeds to the Resulting Issuer might be significantly less than the aggregate carrying value of its properties, which could have an adverse effect on the Resulting Issuer's financial condition and results of operation and decrease the amount of cash available for distribution.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of seniors housing and care properties will compete with the Resulting Issuer in seeking operators. Some of the properties located in the same markets as the Resulting Issuer's properties will be newer, better located, less levered or have stronger tenant profiles than the Resulting Issuer's properties. Some property owners with properties located in the same markets as the Resulting Issuer's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn and better able to adapt existing and new properties to changing trends in design and functionality. The existence of developers, managers and owners in such markets and competition for the residents of such properties could have a negative effect on the Resulting Issuer's ability to find operators for its properties in such markets, which could have an adverse effect on the Resulting Issuer's financial condition and results of operation and decrease the amount of cash available for distribution.

Competition for acquisitions of real properties can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the Resulting Issuer may be prepared to accept. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Concentration on Seniors Housing and Care

The Resulting Issuer will make investments primarily in seniors housing and care properties, which will subject the Resulting Issuer to the risks inherent in concentrating investments in a limited number of asset classes. A downturn in the real estate industry generally or the seniors housing and care sector specifically could reduce the value of the Resulting Issuer's properties and could require the Resulting Issuer to recognize impairment losses from its properties. The risks the Resulting Issuer will face may be more pronounced than if the Resulting Issuer diversified its investments outside real estate in general or outside seniors housing and care properties specifically.

Fixed Costs

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Although the Resulting Issuer's leases with operators will generally pass these costs to those operators, if the Resulting Issuer is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights to charge additional interest or penalties, or of foreclosure or sale. Costs may also be incurred in making improvements or repairs to a property required by a new operator and income may be lost as a result of any prolonged delay in attracting a suitable operator for a property.

The timing and amount of capital or other expenditures by the Resulting Issuer will indirectly affect the amount of cash available for distribution. Distributions may be reduced, or even eliminated, at times when the Resulting Issuer deems it necessary to make significant capital or other expenditures.

Current Economic Environment

Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit and the United States mortgage market have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the Resulting Issuer's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the Resulting Issuer's operators to maintain occupancy rates in its properties, which could harm the Resulting Issuer's financial condition. If these economic conditions continue, the Resulting Issuer's operators may be unable to meet their rental payments and other obligations due to the Resulting Issuer, which could have a material adverse effect on the Resulting Issuer.

Risk Factors Related to the Business of the Resulting Issuer

Operator risks

The seniors housing and care industry is highly competitive and it may become more competitive in the future. The Resulting Issuer's operators will be competing with numerous other companies providing similar seniors housing and care services or alternatives such as home health agencies, life care at home, community-based service programs, retirement communities and convalescent centers. As a result, the Resulting Issuer will not be certain that the operators of all of its properties will be able to achieve and maintain occupancy and rate levels that will enable them to meet all of their obligations to the Resulting Issuer.

The Resulting Issuer will lease a substantial portion of its properties to a limited number of operators (and, initially, a single operator and its Affiliates), and they will each be a significant source of the Resulting Issuer's total revenues and operating income. Any inability or unwillingness by the operators to make rental payments or to otherwise satisfy obligations under a lease could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and liquidity, on the Resulting Issuer's ability to service its indebtedness and other obligations and on its ability to make distributions. In addition, any failure by any of the operators of the Resulting Issuer's properties to effectively conduct its operations or to maintain and improve the Resulting Issuer's properties could adversely affect its business reputation and its ability to attract and retain patients and residents in the Resulting Issuer's properties, which could have a material adverse effect on the Resulting Issuer. Due to the nature of their business, the operators may be subject to class action suits, which may in turn subject the Resulting Issuer to such litigation. Although the Resulting Issuer believes such claims would be without merit, litigation is expensive, time consuming and may divert management's attention away from the operation of the Resulting Issuer. Although the operators will agree to indemnify, defend and hold the Resulting Issuer harmless from and against various claims, litigation and liabilities arising in connection with their respective businesses, there is no assurance such operators will possess sufficient assets, income, access to financing and insurance coverage to enable them to satisfy their indemnification obligations.

Any adverse developments in the business and affairs, financial strength or ability of the Resulting Issuer's tenants to operate the Resulting Issuer's properties efficiently and effectively could have a material adverse effect on the Resulting Issuer. If any of the operators of the Resulting Issuer's properties experience any significant financial, legal, accounting or regulatory difficulties due to a weakened economy or otherwise, such difficulties could result in, among other adverse events, acceleration of its indebtedness, the inability to renew or extend its credit facilities, the enforcement of default remedies by its counterparties or the commencement of insolvency proceedings, any one or a combination of which could have a material adverse effect on the Resulting Issuer.

In the event that an operator defaults under a lease, it is expected that the leases will provide numerous rights and remedies to the Resulting Issuer. First, the leases will contain standard default remedies such as rent acceleration (subject to applicable laws), the ability to remove the tenant operator from the property (subject to existing arrangements with the health authorities, if any) and the right to collect from the guarantor or indemnitor, if any. Additionally, the Resulting Issuer will have access to further remedies to ensure that the operations of the property will continue seamlessly after the tenant is removed from the operations (subject to existing arrangements with the health authorities, if any). The typical lease will state that the personal property necessary for the operations of the property becomes the property of the landlord at the end of the lease term or upon the earlier termination of the lease or, alternatively, provides the landlord with a security interest in such personal property. In the United States, any

licenses and certifications necessary for operation and third-party payor reimbursement remain with the property and the tenant is required to cooperate in transferring such licenses to the landlord or a new tenant. In Canada, there are established procedures employed by the relevant regulators, which are designed to ensure smooth transitions between operators in the event of default. In the event the Resulting Issuer finds it necessary to remove a tenant operator from a property, the Resulting Issuer will be able to, in the United States, either designate a new tenant operator or designate an interim tenant operator, or Mainstreet, as manager, to operate the property until a more permanent tenant operator is identified. In Canada, Mainstreet's current intention is to, as needed, identify appropriate replacement tenant operators through its arrangements and relationships with the health authorities and/or through the Resulting Issuer's relationships in the Canadian seniors housing and care industry. In the event that one or more replacement tenant operators are required to be appointed by the Resulting Issuer in respect of one or more of its properties, there may be a delay in the appointment of such tenant operator(s) and/or the new lease(s) may be on terms that are not as favourable to the Resulting Issuer as the terms of the lease with the then existing operator. Any such delay or variation in the terms could have a material adverse effect on the Resulting Issuer. Additionally, bankruptcy and insolvency laws afford certain rights to a party that has filed for bankruptcy or reorganization. In the event that the tenant becomes subject to bankruptcy or insolvency proceedings, it may be able to limit or delay the Resulting Issuer's ability to collect unpaid rent or exercise other rights and remedies.

In addition, operators of the Resulting Issuer-owned properties will be subject to numerous federal, state, provincial and local laws and regulations that are subject to frequent and substantial changes (sometimes applied retroactively) resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. The ultimate timing or effect of these changes cannot be predicted. These changes may have a dramatic effect on such operators' costs of doing business and the amount of reimbursement by both government and other third-party payors. The failure of any of the Resulting Issuer's operators to comply with these laws, requirements and regulations could adversely affect their ability to meet their obligations to the Resulting Issuer. In particular:

Changes to Governmental Reimbursement Programs such as Medicare or Medicaid. It is expected that a portion of the Resulting Issuer's skilled nursing and assisted living property operators' revenue will be derived from governmentally-funded reimbursement programs, such as Medicare and Medicaid. Failure to maintain certification and accreditation in these programs would result in a loss of funding from them. Further, such revenues may be subject to statutory and regulatory changes, retroactive rate adjustments, recovery of program overpayments or set-offs, court decisions, administrative rulings, policy interpretations, payment or other delays by fiscal intermediaries or carriers, government funding restrictions (at a program level or with respect to specific facilities) and interruption or delays in payments due to any ongoing government investigations and audits at such property. In recent years, government payors have frozen or reduced payments to health care providers due to budgetary pressures. Health care reimbursement will likely continue to be of paramount importance to federal and state authorities. The Resulting Issuer cannot make any assessment as to the ultimate timing or effect any future legislative reforms may have on the financial condition of the Resulting Issuer's tenants and properties. There can be no assurance that adequate reimbursement levels will be available for services provided by any property operator, whether the property receives reimbursement from Medicare, Medicaid or private payors. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on a tenant's liquidity, financial condition and results of operations, which could adversely affect the ability of a tenant to meet its obligations to the Resulting Issuer.

The Health Reform Laws provide those states that expand their Medicaid coverage to otherwise eligible state residents with incomes at or below 138% of the federal poverty level with an increased federal medical assistance percentage, effective January 1, 2014, when certain conditions are met. On June 28, 2012, the United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion allows states to elect not to participate in the expansion – and to forego funding for the Medicaid expansion – without losing their existing Medicaid funding. Given that the federal government substantially funds the Medicaid expansion, it is unclear how many states will ultimately pursue this option, although, as of late January 2015, roughly half of the states have expanded Medicaid coverage. The participation by states in the Medicaid expansion could have the dual effect of increasing the Resulting Issuer's tenants' revenues, through new patients, but further straining state budgets and their ability to pay the Resulting Issuer's tenants. While the federal government will pay for approximately 100% of those additional costs from 2014 to 2016, states will be expected to pay for part of those additional costs beginning in 2017. In light of this, at least one state that has passed legislation to allow the state to expand its Medicaid coverage has included sunset provisions in the legislation that require that the expanded benefits be reduced or eliminated if the federal government's funding for the program is decreased or

eliminated, permitting the state to re-visit the issue once it begins to share financial responsibility for the expansion. With increasingly strained budgets, it is unclear how states that do not include such sunset provisions will pay their share of these additional Medicaid costs and what other health care expenditures could be reduced as a result. A significant reduction in other health care related spending by states to pay for increased Medicaid costs could affect the Resulting Issuer's tenants' revenue streams.

More generally, and because of the dynamic nature of the legislative and regulatory environment for health care products and services, and in light of existing federal deficit and budgetary concerns, the Resulting Issuer cannot predict the impact that broad-based, far-reaching legislative or regulatory changes could have on the United States economy, the Resulting Issuer's business or that of the Resulting Issuer's operators.

Licensing and Certification. The Resulting Issuer's operators and properties will generally be subject to varying levels of federal, state, local, and industry-regulated licensure, certification and inspection laws, regulations and standards. The Resulting Issuer's operators' failure to comply with any of these laws, regulations or standards could result in loss of accreditation, denial of reimbursement, imposition of fines, suspension, decertification or exclusion from federal and state health care programs, loss of license or closure of a facility. Such actions may have an effect on the Resulting Issuer's operators' ability to make lease payments to the Resulting Issuer and, therefore, adversely impact the Resulting Issuer.

Many of the Resulting Issuer's properties may require a license, registration, and CON to operate. Failure to obtain a license, registration, or CON, or loss of a required license, registration, or CON would prevent a facility from operating in the manner intended by the operators. These events could materially adversely affect the Resulting Issuer's operators' ability to make rent payments to the Resulting Issuer. State and local laws also may regulate the expansion, including the addition of new beds or services or acquisition of medical equipment, and the construction or renovation of health care facilities, by requiring a CON or other similar approval from a state agency.

Fraud and Abuse Laws and Regulations. There are various complex and largely interpreted federal and state laws and regulations governing a wide array of referrals, relationships and arrangements and prohibiting fraud by healthcare providers. Violation of any of these laws or regulations by an operator could result in the imposition of criminal or civil fines or other penalties (including exclusion from the Medicare and Medicaid programs) that could jeopardize an operator's ability to make lease payments to the Resulting Issuer or to continue operating its property.

Legislative Developments. Each year, legislative proposals are introduced or proposed in Congress, and in some state legislatures, that would affect major changes in the healthcare system, either nationally or at the state level. The Resulting Issuer will not be able to predict whether any proposals will be adopted or, if adopted, what effect, if any, these proposals would have on operators and, thus, the Resulting Issuer's business.

Decreases in Revenues or Increases in Expenses

The Resulting Issuer's operators' revenues will be primarily driven by occupancy and Medicare, Medicaid and private payor reimbursement. Expenses for the seniors housing and care properties in which the Resulting Issuer intends to invest are primarily driven by the costs of labor, food, utilities, taxes, insurance and rent or debt service. Revenues from government reimbursement have, and may continue to, come under pressure due to reimbursement cuts and state budget shortfalls. Operating costs will continue to increase for the Resulting Issuer's operators. To the extent that any decrease in revenues or any increase in operating expenses result in a property not generating enough cash to make payments to the Resulting Issuer, the credit of the Resulting Issuer's operator and the value of other collateral would have to be relied upon. To the extent the value of such a property is reduced, the Resulting Issuer may need to record an impairment for such asset. Furthermore, if the Resulting Issuer determines to dispose of an underperforming property, such sale may result in a loss. Any such impairment or loss on sale would negatively affect the Resulting Issuer's financial results.

Acquisitions

The Resulting Issuer's business plan includes, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing such properties. If the Resulting Issuer is unable to manage its growth effectively, it could adversely impact the Resulting Issuer's financial position and results of operation and decrease the amount of cash available for distribution. There can be no assurance as to the

pace of growth through property acquisitions or that the Resulting Issuer will be able to identify suitable assets or acquire assets on an accretive basis and, as such, there can be no assurance that distributions will increase in the future. The Resulting Issuer will depend on MAMI to identify suitable acquisition opportunities. The failure of MAMI to identify suitable acquisition opportunities or to pre-lease development properties to quality operators could have a material adverse effect on the Resulting Issuer.

Access to Capital

The real estate industry is highly capital intensive. The Resulting Issuer will require access to capital to maintain its properties, as well as to fund its growth strategy and certain capital expenditures from time to time. There can be no assurances that the Resulting Issuer will otherwise have access to sufficient capital or access to capital on terms favourable to the Resulting Issuer for future property acquisitions, financing or refinancing of properties, development of properties, funding operating expenses or other purposes. Failure by the Resulting Issuer to access required capital could adversely impact the Resulting Issuer's financial condition and results of operations and decrease the amount of cash available for distribution.

Financing Risks

The Resulting Issuer is expected to maintain indebtedness on its investment properties. Although a portion of the cash flow generated by the Resulting Issuer's properties will be devoted to servicing such debt, there can be no assurance that the Resulting Issuer will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Resulting Issuer is unable to meet its obligations, it may be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the Resulting Issuer to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the Resulting Issuer's financial condition and results of operations, thereby decreasing the amount of cash available for distribution.

The Resulting Issuer will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the Resulting Issuer's properties will not be able to be refinanced or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. To the extent the Resulting Issuer incurs variable rate indebtedness, there will be fluctuations in the Resulting Issuer's cost of borrowing as interest rates change. To the extent that interest rates rise, the Resulting Issuer's operating results and financial condition could be adversely affected, thereby decreasing the amount of cash available for distribution.

The Resulting Issuer's credit facilities are expected to contain covenants that require the Resulting Issuer to maintain certain financial ratios on a consolidated basis. If the Resulting Issuer does not maintain such ratios, its ability to pay dividends or make other distributions could be limited.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in the United States, the Resulting Issuer will be subject to various United States laws relating to environmental matters. Such laws provide that the Resulting Issuer could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the Resulting Issuer with respect to the release of such substances from or to the Resulting Issuer's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. These laws also govern the maintenance and removal of asbestos containing materials in the event of damage, demolition or renovation of a property and emissions of and exposure to asbestos fibers in the air. The presence of contamination or the failure to remediate contamination may adversely affect the Resulting Issuer's ability to sell such properties, realize the full value of such properties or borrow using such properties as collateral security, and could potentially result in claims against the Resulting Issuer by public or private parties.

The Resulting Issuer intends to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a new property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such

environmental site assessments will provide the Resulting Issuer with some level of assurance about the condition of property, the Resulting Issuer could become subject to liability for undetected contamination or other environmental conditions at its properties, which could negatively impact the Resulting Issuer's financial condition and results of operations and decrease the amount of cash available for distribution.

The Resulting Issuer intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on the Resulting Issuer's business, financial condition or results of operation and decrease the amount of cash available for distribution. However, environmental laws can change and the Resulting Issuer may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the Resulting Issuer's financial condition and results of operation and decrease the amount of cash available for distribution.

Geographic Concentration

A majority of the business and operations of the Resulting Issuer will initially be conducted in Illinois. The fair value of the Resulting Issuer's assets and the income generated therefrom could be negatively affected by changes in local and regional economic conditions.

Potential Conflicts of Interest

Certain of the directors and officers of the Resulting Issuer will be engaged in corporations or businesses which may be in competition with the business of the Resulting Issuer. Accordingly, situations may arise where some of the directors or officers will be in direct competition with the Resulting Issuer.

Conflicts may also exist due to the fact that (i) certain directors and officers of the Resulting Issuer will be affiliated with Mainstreet; (ii) the Resulting Issuer and Mainstreet will enter into certain arrangements; (iii) Mainstreet is engaged in a wide variety of activities in the senior care industry; and (iv) the Resulting Issuer may become involved in transactions that conflict with the interests of the foregoing. See "*Information Concerning the Resulting Issuer – Arrangements with Mainstreet*" in this Circular.

Mainstreet manages certain investment funds, which acquire senior care facilities from time to time. In particular, Mainstreet Opportunity Fund GP, LLC manages Mainstreet Opportunity Fund, LP, a Delaware limited partnership that has been established to target investments in seniors housing and care properties. Mainstreet's role as manager of this fund and other funds could place MAMI in a position of conflict with respect to a potential investment.

General Insured and Uninsured Risks

The business to be carried on by the Resulting Issuer will entail an inherent risk of liability. From time to time, the Resulting Issuer may be subject to lawsuits as a result of the nature of its business. The Resulting Issuer's tenant-operators will be required to carry comprehensive property insurance coverage with customary policy specifications, limits and deductibles and will be required to include the owner of the property as an additional insured under such policies. There can be no assurance, however, that such policies will not lapse, claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the Resulting Issuer not covered by, or in excess of, the Resulting Issuer's insurance could have a material adverse effect on the Resulting Issuer's business, operating results and financial condition. Claims against the Resulting Issuer, regardless of their merit or eventual outcome, also may have a material adverse effect on the Resulting Issuer's ability to attract operators or expand its businesses, and will require management to devote time to matters unrelated to the operation of the Resulting Issuer's business.

Reliance on Key Personnel

The management and governance of the Resulting Issuer will depend on the services of certain key personnel, including Mainstreet, certain executive officers and the directors of the Resulting Issuer. The loss of the services of any key personnel could have an adverse effect on the Resulting Issuer and adversely impact the Resulting Issuer's

financial condition and results of operations and decrease the amount of cash available for distribution. The Resulting Issuer will not have key man insurance on any of its key employees.

Risks Associated with External Management Arrangements

The Resulting Issuer will rely on MAMI with respect to administrative services and the management of its properties. Consequently, the Resulting Issuer's ability to achieve its investment objectives will depend in large part on MAMI and its ability to advise the Resulting Issuer. This means the Resulting Issuer's investments will be dependent upon MAMI's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the Resulting Issuer were to lose the services provided by MAMI or its key personnel or if MAMI fails to perform its obligations under the Asset Management Agreement, the Resulting Issuer's investments and growth prospects may decline. The Resulting Issuer may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another asset manager.

The Asset Management Agreement may be terminated in the event of material default or insolvency of MAMI within the meaning of the Asset Management Agreement and is only renewable on certain conditions. Accordingly, there can be no assurance the Resulting Issuer will continue to have the benefit of MAMI's administrative services, including its executive officers, or that MAMI will continue to be the Resulting Issuer's asset manager. If MAMI should cease for whatever reason to provide administrative services or be the asset manager, including on internationalization, the cost of obtaining substitute services may be greater than the fees the Resulting Issuer will pay to MAMI under the Asset Management Agreement, and this could adversely impact the Resulting Issuer's ability to meet its objectives and execute its strategy, which could materially and adversely affect the Resulting Issuer's cash flows, operating results and financial condition.

Lease Renewals and Rental Increases

Expiries of leases for the Resulting Issuer's properties will occur from time to time over the short and long-term. No assurance can be provided that the Resulting Issuer will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the Resulting Issuer's financial condition and results of operations and decrease the amount of cash available for distribution.

Third Party Purchase Agreement

Pursuant to the Symphony Purchase Agreement, the vendors and the previous operators of the Properties have made certain representations and warranties to each MHI Symphony Property Owner with respect to the Properties. The Symphony Purchase Agreement also includes an obligation of the vendors and the previous operators to indemnify the MHI Symphony Property Owners in respect of various items, including a breach of a representation and warranty or covenant in the Symphony Purchase Agreement, which indemnity is subject to certain caps. There can be no assurance that the MHI Symphony Property Owners will be fully protected in the event of a breach of the Symphony Purchase Agreement or that the vendors or the previous operators of the Properties will be in a position to satisfy a successful claim by any of the MHI Symphony Property Owners in the event any such breach occurs. The MHI Symphony Property Owners may not be able to successfully enforce the indemnity contained in the Symphony Purchase Agreement or such indemnity may not be sufficient to fully indemnify the MHI Symphony Property Owners from third party claims.

Public Offering Approval Right

The Resulting Issuer's primary business will be to acquire income-producing seniors housing and care properties in the United States and Canada. In order to finance the acquisition of such properties, the Resulting Issuer may need to effect one or more Public Offerings. Pursuant to the Share Purchase Agreement, the Resulting Issuer is not permitted to, without the prior written consent of the Funds, effect any financing that involves a Public Offering if such Public Offering will close (i) prior to November 1, 2016; or (ii) on or after November 1, 2016, where the proposed Public Offering will be completed at a price per share that reflects a valuation for Kingsway that is less than book value on the date of announcement of the Public Offering; provided, however, that the Funds shall not have any approval rights for any such Public Offering that will close on or after November 1, 2016 if, at the relevant time, the Funds own less than 50% of the outstanding equity securities of Kingsway (calculated on an as-converted, fully diluted

basis). In the event that the Funds do not consent to a Public Offering in circumstances where such consent is required, the Resulting Issuer may not be able to finance a proposed acquisition, which may adversely impact the Resulting Issuer's financial condition and results of operations and limit its ability to grow, which could have a material adverse impact on the Resulting Issuer. For further details regarding the approval rights of the Funds under the Share Purchase Agreement and the limitations thereon, see "*Business of the Meeting – Acquisition – Share Purchase Agreement*" in this Circular.

Convertible Debentures

The Funds are entitled to convert all or any portion of its Convertible Debentures at any time into MHI Holdco Shares to the extent such conversion will not result in the Funds owning, in the aggregate, 50% or more of the issued and outstanding MHI Holdco Shares (see "*Business of the Meeting – Convertible Debentures*" in this Circular for additional information regarding the restrictions on the Funds' rights in respect of the Convertible Debentures). Any such conversion by the Funds of the Convertible Debentures into MHI Holdco Shares will dilute the Resulting Issuer's interest in MHI Holdco.

MHI Holdco Shareholders Agreement

Upon completion of the Acquisition, the Resulting Issuer will hold 75% of the issued and outstanding MHI Holdco Shares. However, under the MHI Holdco Shareholders Agreement, unanimous approval of MHI Holdco Shareholders is required in respect of a number of actions taken by MHI Holdco or its subsidiaries. Such approval rights could impact the Resulting Issuer's ability to cause MHI Holdco to take certain actions or effect certain transactions. For additional details regarding such actions, please see "*Information Concerning MHI Holdco – Description of MHI Holdco Securities – Shareholders Agreement*" in this Circular.

Risk Factors Related to Shares

Dividends are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the Resulting Issuer's properties. The ability of the Resulting Issuer to pay cash dividends, and the actual amount paid, will be entirely dependent on the operations and assets of the Resulting Issuer. It is expected that the Resulting Issuer Board will establish a dividend policy authorizing the declaration and payment of dividends to be paid to holders of the Resulting Issuer Common Shares on a quarterly basis. Any determination to pay cash dividends will be at the discretion of the Resulting Issuer Board after taking into account such factors as the Resulting Issuer's financial condition, results of operations, current and anticipated cash needs, regulatory capital requirements, obligations under applicable credit facilities and any other factors that the Resulting Issuer Board may deem relevant. The market value of the Resulting Issuer Common Shares will deteriorate if the Resulting Issuer is unable to meet its dividend targets in the future, and that deterioration may be significant.

Potential Volatility of Share Prices

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

- actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations;
- changes in estimates of future results of operations by the Resulting Issuer or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Resulting Issuer's;
- addition or departure of the Resulting Issuer's executive officers and other key personnel;
- release or other transfer restrictions on outstanding Resulting Issuer Common Shares;

- sales or perceived sales of additional securities, including Resulting Issuer Common Shares;

- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors; and

- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets.

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

Availability of Cash Flow

AFFO may exceed actual cash available to the Resulting Issuer from time to time because of items such as principal repayments and capital expenditures in excess of stipulated reserves identified by the Resulting Issuer in its calculation of AFFO and redemptions of Resulting Issuer Common Shares, if any. The Resulting Issuer may be required to use part of its debt capacity or reduce dividends in order to accommodate such items.

Dilution

The number of Resulting Issuer Common Shares, Resulting Issuer Non-Voting Shares and Resulting Issuer Class A Shares the Resulting Issuer is authorized to issue is unlimited. The Resulting Issuer may, in its sole discretion, issue additional Resulting Issuer Common Shares, Resulting Issuer Non-Voting Shares and Resulting Issuer Class A Shares from time to time, and the interests of the Resulting Issuer Shareholders may be diluted thereby.

Ownership of Shares by Mainstreet

Following completion of the Acquisition, Mainstreet will hold 80% of the Resulting Issuer Common Shares and all of the Resulting Issuer Non-Voting Shares. For so long as Mainstreet maintains its interest in the Resulting Issuer, Mainstreet will be in a position to exercise substantial influence with respect to the affairs of the Resulting Issuer and significantly affect the outcome of the votes of holders of Resulting Issuer Common Shares, and may have the ability to prevent certain fundamental transactions. If Mainstreet reduces its ownership interest in the Resulting Issuer, the market price of the Resulting Issuer Common Shares could fall. The perception among the public that these sales may occur could also produce such effect.

It is also anticipated the Funds will in the future, subject to regulatory and other applicable approvals, seek to exchange their MHI Holdco Shares for Resulting Issuer Shares. Such exchange would result in the Funds having a significant interest in the Resulting Issuer. For so long as the Funds maintain such interest, the Funds would be in a position to exercise substantial influence with respect to the affairs of the Resulting Issuer and significantly affect the outcome of the votes of holders of Resulting Issuer Common Shares, and may have the ability to prevent certain fundamental transactions. If the Funds acquire a significant ownership interest in the Resulting Issuer and subsequently reduce such interest, the market price of the Resulting Issuer Common Shares could fall. The perception among the public that these sales may occur could also produce such effect.

U.S. Denominated Shares

Following completion of the Acquisition, the Resulting Issuer intends to change its TSXV listing from a Canadian dollar listing to a US dollar listing, subject to approval of the TSXV. If this occurs, the Resulting Issuer Shares will be denominated in US dollars. Any dividends paid to holders of the Resulting Issuer Shares will be paid in US dollars and therefore Canadian investors will be subject to potential fluctuations in the Canadian/US dollar exchange rate. In addition, US dollar amounts must generally be converted into Canadian dollars for tax purposes using the applicable exchange rate.

Tax-Related Risk Factors

Canadian Tax Risks

FAPI. FAPI earned by MHI Holdco or MHI US must be included in computing the Resulting Issuer's income for the taxation year of the Resulting Issuer in which the taxation year of MHI Holdco or MHI US, as the case may be, ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act. The deduction for grossed-up "foreign accrual tax" may not fully offset the FAPI realized by MHI Holdco or MHI US, thereby increasing the Resulting Issuer's Canadian tax liability and reducing cash available for distribution. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the affiliate were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions that are not taxable to MHI Holdco or MHI US under the relevant tax laws (including under the Code) may still give rise to FAPI for purposes of the Tax Act and, accordingly, may result in a Canadian tax liability of the Resulting Issuer, thereby reducing cash available for distribution.

Change of Law. The Resulting Issuer will be subject to Canadian tax laws. There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative and assessing practices and policies of the Canada Revenue Agency and the Department of Finance (Canada) will not be changed in a manner that adversely affects the Resulting Issuer or Resulting Issuer Shareholders. Any such change could increase the amount of tax payable by the Resulting Issuer or its Affiliates or could otherwise adversely affect Resulting Issuer Shareholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Resulting Issuer Shareholders in respect of such distributions.

Non-Residents of Canada. The Tax Act imposes withholding taxes on distributions made by the Resulting Issuer to Resulting Issuer Shareholders who are non-residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time.

United States Tax Risks

Change of Law. MHI US is subject to United States tax laws. There can be no assurance that United States federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative and assessing practices and policies of the Internal Revenue Service and the Department of Treasury will not be changed, possibly on a retroactive basis, in a manner that adversely affects MHI US, the Resulting Issuer or Resulting Issuer Shareholders. In particular, any such change could increase the amount of United States federal income tax payable by MHI US or its affiliates or could otherwise adversely affect Resulting Issuer Shareholders by reducing the amount available to pay distributions.

U.S. Withholding Taxes. Dividends from MHI US directly or indirectly to the Resulting Issuer will be subject to United States withholding tax of 30%, subject to reduction under an applicable tax treaty. Dividends paid by MHI US to MHI Holdco will not benefit from a treaty reduction and, accordingly, will be subject to United States withholding tax of 30%. MHI US will be a United States real property holding corporation for purposes of the United States FIRPTA rules. Distributions from MHI US that are not treated as dividends because they exceed the earnings and profits (as determined for United States federal income tax purposes) may be subject to a 10% United States FIRPTA withholding tax. Furthermore, distributions (including deemed distributions) by MHI US in excess of current and accumulated earnings and profits and tax basis for United States tax purposes may result in United States federal income taxation of the excess (currently at a rate of approximately 35%). To the extent that cash distributions by MHI US are subject to United States withholding tax or income tax, cash available for distribution by the Resulting Issuer may be adversely affected.

Dispositions of Real Property. MHI US will be subject to tax under the Code on the dispositions of real property, whether such properties are sold directly or indirectly through the sale of securities of an underlying entity. In addition, because MHI US is a United States real property holding corporation, a shareholder of MHI US (including MHI Holdco) generally will be subject to tax under the Code on a disposition of stock of MHI US. United States taxes paid in connection with such dispositions will reduce the after-tax proceeds received by the Resulting Issuer on any such sales. Furthermore, taxes imposed under the Code may be greater than taxes imposed under the Tax Act, thereby increasing the effective tax rate to the Resulting Issuer on such dispositions and reducing the cash available for distribution.

BUSINESS OF THE MEETING

THE ACQUISITION

Details of the Acquisition

Kingsway has entered into the Share Purchase Agreement with Mainstreet providing for, among other things, the purchase by Kingsway from Mainstreet of all of the MHI Holdco Shares held by Mainstreet, representing approximately 75% of the issued and outstanding MHI Holdco Shares, in consideration for the issuance of the Consideration Shares to Mainstreet at an implied price of US$0.04 (but, in any event, not less than $0.05) per Kingsway Share.

Upon completion of the Acquisition, there will be 101,450,000 Resulting Issuer Common Shares issued and outstanding and 307,659,850 Resulting Issuer Non-Voting Shares Outstanding. The former Kingsway Shareholders will hold 20,290,000 Resulting Issuer Common Shares (or 20% of the total issued and outstanding Resulting Issuer Common Shares) and Mainstreet will hold 81,160,000 Resulting Issuer Common Shares (or 80% of the total issued and outstanding Resulting Issuer Common Shares) and 307,659,850 Resulting Issuer Non-Voting Shares (or all of the total issued and outstanding Resulting Issuer Non-Voting Shares).

Share Purchase Agreement

The Share Purchase Agreement has been filed on SEDAR at www.sedar.com. The following is a summary of certain provisions of the Share Purchase Agreement, but is not intended to be complete. Please refer to the Share Purchase Agreement for a full description of the terms and conditions thereof.

Under the Share Purchase Agreement, Mainstreet has agreed to sell its MHI Holdco Shares in exchange for the Consideration Shares.

Representations and Warranties

The Share Purchase Agreement contains customary representations and warranties of Kingsway relating to, among other things: corporate status, corporate authorization and enforceability of the Share Purchase Agreement, authorized and issued capital, notices and filings with the TSXV, compliance with applicable securities laws and the business and affairs of Kingsway.

Conditions Precedent

The transactions contemplated by the Share Purchase Agreement are subject to a number of conditions in favour of Mainstreet, including:

- The Acquisition Resolution shall have been passed at the Meeting;
- The TSXV shall have given conditional approval of the transactions contemplated in the Share Purchase Agreement, including the issuance of the Consideration Shares and the listing of the Consideration Shares (other than the Kingsway Non-Voting Shares) on the TSXV;
- Kingsway shall have a minimum amount of cash of $400,000; provided that such minimum amount of cash may be reduced by up to a maximum amount of $322,200.35;

- Kingsway shall have entered into the Management Agreement and the Development Agreements with MAMI;

- Kingsway shall have obtained all necessary consents and authorizations;

- The representations and warranties of Kingsway in the Share Purchase Agreement shall be true and correct in all material respects;

- Kingsway shall have performed or complied, in all material respects, with all obligations, covenants and conditions in the Share Purchase Agreement;

- Mainstreet shall not have become aware of any material information in respect of Kingsway that has not been disclosed in documentation prepared and filed by Kingsway on SEDAR or in writing by Kingsway to Mainstreet on or prior to the date of the Share Purchase Agreement;

- The closing of the transactions contemplated by the Share Purchase Agreement, or any part thereof, shall not be illegal and there shall not be any material restrictions, limitations or conditions on any party to the Share Purchase Agreement in connection therewith;

- No governmental entity shall have commenced, or given notice of its intention to commence, an action to enjoin the consummation of the closing of the transactions contemplated by the Share Purchase Agreement, or any part thereof, or to suspend or cease or stop trading of Kingsway Common Shares;

- There shall have been no Material Adverse Effect in respect of Kingsway (as defined in the Share Purchase Agreement) (i) since the date of the Share Purchase Agreement; or (ii) prior to the date of the Share Purchase Agreement, in the case of (ii), that has not been disclosed in writing to Mainstreet;

- The operators of the Symphony Portfolio shall have (i) confirmed that they will, on an ongoing basis and within the times required under applicable securities laws, provide Kingsway with those financial statements and corresponding management discussion and analysis in respect of such operators that is required by the Ontario Securities Commissions; and (ii) consented to the filing of such financial statements and management discussion and analysis on SEDAR and the sending of such financial statements and management discussion and analysis to the Kingsway Shareholders; and

- The Funds shall not have exercised the Negative Approval Right.

The transactions contemplated by the Share Purchase Agreement are also subject to a number of conditions in favour of Kingsway, including:

- The representations and warranties of Mainstreet in the Share Purchase Agreement shall be true and correct in all material respects;

- Mainstreet shall have performed or complied, in all material respects, with all obligations, covenants and conditions in the Share Purchase Agreement;

- The closing of the transactions contemplated by the Share Purchase Agreement, or any part thereof, shall not be illegal and there shall not be any material restrictions, limitations or conditions on any party to the Share Purchase Agreement in connection therewith;

- No governmental entity shall have commenced, or given notice of its intention to commence, an action to enjoin the consummation of the closing of the transactions contemplated by the Share Purchase Agreement, or any part thereof, or to suspend or cease or stop trading of Kingsway Common Shares; and

- There shall have been no MHI Holdco Material Adverse Effect (as defined in the Share Purchase Agreement).

Covenants

Under the Share Purchase Agreement, Kingsway has agreed to a number of covenants, including covenants to, until the closing of the transactions contemplated by the Share Purchase Agreement:

- Within prescribed time periods, prepare and file any forms or notices required under applicable securities laws in connection with the offer and sale of the Consideration Shares;

- Forthwith upon the closing of the transactions contemplated by the Share Purchase Agreement, provide notice of the issuance of the Consideration Shares to the TSXV and do all other things as are required in order for the listing of the Consideration Shares (other than the Kingsway Non-Voting Shares) to become effective on the TSXV;

- Promptly inform Mainstreet of the full particulars of:

    - Any material change in or affecting the business, operations, capital, properties, assets, liabilities, condition or results of operations of Kingsway;

    - Any change in any material fact contained or referred to in any documentation prepared and filed by Kingsway on SEDAR; and

    - The occurrence or discovery of a material fact or event which is, or may be, of such a nature as to (i) render any statement in the documentation prepared and filed by Kingsway on SEDAR false or misleading in any material respect; (ii) result in a misrepresentation in the public record; or (iii) result in items in the documentation prepared and filed by Kingsway on SEDAR not complying in any material respect with securities laws.

- Carry on business in the usual and ordinary course (provided all commitments by Kingsway in excess of $10,000 and/or any payment in excess of $10,000 shall be subject to the prior approval of Mainstreet);

- Use all reasonable commercial efforts to preserve intact its business, organization and goodwill;

- Use all reasonable commercial efforts to cause its current insurance policies not to be cancelled or terminated (unless simultaneously replaced with satisfactory insurance policies);

- Promptly advise Mainstreet of the occurrence of any Material Adverse Effect (as defined in the Share Purchase Agreement) in respect of Kingsway or of any facts that would cause any of Kingsway's representations or warranties in the Share Purchase Agreement to be untrue in any respect;

- Use all reasonable commercial efforts to obtain all consents and authorizations required to complete the transactions contemplated by the Share Purchase Agreement;

- Maintain all books and records of Kingsway in the usual and ordinary course; and

- Refrain from taking certain enumerated actions including, but not limited to: (i) amending Kingsway's constating documents; (ii) adopting a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Kingsway; (iii) incur any indebtedness for borrowed money (other than bank indebtedness) or issue any debt securities; or (iv) issue any securities, including Kingsway Common Shares or securities exercisable or exchangeable for, or convertible into, Kingsway Common Shares.

Kingsway is not permitted to, without the prior written consent of the Funds, effect any financing that involves a Public Offering if such proposed Public Offering will close (i) prior to November 1, 2016; or (ii) on or after November 1, 2016, where the proposed Public Offering will be completed at a price per share that reflects a valuation for Kingsway that is less than book value on the date of announcement of the Public Offering; provided, however, that the Funds shall not have any approval rights for any such Public Offering that will close on or after

November 1, 2016 if, at the relevant time, the Funds own less than 50% of the outstanding equity securities of Kingsway (calculated on an as-converted, fully diluted basis). Notwithstanding the foregoing, Kingsway may issue securities to Mainstreet or its affiliates in connection with the acquisition of any properties from Mainstreet or its affiliates (including pursuant to the Development Agreements) or pursuant to any of Kingsway's compensation plans (including the Asset Management Agreement).

Under the Share Purchase Agreement, if requested by MHI Holdco in order to fund, in part, the acquisition of the Hanover Park Property, Mainstreet is obligated to enter into the Hanover Park Loan and the Funds are obligated to (i) purchase subordinated convertible debentures of MHI Holdco, and/or (ii) subscribe for shares of MHI Holdco, and/or (iii) loan cash or provide other financing to MHI Holdco or its Affiliate, in an aggregate amount of US$13.5 million. In the event that the Funds satisfy their commitment by purchasing subordinated convertible debentures of MHI Holdco, such debentures will be in substantially the same form as the Convertible Debentures. In the event that the Funds satisfy their commitment through a loan, the terms and conditions of the loan will be substantially the same as the terms and conditions in the Hanover Park Loan Agreement. In no event will the Funds be entitled to subscribe for an amount of MHI Holdco Shares that, when aggregated with the MHI Holdco Shares currently held by the Funds, would result in the Funds owning more than 49.9% of the issued and outstanding MHI Holdco Shares. See "*Business of the Meeting – Hanover Park Funding and Acquisition*" for further details.

Under the Master Lease, the landlord has the right to transfer any Excess Bed Rights for use at any new Mainstreet **NextGen®** properties which the landlord intends to develop in Illinois. Under the Share Purchase Agreement, Kingsway has agreed that, upon receipt of notice by Mainstreet, Kingsway will use best efforts to cause such Excess Bed Rights to be transferred to Mainstreet or its Affiliate in consideration for US$10,000 per bed. In payment of such consideration, an amount equal to US$10,000 per bed will be deemed to have been advanced by Kingsway to Mainstreet or its Affiliates in the form of a mezzanine loan pursuant to the terms of the Development Agreement and such mezzanine loan shall be applied or repaid to Kingsway, as applicable, pursuant to the terms of the Development Agreement.

Under the Share Purchase Agreement, Kingsway is required to arrange and pay for the cost of certain property appraisals as reasonably requested by Mainstreet.

Indemnification

Kingsway agreed to indemnify Mainstreet for losses arising out of or relating to any breach of a representation, warranty, covenant, condition or agreement by Kingsway contained in the Share Purchase Agreement.

Exclusive Dealing

The Share Purchase Agreement provides that from the date of the Share Purchase Agreement until the earlier of (i) the completion of the acquisition of the MHI Holdco Shares as consideration for the issuance of the Consideration Shares; or (ii) the termination of the Share Purchase Agreement; Kingsway is required to work exclusively with Mainstreet in an effort to complete the transactions contemplated by the Share Purchase Agreement. It further provides that Kingsway shall not: solicit, enter into an agreement or commitment related to, or provide information with respect to, certain alternative transactions.

Termination

The Share Purchase Agreement may be terminated by (i) mutual written consent of Kingsway and Mainstreet; or (ii) by any party in the event that any of the conditions precedent for the benefit of such party have not been satisfied or waived by April 15, 2016.

Reasons for the Acquisition

Following the disposition of the Aurora Property, Kingsway's primary asset, the Kingsway Board has been considering opportunities to enhance value for Kingsway Shareholders. After analysis, discussion and reflection with Kingsway's management, the Kingsway Board concluded that the Acquisition:

a) creates the financial strength necessary to provide financial viability of the Resulting Issuer;

b) provides the best alternative to maximize Kingsway Shareholder value; and

c) is in the best interests of Kingsway and the Kingsway Shareholders.

In coming to its conclusions and recommendations, the Kingsway Board considered a number of factors including the following:

a) that the Acquisition will enable Kingsway to obtain the necessary funding to continue as a public company listed on the TSXV;

b) the support of Kingsway Shareholders, including the Voting and Support Agreements entered into in favour of Mainstreet;

c) the terms and conditions of the Share Purchase Agreement; and

d) information concerning the financial condition, business, plans and prospects of Kingsway, MHI Holdco and the Resulting Issuer and the resulting potential for enhanced business efficacy, management effectiveness and financial results of the Resulting Issuer on a consolidated basis.

Reverse Takeover

The Acquisition will constitute a reverse takeover of Kingsway as defined in the Exchange Policies. Generally, a reverse takeover means a transaction which involves an issuer issuing securities from its treasury to purchase another entity or significant assets, where the owners of the other entity or assets acquire control of the issuer.

Kingsway Shareholder approval for the Acquisition will be obtained by way of an ordinary resolution passed by a majority of the votes cast at the Meeting or any adjournment(s) thereof.

Kingsway Shareholders holding approximately 45% of the outstanding Kingsway Common Shares have entered into the Voting and Support Agreements in favour of Mainstreet pursuant to which such Kingsway Shareholders have agreed to, among other things, vote their Kingsway Common Shares in favour of all matters relating to the Acquisition to be considered at the Meeting.

Securities Laws Matters

The issuance of the Consideration Shares to Mainstreet, as contemplated in the Share Purchase Agreement, will be exempt from prospectus and registration requirements of the securities laws of various applicable provinces in Canada. The Consideration Shares may be subject, however, to restrictions on trading in accordance with applicable securities laws and escrow requirements in accordance with applicable TSXV policies. See "*Information Concerning the Resulting Issuer – Escrowed Securities*".

Regulatory Approvals and Filings

The completion of the Acquisition is subject to, among other things, obtaining all necessary regulatory approvals, including the approval of the TSXV.

Recommendation and Approval

The Kingsway Board, having considered all factors deemed necessary to be considered based on the information available, has concluded that the Acquisition as described herein is favourable to Kingsway and recommends approval of the Acquisition.

Pursuant to the Exchange Policies, the Acquisition Resolution must be passed, with or without variation, by a majority of the votes cast by the Kingsway Shareholders present in person or by proxy at the Meeting or any adjournment(s) thereof.

If the Acquisition Resolution does not receive the requisite Kingsway Shareholder approval, Kingsway does not intend to proceed with the other items of business contemplated in this Circular.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT APPOINTEES WILL BE VOTED FOR THE APPROVAL OF THE ACQUISITION RESOLUTION, UNLESS A KINGSWAY SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER KINGSWAY COMMON SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

The text of the Acquisition Resolution, which management of Kingsway intends to place before the Meeting for consideration and approval, with or without variation, is set forth in Schedule "B".

CONVERTIBLE DEBENTURES

On October 29, 2015, MHI Holdco issued Convertible Debentures to the Funds in the aggregate principal amount of approximately US$108 million (which amount has subsequently increased to approximately US$109 million as of December 31, 2015 by capitalizing a portion of the interest accrued and payable on the Convertible Debentures in accordance with their terms). At the Meeting, conditional upon the proposed Acquisition Resolution being passed, disinterested Kingsway Shareholders will be asked to consider and, if deemed advisable, pass, the Convertible Debenture Resolution approving the Conversion Right and the potential dilution of the Resulting Issuer's interest in MHI Holdco in the event the Funds exercise the Conversion Right.

The Conversion Right entitles the Funds to convert all or any portion of a Convertible Debenture at any time into that number of MHI Holdco Shares equal to (a) the aggregate outstanding principal amount of the Convertible Debenture (plus any accrued and unpaid interest thereon), divided by the sum of (i) the then outstanding principal amount of the Convertible Debenture minus the amount added to such principal amount as a result of the capitalization of accrued interest pursuant to the Convertible Debenture plus (ii) the aggregate amount paid by MHI Holdco Shareholders at the date of issuance of the Convertible Debenture for the purchase of MHI Holdco Shares plus (iii) retained earnings of MHI Holdco as of the end of the last calendar month prior to the date on which the Convertible Debenture is being converted, as shown on MHI Holdco's unaudited balance sheet (as such amount is reviewed and approved by the holder of the Convertible Debenture in its commercially reasonable, good faith discretion) and (b) multiplying the percentage determined in clause (a) by the aggregate number of MHI Holdco Shares required to be outstanding immediately following the conversion so that the holder of the Convertible Debenture owns that percentage of MHI Holdco Shares represented by the percentage in clause (a).

Notwithstanding the foregoing, MHI Holdco, the Funds Manager (on behalf of the Funds) and Kingsway have entered in a letter agreement amending the terms of the Convertible Debentures to provide that the Funds will not convert the Convertible Debentures into MHI Holdco Shares to the extent such conversion would result in the Funds owning, in the aggregate, 50% or more of the issued and outstanding MHI Holdco Shares, unless (i) such conversion is in connection with, and immediately precedes, the exchange of such MHI Holdco Shares for Kingsway Shares and (ii) such exchange has received the approval of the TSXV and, if required by the TSXV, the approval of Kingsway Shareholders.

The Kingsway Board has concluded that the approval of the Conversion Right, and the potential dilution of the Resulting Issuer's interest in MHI Holdco in the event the Funds exercise the Conversion Right, is in the best interests of Kingsway.

At the Meeting, conditional upon the proposed Acquisition Resolution being passed, Kingsway Shareholders will be asked to consider and, if deemed advisable, pass, with or without variation, the Convertible Debenture Resolution. The Convertible Debenture Resolution will confer discretionary authority on the Kingsway Board to revoke the Convertible Debenture Resolution before it is acted upon. The Convertible Debenture Resolution must be passed, with or without variation, by a majority of the votes cast by the disinterested Kingsway Shareholders present in person or by proxy at the Meeting or any adjournment(s) thereof.

The full text of the Convertible Debenture Resolution is set out in Schedule "C" to this Circular.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT APPOINTEES WILL BE VOTED FOR THE CONVERTIBLE DEBENTURE RESOLUTION ABOVE UNLESS A KINGSWAY SHAREHOLDER HAS

SPECIFIED IN THE PROXY THAT HIS OR HER KINGSWAY COMMON SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

ELECTION OF DIRECTORS

At the Meeting, the Kingsway Shareholders are required to elect the directors of Kingsway to hold office until the next annual meeting of shareholders or until the successors of such directors are elected or appointed. The Kingsway Board currently consists of six members. If the Acquisition is to be completed, it is a condition to closing that the board be changed to include certain nominees of Mainstreet. At the time of the Meeting, the Acquisition will not yet have been completed.

It is not appropriate to elect the Resulting Issuer Slate until the Acquisition is completed. In order to avoid a premature election of the Resulting Issuer Slate, and in order to dispense with the need to call an additional meeting of the shareholders of the Resulting Issuer to elect the Resulting Issuer Slate following completion of the Acquisition, the Kingsway Shareholders will be asked at the Meeting to consider, and if deemed advisable, to pass an ordinary resolution, the text of which is set forth in Schedule "D".

The members of the Original Slate, with the exception of Dan Amadori, will be removed from the Kingsway Board with effect as of the Change of Board Time.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT APPOINTEES WILL BE VOTED FOR THE RESOLUTION ATTACHED HERETO AS SCHEDULE "D" UNLESS A KINGSWAY SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER KINGSWAY COMMON SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

Kingsway does not contemplate that any of such nominees in either the Original Slate or the Resulting Issuer Slate will be unable to serve as directors; however, if for any reason any of the proposed nominees does not stand for election or is unable to serve as such, proxies held by the persons designated as proxyholders in the accompanying form of proxy will be voted for another nominee in their discretion unless the Kingsway Shareholder has specified in his or her form of proxy that his or her Kingsway Common Shares are to be withheld from voting on the election of directors. Each director elected will hold office until the next annual meeting of Kingsway Shareholders, or until the Change of Board Time, as the case may be, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated in accordance with the articles of Kingsway or the provisions of the OBCA or any similar corporate legislation to which Kingsway becomes subject.

Original Slate

The following sets forth the name of each of the persons proposed to be nominated for election as a director of Kingsway as part of the Original Slate, all positions and offices in Kingsway presently held by such nominees, the nominees' municipality and country of residence, principal occupation at the present time and during the preceding five years, the period during which the respective nominees have served as directors, and the number and percentage of Kingsway Common Shares beneficially owned by the nominees, directly or indirectly, or over which control or direction is exercised, as of the date hereof.

Name and Municipality of Residence	Current Position	Principal Occupation During Past Five Years	Date First Elected or Appointed	Number of shares beneficially owned, directly or indirectly, as at February 29, 2015
Patrick Byrne, Toronto, Ontario	Director and Chief Executive Officer	Chief Executive Officer of the Corporation; Chief Executive Officer of Kingsway Arms Management Services Inc.	May 31, 2007	1,011,000
Dan Amadori,[(1)] Toronto, Ontario	Director and Chief Financial Officer	President, Lamerac Financial Corp.	August 8, 2011	3,140,000

Name and Municipality of Residence	Current Position	Principal Occupation During Past Five Years	Date First Elected or Appointed	Number of shares beneficially owned, directly or indirectly, as at February 29, 2015
John MacKinnon,[(2)] Toronto, Ontario	Director	Senior Vice President, Design and Construction, Four Seasons Hotels and Resorts	May 31, 2007	473,000
Frank T. Rossi,[(2)] Vaughn, Ontario	Director	Owner and President, Gemstar Group Inc.	December 9, 2009	950,000
Bruce Dimytosh,[(1)] Georgetown, Ontario	Director	President and Founder Prism Interim Management Solutions Inc.; Executive VP, Operations Bento Nouveau Company Ltd.; President and Co-Owner Marks Supply Inc.	August 23, 2012	100,000
Don MacKinnon,[(1)] Mississauga, Ontario	Director	Previously Senior Vice President, Real Estate Finance, RioCan REIT	August 23, 2012	100,000

Notes

(1) Member of Kingsway Audit Committee.

(2) Member of Kingsway Compensation Committee.

Corporate Cease Trade Orders or Bankruptcies

During the past 10 years, other than as set out below, no proposed member of the Original Slate has been a director or executive officer of any other reporting issuer, that, while such person was acting in that capacity:

(a) was the subject of a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days;

(b) was subject to an event that resulted, after the director ceased to be a director or executive officer of the company being the subject of a cease trade order 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; or

(c) 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.

Dan Amadori was a director and the chief financial officer of Xgen from August 1999 through September 30, 2009. On January 30, 2009, the Exchange issued a cease trade order on the shares of Xgen pending the completion of its review of Xgen's disclosures. This review was completed and Xgen's shares resumed trading on May 15, 2009.

Penalties or Sanctions

The proposed members of the Original Slate are not, or have not been, subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or have entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Personal Bankruptcy

No proposed member of the Original Slate has, within the 10 years prior to the date of this Circular, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Resulting Issuer Slate

The following are the names and municipalities of residence of the proposed directors of the Resulting Issuer as part of the Resulting Issuer Slate, their proposed positions and offices with the Resulting Issuer, their anticipated holdings of the Resulting Issuer and their principal occupations during the last five years.

Name and Municipality of Residence	Current and/or Proposed Position as a Director or as an Officer	Principal Occupation During Past Five Years	Number of shares beneficially owned, directly or indirectly, at completion of Acquisition
Paul Ezekiel Turner Carmel, Indiana	Proposed Chairman	Chairman and Chief Executive Officer of Mainstreet Property Group, LLC	81,160,000 Resulting Issuer Common Shares 307,659,850 Resulting Issuer Non-Voting Shares
Dan Amadori(3) Toronto, Ontario	Proposed Director	President of Lamerac Financial Corp.	3,140,000 Resulting Issuer Common Shares
Brad Benbow(2) Traverse City, Michigan	Proposed Director	Chairman and Chief Executive Officer of Joseph David Advertising, LLC	Nil
Rob Dickson(1) (2) Toronto, Ontario	Proposed Director	Strategic adviser and consultant to marketing and communication companies	Nil
Shaun Hawkins(1) (3) Zionsville, Indiana	Proposed Director	Vice President, New ventures and Private Equity of Eli Lilly	Nil
Richard Turner(1) (3) (4) West Vancouver, British Columbia	Proposed Director	President and Chief Executive Officer of TitanStar Properties Inc.	Nil
Katherine C. Vyse(2) Etobicoke, Ontario	Proposed Director	Senior Vice President, Investor Relations of Brookfield Asset Management	Nil

Notes:

(1) Proposed member of Resulting Issuer Audit Committee.

(2) Proposed member of Resulting Issuer CGN Committee.

(3) Proposed member of Resulting Issuer Investment Committee.

(4) Lead director.

For management profiles and further information regarding corporate cease trade orders and bankruptcies, penalties or sanctions and personal bankruptcies of the proposed members of the Resulting Issuer Slate, see "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*" in this Circular.

CHANGE OF AUDITORS

At the Meeting, conditional upon the proposed Acquisition Resolution being passed, the Kingsway Shareholders will be asked to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution (i) changing the auditors of Kingsway from Collins Barrow Toronto LLP to KPMG LLP to hold office until the next

annual meeting of Kingsway Shareholders; and (ii) authorizing the Kingsway Board to fix the auditors' remuneration, the text of which is set forth in Schedule "E". Such resolution will confer discretionary authority on the Kingsway Board to revoke the resolution before it is acted upon.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT APPOINTEES WILL BE VOTED IN FAVOUR OF CHANGING THE AUDITORS OF KINGSWAY FROM COLLINS BARROW TORONTO LLP TO KPMG LLP TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF KINGSWAY SHAREHOLDERS AND THE AUTHORIZATION OF THE KINGSWAY BOARD TO FIX THEIR REMUNERATION, UNLESS THE KINGSWAY SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER KINGSWAY COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.

CONTINUANCE

Certain aspects of the BCBCA will, in Kingsway's view, better facilitate the Resulting Issuer's business and affairs than the OBCA under which Kingsway currently exists. Among other things, the BCBCA does not impose the same limitations on declarations of dividends as the OBCA. In order to ensure that the Resulting Issuer is able to declare and pay dividends in the future, the Kingsway Board has determined that it is in the best interests of Kingsway to continue Kingsway from the OBCA to the BCBCA.

Upon completion of the Continuance, the OBCA will cease to apply to Kingsway and Kingsway will become subject to the BCBCA, as if it had been originally incorporated under the BCBCA. The OBCA currently governs the corporate affairs of Kingsway and restricts the jurisdictions into which a corporation may continue. The Director appointed under the OBCA will generally allow a continuance from the OBCA to the BCBCA upon: (i) receipt of an application for continuation under the BCBCA; (ii) being satisfied that certain rights, obligations, liabilities and responsibilities of Kingsway as set out in Section 181(9) of the OBCA will remain unaffected as a result of the Continuance; and (iii) receiving consent of the Ontario Securities Commission and the Ministry of Revenue (Ontario) with respect to the Continuance.

A corporation being continued under the BCBCA will be subject to the requirements of the BCBCA and all other corporate laws of British Columbia. The registration of the Continuance does not create a new legal entity, nor does it prejudice or affect the continuity of Kingsway. The Continuance of Kingsway under the BCBCA will affect certain rights of Kingsway Shareholders as they currently exist under the OBCA. Attached as Schedule "F" to this Circular is a summary of some of the corporate law changes that will occur. This summary is not intended to be exhaustive and Kingsway Shareholders should consult their legal advisors regarding the implications of the Continuance, which may be of particular importance to them.

At the Meeting, conditional upon the proposed Acquisition Resolution being passed, Kingsway Shareholders will be asked to consider and, if deemed advisable, pass, with or without variation, the Continuance Resolution, authorizing the Kingsway Board to make an application for the Continuance. The Continuance Resolution will confer discretionary authority on the Kingsway Board to revoke the Continuance Resolution before it is acted upon. The Continuance Resolution requires approval by not less than two-thirds of the votes cast by the Kingsway Shareholders in person or by proxy at the Meeting or any adjournment(s) thereof in respect of the Continuance Resolution.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT APPOINTEES WILL BE VOTED FOR THE APPROVAL OF THE CONTINUANCE RESOLUTION, UNLESS A KINGSWAY SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER KINGSWAY COMMON SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

The text of the Continuance Resolution that management of Kingsway intends to place before the Meeting for consideration and approval, with or without variation, is set forth in Schedule "G". Upon the Continuance becoming effective and conditional upon the proposed Special Resolution being passed, the former articles and by-laws of Kingsway will be repealed and replaced by the New Articles, which will set out, among other things, the amount and type of authorized capital and govern the management of Kingsway following the Continuance. A copy of the New Articles are attached hereto as Schedule "H".

Rights of Dissent in Respect of the Continuance

Pursuant to the provisions of Section 185 of the OBCA, a Registered Shareholder has the right to dissent from the Continuance Resolution, and, if such Registered Shareholder dissents in the manner as provided in the OBCA and the action approved by the Continuance Resolution becomes effective, such Registered Shareholder is entitled to be paid the fair value of its Kingsway Common Shares determined as of the close of business on the day before the Continuance Resolution is adopted. The following is a summary of the rights of a Registered Shareholder to dissent. It is not a comprehensive statement of the procedures to be followed by a Registered Shareholder who seeks payment of the fair value of its Kingsway Common Shares, and is qualified in its entirety by reference to Section 185 of the OBCA. For full details as to the manner in which the right of dissent is to be implemented, Section 185 of the OBCA should be consulted. It is recommended that Registered Shareholders who wish to pursue rights of dissent consult their own legal advisor with respect to the relevant statutory provisions and the procedures to be followed. Failure to comply with the provisions of Section 185 of the OBCA and to adhere to the strict procedures established in the section may result in the loss of all rights under such section.

A Registered Shareholder may only exercise the right of dissent under Section 185 of the OBCA in respect of Kingsway Common Shares which are registered in that holder's name. A Registered Shareholder may not exercise its right of dissent with respect to only a partial number of Kingsway Common Shares. Any Registered Shareholder who wishes to dissent must provide Kingsway with a written objection to the Continuance Resolution, at or prior to the Meeting. The execution or exercise of a proxy does not constitute a written objection. A vote in favour of the Continuance Resolution will deprive a Registered Shareholder of further rights pursuant to Section 185 of the OBCA.

On receipt of notice from Kingsway that the Continuance Resolution has been adopted or passed, such dissenting Registered Shareholder must within 20 days after receipt of such notice (or if such notice is not received, within 20 days of learning that the Continuance Resolution has been adopted) send to Kingsway a written notice containing its name and address, the number of Kingsway Common Shares in respect of which it dissents and a demand for payment of the fair value of such Kingsway Common Shares. Within 30 days thereafter the dissenting Registered Shareholder must send the certificates representing the Kingsway Common Shares in respect of which it dissents to Kingsway.

Persons who are beneficial owners of Kingsway Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered owners of such Kingsway Common Shares are entitled to dissent. Accordingly, a beneficial owner of Kingsway Common Shares desiring to exercise a right of dissent to the Continuance Resolution must make arrangements for Kingsway Common Shares that are beneficially owned by the person to be registered in the person's name prior to the time the written objection to the Continuance Resolution is required to be received by Kingsway or, alternatively, make arrangements for the Registered Shareholder of the Kingsway Common Shares to dissent on the person's behalf. A Registered Shareholder may not exercise its right of dissent with respect to only a partial number of Kingsway Common Shares.

SPECIAL RESOLUTION

Name Change

The Kingsway Board has determined that it is in the best interests of Kingsway to effect the Name Change.

At the Meeting, conditional upon the proposed Acquisition Resolution being passed, Kingsway Shareholders will be asked to consider and, if deemed advisable, pass, with or without variation, the Special Resolution, which includes a special resolution approving and authorizing the Kingsway Board to change the name of Kingsway to “Mainstreet Health Investments Inc.” or such other name as may be accepted by the relevant regulatory authorities and approved by the Kingsway Board, in its sole discretion, and authorizing the Kingsway Board to amend Kingsway’s articles accordingly. The Special Resolution will confer discretionary authority on the Kingsway Board to revoke all or any part of the Special Resolution before it is acted upon. The Special Resolution requires approval by not less than two-thirds of the votes cast by the Kingsway Shareholders in person or by proxy at the Meeting or any adjournment(s) thereof in respect of the Special Resolution.

Capital Reorganization

The Kingsway Board has determined that it is in the best interests of Kingsway to amend the articles of Kingsway to create the Kingsway Non-Voting Shares. In particular, the Listing Requirements provide that at least 20% of Kingsway Common Shares must be held by Public Shareholders. In order to comply with the Listing Requirements, Kingsway is not permitted to issue Kingsway Common Shares to Mainstreet or other insiders if such issuance would result in Mainstreet or such other insiders owning in the aggregate more than 80% of the total issued and outstanding Kingsway Common Shares. As such, the balance of the shares in the capital of Kingsway to be issued to Mainstreet in connection with the Acquisition (i.e., in excess of the 80% amount) will be Kingsway Non-Voting Shares.

The rights, privileges, restrictions and conditions relating to the Kingsway Non-Voting Shares are set out in the New Articles attached hereto as Schedule "H". See also "*Information Concerning Resulting Issuer – Description of Share Capital*" in this Circular.

At the Meeting, conditional upon the proposed Acquisition Resolution being passed, Kingsway Shareholders will be asked to consider and, if deemed advisable, pass, with or without variation, the Special Resolution, which includes a special resolution authorizing the Capital Reorganization and authorizing the Board to amend Kingsway's articles to effect the Capital Reorganization. The Special Resolution will confer discretionary authority on the Kingsway Board to revoke all or any part of the Special Resolution before it is acted upon. In the event that the proposed Continuance Resolution is approved and the New Articles are adopted, separate articles of amendment will not be filed to give effect to the Capital Reorganization. The Special Resolution requires approval by not less than two-thirds of the votes cast by the Kingsway Shareholders in person or by proxy at the Meeting or any adjournment(s) thereof in respect of the Special Resolution.

If the Special Resolution authorizing the Capital Reorganization is passed by the requisite Kingsway Shareholders at the Meeting or any adjournment(s) thereof, upon the implementation of the Capital Reorganization, the authorized capital of Kingsway will be amended to consist of: (i) an unlimited number of Kingsway Common Shares; (ii) an unlimited number of Kingsway Non-Voting Shares; and (iii) an unlimited number of Kingsway Class A Shares.

New Articles

The Kingsway Board has determined that it is in the best interests of Kingsway to adopt the New Articles. Among other things, the New Articles fix a deadline by which Kingsway Shareholders of record must submit director nominations to Kingsway prior to any annual or special meeting of Kingsway Shareholders. In the case of an annual meeting of Kingsway Shareholders, notice by a Kingsway Shareholder must be made not less than 30 days prior to the date of such meeting; provided, however, that in the event the meeting is to be held on a date that is less than 50 days after the date on which announcement of the date of the meeting is made, notice must be made not later than the 10th day following the notice date. In the case of a special meeting of Kingsway Shareholders called for the purpose of electing directors, notice by a Kingsway Shareholder must be given not later than the 15th day following the date on which announcement of the date of the meeting is made. The New Articles also set forth the information that must be included in the Kingsway Shareholder's notice to Kingsway.

At the Meeting, conditional upon the proposed Acquisition Resolution being passed, Kingsway Shareholders will be asked to consider and, if deemed advisable, pass, with or without variation, the Special Resolution, which includes a special resolution approving the New Articles. The Special Resolution will confer discretionary authority on the Kingsway Board to revoke all or any part of the Special Resolution before it is acted upon. The Special Resolution requires approval by not less than two-thirds of the votes cast by the Kingsway Shareholders in person or by proxy at the Meeting or any adjournment(s) thereof in respect of the Special Resolution.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT APPOINTEES WILL BE VOTED FOR THE APPROVAL OF THE SPECIAL RESOLUTION, UNLESS A KINGSWAY SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER KINGSWAY COMMON SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

The text of the Special Resolution, including resolutions in respect of the approval of the Name Change, the Capital Reorganization and the New Articles, which management of Kingsway intends to place before the Meeting for consideration and approval, with or without variation, is set forth in Schedule "I".

CONSOLIDATION

The Kingsway Board has determined that it is in the best interests of Kingsway to consolidate the Resulting Issuer Shares on the basis of one post-Consolidation Resulting Issuer Share for every 250 pre-Consolidation Resulting Issuer Shares, or such other number of pre-Consolidation Resulting Issuer Shares as the Resulting Issuer Board may determine appropriate and the regulatory bodies having jurisdiction may accept. No fractional shares will be issued as a result of the Consolidation, and any fraction will be rounded down to the nearest whole number. The number of Resulting Issuer Shares issuable upon the exercise of any outstanding options or warrants at the time of the Consolidation shall be adjusted in accordance with the terms of such options or warrants. The Consolidation will only take effect at such time as the post-Consolidation share capitalization of the Resulting Issuer satisfies the listing requirements of the stock exchange on which the Resulting Issuer is then listed.

At the Meeting, conditional upon the proposed Acquisition Resolution being passed, Kingsway Shareholders will be asked to consider and, if deemed advisable, pass, with or without variation, the Consolidation Resolution, which authorizes the Consolidation. The Consolidation Resolution will confer discretionary authority on the Resulting Issuer Board to determine the specific consolidation ratio or, if it deems appropriate, to revoke the Consolidation Resolution before it is acted upon. The Consolidation Resolution requires approval by not less than two-thirds of the votes cast by the Kingsway Shareholders in person or by proxy at the Meeting or any adjournment(s) thereof in respect of the Consolidation Resolution.

If the Consolidation Resolution authorizing the Consolidation is passed by the requisite Kingsway Shareholders at the Meeting or any adjournment(s) thereof, upon the filing of an amendment to Kingsway's constating documents to implement the Consolidation, the Resulting Issuer Shares will be consolidated into the new post-Consolidation Resulting Issuer Shares as described in this Circular. Following the effective date of the Consolidation, Computershare, as the Resulting Issuer's transfer agent, will send a letter of transmittal to Resulting Issuer Shareholders for use in delivering their pre-Consolidation share certificates to Computershare in exchange for new certificates representing the number of Resulting Issuer Shares to which such Resulting Issuer Shareholder will be entitled as a result of the Consolidation. Upon return of the properly completed letter of transmittal to Computershare, together with the certificates evidencing the pre-Consolidation Resulting Issuer Shares, certificates for the appropriate number of new Resulting Issuer Shares will be issued at no charge. Until surrendered, each share certificate formerly representing pre-Consolidation Resulting Issuer Shares prior to the Consolidation shall be deemed for all purposes to represent the number of new Resulting Issuer Shares to which the holder is entitled as a result of the Consolidation. No certificates will be issued for fractional post-Consolidation Resulting Issuer Shares.

Non-Registered Holders holding Kingsway Common Shares through a bank, broker or other nominee should note that such banks, brokers or nominees may have their own procedures for processing the Consolidation. If a Kingsway Shareholder holds the Kingsway Common Shares with such a bank, broker or other nominee and has any questions in this regard, the Kingsway Shareholder is encouraged to contact his or her nominee.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT APPOINTEES WILL BE VOTED FOR THE APPROVAL OF THE CONSOLIDATION RESOLUTION, UNLESS A KINGSWAY SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER KINGSWAY COMMON SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

The text of the Consolidation Resolution is set forth in Schedule "J".

DEFERRED SHARE INCENTIVE PLAN

At the Meeting, conditional upon the proposed Acquisition Resolution being passed, disinterested Kingsway Shareholders will be asked to approve the Deferred Share Incentive Plan. A summary of the Deferred Share Incentive Plan is provided below and is qualified in its entirety by the specific language of the Deferred Share Incentive Plan, the full text of which is set forth in Schedule "K" to this Circular.

Because Deferred Shares will be tied to the Resulting Issuer Common Share trading performance and vest or accrue over a number of years, grants of Deferred Shares under the Deferred Share Incentive Plan will align the interests of those individuals eligible to participate in the Deferred Share Incentive Plan more closely with the interests of Resulting Issuer Shareholders. Service Providers will be eligible to participate in the Deferred Share Incentive Plan.

Each director of the Resulting Issuer will be given the right to participate in the Deferred Share Incentive Plan. Each director who elects to participate shall receive his or her Elected Amount in the form of Deferred Shares in lieu of cash. In addition, the Deferred Share Incentive Plan provides that the Resulting Issuer shall match 100% of the Elected Amount for each director such that the aggregate number of Deferred Shares issued to each such director annually shall be equal in value to two times the Elected Amount for such director.

Under the Deferred Share Incentive Plan, Discretionary Deferred Shares may also be granted from time to time to Participants at the discretion of the Resulting Issuer Board or the Resulting Issuer CGN Committee.

The number of Deferred Shares granted at any particular time pursuant to the Deferred Share Incentive Plan will be calculated by dividing (i) the Elected Amount or such other amount as allocated to the Participant by the Resulting Issuer Board or Resulting Issuer CGN Committee, by (ii) the market value of a Resulting Issuer Common Share on the award date. "Market value" of a Resulting Issuer Common Share at any date for purposes of the Deferred Share Incentive Plan shall mean the volume weighted average price of all Resulting Issuer Common Shares traded on the TSX-V for the five trading days immediately preceding such date (or, if such Resulting Issuer Common Shares are not listed and posted for trading on the TSX-V, on such stock exchange on which such Resulting Issuer Common Shares are listed and posted for trading as may be selected for such purpose by the Resulting Issuer Board); provided that, for so long as the Resulting Issuer Common Shares are listed and posted for trading on the TSX-V, the market value will (i) not be less than the discounted market price, as calculated under the policies of the TSX-V; and (ii) be subject, notwithstanding the application of any such maximum discount, to a minimum price per Resulting Issuer Common Share of $0.05. In the event that the Resulting Issuer Common Shares are not listed and posted for trading on any stock exchange, the market value shall be the fair market value of the Resulting Issuer Common Shares as determined by the Resulting Issuer Board in its sole discretion.

Wherever cash distributions are paid on the Resulting Issuer Common Shares, additional Deferred Shares will be credited to the Participant's account. The number of such additional Deferred Shares will be calculated by multiplying the aggregate number of Deferred Shares held on the relevant distribution record date by the amount of the distribution paid by the Resulting Issuer on each Resulting Issuer Common Share, and dividing the result by the market value of the Resulting Issuer Common Shares on the distribution date.

Individual Contributed Deferred Shares will vest immediately upon grant. Resulting Issuer Contributed Deferred Shares will generally vest in accordance with the following schedule:

- One-third of the Resulting Issuer Contributed Deferred Shares shall vest on the first anniversary of the date of grant;

- One-third of the Resulting Issuer Contributed Deferred Shares shall vest on the second anniversary of the date of grant; and

- One-third of the Resulting Issuer Contributed Deferred Shares shall vest on the third anniversary of the date of grant.

Additional Deferred Shares credited to a Participant's account in connection with cash dividends or distributions shall vest on the same schedule as their corresponding Deferred Shares and will be considered issued on the same date as the Deferred Shares in respect of which they were credited. Discretionary Deferred Shares will generally vest on December 1 in the second year following the date of grant.

In the event of any Change of Control (as such term is defined in the Deferred Share Incentive Plan), any unvested Deferred Shares shall vest upon the earlier of (i) the next applicable vesting date determined in accordance with the above provisions and (ii) the date which is immediately prior to the date upon which the Change of Control is completed. Upon the death or "disability" (as defined in the Deferred Share Incentive Plan) of a Participant, any unvested Deferred Shares held by such Participant shall vest immediately. Notwithstanding the foregoing, the Resulting Issuer Board will have the discretion to vary the manner in which Deferred Shares vest.

Participants that are Canadian residents will generally be permitted to redeem their vested Deferred Shares for Resulting Issuer Common Shares in whole or in part at any time by filing a written notice of redemption with the Resulting Issuer; provided that, if a director of the Resulting Issuer redeems his or her Individual Contributed

Deferred Shares prior to the date on which the corresponding Resulting Issuer Contributed Deferred Shares (or portion thereof) have vested, then the Participant will forfeit the right to all such unvested Resulting Issuer Contributed Deferred Shares. Participants that are U.S. residents are generally subject to more stringent redemption restrictions to ensure compliance with Section 409A of the Code. Deferred Shares may also be subject to other redemption restrictions as required by the Board from time to time.

Upon the redemption of Deferred Shares for Resulting Issuer Common Shares, the Resulting Issuer will issue Resulting Issuer Common Shares to Participants, within five business days of the relevant redemption date, on the basis of one Resulting Issuer Common Share for each whole vested Deferred Share that is being redeemed, net of any applicable withholding taxes. Upon redemption of the Deferred Shares for cash (which is subject to the approval of the Resulting Issuer CGN Committee), the Resulting Issuer will make, within five business days of the relevant redemption date a cash payment, net of any applicable withholding taxes, to the Participant in an amount calculated by multiplying (i) the number for Deferred Shares to be redeemed by (ii) the market value of a Resulting Issuer Common Share on the redemption date, calculated with reference to the volume weighted average price of all Resulting Issuer Common Shares traded on the TSX for the five trading days immediately preceding such date. Upon payment in full of the value of the Deferred Shares, the Deferred Shares shall be cancelled.

On termination of a Participant for "cause" (as such term is defined in the Deferred Share Incentive Plan) all Deferred Shares held by the Participant will terminate. On a Participant's resignation or retirement, all Deferred Shares will terminate 30 days after such resignation or retirement. On termination of a Participant without "cause", outstanding unvested Deferred Shares will continue to vest and be paid out on a pro rata basis based on the portion of the vesting period completed as of cessation of active employment for a period of 12 months following the Participant's termination date. On a Participant's death or "disability", all unvested Deferred Shares vest immediately and the Participant (or his or her estate) will have one year to redeem his or her vested Deferred Shares. Notwithstanding the foregoing, the Resulting Issuer Board may at any time prior permit the redemption of any or all Deferred Shares held by a Participant in the manner and on the terms authorized by the Resulting Issuer Board.

Deferred Shares are not transferable or assignable, except to a Participant's estate.

The maximum number of Resulting Issuer Common Shares that will be available for issuance under the Deferred Share Incentive Plan will be 17,772,200 Resulting Issuer Common Shares (pre-Consolidation). The aggregate of the Resulting Issuer Common Shares: (a) issued to insiders of the Resulting Issuer, within any one year period; and (b) issuable to insiders of the Resulting Issuer, at any time, under the Deferred Share Incentive Plan, when combined with all other security-based compensation arrangements of the Resulting Issuer, shall not exceed 10% of the total issued and outstanding Resulting Issuer Common Shares.

The Resulting Issuer CGN Committee may review and confirm the terms of the Deferred Share Incentive Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Deferred Share Incentive Plan in whole or in part as well as terminate the Deferred Share Incentive Plan without prior notice as it deems appropriate; provided, however, that any amendment to the Deferred Share Incentive Plan that would, among other things, result in any increase in the number of Deferred Shares issuable under the Deferred Share Incentive Plan will be subject to the approval of holders of Resulting Issuer Common Shares. Without limitation, the Resulting Issuer CGN Committee may, without obtaining the approval of holders of Resulting Issuer Common Shares, make any changes to the Deferred Share Incentive Plan that do not require the approval of holders of Resulting Issuer Common Shares under applicable law (including the rules and policies of the applicable stock exchange on which the Resulting Issuer Common Shares are then listed) including, but not limited to, changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Deferred Share Incentive Plan; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements); and (c) to the vesting provisions applicable to Deferred Shares issued under the Deferred Share Incentive Plan. However, subject to the terms of the Deferred Share Incentive Plan, no amendment may adversely affect the Deferred Shares previously granted under the Deferred Share Incentive Plan without the consent of the affected Participant.

Recommendation and Approval

The Kingsway Board has concluded that the implementation of the Deferred Share Incentive Plan as described herein is in the best interests of Kingsway.

The Deferred Share Incentive Plan Resolution must be passed, with or without variation, by a majority of the votes cast by the disinterested Kingsway Shareholders present in person or by proxy at the Meeting or any adjournment(s) thereof. Notwithstanding the foregoing, the Plan Resolution will confer discretionary authority on the Kingsway Board to revoke the Plan Resolution before it is acted upon.

The full text of the Plan Resolution is set out in Schedule "L" to this Circular.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT APPOINTEES WILL BE VOTED FOR THE PLAN RESOLUTION ABOVE UNLESS A KINGSWAY SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER KINGSWAY COMMON SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

HANOVER PARK FUNDING AND ACQUISITION

Hanover Park Loan

Pursuant to the Share Purchase Agreement, Mainstreet agreed to enter into the Hanover Park Loan Agreement in order to fund, in part, the indirect acquisition by MHI Holdco of the Hanover Park Property. Pursuant to the Hanover Park Loan Agreement, the Hanover Park Loan will bear interest at a rate of 8.5% per annum, payable quarterly, and will mature on October 29, 2020. The Hanover Park Loan will be repayable upon the earliest to occur of: (i) an event of default of the borrower under the Hanover Park Loan Agreement, (ii) the completion of a public offering of securities of the Resulting Issuer, and (iii) the maturity date. The advance of the Hanover Park Loan is subject to the fulfillment by MHI Holdco of certain conditions precedent, including, but not limited to, the concurrent funding of debt financing for the acquisition of the Hanover Park Property in an amount up to US$19.36 million under the Facility.

The Hanover Park Loan Agreement will contain customary representations and warranties of the borrower relating to, among other things: corporate status, corporate authorization and enforceability of the Hanover Park Loan Agreement and related documents. The Hanover Park Loan Agreement will also contain certain covenants of the borrower, including, but not limited to, covenants to observe and perform its obligations under the Hanover Park Loan Agreement and related documents and not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other person or which would involve the acquisition of control of the borrower. Pursuant to the Hanover Park Loan Agreement, the borrower will agree to indemnify Mainstreet in respect of losses relating to the borrower's failure to (i) fulfill its obligations under the Hanover Park Loan Agreement or related documents, (ii) give notice as required under the Hanover Park Loan Agreement, or (iii) make any other payment due under the Hanover Park Loan Agreement.

Commitment of the Funds

Pursuant to the Share Purchase Agreement, the Funds agreed, subject to the fulfillment of certain conditions, to purchase subordinated convertible debentures in MHI Holdco and/or subscribe for MHI Holdco Shares and/or loan cash or provide other financing to MHI Holdco or its Affiliate, in an aggregate amount of US$13.5 million.

In the event that the Funds satisfy their commitment by purchasing subordinated convertible debentures of MHI Holdco, such debentures will be in substantially the same form as the Convertible Debentures. For additional information regarding the terms and conditions of the Convertible Debentures, see "*Business of the Meeting – Convertible Debentures*" and "*Information Concerning MHI Holdco – Description of MHI Holdco Securities*" in this Circular.

In the event that the Funds satisfy their commitment through a loan, the terms and conditions of the loan will be substantially the same as the terms and conditions in the Hanover Park Loan Agreement. See "*Business of the Meeting – Hanover Park Funding and Acquisition – Hanover Park Loan*" in this Circular.

In no event will the Funds be entitled to subscribe for an amount of MHI Holdco Shares that, when aggregated with the MHI Holdco Shares currently held by the Funds, would result in the Funds owning more than 49.9% of the issued and outstanding MHI Holdco Shares.

Acquisition of Hanover Park Property

Pursuant to the Symphony Purchase Agreement, MHI Holdco has indirectly committed to acquire the Hanover Park Property on or before March 31, 2016, with an option to extend an additional 30 days, for a total purchase price of US$34.1 million plus expected closing costs of approximately US$725,000.

Hanover Park Resolution and Recommendation

At the Meeting, conditional upon the proposed Acquisition Resolution being passed, the Kingsway Shareholders will be asked to consider and, if deemed advisable, pass, the Hanover Park Resolution approving, (i) the Hanover Park Loan, (ii) the issuance of subordinated convertible debentures in MHI Holdco to the Funds and/or the issuance of MHI Holdco Shares to the Funds and/or a loan or other financing by the Funds to MHI Holdco in an aggregate amount of US$13.5 million, and (iii) the indirect acquisition by MHI Holdco of the Hanover Park Property. The Hanover Park Resolution will confer discretionary authority on the Kingsway Board to revoke the Hanover Park Resolution before it is acted upon. The Hanover Park Resolution must be passed, with or without variation, by a majority of the votes cast by the Kingsway Shareholders present in person or by proxy at the Meeting or any adjournment(s) thereof.

The Kingsway Board has concluded that (i) the Hanover Park Loan, (ii) the issuance of subordinated convertible debentures in MHI Holdco to the Funds and/or the issuance of MHI Holdco Shares to the Funds and/or a loan or other financing by the Funds to MHI Holdco in an aggregate amount of US$13.5 million, and (iii) the acquisition of the Hanover Park Property, are in the best interests of Kingsway.

The text of the Hanover Park Resolution is set out in Schedule "M" to this Circular.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT APPOINTEES WILL BE VOTED FOR THE HANOVER PARK RESOLUTION ABOVE UNLESS A KINGSWAY SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER KINGSWAY COMMON SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

Other Matters Which May Come Before the Meeting

Management knows of no matters to come before the Meeting other than as set forth in the Notice of Meeting. **HOWEVER, IF OTHER MATTERS WHICH ARE NOT KNOWN TO MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE ACCOMPANYING PROXY WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THE PROXY.**

INFORMATION CONCERNING KINGSWAY ARMS RETIREMENT RESIDENCES INC.

CORPORATE STRUCTURE

Kingsway was incorporated in Ontario pursuant to articles of incorporation dated May 31, 2007, as amended on August 3, 2007, and amalgamated with its wholly owned subsidiaries, 2322003 Ontario Inc. and 2172568 Ontario Limited, pursuant to the Articles of Amalgamation effective July 31, 2015.

Kingsway is a reporting issuer in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia. The outstanding Kingsway Common Shares are listed on the TSXV under the symbol "KWA".

The registered office and head office of Kingsway are located at 208 Evans Avenue, suite 115, Toronto, Ontario, M8Z 1J7.

GENERAL DEVELOPMENT OF THE BUSINESS

Kingsway began operations in 2008 when it completed its qualifying transaction and acquired the Aurora Property. For the first three years thereafter, Kingsway attempted on numerous occasions to raise additional financing in order to begin a program of expansion whereby it looked to acquire other retirement home properties. However, the market conditions between 2008 and 2011 were not favourable and Kingsway was not successful in securing additional capital or in acquiring other properties during that timeframe.

In March 2012, Kingsway entered into a transaction to acquire the Clarington Property. At this stage, Kingsway had a two year window to pursue longer term financing and additional acquisitions. While Kingsway pursued a number of different options, it concluded in December 2013 that it would not be able to secure additional financing before the mortgages on each of the Aurora Property and the Clarington Property became due. It therefore decided to sell the Clarington Property and engaged a third party broker to solicit the marketplace on a strategic basis. By late March 2014, it had entered into a letter of intent to sell the Clarington Property to a third party. The transaction closed in late May. Kingsway realized a cash gain of $3.345 million on the sale of the Clarington Property; the total gain on sale, including recaptured depreciation, was approximately $5.1 million.

Since the Clarington Property was sold in May 2014, the Kingsway Board and management of Kingsway have been addressing Kingsway's go forward strategic options. On March 1, 2015, Kingsway signed a listing agreement with an independent realtor to list the Aurora Property for sale. On May 12, 2015, Kingsway executed an agreement of purchase and sale with an arms' length party for the Aurora Property at a purchase price of $5.4 million, conditional upon satisfactory completion of due diligence at the discretion of the purchaser. The sale of the Aurora Property closed on August 28, 2015. Kingsway reported a net gain on the sale of the Aurora Property of $2,392,239.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Historical Financial Information

The following documents and, if applicable, the auditor's reports thereon, filed with the securities commissions or similar authorities in certain of the provinces of Canada and available under Kingsway's profile on SEDAR at www.sedar.com, are specifically incorporated by reference into and form an integral part of this circular:

1. Audited financial statements of Kingsway as at and for the year ended December 31, 2012;

2. Audited financial statements of Kingsway as at and for the year ended December 31, 2013;

3. Audited financial statements of Kingsway as at and for the year ended December 31, 2014; and

4. Unaudited financial statements of Kingsway as at and for the nine months ended September 30, 2015 as filed on February 26, 2016.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that was required to be stated or that was necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

Selected Information

The following table sets out selected financial information for Kingsway as at and for the financial years ended December 31, 2012, December 31, 2013 and December 31, 2014 and as at and for the nine months ended September 30, 2015. Such data has been derived from the consolidated financial statements of Kingsway and should be read in conjunction therewith and with the information under the heading "*Information Concerning Kingsway Arms Retirement Residences Inc. – Management's Discussion and Analysis*" below.

Category	As at and for the Year Ended December 31, 2012 $	As at and for the Year Ended December 31, 2013 $	As at and for the Year Ended December 31, 2014 $	As at and for the nine Months ended September 30, 2015 (unaudited) $
Revenue[(1)]	1,719,915	1,826,281	1,909,056	1,212,097
Net Income (Loss)	(2,398,239)	(2,266,401)	3,909,761	1,867,168
Assets	26,824,796	25,538,116	2,944,578	1,661,734
Liabilities	28,954,965	29,895,812	3,392,513	109,156
Working Capital	(3,430,951)	(29,489,921)	(3,284,620)	1,552,578
Share Capital	2,375,598	2,398,620	2,398,620	2,538,943
Deficit	(4,765,255)	(7,031,656)	(3,121,895)	(1,254,727)

(1) Revenues relating to discontinued operations in 2014 and a gain on sale of properties in 2014 and 2015 are reported separately from revenues in the financial statements and are not included in this table. Revenues relating to discontinued operations in the financial year ended December 31, 2014 arose from the sale of the Clarington Property.

Management's Discussion and Analysis

Reference is made to the management's discussion and analysis of Kingsway for the year ended December 31, 2014 and for the nine months ended September 30, 2015 as filed on February 26, 2016, which are incorporated by reference herein and available under Kingsway's profile on SEDAR at www.sedar.com.

DESCRIPTION OF SECURITIES

Kingsway is authorized to issue an unlimited number of Kingsway Common Shares, of which there are currently 20,290,000 issued and outstanding. Kingsway Shareholders are entitled to receive notice of and to attend any meeting of Kingsway Shareholders and are entitled to one vote for each Kingsway Common Share held. In the event of the liquidation, dissolution or winding up of Kingsway, Kingsway Shareholders are entitled to receive, subject to the prior rights of holders of Kingsway Class A Shares, as described below, all the remaining property and assets of Kingsway. Kingsway Shareholders are entitled to receive, after payment of any dividends payable to holders of Kingsway Class A Shares, such dividends as the Kingsway Board may determine.

Kingsway is also authorized to issue an unlimited number of Kingsway Class A Shares. There are currently no Kingsway Class A Shares issued and outstanding. The Kingsway Class A Shares may be issued in one or more series, each series to consist of such number of Kingsway Class A Shares as may be fixed by the Kingsway Board.

Pursuant to the Articles of Amalgamation, the Kingsway Board may, before issuance and subject to the terms of the Articles of Amalgamation, determine the designation, rights, privileges, restrictions and conditions attaching to the Kingsway Class A Shares of each series.

The following table summarizes the outstanding warrants issued by Kingsway, which are held by either Dan Amadori, the chief financial officer of Kingsway and the chair of the Kingsway Board, or his spouse. Each whole warrant is exercisable for one Kingsway Common Share. All warrants were issued in connection with private placements.

Number of warrants	Exercise price	Expiry date
500,000	$0.10	July 19, 2017
300,000	$0.10	December 16, 2018
300,000	$0.10	June 14, 2018

Please also refer to "*Information Concerning the Resulting Issuer – Description of Securities*" for a description of the amended terms of the shares of Kingsway to be approved at the Meeting.

STOCK OPTION PLAN

Kingsway currently has a "fixed" Option Plan. Material provisions of the Option Plan include the following:

- The maximum number of Kingsway Common Shares reserved for issuance under the Option Plan is 4,058,000, or approximately 20% of the Kingsway Common Shares currently issued and outstanding. As of the date hereof, 2,542,800 options are currently issued and outstanding. See "*Information Concerning the Resulting Issuer – Options to Purchase Securities*" in this Circular for further information.

- No more than 7.5% of the issued and outstanding Kingsway Common Shares may be granted to any one individual in any 12 month period.

- The exercise price of a stock option granted under the Option Plan is determined by the Kingsway Board at the time such stock option is granted, subject to any limitations imposed by the Exchange or relevant regulatory authority, and must be at least equal to the per share closing price for the Kingsway Common Shares on the Exchange on the last trading day immediately preceding the date of such grant, less the maximum discount permitted under the Exchange Policies.

- The Kingsway Board may, in its sole discretion, determine the time during which the stock options will vest.

- In the absence of any determination of the Kingsway Board as to vesting, vesting is as to one-third on each of the first, second and third anniversaries of the date of the stock option grant.

- Stock options issued to consultants performing investor relations activities must vest in stages over a period of not less than 12 months, with no more than one quarter of the stock options vesting in any three month period.

- Pursuant to the Exchange Policies, the Option Plan contains the following conditions:

    - Stock options are non-assignable and non-transferable;

    - Stock options are exercisable for a maximum of ten years from the date of grant;

    - No more than 2% of the issued and outstanding Kingsway Common Shares may be granted to any one consultant in any 12 month period;

- No more than 2% of the issued and outstanding Kingsway Common Shares may be granted to all persons employed primarily to conduct investor relations activities in any 12 month period;

- The period in which an optionee's heirs and administrators can exercise any portion of his or her outstanding stock options must not exceed one year from the optionee's death;

- Disinterested Kingsway Shareholder approval must be obtained for any reduction in the exercise price of a stock option if the optionee is an insider of Kingsway at the time of the amendment;

- For stock options granted to employees or consultants, Kingsway must represent that the optionee is a bona fide employee or consultant; and

- Any stock options granted to an optionee who is a director, employee or consultant must expire within 12 months following the date the optionee ceases to be in that role for any reason other than death.

The Kingsway Board may terminate the Option Plan or any outstanding stock options granted under the Option Plan for any reason, subject to the approval of the Exchange or relevant regulatory authority and the approval of the Kingsway Shareholders if required by such authority. No such termination may, without the consent of an optionee, alter or impair the rights that have accrued to such optionee prior to the effective date thereof. The Option Plan will be terminated upon the Deferred Share Incentive Plan becoming effective, provided that all outstanding options will remain unaffected and subject to the terms of the Option Plan.

PRIOR SALES

Kingsway has issued the following Kingsway Common Shares at the following prices during the 12 months prior to the date hereof:

Type of transaction	Number	Price per share	Date
Private placement	720,000	$0.05	January 23, 2015
Exercise of stock options	650,000	$0.05	August 28, 2015
Exercise of warrants	1,020,000	$0.05	August 28, 2015
Total	2,390,000		

STOCK EXCHANGE PRICE

The outstanding Kingsway Common Shares are listed and posted for trading on the TSXV under the symbol "KWA". The following table sets out the high and low trading prices and aggregate volume of trading of the outstanding Kingsway Common Shares on the TSXV for the following periods (as reported by the TSXV).

Date Range	High	Low	Traded Volume
Oct 1/13 – Dec 31/13	$0.015	$0.005	1,872,405
Jan 1/14 – Mar 31/14	$0.015	$0.005	1,069,700
Apr 1/14 – Jun 30/14	$0.035	$0.01	2,665,600
Jul 1/14 – Sept 30/14	$0.03	$0.02	876,300
Oct 1/14 – Dec 31/14	$0.03	$0.025	572,735
Jan 1/15 – Mar 31/15	$0.035	$0.015	1,127,800
Apr 1/15 – Jun 30/15	$0.035	$0.02	1,046,060
July 2015	$0.065	$0.04	913,289
August 2015	$0.06	$0.045	778,700

Date Range	High	Low	Traded Volume
September 2015	$0.065	$0.05	1,073,990
October 2015	$0.08	$0.015	1,752,770
November 2015 (from November 3rd to November 5th)(1)	$0.085	$0.03	196,495
December 2015	N/A	N/A	N/A
January 2016	N/A	N/A	N/A
February 2016	N/A	N/A	N/A

(1) Trading of Kingsway Common Shares was halted on November 6, 2015, the date that the Acquisition was announced.

Following the Acquisition, substantially all of Kingsway's assets will be located in the United States. As such, Kingsway intends to change its TSXV listing from a Canadian dollar listing to a US dollar listing, subject to approval of the TSXV.

EXECUTIVE COMPENSATION

External Management Companies

Kingsway currently has no employees and, other than in connection with the reimbursement of out-of-pocket expenses and as described herein, bears no costs with respect to any officers or other personnel providing services to Kingsway.

Upon completion of Kingsway's qualifying transaction on July 31, 2008 and until December 31, 2014, general management services required by Kingsway for its retirement properties were provided by KAMS pursuant to the KAMS Agreements. From January 1, 2015 until Kingsway closed the sale of the Aurora Property, those general management services were provided by Alexander Healthcare pursuant to the Alexander Healthcare Agreement.

For the general management services provided to Kingsway, KAMS was paid $1,500 per month plus a fee of 5% of the gross property revenue from the properties under management, plus HST, payable monthly. For the general management services provided to Kingsway beginning in January 1, 2015, Alexander Healthcare was paid $1,800 per month plus a fee of 4% of the gross property revenue from the property under management, plus HST, payable monthly.

The management services provided by KAMS and Alexander Healthcare included:

(i) accounting, reporting and financial preparation relating to Kingsway, including record keeping, preparation of financial statement and filing of tax returns;

(ii) activities related to Kingsway's public company and reporting issuer status, including investor relations services and advice with respect to Kingsway's obligations as a reporting issuer (including its continuous disclosure obligations); and

(iii) administrative services, including administrative support with respect to meetings of the Kingsway Board or Kingsway Shareholders, the provision of office space, the provision of any necessary equipment and personnel, and the provision of all accounting, clerical, secretarial, corporate and administrative services as may be reasonably necessary.

The KAMS Agreements and the Alexander Healthcare Agreement have been terminated and Kingsway has no further obligations thereunder.

Dan Amadori, the chief financial officer and chair of the Kingsway Board, provides his services to Kingsway under an agreement with Lamerac. Dan Amadori is a principal of Lamerac. Kingsway pays Lamerac $6,000 per month for the services provided by Dan Amadori, as approved by the Kingsway Board in July 2012. These arrangements are on a month to month basis and, when terminated upon the completion of the Acquisition, Kingsway will have no

further obligations to Lamerac other than for any unpaid monthly fees for the period ending upon completion of the Acquisition.

In March 2012, upon completion of the refinancing of the Aurora Property, Lamerac was paid a fee of $20,000, as approved by the Kingsway Board. In May 2012, upon completion of Kingsway's acquisition of the Clarington Property, Lamerac was paid a fee of $57,500, as approved by the Kingsway Board. In May 2014, upon the sale of the Clarington Property, Dan Amadori was paid additional compensation in the amount of $50,000. In addition, in connection with the proposed Acquisition, the Kingsway Board has approved additional compensation in the amount of $50,000 to be paid to Lamerac, which has been paid in full.

In 2014, Kingsway paid Patrick Byrne $1,500 per month for six months plus a lump sum payment of $50,000 for assistance with the sale of the Clarington Property. In 2015, Kingsway paid Patrick Byrne $50,000 for assistance with the sale of the Aurora Property.

Director and Named Executive Officer Compensation, Excluding Compensation Securities

The following table sets out information concerning the compensation earned or awarded to the Kingsway's executive officers and directors during the financial years ended December 31, 2015, December 31, 2014 and December 31, 2013.

Table Compensation excluding compensation securities							
Name and Position	**Year**	**Salary, consulting fee, retainer or commission ($)**	**Bonus ($)**	**Committee or meeting fees ($)**	**Value of perquisites ($)**	**Value of all other compensation ($)**	**Total Compensation ($)**
Patrick Byrne Chief Executive Officer and Director	2015 2014 2013	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	56,300[(1)(2)] 67,400([(1)(3)(4)] 8,400[(1)]	56,300 67,400 8,400
Dan Amadori, Chief Financial Officer and Chair of the Board	2015 2014 2013	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	27,000[(5)(6)] 86,000[(6)(7)] 36,000[(6)]	27,000 86,000 36,000
John MacKinnon Director	2015 2014 2013	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	10,000 25,000 Nil	10,000 25,000 Nil
Frank T. Rossi Director	2015 2014 2013	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	10,000 25,000 Nil	10,000 25,000 Nil
Don MacKinnon Director	2015 2014 2013	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	10,000 12,500 Nil	10,000 12,500 Nil
Bruce Dimytosh Director	2015 2014 2013	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	10,000 12,500 Nil	10,000 12,500 Nil

(1) Includes compensation that was paid by Kingsway to KAMS or Alexander Healthcare (as applicable) for services rendered by Patrick Byrne as an officer of Kingsway and included in the monthly payments made to KAMS or Alexander Healthcare (as applicable) described under "*Information Concerning Kingsway Arms Retirement Residences Inc. – Executive Compensation – External Management Company*" in this Circular. HST due on these payments is not included in the table.

(2) Includes $50,000 paid by Kingsway to Alexander Healthcare for services rendered by Patrick Byrne in overseeing the sale of the Aurora Property (and for related services) as an officer of Kingsway.

(3) Includes $50,000 paid directly to Patrick Byrne for his services in overseeing the sale of the Clarington Property (and for related services).

(4) Includes compensation of $9,000 paid directly to Patrick Byrne.

(5) The Kingsway Board authorized compensation of $50,000 to Lamerac for services rendered by Dan Amadori as an officer of Kingsway in connection with overseeing the Acquisition (and for related services). This amount has been paid in full.

(6) This compensation was paid by Kingsway to Lamerac (as described under "*Information Concerning Kingsway Arms Retirement Residences Inc. – Executive Compensation – External Management Company*" in this Circular) for services rendered by Dan Amadori as an officer of Kingsway. HST due on this compensation is not included in the table.

(7) Includes $50,000 paid by Kingsway to Lamerac (as described under "*Information Concerning Kingsway Arms Retirement Residences Inc. – Executive Compensation – External Management Company*" in this Circular) for oversight and other services relating to the sale of the Clarington Property provided by Dan Amadori as an officer of Kingsway. HST due on this payment is not included in the table.

Stock Options and other Compensation Securities

Kingsway did not grant or issue any compensation securities to any executive officer or director of Kingsway in the financial year ended December 31, 2014. The following table sets-out information concerning stock options and

other compensation securities awarded to each Kingsway director and executive officer during the period from January 1, 2015 to September 30, 2015.

Compensation securities								
Name and Position	**Type of compensation security**	**Number of compensation securities, and percentage of 2,542,800 outstanding**	**Number of underlying securities, and percentage of 20,290,000 issued and outstanding shares)**	**Date of issue or grant**	**Issue, conversion or exercise price ($)**	**Closing price of security or underlying security on date of grant ($)**	**Closing price of security or underlying security at year end ($)**	**Expiry date**
Patrick Byrne Chief Executive Officer and Director	Stock Options	100,000 stock options (3.93%)	100,000 common shares (0.5%)	April 17, 2015	0.05	0.03	N/A	April 17, 2020
John MacKinnon Director	Stock Options	100,000 stock options (3.93%)	100,000 common shares (0.5%)	April 17, 2015	0.05	0.03	N/A	April 17, 2020
Frank T. Rossi Director	Stock Options	100,000 stock options (3.93%)	100,000 common shares (0.5%)	April 17, 2015	0.05	0.03	N/A	April 17, 2020
Don MacKinnon Director	Stock Options	100,000 stock options (3.9%)	100,000 common shares (0.5%)	April 17, 2015	0.05	0.03	N/A	April 17, 2020
Bruce Dimytosh Director	Stock Options	100,000 stock options (3.9%)	100,000 common shares (0.5%)	April 17, 2015	0.05	0.03	N/A	April 17, 2020

Notes:

(1) All options described in the above table vested on April 17, 2015, the date of the grant.

(2) All options described in the above table have been exercised.

No executive officers or directors of Kingsway exercised any compensation securities in the financial year ended December 31, 2014. The below table sets out information concerning stock options exercised by Kingsway executive officers and directors during the period from January 1, 2015 to September 30, 2015.

Exercise of compensation securities by Directors and Executive Officers							
Name and Position	**Type of compensation security**	**Number of underlying securities exercised**	**Exercise price per security ($)**	**Date of exercise**	**Closing price of security on date of exercise ($)**	**Difference between exercise price and closing price on date of exercise ($)**	**Total value on exercise date ($)**
Patrick Byrne Chief Executive Officer and Director	Options	100,000	0.05	August 28, 2015	0.06	0.01	1,000
John MacKinnon Director	Options	100,000	0.05	August 28, 2015	0.06	0.01	1,000
Frank T. Rossi Director	Options	100,000	0.05	August 28, 2015	0.06	0.01	1,000
Don MacKinnon Director	Options	100,000	0.05	August 28, 2015	0.06	0.01	1,000
Bruce Dimytosh Director	Options	100,000	0.05	August 28, 2015	0.06	0.01	1,000

Stock Option Plan

The Kingsway Board, on the recommendation of the compensation committee of the Kingsway Board, has discretion over grants made to officers and employees of Kingsway under the Option Plan. The Kingsway Board reviews the possibility of grants annually and periodically during each fiscal year. In monitoring or assessing option allotments, the Kingsway Board takes into account its own observations of individual performance (where possible), its assessment of individual contribution to Kingsway Shareholder value, previous option grants and any objectives set by the Kingsway Board for the executives. The terms of the options granted (including vesting, number granted and exercise price) are made in compliance with the Option Plan. The grant of options is designed to encourage long-term ownership in Kingsway and also align the interests of executives with Kingsway Shareholders.

The Option Plan was approved by Kingsway Shareholders on August 23, 2012 and was amended by Kingsway Shareholders on September 30, 2015. For a description of the material terms of Kingsway's Option Plan, see "*Information Concerning Kingsway Arms Retirement Residences Inc. – Stock Option Plan*" in this Circular. For information relating to the number of options currently outstanding under the Option Plan, see "*Information Concerning the Resulting Issuer – Options to Purchase Securities*" in this Circular.

The Option Plan will be terminated upon the Deferred Share Incentive Plan becoming effective, provided that all outstanding options will remain unaffected and subject to the terms of the Option Plan.

Employment, Consulting and Management Agreements

For a description of Kingsway's employment, consulting and management agreements, see "*Information Concerning Kingsway Arms Retirement Residents Inc. – Executive Compensation – External Management Companies*" in this Circular.

Oversight and Description of Director and Named Executive Officer Compensation

Director compensation is determined on the recommendation of the compensation committee of the Kingsway Board.

MANAGEMENT CONTRACTS

See "*Executive Compensation – External Management Companies*" in this Circular for details regarding the Alexander Healthcare Agreement and the amounts paid to Patrick Byrne thereunder. Patrick Byrne resides in Etobicoke, Ontario. The Alexander Healthcare Agreement has been terminated.

See "*Executive Compensation – External Management Companies*" in this Circular for details regarding Kingsway's arrangements with Lamerac and the amounts paid to Dan Amadori thereunder. Dan Amadori resides in Toronto, Ontario. Kingsway's arrangements with Lamerac will be terminated upon completion of the acquisition and, upon such termination, Kingsway will have no further obligations to Lamerac other than for any unpaid monthly fees for the period ending upon completion of the Acquisition.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The below table sets forth information, as at December 31, 2015, in respect of the securities authorized for issuance under Kingsway's compensation plans. The Option Plan will be terminated upon the Deferred Share Incentive Plan becoming effective, provided that all outstanding options will remain unaffected and subject to the terms of the Option Plan.

Plan category	Number of securities to be issued upon exercise of options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	2,542,800	0.10	950,200
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	2,542,800	0.10	950,200

NON-ARM'S LENGTH PARTY TRANSACTIONS/ARM'S LENGTH TRANSACTIONS

Except as disclosed under "*Information Concerning Kingsway Arms Retirement Residences Inc. – Executive Compensation*" in this Circular, Kingsway has not acquired any assets or services from any: (i) director or officer of Kingsway; (ii) Kingsway Shareholder who beneficially owns more than 10% of the outstanding Kingsway Shares; or (iii) any Associate or Affiliate thereof; within the 24 months preceding the date of this Circular.

The Acquisition is an arm's length transaction.

LEGAL PROCEEDINGS

Kingsway is not currently a party to any legal proceedings, nor is Kingsway currently contemplating any legal proceedings, which are material to its business. Management of Kingsway is currently not aware of any legal proceedings contemplated against Kingsway.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditors of Kingsway are Collins Barrow Toronto LLP. At the Meeting, Kingsway Shareholders will be asked to approve a resolution changing the auditors of Kingsway. See "*Business of the Meeting – Change of Auditor*".

Computershare is the transfer agent and registrar for the Kingsway Common Shares at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The only material contracts, other than material contracts entered into in the ordinary course of business, to which Kingsway is a party, are the Share Purchase Agreement and the purchase and sale agreement entered into in respect of the sale of the Aurora Property. Copies of both agreements have been filed on SEDAR at www.sedar.com and are available for inspection at the head office of Kingsway located at 208 Evans Avenue, suite 115, Toronto, Ontario, M8Z 1J7, during ordinary business hours until the effective date of the Acquisition and for a period of 30 days thereafter.

INFORMATION CONCERNING MHI HOLDCO

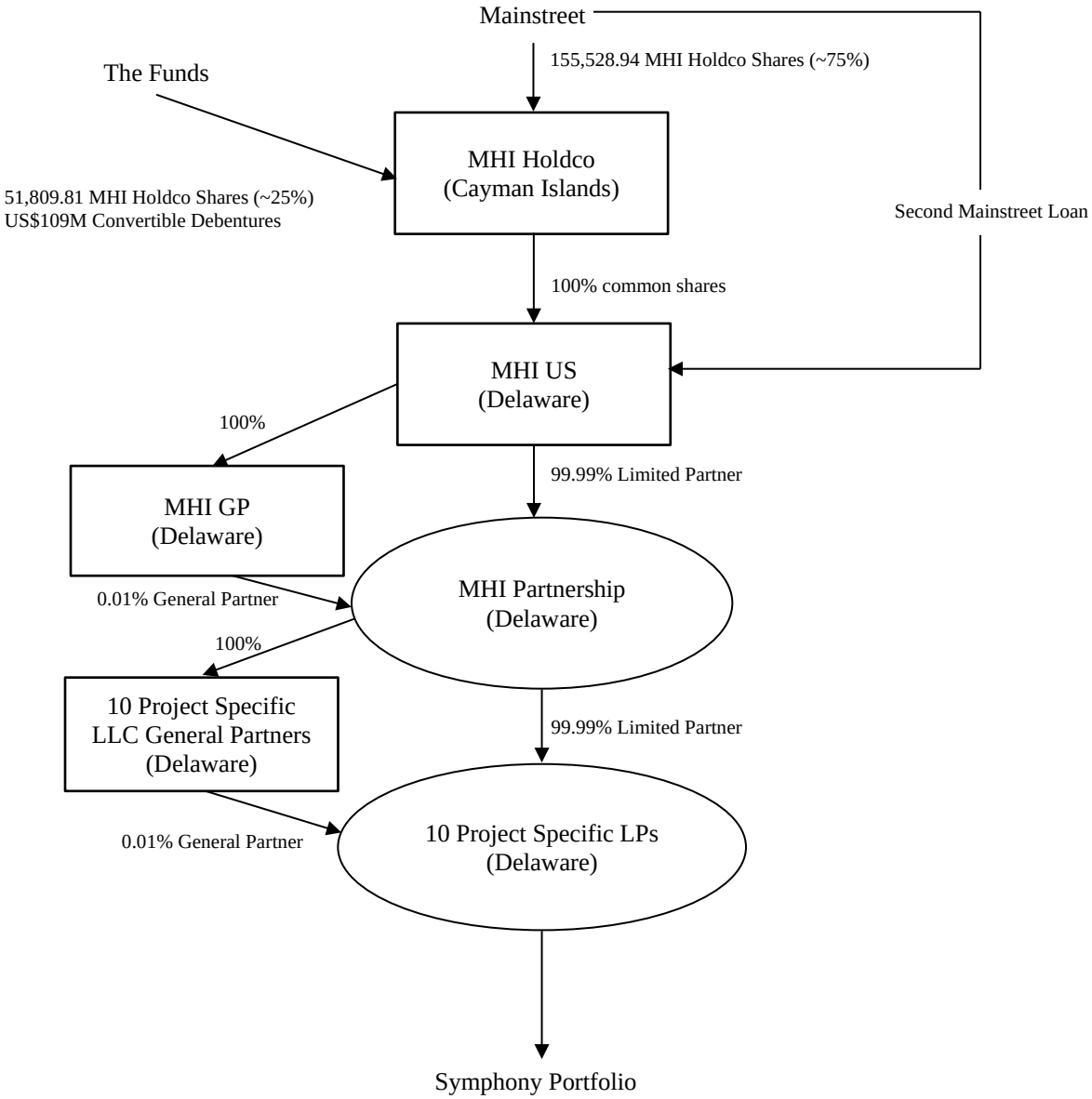
CORPORATE STRUCTURE

Name and Incorporation

MHI Holdco was incorporated under the laws of the Cayman Islands on October 7, 2015. The registered and head office of MHI Holdco is PO Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands.

Intercorporate Relationships

Current Structure
MHI Holdco



GENERAL DEVELOPMENT OF THE BUSINESS

MHI Holdco was incorporated on October 7, 2015 for the purpose of indirectly acquiring the Symphony Portfolio. Until the acquisition of the Symphony Portfolio, MHI Holdco had no operations.

Issuance of MHI Holdco Shares and Convertible Debentures

On October 29, 2015, MHI Holdco issued 155,527.94 MHI Holdco Shares to Mainstreet and 51,809.81 MHI Holdco Shares to the Funds for cash. See "*Information Concerning MHI Holdco – Description of MHI Holdco Securities*" in this Circular for further information regarding the terms of the MHI Holdco Shares.

On October 29, 2015, MHI Holdco issued the Convertible Debentures to the Funds. See "*Business of the Meeting – Convertible Debentures*" and "*Information Concerning MHI Holdco – Description of MHI Holdco Securities*" in this Circular for further information regarding the material terms of the Convertible Debentures.

Acquisition of Symphony Portfolio

On October 30, 2015, the acquisition of 10 of the 11 Properties comprising the Symphony Portfolio closed pursuant to the terms of the Symphony Purchase Agreement. See "*Information Concerning Resulting Issuer – Narrative Description of the Business*" in this Circular for further information regarding the Symphony Purchase Agreement.

The acquisition of the Symphony Portfolio is an acquisition of assets and is not an acquisition of a business. The assets of the Symphony Portfolio were previously used in the operation of Symphony's senior care business, and there were no arm's length leasing agreements in place. Accordingly, MHI US did not indirectly acquire a pre-existing leasing business that leased properties to senior care providers, nor did it acquire the senior care business operated at the Properties in the Symphony Portfolio, including, among other things, naming rights, marketing systems, intellectual property, customer base, working capital, employees, and all contracts used in connection with the operations of the buildings. Rather, the assets of the Symphony Portfolio, including the land and buildings, were acquired from Symphony and concurrently leased to the Master Tenant pursuant to the Master Lease. Historical financial statements of Symphony relating to the senior care business of the Symphony Portfolio would not provide meaningful information to Kingsway Shareholders, as such financial statements consist of revenues and expenses that will not form part of MHI Holdco's business. Specifically, the historical financial statements relating to the Symphony Portfolio would be comprised of revenues from residents and expenses incurred in connection with operating senior care properties and/or leases with related parties that were below market rent. By contrast, the revenues earned by MHI Holdco in connection with the acquisition of the Symphony Portfolio will be lease revenues from the Master Lease and the expenses will be limited to the expenses incurred in connection with those leases. As a result, certain disclosure requirements in respect of MHI Holdco required under Form 3D1 of the Exchange are not applicable.

Financing

On October 29, 2015, MHI Holdco raised US$20,733,775 through the issuance of MHI Holdco Shares and approximately US$108 million through the issuance of the Convertible Debentures as described under "*Information Concerning MHI Holdco – General Development of the Business – Issuance of MHI Holdco Shares and Convertible Debentures*" in this Circular. The principal amount of the Convertible Debentures has subsequently increased to approximately US$109 million as of December 31, 2015 by capitalizing a portion of the interest accrued and payable on the Convertible Debentures in accordance with their terms.

MHI Partnership and the MHI Symphony Property Owners have entered into the Facility, which is comprised of the Term Loan and the Revolver. The acquisition of the initial 10 Properties in the Symphony Portfolio was financed, in part, by the Term Loan. The Hanover Park Property will also be financed, in part, by the Term Loan and the Revolver.

The Term Loan had an outstanding principal balance of US$147.0 million as of December 31, 2015, which relates entirely to the acquisition of the Symphony Portfolio, and is secured by a first mortgage on each of the Properties except the Hanover Property.

The Facility is interest-only, with a variable rate interest rate calculated at either (i) the United States 30-day LIBOR plus a margin of 300 basis points; or (ii) an alternate base rate equal to the greater of (a) the prime interest rate; and (b) the federal funds rate plus one half of one percent, plus 200 basis points. The Term Loan matures four years from October 30, 2015 and the Revolver matures three years from October 30, 2015. The Revolver can be extended an additional year, subject to certain conditions being met. Proceeds of the Facility may be used: (i) to finance acquisitions, (ii) to bridge longer term refinancing, (iii) to repay existing debt and (iv) for other general corporate purposes.

The Revolver contains an accordion feature whereby it can be increased by US$100,000,000, for a total Facility capacity of US$300,000,000, at any time during the term of the Facility, subject to approval by the participating financial institutions. The Facility contains usual and customary financial and other covenants for facilities of this type.

To manage interest rate risk, MHI Holdco entered into the Swap Agreement. In the Swap Agreement, MHI Holdco agreed to exchange the difference between fixed and variable rate interest on a principal amount of US$147.0 million, the full amount borrowed on the Facility as of that date. The Swap Agreement effectively fixes interest at a rate of 4.2% through its maturity on October 30, 2019.

In addition, MHI US obtained the First Mainstreet Loan (which has been repaid in full) and the Second Mainstreet Loan. The Second Mainstreet Loan bears interest at a rate of 5% per annum and matures on October 30, 2016. The Second Mainstreet Loan was used to fund the deposit for the acquisition of the Hanover Park Property. It is intended that the Second Mainstreet Loan be repaid on completion of the acquisition of the Hanover Park Property.

Future Acquisitions

In the normal course, MAMI (in its capacity as asset manager of MHI Holdco) may have outstanding non-binding letters of intent and/or may otherwise be engaged in discussions with respect to possible acquisitions of new properties which may or may not be material. However, there can be no assurance that any of these letters and/or discussions will result in an acquisition and, if they do, what the final terms or timing of any acquisition would be. MAMI expects to continue to pursue acquisitions and investment opportunities both prior to and following closing of the Acquisition.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

MHI Holdco's primary business is to acquire a portfolio of income-producing seniors housing and care properties comprising IL and AL communities and SNFs, including short-term rehabilitation services, memory care and nursing care in the United States. MHI Holdco's initial portfolio will consist of the Properties, as described in "*Information Concerning MHI Holdco – Narrative Description of the Business – Symphony Portfolio*" in this Circular. The revenues earned by MHI Holdco in connection with the acquisition of seniors housing and care properties will be lease revenues.

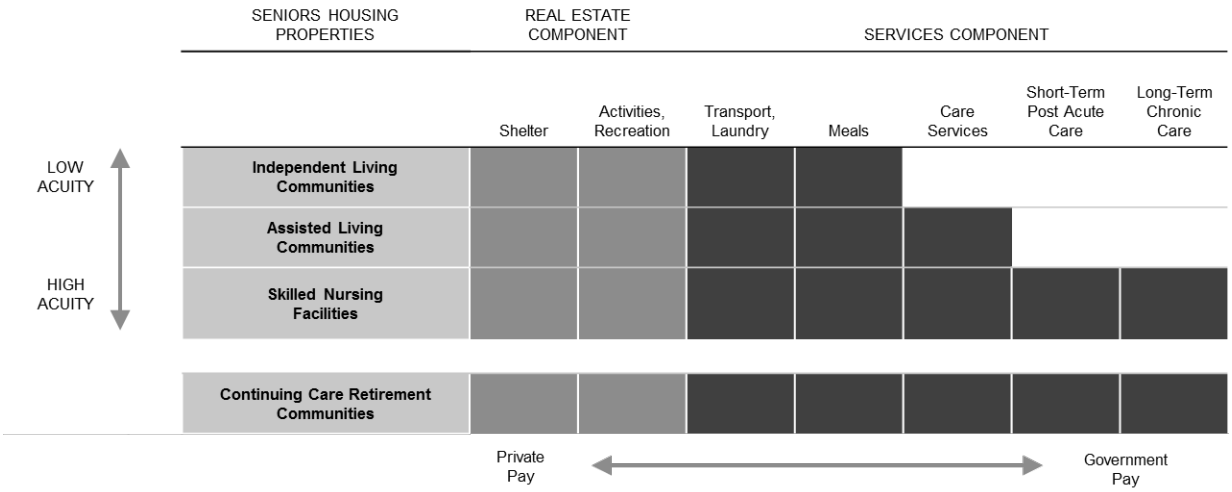
Industry

Healthcare is the single largest industry in the United States based on GDP. It is estimated to have represented 17.4% of GDP, or US$2.9 trillion, in 2013. Furthermore, according to the National Health Expenditures factsheet dated July 2015 prepared by CMS, healthcare growth is expected to outpace broader economic growth by 1.1% from 2014 to 2024. National health expenditures are estimated to grow 5.8% per year from 2014 to 2024 and comprise 19.6% of GDP by 2024.

Spectrum of Care

Seniors housing and care properties in the United States provide the full spectrum of care ranging from low-to-high acuity care, as referenced in the table below. Low-acuity care consists of IL and AL communities. High-acuity care consists of SNFs, inpatient rehabilitation and long-term acute care hospitals. The level of state and federal regulatory oversight and control varies among the seniors housing and care categories, including the nature of healthcare

services provided, the acuity setting and whether the food, housing and care provided is paid for by the resident or through a government program. The term "seniors" generally refers to the category of people who are the age of 65 and older.



- **IL Communities**: IL communities are the least medically-intensive type of seniors housing and care properties. Unlike AL communities or SNFs, IL communities do not commonly offer nursing, rehabilitative care or therapy services and typically do not provide assistance with activities of daily living. Rather, IL communities are designed as a seniors housing and care option for those who are able to perform their own basic activities of daily living and need little or no medical assistance. IL communities come in many forms ranging from age-restricted apartment communities to villa homes on the campus of a retirement village or part of a continuing care retirement community. IL communities in the United States are generally unregulated and unlicensed, with some exceptions for IL communities providing more extensive care services. IL communities receive revenue through private pay sources such as private insurance and private funds, rather than government sources.

- **AL Communities**: AL communities play a key role in the continuum of seniors housing and care, as they bridge the gap between IL communities and SNFs. AL communities provide relatively independent elderly persons with typical amenities associated with less-intensive seniors housing and care as well as personal assistance with activities of daily living and some healthcare services. Services provided at AL communities typically include 24-hour care services for resident protection, an emergency response system, supervision for persons with disabilities, housekeeping, maintenance and transportation. In addition, a growing number of AL communities offer services specifically designed for residents with Alzheimer's and/or memory care needs. AL communities in the United States are typically licensed and regulated by state and local governments, rather than the federal government. AL communities receive revenue from private pay sources and third party pay sources, including federal and state governments and insurance companies.

- **SNFs**: SNFs are senior care facilities that provide a room, meals and assistance with daily life activities and have licensed nursing staff on duty 24 hours per day. These facilities provide the most intensive level of medical and nursing care in a residential setting for seniors, typically treating residents with physical or mental impairments that prevent them from living in IL or AL communities. In many cases, these facilities supplement hospital care by providing care to patients who require medical and therapeutic services but are stable enough to have these services provided in a facility that is less expensive than a hospital or other post-acute care setting. The growing SNF segment includes services to patients requiring medical and/or nursing care and rehabilitation services for post-operating procedures including hip or knee replacements and cardiac surgeries, among others. SNFs also provide transitional care services which are designed for post-operating patients transitioning from the hospital into their home.

SNFs are the most common destination for post-acute care patients. They are staffed by registered nurses, therapists, pharmacists and social workers. SNFs in the United States are subject to extensive federal and state regulation, including licensing requirements and regulations relating to government funding. SNFs receive revenue from private pay sources and third party pay sources, including the federal and state governments and insurance companies.

- **CCRCs**: Often IL and AL communities and SNFs are combined into a one campus care environment, thereby establishing a continuum of care for residents designed to meet their housing and care needs as they grow older. Many CCRCs have contractual commitments for suite rentals with additional assistance and nursing care available as necessary, allowing the resident to age in place without having to move or change suites. In addition, CCRCs provide owners and operators with enhanced operating efficiencies from economies of scale and operating knowledge, which often lead to competitive advantages in attracting residents and generating higher operating margins.

Dynamics

MHI Holdco believes that it will benefit from a number of favourable industry dynamic and trends, including:

- **Revenue Stability**: The seniors housing and care industry enjoys stable, predictable revenues and has historically been largely insulated from economic cycles as a result of a number of factors:

    - **Need-Driven Services**: Demand for seniors housing and care, in both low and higher-acuity care settings, is driven by housing and care requirements. These requirements are not typically discretionary and, as a result, demand is generally not correlated to macro-economic trends and cycles. For instance, according to the National Clearinghouse for Long Term Care Information, in the United States, about 70% of people over age 65 will require some type of senior care services during their lifetime and more than 40% will need care in a high acuity facility (such as an SNF).

    - **Stable Occupancy**: Historical occupancies of seniors housing and care properties have remained consistently strong. According to the American Health Care Association, from 2005 to 2015, average occupancy rates for SNFs ranged from 86% to 89% (with an average of 87.5%). According to the National Investment Center for Seniors Housing and Care, from 2010 to 2015, average occupancy rates for IL and AL communities ranged from 87 to 90 (with an average of 89%).

    - **Favourable Funding Sources**: Seniors housing and care properties generate their revenues from stable government funding, insurance companies and private source income.

    - **Barriers to Entry**: Regulatory requirements in many jurisdictions often make it challenging to develop new seniors housing and care properties, which has led to an increased imbalance between supply and demand. Many states directly regulate the development and construction of seniors housing and care properties and impose various licensure requirements, including CON licenses and laws. Such certifications and licences, if available, can be difficult to obtain. Furthermore, equity capital required to fund expenses in connection with a proposed development are sizeable, often requiring numerous investors and partners. There are also many operational barriers to entry, as a high degree of experience and operating expertise is required, particularly as the acuity level increases. Furthermore, federal and state regulatory operating licenses are required in order for a property to be eligible for Medicaid and Medicare reimbursement by federal and state authorities.

- **Cost-Effective Care Alternative**: In the face of rising healthcare costs, SNFs provide one of the most cost-effective alternatives for third-party payor sources, including government and private insurance as well as private-pay residents. SNFs provide many of the same services as hospitals but at significantly lower costs. Currently in the United States, certain post-acute care services provided by SNFs are estimated to be provided at one-third of the cost of the next cheapest alternative.

- **Ownership Fragmentation**: The seniors housing and care industry in the United States is highly fragmented and the properties are predominantly owned by local and regional corporations. According to the National Investment Centre for Seniors Housing and Care, there were approximately 11,425 AL and IL

communities representing approximately 1.44 million suites in the United States in 2015. According to the American Health Care Association, there were approximately 15,600 SNFs representing approximately 1.66 million certified beds in the United States in 2015. The top ten AL and IL community owners represent approximately 27% of the total beds owned and the top ten SNF owners represent approximately 14% of the total beds owned. The tables below illustrate the market position of the top ten AL and IL community owners and the top ten SNF owners in the United States for the most recently available year.

Top Ten U.S. Seniors Housing Community Owners

Company	Total Number of Suites	% of Suites	Total Number of Facilities	% of Communities
Brookdale Senior Living	82,356	5.0%	976	6.2%
Ventas Inc.	69,708	4.2%	785	5.0%
Health Care REIT Inc.	59,786	3.6%	611	3.9%
HCP Inc.	49,731	3.0%	491	3.1%
Seniors Housing Properties Trust	34,772	2.1%	297	1.9%
Boston Capital	29,741	1.8%	486	3.1%
Northstar Healthcare	17,514	1.1%	209	1.3%
Senior Lifestyle Corporation	16,685	1.0%	176	1.1%
New Senior Investment Group	14,838	0.9%	124	0.8%
Holiday Retirement	13,768	0.8%	114	0.7%
Top Ten Total	**388,899**	**27.0%**	**4,269**	**37.4%**
U.S. Investment Grade Total	**1,442,000**	**100.0%**	**11,425**	**100.0%**

Source: National Investment Center for Seniors Housing & Care, American Senior Housing Association and the National Center for Assisted Living

Top Ten U.S. Skilled Nursing Facility Companies

Company	Total Number of Beds	% of Beds	Total Number of Facilities	% of Facilities
Genesis HealthCare Corp.	44,805	2.7%	380	2.4%
HCR Manor Care	38,027	2.3%	280	1.8%
Golden Living	30,267	1.8%	295	1.9%
Life Care Centers of America	29,338	1.8%	223	1.4%
Sava Senior Care	24,154	1.5%	200	1.3%
Consulate Health Care	22,048	1.3%	202	1.3%
Signature Health Care	14,157	0.9%	113	0.7%
The Ensign Group	13,205	0.8%	124	0.8%
Kindred Healthcare	11,779	0.7%	90	0.6%
Evangelical Luthern	11,444	0.7%	166	1.1%
Top Ten Total	**239,224**	**14.4%**	**2,073**	**13.3%**
U.S. Total	**1,662,757**	**100.0%**	**15,632**	**100.0%**

Source: American Health Care Association and the National Center for Assisted Living

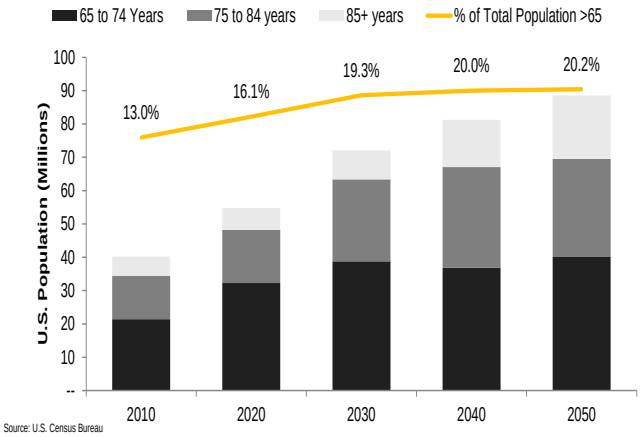
- **Supply and Demand Imbalance:** A current imbalance exists in the United States between industry supply and demand. Although the number of seniors has grown and is anticipated to continue to grow dramatically, the number of SNFs has declined. In 2005, there were over 16,000 certified SNFs in the United States totaling approximately 1.68 million certified beds. By 2015, that number had declined to approximately 15,600 certified SNFs totaling approximately 1.66 million certified beds, representing a decline of approximately 2.5% and 1.0%, respectively. Since 2009, annual new construction starts have averaged approximately 1.8% of existing stock and are the primary driver behind the declining number of facilities and beds. As a result of the declining number of facilities, lack of construction starts and a growing senior population, MHI Holdco believes there is a significant market opportunity to aggregate seniors housing and care properties. According to the National Investment Center for the Senior Housing

and Care Industry, more than US$400 billion in new construction, over and above existing supply, will be needed to meet future demand for seniors housing and care properties over the next 35 years.

Demand Drivers

As described in "*Information Concerning MHI Holdco – Narrative Description of the Business – Industry – Dynamics*" in this Circular, there are many characteristics of the seniors housing and care industry that have led to significant demand. MHI Holdco believes the following are some of the more significant factors contributing to this demand.

- **Aging Population**: The number of seniors, both as an absolute total and as a percentage of the total population, is increasing dramatically, which is expected to substantially increase demand for seniors housing and care properties. According to the United States Census Bureau, the United States senior population is expected to grow from 40.2 million to 54.8 million (representing a CAGR of 3.1%) between 2010 and 2020, and is expected to reach 72.1 million by 2030 (2020 to 2030 CAGR of 2.7%). Although the United States population is expected to grow at a CAGR of approximately 1.0% between 2010 and 2050, the United States senior population is expected to grow at a CAGR of 2.0% over the same period. Further, the United States senior population that is 85 years and older is expected to grow from 5.8 million in 2010 to 19.0 million by 2050 (CAGR of 3.0%). This substantial growth in the senior population is expected to result in seniors representing a larger proportion of the total United States population. In 2010, seniors represented 13% of the total population and, by 2050, that figure is expected to exceed 20%. The chart below illustrates the rapid growth in the United States seniors population.



- **Increasing Life Expectancy**: Life expectancy in the United States has increased over the past 50 years as a result of improved standards of living, changes in lifestyle and awareness and advancements in medicine and technology. This increased life expectancy should increase demand for seniors housing and care properties as the length of time seniors stay in such facilities also increases. As seen in the chart below, the average life expectancy of a United States citizen has increased from 69 years in 1960 to 77 years in 2010**.**

U.S. Life Expectancy

Years	Male	Female	Average
1960	67	71	69
1970	67	72	70
1980	70	74	72
1990	72	76	74
2000	74	77	76
2010	75	78	77

Source: US Census Bureau

- **Changing Family Dynamics**: As a result of changing family dynamics, seniors housing and care properties have become more important as adult children are less willing or able to care for their aging parents. These dynamics include an increasing number of dual-income families, increased life expectancy, the increasing number of single parent households and the further geographic dispersion of families. All of these factors have contributed to increased demand.

- **Rising Healthcare Costs and Desire for Alternatives**: Rising healthcare costs and government budgetary constraints have forced government and private payors to seek cost-effective healthcare alternatives. According to the Organization for Economic Co-operation Development, the United States had the highest health expenditure per capita globally in 2014. SNFs provide lower cost post-acute care alternatives as compared to home or hospital care. Based on current estimates, certain post-acute care services provided by SNFs can be provided at one-third of the cost of the next best alternative.

- **Changes in Consumer Preferences**: The majority of the existing seniors housing and care properties in the United States are aged and insufficient to meet the preferences of today's seniors. These properties have an institutional feel and suffer from significant drawbacks, including shared rooms, central or shared bathing, cafeteria-style dining settings and insufficient common areas and amenities. In contrast, seniors now desire newer properties that have a more upscale and residential feel. In particular, seniors now demand larger private rooms, private in-room bathing and restaurant-style dining. Furthermore, residents often choose properties with improved amenities, such as cafes, theatres, chapels, fitness centers, community rooms, wellness centers, spas, in-room kitchens and laundry facilities and beauty/barber shops.

Regulation and Funding

Seniors housing and care in the United States is subject to varying degrees of regulation and licensing by federal and state health agencies and other regulatory authorities depending principally on the level of care and types of services offered. Although requirements vary from state to state, these requirements generally address operational and safety matters. In many states, seniors housing and care properties also require a CON from the applicable state government body before the facility can be developed and operated. Specific regulations within each state of the United States vary significantly. The Symphony Portfolio currently operates in the state of Illinois, which maintains a CON program. In most states, seniors housing and care properties are also subject to state or local zoning requirements, building codes, fire codes and food service licensing or certification requirements. Seniors housing and care properties are also subject to periodic surveys or inspections by governmental authorities to assess and ensure compliance with regulatory requirements. The Symphony Portfolio meets or exceeds all required regulatory standards and is not subject to any outstanding material deficiencies identified in recent surveys or third party reports.

Funding for seniors housing and care properties generally comes from the below sources:

- **Medicare**: Medicare is the social insurance program administered by the United States federal government to provide health insurance coverage to residents who have paid into the United States social security system for at least 10 years and who are over the age of 65 or disabled. Medicare is divided into two primary parts: Part A (Hospital/Nursing Home Services) and Part B (Professional and Non-Institutional Services). Part A covers room and board for in-patient hospital or SNF care, along with costs of medication, supplies, equipment, and nursing and rehabilitation therapy services incurred during an in-patient stay. Part A coverage is limited to higher acuity care for a limited length of stay, however, a patient may continue to be covered under Part B for physical, occupational and speech therapy while in a nursing home even if Part A coverage has expired.

  Medicare per diem reimbursement rates are determined based on acuity levels over a broad spectrum of factors. It is not a cost-reimbursement system tied to the costs incurred or fees charged by a particular facility or within a specific state. Medicare generally only covers short-term rehabilitation and therapy rather than long-term stays in a facility. Thus, Medicare rates tend to be higher on average than other forms of healthcare reimbursement. However, as a government program, the reimbursement rates paid for Medicare services, or the services covered by the program, are subject to change from time to time.

- **Medicaid**: Medicaid is a social insurance program that is administered by state governments, but is also significantly funded by the federal government. There are some program variations from state to state in terms of reimbursement rate methodologies and service coverage. However, in all states, qualifications are determined according to an individual's income and assets. Generally, to qualify for Medicaid coverage, the individual will have exhausted most of their assets and any limited income beyond a nominal amount is paid to the nursing facility. Medicaid then pays the differential between a calculated reimbursement rate for the facility and the limited contribution from the individual. The Medicaid reimbursement rate is intended to cover the costs of room, board, nursing, medication and therapy services, but some medications, supplies, equipment and services are not fully covered by Medicaid. Medicaid reimbursement rates tend to be lower than most other forms of payment. Medicaid reimbursement rates are also subject to change from time to time due to state and federal government budgetary considerations.

- **Private Insurance**: Private insurance is a broad category encompassing any insurance-funded payor source outside of the Medicare and Medicaid programs. Private insurance may include long-term care insurance, Medicare co-insurance or traditional medical insurance. Some residents carry long-term care insurance policies that cover all or a portion of a facility's daily rate or additional services. Long-term care policies vary as to the types and amounts of coverage and have been increasing in prevalence over the last few years, in part due to tax incentives encouraging people to purchase coverage in order to decrease the demands upon the Medicare and Medicaid programs. Private insurance reimbursement rates tend to be stable, without significant changes from year to year. Private per diem reimbursement rates are generally lower than Medicare reimbursement rates and higher than Medicaid reimbursement rates, although they may be a fixed dollar amount unrelated to other rates. Private insurance rates also may be determined by negotiated agreements between operators and insurance carriers.

- **Private Funds**: The remaining source of payment is private funds. Residents pay the full rate (for the facility's per diem charges along with any ancillary service charges) as determined by the facility according to level of care required for the patient, the ancillary services required and market demand.

Symphony Portfolio

Symphony Purchase Agreement

On October 30, 2015, pursuant to the terms of the Symphony Purchase Agreement, the MHI Symphony Property Owners, each a wholly owned, indirect subsidiary of MHI Holdco, indirectly acquired from arm's length vendors nine SNFs, comprising a total of 2,185 licensed beds, and one AL community, comprising 120 licensed beds, in the Symphony Portfolio for a total purchase price of approximately US$268.4 million (excluding expenses), as adjusted pursuant to the terms of the Symphony Purchase Agreement. The Symphony Purchase Agreement contains a commitment to acquire the remaining Property in the Symphony Portfolio, the Hanover Park Property, on or before March 31, 2016, with an option to extend until April 30, 2016. The purchase price for the Hanover Park Property will be approximately US$34.1 million, increasing the total purchase price for the Symphony Portfolio to approximately US$302.5 million.

Under the Symphony Purchase Agreement, the vendors of the Properties deposited: (i) US$6.0 million of the purchase price proceeds into a holdback escrow account for purposes of satisfying the vendors' indemnification obligations, discussed below, a portion of which will be released to the vendors on October 30, 2016, and the remainder of which will be released to the vendors on October 30, 2017; (ii) US$9.0 million of the purchase price proceeds into the escrow account which will serve as a security deposit for the Master Tenant's obligations under the Master Lease; and (iii) US$7.0 million, which will fund an escrow to protect against cash flow deficiencies through the end of calendar year 2018, one third of which will be returned to the vendors at the end of calendar years 2016, 2017 and 2018 if applicable lease coverage ratios or cash collection hurdles are met.

Under the Symphony Purchase Agreement, the vendors of the Properties have provided customary representations and warranties regarding their organization, authority, financial statements, no conflicts, compliance with law, litigation, insurance, taxes, material contracts, brokers and leases. The vendors have also provided representations and warranties regarding the Symphony Portfolio, including environmental matters, title to property, condition and sufficiency of assets, survey reports, third-party payor program reimbursement, intellectual property, prohibited persons, employees, and other standard representations and warranties. The previous operators of the Properties

have also provided representations and warranties regarding their organization and authority and certain representations and warranties regarding the Symphony Portfolio, including health care matters, survey reports, environmental matters, leases and resident census averages. Certain of the representations and warranties are qualified as to materiality and knowledge subject to reasonable exceptions. Subject to certain exceptions, the representations and warranties survive for a period of two years from the completion of acquisition.

The vendors and the previous operators of the Properties agreed to indemnify and defend the MHI Symphony Property Owners against losses, including, without limitation, losses arising from (i) obligations of the vendors or the previous operators related to the vendors' or the previous operators' ownership or operation of the Properties prior to closing; (ii) breaches of representations, warranties or covenants given by the vendors or the previous operators under the Symphony Purchase Agreement; (iii) any failure by any vendor or previous operator to perform any of its post-closing covenants; (iv) any general liability or professional liability claim with respect to the Properties, to the extent that the underlying basis for such claim occurs or arises prior to closing; (v) any and all claims brought by any governmental authorities or other third party payor programs against the MHI Symphony Property Owners or any Property, to the extent that the underlying basis for such claim arises prior to closing, including claims as to any overpayments or non-compliance with healthcare laws; and (vi) any liability, claims or damages arising out of the vendors' failure to deliver tax clearance letters as required under the Symphony Purchase Agreement. The maximum indemnity available to the MHI Symphony Property Owners under the Symphony Purchase Agreement is US$6.0 million.

Master Lease and Subleases

Upon completion of the acquisition of the Symphony Portfolio, the existing leases and operating agreements were terminated and the Properties were leased to the Master Tenant pursuant to the Master Lease. The Master Tenant is affiliated with Symphony, which is a private family-owned and operated skilled nursing management company focused on post-acute care. Founded more than 35 years ago, Symphony operates 30 facilities with more than 5,200 licensed beds, 4,000 residents/patients in multiple states, and nearly 5,000 employees. Symphony is headquartered in Chicago and is a dominant provider in Illinois, with 24 facilities located in that state. Symphony also operates three facilities in Indiana, two in Arizona and one in Wisconsin.

The Master Lease has a fifteen-year initial term and three five-year renewals exercisable at the option of the Master Tenant. The Master Lease provides for an initial minimum annual base rent of US$24.2 million, with an escalation of 1.0% in year one, 1.5% in year two and CPI (with a floor of 2.25% and ceiling of 3.0%) for each lease year thereafter. As described above, a portion of the purchase price for the Symphony Portfolio is currently held in escrow as security for certain amounts payable under the Master Lease. Such escrow will remain in place to protect against cash flow deficiencies through the end of the calendar year 2018.

Concurrently with entering into the Master Lease, the Master Tenant entered into a sublease agreement with the Subtenant, which entered into new sub-sublease agreements with the Sub-Subtenants.

With respect to the relationship of the Master Tenant, the Subtenant and the Sub-Subtenants, to Symphony, Symphony is a service mark owned by an Illinois corporation but used by a group of limited liability companies and corporations, referred to as member facilities. The Illinois corporation provides consulting and marketing services and does not own, operate, manage or control the operations of the member facilities. Each member facility of Symphony is independently owned and operated. The Master Tenant is the sole member of the Subtenant and the Subtenant is the sole member of each of the Sub-Subtenants. The Subtenant and the Sub-Subtenants have guaranteed all of the obligations of the Master Tenant under the Master Lease, on a joint and several basis.

Properties

The table below provides high level information with respect to each of the Properties:

Name of Property	Location	Year Built [(1)]	Services Provided	Licensed Beds
Aria	Hillside, IL	1997/ 2013	SNF	198

Name of Property	Location	Year Built [1]	Services Provided	Licensed Beds
Bronzeville Park	Chicago, IL	1977	SNF	302
The Claremont of Buffalo Grove	Buffalo Grove, IL	1994	SNF	200
The Claremont of[2] Hanover Park	Hanover Park, IL	2010	SNF	150
The Imperial of Lincoln Park	Chicago, IL	1903/ 1984	SNF	248
Jackson Square Skilled Nursing and Living	Chicago, IL	1989	SNF	234
The Renaissance at 87th Street	Chicago, IL	1998	SNF	210
The Renaissance at Midway	Chicago, IL	1998	SNF	249
Renaissance Park South	Chicago, IL	1975/ 2010	SNF	296
The Renaissance at South Shore	Chicago, IL	1994/ 2013/ 2015	SNF	248
The Ivy Apartments	Chicago, IL	1903/ 1984	AL community	120
				2,455

(1) Date indicates year built, and, if applicable, most recent year of renovations.
(2) Acquisition of The Claremont of Hanover Park is expected to close in early 2016.

Further information in respect of each of the Properties is as follows:

Aria: 4600 N. Frontage Road, Hillside, Illinois 60162: Aria is a post-acute transitional rehab and long term care combination property that consists of 198 licensed beds and offers a complete range of dementia and memory care services as well as specific programs geared towards rehabilitation including rapid rehabilitation, orthopedic, cardiac, complex wound care and palliative care. The 3-story property was built in 1997 and was renovated in 2013. It is located in the western Chicago suburb of Hillside. Recent renovations of Aria's post-acute wing, which includes a therapy gym, dining room and 62 private suites, which will allow the property to accept a greater number of managed care and Medicare patients. Within the last five years, another wing of Aria was renovated to serve post-acute and long term care residents. Aria was one of the first properties in the United States to receive the new post-acute certification from the Joint Commission. Aria has also received a 5-star deficiency-free survey from the Illinois Department of Public Health. The property is part of Illinois' CON Program.

Bronzeville Park: 3400 S. Indiana Avenue, Chicago, Illinois 60616: Bronzeville Park is a post-acute transitional rehab and long term care combination property that consists of 302 licensed beds. It offers 85 beds for dementia and memory care as well as specific programs geared towards rehabilitation including rapid rehabilitation, orthopedic, cardiac, complex wound care and palliative care. The 4-story property was built in 1977 and is located in the Bronzeville neighborhood of Chicago's south side. The property is part of Illinois' CON Program and is Joint Commission accredited.

The Claremont of Buffalo Grove: 150 N. Weiland Road, Buffalo Grove, Illinois 60089: The Claremont of Buffalo Grove is a post-acute transitional rehab and long term care combination property that consists of 200 licensed beds, including 60 Medicare and managed care beds. The 3-story property was built in 1994 and is located in the northwest Chicago suburb of Buffalo Grove. The Claremont of Buffalo Grove was one of the first properties in the nation to achieve Joint Commission certification for disease-specific care in orthopedic, pulmonary and complex wound care. The Claremont of Buffalo Grove offers specific rehabilitation programs including pancreatic, dialysis, complex wound care and palliative care programs. The property is part of Illinois' CON Program.

The Claremont of Hanover Park: 2000 W. Lake Street, Hanover Park, Illinois 60133: The Claremont of Hanover Park is a post-acute transitional rehab property that consists of 150 licensed beds. Built in 2010, this 3-story brick property is located in the Chicago suburb of Hanover Park. It is rated as a 5-star rated property by the Centers for Medicare & Medicaid Services, a United States government program that administers Medicare and Medicaid services. The Claremont of Hanover Park is also one of the first properties in the nation to receive the new post-acute care certification from the Joint Commission. The Claremont of Hanover Park provides rehabilitation programs including cardiac, pulmonary, complex wound care and infectious disease programs. The property is part of Illinois' CON Program.

The Imperial of Lincoln Park: 1366 W. Fullerton Avenue, Chicago, Illinois 60614: The Imperial of Lincoln Park is a post-acute transitional rehab and long term care combination property comprised of 248 licensed beds. The Imperial offers dementia and memory care services as well as rapid rehabilitation, pulmonary, infectious disease, cardiac, complex wound care and palliative care programs. The 6-story brick building adjoins The Ivy Apartments supported living property. It was originally constructed in 1903 and was converted into its current use in 1984. It is located near Chicago's affluent Lincoln Park neighborhood and serves the entire north side of Chicago. The Medicare and managed care census is 65. The property is 5-star rated by CMS and is Joint Commission post-acute certified. The Imperial of Lincoln Park is part of Illinois' CON Program.

Jackson Square: 5130 W. Jackson Boulevard, Chicago, Illinois 60644: Jackson Square is a post-acute transitional rehab and long term care combination property that consists of 234 licensed beds. Jackson Square offers dementia and memory care as well as rapid rehabilitation, dialysis, cardiac, complex wound care and palliative care programs. Located in Chicago's west side, the 4-story brick property was built in 1989 and is Joint Commission accredited. Jackson Square is part of Illinois' CON Program.

The Renaissance at 87th Street: 2940 W. 87th Street, Chicago, Illinois 60652: The Renaissance is a post-acute transitional rehab and long term care combination property that consists of 210 licensed beds. The Renaissance provides dementia and memory care as well as rapid rehabilitation, orthopedic, cardiac, complex wound care and palliative care programs. The 3-story brick property was built in 1998 and is located on Chicago's southwest side. It was renovated extensively three years ago and was ranked number one in the Advocate Post-Acute Network two years in row and is Joint Commission accredited. The property is part of Illinois' CON Program.

The Renaissance at Midway: 4437 S. Cicero Avenue, Chicago, Illinois 60632: The Renaissance at Midway is a post-acute transitional rehab and long term care combination property that consists of 249 licensed beds. The Renaissance at Midway offers dementia and memory care as well as rapid rehabilitation, S.T.A.T. (Stabilize, Treat, Assess, and Transition), cardiac, complex wound care and palliative care programs. The 4-story brick facility was built in 1998 and is located on Chicago's south side. The property is part of Illinois' CON Program and is Joint Commission accredited.

Renaissance Park South: 10935 S. Halsted Street, Chicago, Illinois 60628: The Renaissance Park South is a 296 licensed bed post-acute transitional rehab and long term care combination property that offers memory care services as well as rapid rehabilitation, S.T.A.T. (Stabilize, Treat, Assess, and Transition), cardiac, complex wound care and dialysis programs. The 3-story brick property was built in 1975. It is located on Chicago's south side and was renovated extensively in 2008 and 2010. The Renaissance Park South property is Joint Commission accredited. The property is part of Illinois' CON Program.

The Renaissance at South Shore: 2425 E. 71st Street, Chicago, Illinois 60649: The Renaissance at South Shore is a post-acute transitional rehab and long term care combination property that consists of 248 bed licensed beds. The Renaissance at South Shore offers dementia and memory care as well as rapid rehabilitation, orthopedic, cardiac and complex wound care programs. The 4-story brick property was built in 1994 and renovated extensively in 2013 and 2015 in the post-acute care unit and lobby. It is located along Chicago's southern lake-front south shore neighborhood and has 60 managed and Medicare patients. The Renaissance at South Shore is Joint Commission accredited and is part of Illinois' CON Program.

The Ivy Apartments: 2437 N. Southport Avenue, Chicago, Illinois 60614: The Ivy Apartments is a supportive living property that consists of 120 licensed beds. The 6-story brick property adjoins The Imperial of Lincoln Park and was also built in 1903. It was converted into its current use in 1984. The Ivy Apartments are licensed under Illinois' Medicaid waiver program and offer affordable assisted living for Medicaid eligible individuals as well as those

paying privately. The Ivy Apartments offer both independent and supportive living with staff in the building 24 hours a day, seven days a week. Visiting physicians and specialists provide ancillary services as needed. The property is part of Illinois' CON Program.

Environmental Reports

Each of the Properties, except for Hanover Park Property, which will be assessed early in 2016, has been the subject of a Phase I ESA Report conducted by independent and experienced environmental consultants. The Phase I ESA Reports were issued between August 7, 2015 and August 26, 2015 and were prepared in general accordance with ASTM Practice E1527-13 for Environmental Site Assessments: Phase I Environmental Site Assessment Process. The purpose of the Phase I ESA Reports was to identify any RECs at the Properties, which means the presence or likely presence of any hazardous substances or petroleum products on any of the Properties under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on a Property or into the ground, groundwater or surface water of a Property. The Phase I ESA Reports also included a review of sampling and analysis performed at seven of the ten Properties on behalf of another party in April and May of 2015.

Based on the Phase I ESA Reports, the independent environmental consultants did not identify any RECs that warranted further environmental assessment or investigation at nine of the ten Properties. At one of the Properties, elevated levels of petroleum compounds were found in a limited area. Per the environmental consultant's recommendation, a cap of two feet of clean soil was placed over this area in September 2015. MHI Holdco believes that this has resolved the issue but will continue to monitor the area.

Property Condition Assessments

PCA Reports were prepared for nine of the SNFs (excluding the Hanover Park Property, which will be assessed early in 2016) and the Ivy Apartments, which is an AL community. The PCA Reports were prepared for the purpose of assessing and documenting the existing condition of each building and major building operating components and systems forming part of the Properties, and to identify and quantify major defects in materials or systems that might significantly affect the value of any of the Properties or continued operation thereof.

The PCA Reports in respect of the properties are all dated April 29, 2015. Each of the PCA Reports assessed both work recommended to be completed immediately (i.e. within 1 year of the audit) and medium and long term repairs (i.e. within 1 to 12 years of the audit). Based on the PCA Reports, each of the Properties appear to be reasonably well maintained. Approximately US$200,000 will be required for immediate repairs. Capital improvement work in the amount of approximately US$10 million will be required over the next 12 years. Projected projects include the replacement of resident rooms and common area furniture, fixtures and equipment, HVAC components, elevators components, commercial laundry and kitchen equipment, roofs and the exterior painting and masonry tuck-pointing of the properties.

As noted above, each of the Properties is leased to a Sub-Subtenant. The Sub-Subtenant is obligated to make all interior and exterior, structural and non-structural repairs and improvements to the Properties. MHI US will, as part of its annual asset review program, monitor the level of repairs and maintenance and capital expenditures undertaken by each Sub-Subtenant to ensure that the Properties are maintained in appropriate condition.

Property Appraisal

The firm of Tellatin, Short & Hansen, Inc. was retained to provide the Property Appraisal.

The Property Appraisal was prepared in conformity with:

- The *Uniform Standards of Professional Appraisal Practice* of the Appraisal Foundation;
- The requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute; and
- Title XI of the *Financial Institutions Reform, Recovery, and Enforcement Act of 1989*.

The Appraiser estimated the "as is" market value of the Properties, including the leased fee interest in the real property, as of August 13, 2015, to be US$302,500,000.

The estimated market value of the leased fee interests of the Properties was determined by the Appraiser using the income valuation approach, which utilizes the direct income capitalization approach (overall capitalization rate method) with consideration to the discounted cash flow method. These valuation methods are methods traditionally used by investors when acquiring properties of this nature. The Appraiser gave appropriate consideration to a forecast of income for each of the Properties in terms of occupancy, payor mix (for example, private-pay, Medicare or Medicaid – Public Aid), market and government reimbursement levels (based on historic and current levels at the Properties) and competitive properties (existing and proposed) in each market area. Operating expense forecasts were based on actual levels at the Properties and paired with comparisons to the operating expenses of comparable nursing properties. The expense forecast included market levels of management expenses and capital replacement reserves. The Appraiser visited each Property to assess location and physical characteristics and estimated the highest and best use for each Property. Appropriate valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information.

In determining the approximate market value of the Properties, the Appraiser relied on operating and financial data provided by or on behalf of Symphony, including detailed occupancy reports and posted rates with respect to vacant beds and/or suites and current and historic financial information from financial statements. The Appraiser believes that its appraisal gives appropriate consideration to the projected net operating income of each Property in terms of occupancy, private-pay rates and government reimbursements, operating expenses and provisions for capital improvements. For each Property, the Appraiser discussed with management the Property's history, current tenant status and future prospects, reviewed historical operating results and reviewed in detail management revenue and expense estimates (as set forth in the operating budgets) and historical statements for their reasonableness. In addition, the Appraiser toured the Properties within six months of the effective date of the Appraisal. Based on its review, and other relevant facts, the Appraiser considered such data to be reasonable and supportable.

In appraising the Properties, the Appraiser assumed that title to the Properties is good and marketable and did not take into account engineering, environmental, zoning, planning or other related issues.

Strategy

MHI Holdco's goals are to deliver stable and growing income to its shareholders while expanding its portfolio of seniors housing and care properties over time through organic growth, acquisition of newly constructed "next generation," pre-leased development projects and other third party acquisitions.

Organic Growth

MHI Holdco's internal growth strategy focuses on rent-step-ups, financing opportunities and tenant retention and growth. In addition, MHI Holdco has opportunities to increase its margin on individual properties through financing and refinancing of debt, including through United States government agency financing.

MHI Holdco will own its properties through its wholly owned subsidiaries and lease them to operators on a long-term, triple-net lease basis. A triple-net lease is a lease in which the tenant pays a stated rent, usually on a monthly basis, and pays all taxes (property and personal property), insurance, utilities and maintenance costs (including capital expenditures) that arise during the lease term, subject to certain exceptions. Essentially, in a triple net lease, the tenant operators assume all operational risk and all operating expenses associated with the property. In addition to being triple-net leases, the leases also generally include fixed rent escalators, and may include corporate and/or personal guarantees and/or cash escrows in support of the tenant operators' obligations under the lease. MHI Holdco believes this triple-net structure provides a significant advantage because revenues are not affected by changes in government or third-party payor reimbursement structures, changes in occupancy or other operational events.

In the event that a tenant operator defaults under a lease, the leases will provide numerous rights and remedies to the landlord. First, the leases will contain standard default remedies such as rent acceleration (subject to applicable laws), the ability to remove the tenant operator from the property (subject to existing arrangements with the health authorities, if any), the right to collect from the security deposit held by the landlord or in escrow, if any, the right to collect from the guarantor or indemnitor, if any, and the right, upon the landlord locating a new tenant operator, for

the landlord to collect from the tenant and guarantors any shortfall in the rent to be paid by the new tenant operator compared to the rent required to be paid under the original lease. Additionally, the landlord will have access to further remedies to ensure that the operations of the property will continue seamlessly after the tenant is removed from the operations (subject to existing arrangements with the health authorities, if any). In some instances, the personal property necessary for the operations of the property is owned by the landlord and in instances where the personal property is owned by the operator, the typical lease provides that the personal property becomes the property of the landlord at the end of the lease term or upon the earlier termination of the lease or, alternatively, provides the landlord with a security interest in such personal property. In the United States, any licenses and certifications necessary for operation and third party payor reimbursement remain with the property and the tenant is required to cooperate in transferring such licenses to the landlord or a new tenant operator. In the event the landlord under the lease finds it necessary to remove a tenant operator from one of its properties, it can, in the United States, designate a new tenant operator, subject to such new tenant operator complying with applicable regulatory requirements to obtain a new license.

MHI Holdco also intends to target experienced operating partners with the desire and financial ability to expand, which should provide additional opportunities to grow its portfolio of properties.

Strategic and Third Party Acquisitions.

MHI Holdco intends to identify and pursue potential property and portfolio acquisitions using investment criteria focusing on the quality of the properties, the strength of the underlying operations, the types of properties available, market demographics, lease terms, opportunities for expansion, security of cash flows, potential for capital appreciation and potential for increasing value through more efficient asset management of the assets being acquired. The ongoing intention of MHI Holdco's management is that all of the properties purchased in such acquisitions will be leased to qualified tenant operators using triple-net lease structures. Pursuant to the Development Agreements, the Resulting Issuer will have an option to acquire any property for which it provides mezzanine financing pursuant to the terms of the Development Agreements. See "*Information Concerning the Resulting Issuer – Arrangements with Mainstreet – Development Agreements*" in this Circular for additional information.

Competitive Conditions

MHI Holdco believes that its strategy benefits from a number of favorable industry dynamics and trends. Seniors housing and care enjoys stable, predictable revenues and has historically been largely insulated from economic cycles as a result of a number of factors, including (a) the demand for seniors housing is need driven, rather than discretionary, (b) occupancies have remained consistent over time in both the United States and Canada, and (c) certain properties receive revenue through government funding, which has remained stable. Additionally, regulatory requirements in many jurisdictions often make it difficult to acquire or develop seniors housing and care properties. There are also many operational barriers to entry as a high degree of experience is required to own and operate seniors housing and care properties, particularly as the acuity level of care delivered increases, and the capital requirements in connection with the acquisition or development of a property can be sizeable. The seniors housing and care industry in the United States is also very fragmented, with many properties owned by local or regional groups. Similarly, in Canada, seniors housing and care accommodation has historically been characterized by a large number of small operators who provide residences in fragmented geographic areas.

A current imbalance exists in the United States between industry supply and demand. Although the number of seniors has grown and is anticipated to continue to grow dramatically, the number of skilled nursing properties has declined. As a result of the declining number of properties, lack of construction starts, and growing senior population, management believes a substantial amount of development will need to occur in order to fulfill demand. A similar imbalance exists in Canada, albeit for different reasons. Like the United States, the number of seniors is increasing, and the number of properties has not kept pace. This is in large part due to provincial licensing and reimbursement, which has resulted in a limited number of new properties.

Future Business Objectives

In addition to the Symphony Portfolio, MHI Holdco will continue to identify and pursue potential property and portfolio acquisitions which meet its investment criteria and long-term strategic goals.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Information

The following table contains selected consolidated financial and operating information with respect to MHI Holdco and has been derived from and should be read in consultation with MHI Holdco's financial statements for the period ended December 31, 2015, and the auditor's report thereon, set out in Appendix I hereto.

	Period ended December 31, 2015[(1)]
Net sales or total revenues	US$5,107
Net income or loss	(US$5,755)
Total assets	US$279,053
Long term financial liabilities	US$255,373
Cash dividends declared	Nil
Total shareholders' equity	US$14,979

(1) Amounts in thousands of US dollars.

Management's Discussion and Analysis

The below management's discussion and analysis was prepared to assist readers in understanding the historical performance of MHI Holdco. Any references to forward-looking information contained herein should be read in conjunction with "*Cautionary Statements Regarding Forward-Looking Information*" in this Circular. Any references to risk factors contained herein should be read in conjunction with "*Risk Factors*" in this Circular.

The following discusses the historical financial condition and results of operations of MHI Holdco for the period from the date of MHI Holdco's formation, October 7, 2015, to December 31, 2015. This information should be read in conjunction with MHI Holdco's audited consolidated financial statements as at and for the period ended December 31, 2015, and the auditor's report thereon, attached to this Circular as Appendix I.

Overview

MHI Holdco was formed on October 7, 2015 as a Cayman Islands corporation. MHI Holdco was formed primarily to own income-producing seniors housing and care properties throughout the United States and Canada. Specifically, MHI Holdco will look to acquire properties which offer predominately skilled nursing, long term care, and AL and IL programs, including short-term rehabilitation and memory care special care units. As of December 31, 2015, MHI Holdco owns a portfolio of 10 properties comprised of nine SNFs and one AL facility. Under the Symphony Purchase Agreement, MHI Holdco has also indirectly committed to acquire the Hanover Park Property on or before March 31, 2016, with an option to extend until April 30, 2016.

On December 2, 2015, Kingsway agreed to acquire all of the MHI Holdco Shares held by Mainstreet, representing approximately 75% of the issued and outstanding MHI Holdco Shares, in consideration for the issuance of 81,160,000 Kingsway Common Shares and 307,659,850 Kingsway Non-Voting Shares. Upon completion of the acquisition, Mainstreet will own approximately 95% of the outstanding Resulting Issuer Shares and an 80% voting interest (with the balance of their equity interest being held in the form of Resulting Issuer Non-Voting Shares). As a result of this and other qualitative considerations, MHI Holdco has been identified as the accounting acquirer and the acquisition will be recorded as a reverse-takeover transaction in accordance with IFRS 2, Share-based Payment.

Management believes that certain characteristics of the North American senior housing and care industry provide a significant opportunity to continue to expand MHI Holdco's portfolio of properties. These characteristics include

favourable demographic trends, increasing demand, stagnant supply of new facilities and a shift from traditional hospitals to post-acute care centers and long-term care facilities. Management also believes that MHI Holdco is well-positioned to participate in the sector and capitalize on its projected growth without being directly exposed to the day-to-day operations of the senior housing and care sector by investing in high quality properties, using a triple-net leasing structure and leasing to financially and operationally strong tenant operators.

MHI Holdco's functional and reporting currency is the US dollar. The audited financial statements for the period ended December 31, 2015 were prepared under IFRS.

The objective of this discussion is to provide a prospective purchaser of MHI Holdco Shares with an analysis of the assets, liabilities, revenues and operating expenses of MHI Holdco since its formation. Less emphasis has been placed on analyzing the historical capital structure of MHI Holdco as the future capital structure is anticipated to be significantly different.

Selected Financial Information
(*amounts in thousands of U.S. dollars)*

	Period Ended December 31, 2015
Total Revenue	US$ 5,107
Net Loss	US$ (5,755)
Total Assets	US$ 279,053
Total Liabilities	US$ 264,074

Financial Position

Total assets of US$279.1 million is primarily comprised of US$268.4 million of investment properties, which represents the fair market value of the 10 Properties acquired on October 30, 2015. Cash on hand at December 31, 2015 was US$7.2 million, and restricted cash of US$2.5 million relates to a deposit held in escrow for the acquisition of the Hanover Park Property (funded by the Second Mainstreet Loan).

Total liabilities of US$264.1 million includes current liabilities of US$8.7 million and non-current liabilities of US$255.4 million. The current liabilities include US$4.5 million of real estate taxes payable, of which US$3.7 million relates to the period prior to ownership of the 10 Properties acquired on October 30, 2015 and for which cash consideration was provided at closing. The Second Mainstreet Loan was made to fund the deposit on the future acquisition of the Hanover Park Property. Non-current liabilities include the balance outstanding on the Facility of US$144.7 million net of loan fees, and the Convertible Debentures. Also included in non-current liabilities is unearned revenue of US$1.8 million, which represents prepaid rent.

Results of Operations – period from October 7, 2015 (date of formation) to December 31, 2015
(*unless otherwise stated, amounts are in thousands of US dollars)*

Revenue

	Period Ended December 31, 2015
Cash rentals received	US$ 3,697
Straight-line rent adjustments	567
Property tax recovery	843
	US$5,107

Cash rentals received and straight-line rent adjustments relate to the Master Lease. The Master Lease is triple-net, and property tax recovery represents the revenue recognized for the portion of the real estate tax bill subsequent to acquisition of the initial 10 Properties in the Symphony Portfolio, for which the Master Tenant is responsible to pay.

Operating expenses

Operating expenses of US$1.3 million include US$1.1 million in professional fees incurred related to the formation of MHI Holdco and other professional services and US$0.1 million in management fees paid to MAMI, which is considered a related party of MHI Holdco.

Finance cost

Finance cost consists of the following (in thousands of US dollars):

		2015
Interest expense on line of credit	US$	813
Amortization expense		92
Interest expense on notes payable		44
Interest expense on convertible debentures		1,859
	US$	2,808

Change in value of investment properties

The change in value of investment properties for the period was a decrease of US$5.9 million. Of this amount, US$5.3 million was due to the write off of costs incurred in the acquisition of the initial 10 Properties in the Symphony Portfolio for which the fair value of the Properties did not support. The other US$0.6 million was to offset the impact of straight-line rent on the initial 10 Properties in the Symphony Portfolio.

In addition, the US$0.8 million adjustment to the value of investment properties represents the reversal of the liability related to real estate taxes recorded on the acquisition of the Properties under IFRIC 21, Levies.

Income Tax Expense

MHI Holdco has certain subsidiaries in the United States that are subject to tax on their taxable income. There was no taxable income for the period ended December 31, 2015. As of December 31, 2015, MHI Holdco's effective income tax rate applicable to taxable income is expected to be 40.5%, however, MHI Holdco does not anticipate having net taxable income in the next fiscal year.

Cash provided by operating activities

Cash provided by operating activities for the period was US$3.9 million. This was primarily due to cash received for rent and prepaid rent, partially offset by cash paid for interest and operating expenses.

Cash provided by financing activities

Cash provided by financing activities for the period was US$275.8 million. This was primarily due to proceeds from the Facility of US$144.6 million net of loan fees, proceeds from the Convertible Debentures of approximately US$108 million, proceeds from the Second Mainstreet Loan of US$2.5 million and proceeds from the issuance of equity in MHI Holdco of US$20.7 million.

Cash used in investing activities

Cash used in investing activities for the period was US$272.5 million. This was due to the purchase of the Symphony Portfolio and the related deposit on the Hanover Park Property.

Summary of Quarterly Results

Quarterly information has not been presented as MHI Holdco's date of formation was October 7, 2015, and there are no prior quarters to report on.

Liquidity and Capital Resources

MHI Holdco expects to have sufficient funds to meet all of its obligations as they become due. MHI Holdco expects to have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) financing available through the Facility; and (iii) the ability to issue new equity.

Contractual Commitments

A summary of future debt obligations, in thousands of US dollars, based on principal debt maturities as of December 31, 2015, is as follows, including expected interest payments:

	Total (US$)	2016 (US$)	2017 (US$)	2018 (US$)	2019 (US$)	2020 (US$)	Thereafter (US$)
Facility……	171,163	6,253	6,323	6,323	152,264	-	-
Convertible Debentures……	159,405	5,401	4,935	5,149	5,371	138,549	-
Second Mainstreet Loan……	2,606	2,606	-	-	-	-	-
Purchase commitment……	34,075	34,075	-	-	-	-	-
Accounts payable and accrued liabilities……..……	6,201	6,201	-	-	-	-	-

The Facility is comprised of the Term Loan with capacity of US$150.0 million and the optional Revolver with capacity of US$50.0 million. The Revolver includes an accordion feature that would extend the capacity of the Revolver to US$150.0 million, bringing the total capacity of the Facility to US$300.0 million. The Term Loan has an initial maturity date of October 30, 2019. The Revolver has an initial maturity date of October 30, 2018, and has a one year extension option. At December 31, 2015, the Facility was secured by the 10 Properties currently owned by MHI Holdco. The Facility provides for interest-only payments during the term and a borrowing rate of LIBOR plus 300 basis points. The interest rate has been effectively fixed through the Swap Agreement.

The Convertible Debentures were issued on October 29, 2015 in an aggregate principal amount of approximately $108 million, with a maturity date of October 29, 2020. The Convertible Debentures bear interest at the following rates: (i) 10% per annum for the period commencing on October 29, 2015 and ending on and including October 28, 2016; and (ii) 8.5% per annum for the annual period commencing on October 29, 2016 and each year thereafter; in each case payable on a quarterly basis commencing on December 31, 2015, 50.0% in cash and 50.0% by capitalizing the interest accrued and payable as an increase to the principal amount. All or any portion of the Convertible Debentures are convertible into shares of MHI Holdco at any time based on a conversion formula outlined in the Convertible Debentures. At any time commencing on May 1, 2016, MHI Holdco may prepay the Convertible Debentures without penalty.

The purchase commitment relates to MHI Holdco's commitment as part of the Symphony Portfolio acquisition to acquire the Hanover Park Property. The commitment is to complete the acquisition on or before March 31, 2016, with an option to extend an additional 30 days, for a total purchase price of US$34.1 million. As of December 31, 2015, MHI Holdco had paid a US$2.5 million deposit using the funds received under the Second Mainstreet Loan (on February 26, 2016, the Second Mainstreet Loan was increased by US$1.0 million to fund an additional deposit on the Hanover Park Property). The acquisition is expected to be completed with additional borrowings on the credit facility, additional loans and equity.

Accounts payable relate primarily to accrued realty taxes, interest and professional fees.

Financial Instruments and Other Instruments

To manage interest rate risk, MHI Holdco entered into the Swap Agreement. In the Swap Agreement, MHI Holdco agreed to exchange the difference between fixed and variable rate interest on a principal amount of US$147.0 million, the full amount borrowed on the Facility as of that date. The Swap Agreement effectively fixes interest at a rate of 4.2% through its maturity on October 30, 2019. The interest rate swap under the Swap Agreement will not be designated as a hedge and will be marked to fair value each reporting period through finance cost in the consolidated statements of profit and other comprehensive income.

Off-Balance Sheet Items

There were no off-balance sheet items as of December 31, 2015.

Transactions Between Related Parties

During the period ended December 31, 2015, the following related party transactions occurred.

MHI Holdco paid an asset management fee to MAMI, which is owned 100% by a key executive of MHI Holdco. The fee is payable pursuant to an asset management agreement dated October 29, 2015, and calls for an asset management fee equal to 3.0% of gross rentals received. For the period ended December 31, 2015, asset management fees paid to MAMI were US$0.1 million. The asset management agreement is for a term of ten years, commencing on October 29, 2015, and will be renewed for a further five-year term, without any action of notice, unless the agreement is terminated.

On October 30, 2015, MHI Holdco obtained the First Mainstreet Loan. The First Mainstreet Loan was issued on October 30, 2015, and bore interest at a rate of 8.0% annually. The First Mainstreet Loan had an initial maturity date of October 30, 2020, but was repaid in full on December 18, 2015. Total interest paid with respect to the First Mainstreet Loan was US$0.02 million.

On October 30, 2015, MHI US obtained the Second Mainstreet Loan. The Second Mainstreet Loan matures on October 30, 2016 and bears interest at a rate of 5.0% per annum. Total interest accrued on the Second Mainstreet Loan for the period ended December 31, 2015 was US$0.02 million. On February 26, 2016, the Second Mainstreet Loan was increased to US$3.5 million.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is set forth in notes 1 and 2, respectively, of the financial statements for the period ended December 31, 2015 attached to this Circular at Appendix I.

Outstanding Shares

As of December 31, 2016, 207,338.75 MHI Holdco Shares were issued and outstanding.

Financial Measures

FFO and AFFO are supplemental measures used by management to track MHI Holdco's performance. Such measures are not defined by IFRS and, therefore, should not be construed as alternatives to net profit calculated in accordance with IFRS. Further, the supplemental measures used by management may not be comparable to similar measures presented by other real estate enterprises. Management believes these terms reflect the operating performance and cash flow of MHI Holdco. Reconciliation to net profit/loss, as defined under IFRS, for FFO and AFFO are presented below.

Funds From Operations

The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of MHI Holdco. FFO provides an operating performance measure that

provides a perspective on the financial performance that is not immediately apparent from net profit determined in accordance with IFRS.

MHI Holdco's FFO is calculated as follows (in thousands of US dollars excluding shares and per share amounts):

	Period ended December 31, 2015
Loss for the period	US$ (5,755)
Add/(Deduct):	
Fair market value adjustments of investment properties	5,945
Funds from operations	US$ 190
Weighted average number of common shares (basic and diluted)	207,338.75
FFO per share	US$ 0.91

Adjusted Funds From Operations

MHI Holdco is of the view that AFFO is an effective measure of the cash generated from operations, after providing for certain adjustments.

AFFO is a financial measure not defined under IFRS, and AFFO as presented herein may not be comparable to similar measures presented by other real estate investment trusts or real estate enterprises.

MHI Holdco's AFFO is calculated as follows (in thousands of US dollars, excluding shares and per share amounts):

	Period ended December 31, 2015
FFO	US$ 190
Add/(Deduct):	
Straight-line rent adjustments	(567)
Interest expense on convertible debentures	1,859
Amortization of financing costs	92
Adjusted funds from operations	US$ 1,574
Weighted average number of common shares (basic and diluted)	207,338.75
AFFO per share	US$ 7.59

The above AFFO is for the period from the date of MHI Holdco's formation, October 7, 2015, to December 31, 2015, and therefore, inherently does not reflect normalized results on a go forward basis. All of the revenue of MHI Holdco was earned subsequent to the commencement of the Master Lease, or October 30, 2015. MHI Holdco also incurred approximately US$1.1 million in professional fees that have not been added back for the purposes of the above AFFO calculation, but which we do not expect to be recurring items of a similar magnitude in future periods.

Trends

Other than as disclosed in this Circular, MHI Holdco is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon its business, financial condition or results of operation.

DESCRIPTION OF MHI HOLDCO SECURITIES

Authorized Capital

Subject to, among other things, the applicable provisions of the Companies Law, the amended and restated memorandum and articles of association of MHI Holdco adopted on October 29, 2015 and the MHI Holdco Shareholders Agreement, the directors of MHI Holdco may allot, issue, grant options over or otherwise deal with or dispose of MHI Holdco Shares with or without preferred, deferred, or other rights or restrictions, whether as regards to dividends, voting, return of capital or otherwise.

The directors of MHI Holdco may issue MHI Holdco Shares in different classes. Subject to the Companies Law, all or any of the rights attached to a class of MHI Holdco Shares may be varied in such manner as those rights provided or, if no such provision is made, either:

- by the directors of MHI Holdco, provided that such variation is not materially adverse to the rights of the holders of such MHI Holdco Shares (as determined by the directors of MHI Holdco);

- with the consent in writing of the holders of two-thirds of the issued MHI Holdco Shares of that class; or

- with the sanction of a resolution passed at a separate meeting of the holders of the MHI Holdco Shares of that class by a two-thirds majority of the holders of the MHI Holdco Shares of that class present and voting at such meeting (whether in person or by proxy).

As of February 29, 2016, 207,338.75 MHI Holdco Shares were issued and outstanding as fully paid and non-assessable.

Convertible Debentures

MHI Holdco has also issued Convertible Debentures in the aggregate principal amount of approximately US$109 million. The Convertible Debentures mature on October 29, 2020. The Convertible Debentures bear interest at the following rates: (i) 10% per annum for the period commencing on October 29, 2015 and ending on and including October 28, 2016; and (ii) 8.5% per annum for the annual period commencing on October 29, 2016 and each year thereafter; in each case payable on a quarterly basis commencing on December 31, 2015, 50% in cash and 50% by capitalizing the interest accrued and payable on any interest payment date as an increase to the principal amount. At any time commencing on May 1, 2016, MHI Holdco may prepay the Convertible Debentures without penalty.

The Convertible Debentures contain a number of positive and negative covenants of MHI Holdco. Such covenants include obligations to maintain its corporate existence and obtain the consent of the holders of the Convertible Debentures in respect of the following actions (other than any actions that are necessary and appropriate in connection with the raising of capital with the primary purpose of repaying in full the principal amounts of the Convertible Debentures and accrued but unpaid interest thereon):

- any amendment or change to the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of the Convertible Debenture;

- any action that authorizes, creates or leads to the issuance of shares of any class having preferences over or being at par with any MHI Holdco Shares issued upon conversion of the Convertible Debentures, or preferences or priority as to dividends or assets to or at par with any such MHI Holdco Shares;

- any amendment of MHI Holdco's articles of incorporation or by-laws, or other fundamental corporate change;

- the liquidation or dissolution of MHI Holdco;

- the merger or consolidation of MHI Holdco or any direct or indirect subsidiary thereof with any other person (other than an internal reorganization);

- the declaration or payment of any dividends unless certain conditions, as set out in the Convertible Debentures, are satisfied;

- the redemption or repurchase of MHI Holdco Shares or grant of options to purchase MHI Holdco Shares;

- the issuance of indebtedness or the granting of any security or encumbrance by MHI Holdco or any of its subsidiaries ranking senior to the Convertible Debentures (other than in connection with the Symphony Acquisition Financing), other than indebtedness permitted to be incurred under the documents evidencing the Symphony Acquisition Financing;

- the guarantee or indemnification by MHI Holdco of, or the grant of security by MHI Holdco for, the debts or obligations of any corporation, partnership, joint venture, firm or person (other than in connection with the Symphony Acquisition Financing);

- the sale or disposition of any material assets or other transaction outside of the ordinary course of business;

- any acquisition or establishment of a new business undertaking;

- any capital expenditures in excess of $100,000 in the aggregate in any fiscal year, in addition to those provided for in MHI Holdco's annual strategic and operational plan for that year as approved by the holders of the Convertible Debentures;

- any transaction with any party not dealing at arm's length with MHI Holdco; or

- any substantial change in the business of MHI Holdco or in its strategic and operational plan and budget.

Notwithstanding the above consent rights, the Convertible Debentures further provide that MHI Holdco has the right to effect any transaction that MHI Holdco, any of its shareholders or any of its subsidiaries desires to enter into with Kingsway or a similar public issuer that involves the exchange of MHI Holdco Shares by one or more shareholders of MHI Holdco for shares of Kingsway or such public issuer and to take any of the above actions in connection therewith; provided, however, that a holder of a Convertible Debenture has the right to approve any term of such transaction that such holder determines, in its reasonable discretion, would, if implemented, have or would likely have a material adverse effect upon the holder and its investment in the Convertible Debenture.

For a description of the Conversion Right under the Convertible Debentures, see "*Business of the Meeting – Convertible Debentures*" in this Circular.

Shareholders Agreement

The MHI Holdco Shares are currently subject to the MHI Holdco Shareholders Agreement. The following is a summary of certain provisions of the MHI Holdco Shareholders Agreement, but is not intended to be complete.

Board of Directors

The board of directors of MHI Holdco consists of three directors. Under the MHI Holdco Shareholders Agreement, Mainstreet (and, upon completion of the Acquisition, the Resulting Issuer) has the right to appoint all three directors. The current directors of MHI Holdco are Scott White, Adlai Chester and Scott Higgs.

Shareholder Reserved Matters

Unanimous approval of MHI Holdco Shareholders is required in respect of the following actions taken by MHI Holdco or its subsidiaries, other than those actions that are (i) taken in connection with the raising of capital with the primary purpose of repaying the Convertible Debentures; or (ii) necessary or desirable in connection with the Acquisition:

- any issuance of equity securities of MHI Holdco, including preferred, ordinary or voting shares or securities or instruments convertible into or exercisable for preferred, ordinary or voting shares;

- material changes to the nature of MHI Holdco's business or entry into a new line of business;

- amendments to, or waivers of any provisions of, MHI Holdco's articles of association or by-laws, or other fundamental corporate change;

- any merger or other business combination, sale of all or substantially all of the property of MHI Holdco and its subsidiaries, consolidation, reorganization, liquidation, petition for bankruptcy, winding-up, dissolution, split-up or other similar transaction;

- the merger or consolidation of MHI Holdco or any direct or indirect subsidiary thereof with any other person (other than an internal reorganization);

- the declaration or payment of any dividends unless certain conditions, as set out in the MHI Holdco Shareholders Agreement, are satisfied;

- the redemption or repurchase of MHI Holdco Shares or grant of options to purchase MHI Holdco Shares;

- the issuance of any indebtedness or the granting of any security or encumbrance by MHI Holdco or any of its subsidiaries ranking senior to the Convertible Debentures (other than in connection with the Symphony Acquisition Financing), other than indebtedness permitted to be incurred under the documents evidencing the Symphony Acquisition Financing;

- the guarantee or indemnification by MHI Holdco of, or the grant of security by MHI Holdco for, the debts or obligations of any corporation, partnership, joint venture, firm or person (other than in connection with the Symphony Acquisition Financing);

- the sale or disposition or any material assets of MHI Holdco or other transaction outside of the ordinary course of business;

- any acquisition or establishment of a new business undertaking;

- any capital expenditures in excess of $100,000 in the aggregate in any fiscal year, in addition to those provided for in MHI Holdco's annual strategic and operational plan for that year approved by the Funds;

- any transaction with any party not dealing at arm's length with MHI Holdco;

- any substantial change in the business or the strategic and operational plan and budget of MHI Holdco; or

- any actions taken by any direct or indirect subsidiary of MHI Holdco directed or caused to be directed by the board of directors of MHI Holdco.

Limitation on Transfers

Under the MHI Holdco Shareholders Agreement, MHI Holdco Shareholders are not permitted to, directly or indirectly, Transfer (as defined in the MHI Holdco Shareholders Agreement) any MHI Holdco Shares except as provided for under the MHI Holdco Shareholders Agreement. Prior to October 29, 2016, no sale of MHI Holdco Shares is permitted without the unanimous consent of all MHI Holdco Shareholders, except to Permitted Transferees (as defined in the MHI Holdco Shareholders Agreement) or in connection with the Acquisition. From October 29, 2016, an MHI Holdco Shareholder may sell his, her or its MHI Holdco Shares to an unrelated third party (a "**Third Party**"), subject to the rights of first refusal and co-sale described in greater detail below.

Right of First Refusal

Notwithstanding the above restriction on Transfers, if at any time after October 29, 2016, a Selling Shareholder receives a Third Party Offer to purchase any MHI Holdco Shares held by the Selling Shareholder, the Selling Shareholder may conditionally accept the offer. Upon conditional acceptance of the Third Party Offer, the Selling Shareholder shall deliver a Notice of Sale to the Other Shareholders irrevocably offering to sell them the such MHI Holdco Shares at the same price and in all other material respects on the same terms and conditions as provided in the Third Party Offer. During the Acceptance Period, the Other Shareholders shall have the right to purchase all, but not less than all, of the MHI Holdco Shares subject to the Third Party Offer on a *pro rata* basis based on the number of MHI Holdco Shares held by each of them. If the Selling Shareholder does not receive notice from the Other Shareholders within the Acceptance Period confirming their agreement to purchase all of the MHI Holdco Shares subject to the Third Party Offer, the Selling Shareholder may sell such MHI Holdco Shares to the Third Party for a period of 90 days following the Acceptance Period.

Right of Co-Sale

If the MHI Holdco Shares subject to a Third Party Offer are to be sold to a Third Party, each Other Shareholder may elect to exercise its right to participate in the Third Party Offer on a *pro rata basis* on the same terms and conditions specified in the Notice of Sale.

Pre-Emptive Rights

Except as provided for in the MHI Holdco Shareholders Agreement, no Additional Securities shall be issued by MHI Holdco unless: (i) such issuance has been approved by the unanimous consent of each MHI Shareholder; and (ii) MHI Holdco first offers such Additional Securities to the MHI Holdco Shareholders. Each MHI Holdco Shareholder shall have the right to purchase the Additional Securities *pro rata* based upon the number of MHI Holdco Shares beneficially owned by such MHI Holdco Shareholder as a percentage of all MHI Holdco Shares held by MHI Holdco Shareholders at the date notice is given of such offer. If any MHI Holdco Shareholder does not accept its *pro rata* entitlement, such unaccepted Additional Securities shall be deemed to have been offered to the Shareholders who indicated they would accept greater than their *pro rata* entitlement. Any Additional Securities not taken up by the MHI Holdco Shareholders may be issued within six months of such Additional Securities having been first offered to the MHI Holdco Shareholders, at the price and on the terms offered to the MHI Holdco Shareholders.

CAPITALIZATION OF MHI HOLDCO

Mainstreet owns 155,528.94 MHI Holdco Shares, representing 75% of the issued and outstanding MHI Holdco Shares and the Funds beneficially own 51,809.81 of the issued and outstanding MHI Holdco Shares, representing 25% of the outstanding MHI Holdco Shares.

The Funds own all of the issued and outstanding Convertible Debentures.

The acquisition of the Symphony Portfolio was partially funded by the Facility and the First Mainstreet Loan and the deposit for the acquisition of the Hanover Park Property was funded by the Second Mainstreet Loan. For further details, see "*Information Concerning MHI Holdco – General Development of the Business*" in this Circular.

PRIOR SALES

In order to fund the acquisition of the Symphony Portfolio, on October 29, 2015, MHI Holdco issued (i) 155,527.94 MHI Holdco Shares to Mainstreet and 51,809.81 MHI Holdco Shares to the Funds at a price of US$100 in cash per MHI Holdco Share and (ii) the Convertible Debentures to the Funds. For additional information regarding the terms of the Convertible Debentures, please see "*Information Concerning MHI Holdco – Description of MHI Holdco Securities – Convertible Debentures*" in this Circular.

MARKET FOR SECURITIES

The MHI Holdco Shares are not listed or traded on any exchange or quotation service.

NON-ARM'S LENGTH PARTY TRANSACTIONS

Except as disclosed herein, neither MHI Holdco nor any subsidiaries of MHI Holdco have acquired any assets or services from any director, officer, Promoter or principal stockholder of MHI Holdco or associates or affiliates thereof within the five years preceding the date of this Circular. See "*Information Concerning MHI Holdco – Material Contracts*" for further information regarding MHI Holdco's arrangements with MAMI. See "*Information Concerning MHI Holdco – General Development of the Business*" in this Circular for further information regarding the First Mainstreet Loan and the Second Mainstreet Loan.

LEGAL PROCEEDINGS

Management knows of no legal proceedings, contemplated or actual, involving MHI Holdco or a subsidiary of MHI Holdco, which could materially affect MHI Holdco.

MATERIAL CONTRACTS

MHI Holdco entered into the MHI Holdco Asset Management Agreement pursuant to which MHI Holdco, MHI US and MHI Partnership retained MAMI to provide asset management services in respect of properties acquired by MHI Holdco and its Affiliates. Under the MHI Holdco Asset Management Agreement, MAMI is entitled to an annual fee equal to 3.0% of the gross rentals received under the leases in respect of the properties. The MHI Holdco Asset Management Agreement will terminate on completion of the Acquisition.

Other than the Share Purchase Agreement, the Convertible Debentures, and the MHI Holdco Shareholders Agreement, MHI Holdco has not entered into any other material contracts within the last two years.

Copies of the above agreements are available for inspection at the head office of Kingsway located at 208 Evans Avenue, suite 115, Toronto, Ontario, M8Z 1J7, during ordinary business hours until the effective date of the Acquisition and for a period of 30 days thereafter.

INFORMATION CONCERNING THE RESULTING ISSUER

CORPORATE STRUCTURE

Name and Incorporation

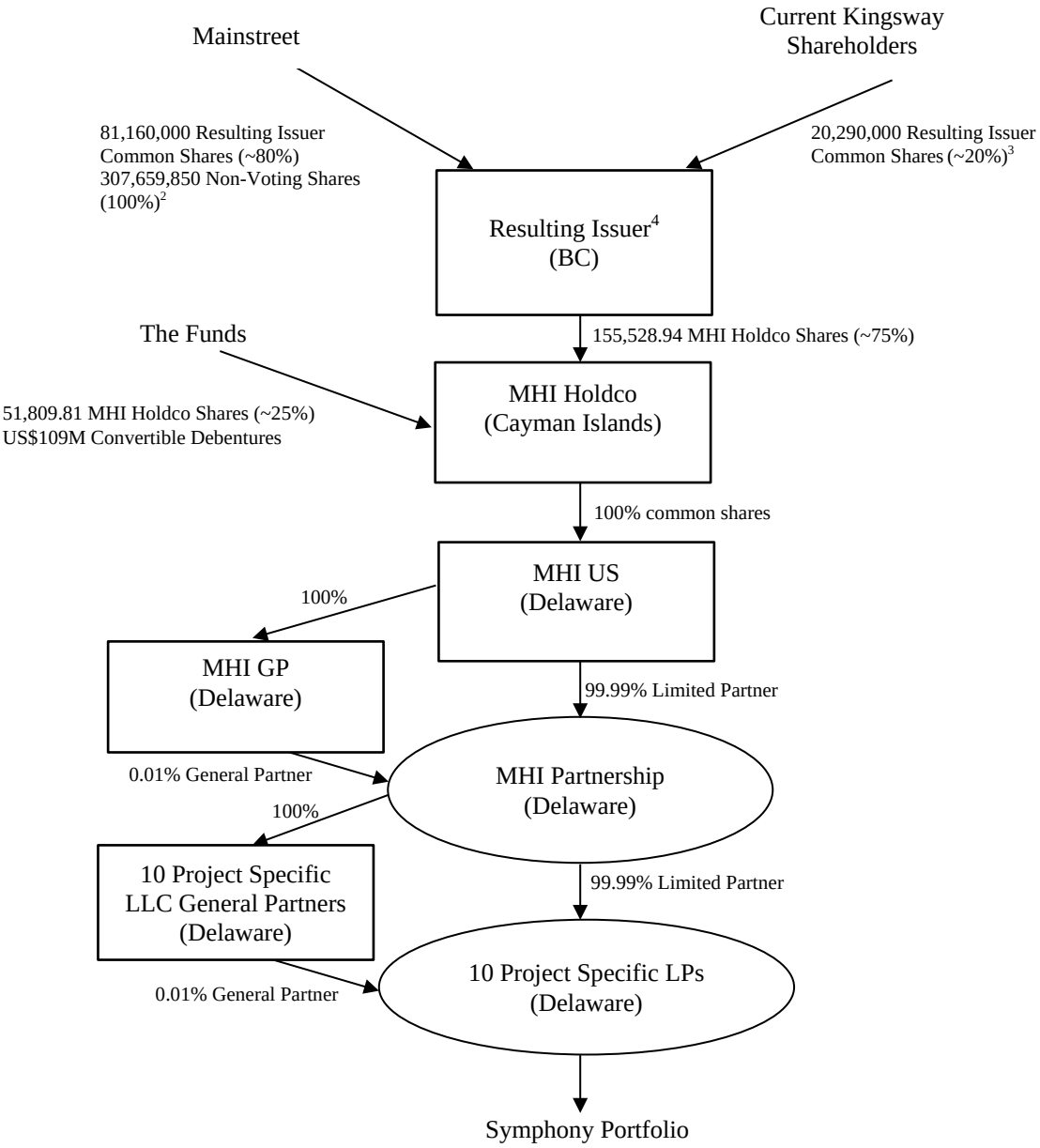
After the completion of the Acquisition, the Resulting Issuer will conduct business under its new name "Mainstreet Health Investments Inc.". The registered office and head office of the Resulting Issuer will be located at 333 Bay Street, suite 3400, Toronto, Ontario, M5H 2S7.

Following the Continuance, the Resulting Issuer will be continued under the laws of British Columbia. Schedule "F" to this Circular contains a summary of some of the corporate law changes that will occur in connection with the Continuance. For a description of the amendments to the authorized share capital of the Resulting Issuer to be approved at the Meeting, see "*Information Concerning the Resulting Issuer – Description of Securities*" in this Circular. The New Articles to be approved at the Meeting are attached hereto as Schedule "H".

Intercorporate Relationships

After the completion of the Acquisition, the Resulting Issuer will hold approximately 75% of the issued and outstanding MHI Holdco Shares.

Post-Acquisition Structure[1]



Notes:

(1) Share numbers set out above do not reflect proposed share consolidation.
(2) In the aggregate, Mainstreet's shareholdings will represent approximately 95% of the outstanding Resulting Issuer Shares.
(3) Represents approximately 5% of the outstanding Resulting Issuer Shares.
(4) Formerly Kingsway.

NARRATIVE DESCRIPTION OF THE BUSINESS

Stated Business Objectives

For information concerning the business objectives of the Resulting Issuer, see "*Information Concerning MHI Holdco – Narrative Description of the Business.*"

Milestones

The Resulting Issuer's ongoing strategy will be growth oriented, focused on entering into agreements to acquire additional income-producing seniors housing and care properties and completing related financings as soon as possible. Specifically, the Resulting Issuer will look to acquire properties which offer predominately skilled nursing, long term care and assisted living programs, including short-term rehabilitation and memory care special care units. There is not a single event that will dictate the execution of this strategy in the near term.

DESCRIPTION OF SECURITIES

If the Capital Reorganization is effected, the authorized capital of the Resulting Issuer will consist of an unlimited number of Resulting Issuer Common Shares, an unlimited number of Resulting Issuer Non-Voting Shares and an unlimited number of Resulting Issuer Class A Shares. For a description of the rights attaching to the Resulting Issuer Class A Shares, see "*Information Concerning Kingsway Arms Retirement Residences Inc. – Description of Securities*" in this Circular.

Holders of Resulting Issuer Common Shares will be entitled to one vote for each Resulting Issuer Common Share held. In the event of the liquidation, dissolution or winding up of the Resulting Issuer, holders of Resulting Issuer Common Shares will be entitled to share in any remaining property or assets of the Resulting Issuer with holders of Resulting Issuer Non-Voting Shares. Holders of Resulting Issuer Common Shares will be entitled to receive such dividends as the Resulting Issuer Board may determine.

Subject to the BCBCA, holders of Resulting Issuer Non-Voting Shares will not be entitled to vote at any such meeting. In the event of the liquidation, dissolution or winding up of the Resulting Issuer, holders of Resulting Issuer Non-Voting Shares will be entitled to share in any remaining property or assets of the Resulting Issuer with holders of Resulting Issuer Common Shares. Holdings of Resulting Issuer Non-Voting Shares will be entitled to receive the same dividends as the holders of the Resulting Issuer Common Shares.

The Resulting Issuer Non-Voting Shares will be convertible on a one-for-one basis into Resulting Issuer Common Shares to the extent that, for so long as the Resulting Issuer Non-Voting Shares are listed on the TSXV, such conversion will not result in the Resulting Issuer failing to comply with the TSXV's listing requirements.

Under applicable Canadian law, an offer to purchase Resulting Issuer Non-Voting Shares would not necessarily require that an offer be made to purchase Resulting Issuer Common Shares. In accordance with the rules of the Exchange designed to ensure that, in the event of a take-over bid, the holders of Resulting Issuer Common Shares will be entitled to participate on an equal footing with holders of Resulting Issuer Non-Voting Shares, Mainstreet, as the owner of all the outstanding Resulting Issuer Non-Voting Shares, will enter into the Coattail Agreement. The Coattail Agreement will contain provisions customary for dual class, Exchange listed corporations designed to prevent transactions that otherwise would deprive the holders of Resulting Issuer Common Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Resulting Issuer Common Shares had been Resulting Issuer Non-Voting Shares.

The undertakings in the Coattail Agreement will not apply to prevent a sale by Mainstreet of Resulting Issuer Non-Voting Shares if concurrently an offer is made to purchase Resulting Issuer Common Shares that: offers a price per Resulting Issuer Common Share at least as high as the highest price per share to be paid pursuant to the take-over bid for the Resulting Issuer Non-Voting Shares; provides that the percentage of outstanding Resulting Issuer Common Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Resulting Issuer Non-Voting Shares to be sold (exclusive of Resulting Issuer Non-Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror); has no condition attached other than the right not to

take up and pay for Resulting Issuer Common Shares tendered if no shares are purchased pursuant to the offer for Resulting Issuer Non-Voting Shares; and is in all other material respects identical to the offer for Resulting Issuer Non-Voting Shares.

In addition, the Coattail Agreement will not prevent the transfer of Resulting Issuer Non-Voting Shares by Mainstreet to an affiliate (as defined in National Instrument 45-106 – *Prospectus Exemptions*) provided such transfer is not or would not have been subject to the requirements to make a take-over bid (if the vendor or transferee were in Canada) or constitutes or would constitute an exempt take-over bid (as defined in applicable securities legislation). The conversion of Resulting Issuer Non-Voting Shares into Resulting Issuer Common Shares, whether or not such Resulting Issuer Common Shares are subsequently sold, will not constitute a disposition of Resulting Issuer Non-Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Resulting Issuer Non-Voting Shares by Mainstreet will be conditional upon the person or corporation acquiring the Resulting Issuer Non-Voting Shares entering into an agreement substantially in the form of the Coattail Agreement and under which that person or corporation has the same rights and obligations as Mainstreet has under the Coattail Agreement.

The Coattail Agreement will contain provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Resulting Issuer Common Shares. The obligation of the trustee to take such action will be conditional on the trustee receiving such funds and indemnity as the trustee may reasonably require. No holder of Resulting Issuer Common Shares will have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Resulting Issuer Common Shares and reasonable funds and indemnity have been provided to the trustee.

Other than in respect of certain amendments that do not adversely affect the interests of holders of Resulting Issuer Common Shares, the Coattail Agreement will provide that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of the Exchange and any other applicable securities regulatory authority in Canada and (b) the approval of at least two-thirds of the votes cast by holders of Resulting Issuer Common Shares, excluding votes attached to Resulting Issuer Common Shares held by Mainstreet or its affiliates and any persons who have an agreement to purchase Resulting Issuer Non-Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

The Coattail Agreement will continue until the earlier of: (i) there remaining no outstanding Resulting Issuer Non-Voting Shares; and (ii) the Resulting Issuer Common Shares no longer being listed on the Exchange.

PRO FORMA CONSOLIDATED CAPITALIZATION

Pro Forma Consolidated Capitalization

The following table sets forth the pro forma consolidated capitalization of the Resulting Issuer as at April 1, 2016 upon completion of the Acquisition and the purchase of the Hanover Park Property. The table should be read in conjunction with the Pro Forma Condensed Consolidated Statement of Financial Position of the Resulting Issuer and notes attached thereto at Appendix II.

	As at April 1, 2016 after giving effect to the Acquisition and the purchase of the Hanover Park Property
Indebtedness	Nil
Shareholders' equity	
Resulting Issuer Common Shares (Authorized – unlimited; Issued – 101,450,000)	US$ 4,189
Resulting Issuer Non-Voting Shares (Authorized – unlimited; Issued – 307,659,850)	US$ 8,701
Contributed surplus	US$ 200

	As at April 1, 2016 after giving effect to the Acquisition and the purchase of the Hanover Park Property
Deficit	US$ (2,636)
	US$ 10,454

The above pro forma consolidated capitalization of the Resulting Issuer contemplates the Acquisition and purchase of the Hanover Park Property using the equity method of accounting as the Resulting Issuer does not own a controlling interest. The following table sets forth the consolidated pro forma capitalization of MHI Holdco on a stand-alone basis.

	As at April 1, 2016 after giving effect to the purchase of the Hanover Park Property
Indebtedness	
Facility	US$ 164,052
Hanover Park Loan	US$ 1,957
Loan by the Funds	US$ 652
Convertible Debentures	US$ 121,722
Shareholders' equity	US$ 13,954
	US$ 302,337

Fully Diluted Share Capital

The table below sets out the number and percentage of securities of the Resulting Issuer proposed to be outstanding on a fully diluted basis after giving effect to the Acquisition.

Type of Security	Shareholder	Number and Percentage
Issued Resulting Issuer Common Shares	Existing Kingsway Shareholders Mainstreet	20,290,000 (4.71%) 81,160,000 (18.85%)
Issued Resulting Issuer Non-Voting Shares	Mainstreet	307,659,850 (71.46%)
Resulting Issuer Common Shares to be issued upon exercise of outstanding options	Kingsway directors and officers	2,542,800 (0.59%)
Resulting Issuer Common Shares to be issued upon exercise of outstanding warrants	Dan Amadori and Barbara Amadori	1,100,000 (0.26%)
Resulting Issuer Common Shares reserved for issuance under Deferred Share Incentive Plan	Service Providers	17,772,200 (4.13%)

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

The table below sets out the funds available to the Resulting Issuer and principal purposes of such funds for the 12 month period following completion of the Acquisition:

	US Dollars[1]
Kingsway available cash at completion of the Acquisition	$60,000
Expected Revenues	$18,500,000

	US Dollars[1]
Resulting Issuer share of MHI Holdco cash available at closing	$4,508,000
Funds raised for purchase of Hanover Park Property	$26,100,000
Total financial resources	**$49,168,000**
Estimated capital expenditures	$2,940,000
Estimated general and administrative	$955,000
Estimated interest expense	$10,828,000
Estimated property taxes	$1,110,000
Estimated management fees	$680,000
Estimated dividends	$1,983,000
Hanover purchase	$26,100,000
Total expenses:	**$44,596,000**
Unallocated Funds	$4,572,000

(1) All figures, except Kingsway available cash at completion of the Acquisition, represent 75% of MHI Holdco forecast.

It is expected that the Resulting Issuer Board will establish a dividend policy authorizing the declaration and payment of dividends to be paid to holders of the Resulting Issuer Common Shares on a quarterly basis. Any determination to pay cash dividends will be at the discretion of the Resulting Issuer Board after taking into account such factors as the Resulting Issuer's financial condition, results of operations, current and anticipated cash needs, regulatory capital requirements, obligations under applicable credit facilities and any other factors that the Resulting Issuer Board may deem relevant.

PRINCIPAL SECURITYHOLDERS

Securityholder	Municipality of Residence	Number and Percentage of Securities Owned (of record and beneficially)
Mainstreet	14390 Clay Terrace Blvd. Carmel, Indiana 46032 United States	81,160,000 (or 80%) Resulting Issuer Common Shares 307,659,850 (or 100%) Resulting Issuer Non-Voting Shares

DIRECTORS, OFFICERS AND PROMOTERS

Name, Address, Occupation and Security Holdings

The below table lists the names, municipalities of residence of the proposed officers of the Resulting Issuer, their proposed positions and offices to be held with the Resulting Issuer, and their principal occupations during the past five years and the number of securities of the Resulting Issuer which will be beneficially owned, directly or indirectly, or over which control or direction will be exercised by each at the completion of the Acquisition. For information regarding the proposed directors of the Resulting Issuer, see "*Business of the Meeting – Election of Directors*" in this Circular.

Name and Municipality of Residence	Current and/or Proposed Position as a Director or as an Officer	Principal Occupation During Past Five Years	Number of shares beneficially owned, directly or indirectly, at completion of Acquisition
Adlai Chester, Carmel Indiana	Proposed Chief Executive Officer	Chief Financial Officer of Mainstreet Property Group, LLC	Nil

Name and Municipality of Residence	Current and/or Proposed Position as a Director or as an Officer	Principal Occupation During Past Five Years	Number of shares beneficially owned, directly or indirectly, at completion of Acquisition
Scott Higgs Zionsville, Indiana	Proposed Chief Financial Officer	Senior Vice President – Finance of Mainstreet Property Group, LLC	Nil
Scott White Westfield, New Jersey	Proposed President	Executive Vice President of Investments of Mainstreet Property Group, LLC	Nil

Management Profiles

The following is a brief description of the proposed directors and officers of the Resulting Issuer:

Paul Ezekiel Turner – Proposed Chairman: Paul Ezekiel Turner is the chief executive officer of Mainstreet LLC, which he founded in 2002. Mr. Turner and his team took the Mainstreet LLC senior housing and care portfolio public as HLP on the Toronto Stock Exchange in 2012 with an initial public offering of $121 million. Mr. Turner was the chairman and chief executive officer of HLP. In November 2014, Mainstreet and Welltower finalized a US$2.3 billion partnership, which, in part, included Welltower acquiring HLP. Mr. Turner is a sought-after speaker and is regularly interviewed by trade publications and national media outlets, including Bloomberg TV, CNBC, Fox Business and the Wall Street Journal. He has received numerous local and national awards. Most recently, Ernst & Young named Mr. Turner the 2015 Entrepreneur of the Year for the Ohio Valley region in the real estate design, construction and lodging category. In 2014, Real Estate Forum Magazine named Mr. Turner to its "50 Under 40" class. Mr. Turner graduated cum laude from Taylor University, where he earned bachelor's degrees in both international business (with finance and economic concentrations) and business administration/systems.

Dan Amadori – Proposed Director: Dan Amadori founded Lamerac Financial Corp. in November 1988, positioned as a mid-market M&A and corporate finance advisory services firm. Since inception, Lamerac has successfully completed transactions across North America, South America and Europe in a wide cross-section of industries. Between 1985 and 1988, Mr. Amadori served as president of a private, Toronto-based communications and advertising company, which he grew through a series of strategic acquisitions. He led the sale of that business to a major international public company in 1987. Between 1974 and 1985, Mr. Amadori worked in the Toronto office of Arthur Andersen & Co., Chartered Accountants, during which time he practiced in the audit, tax and restructuring divisions and also led their Canadian M&A practice for several years. Mr. Amadori graduated from McGill University in 1972 and received a Master's in Business Administration from the Ivey School of Business in 1974. He is a Canadian Chartered Accountant and completed his ICD.D certification at the Rotman School of Business in 2010 and is a member in good standing of the Financial Executives Institute. Over the past two decades, Mr. Amadori has served as a director of multiple Canadian and United States-based public and private companies in the technology, energy, industrial and health care sectors and he has served as chair of the Kingsway Board since 2011. Mr. Amadori has also served as a director of many not-for-profit organizations including, amongst others, the Association for Corporate Growth, Prostate Cancer Canada, the Markham Stouffville Hospital and Huron University College.

Brad Benbow – Proposed Director: Brad Benbow is the chairman and chief executive officer of JDA, a national, full-service advertising, strategy, media and branding agency, which he co-founded in 2003. With more than 10 years at JDA, Mr. Benbow has worked intimately on many national accounts, designing and implementing multi-year strategic marketing plans for Fortune 500 clients, including former telecommunications giant Ameritech. Prior to joining JDA, Mr. Benbow co-founded Rutter Communications Network, the top-producing cable advertising sales firm in the country. Mr. Benbow graduated from Wabash College, where he earned a bachelor's degree in economics. He currently serves on the board of directors of Answers in Genesis and is a former board member of both Habitat for Humanity and Warner University.

Rob Dickson – Proposed Director: Rob Dickson has over 30 years of business strategy, operations, M&A, legal and board experience. Currently, Mr. Dickson is the managing partner of R&D Venture Partners, a strategic advisor to marketing and communications companies, particularly in the digital space. Previously, Mr. Dickson was the

managing director of MDC (the parent company of 50 leading advertising and marketing communication companies in North America). During his tenure, Mr. Dickson was instrumental in overseeing several large acquisitions, helping to transform MDC into the seventh-largest marketing communications firm in the world. Mr. Dickson received a bachelor of arts degree from University College, Oxford and a bachelor of laws degree from the University of Toronto. He was a practicing corporate lawyer for 17 years. Mr. Dickson is a trustee and chair of the audit committees for both H&R REIT and Edgefront REIT. He is also an investor in and advisor to numerous companies in the ad tech space.

Shaun Hawkins – Proposed Director: Shaun Hawkins is the founder of the ProSyte Companies, a diversified holding entity investing in businesses and real estate in the United States midwest, as well as communications and infrastructure entities in West Africa. From 2012 until his departure in 2015, Mr. Hawkins was vice president of new ventures and private equity investing at Eli Lilly. In this capacity, Mr. Hawkins was responsible for Eli Lilly's venture capital, private equity and venture formation activities, managing over $1.5 billion. Mr. Hawkins joined Eli Lilly in 2001 and held various roles in sales and corporate business development at the company. In 2010, Mr. Hawkins was promoted to chief diversity officer to lead the development and implementation of Eli Lilly's global diversity and inclusion strategy. Mr. Hawkins graduated magna cum laude with a bachelor's degree in business from the University of Tennessee in 1995, and earned a master's degree in business administration from the Kellogg School of Management at Northwestern University in 2000. Mr. Hawkins currently serves on the ImmuneWorks, Inc. board of directors as well as the advisory council of the Indianapolis Recorder Newspaper. He was previously the board chair for Audion Therapeutics, B.V. (Netherlands) and Muroplex Therapeutics, Inc. (U.S.) as well as a board member of the Accelerator Corporation (U.S.) and Zymeworks, Inc (Canada). He was also a member of the limited partner advisory committees of BioCrossroads' Indiana Enterprise Fund (U.S.), Epidarex Capital (U.K.), the Indiana Future Fund/INext Fund (U.S.) and TVM Capital (Canada and Germany).

Richard Turner – Proposed Director: Richard Turner is president and chief executive officer of TitanStar Investment Group Inc., a private company engaged in the provision of private equity capital to mid-market businesses and capital for real estate developments and acquisitions. Mr. Turner previously served on both the organizing and audit committees of the Vancouver 2010 Olympic and Paralympic Winter Games. He has also previously acted on the boards of the Insurance Corporation of British Columbia, the British Columbia Lottery Corporation, HLP, Sunrise Senior Living REIT, the Vancouver Board of Trade, the British Columbia Business Council and the operating subsidiary of IAT Air Cargo Facilities Income Fund, a business involved in the development and management of real estate at airports. In 2003, he received the H.R.H. Queen Elizabeth's Golden Jubilee Award. Mr. Turner holds a bachelor of commerce in finance from the University of British Columbia, a diploma from the Canadian Securities Institute and has earned a ICD.D designation from the Institute of Corporate Directors. Mr. Turner currently serves on the boards of several public and private companies, including Pure Industrial Real Estate Trust, WesternOne Inc., the Vancouver Fraser Port Authority and TitanStar Properties Inc. He also serves as the honorary consul for the Hashemite Kingdom of Jordan in Vancouver.

Katherine C. Vyse – Proposed Director: Katherine C. Vyse is an accomplished senior business executive with over 25 years of diverse experience, including real estate, infrastructure, renewable power, asset management/private equity, retail and financial services. Ms. Vyse retired from Brookfield Asset Management in June 2013 as a partner and a senior vice president of investor relations after more than a decade at the firm. Her career experience also includes management roles in communications, human resources and consulting at a major North American real estate company and one of Canada's largest financial institutions as well as Ryerson University, where she taught marketing. Ms. Vyse is currently providing investor relations and communications advice and counsel to select clients and is a guest speaker at conferences and post-secondary institutions. Ms. Vyse holds a master's in business administration from the Richard Ivey School of Business, a bachelor of arts from the University of Western Ontario and a diploma in retail management from Sheridan College. In addition, she earned the Institute of Corporate Director's, ICD.D designation and the Canadian Securities Institute's CSC. She was also awarded the Canadian Investor Relations Institute 2014 Award of Excellence in Investor Relations and named one of Canada's 100 Most Powerful Women. Ms. Vyse is a member of the board of directors of the Royal LePage Shelter Foundation. She is a former member of the Brookfield Partners Foundation, as well as both the national and Ontario boards of the Canadian Investor Relations Institute.

Scott White – Proposed President – Age 42: Scott White will serve as the president of the Resulting Issuer, responsible for the day-to-day operations and overall strategy. Mr. White joined the Mainstreet LLC team in 2013 and was previously an executive vice president with HLP. Prior to joining Mainstreet LLC, Mr. White spent over 15 years on Wall Street. Most recently, Mr. White served as a senior vice president in the private funds group of Brookfield Asset Management Inc., where he was responsible for raising capital for various alternative asset vehicles across real estate, private equity and infrastructure. His career experience also includes a tenure as director and head of deal management at Citigroup's alternatives distribution group. At Citigroup, he advised clients on alternative capital raising activities in private equity, real estate, hedge and infrastructure funds. Mr. White was responsible for executing 25 capital raising assignments at over $30 billion. Before focusing his career on alternative assets, he was part of the healthcare group at Citi's Investment Bank, working with clients in the healthcare sector on M&A and capital raising assignments. He began his career in public accounting as an auditor for PricewaterhouseCoopers. Mr. White earned a bachelor's degree with highest honors in political science and journalism from Rutgers University. He received his master's in business administration from Rutgers Graduate School of Management and his law degree from the University of Pennsylvania Law School. He is a certified public accountant, is admitted to the bars of New York and New Jersey, and holds securities industry FINRA licenses Series 7, 24 and 63. Approximately 75% of Mr. White's time will be devoted to the Resulting Issuer.

Adlai Chester – Proposed Chief Executive Officer – Age 35: Adlai Chester joined the Mainstreet LLC team in April 2009 and will be the chief executive officer of the Resulting Issuer, overseeing investment policy and strategy for the company. Mr. Chester was previously the chief financial officer of HLP. Mr. Chester began his career in public accounting, working as an auditor with PricewaterhouseCoopers and Whitinger & Company, LLC. He then left public accounting and served as the chief financial officer for a telecommunications company where he was instrumental in the sale of one of its most profitable divisions to Comcast. During his time as chief financial officer, he played a significant role in business development, cost and cash management, and oversaw the accounting and human resource departments. Mr. Chester was a faculty member in the accounting department at Ball State University for several years. His main focus was managerial accounting and financial statement analysis. He has received several awards. Most recently, the Indianapolis Business Journal named Mr. Chester to its 2015 "Forty Under 40" class. In 2014, the Indianapolis Business Journal named Mr. Chester Chief Financial Officer of the Year for private companies under $100 million in revenue. Mr. Chester obtained bachelor's and master's degrees in accounting from Ball State University. Approximately 75% of Mr. Chester's time will be devoted to the Resulting Issuer.

Scott Higgs – Proposed Chief Financial Officer – Age 33: Scott Higgs joined the Mainstreet LLC team in 2013 and will serve as the chief financial officer for the Resulting Issuer, responsible for the financial oversight and accounting policies of the company. Since starting with Mainstreet, Mr. Higgs has arranged almost one billion dollars of debt financing, and has assisted in raising significant equity and mezzanine financing. Prior to joining Mainstreet, Mr. Higgs was a senior manager in the audit practice at KPMG LLP, where he served a variety of industries, including real estate, software and manufacturing. He has significant experience working with public companies and has assisted in multiple initial public offerings. Mr. Higgs graduated summa cum laude with his bachelor's degree in accounting from Butler University. He is a certified public accountant and a member of the AICPA. He is the chairman of the board of directors of Play Ball Indiana and is a committee member for the Alzheimer's Association of Indiana. Approximately 75% of Mr. Higgs' time will be devoted to the Resulting Issuer.

Promoter Consideration

Mainstreet will be a Promoter of the Resulting Issuer. Upon completion of the Acquisition, Mainstreet will hold 81,160,000 Resulting Issuer Common Shares (or 80% of the total issued and outstanding Resulting Issuer Common Shares) and 307,659,850 Resulting Issuer Non-Voting Shares (or all of the total issued and outstanding Resulting Issuer Non-Voting Shares). It is expected that MAMI will enter into the Asset Management Agreement and the Development Agreements with the Resulting Issuer. See "*Information Concerning the Resulting Issuer – Executive Compensation – Arrangements with Mainstreet*" in this Circular.

Corporate Cease Trade Orders and Bankruptcies

Other than as set out below, no proposed director, officer or Promoter of the Resulting Issuer or, to the knowledge of the Resulting Issuer, any securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer has, within the 10 years prior to the date hereof, been a director, officer or Promoter of any person or company that, while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under applicable securities laws for a period of more than 30 consecutive days, or was declared 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.

As disclosed under "*Business of the Meeting – Election of Directors*" in this Circular, Dan Amadori was a director and the chief financial officer of Xgen from August 1999 through September 30, 2009. On January 30, 2009, the Exchange issued a cease trade order on the shares of Xgen pending the completion of its review of Xgen's disclosures. This review was completed and Xgen's shares resumed trading on May 15, 2009.

Penalties or Sanctions

No proposed director, officer or Promoter of the Resulting Issuer or, to the knowledge of the Resulting Issuer, any securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would likely to be considered important to a reasonable securityholder making a decision about the Acquisition.

Personal Bankruptcies

No proposed director, officer or Promoter of the Resulting Issuer or, to the knowledge of the Resulting Issuer, any securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or the personal holding company of any such persons, has, within the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his/her assets.

Conflicts of Interest

Certain of the directors and officers of the Resulting Issuer are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the business of the Resulting Issuer. Accordingly, situations may arise where some of the directors or officers will be in direct competition with the Resulting Issuer. See "*Risk Factors – Potential Conflicts of Interest*" in this Circular.

Upon completion of the Continuance, conflicts of interest will be subject to the applicable provisions of the BCBCA and may result in a director abstaining from voting on a resolution in order to have the matter resolved by the independent directors, or the matter may be presented to the holders of Resulting Issuer Common Shares for ratification. When a conflict of interest arises, the directors of the Resulting Issuer must, in accordance with the applicable provisions of the BCBCA, act honestly and in good faith with a view to the best interests of the Resulting Issuer and must exercise the care, diligence and skill a reasonably prudent person would exercise in comparable circumstances.

Other Reporting Issuer Experience

The following table sets forth the names of the proposed directors and officers of the Resulting Issuer who have been directors, officers or Promoters of other reporting issuers within the five years prior to the date hereof, including the periods during which they acted in such capacity:

Director or Officer	Reporting Issuer	Name of Trading Market	Position	Time Period
Paul Ezekiel Turner	HealthLease Properties Real Estate Investment Trust	TSX	Chairman and Chief Executive Officer	April 2012 to November 2014
Adlai Chester	HealthLease Properties Real Estate Investment Trust	TSX	Chief Financial Officer	April 2012 to November 2014
Richard Turner	TitanStar Properties Inc.	TSX-V	Director	October 2008 to Present
	WesternOne Inc. (formerly WesternOne Equity Income Fund)	TSX	Director	June 2006 to Present
	Pure Industrial Real Estate Investment Trust	TSX	Chairman and Trustee	June 2007 to Present
	TG Residential Value Properties Ltd.	TSX-V	Director	February 2011 to December 2013
	HealthLease Properties Real Estate Investment Trust	TSX	Trustee	June 2012 to December 2014
	SunGro Horticulture Income Fund	TSX	Trustee	March 2002 to June 2009
	Mobile Lottery Solutions Inc.	TSX-V	Director	July 2006 to March 2008
	Numedia Games Inc.	TSX-V	Director	July 2006 to March 2008
	Sunrise Senior Living Real Estate Investment Trust	TSX	Director	December 2004 to April 2007
Katherine C. Vyse	Brookfield Asset Management	TSX, NYSE, Euronext	Vice President and Senior Vice President	September 2000 to June 2013
	Brookfield Property Partners	TSX, NYSE	Vice President	January 2000 to February 2002

For information concerning Dan Amadori's other reporting issuer experience, see "*Statement of Corporate Governance Practices*" in this Circular.

EXECUTIVE COMPENSATION

Introduction

The Resulting Issuer's senior management team will consist of individuals employed by MAMI. MAMI will be the asset manager of the Resulting Issuer's properties pursuant to the Asset Management Agreement, for which the Resulting Issuer will pay certain fees. See "*Information Concerning the Resulting Issuer – Arrangements with Mainstreet*" in this Circular.

The Resulting Issuer will not have any employment agreements with members of senior management and the Resulting Issuer will not pay any cash compensation to any individuals serving as the Resulting Issuer's officers, directly or indirectly. Rather, those individuals will be compensated by MAMI. A portion of the compensation paid to certain employees of MAMI will be attributable to time spent on the Resulting Issuer's activities.

The Resulting Issuer's officers will be as follows: Scott Higgs (Chief Financial Officer), Adlai Chester (Chief Executive Officer) and Scott White (President). These officers are referred to herein as the "Mainstreet named executive officers".

MAMI will have sole responsibility for determining the compensation of the Mainstreet named executive officers. As a private entity, MAMI is not required to disclose the basis for determining the compensation of its employees.

Compensation Discussion and Analysis

As the Resulting Issuer's senior management team will be employed by MAMI, the Resulting Issuer will only be obligated to pay a fixed amount to MAMI pursuant to the Asset Management Agreement. Any variability in cash compensation to be paid by MAMI to the Mainstreet named executive officers will not impact the Resulting Issuer's financial obligations.

The following discussion is intended to describe the portion of the compensation of the Mainstreet named executive officers that will be attributable to time spent on the Resulting Issuer's activities. The anticipated compensation for the Mainstreet named executive officers for the twelve month period following completion of the Acquisition is not currently known.

Principal Elements of Compensation

The compensation of the Mainstreet named executive officers will include three major elements: (a) base salary, (b) an annual cash bonus, and (c) long-term equity incentives, consisting of Deferred Shares granted under the Deferred Share Incentive Plan. MAMI's process for determining executive compensation will be relatively straightforward, involving evaluation by executive officers. There will be no specific formula for determining the amount of each element, nor will there be a formal approach applied by MAMI for determining how one element of compensation fits into the overall compensation objectives in respect of the Resulting Issuer's activities. Objectives and performance measures may vary from year to year as determined to be appropriate by the executive officers of the Resulting Issuer.

The Mainstreet named executive officers will not benefit from medium term incentives or pension plan participation. Perquisites and personal benefits will not be a significant element of compensation of the Mainstreet named executive officers. The three principal elements of compensation are described below.

Base salaries. Base salaries will be intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to the Resulting Issuer's success, the position and responsibilities of the Mainstreet named executive officers and competitive industry pay practices for other corporations of comparable size. MAMI will not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable real estate businesses. Increases in base salary will be at the sole discretion of MAMI.

Annual cash bonuses. Annual cash bonuses will be discretionary and will not be awarded pursuant to a formal incentive plan. Annual cash bonuses will be awarded based on qualitative and quantitative performance standards, and reward the Resulting Issuer's performance or the Mainstreet named executive officer individually. The determination of the Resulting Issuer's performance may vary from year to year depending on economic conditions and conditions in the real estate industry, and may be based on measures such as share price performance, the meeting of financial targets against budget (such as adjusted funds from operations), the meeting of acquisition objectives and balance sheet performance. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day to day management responsibilities.

Deferred Shares. Discretionary Deferred Shares may be granted only to Service Providers as a means to, among other things, focus such Service Providers on medium-term and long-term Resulting Issuer Shareholder returns. The Deferred Share Incentive Plan will be administered by the Resulting Issuer Board and the Resulting Issuer CGN Committee. In administering the Deferred Share Incentive Plan, the Resulting Issuer Board and/or the Resulting Issuer CGN Committee may determine, among other things, the Mainstreet executive officers to whom Discretionary Deferred Shares are granted and the amounts, terms and provisions of such Discretionary Deferred

Shares. For a detailed description of the Deferred Share Incentive Plan, see "*Business of the Meeting – Deferred Share Incentive Plan*" in this Circular.

Arrangements with Mainstreet

Mainstreet LLC was founded in 2002 to acquire, develop, finance, own and operate best-in-class health care properties. As the largest developer of transitional health care properties in the United States, Mainstreet LLC has developed more than US$400 million worth of health care properties and raised approximately US$1.1 billion in capital to date. In June 2012, Mainstreet LLC was the Promoter in connection with HLP's $121 million initial public offering of trust units, which were listed on the Toronto Stock Exchange. As part of the offering, HLP acquired Mainstreet LLC's portfolio of nine seniors housing and care properties. Following HLP's initial public offering, Mainstreet LLC served as HLP's asset manager and, in that capacity, provided HLP with a variety of advisory and investment management services, including monitoring HLP's financial performance, advising HLP's board of trustees with respect to strategic matters and identifying, evaluating and structuring acquisitions, dispositions, financings and other transactions. Paul Ezekiel Turner served as the chairman of the board of trustees and the chief executive officer of HLP, Adlai Chester served as the chief financial officer of HLP and Scott White served as an advisor to HLP. In November 2014, Welltower acquired 100% of the outstanding units of HLP in an all-cash transaction valued at approximately US$950 million ($1 billion), including debt assumption. Under Mainstreet LLC's management, in the two years following the initial public offering HLP acquired 45 additional seniors housing assets valued at approximately US$670 million.

Asset Management Agreement

It is expected that MAMI, the Resulting Issuer, MHI US and MHI Partnership will enter into the Asset Management Agreement concurrently with the closing of the Acquisition. Pursuant to the Asset Management Agreement, MAMI will be the asset manager of the properties owned by the Resulting Issuer, MHI US and MHI Partnership. The Asset Management Agreement will provide that MAMI will provide the various services to the Resulting Issuer, including among others: services of a senior management team to provide advisory, consultation and investment management services and monitor the financial performance of the Resulting Issuer, MHI US and MHI Partnership; advise the Resulting Issuer Board, the directors of MHI US and the directors of the general partner of MHI Partnership on strategic matters, including potential acquisitions, dispositions, financings and development; identify, evaluate, recommend and assist in the structuring of acquisition, disposition, and other transactions; advise and assist with borrowings, issuances of securities and other capital requirements, including assistance in dealings with banks and other lenders, investment dealers, institutions and investors; make recommendations with respect to the payment of dividends; provide advice in connection with the preparation of business plans and annual budgets, implement such plans and budgets and monitor the financial performance of the Resulting Issuer, MHI US and MHI Partnership; advise with respect to risk management policies and any litigation matters; certain administrative and support services, including keeping and maintaining books and records and preparing returns, filings and documents; and any additional services as may from time to time be agreed to in writing by the parties thereto for which MAMI will be compensated on terms to be agreed upon between the parties thereto prior to the provision of such services.

MAMI will receive an aggregate annual management fee equal to 0.30% of the Gross Book Value of the Resulting Issuer's assets up to US$1 billion plus 0.10% of the Gross Book Value of the Resulting Issuer's assets in excess of US$1 billion, calculated monthly as of the last day of the applicable calendar month. In addition, MAMI will be reimbursed by the Resulting Issuer, MHI US and MHI Partnership for all reasonable and necessary actual out-of-pocket costs and expenses paid by MAMI in connection with the performance of the services described in the Asset Management Agreement (including, without limitation, reasonable incentive fees paid to employees of MAMI that are approved by the Resulting Issuer, MHI US and MHI Partnership in connection with third party acquisitions, the reasonable costs and necessary expenses incurred by MAMI for travel, lodging and the reasonable and necessary costs for experts and consultants reasonably required by MAMI and approved by the Resulting Issuer, MHI US and MHI Partnership). The annual management fee will be paid in cash or, at the option of MAMI and subject to receipt of TSXV approval and the approval of disinterested holders of Resulting Issuer Common Shares (in each case, for so long as the Resulting Issuer Common Shares are listed on the TSXV), up to 100% in Resulting Issuer Common Shares or Class B Units, calculated based on the volume weighted average price of the Resulting Issuer Common Shares on the stock exchange on which the Resulting Issuer Common Shares are then listed for the 5 trading days immediately preceding the end of the applicable month.

The Asset Management Agreement will be for a term of five years and will renew for additional five-year terms, provided MAMI is not in material default on the renewal date or otherwise terminated. At such time as the Resulting Issuer has achieved a fully-diluted market capitalization of US$500 million based on the volume weighted average price of the Resulting Issuer Common Shares on a recognized stock exchange over a 20 business day period and the Resulting Issuer Board has determined internalization to be in the best interests of shareholders, the Asset Management Agreement shall terminate and the management of the Resulting Issuer shall be internalized at no additional cost to the Resulting Issuer.

The Resulting Issuer, MHI US and MHI Partnership will be entitled to terminate the Asset Management Agreement upon 30-days written notice in the event of default (if such default is not cured within such period) or event of insolvency of MAMI (within the meaning of the Asset Management Agreement). An event of default will be defined as: (i) the commission by MAMI or any of its agents or employees of any act constituting fraud, willful misconduct, breach of fiduciary duty, gross negligence or a willful breach of applicable laws in connection with the performance of its duties as an asset manager under the Asset Management Agreement; (ii) demonstration by MAMI of a willful disregard of the best interests of the Resulting Issuer, MHI US and MHI Partnership in the performance, or failure in the performance, of MAMI's duties under the Asset Management Agreement; (iii) material breach by MAMI in the performance of its obligations under the Asset Management Agreement, subject to force majeure; (iv) unpermitted assignment of MAMI's interest in the Asset Management Agreement; (v) persistent, continuing failure in the performance of MAMI's material obligations under the Asset Management Agreement and the continuing failure by MAMI to cure any breach of any of its obligations under the Asset Management Agreement after notice has been given; or (vi) material breach by MAMI of the terms of the Development Agreements or the Non-Competition Agreement. The Resulting Issuer will also have the right to terminate the Asset Management Agreement at the end of a term if the Resulting Issuer's independent directors determine MAMI has not been meeting its obligations under the Asset Management Agreement and such termination is approved by more than 50% of the votes cast by the holders of Resulting Issuer Common Shares (excluding the votes of MAMI) at a meeting called and held for such purpose, provided that the Resulting Issuer provides MAMI with at least 12 months' prior written notice of such termination and provided further that, upon such termination, MAMI shall be entitled to an additional amount equal to MAMI's annual management fees earned for the preceding 12-month period.

Under the Asset Management Agreement, MAMI will have the right to select (i) one individual or (ii) at any such time as MAMI beneficially owns or exercises control or direction over, directly or indirectly, 10% or more of the Resulting Issuer Shares (after giving effect to the exchange of Class B Units owned by MAMI but without giving effect to the exercise, conversion or exchange of any other securities exercisable for, convertible into or exchangeable for Resulting Issuer Shares), two individuals, to be nominated as part of the management proposed list of nominees to serve as directors on the Resulting Issuer Board. Upon completion of the Acquisition, MAMI is expected to beneficially own or exercise control or direction over, directly or indirectly, approximately 80% of the Resulting Issuer Common Shares and 100% of the Resulting Issuer Non-Voting Shares.

The Asset Management Agreement may be assigned by MAMI to an affiliated entity as part of a corporate reorganization, provided the level of service provided by the successor does not change.

Development Agreements

Concurrently with the closing of the Acquisition, it is expected that (i) MAMI, Mainstreet LLC and the Resulting Issuer will enter into the Canadian Development Agreement and (ii) MAMI, Mainstreet LLC, the Resulting Issuer, and MHI Partnership will enter into the US Development Agreement. In accordance with the Development Agreements, during the term of the Development Agreements, Mainstreet LLC will provide the Resulting Issuer, with respect to Canadian development properties under the Canadian Development Agreement, and MHI Partnership, with respect to development properties in the United States under the US Development Agreement, with the right to provide mezzanine financing for projected construction costs for all Suitable Development Properties identified by Mainstreet LLC. The Resulting Issuer, with respect to Canadian development properties under the Canadian Development Agreement, and MHI Partnership, with respect to development properties in the United States under the US Development Agreement, will have an option to acquire any property for which it provides mezzanine financing, subject to receipt of TSXV approval (for so long as the Resulting Issuer Common Shares are listed on the TSXV) and, if required by applicable law (including the rules of any stock exchange on which the Resulting Issuer Common Shares are listed), the approval of holders of Resulting Issuer Common Shares

or disinterested holders of Resulting Issuer Common Shares, pursuant to the terms set out in the applicable Development Agreement. Once a Development Property is approximately 90% complete (as determined by an independent architectural firm) and so long as such property would be accretive to the Resulting Issuer during the twelve months following the acquisition of such property, as determined, in their sole discretion, by the independent members of the Resulting Issuer Board, the applicable parties shall commission an appraisal of the fair market value of the property by an independent third-party appraiser. If a contribution of property in exchange for Resulting Issuer Common Shares, Class B Units and/or cash with a value equal to its appraised fair market value would provide Mainstreet LLC with a rate of return on investment agreed upon in advance, Mainstreet LLC will be required to offer to contribute the property to the Resulting Issuer or MHI Partnership, as applicable, for such price, which will be payable in a combination of Resulting Issuer Common Shares, Class B Units and cash, as determined by Mainstreet LLC in its discretion, subject to receipt of required regulatory approvals. The independent members of the Resulting Issuer Board will determine, in their sole discretion, whether to accept the property and, if accepted, Mainstreet LLC and the Resulting Issuer or MHI Partnership, as applicable, will consummate the contribution of the property at such time as agreed upon by Mainstreet LLC and the Resulting Issuer or MHI US, as applicable. If a contribution of the property at the appraised value would not provide Mainstreet LLC with the agreed upon return, Mainstreet LLC will retain the property.

If Mainstreet LLC subsequently determines that a contribution of a retained property equal to its fair market value would provide Mainstreet LLC with the agreed upon rate of return on investment, Mainstreet LLC may offer to contribute the property to the Resulting Issuer or MHI Partnership, as applicable, at such new price, which will be payable, at Mainstreet LLC's discretion, in a combination of Resulting Issuer Common Shares, Class B Units and cash. The Resulting Issuer or MHI Partnership, as applicable, may accept the contribution in the sole discretion of the independent members of Resulting Issuer Board. If Mainstreet LLC desires to sell any retained property to a third party at a price that would not provide it with the agreed upon rate of return on investment, Mainstreet LLC will first be required to offer the Resulting Issuer or MHI Partnership, as applicable, the right for a period of 30 days to purchase the property on terms not less favourable to the Resulting Issuer or MHI Partnership, as applicable, than those offered to the third party, before being entitled to sell it to the third party.

The Development Agreements will also provide the Resulting Issuer with the right to provide mezzanine financing and acquire Mainstreet LLC's (or any of its Affiliate's) interest in a Development Property where Mainstreet LLC or its Affiliate, as applicable, does not own the entire development property.

The Development Agreements will grant MAMI a first right to develop properties for the Resulting Issuer or MHI Partnership, as applicable, on equitable commercial terms, regardless of the original source of those properties. If the Resulting Issuer or MHI Partnership, as applicable, is approached by a third party with a development opportunity, the Resulting Issuer or MHI Partnership, as applicable, is entitled to request that MAMI waive such right with respect to the property and such waiver shall not be unreasonably withheld. If MAMI agrees to waive its first right to develop a property, the Resulting Issuer or MHI Partnership, as applicable, shall pay to MAMI an advisory development fee equal to 1.5% of certain construction costs (as defined in the Development Agreements) and MAMI will act as an owner-representative on the construction project.

The initial term of the Development Agreements will be for five years, with automatic five-year renewal terms; provided MAMI is not in material default of the applicable Development Agreement on the applicable renewal date. Each of the Development Agreements will not be transferable by MAMI or Mainstreet LLC to unaffiliated third parties unless otherwise consented to by the Resulting Issuer or MHI Partnership, as applicable. The Resulting Issuer or MHI Partnership, as applicable, will be entitled to terminate the applicable Development Agreement upon 30 days' written notice in the event of the material default or insolvency of Mainstreet LLC or MAMI. An event of default will be defined in each Development Agreement as: (i) the commission by Mainstreet LLC or MAMI of any act constituting fraud, willful misconduct, breach of fiduciary duty, gross negligence or a willful breach of applicable laws in connection with the performance of their duties under the applicable Development Agreement; (ii) demonstration of a willful disregard of the best interests of the Resulting Issuer or MHI Partnership, as applicable, by MAMI in the performance of its duties under the applicable Development Agreement; (iii) material breach by Mainstreet LLC or MAMI in the performance of their obligations under either Development Agreement; (iv) material breach by MAMI in the performance of any of its obligations under the Asset Management Agreement; (v) material breach by MAMI or Mainstreet LLC, its principals or their respective Affiliates in the performance of any of their obligations under the Non-Competition Agreement; (vi) unpermitted assignment by MAMI or Mainstreet LLC of their interest in the applicable Development Agreement; or (vii) persistent, continuing failure in

the performance of their material obligations under the applicable Development Agreement by Mainstreet LLC or MAMI. Upon any such termination, the applicable Development Agreement will continue to apply in all respects to the development of any property in which the Resulting Issuer or MHI Partnership, as applicable, has elected to participate prior to termination. The Resulting Issuer or MHI Partnership, as applicable, may terminate a Development Agreement upon the Resulting Issuer achieving a fully-diluted market capitalization of US$500 million based on the volume weighted average price of the Resulting Issuer Common Shares (assuming that all Resulting Issuer Common Shares issuable upon the exercise of any in-the-money options, warrants or rights of conversion or rights of exchange have been issued and are outstanding) on a recognized stock exchange over a 20 business day period. The Development Agreements will also be terminable by any party upon the termination of the Asset Management Agreement.

Non-Competition Agreement

Concurrently with the closing of the Acquisition, it is anticipated that the Resulting Issuer, MHI US, MAMI, Mainstreet LLC and the Principal will enter into the Non-Competition Agreement. Pursuant to the Non-Competition Agreement, the Principal will agree not to, and will cause the Principal Entities not to, create another publicly traded investment vehicle (including, but not limited to, a publicly traded real estate investment trust) which primarily invests in senior housing properties in the United States or Canada.

Pursuant to the Asset Management Agreement, MAMI will be required to perform the services and functions to be performed by it in an expeditious, ethical, honest and businesslike manner and in keeping with the standards of asset management for senior care asset management that are customarily employed by asset managers in servicing and managing comparable properties. Pursuant to the Non-Competition Agreement, MAMI and Mainstreet LLC will be required to present any Offered Investment to the Resulting Issuer. At the time MAMI or Mainstreet LLC, as applicable, presents the Offered Investment to the Resulting Issuer, it will also be required to provide its reasonable estimation regarding whether the Offered Investment would be a suitable investment for the Resulting Issuer and is consistent with the Resulting Issuer's strategy and other relevant investment considerations, together with an outline of all of the material terms and conditions of the Offered Investment then known to MAMI or Mainstreet LLC, as applicable, including relevant summary financial and property information.

Exceptions to the definition of "Offered Investment" will include (a) any senior housing property owned or controlled by the Mainstreet Parties, in whole or in part, which is being developed by, acquired to be developed by, or has previously been developed by, any of the Mainstreet Parties (including together with any joint venture or other partners) at the relevant date; (b) any property that is ancillary to any development project managed or owned by any of the Mainstreet Parties involving primarily non-senior housing properties; (c) any property that is a part of a portfolio of primarily non-senior housing properties; (d) any investment of up to 10% of the issued and outstanding equity securities of any public issuer and investments in the Resulting Issuer; (e) any "value-add" investment that, in the sole, reasonable discretion of MAMI, would not be a suitable investment for the Resulting Issuer (with regard to the Resulting Issuer's focus on stabilized seniors housing properties and other relevant investment considerations); and (f) any property that is developed by the Existing Development Funds and in respect of which Welltower or its Affiliates have an option to purchase described below or elect to exercise their option to purchase as described below.

Mainstreet currently manages the Existing Development Funds. The Existing Development Funds invest solely in development projects and are contractually obligated to provide Welltower or its Affiliates with the option to purchase properties they develop.

In addition, Mainstreet is contemplating the establishment of one or more Value-Add Funds. The Value-Add Funds' acquisition strategy will focus on "value-add" seniors housing investments, which is a different focus from that of the Resulting Issuer, which will focus on stabilized seniors housing properties. Notwithstanding the clear delineation of investment focus between the Resulting Issuer and the Value-Add Funds, Mainstreet's role as manager of the Value-Add Funds could place MAMI in a position of conflict with respect to a potential investment. In the event of such a conflict, but subject to MAMI complying with the obligations in the paragraphs above, MAMI will assess the investment and proceed with the investor that has the highest probability of successfully acquiring the subject property as determined by factors that include capital availability, level of interest and other deal term and timing requirements; provided, however, that if such probability is equal or such assessment is not practicable, MAMI shall endeavour to arrange for the Resulting Issuer and the applicable Value-Add Fund to participate equally (or as

otherwise mutually agreed to by the Resulting Issuer and such Value-Add Fund) in the Offered Investment. MAMI shall also provide notice of its intention to create any Value-Add Fund to the Resulting Issuer and, for a period of 30 days following receipt of such notice, the Resulting Issuer shall have the right, but not the obligation, to subscribe for, directly or indirectly, up to 10% of the equity interests in any such Value-Add Fund at the price and upon the terms and conditions, if any, set forth in such notice.

The Non-Competition Agreement will be in effect so long as MAMI is the asset manager of the Resulting Issuer, provided that the non-competition provisions shall remain in effect for a period of 12 months following the effective date of any termination of the Asset Management Agreement resulting from an event of default of MAMI. An event of default of MAMI under the Asset Management Agreement includes a material breach by MAMI under the terms of the Asset Management Agreement, Development Agreement or the Non-Competition Agreement. For further information, see "*Information Concerning the Resulting Issuer – Executive Compensation – Arrangements with Mainstreet – Asset Management Agreement*" in this Circular.

Exchange Agreement

It is expected that, concurrently with the closing of the Acquisition, the Resulting Issuer, MHI Holdco, MHI US, MHI GP, MHI Partnership and MAMI will enter into the Mainstreet Exchange Agreement. The Mainstreet Exchange Agreement will grant to MAMI the right to require the Resulting Issuer to exchange each Class B Unit, including Class B Units issued to MAMI under the Asset Management Agreement or the Development Agreement, for one Resulting Issuer Common Share, subject to customary anti-dilution adjustments.

The exchange procedure may be initiated at any time by MAMI so long as all of the following conditions have been met:

- the Resulting Issuer is legally entitled to issue the Resulting Issuer Common Shares in connection with MAMI's exercise of its exchange rights; and
- MAMI will, upon the exercise of its exchange rights, comply with all applicable securities laws.

The Mainstreet Exchange Agreement also provides that if the Resulting Issuer enters into a transaction that will involve: (i) the transfer, directly or indirectly, of all or substantially all of its assets to a third party; and (ii) the winding up or dissolution of the Resulting Issuer, or exchange of Resulting Issuer Shares for securities of a third party issuer or successor issuer; and, at such time, MAMI holds in the aggregate, directly or indirectly, 10% or less of the outstanding Resulting Issuer Shares on a fully-diluted basis, then MAMI will be obligated to, upon the written request of the Resulting Issuer, exercise its exchange right in respect of the Class B Units then held by MAMI.

In addition, in the event of an acquisition of not less than 90% of the Resulting Issuer Shares (including Resulting Issuer Shares issuable upon the exchange of Class B Units) by a person (including persons acting jointly or in concert with such person), the Resulting Issuer will have the right, subject to applicable law, to acquire outstanding Class B Units in exchange for an equal number of Resulting Issuer Shares, subject to customary anti-dilution adjustments.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director or officer of Kingsway or MHI Holdco, nor any proposed director or officer of the Resulting Issuer, is or has been indebted to Kingsway or MHI Holdco or a subsidiary thereof at any time, nor are any such individuals indebted to another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by Kingsway, MHI Holdco or a subsidiary thereof.

INVESTOR RELATIONS ARRANGEMENTS

Pursuant to an agreement dated September 12, 2015, Mainstreet retained Equicom, a company with its principal place of business at 2001 McGill College Avenue, suite 800, Montréal, Québec, to conduct ongoing investor relations services for the Resulting Issuer. Such services will include, but are not limited to, handling inquiries from investors, reviewing and commenting on investor communication materials and monitoring annual and continuous filing obligations of the Reporting Issuer. The fee payable to Equicom for such services will be US$250 per hour,

plus all reasonable disbursements incurred. The agreement with Equicom may be terminated by either party upon at least 60 days' prior written notice. Mainstreet may terminate any statement of work upon 15 business days' prior written notice.

Equicom will not have direct or indirect beneficial ownership of, control or direction over, or a combination of direct and indirect beneficial ownership of and control or direction over, any securities of the Resulting Issuer. Further, Equicom will not have any right to acquire securities of the Resulting Issuer, either in full or partial compensation for services.

OPTIONS TO PURCHASE SECURITIES

Options to Purchase Securities

As of February 29, 2016, it is expected that the Resulting Issuer will have the following options outstanding under the Option Plan:

Persons who will hold Options upon completion of the Acquisition	Number of Options	Exercise Price ($)	Expiry Date	Current Market Value of Resulting Issuer Shares Under Option[(1)] ($)
Dan Amadori	250,000	0.10	February 5, 2017	0.06
	250,000	0.10	September 1, 2017	0.06
Patrick Byrne	175,000	0.10	February 5, 2017	0.06
	250,000	0.10	September 1, 2017	0.06
	125,000	0.10	June 14, 2018	0.06
Bruce Dimytosh	200,000	0.10	September 1, 2017	0.06
	85,000	0.10	June 14, 2018	0.06
Donald MacKinnon	200,000	0.10	September 1, 2017	0.06
	85,000	0.10	June 14, 2018	0.06
John MacKinnon	12, 800	0.10	February 5, 2017	0.06
	250,000	0.10	September 1, 2017	0.06
	85,000	0.10	June 14, 2018	0.06
Frank T. Rossi	65,000	0.10	February 5, 2017	0.06
	250,000	0.10	September 1, 2017	0.06
	85,000	0.10	June 14, 2018	0.06
Marilyn Lachapelle	50, 000	0.10	February 5, 2017	0.06
	25, 000	0.10	September 1, 2017	0.06
	75, 000	0.10	June 14, 2018	0.06
Ken Soori	25,000	0.10	September 1, 2017	0.06

Notes:

(1) Based on the difference between the exercise price per option and the market price of $0.04 per Kingsway Common Share, being the closing price per Kingsway Common Share on the TSXV on November 5, 2015.

Stock Option Plan

Please refer to "*Information Concerning the Issuer – Stock Option Plan*" for a description of the Option Plan. Please refer to "*Business of the Meeting – Deferred Share Incentive Plan*" of this Circular for a description of the Deferred Share Incentive Plan.

ESCROWED SECURITIES

As required by the TSXV, Mainstreet will deposit an aggregate of 388,819,850 Resulting Issuer Shares with Computershare pursuant to the Mainstreet Escrow Agreement. The Mainstreet Escrow Agreement will be a TSXV Form 5D Tier 2 Value Security Escrow Agreement which provides for the release from escrow to Mainstreet of 10% of the escrowed Resulting Issuer Shares on the date of the Final Exchange Bulletin, 15% on the date that is six months after the date of the Final Exchange Bulletin, 15% on the date that is 12 months after the date of the Final Exchange Bulletin, 15% on the date that is 18 months after the date of the Final Exchange Bulletin, 15% on the date that is 24 months after the date of the Final Exchange Bulletin, 15% on the date that is 30 months after the date of the Final Exchange Bulletin and 15% on the date that is 36 months after the date of the Final Exchange Bulletin.

Dan Amadori will deposit an aggregate of 3,140,000 Resulting Issuer Common Shares with Computershare pursuant to the Amadori Escrow Agreement. The Amadori Escrow Agreement will be a TSXV Form 5D Tier 1 Value Security Escrow Agreement which provides for the release from escrow to Dan Amadori of 25% of the escrowed Resulting Issuer Shares on the date of the Final Exchange Bulletin, 25% on the date that is six months after the date of the Final Exchange Bulletin, 25% on the date that is 12 months after the date of the Final Exchange Bulletin and 25% on the date that is 18 months after the date of the Final Exchange Bulletin.

The table below sets forth the number of escrowed securities to be owned by Mainstreet and Dan Amadori after the completion of the Acquisition:

		Prior to Giving Effect to the Acquisition		**After Giving Effect to the Acquisition**	
Name and Municipality of Residence of Securityholder	**Designation of class**	**Number of securities held in escrow**	**Percentage of class**	**Number of securities to be held in escrow**	**Approximate percentage of class**
Mainstreet	Common	N/A	N/A	81,160,000	80%
Mainstreet	Non-Voting	N/A	N/A	307,659,850	100%
Dan Amadori Toronto, Ontario	Common	N/A	N/A	3,140,000	3%

In addition, any Resulting Issuer Shares issuable to the Funds during the applicable escrow period and at such time as the Resulting Issuer Common Shares are listed on the TSXV will be held in escrow pursuant to the applicable rules of the TSXV.

AUDITOR, TRANSFER AGENT AND REGISTRAR

It is intended that the auditor of the Resulting Issuer will be KPMG LLP.

It is intended that the transfer agent and registrar for the Resulting Issuer Common Shares will be Computershare Investor Services Inc. at its office in Toronto, Ontario.

GENERAL MATTERS

EXPERTS

Kingsway's auditors are currently Collins Barrow Toronto LLP and prepared the independent auditor's reports in respect of the Kingsway financial statements for the years ended December 31, 2014 and 2013. Collins Barrow Toronto LLP is independent of Kingsway in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

MNP LLP are Kingsway's former auditors. MNP LLP prepared the independent auditor's report in respect of the Kingsway consolidated financial statements for the year ended December 31, 2012. MNP LLP is independent of Kingsway in accordance with the Rules of Profession Conduct of the Chartered Professional Accountants of Ontario.

MHI Holdco's current auditors are KPMG LLP. KPMG LLP prepared the independent auditor's report in respect of the MHI Holdco financial statements for the year ended December 31, 2015. KPMG LLP is independent of MHI Holdco in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

The Phase I ESA Reports and PCA Reports referenced herein were prepared by Partner Engineering and Science, Inc.

The Property Appraisal referenced herein was prepared by Tellatin, Short & Hansen Inc.

OTHER MATERIAL FACTS

There are no other material facts about Kingsway, MHI Holdco, the Resulting Issuer or the Acquisition that are not disclosed under the preceding items and are necessary in order for the Circular to contain full, true and plain disclosure of all material facts relating to Kingsway, MHI Holdco and the Resulting Issuer, assuming completion of the Acquisition.

KINGSWAY BOARD APPROVAL

The contents and sending of this Circular have been approved by the Kingsway Board.

Toronto, Ontario
February 29, 2016

CERTIFICATE OF KINGSWAY ARMS RETIREMENT RESIDENCES INC.

DATED February 29, 2016

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of Kingsway Arms Retirement Residences Inc., assuming completion of the proposed acquisition of shares of MHI Holdco.

(signed) "Patrick Byrne"

Patrick Byrne, Chief Executive Officer

(signed) "Dan Amadori"

Dan Amadori, Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "Bruce Dimytosh"

Bruce Dimytosh

(signed) "Don MacKinnon"

Don MacKinnon

CERTIFICATE OF MAINSTREET HEALTH HOLDINGS INC.

DATED February 29, 2016

The foregoing document as it relates to Mainstreet Health Holdings Inc. constitutes full, true and plain disclosure of all material facts relating to the securities of Mainstreet Health Holdings Inc.

(signed) "Scott White"

Scott White, Chief Executive Officer

(signed) "Scott Higgs"

Scott Higgs, Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "Scott White"

Scott White

(signed) "Adlai Chester"

Adlai Chester

ACKNOWLEDGEMENT – PERSONAL INFORMATION

Kingsway Arms Retirement Residences Inc. hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

a) the disclosure of Personal Information by Kingsway Arms Retirement Residences Inc. to the Exchange (as defined in Appendix 6B) pursuant to this Form 3D1; and

b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

(signed) "Dan Amadori"

Dan Amadori, Chief Financial Officer

SCHEDULE "A"

CHARTER OF THE AUDIT COMMITTEE
OF
KINGSWAY ARMS RETIREMENT RESIDENCES INC.

GENERAL

1. PURPOSE AND RESPONSIBILITIES OF THE COMMITTEE

1.1 Purpose

The primary purpose of the Committee is to assist Board oversight of the following (by gaining reasonable assurance thereof):

(a) that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies relating to financial reporting and disclosure;

(b) That the accounting principles, significant judgments and disclosures which underlie or are incorporated in the Corporation's financial statements are the most appropriate in the prevailing circumstances;

(c) that the internal and accounting controls and procedures of the Corporation are adequate and appropriate;

(d) that the External Auditor's qualifications and independence are sufficient;

(e) that the performance of the Corporation's internal audit function, if any, and the External Auditor is satisfactory;

(f) that the Corporation's interim and annual financial statements present fairly the Corporation's financial position as a result of its operations in accordance with GAAP and together with Management Discussion and Analysis constitute a fair presentation of the Corporation's financial condition; and

(g) that appropriate information concerning the financial position and performance of the Corporation is disseminated to the Board in a timely manner.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions In this Charter:

(a) "**Board**" means the Board of Directors of the Corporation;

(b) "**Chair**" means the chair of the Committee;

(c) "**Committee**" means the audit committee of the Board;

(d) "**Corporation**" means Kingsway Arms Retirement Residences Inc.;

(e) "**Directors**" means the directors of the Corporation;

(f) "**External Auditor**" means the Corporation's independent auditor; and

(g) "**IFRS**" means International Financial Reporting Standards.

CONSTITUTION AND FUNCTIONING OF THE COMMITTEE

3. ESTABLISHMENT AND COMPOSITION OF THE COMMITTEE

3.1 Establishment of the Audit Committee

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

3.2 Appointment and Removal of Members of the Committee

(a) Board Appoints Members. The members of the Committee shall be appointed by the Board. Each member of the Committee shall be a member of the Board.

(b) Annual Appointments. The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

(c) Vacancies. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.

(d) Removal of Member. Any member of the Committee may be removed from the Committee by a resolution of the Board.

3.3 Number of Members

The Committee shall consist of three or more Directors.

3.4 Independence of Members

The majority of the Committee shall be "independent" (as such term is used in Multilateral Instrument 52-110 – Audit Committees ("MI 52-110").

3.5 Financial Literacy

All of the members of the Committee must be "financially literate" (as defined in MI 52-110) in terms of understanding the Corporation's financial information unless the Board determines that an exemption under MI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of MI 52-110.

4. COMMITTEE CHAIR

4.1 Board to Appoint Chair

The Board shall appoint the Chair from the members of the Committee (or, if it fails to do so, the members of the Committee shall appoint the Chair from among its members). The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for the purposes of that particular meeting.

4.2 Chair to be Appointed Annually

The appointment of the Committee's Chair shall take place annually at the first meeting of the Board after a meeting of the members at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

5. COMMITTEE MEETINGS

5.1 Quorum

A quorum of the Committee shall be a majority of its members.

5.2 Secretary

The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

5.3 Time and Place of Meetings

The time and place of the meetings of the Committee, the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee in accordance with the by-laws of the Corporation; provided, however, the Committee shall meet at least quarterly.

5.4 *In Camera* Meetings

As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or quarterly financial statements, the Committee may, at its reasonable discretion, meet separately with each of:

(a) management;

(b) the External Auditor (if, with respect to quarterly financial statements, the External Auditor has been engaged to review or audit such financial statements); and

(c) the internal auditor, if any.

5.5 Right to Vote

Each member of the Committee shall have the right to vote on matters that come before the Committee. In case of an equality of votes, the Chair of the meeting shall be entitled to a second or casting vote.

5.6 Invitees

The Committee may invite Directors, officers and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

5.7 Regular Reporting

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

6. AUTHORITY OF COMMITTEE

6.1 Reliance on Experts

In contributing to the Committee's discharging of its duties under this Charter, each member of the Committee shall be entitled to rely in good faith upon:

(a) the financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and

(b) any report of a lawyer, accountant, appraiser or other person whose profession lends credibility to a statement made by any such person.

6.2 Retaining and Compensating Advisors

The Committee shall have the authority to engage independent counsel and other advisors as the Committee may deem appropriate in its sole discretion and to set and pay the compensation for any advisors employed by the Committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

6.3 Subcommittees

The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

6.4 Recommendations to the Board

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 Remuneration of Committee Members

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time and as may be permitted by applicable law.

SPECIFIC DUTIES AND RESPONSIBILITIES

8. INTEGRITY OF FINANCIAL STATEMENTS

8.1 Review and Approval of Financial Information

(a) Annual Financial Statements. The Committee shall review and discuss with management and the External Auditor, the Corporation's audited annual financial statements and related MD&A together with the report of the External Auditor thereon and, when appropriate, shall recommend to the Board that the Board approve the audited annual financial statements and related MD&A.

(b) Interim Financial Statements. The Committee shall review and discuss with management and, if applicable, the External Auditor and, when appropriate, shall recommend to the Board that the Board approve the Corporation's interim unaudited financial statements and related MD&A.

(c) Material Public Financial Disclosure. The Committee shall discuss with management and the External Auditor:

(i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases (if any),

(ii) financial information and earnings guidance (if any) to be provided to analysts, investors and rating agencies, and

(iii) press releases (if any) containing financial information (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information),

and, when appropriate, shall recommend to the Board that the Board approve any such material financial disclosure prior to its release to the public.

(d) Procedures for Review. The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than financial statements, MD&A and earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.

(e) Accounting Treatment. The Committee shall review and discuss with management and the External Auditor:

(i) the appropriateness of the Corporation's accounting policies, disclosures, reserves, key estimates and judgments, including changes or variations thereto and obtain reasonable assurance that they are presented fairly in accordance with IFRS:

(ii) major issues regarding accounting principles and financial statement presentations including any significant changes in the Corporation's selection or application of accounting principles and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;

(iii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting policies methods on the financial statements, if any;

(iv) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the Corporation's financial statements;

(v) the management certifications of the financial statements as required by applicable securities laws in Canada or otherwise; and

(vi) pension plan financial statements, if any.

9. EXTERNAL AUDITOR

9.1 External Auditor

(a) Authority with Respect to External Auditor. The Committee shall be directly responsible for the nomination, compensation and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In the discharge of this responsibility, the Committee shall:

(i) have sole responsibility for recommending to the Board the person to be proposed to the Corporation's shareholders for appointment as External Auditor for the above-described purposes as well as the responsibility for recommending such External Auditor's compensation and determining at any time whether the Board should recommend to the Corporation's shareholders whether the incumbent External Auditor should be removed from office;

(ii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be solely responsible for approving such audit fees; and

(iii) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to, and shall report directly to, the Committee as the representative of shareholders.

(b) Independence. The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:

(i) assure the regular rotation of the lead audit partner as required by law and consider whether, in order to ensure continuing independence of the External Auditor, the Corporation should rotate periodically, the audit firm that serves as External Auditor;

(ii) require the External Auditor to submit on a periodic basis to the Committee, a formal written statement delineating all relationships between the External Auditor and the Corporation and its subsidiaries and that the Committee is responsible for actively engaging in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and for recommending that the Board take appropriate action in response to the External Auditor's report to satisfy itself of the External Auditor's independence;

(iii) address non-audit services provided by the External Auditor as described in clause (d) below; and

(iv) review and approve the policy setting out the restrictions on the Corporation and its subsidiaries hiring partners, employees and former partners and employees of the Corporation's current or former External Auditor.

(c) Issues Between External Auditor and Management. The Committee shall:

(i) review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or in access to requested information;

(ii) review any disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor regarding financial reporting; and

(iii) review with the External Auditor:

(A) any accounting adjustments that were proposed by the External Auditor, but were not made by management;

(B) any communications between the audit team and audit firm's national office respecting significant auditing or accounting issues presented by the engagement;

(C) any management or internal control letter issued, or proposed to be issued by the External Auditor to the Corporation; and

(D) the performance of the Corporation's internal audit function and internal auditors.

(d) Non-Audit Services.

(i) The Committee shall either:

(A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of the Corporation to the Corporation (including its subsidiaries); or

(B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the

particular service, the Committee is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.

(ii) The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.

(iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.

(e) Evaluation of External Auditor. The Committee shall evaluate the External Auditor each year, and present its conclusions to the Board. In connection with this evaluation, the Committee may:

(i) review their satisfaction with the lead partner of the External Auditor;

(ii) obtain the opinions of management and of the persons responsible for the Corporation's internal audit function, if any, with respect to the performance of the External Auditor; and

(iii) obtain and review a report by the External Auditor describing:

(A) the External Auditor's internal quality-control procedures;

(B) to the extent permitted by applicable laws and by the Canadian Public Accountability Board, any material issues raised by the most recent internal quality-control review, or peer review, of the External Auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor's firm, and any steps taken to deal with any such issues; and

(C) all relationships between the External Auditor and the Corporation (for the purposes of assessing the External Auditor's independence).

(f) Review of Management's Evaluation and Response. The Committee may, if it should deem appropriate:

(i) review management's evaluation of the External Auditor's audit performance;

(ii) review the External Auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses;

(iii) review management's response to significant internal control recommendations of the internal audit staff and the External Auditor;

(iv) receive regular reports from management and receive comments from the External Auditor, if any, on:

(A) management's tolerance for financial risk;

(B) the Corporation's principal financial risks;

(C) the systems implemented to monitor those risks; and

(D) the strategies (including hedging strategies) in place to effectively manage those risks; and

(E) recommend to the Board whether any new material risk management strategies presented by management should be considered appropriate and approved.

10. INTERNAL AUDIT FUNCTION

10.1 Internal Auditor

The Corporation does not currently have an internal audit function. At such time, if any, as the Corporation determines it is necessary or advisable to establish such internal function, the Committee will, in respect thereof:

(a) review the terms of reference of the internal auditor, if any, and meet with the internal auditor as the Committee may consider appropriate to discuss any concerns or issues;

(b) in consultation with the External Auditor and the internal audit group, if any, review the adequacy of the Corporation's internal control structure and procedures designed to ensure compliance with laws and regulations and any special audit steps adopted in light of material deficiencies and controls;

(c) review the internal control report prepared by management, including management's assessment of the effectiveness of the Corporation's internal control structure and procedures for financial reporting; and

(d) periodically review with the internal auditor, if any, any significant difficulties, disagreements with management or scope restrictions encountered in the course of the work of the internal auditor.

11. COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

11.1 Risk Assessment and Risk Management

The Committee shall discuss the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures and shall report to the Board with respect thereto.

11.2 Whistleblowing Policy

The Committee shall put in place, subject to approval by the Board, procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation or its subsidiaries regarding accounting, internal accounting controls or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation or its subsidiaries of concerns regarding questionable accounting or auditing matters.

12. LIMITATIONS ON THE AUDIT COMMITTEE'S DUTIES

In contributing to the Committee's discharging of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the activities reported above are being conducted effectively and to enable the Committee to report thereon to the Board.

13. CHARTER REVIEW

The Committee shall periodically review and assess the adequacy of this Charter and recommend to the Board any changes it deems appropriate.

October 15, 2010

SCHEDULE "B"

ACQUISITION RESOLUTION

"**RESOLVED, AS AN ORDINARY RESOLUTION, THAT:**

1. the acquisition by Kingsway Arms Residences Inc. ("**Kingsway**") of the shares of Mainstreet Health Holdings Inc. ("**MHI Holdco**") held by Mainstreet Investment Company, LLC ("**Mainstreet**"), which represent 75% of the issued and outstanding shares of MHI Holdco, in consideration for the issuance of 81,160,000 common shares in the capital of Kingsway and 307,659,850 non-voting shares in the capital of Kingsway to Mainstreet pursuant to a share purchase agreement between Kingsway and Mainstreet, among others, dated December 2, 2015, as amended on January 25, 2016 and as amended and restated on February 29, 2016, as more fully described in the management information circular of Kingsway dated February 29, 2016, is hereby authorized, approved and agreed to; and

2. any one director or officer of Kingsway be and is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal of Kingsway or otherwise all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing."

SCHEDULE "C"

CONVERTIBLE DEBENTURE RESOLUTION

"RESOLVED, AS AN ORDINARY RESOLUTION OF DISINTERESTED SHAREHOLDERS, THAT:

1. the right (the "**Conversion Right**") of certain funds managed by Magnetar Financial LLC (collectively, the "**Funds**"), as holders of the subordinated convertible debentures (the "**Convertible Debentures**") of Mainstreet Health Holdings Inc. ("**MHI Holdco**") in the aggregate principal amount of approximately US$109 million issued by MHI Holdco to the Funds, to convert the Convertible Debentures into shares of MHI Holdco, is hereby approved and ratified;

2. the resulting dilution of the interest of Kingsway Arms Retirement Residences Inc. ("**Kingsway**") in MHI Holdco in the event that the Funds exercise the Conversion Right is hereby approved; and

3. any one director or officer of Kingsway be and is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal of Kingsway or otherwise all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing, provided that the board of directors of Kingsway may, at its discretion, revoke all or any part of this resolution before it is acted upon without further approval of the shareholders of Kingsway."

SCHEDULE "D"

RESOLUTION ELECTING DIRECTORS

"**RESOLVED, AS AN ORDINARY RESOLUTION, THAT:**

1. the election of Patrick Byrne, Dan Amadori, John MacKinnon, Frank T. Rossi, Bruce Dimytosh and Don MacKinnon as directors of Kingsway Arms Retirement Residences Inc. ("**Kingsway**") to hold office until the earlier of:

   (a) the next annual meeting of the shareholders of Kingsway (the "**Kingsway Shareholders**"), or until their successors are elected or appointed; or

   (b) 12:01 a.m. on the day following the date on which the Acquisition (as defined in the management information circular of Kingsway dated February 29, 2016 for use in connection with the annual and special meeting of shareholders scheduled to be held on March 30, 2016) is completed (the "**Change of Board Time**"), at which time the directors shall be removed as directors of Kingsway,

   is hereby approved; and

2. subject to and conditional upon completion of the Acquisition, the election of Paul Ezekiel Turner, Dan Amadori, Brad Benbow, Rob Dickson, Shaun Hawkins, Richard Turner and Katherine C. Vyse as directors of Kingsway to hold office from the Change of Board Time until the next annual meeting of the Kingsway Shareholders, or until their successors are elected or appointed, is hereby approved."

SCHEDULE "E"

RESOLUTION APPOINTING AUDITORS

"**RESOLVED, AS AN ORDINARY RESOLUTION, THAT:**

1. the removal of Collins Barrow Toronto LLP as auditors of Kingsway Arms Retirement Residences Inc. ("**Kingsway**"), is hereby approved;

2. the appointment of KPMG LLP as auditors of Kingsway to hold office until the next annual meeting of the shareholders of Kingsway is hereby approved and the board of directors of Kingsway is hereby authorized to fix their remuneration; and

3. any one director or officer of Kingsway be and is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal of Kingsway or otherwise all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing, provided that the board of directors of Kingsway may, at its discretion, revoke all or any part of this resolution before it is acted upon without further approval of the shareholders of Kingsway."

SCHEDULE "F"

COMPARISON OF ONTARIO BUSINESS CORPORATIONS ACT AND BRITISH COLUMBIA BUSINESS CORPORATIONS ACT

Sale or Disposition of Company's Undertaking

Under the *Business Corporations Act* (Ontario) ("**OBCA**"), the directors of a corporation may authorize the sale, lease or exchange of all or substantially all of the property of a corporation only with shareholder approval by not less than two-thirds of the votes cast by holders of each class or series of shares entitled to vote.

The *Business Corporations Act* (British Columbia) ("**BCBCA**") requires the sale, lease or other disposition of all or substantially all of a company's undertaking to be authorized by special resolution, being a resolution passed by shareholders where the majority of the votes cast by shareholders entitled to vote on the resolution constitutes a special majority (i.e. two-thirds of the votes cast, unless a greater majority of up to three-quarters is required by the articles). The BCBCA contains a number of exceptions that are not included in the OBCA (for example, with respect to dispositions by way of security interests, certain kinds of leases and dispositions related to corporations or entities).

Amendments to the Charter Documents and Other Fundamental Changes of the Company

Any substantive change to the corporate charter of a corporation under the OBCA, such as alteration of the restrictions, if any, on the business that may be carried on by the corporation, a change in the name of the corporation or an increase or reduction of the authorized capital of the corporation requires a special resolution passed by not less than two-thirds of the votes cast by shareholders voting in person or by proxy at a general meeting of the corporation. Other fundamental changes such as an alteration of special rights and restrictions attached to the issued shares or a proposed amalgamation or continuation of a corporation out of the jurisdiction also require a special resolution passed by not less than two-thirds of the votes cast by the holders of shares of each class entitled to vote at a general meeting of the corporation. The holders of shares of a class or of a serious are, in certain situations and unless the articles provide otherwise, entitled to vote separately as a class or series upon a proposal to amend the articles.

Under the BCBCA, such changes also require a special resolution passed by a special majority of the votes cast by shareholders entitled to vote on the resolution (i.e. two-thirds of the votes cast, unless a greater majority of up to three-quarters is required by the articles) unless the BCBCA or the articles require a different type of resolution to make such change in certain cases (for example, on amalgamations, where the rights of the holders of a class of shares are affected differently by the alteration than those of the holders of other classes of shares, a special separate resolution is required; similarly, a right or special right attached to issued shares must not be prejudiced or interfered with under the BCBCA or under the notice of articles or articles unless the shareholders holding shares of the class or series of shares to which such right or special right is attached consent by a special separate resolution of those shareholders).

Rights of Dissent and Appraisal

The OBCA provides that shareholders who dissent to certain actions being taken by a corporation may exercise a right of dissent and require the corporation to purchase the shares held by such shareholder at the fair market value of such shares. The dissent right is applicable where the corporation proposes to:

(a) amend its articles under Section 168 of the OBCA to add, change or remove restrictions on the issue, transfer or ownership of shares of a class or a series of shares of a corporation;

(b) amend its articles under Section 168 of the OBCA to add, change or remove any restriction on the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;

(c) amalgamate with another corporation under Section 175 or 176 of the OBCA;

(d) be continued under the laws of another jurisdiction under Section 181 of the OBCA; or

(e) sell, lease or exchange all or substantially all of its property under subsection 184(3) of the OBCA.

The BCBCA contains a similar dissent remedy, although the triggering events and procedure for exercising this remedy are slightly different than those contained in the OBCA. Under the BCBCA, the dissent right is also applicable with respect to a resolution to approve an arrangement, if the terms of the arrangement permit dissent, any other resolution if dissent is authorized by the resolution, and in respect of any court order that permits dissent. In addition, under the BCBCA, such dissent must be exercised with respect to all of the share so which the dissenting shareholder is the registered and beneficial owner (and cause the registered owner of any such shares beneficially owned by the dissenting shareholder to dissent with respect to all such shares).

Oppression Remedies

Under the OBCA, a shareholder of a corporation has the right to apply to court on the grounds that the affairs of the corporation are being conducted, or the powers of the directors are being exercised in a manner oppressive to the shareholder or that the corporation is acting or proposes to act in a way that is oppressive or unfairly prejudicial to or that unfairly disregards the interest of any security holder, creditor, director of officer. On such an application, the court may make such order as it sees fit, including an order to prohibit any act proposed by the corporation.

The BCBCA contains a similar oppression remedy. However, it is available to a somewhat more limited group of persons. In British Columbia, the oppression remedy is only available to shareholders (which includes beneficial shareholders and any other person whom a court considers to be an appropriate person to make such an application). Comparatively, under the OBCA, a shareholder or former shareholder (whether registered or beneficial), director, former director, officer, former officer of a corporation or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to seek an oppression remedy may apply to a court for an order to rectify the matters based on the complaint.. In addition, the remedy under the BCBCA is not expressly available for "unfairly disregarding the interests" of the shareholder.

Shareholder Derivative Actions

Under the OBCA, a shareholder or former shareholder (whether registered or beneficial), director, former director, officer, former officer of the corporation or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to make such an application may, with judicial leave, bring an action in the name, and on behalf, of the corporation or any of its subsidiaries or intervene in an action to which a corporation or any of its subsidiaries is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the corporation or subsidiary.

Similar rights to bring a derivative action are contained in the BCBCA but these rights only extend to shareholders (including beneficial shareholder and any other person whom the court consist to be an appropriate person to make such an application) and directors.

Shareholder Proposals

Both the BCBCA and the OBCA contain provisions with respect to shareholder provisions. Under the OBCA, a shareholder entitled to vote at an annual meeting of shareholders may:

(a) submit to the corporation notice of a proposal; and

(b) discuss at the meeting any matter in respect of which he would have been entitled to submit a proposal.

The corporation that solicits proxies shall send the proposal in the information circular or attach the proposal to the circular. If requested by the shareholder, management must also enclose with the information circular a statement by the shareholder in support of the proposal provided such statement meets certain criteria. In addition, a proposal may include nominations for the election of directors if the proposal is signed by one or more holders of shares representing in the aggregate not less than five per cent of the shares or five per cent of the shares of a class or series

of shares of the corporation entitled to vote at the meeting to which the proposal is to be presented. Management is not required to send the proposal or supporting statement with the management information circular where:

(a) the proposal is not received at least sixty days before the anniversary date of the previous annual general meeting if the matter is proposed to be raised at an annual meeting, or at least sixty days before a meeting other than the annual meeting, if the matter is proposed to be raised at a meeting other than the annual meeting;

(b) the proposal has been submitted for the purpose of enforcing a personal claim or redressing a personal grievance against the corporation, its directors, officers or security holders, or for a purpose that is not generally related in any significant way to the business or affairs of the corporation;

(c) the corporation, at the shareholder's request, included a proposal in a management information circular relating to a meeting of shareholders held within two years preceding the receipt of the request, and the shareholder failed to present the proposal, in person, or by proxy, at such meeting; or

(d) substantially the same proposal was submitted to shareholders in a management information circular relating to a meeting of shareholders held within two years preceding the receipt of the request and the proposal was defeated.

Under the BCBCA, proposal may only be submitted by qualified shareholders, which means an owner (whether registered or beneficial) of shares that carry the right to vote at a general meeting who has been such a shareholder for an uninterrupted period of at least two years before the date of signing the proposal, provided that such shareholder has not, within two years before the date of the signing of the proposal, failed to present, in person or by proxy, at any annual general meeting, an earlier proposal submitted by such shareholder in respect to which the company complied with its obligations under the BCBCA.

The proposal must meet certain criteria and must be supported by qualified shareholders who, together with the submitter, are registered or beneficial owner of shares that, in the aggregate, constitute at least one per cent of the issued shares of the company that carry the right to vote at general meetings, or that have a fair market value in excess of $2,000.

A company that receives such a proposal must send the text of the proposal, the names and mailing addresses of the submitter and supporting shareholders, and the text of any supporting statement accompanying the proposal to all of the persons who are entitled to notice of the annual general meeting in relation to which the proposal is made. Such information must be sent in, or within the time for sending of, the notice of the applicable annual general meeting, or in the company's information circular, if any, sent in respect of the applicable annual general meeting. If the submitter is a qualified shareholder at the time of the annual general meeting to which its proposal relates, the company must allow the submitter to present the proposal, in person or by proxy, at such meeting. If two or more proposals received by the company in relation to the same annual general meeting are substantially the same, the company only needs to comply with such requirements in relation to the first proposal received and not any others. The company may also refuse to process a proposal in certain other circumstances, which are similar to those exceptions provided under the OBCA but under the BCBCA a company may also refuse to process a proposal that deals with matters beyond the company's power to implement.

Form of Proxy and Information Circular

The OBCA requires a reporting corporation, currently with or prior to sending notice of a meeting of shareholders, to send a form of proxy to each shareholder who is entitled to receive notice of the meeting, and to provide with the notice of meeting of shareholders a form of proxy in the prescribed form for use by every shareholder entitled to vote at such meeting as well as a management information circular containing prescribed information regarding the matters to be dealt with at, and the conduct of, the meeting.

In British Columbia, the mandatory solicitation of proxies is dealt with under the applicable securities legislation. Therefore, the BCBCA does not contain provisions that require the mandatory solicitation of proxies and delivery of a management information circular.

Place of Meetings

The OBCA requires all meetings of shareholders, subject to the articles and any unanimous shareholder agreement, to be held at the place within or outside Ontario as determined by the directors or, in the absence of such a determination, at the place where the registered office of the corporation is located.

The BCBCA provides that meetings of shareholders must be held in British Columbia, unless the articles provide for a location outside British Columbia, or the articles do not restrict the company from approving a location outside British Columbia and the location is approved by an ordinary resolution or other type of resolution required by the articles, or unless the location is approved in writing by the BC Registrar before the meeting is held.

Directors

The OBCA provides that an offering corporation shall have a minimum of three directors, at least one-third of whom must not be officers or employees of the corporation or its affiliates. In addition, under the OBCA, a majority of the directors of a corporation must be resident Canadians except in a situation where a corporation has only one or two directors, in which case that director or one of the two directors, as the case may be, shall be a resident of Canada.

The BCBCA only requires that a public company have at least three directors. There is no further requirement with respect to the director's status as officers and/or employees of the corporation or its affiliates. The BCBCA does not contain any residency requirements for directors.

Although both the OBCA and the BCBCA have a minimum requirement of only three directors, in both jurisdictions the audit committee is required to be composed of at least three directors, the majority of which must not be officers or employees of the company or an affiliate of the company.

SCHEDULE "G"

CONTINUANCE RESOLUTION

"**RESOLVED, AS A SPECIAL RESOLUTION, THAT**:

1. the continuation of Kingsway Arms Retirement Residences Inc. ("**Kingsway**") from the Province of Ontario to the Province of British Columbia pursuant to Section 181 of the *Business Corporations Act* (Ontario) and Section 302 of the *Business Corporations Act* (British Columbia), such continuance to be effected under the name "Mainstreet Health Investments Inc.", is hereby authorized and approved; and

2. any one director or officer of Kingsway be and is hereby authorized and directed to do all such acts and things and to execute, deliver or adopt (as applicable) under the corporate seal of Kingsway or otherwise all such deeds, documents, instruments, applications, appointments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution, delivery or adoption of such document or application or the doing of such act or thing, provided that the board of directors of Kingsway may, at its discretion, revoke this resolution before it is acted upon without further approval of the shareholders of Kingsway."

SCHEDULE “H”

NEW ARTICLES

See attached.

MAINSTREET HEALTH INVESTMENTS INC.
(the "Company")

The Company has as its articles the following articles.

Full name and signature of a director	Date of signing
_____	

Incorporation number:

MAINSTREET HEALTH INVESTMENTS INC.
(the "Company")

ARTICLES

1. INTERPRETATION

1.1 Definitions

In these Articles, unless the context otherwise requires:

(1) "**appropriate person**" has the meaning assigned in the *Securities Transfer Act*;

(2) "**board of directors**", "**directors**" and "**board**" mean the directors or sole director of the Company for the time being;

(3) "**Business Corporations Act**" means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

(4) "**Interpretation Act**" means the *Interpretation Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

(5) "**legal personal representative**" means the personal or other legal representative of a shareholder;

(6) "**protected purchaser**" has the meaning assigned in the *Securities Transfer Act*;

(7) "**registered address**" of a shareholder means the shareholder's address as recorded in the central securities register;

(8) "**securities legislation**" means statutes concerning the regulation of securities markets and trading in securities and the regulations, rules, forms and schedules under those statutes, all as amended from time to time, and the blanket rulings and orders, as amended from time to time, issued by the securities commissions or similar regulatory authorities appointed under or pursuant to those statutes; "**Canadian securities legislation**" means the securities legislation in any province or territory of Canada and includes the *Securities Act* (British Columbia); and "**U.S. securities legislation**" means the securities legislation in the federal jurisdiction of the United States and in any state of the United States and includes the Securities Act of 1933 and the Securities Exchange Act of 1934;

(9) "**Securities Transfer Act**" means the *Securities Transfer Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act.

1.2 Business Corporations Act and Interpretation Act Definitions Applicable

The definitions in the Business Corporations Act and the definitions and rules of construction in the Interpretation Act, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict or inconsistency between a definition in the Business Corporations Act and a definition or rule in the Interpretation Act relating to a term used in these Articles, the definition in the Business Corporations Act will prevail in relation to the use of the term in these Articles. If there is a conflict or inconsistency between these Articles and the Business Corporations Act, the Business Corporations Act will prevail.

2. SHARES AND SHARE CERTIFICATES

2.1 Authorized Share Structure

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

2.2 Form of Share Certificate

Each share certificate issued by the Company must comply with, and be signed as required by, the Business Corporations Act.

2.3 Shareholder Entitled to Certificate or Acknowledgment

Unless the shares of which the shareholder is the registered owner are uncertificated shares, each shareholder is entitled, upon request and without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgment (an "Acknowledgment") of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate or Acknowledgment and delivery of a share certificate or Acknowledgment to one of several joint shareholders or to a duly authorized agent of one of the joint shareholders will be sufficient delivery to all.

2.4 Delivery by Mail

Any share certificate or Acknowledgment of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or Acknowledgement is lost in the mail or stolen.

2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement

If the directors are satisfied that a share certificate or Acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or Acknowledgment, as the case may be, and on such other terms, if any, as they think fit:

(1) order the share certificate or Acknowledgment, as the case may be, to be cancelled; and

(2) issue a replacement share certificate or Acknowledgment, as the case may be.

2.6 Replacement of Lost, Destroyed or Wrongfully Taken Certificate

If a person entitled to a share certificate claims that the share certificate has been lost, destroyed or wrongfully taken, the Company must issue a new share certificate, if that person:

(1) so requests before the Company has notice that the share certificate has been acquired by a protected purchaser;

(2) provides the Company with an indemnity bond sufficient in the Company's judgment to protect the Company from any loss that the Company may suffer by issuing a new certificate; and

(3) satisfies any other reasonable requirements imposed by the directors.

A person entitled to a share certificate may not assert against the Company a claim for a new share certificate where a share certificate has been lost, apparently destroyed or wrongfully taken if that person fails to notify the Company of that fact within a reasonable time after that person has notice of it and the Company registers a transfer of the shares represented by the certificate before receiving a notice of the loss, apparent destruction or wrongful taking of the share certificate.

2.7 Recovery of New Share Certificate

If, after the issue of a new share certificate, a protected purchaser of the original share certificate presents the original share certificate for the registration of transfer, then in addition to any rights on the indemnity bond, the Company may recover the new share certificate from a person to whom it was issued or any person taking under that person other than a protected purchaser.

2.8 Splitting Share Certificates

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as represented by the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

2.9 Certificate Fee

There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.8, the amount, if any and which must not exceed the amount prescribed under the Business Corporations Act, determined by the directors.

2.10 Recognition of Trusts

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as required by law or statute or these Articles or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

3. ISSUE OF SHARES

3.1 Directors Authorized

Subject to the Business Corporations Act and the rights, if any, of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

3.2 Commissions and Discounts

The Company may at any time pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

3.3 Brokerage

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

3.4 Conditions of Issue

Except as provided for by the Business Corporations Act, no share may be issued until it is fully paid. A share is fully paid when:

(1) consideration is provided to the Company for the issue of the share by one or more of the following:

(a) past services performed for the Company;

(b) property;

(c) money; and

(2) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.

3.5 Share Purchase Warrants and Rights

Subject to the Business Corporations Act, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

4. SHARE REGISTERS

4.1 Central Securities Register

As required by and subject to the Business Corporations Act, the Company must maintain a central securities register. The directors may, subject to the Business Corporations Act, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

4.2 Closing Register

The Company must not at any time close its central securities register.

5. SHARE TRANSFERS

5.1 Registering Transfers

Subject to the Business Corporations Act and the Securities Transfer Act, a transfer of a share of the Company must not be registered unless the Company or the transfer agent or registrar for the class or series of share to be transferred has received:

(1) in the case of a share certificate that has been issued by the Company in respect of the share to be transferred, that share certificate and a written instrument of transfer (which may be on a separate document or endorsed on the share certificate) made by the shareholder or other appropriate person or by an agent who has actual authority to act on behalf of that person;

(2) in the case of an Acknowledgment as defined in Article 2.3, in respect of the share to be transferred, a written instrument of transfer that directs that the transfer of the shares be registered, made by the shareholder or other appropriate person or by an agent who has actual authority to act on behalf of that person;

(3) in the case of a share that is an uncertificated share, a written instrument of transfer that directs that the transfer of the share be registered, made by the shareholder or other appropriate person or by an agent who has actual authority to act on behalf of that person; and

(4) such other evidence, if any, as the Company or the transfer agent or registrar for the class or series of share to be transferred may require to prove the title of the transferor or the transferor's right to transfer the share, that the written instrument of transfer is genuine and authorized and that the transfer is rightful or to a protected purchaser.

5.2 Form of Instrument of Transfer

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors or the transfer agent for the class or series of shares to be transferred.

5.3 Transferor Remains Shareholder

Except to the extent that the Business Corporations Act otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

5.4 Signing of Instrument of Transfer

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the Acknowledgment, as defined in Article 2.3, deposited with the instrument of transfer:

(1) in the name of the person named as transferee in that instrument of transfer; or

(2) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

5.5 Enquiry as to Title Not Required

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any Acknowledgment, as defined in Article 2.3, in respect of a share certificate for such shares.

5.6 Transfer Fee

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

6. TRANSMISSION OF SHARES

6.1 Legal Personal Representative Recognized on Death

In the case of the death of a shareholder, the legal personal representative of the shareholder, or in the case of shares registered in the shareholder's name and the name of another person in joint tenancy, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative of a shareholder, the directors may require the original grant of probate or letters of administration or a court certified copy of them or the original or a court certified or authenticated copy of the grant of representation, will, order or other instrument or other evidence of the death under which title to the shares or securities is claimed to vest.

6.2 Rights of Legal Personal Representative

The legal personal representative of a shareholder has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, if appropriate evidence of appointment or incumbency within the meaning of s. 87 of the Securities Transfer Act has been deposited with the Company. This Article 6.2 does not apply in the case of the death of a shareholder with respect to shares registered in the shareholder's name and the name of another person in joint tenancy.

7. ACQUISITION OF COMPANY'S SHARES

7.1 Company Authorized to Purchase or Otherwise Acquire Shares

Subject to Article 7.2, the special rights or restrictions attached to the shares of any class or series of shares and the Business Corporations Act, the Company may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms determined by the directors.

7.2 No Purchase, Redemption or Other Acquisition When Insolvent

The Company must not make a payment or provide any other consideration to purchase, redeem or otherwise acquire any of its shares if there are reasonable grounds for believing that:

(1) the Company is insolvent; or

(2) making the payment or providing the consideration would render the Company insolvent.

7.3 Sale and Voting of Purchased, Redeemed or Otherwise Acquired Shares

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

(1) is not entitled to vote the share at a meeting of its shareholders;

(2) must not pay a dividend in respect of the share; and

(3) must not make any other distribution in respect of the share.

8. BORROWING POWERS

The Company, if authorized by the directors, may:

(1) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that the directors consider appropriate;

(2) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as the directors consider appropriate;

(3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

(4) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

9. ALTERATIONS

9.1 Alteration of Authorized Share Structure

Subject to Article 9.2 and the Business Corporations Act, the Company may by special resolution:

(1) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;

(2) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;

(3) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;

(4) if the Company is authorized to issue shares of a class of shares with par value:

(a) decrease the par value of those shares; or

(b) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;

(5) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;

(6) alter the identifying name of any of its shares; or

(7) otherwise alter its shares or authorized share structure when required or permitted to do so by the Business Corporations Act;

and, if applicable, alter its Articles and Notice of Articles accordingly.

9.2 Special Rights or Restrictions

Subject to the Business Corporations Act, the Company may by special resolution:

(1) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or

(2) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued;

and alter its Articles and Notice of Articles accordingly.

9.3 Change of Name

The Company may by special resolution authorize an alteration to its Notice of Articles in order to change its name and may, by ordinary resolution or directors' resolution, adopt or change any translation of that name.

9.4 Other Alterations

If the Business Corporations Act does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by special resolution alter these Articles.

10. MEETINGS OF SHAREHOLDERS

10.1 Annual General Meetings

Unless an annual general meeting is deferred or waived in accordance with the Business Corporations Act, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

10.2 Resolution Instead of Annual General Meeting

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution

passed under this Article 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

10.3 Calling of Meetings of Shareholders

The directors may, at any time, call a meeting of shareholders to be held at such time and place as may be determined by the directors.

10.4 Notice for Meetings of Shareholders

The Company must send notice of the date, time and location of any meeting of shareholders (including, without limitation, any notice specifying the intention to propose a resolution as an exceptional resolution, a special resolution or a special separate resolution and any notice to consider approving an amalgamation into a foreign jurisdiction, an arrangement or the adoption of an amalgamation agreement, and any notice of a general meeting, class meeting or series meeting), in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

10.5 Notice of Resolution to Which Shareholders May Dissent

The Company must send to each of its shareholders, whether or not their shares carry the right to vote, a notice of any meeting of shareholders at which a resolution entitling shareholders to dissent is to be considered specifying the date of the meeting and containing a statement advising of the right to send a notice of dissent together with a copy of the proposed resolution at least the following number of days before the meeting:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

10.6 Record Date for Notice

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the Business Corporations Act, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.7 Record Date for Voting

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the Business Corporations Act, by more than four months. If no record date is set, the record date is 5 p.m. (Vancouver time) on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.8 Failure to Give Notice and Waiver of Notice

The accidental omission to send notice of any meeting of shareholders to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive that entitlement or agree to reduce the period of that notice. Attendance of a person at a meeting of shareholders is a waiver of entitlement to notice of the meeting unless that person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

10.9 Notice of Special Business at Meetings of Shareholders

If a meeting of shareholders is to consider special business within the meaning of Article 11.1, the notice of meeting must:

(1) state the general nature of the special business; and

(2) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:

   (a) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and

   (b) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

11. PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

11.1 Special Business

At a meeting of shareholders, the following business is special business:

(1) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;

(2) at an annual general meeting, all business is special business except for the following:

   (a) business relating to the conduct of or voting at the meeting;

   (b) consideration of any financial statements of the Company presented to the meeting;

   (c) consideration of any reports of the directors or auditor;

   (d) the setting or changing of the number of directors;

   (e) the election or appointment of directors;

   (f) the appointment of an auditor;

   (g) the setting of the remuneration of an auditor;

   (h) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;

   (i) any other business which, under these Articles or the Business Corporations Act, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

11.2 Special Majority

The majority of votes required for the Company to pass a special resolution at a general meeting of shareholders is two-thirds of the votes cast on the resolution.

11.3 Quorum

Subject to the special rights or restrictions attached to the shares of any class or series of shares and to Article 11.4, the quorum for the transaction of business at a meeting of shareholders shall be shareholders who, in the aggregate, hold at least 10% of the issued shares entitled to be voted at the meeting, whether present in person or represented by proxy.

11.4 One Shareholder May Constitute Quorum

If there is only one shareholder entitled to vote at a meeting of shareholders:

(1) the quorum is one person who is, or who represents by proxy, that shareholder, and

(2) that shareholder, present in person or by proxy, may constitute the meeting.

11.5 Persons Entitled to Attend Meeting

In addition to those persons who are entitled to vote at a meeting of shareholders, the only other persons entitled to be present at the meeting are the directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company, any persons invited to be present at the meeting by the directors or by the chair of the meeting and any persons entitled or required under the Business Corporations Act or these Articles to be present at the meeting; but if any of those persons does attend the meeting, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

11.6 Requirement of Quorum

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

11.7 Lack of Quorum

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

(1) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and

(2) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

11.8 Lack of Quorum at Succeeding Meeting

If, at the meeting to which the meeting referred to in Article 11.7(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

11.9 Chair

The following individual is entitled to preside as chair at a meeting of shareholders:

(1) the chair of the board, if any; or

(2) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any.

11.10 Selection of Alternate Chair

If, at any meeting of shareholders, there is no chair of the board or president present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president are unwilling to act as chair of the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the chair or fail to so choose or if no director is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

11.11 Adjournments

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

11.12 Notice of Adjourned Meeting

It is not necessary to give any notice of an adjourned meeting of shareholders or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

11.13 Decisions by Show of Hands or Poll

Subject to the Business Corporations Act, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by any shareholder entitled to vote who is present in person or by proxy.

11.14 Declaration of Result

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

11.15 Motion Need Not be Seconded

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

11.16 Casting Vote

In the case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

11.17 Manner of Taking Poll

Subject to Article 11.18, if a poll is duly demanded at a meeting of shareholders:

(1) the poll must be taken:

(a) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and

(b) in the manner, at the time and at the place that the chair of the meeting directs;

(2) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and

(3) the demand for the poll may be withdrawn by the person who demanded it.

11.18 Demand for Poll on Adjournment

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

11.19 Chair Must Resolve Dispute

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

11.20 Casting of Votes

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

11.21 No Demand for Poll on Election of Chair

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

11.22 Demand for Poll Not to Prevent Continuance of Meeting

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of the meeting for the transaction of any business other than the question on which a poll has been demanded.

11.23 Retention of Ballots and Proxies

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

12. VOTES OF SHAREHOLDERS

12.1 Number of Votes by Shareholder or by Shares

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

(1) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and

(2) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

12.2 Votes of Persons in Representative Capacity

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

12.3 Votes by Joint Holders

If there are joint shareholders registered in respect of any share:

(1) any one of the joint shareholders may vote at any meeting of shareholders, personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or

(2) if more than one of the joint shareholders is present at any meeting of shareholders, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

12.4 Legal Personal Representatives as Joint Shareholders

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders registered in respect of that share.

12.5 Representative of a Corporate Shareholder

If a corporation that is not a subsidiary of the Company is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

(1) for that purpose, the instrument appointing a representative must be received:

(a) at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting or any adjourned meeting; or

(b) at the meeting or any adjourned meeting, by the chair of the meeting or adjourned meeting or by a person designated by the chair of the meeting or adjourned meeting;

(2) if a representative is appointed under this Article 12.5:

(a) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and

(b) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

12.6 When Proxy Holder Need Not Be Shareholder

A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

(1) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Article 12.5;

(2) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting;

(3) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of

which the proxy holder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting; or

(4) the Company is a public company or is a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of these Articles or to which the Statutory Reporting Company Provisions apply.

12.7 When Proxy Provisions Do Not Apply to the Company

If and for so long as the Company is a public company or is a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of these Articles or to which the Statutory Reporting Company Provisions apply, Articles 12.8 to 12.16 apply only insofar as they are not inconsistent with any Canadian securities legislation applicable to the Company, any U.S. securities legislation applicable to the Company or any rules of an exchange on which securities of the Company are listed.

12.8 Appointment of Proxy Holders

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of shareholders may, by proxy, appoint one or more proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

12.9 Alternate Proxy Holders

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

12.10 Deposit of Proxy

A proxy for a meeting of shareholders must:

(1) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting or any adjourned meeting; or

(2) unless the notice provides otherwise, be received at the meeting or any adjourned meeting, by the chair of the meeting or adjourned meeting or by a person designated by the chair of the meeting or adjourned meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

12.11 Validity of Proxy Vote

A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

(1) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting or any adjourned meeting at which the proxy is to be used; or

(2) at the meeting or any adjourned meeting, by the chair of the meeting or adjourned meeting, before any vote in respect of which the proxy has been given has been taken.

12.12 Form of Proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

[name of company](the "Company")

The undersigned, being a shareholder of the Company, hereby appoints [name] or, failing that person, **[name]**, as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on **[month, day, year]** and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy is given in respect of all shares registered in the name of the undersigned):

Signed **[month, day, year]**

_____
[Signature of shareholder]

_____
[Name of shareholder—printed]

12.13 Revocation of Proxy

Subject to Article 12.14, every proxy may be revoked by an instrument in writing that is received:

(1) at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting or any adjourned meeting at which the proxy is to be used; or

(2) at the meeting or any adjourned meeting by the chair of the meeting or adjourned meeting, before any vote in respect of which the proxy has been given has been taken.

12.14 Revocation of Proxy Must Be Signed

An instrument referred to in Article 12.13 must be signed as follows:

(1) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;

(2) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

12.15 Chair May Determine Validity of Proxy

The chair of any meeting of shareholders may determine whether or not a proxy deposited for use at the meeting, which may not strictly comply with the requirements of this Article 12 as to form, execution, accompanying documentation, time of filing or otherwise, shall be valid for use at such meeting and any such determination made in good faith shall be final, conclusive and binding upon such meeting.

12.16 Production of Evidence of Authority to Vote

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

13. DIRECTORS

13.1 First Directors; Number of Directors

The first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the Business Corporations Act. The number of directors, excluding additional directors appointed under Article 14.9, is set at:

(1) subject to paragraphs (2) and (3), the number of directors that is equal to the number of the Company's first directors;

(2) if the Company is a public company, the greater of three and the most recently set of:

(a) the number of directors set by directors' resolution (whether or not previous notice of the resolution was given); and

(b) the number of directors set under Article 14.5;

(3) if the Company is not a public company, the most recently set of:

(a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and

(b) the number of directors set under Article 14.5.

13.2 Change in Number of Directors

If the number of directors is set under Articles 13.1(2)(a) or 13.1(3)(a):

(1) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;

(2) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors, subject to Article 14.8, may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

13.3 Directors' Acts Valid Despite Vacancy

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

13.4 Qualifications of Directors

A director is not required to hold a share of the Company as qualification for his or her office but must be qualified as required by the Business Corporations Act to become, act or continue to act as a director.

13.5 Remuneration of Directors

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

13.6 Reimbursement of Expenses of Directors

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

13.7 Special Remuneration for Directors

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

13.8 Gratuity, Pension or Allowance on Retirement of Director

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

14. ELECTION AND REMOVAL OF DIRECTORS

14.1 Election at Annual General Meeting

At every annual general meeting and in every unanimous resolution contemplated by Article 10.2:

(1) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and

(2) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (1), but are eligible for re-election or re-appointment.

14.2 Nominations of Directors

(1) Only persons who are nominated in accordance with the procedures set out in this Article 14.2 shall be eligible for election as directors of the Company. Nominations of persons for election to the board of directors of the Company may be made at any annual general meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors:

   (a) by or at the direction of the board, including pursuant to a notice of meeting;

   (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the *Business Corporations Act* or pursuant to a requisition of the shareholders made in accordance with the Business Corporations Act; or

   (c) by any shareholder:

      (i) who, at the close of business on the date of the giving of the notice provided for below in this Article 14.2 and on the record date for notice of such meeting, is entered in the central securities register of the Company as a holder of one or more shares carrying the right to vote at such meeting on the election of directors (a "Nominating Shareholder"); and

      (ii) who complies with the notice procedures set forth in this Article 14.2.

(2) In addition to any other requirements under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof (in accordance with this Article 14.2) and in proper written form (in accordance with this Article 14.2) to the secretary of the Company at the principal executive offices of the Company.

(3) To be timely, a Nominating Shareholder's notice to the Company must be made:

(a) in the case of an annual general meeting, not less than 30 days prior to the date of the annual general meeting of shareholders provided, however, in the event that the annual general meeting of shareholders is to be held on a date that is less than 50 days after the date (the "Notice Date") on which the first public announcement of the date of the annual general meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the 10th day following the Notice Date; and

(b) in the case of a special meeting (which is not also an annual general meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

For greater certainty, any adjournment or postponement of a meeting of shareholders or the announcement thereof shall commence a new time period for the giving of a Nominating Shareholder's notice as described above.

(4) To be in proper written form, a Nominating Shareholder's notice to the Company must set forth:

(a) if the Nominating Shareholder is not the beneficial owner of the shares, the identity of the beneficial owner and the number of shares held by that beneficial owner;

(b) as to each person whom the Nominating Shareholder proposes to nominate for election as a director:

(i) the name, age and address of the person;

(ii) the principal occupation or employment of the person;

(iii) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and

(iv) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular or other filings to be made in connection with solicitations of proxies for election of directors pursuant to the Business Corporations Act and applicable securities laws; and

(c) as to the Nominating Shareholder giving the notice, any proxy, contract, agreement, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Company on the election of directors and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular or other filings to be made in connection with solicitations of proxies for election of directors pursuant to the Business Corporations Act and applicable securities laws.

The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company in accordance with applicable securities laws and the rules of any stock exchange on which the securities of the Company are then listed for trading or that could be material to a reasonable shareholder's understanding of such independence, or lack thereof, of such proposed nominee. All information furnished pursuant to this 14.2(4) shall be made publicly available to shareholders.

(5) Except as otherwise provided by the special rights or restrictions attached to the shares of any class or series of the Company, no person shall be eligible for election as a director of the Company unless

nominated in accordance with the provisions of this Article 14.2; provided, however, that nothing in this Article 14.2 shall be deemed to preclude discussion by a shareholder or proxy holder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Business Corporations Act. The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded. A duly appointed proxy holder of a Nominating Shareholder shall be entitled to nominate at a meeting of shareholders the directors nominated by the Nominating Shareholder, provided that all of the requirements of this Article 14.2 have been satisfied.

(6) If and for so long as the Company is not a public company, for the purposes of this Article 14.2 "public announcement" shall mean disclosure by notice to shareholders in accordance with Article 24 of these Articles. If and for long as the Company is a public company, for the purposes of this Article 14.2, "public announcement" shall mean disclosure in a news release reported by a national news service in Canada, or in a document publicly filed by the Company under its issuer profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

(7) Notwithstanding any other provision of these Articles, notice given to the secretary of the Company pursuant to this Article 14.2 may only be given by personal delivery or facsimile transmission (at such contact information as set out on the Company's issuer profile on the System for Electronic Document Analysis and Retrieval, provided however, that so long as the Company is not a public company, the contact information for the Company shall be the registered office of the Company as set out in the most recent Notice of Articles filed with the Registrar of Companies), and shall be deemed to have been given and made only at the time it is served by personal delivery to the secretary of the Company at the principal executive offices of the Company or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or transmission is made on a day which is a not a business day or later than 5:00 p.m. (Vancouver time) on a day which is a business day, then such delivery or transmission shall be deemed to have been made on the next following day that is a business day.

(8) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Article 14.2.

14.3 Consent to be a Director

No election, appointment or designation of an individual as a director is valid unless:

(1) that individual consents to be a director in the manner provided for in the Business Corporations Act;

(2) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or

(3) with respect to first directors, the designation is otherwise valid under the Business Corporations Act.

14.4 Failure to Elect or Appoint Directors

If:

(1) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2, on or before the date by which the annual general meeting is required to be held under the Business Corporations Act; or

(2) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

(3) when his or her successor is elected or appointed; and

(4) when he or she otherwise ceases to hold office under the Business Corporations Act or these Articles.

14.5 Places of Retiring Directors Not Filled

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

14.6 Directors May Fill Casual Vacancies

Any casual vacancy occurring in the board of directors may be filled by the directors.

14.7 Remaining Directors' Power to Act

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of calling a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the Business Corporations Act, for any other purpose.

14.8 Shareholders May Fill Vacancies

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

14.9 Additional Directors

Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.9 must not at any time exceed:

(1) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or

(2) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.9.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Article 14.1(1), but is eligible for re-election or re-appointment.

14.10 Ceasing to be a Director

A director ceases to be a director when:

(1) the term of office of the director expires;

(2) the director dies;

(3) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company; or

(4) the director is removed from office pursuant to Articles 14.11 or 14.12.

14.11 Removal of Director by Shareholders

The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

14.12 Removal of Director by Directors

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

15. POWERS AND DUTIES OF DIRECTORS

15.1 Powers of Management

The directors must, subject to the Business Corporations Act and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the Business Corporations Act or by these Articles, required to be exercised by the shareholders of the Company.

15.2 Appointment of Attorney of Company

The directors may from time to time, by power of attorney or other instrument, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

16. INTERESTS OF DIRECTORS AND OFFICERS

16.1 Obligation to Account for Profits

A director or senior officer who holds a disclosable interest (as that term is used in the Business Corporations Act) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the Business Corporations Act.

16.2 Restrictions on Voting by Reason of Interest

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

16.3 Interested Director Counted in Quorum

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for

approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

16.4 Disclosure of Conflict of Interest or Property

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the Business Corporations Act.

16.5 Director Holding Other Office in the Company

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

16.6 No Disqualification

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

16.7 Professional Services by Director or Officer

Subject to the Business Corporations Act, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

16.8 Director or Officer in Other Corporations

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the Business Corporations Act, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

17. PROCEEDINGS OF DIRECTORS

17.1 Meetings of Directors

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

17.2 Voting at Meetings

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

17.3 Chair of Meetings

The following individual is entitled to preside as chair at a meeting of directors:

(1) the chair of the board, if any;

(2) in the absence of the chair of the board, the lead director, if any; or

(3) any other director chosen by the directors if:

(a) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;

(b) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or

(c) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

17.4 Meetings by Telephone or Other Communications Medium

A director may participate in a meeting of the directors or of any committee of the directors:

(1) in person;

(2) by telephone; or

(3) with the consent of all directors who wish to participate in the meeting, by other communications medium;

if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director who participates in a meeting in a manner contemplated by this Article 18.4 is deemed for all purposes of the Business Corporations Act and these Articles to be present at the meeting and to have agreed to participate in that manner.

17.5 Calling of Meetings

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

17.6 Notice of Meetings

Other than for meetings held at regular intervals as determined by the directors pursuant to Article 17.1 or as provided in Article 17.7, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors by any method set out in Article 23.1 or orally or by telephone.

17.7 When Notice Not Required

It is not necessary to give notice of a meeting of the directors to a director if:

(1) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or

(2) the director has waived notice of the meeting.

17.8 Meeting Valid Despite Failure to Give Notice

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director does not invalidate any proceedings at that meeting.

17.9 Waiver of Notice of Meetings

Any director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director.

Attendance of a director at a meeting of the directors is a waiver of notice of the meeting unless that director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

17.10 Quorum

The quorum necessary for the transaction of business at any meeting of the directors shall consist of a majority of the directors. If, however, the Company has fewer than three directors, all directors must be present at any meeting of the directors to constitute quorum.

17.11 Validity of Acts Where Appointment Defective

Subject to the Business Corporations Act, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

17.12 Consent Resolutions in Writing

A resolution of the directors or of any committee of the directors may be passed without a meeting:

(1) in all cases, if each of the directors entitled to vote on the resolution consents to it in writing; or

(2) in the case of a resolution to approve a contract or transaction in respect of which a director has disclosed that he or she has or may have a disclosable interest, if each of the other directors who have not made such a disclosure consents in writing to the resolution.

A consent in writing under this Article 17.12 may be by any written instrument, fax, e-mail or any other method of transmitting legibly recorded messages in which the consent of the director is evidenced, whether or not the signature of the director is included in the record. A consent in writing may be in two or more counterparts which together are deemed to constitute one consent in writing. A resolution of the directors or of any committee of the directors passed in accordance with this Article 17.12 is effective on the date stated in the consent in writing or on the latest date stated on any counterpart and is deemed to be a proceeding at a meeting of the directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the Business Corporations Act and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

18. EXECUTIVE AND OTHER COMMITTEES

18.1 Appointment and Powers of Executive Committee

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and during the intervals between meetings of the board of directors all of the directors' powers are delegated to the executive committee, except:

(1) the power to fill vacancies in the board of directors;

(2) the power to remove a director;

(3) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(4) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

18.2 Appointment and Powers of Other Committees

The directors may, by resolution:

(1) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;

(2) delegate to a committee appointed under paragraph (1) any of the directors' powers, except:

(a) the power to fill vacancies in the board of directors;

(b) the power to remove a director;

(c) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(d) the power to appoint or remove officers appointed by the directors; and

(3) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

18.3 Obligations of Committees

Any committee appointed under Articles 18.1 or 18.2, in the exercise of the powers delegated to it, must:

(1) conform to any rules that may from time to time be imposed on it by the directors; and

(2) report every act or thing done in exercise of those powers at such times as the directors may require.

18.4 Powers of Board

The directors may, at any time, with respect to a committee appointed under Articles 18.1 or 18.2:

(1) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;

(2) terminate the appointment of, or change the membership of, the committee; and

(3) fill vacancies in the committee.

18.5 Committee Meetings

Subject to Article 18.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 18.1 or 18.2:

(1) the committee may meet and adjourn as it thinks proper;

(2) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;

(3) a majority of the members of the committee constitutes a quorum of the committee; and

(4) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

19. OFFICERS

19.1 Directors May Appoint Officers

The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

19.2 Functions, Duties and Powers of Officers

The directors may, for each officer:

(1) determine the functions and duties of the officer;

(2) delegate to the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and

(3) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

19.3 Qualifications

No officer may be appointed unless that officer is qualified in accordance with the Business Corporations Act. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as a managing director must be a director. Any other officer need not be a director.

19.4 Remuneration and Terms of Appointment

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors think fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

20. INDEMNIFICATION

20.1 Definitions

In this Article 20:

(1) "eligible penalty" means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;

(2) "eligible proceeding" means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director or former director of the Company (an "eligible party") or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director of the Company:

   (a) is or may be joined as a party; or

   (b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;

(3) "expenses" has the meaning set out in the Business Corporations Act.

20.2 Mandatory Indemnification of Directors

Subject to the Business Corporations Act, the Company must indemnify a director or former director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 20.2.

20.3 Permitted Indemnification

Subject to any restrictions in the Business Corporations Act, the Company may indemnify any person.

20.4 Non-Compliance with Business Corporations Act

The failure of a director or officer of the Company to comply with the Business Corporations Act or these Articles or, if applicable, any former Companies Act or former Articles, does not invalidate any indemnity to which he or she is entitled under this Article 20.

20.5 Company May Purchase Insurance

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

(1) is or was a director, officer, employee or agent of the Company;

(2) is or was a director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;

(3) at the request of the Company, is or was a director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;

(4) at the request of the Company, holds or held a position equivalent to that of a director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, officer, employee or agent or person who holds or held such equivalent position.

21. DIVIDENDS

21.1 Payment of Dividends Subject to Special Rights

The provisions of this Article 21 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

21.2 Declaration of Dividends

Subject to the Business Corporations Act, the directors may from time to time declare and authorize payment of such dividends as they may consider appropriate.

21.3 No Notice Required

The directors need not give notice to any shareholder of any declaration under Article 21.2.

21.4 Record Date

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. (Vancouver time) on the date on which the directors pass the resolution declaring the dividend.

21.5 Manner of Paying Dividend

A resolution declaring a dividend may direct payment of the dividend wholly or partly in money or by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company or any other corporation, or in any one or more of those ways.

21.6 Settlement of Difficulties

If any difficulty arises in regard to a distribution under Article 21.5, the directors may settle the difficulty as they deem advisable, and, in particular, may:

(1) set the value for distribution of specific assets;

(2) determine that money in substitution for all or any part of the specific assets to which any shareholders are entitled may be paid to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and

(3) vest any such specific assets in trustees for the persons entitled to the dividend.

21.7 When Dividend Payable

Any dividend may be made payable on such date as is fixed by the directors.

21.8 Dividends to be Paid in Accordance with Number of Shares

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

21.9 Receipt by Joint Shareholders

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

21.10 Dividend Bears No Interest

No dividend bears interest against the Company.

21.11 Fractional Dividends

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

21.12 Payment of Dividends

Any dividend or other distribution payable in money in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the registered address of the shareholder, or in the case of joint shareholders, to the registered address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

21.13 Capitalization of Retained Earnings or Surplus

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any retained earnings or surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the retained earnings or surplus so capitalized or any part thereof.

22. ACCOUNTING RECORDS AND AUDITOR

22.1 Recording of Financial Affairs

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the Business Corporations Act.

22.2 Inspection of Accounting Records

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

22.3 Remuneration of Auditor

The directors may set the remuneration of the auditor of the Company.

23. NOTICES

23.1 Method of Giving Notice

Unless the Business Corporations Act or these Articles provide otherwise, a notice, statement, report or other record required or permitted by the Business Corporations Act or these Articles to be sent by or to a person may be sent by any one of the following methods:

(1) mail addressed to the person at the applicable address for that person as follows:

(a) for a record mailed to a shareholder, the shareholder's registered address;

(b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the mailing address of the intended recipient;

(2) delivery at the applicable address for that person as follows, addressed to the person:

(a) for a record delivered to a shareholder, the shareholder's registered address;

(b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the delivery address of the intended recipient;

(3) unless the intended recipient is the auditor of the Company, sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

(4) unless the intended recipient is the auditor of the Company, sending the record by e-mail to the e-mail address provided by the intended recipient for the sending of that record or records of that class;

(5) physical delivery to the intended recipient.

23.2 Deemed Receipt

A notice, statement, report or other record that is:

(1) mailed to a person by ordinary mail to the applicable address for that person referred to in Article 23.1 is deemed to be received by the person to whom it was mailed on the day (Saturdays, Sundays and holidays excepted) following the date of mailing;

(2) faxed to a person to the fax number provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was faxed on the day it was faxed; and

(3) e-mailed to a person to the e-mail address provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was e-mailed on the day it was e-mailed.

23.3 Certificate of Sending

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that capacity on behalf of the Company stating that a notice, statement, report or other record was sent in accordance with Article 23.1 is conclusive evidence of that fact.

23.4 Notice to Joint Shareholders

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing such record to the joint shareholder first named in the central securities register in respect of the share.

23.5 Notice to Legal Personal Representatives and Trustees

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

(1) mailing the record, addressed to them:

(a) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and

(b) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or

(2) if an address referred to in paragraph (1)(b) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

23.6 Undelivered Notices

If on two consecutive occasions, a notice, statement, report or other record is sent to a shareholder pursuant to Article 23.1 and on each of those occasions any such record is returned because the shareholder cannot be located, the Company shall not be required to send any further records to the shareholder until the shareholder informs the Company in writing of his or her new address.

24. SPECIAL RIGHTS OR RESTRICTIONS ATTACHING TO THE COMMON SHARES AND THE NON-VOTING SHARES

The rights, privileges, restrictions and conditions attaching to the Common Shares as a class and the Non-Voting Shares as a class shall be as follows:

24.1 Common Shares

(1) Voting

Subject to the provisions of the laws governing the Company, as now existing or hereafter amended, the holders of the Common Shares without par value (the "Common Shares") shall be entitled to:

(a) receive notice of and to attend all meetings of shareholders of the Company, except meetings at which only the holders of a specified class of shares (other than the Common Shares) or a specified series of shares are entitled to attend; and

(b) vote on all matters submitted to a vote or consent of shareholders of the Company, except matters upon which only the holders of a specified class of shares (other than the Common Shares) or a specified series of shares are entitled to vote.

(2) Number of Votes

The holders of the Common Shares shall be entitled to one vote in respect of each Common Share held.

(3) Dividends

Subject to the Class A Shares (hereinafter defined), the holders of the Common Shares shall be entitled to receive dividends if, as and when any dividends are declared by the board of directors of the Company, pari passu with the holders of the Non-Voting Shares.

(4) Dissolution

In the event of the dissolution, liquidation or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, subject to the Class A shares (hereinafter defined), the holders of the Common Shares shall be entitled to receive, pari passu with the holders of the Non-Voting Shares, the remaining property and assets of the Company.

24.2 Non-Voting Common Shares

(1) Voting

Subject to the provisions of the laws governing the Company, as now existing or hereafter amended, the holders of the Non-Voting Common Shares without par value (the "Non-Voting Shares") shall not be entitled to receive notice of or to attend any meeting of shareholders of the Company and shall not be entitled to vote their Non-Voting Shares at any such meeting.

(2) Dividends

Subject to the Class A Shares (hereinafter defined), the holders of the Non-Voting Shares shall be entitled to receive dividends if, as and when any dividends are declared by the board of directors of the Company, pari passu with the holders of the Common Shares.

(3) Right of Conversion

(a) The holders of the Non-Voting Shares shall have the right, at the option of the holder, to convert such Non-Voting Shares into fully paid and non-assessable Common Shares on the basis of one

Common Share for each Non-Voting Share converted, at any time and from time to time; provided, however, that for so long as the Common Shares are listed on the TSX Venture Exchange, any such conversion shall be subject to the Company meeting the TSX Venture Exchange's public distribution requirements.

(b) The right of conversion referred to above may be exercised by notice in writing given to the Company at its registered office, accompanied by the certificate or certificates, if any, representing the Non-Voting Shares in respect of which the holder thereof desires to exercise such right of conversion. The notice shall be signed by such holder or its duly authorized attorney, as applicable, and shall specify the number of Non-Voting Shares that the holder desires to convert. If less than all the Non-Voting Shares held by the holder providing such notice are to be converted, the holder shall be entitled to receive, at the expense of the Company, a new certificate representing the Non-Voting Shares comprised in the certificate or certificates surrendered as aforesaid which are not to be converted. On any conversion of Non-Voting Shares, the Common Shares resulting therefrom shall be registered in the name of the registered holder of the Common Shares converted or, subject to payment by the registered holder of any stock transfer or other applicable taxes, in such name or names as such registered holder may direct in writing. The right of a registered holder of Non-Voting Shares to convert such shares into Common Shares shall be deemed to have been exercised, and the registered holder of the Non-Voting Shares to be converted (or any person or persons in whose name or names such registered holder shall have directed Common Shares to be registered) shall be deemed to have become a holder of Common Shares of record for all purposes, on the date of notice in writing referred to above.

(4) Dissolution

In the event of the dissolution, liquidation or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, subject to the Class A shares (hereinafter defined), the holders of the Non-Voting Shares shall be entitled to receive, pari passu with the holders of the Common Shares, the remaining property and assets of the Company.

25. SPECIAL RIGHTS OR RESTRICTIONS ATTACHING TO THE CLASS A PREFERRED SHARES

The Class A Preferred shares without par value (the "Class A Shares") of the Company shall have attached thereto the following special rights or restrictions:

25.1 Issuable in Series

The Class A Shares may, at any time and from time to time, be issued in on or more series each series to consist of such number of shares as may, before the issue thereof, be fixed by the directors of the Company. The directors of the Company may, before issuance and subject as hereinafter provided, determine the designation, rights, privileges, restrictions and conditions attaching to the Class A Shares of each series including, without limiting the generality of the foregoing:

(1) the rate, amount or method of calculation of any dividends, whether cumulative, non-cumulative or partially cumulative, and whether such rate, amount or method of calculation shall be subject to change or adjustment in the future the currency or currencies of payment, date or dates and place or places or payment thereof and the date or dates from which any such dividends shall accrue and any preferences of such dividends;

(2) any rights of redemption and/or purchase and the redemption or purchase prices and terms and conditions of any such rights;

(3) any rights of retraction vested in the holders of Class A Shares of such series and the prices and terms and conditions of any such rights and whether any other rights of retraction may be vested in such holders in the future;

(4) any voting rights;

(5) any conversion rights;

(6) any rights to receive the remaining property of the Company upon dissolution, liquidation or winding-up and the amount and preference of any such rights;

(7) any sinking fund or purchase fund; and

(8) any other provisions attaching to any such series of the Class A Shares.

SCHEDULE "I"

SPECIAL RESOLUTION

"**RESOLVED, AS A SPECIAL RESOLUTION, THAT**:

1. Kingsway Arms Retirement Residences Inc. ("**Kingsway**") be and is hereby authorized to amend its articles to change Kingsway's name to "Mainstreet Health Investments Inc." or such other name that the board of directors in its sole discretion determines appropriate and which regulatory bodies having jurisdiction may accept;

2. the articles of Kingsway be amended as follows:

   (a) to create a class of an unlimited number of shares designated as non-voting shares;

   (b) to declare that the authorized capital of Kingsway, after giving effect to the foregoing, shall consist of:

      (i) an unlimited number of common shares;

      (ii) an unlimited number of Class A preferred shares; and

      (iii) an unlimited number of non-voting shares;

   (c) to provide for the rights, privileges, restrictions and conditions attaching to the non-voting shares as more fully described in the management information circular of Kingsway dated February 29, 2016 for use in connection with the annual and special meeting of shareholders scheduled to be held on March 30, 2016 (the "**Circular**");

3. conditional on the approval of the continuation of Kingsway from the Province of Ontario to the Province of British Columbia pursuant to Section 181 of the *Business Corporations Act* (Ontario) and Section 302 of the *Business Corporations Act* (British Columbia), the articles of Kingsway, substantially in the form attached as Schedule "H" to the Circular, are hereby approved; and

4. any one director or officer of Kingsway is hereby authorized on behalf of Kingsway to take all necessary steps and proceedings, to execute and deliver any and all declarations, agreements, documents and other instruments, including the filing of documents with the appropriate regulatory authorities, to give effect to these resolutions, including the change of name and the capital reorganization, and to do all such other acts and things that may be necessary or desirable to give effect to this resolution including, without limitation, the delivery of articles or notices in the prescribed form with the appropriate registry, provided that the board of directors of Kingsway may, at its discretion, revoke all or any part of this resolution before it is acted upon without further approval of the shareholders of Kingsway."

SCHEDULE "J"

CONSOLIDATION RESOLUTION

"**RESOLVED, AS A SPECIAL RESOLUTION, THAT**:

1. the issued and outstanding common shares of Kingsway Arms Retirement Residences Inc. ("**Kingsway**") be consolidated on a 250:1 basis, being one post-consolidation common share for every 250 pre-consolidation common shares outstanding, or such other number of pre-consolidation shares as the board of directors of Kingsway, in its discretion, may determine and the regulatory bodies having jurisdiction may accept, at such time as the post-consolidation share capitalization of Kingsway satisfies the distribution requirements of the stock exchange on which Kingsway is then listed;

2. the shareholders of Kingsway shall not be entitled to receive fractional shares as a result of the consolidation and the number of shares issuable upon the consolidation shall be rounded down to the nearest whole number; and

3. any one director or officer of Kingsway be and is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal of Kingsway or otherwise all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing, provided that the board of directors of Kingsway may, at its discretion, revoke all or any part of this resolution before it is acted upon without further approval of the shareholders of Kingsway."

SCHEDULE “K”

DEFERRED SHARE INCENTIVE PLAN

See attached.

MAINSTREET HEALTH INVESTMENTS INC.

DEFERRED SHARE INCENTIVE PLAN

MAINSTREET HEALTH INVESTMENTS INC.
DEFERRED SHARE INCENTIVE PLAN

ARTICLE 1
PURPOSE

The purpose of this Plan is to advance the interests of Mainstreet Health Investments Inc. (the "**Company**") by enhancing the ability of the Company and its Subsidiaries to attract, motivate and retain Service Providers and to reward such Service Providers for their sustained contributions and to encourage such Service Providers to take into account the long-term corporate performance of the Company.

ARTICLE 2
DEFINITIONS

The following terms used in this Plan have the meanings set out below:

(a) "**Affiliate**" has the meaning given to it in Section 1.3 of National Instrument 45-106 – *Prospectus Exemptions*;

(b) "**Applicable Withholding Taxes**" means any and all taxes and other source deductions or other amounts that the Company is required by law to withhold from any amounts to be paid or credited under the Plan;

(c) "**Award Date**" means the date on which Deferred Shares are granted;

(d) "**Board**" means the Board of Directors of the Company;

(e) "**Business Day**" means a day on which there is trading on the TSX or such other stock exchange on which the Shares are then listed and posted for trading, and if none, a day that is not Saturday or Sunday or a national legal holiday in Ontario or Indiana;

(f) "**Cause**" means "cause" as defined in the Participant's employment agreement with the Company, a Subsidiary, Mainstreet or a service provider of the Company or Subsidiary, or if such term is not defined or if the Participant has not entered into an employment agreement with the Company, a Subsidiary, Mainstreet or a service provider of the Company or Subsidiary, then as such term is defined by applicable law or if not so defined, such term shall refer to circumstances where an employer can terminate an individual's employment without notice;

(g) "**Change of Control**" means the occurrence of (i) any transaction or series of transactions, whether or not the Company is a party thereto, after giving effect to which in excess of 50% of the voting power attaching to the Shares is owned, directly or indirectly, through one or more entities, by any Person and its Affiliates, other than in connection with an exchange by Magnetar of all or a portion of its shares of Mainstreet Health Holdings Inc. for Shares, or (ii) a sale, lease or other disposition of all or substantially all of the assets of the Company other than in connection with an internal reorganization;

(h) "**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time and any successor thereto;

(i) "**Company Contributed Deferred Shares**" has the meaning ascribed thereto in Section 7.02;

(j) "**Compensation Committee**" means the Compensation, Nominating and Governance Committee of the Board;

(k) "**control**" means: (a) when applied to the relationship between a Person and a corporation, the beneficial ownership by that Person, directly or indirectly, of voting securities or other interests in such corporation entitling the holder to exercise control and direction in fact over the activities of

such corporation; (b) when applied to the relationship between a Person and a partnership, limited partnership, trust or joint venture, means the contractual right to direct the affairs of the partnership, limited partnership, trust or joint venture; (c) when applied in relation to a trust, the beneficial ownership at the relevant time of more than 50% of the property settled under the trust, and the words "**Controlled by**", "**Controlling**" and similar words have corresponding meanings; provided that a Person who Controls a corporation, partnership, limited partnership or joint venture will be deemed to Control a corporation, partnership, limited partnership, trust or joint venture which is Controlled by such Person and so on;

(l) "**Deferred Share**" means a bookkeeping entry, equivalent in value to a Share, credited to a Participant's Deferred Share Account in accordance with the terms and conditions of the Plan, and for clarity includes an entry in respect of Individual Contributed Deferred Shares, Company Contributed Deferred Shares and Discretionary Deferred Shares;

(m) "**Deferred Share Account**" has the meaning ascribed thereto in Section 6.09;

(n) "**Director**" means a director of the Company;

(o) "**Director Fees**" means the base annual retainer fees paid by the Company to a Director in a calendar year for service on the Board (but specifically excluding meeting fees and fees for acting as a Committee Chair);

(p) "**Disability**" means, in respect of any Participant, the Participant's inability, due to debilitating physical incapacity, to substantially perform his or her duties and responsibilities as a Service Provider for 90 consecutive days or a total of 180 days in any consecutive 12-month period;

(q) "**Discretionary Deferred Share**" has the meaning ascribed thereto in Section 6.08;

(r) "**Elected Amount**" has the meaning ascribed thereto in Section 6.01;

(s) "**Election Date**" means the date on which the Director files an Election Notice in accordance with Section 6.03;

(t) "**Election Notice**" has the meaning ascribed thereto in Section 6.03;

(u) "**Individual Contributed Deferred Shares**" has the meaning ascribed thereto in Section 7.01;

(v) "**Insider**" has the meaning given to such term in the TSX corporate finance manual, as such manual may be amended, supplemented or replaced from time to time;

(w) "**Magnetar**" means certain funds managed by Magnetar Financial LLC;

(x) "**Mainstreet**" means Mainstreet Asset Management Inc.;

(y) "**Market Value**" of a Share means the volume weighted average price of all Shares traded on the TSX for the five trading days immediately preceding such date (or, if such Shares are not listed and posted for trading on the TSX, on such stock exchange on which such Shares are listed and posted for trading as may be selected for such purpose by the Board); provided that, for so long as the Shares are listed and posted for trading on the TSX, the Market Value shall: (i) not be less than the discounted market price, as calculated under the policies of the TSX; and (ii) be subject, notwithstanding the application of any such maximum discount, to a minimum price per Share of $0.05. In the event that the Shares are not listed and posted for trading on any stock exchange, the market value shall be the fair market value of the Shares as determined by the Board in its sole discretion;

(z) "**Participant**" means a Service Provider to whom Deferred Shares are granted hereunder;

(aa) "**Person**" includes any individual, sole proprietorship, partnership, limited partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, and a natural person in his or her capacity as trustee, executor, administrator, or other legal representative;

(bb) "**Plan**" means this Deferred Share Incentive Plan;

(cc) "**Redemption Date**" has the meaning ascribed thereto in Section 9.01;

(dd) "**Security Based Compensation Arrangement**" means an option, option plan, employee share purchase plan, long-term incentive plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares to one or more Directors, directors of any Subsidiary or officers, current or past full-time or part-time employees, Insiders, services providers or consultants of the Company or any Subsidiary, including a Share purchase from treasury by one or more Directors, directors of any Subsidiary or officers, current or past full-time or part-time employees, Insiders, services providers or consultants of the Company or any Subsidiary, which is financially assisted by the Company or a Subsidiary by way of a loan, guarantee or otherwise;

(ee) "**Section 409A of the Code**" shall mean Section 409A of the Code, the Treasury Regulations promulgated thereunder as in effect from time to time, and related guidance as may be amended from time to time;

(ff) "**Separation from Service**" shall have the meaning given to such phrase in Treasury Regulation § 1.409A-1(h);

(gg) "**Service Providers**" has the meaning ascribed thereto in Section 5.01;

(hh) "**Share**" means a common share in the capital of the Company;

(ii) "**Shareholder**" means a holder of Shares;

(jj) "**Subsidiary**" means any entity controlled by the Company; and

(kk) "**TSX**" means the Toronto Stock Exchange or the TSX Venture Exchange, as applicable.

ARTICLE 3
CONSTRUCTION AND INTERPRETATION

3.01 The Plan shall be governed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

3.02 If any provision of the Plan or part hereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part hereof.

3.03 In the Plan, references to any gender include all genders; reference to the singular shall include the plural and vice versa, as the context shall require.

3.04 Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions herein contained.

3.05 All dollar amounts are expressed in U.S. Funds.

ARTICLE 4
ADMINISTRATION

4.01 The Plan shall be administered by the Board and the Compensation Committee.

4.02 The Compensation Committee is authorized, subject to the provisions of the Plan, to establish such rules and regulations as it deems necessary for the proper administration of the Plan, and to make determinations and take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Each determination or action made or taken pursuant to the Plan, including interpretation of the Plan, shall be final and conclusive for all purposes and binding on all parties, absent manifest error.

4.03 The Company will be responsible for all costs relating to the administration of the Plan.

4.04 The Compensation Committee may review and confirm the terms of the Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Plan in whole or in part as well as terminate the Plan without prior notice as it deems appropriate; provided, however, that any amendment to the Plan that would, among other things, result in any increase in the number of Deferred Shares issuable under the Plan will be subject to the approval of Shareholders. Without limitation, the Compensation Committee may, without obtaining the approval of Shareholders, make any changes to the Plan that do not require Shareholder approval under applicable law (including the policies of the applicable stock exchange on which the Shares are then listed), including, but not limited to, changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Plan; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements); and (c) to the vesting provisions applicable to Deferred Shares issued under the Plan. However, subject to the terms of the Plan, no amendment may adversely affect the Deferred Shares previously granted under the Plan without the consent of the affected Participant.

4.05 If the Compensation Committee terminates the Plan, Deferred Shares previously credited to Participants shall remain outstanding and in effect and shall be settled subject to and in accordance with the applicable terms and conditions of the Plan in effect immediately prior to the termination.

4.06 Unless otherwise determined by the Compensation Committee, the Plan shall remain an unfunded obligation of the Company and the rights of Participants under the Plan shall be general unsecured obligations of the Company.

4.07 A Participant shall be solely responsible for all federal, provincial, state and local taxes resulting from his or her participation in the Plan. In this regard, the Company shall be able to deduct from any payments hereunder (whether in the form of securities or cash) or from any other remuneration otherwise payable to a Participant any taxes that are required to be withheld and remitted or to require the Participant, as a condition to receiving entitlements under the Plan, to make arrangements satisfactory to the Company to enable the Company to satisfy its withholding obligations. Each Participant agrees to indemnify and save the Company harmless from any and all amounts payable or incurred by the Company or any of its Subsidiaries if it is subsequently determined that any greater amount should have been withheld in respect of taxes or any other statutory withholding.

ARTICLE 5
ELIGIBILITY

5.01 Individuals eligible to participate in the Plan consist of: (a) directors, officers, managers, employees or service providers of the Company or any Subsidiary; (b) directors, officers, managers and employees of Mainstreet; or (c) employees of certain service providers who spend a significant amount of time and attention on the affairs and business of the Company or any Subsidiary (each of (a), (b) and (c) collectively, "**Service Providers**").

5.02 The participation in the Plan by each Service Provider is voluntary.

5.03 Nothing herein contained shall confer upon any Participant the right to continue in the employ or service of the Company, any Subsidiary, Mainstreet or any service provider of the Company or any Subsidiary.

ARTICLE 6
DEFERRED SHARE GRANTS

6.01 Each Director is given, subject to the conditions stated herein, the right to elect in accordance with Section 6.03 to participate in the Plan. A Director who elects to participate in the Plan shall receive their Elected Amount (as that term is defined below) in the form of Deferred Shares in lieu of cash. The "**Elected Amount**" shall be an amount, as elected by the Director, in accordance with applicable tax law, between 0% and 100% of the Director Fees.

6.02 The Company shall match 100% of the Elected Amount for each Director such that the aggregate number of Deferred Shares issued to each Director annually shall be equal in value to two times the Elected Amount for such Director.

6.03 Each Director who elects to participate in the Plan and receive their Elected Amount in the form of Deferred Shares in lieu of cash will be required to file a notice of election in the form of Schedule A-1 hereto (the "**Election Notice**") with the Chief Financial Officer of the Company: (i) in the case of an existing Director, by December 31st in the year prior to the year to which such election is to apply (other than for the Director Fees payable for the 2016 financial year, in which case the Director shall file the Election Notice by the date that is 30 days from the effective date of the Plan with respect to compensation paid for services to be performed after such date); and (ii) in the case of a newly elected Director, within 30 days of the commencement of his or her role as Director with respect to compensation paid for services to be performed after such date. If no election is made within the foregoing time frames, the Director shall be deemed to have elected to be paid the entire amount of his or her Director Fees in cash.

6.04 Subject to Section 6.05, the election of a Director under Section 6.03 shall be deemed to apply to all Director Fees paid subsequent to the filing of the Election Notice, and such Director is not required to file another Election Notice for subsequent calendar years.

6.05 Each Director participating in the Plan who is not a U.S. Taxpayer is entitled once per calendar year to terminate his or her participation in the Plan by filing with the Chief Financial Officer of the Company a notice in the form of Schedule A-2 hereto electing to terminate the receipt of additional Deferred Shares. Such termination shall be effective immediately upon receipt. Thereafter, any portion of such Director's Director Fees payable or paid in the same calendar year and, subject to complying with Section 6.03, all subsequent calendar years, shall be paid in cash. For greater certainty, to the extent a Director terminates his or her participation in the Plan, he or she shall not be entitled to elect to receive the Elected Amount, or any other amount of his or her Director Fees in Deferred Shares in lieu of cash again until the calendar year following the year in which the termination notice is delivered. An election to participate in the Plan and receive the Elected Amount in Deferred Shares in lieu of cash for any calendar year by a U.S. taxpayer is irrevocable for the year of participation.

6.06 Any Deferred Shares granted under the Plan prior to the delivery of a termination notice pursuant to Section 6.05 shall remain in the Plan following such termination and will be redeemable only in accordance with the terms of the Plan.

6.07 The number of Deferred Shares (including fractional Deferred Shares) granted at any particular time pursuant to this Plan will be calculated by dividing (a) the Elected Amount in respect of Director Fees, as determined by a Director, or such other amount as allocated to the Participant by the Board or Compensation Committee, by (b) the Market Value of a Share on the Award Date.

6.08 In addition to the foregoing, Deferred Shares, to be known as **"Discretionary Deferred Shares**", may be granted from time to time to Participants at the discretion of the Board or the Compensation Committee.

6.09 An account, to be known as a "**Deferred Share Account**" shall be maintained by the Company for each Participant and will be credited with notional grants of Deferred Shares received by a Participant from time to time.

6.10 Whenever cash dividends or distributions are paid on the Shares, additional Deferred Shares will be credited to the Participant's Deferred Share Account. The number of such additional Deferred Shares to be

credited to a Participant's Deferred Share Account in respect of a cash dividend or distribution paid on the Shares shall be calculated by dividing:

(a) the amount determined by multiplying (i) the aggregate number of Deferred Shares held on the relevant distribution record day by (ii) the amount of the distribution paid by the Company on each Share, by

(b) the Market Value of a Share on the distribution payment date.

Such additional Deferred Shares shall vest in accordance with Section 7.03.

6.11 Under no circumstances shall Deferred Shares be considered Shares nor entitle a Participant to any rights as a Shareholder, including, without limitation, voting rights, distribution entitlements (other than in accordance herewith) or rights on liquidation.

6.12 One Deferred Share is economically equivalent to one Share. Subject to Section 9.03, fractional Shares are permitted under the Plan.

ARTICLE 7
VESTING OF DEFERRED SHARES

7.01 Deferred Shares granted to Directors further to their Elected Amount ("**Individual Contributed Deferred Shares**") will vest immediately upon grant.

7.02 Subject to Sections 7.05, 7.06 and 7.07, Deferred Shares granted to Directors further to the Company's obligation to match 100% of the Elected Amount in accordance with Section 6.02 ("**Company Contributed Deferred Shares**") will vest in accordance with the following schedule:

(a) One-third of the Company Contributed Deferred Shares shall vest on the first anniversary of the Award Date;

(b) One-third of the Company Contributed Deferred Shares shall vest on the second anniversary of the Award Date;

(c) One-third of the Company Contributed Deferred Shares shall vest on the third anniversary of the Award Date;

7.03 Subject to Sections 7.05, 7.06 and 7.07, additional Deferred Shares credited to a Participant's account in connection with cash distributions pursuant to Section 6.10 shall vest on the same schedule as their corresponding Deferred Shares and are considered issued on the same date as the Deferred Shares in respect of which they were credited.

7.04 Subject to Sections 7.05, 7.06 and 7.07, Discretionary Deferred Shares shall vest on December 1 in the second year following the Award Date.

7.05 In the event of any Change of Control, any unvested Deferred Shares shall vest upon the earlier of (i) the next applicable vesting date determined in accordance with the above provisions and (ii) the date which is immediately prior to the date upon which the Change of Control is completed.

7.06 Upon the death or Disability of a Participant, any unvested Deferred Shares held by such Participant shall vest immediately.

7.07 Notwithstanding the foregoing or anything else herein contained the Board shall have the discretion to provide for the vesting of Deferred Shares granted hereunder in a manner different from the foregoing.

ARTICLE 8
ADJUSTMENTS

8.01 In the event of any Share dividend, Share split, Share consolidation, combination or exchange of Shares, merger, consolidation, spin-off or other distribution of the Company's assets to the Shareholders (other than normal cash dividends), or any other similar change affecting the Shares, the account of each Participant and the Deferred Shares outstanding under the Plan shall be adjusted (upwards or downwards) in such manner, if any, as the Compensation Committee may in its discretion deem appropriate to reflect the event. However, no amount will be paid to, or in respect of, a Participant under the Plan or pursuant to any other arrangement, and no additional Deferred Shares will be granted to such Participant to compensate for a downward fluctuation in the price of the Shares, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose.

ARTICLE 9
REDEMPTION AND TERMINATION OF DEFERRED SHARES

9.01 For Participants that are Canadian residents and are not U.S. taxpayers, the Deferred Shares credited to a Participant's Deferred Share Account that have vested may be redeemed in whole or in part for Shares issued from treasury or, subject to the approval of the Compensation Committee, cash, as elected by the Participant, on the date on which the Participant files a written notice of redemption in the form of Schedule A-3 hereto with the Chief Financial Officer of the Company (the "**Redemption Date**"); provided that, if a Director redeems his or her Individual Contributed Deferred Shares prior to the date on which the corresponding Company Contributed Deferred Shares (or portion thereof) have vested, then the Director will forfeit the right to all such unvested Company Contributed Deferred Shares.

9.02 For Participants that are U.S. taxpayers, the Deferred Shares credited to a Participant's Deferred Share Account that have vested will be redeemed automatically for Shares issued from treasury or, subject to the approval of the Compensation Committee, cash, as elected by the Participant, at the following times:

(a) to the extent the Participant is a Director, upon the Director's Separation from Service, and

(b) to the extent the Participant is not a Director, on the date such Deferred Shares vest.

9.03 In the event Deferred Shares are redeemed for Shares pursuant to this Article 9, subject to (i) the provisions of the Plan (including Section 12.02), and (ii) the receipt by CDS Clearing and Depository Services Inc. of the Participant's brokerage account information from his or her securities broker, the Participant shall receive, within 5 Business Days after the Redemption Date, a whole number of Shares from the Company equal to the whole number of Deferred Shares then recorded in the Participant's Deferred Share Account, net of any Applicable Withholding Taxes. No fractional Shares will be issued on the redemption of Deferred Shares for Shares. Accordingly, if, as a result of any redemption of Deferred Shares for Shares, a Participant would become entitled to a fractional Shares, the Participant has the right to acquire only the adjusted number of whole Shares and no payment or other adjustment will be made with respect to the fractional Shares so disregarded.

9.04 In the event Deferred Shares are redeemed for cash pursuant to this Article 9, subject to the provisions of the Plan (including Section 12.02), the Company shall make, within 5 Business Days after the Redemption Date, as applicable, a cash payment, net of any Applicable Withholding Taxes, to the Participant, calculated by multiplying (i) the number of Deferred Shares to be redeemed by (ii) the Market Value of a Share on the Redemption Date.

9.05 Upon payment in full of the value of the Deferred Shares, the Deferred Shares shall be cancelled.

9.06 Subject to Sections 9.07 and 9.08, all Deferred Shares held by the Participant (whether vested or unvested) shall expire and terminate automatically at such time that the Participant is no longer a Service Provider for any reason.

9.07 All Deferred Shares held by the Participant shall expire and terminate automatically:

(a) one year after the Participant's death or Disability;

(b) 30 days after the date of the Participant's resignation or retirement from the Company, any Subsidiary, Mainstreet or the applicable service provider; or

(c) on the date the Company, any Subsidiary, Mainstreet or the applicable service provider terminates the Participant's employment or service for Cause.

9.08 Where a Participant's employment is terminated without Cause by the Company (excluding, for greater certainty, the removal or non-election of a director of the Company), any Subsidiary, Mainstreet or the applicable service provider (whether such termination occurs with or without any or adequate reasonable notice, or with or without any or adequate compensation in lieu of such reasonable notice), then outstanding unvested Deferred Shares shall continue to vest and be paid out on a pro rata basis based on the portion of the vesting period completed as of cessation of active employment for a period of 12 months following the Participant's termination date. The following is an illustrative example of the mechanics relating to the pro rata payment: if the duration of a Participant's active employment from the Award Date until the first anniversary of the Award Date is 182.5 days out of 365 days (being 50% of such period) then 50% of the Participant's outstanding unvested Deferred Shares shall vest in accordance with their terms with payment in accordance with the terms hereof for a period of 12 months following the Participant's termination date. Upon completion of such 12 month period, any outstanding unvested Deferred Shares shall expire and terminate. For greater certainty, in the circumstances described in this Section 9.08, any outstanding vested Deferred Shares shall continue to remain exercisable in accordance with the terms of this Plan.

9.09 Notwithstanding the foregoing, the Board may, in its sole and absolute discretion, at any time permit the redemption of any or all Deferred Shares held by the Participant in the manner and on the terms authorized by the Board.

ARTICLE 10
NUMBER OF SHARES

10.01 The maximum number of Shares reserved for issuance under this Plan at any time shall be 17,772,200 Shares. Notwithstanding the above, subject to applicable law or the requirements of the TSX or any other stock exchange upon which the Shares are listed and any Shareholder or other approval which may be required, the Board may, in its discretion, amend this Plan to increase such limit without notice to Participants. If any Deferred Share granted under this Plan is terminated, expires or is cancelled, new Deferred Shares may thereafter be granted covering such Shares, subject to any required prior approval by the TSX or other stock exchange upon which the Shares are listed. At all times, the Company will reserve and keep available a sufficient number of Shares to satisfy the requirements of all outstanding Deferred Shares granted under this Plan.

10.02 The maximum aggregate number of Shares that may be subject to grants of Deferred Shares under this Plan to any one Participant during any 12-month period shall be no greater than 5% of the issued and outstanding Shares.

10.03 The maximum aggregate number of Shares issuable under this Plan to Insiders at any time, including those Shares issuable under any other Security Based Compensation Arrangement, shall not exceed 10% of the issued and outstanding Shares on a non-diluted basis as of the Award Date of such Deferred Shares and the maximum aggregate number of Shares that may be issued pursuant to Deferred Shares to such Insiders during any 12-month period, including those Shares issuable under any other Security Based Compensation Arrangement, shall not exceed 10% of the issued and outstanding Shares on a non-diluted basis.

10.04 No Deferred Share may be granted if such grant would have the effect of causing the total number of Shares subject to Deferred Shares to exceed the total number of Shares reserved for issuance pursuant to the exercise of Deferred Shares and set forth in Section 10.01.

ARTICLE 11
ASSIGNMENT

11.01 In no event may the rights or interests of a Participant under the Plan be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that certain rights may pass to a beneficiary or legal representative upon death of a Participant, by will or as required by law.

11.02 Rights and obligations under the Plan may be assigned by the Company to a successor in the business of the Company.

ARTICLE 12
COMPLIANCE WITH APPLICABLE LAWS

12.01 The administration of the Plan shall be subject to and performed in conformity with all applicable laws, regulations, orders of governmental or regulatory authorities and the requirements of any stock exchange on which the Shares are listed. Should the Compensation Committee, in its sole discretion, determine that it is not desirable or feasible to provide for the redemption of Deferred Shares in Shares pursuant to the provisions of Article 9, including by reason of any such laws, regulations, rules, orders or requirements, it shall notify the Participants of such determination and on receipt of such notice each Participant shall have the option of electing that such redemption obligations be satisfied by means of a cash payment by the Company equal to the Market Value of the Shares that would otherwise be delivered to a Participant in settlement of Deferred Shares on the Redemption Date (less any Applicable Withholding Taxes). Each Participant shall comply with all such laws, regulations, rules, orders and requirements, and shall furnish the Company with any and all information and undertakings, as may be required to ensure compliance therewith.

12.02 The Company intends that the Plan and all Deferred Shares be construed to avoid the imposition of additional taxes, interest, and penalties pursuant to Section 409A of the Code. Notwithstanding the Company's intention, in the event any Deferred Share is subject to such additional taxes, interest or penalties pursuant to Section 409A of the Code, the Board or the Compensation Committee, as applicable, may, in their sole discretion and without a Participant's prior consent, amend the Plan, adopt policies and procedures, or take any other actions (including amendments, policies, procedures and actions with retroactive effect) as are necessary or appropriate to (a) exempt the Plan and/or any Deferred Share from the application of Section 409A of the Code, (b) preserve the intended tax treatment of any such Deferred Share, or (c) comply with the requirements of Section 409A of the Code, including, without limitation, any such regulations, guidance, compliance programs, and other interpretative authority that may be issued after the date of the grant. In no event shall the Company or any of its Affiliates be liable for any additional tax, interest or penalties that may be imposed on a Participant under Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. To the extent a Participant who is a U.S. taxpayer is a "specified employee" within the meaning of Treasury Regulation § 1.409A-1(i)(1), upon the Participant's Separation from Service, any amount payable upon such Separation from Service pursuant to a redemption under Article 10 will be delayed to the earliest Business Day following the end of the sixth month period from the date of such Participant's Separation from Service. Notwithstanding any provision in the Plan to the contrary, the timing of redemptions set forth in Article 10 with respect to U.S. taxpayers may be modified by the Compensation Committee as provided in Treasury Regulation § 1.409A-3(j)(4)(ix) with respect to the termination of a deferred compensation arrangement.

SCHEDULE A-1

MAINSTREET HEALTH INVESTMENTS INC.
DEFERRED SHARE INCENTIVE PLAN (THE "PLAN")

ELECTION NOTICE

All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.

Pursuant to the Plan, I hereby elect to participate in the Plan and to receive ____% of my Director Fees in the form of Deferred Shares in lieu of cash.

I confirm that:

a) I have received and reviewed a copy of the terms of the Plan and agreed to be bound by them.

b) I recognize that when Deferred Shares credited pursuant to this election are redeemed in accordance with the terms of the Plan, income tax and other withholdings as required will arise at that time. Upon redemption of the Deferred Shares, the Company will make all appropriate withholdings as required by law at that time.

c) The value of Deferred Shares is based on the value of the Shares and therefore is not guaranteed.

d) To the extent I am a U.S. taxpayer, I understand this election is irrevocable.

The foregoing is only a brief outline of certain key provisions of the Plan. For more complete information, reference should be made to the Plan's text.

Date: _____

_____
(Name of Participant)

_____
(Signature of Participant)

SCHEDULE A-2

MAINSTREET HEALTH INVESTMENTS INC.
DEFERRED SHARE INCENTIVE PLAN (THE "PLAN")

ELECTION TO TERMINATE RECEIPT OF ADDITIONAL DEFERRED SHARES

All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.

Notwithstanding my previous election in the form of Schedule A-1 to the Plan, I hereby elect that no portion of the Director Fees accrued after the date hereof shall be paid in Deferred Shares in accordance with the terms of the Plan.

I understand that the Deferred Shares already granted under the Plan cannot be redeemed except in accordance with the Plan.

I confirm that I have received and reviewed a copy of the terms of the Plan and agree to be bound by them.

Date: _____

_____
(Name of Participant)

_____
(Signature of Participant)

Note: An election to terminate receipt of additional Deferred Shares can only be made by a Participant once in a calendar year.

SCHEDULE A-3

MAINSTREET HEALTH INVESTMENTS INC.
DEFERRED SHARE INCENTIVE PLAN (THE "PLAN")

REDEMPTION NOTICE FOR CANADIAN RESIDENTS

All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.

I hereby advise Mainstreet Health Investments Inc. (the "**Company**") that I wish to redeem _____ of the Deferred Shares credited to my account under the Plan in accordance with the terms of the Plan in the form of [Shares/cash].

Date: _____

_____
(Name of Participant)

_____
(Signature of Participant)

Note: If the Redemption Notice is signed by a beneficiary or legal representative, documents providing the authority of such signature should accompany this notice.

SCHEDULE "L"

PLAN RESOLUTION

"RESOLVED, AS AN ORDINARY RESOLUTION OF DISINTERESTED SHAREHOLDERS, THAT:

1. the deferred share incentive plan (the "**Plan**") of Kingsway Arms Retirement Residences Inc. ("**Kingsway**") substantially in the form attached as Schedule "K" to the management information circular of Kingsway dated February 29, 2016 for use in connection with the annual and special meeting of shareholders scheduled to be held on March 30, 2016, as such form of Plan may be amended by any director or officer, is hereby approved as the deferred share incentive plan of Kingsway;

2. the form of the Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of Kingsway; and

3. any one director or officer of Kingsway be and is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal of Kingsway or otherwise all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing, provided that the board of directors of Kingsway may, at its discretion, revoke all or any part of this resolution before it is acted upon without further approval of the shareholders of Kingsway."

SCHEDULE "M"

HANOVER PARK RESOLUTION

"RESOLVED, AS AN ORDINARY RESOLUTION, THAT:

1. a loan by Mainstreet Investment Company, LLC ("**Mainstreet**") to Mainstreet Health Holdings Inc. ("**MHI Holdco**") or its affiliate in the amount of US$1.96 million is hereby approved;

2. the issuance of subordinated convertible debentures of MHI Holdco to certain funds managed by Magnetar Financial LLC (collectively, the "**Funds**"), and/or the issuance of ordinary shares of MHI Holdco to the Funds; and/or a loan or other financing by the Funds to MHI Holdco or its affiliate, in an aggregate amount of US$13.5 million, is hereby approved;

3. the indirect acquisition by MHI Holdco of the Hanover Park Property is hereby approved; and

4. any one director or officer of Kingsway Arms Retirement Residences Inc. ("**Kingsway**") be and is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal of Kingsway or otherwise all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing, provided that the board of directors of Kingsway may, at its discretion, revoke all or any part of this resolution before it is acted upon without further approval of the shareholders of Kingsway."

APPENDIX I
FINANCIAL STATEMENTS OF MAINSTREET HEALTH HOLDINGS INC.

See attached.

Consolidated Financial Statements
(Expressed in U.S. dollars)

MAINSTREET HEALTH HOLDINGS INC.

Period from October 7, 2015 (date of formation)
to December 31, 2015

KPMG LLP
Bay Adelaide Centre Fax
333 Bay Street Suite 4600
Toronto ON M5H 2S5
Canada

Telephone (416) 777-8500
(416) 777-8818
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Mainstreet Health Holdings Inc.

We have audited the accompanying consolidated financial statements of Mainstreet Health Holdings Inc., which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from October 7, 2015 (date of formation) to December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mainstreet Health Holdings Inc. as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the period from October 7, 2015 (date of formation) to December 31, 2015 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 26, 2016
Toronto, Canada

MAINSTREET HEALTH HOLDINGS INC.

Consolidated Statement of Financial Position
(Expressed in thousands of U.S. dollars, except per share amounts)

December 31, 2015

Assets

Current assets:	
Cash	$ 7,189
Restricted cash	2,500
Other	939
	10,628
Investment properties (note 4)	268,425
	$ 279,053

Liabilities and Shareholders' Equity

Current liabilities:	
Accounts payable	$ 309
Accrued real estate taxes	4,531
Accrued interest expense	431
Accrued convertible debenture interest	930
Note payable to related party (note 6)	2,500
	8,701
Credit facility (note 5)	144,692
Convertible debentures (note 7)	108,891
Unearned revenue	1,790
	255,373
Total liabilities	264,074
Shareholders' equity (note 8)	14,979
Subsequent event (note 5)	
Commitment (note 3)	
	$ 279,053

See accompanying notes to consolidated financial statements.

MAINSTREET HEALTH HOLDINGS INC.

Consolidated Statement of Loss and Comprehensive Loss
(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

Revenue:		
Rental (note 10)	$	5,107
Expenses:		
Operating (note 12)		1,266
Finance costs (note 11)		2,808
Change in value of investment property - IFRIC 21		843
Change in value of investment properties (note 4)		5,945
		10,862
Loss before income taxes		(5,755)
Income taxes (note 13)		–
Loss for the period and comprehensive loss	$	(5,755)
Loss per share (note 9):		
Basic and diluted	$	(27.76)

See accompanying notes to consolidated financial statements.

MAINSTREET HEALTH HOLDINGS INC.

Consolidated Statement of Changes in Shareholders' Equity
(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

	Common shares	Cumulative deficit	Total
Shareholders' equity, October 7, 2015	$ –	$ –	$ –
Common shares issued (note 8)	20,734	–	20,734
Loss for the period	–	(5,755)	(5,755)
Shareholders' equity, December 31, 2015	$ 20,734	$ (5,755)	$ 14,979

See accompanying notes to consolidated financial statements.

MAINSTREET HEALTH HOLDINGS INC.

Consolidated Statement of Cash Flows
(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

Cash flows from operating activities:	
Loss for the period	$ (5,755)
Items not involving cash:	
Fair value adjustment of income properties	5,945
Straight-line rent	(567)
Finance costs	2,808
Interest paid	(425)
Change in non-cash operating working capital:	
Accounts payable and accrued liabilities	150
Unearned revenue	1,790
Other assets	(939)
Real estate taxes payable	843
Net cash provided by operating activities	3,850
Cash flows from financing activities:	
Proceeds from credit facility	147,015
Financing costs paid	(2,415)
Proceeds from note payable	4,500
Proceeds from convertible debentures	107,961
Payments of notes payable	(2,000)
Net proceeds from issuance of shares	20,734
Net cash provided by financing activities	275,795
Cash flows from investing activities:	
Additions to investment property	(269,956)
Deposit paid for future acquisition	(2,500)
Net cash used in investing activities	(272,456)
Increase in cash and cash equivalents	7,189
Cash and cash equivalents, beginning of period	–
Cash and cash equivalents, end of period	$ 7,189

See accompanying notes to consolidated financial statements.

Mainstreet Health Holdings Inc. (the "Company") is a Cayman Islands corporation created pursuant to Articles of Association dated October 7, 2015. The registered office of the Company is P.O. Box 10008 Willow House, Cricket Square, Grand Cayman, KY1-1001.

The Company has been formed primarily to own income-producing seniors housing and care properties throughout the United States and Canada. Specifically, the Company will look to acquire properties which offer predominately skilled nursing, long-term care and assisted living programs, including short-term rehabilitation and memory care special care units. In connection with the completion of the Acquisition (as defined below), the Company acquired a portfolio of 10 properties comprising nine skilled nursing facilities ("SNFs") and one assisted living facility ("ALF").

On December 2, 2015, Kingsway Arms Retirement Residences Inc. ("Kingsway") agreed to acquire all of the shares of the Company held by Mainstreet Investment Company, LLC, representing approximately 75% of the issued and outstanding common shares of the Company, in consideration for the issuance of 81,160,000 common shares and 307,659,850 non-voting shares of Kingsway having substantially similar terms to the common shares of Kingsway, other than the right to vote at meetings of shareholders. Upon completion of the acquisition, Mainstreet Investment Company, LLC or an affiliate will own approximately 95% of the outstanding shares of Kingsway and an 80% voting interest (with the balance of their equity interest being held in the form of non-voting shares of Kingsway). As a result of this and other qualitative considerations, the Company has been identified as the accounting acquirer and the acquisition will be recorded as a reverse-takeover transaction in accordance with IFRS 2, Share-based Payment.

1. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors of the Company and authorized for issuance on February 26, 2016.

(b) Principles of consolidation:

The consolidated financial statements comprise the financial statements of the Company and its 100% owned subsidiaries as of December 31, 2015, including Mainstreet Health US Holdings Inc., Mainstreet Health Holdings, LP and project specific limited partnerships. All intercompany transactions and balances are eliminated on consolidation.

1. Basis of preparation (continued):

(c) Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and convertible debentures, which are measured at fair value.

(d) Functional currency:

The consolidated financial statements are presented in U.S. dollars, which is the functional and presentational currency of the Company.

(e) Measurement uncertainty:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses throughout the period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that may have a significant risk of resulting in a material adjustment within the next financial year are as follows:

(i) Change in value of investment properties:

Investment properties, which include income properties, are carried on the consolidated statement of financial position at fair value and are valued by management with the assistance of qualified external valuation professionals with recognized and relevant valuation credentials.

The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of the Company. Refer to note 4 for further information on estimates and assumptions made in determination of the fair value of investment properties.

1. Basis of preparation (continued):

(ii) Change in fair value of convertible debentures:

Convertible debentures are carried on the statement of financial position from the date of their issuance at fair value. The valuations are based on a number of assumptions including the interest rate used to discount expected cash flows.

(f) Critical judgments:

(i) The Company uses judgment regarding the present value of lease payments and the fair value of assets in assessing the classification of its leases as operating leases, in particular with long-term leases in single operator properties. The Company has determined that its sole lease is an operating lease.

(ii) Management must assess whether the acquisition of a property or entity should be accounted for as an asset purchase or business combination and whether or not it has obtained control. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition, and whether or not goodwill is recognized. The Company's acquisitions are generally determined to be asset purchases as the Company does not acquire an integrated set of processes as part of the acquisition transaction.

2. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand and highly liquid marketable investments with an original maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value. As at December 31, 2015, there were no cash equivalents.

2. Significant accounting policies (continued):

(b) Restricted cash:

The Company's restricted cash represents a deposit account required by a purchase agreement. The deposit held in restricted cash will be released upon completion of the purchase transaction.

(c) Investment properties:

Investment properties are held to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business. All of the Company's income properties are investment properties. On acquisition, investment properties are initially recorded at cost, including transaction costs. Subsequent to initial recognition, the Company uses the fair value model to account for investment properties under International Accounting

Standard ("IAS") 40, Investment Property. Under the fair value model, investment properties are recorded at fair value, which is determined based on available market evidence, at the statement of financial position date. Related fair value gains and losses are recorded in loss for the period in the period in which they arise.

(d) Convertible debentures:

A financial liability is classified at fair value through net earnings if it is classified as held-for-trading or is designated as such upon initial recognition. Pursuant to the terms of the underlying agreements, the convertible debentures allow the holders to convert for a variable number of shares and are hybrid instruments comprising a host liability related to the principal and interest amounts due plus an embedded derivative instrument related to the conversion option. Management has determined that the hybrid instruments qualify for measurement as one instrument at fair value through net earnings. Any gains or losses arising on remeasurement are recognized in net earnings.

2. Significant accounting policies (continued):

(e) Other financial assets and liabilities:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies financial instruments as either held-to-maturity, loans and receivables, available-for-sale, fair value through profit or loss ("FVTPL") or other financial liabilities. Financial assets held to maturity and loans and amounts receivable and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value unless they are unlisted with no active market and fair value cannot be reliably measured and, in that case, they are measured at cost. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of comprehensive loss.

The Company has designated its cash and restricted cash as FVTPL. Amounts receivable are classified as loans and amounts receivable and are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties balances are classified as other financial liabilities and are measured at amortized cost. The credit facility is measured at amortized cost. For FVTPL assets and liabilities, transaction costs are expensed when incurred. For all other financial instruments, transaction costs are included in the carrying amount of the instrument and amortized using the effective interest method.

(f) Revenue recognition:

The Company accounts for its lease with operators as an operating lease given that it has retained substantially all of the risks and benefits of ownership of investment properties.

Revenue includes rent earned from tenants under triple-net lease agreements, in which the tenant operators assume all operational risk and operating expenses associated with the investment properties, realty tax recoveries on certain investment properties where the Company is the primary obligor and other incidental income. Lease-related revenue is recognized as revenue over the term of the underlying leases. Other revenue is recognized at the time the service is provided.

The Company applies the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease.

2. Significant accounting policies (continued):

(g) Income taxes:

Income taxes comprise current and deferred taxes. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and (ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting dates.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(h) Future accounting changes:

(i) In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

2. Significant accounting policies (continued):

(ii) In July 2014, the IASB issued IFRS 9, Financial Instruments, replacing IAS 39, Financial Instruments - Recognition and Measurement. The project had three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

(iii) In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2016, but does not expect the amendments to have a material impact on its consolidated financial statements.

(iv) IFRS 16, Leases, was issued on January 13, 2016. The new standard will replace existing lease guidance in IFRS and related interpretations. The financial reporting impact of adopting IFRS 16 is being assessed. The new standard is effective for years beginning on or after January 1, 2019. Early adoption will be permitted only if the Company has adopted IFRS 15, Revenue from Contracts with Customers.

(Expressed in thousands of U.S. dollars, except per share amounts)

3. Acquisitions:

On October 30, 2015, the Company indirectly acquired a portfolio (the "Symphony Portfolio") of nine SNFs and one ALF located in the United States for a total purchase price of approximately $268,425, as adjusted pursuant to the terms of the purchase agreement and incurred $5,378 of transaction costs (the "Acquisition"). Upon completion of the Acquisition, the existing leases and operating agreements were terminated and the properties were leased to Symcare ML, LLC pursuant to a master lease agreement.

The purchase of the Symphony Portfolio has been accounted for as an asset acquisition. The identifiable net assets acquired, based on preliminary allocations, are as follows:

Investment properties[(1)]	$ 273,803
Accrued payables	(3,847)
Net assets acquired for cash	$ 269,956

[(1)] Includes an $843 liability related to realty taxes recorded in accordance with the requirements of International Financial Reporting Interpretations Committee 21, Levies that is offset by an equal adjustment to the fair value of investment property.

Under the terms of the purchase agreement, the Company has committed to acquire one additional SNF, The Claremont of Hanover Park, on or before March 31, 2016, with an option to extend for an additional 30 days, for a total additional purchase price of $34,075 for which the Company has paid a $2,500 deposit as of December 31, 2015. In connection with the extension, the Company deposited an additional $1,000 on February 29, 2016, which was financed through a note payable entered into with an entity that is owned 100% by a key executive of the Company.

In connection with the Acquisition, the seller of the Symphony Portfolio deposited: (i) $6.0 million of the purchase price proceeds into a holdback escrow account for purposes of satisfying the sellers indemnification obligations, a portion of which will be released to the sellers on the first anniversary of the closing; (ii) $9.0 million of the purchase price proceeds into the escrow account which will serve as a security deposit for the sellers obligations under the lease agreement; and (iii) $7.0 million of the purchase price proceeds into an escrow account to protect against cash flow deficiencies through the end of calendar year 2018, one third of which will be returned to the seller at the end of calendar years 2016, 2017 and 2018 if applicable lease coverage ratios or cash collection hurdles are met.

(Expressed in thousands of U.S. dollars, except per share amounts)

4. Investment properties:

	Number of properties	Amount
Balance, beginning of period	–	$ –
Acquisition of income properties	10	273,803
Increase in straight-line rents	–	567
Fair value adjustment	–	(5,945)
Balance, end of period	10	$ 268,425

Investment properties consist of income properties and are carried at fair value. The fair value of each investment property is determined using the capitalized net operating income approach. The stabilized net operating income for the period is divided by an overall capitalization rate. The capitalization rates are derived from a combination of third-party appraisals and industry market data (Level 3 inputs - note 15).

The key valuation assumptions used in determining fair value of investment properties are set out in the following table:

Capitalization rate - range	8.0%
Capitalization rate - weighted average	8.0%

The fair value of investment properties is most sensitive to changes in capitalization rates. At December 31, 2015, a 25 basis point increase or decrease in the weighted average capitalization rate would decrease the fair value of the investment properties by $8,134 or increase the fair value of the investment properties by $8,658.

(Expressed in thousands of U.S. dollars, except per share amounts)

5. Credit facility:

On October 30, 2015, the Company entered into a credit facility agreement (the "Facility"). The Facility includes a term loan with capacity of $150,000, as well as an option to provide a revolving line of credit with capacity of $50,000. The line of credit includes an accordion feature that would extend the capacity of the revolving line of credit to $150,000, bringing the total capacity of the Facility to $300,000. As of December 31, 2015, the Company has received commitments from banks to fulfill $150,000 of the term loan capacity and $47,500 of the revolving line of credit capacity. Total costs incurred related to the term loan were $2,039 and total costs incurred related to the revolving line of credit were $376. The term loan has an initial maturity date of October 30, 2019. The revolving line of credit has an initial maturity date of October 30, 2018, and has a one year extension option. At December 31, 2015, the Facility is secured by the 10 Symphony Portfolio properties. As of December 31, 2015, the security provided the Company with a borrowing base of $147,015. The Facility provides for interest-only payments during the term and a borrowing rate of LIBOR plus 300 basis points. Unamortized financing costs of $2,323 related to the line of credit are included in the consolidated statement of financial position at December 31, 2015.

At December 31, 2015, total borrowings outstanding under the Facility were $147,015, and the borrowing rate was 3.24%. Future principal repayments are as follows:

	Aggregate principal payments
2019	$ 147,015

To manage interest rate risk, management of the Company entered into an interest rate swap agreement effective January 29, 2016 (the "Swap Agreement"). In the Swap Agreement, the Company agreed to exchange the difference between fixed and variable rate interest on a principal amount of $147,015, the full amount borrowed on the credit facility as of that date. The Swap Agreement effectively fixes interest at a rate of 4.2% through its maturity on October 30, 2019. The interest rate swap will not be designated as a hedge and will be marked to fair value each reporting period through finance cost in the consolidated statements of profit and other comprehensive income.

(Expressed in thousands of U.S. dollars, except per share amounts)

6. Note payable to related party:

On October 30, 2015, the Company entered into a $2,500 note payable with an entity that is owned 100% by a key executive of the Company. The note payable matures on October 30, 2016 and bears interest at a rate of 5.0% per annum. Total interest accrued on the note payable for the period ended December 31, 2015 was $22.

On October 30, 2015, the Company received $2,000 in the form of a note payable to an entity which is owned 100% by a key executive of the Company. The note payable was issued on October 30, 2015, and bore interest at a rate of 8.0% annually. The note payable had an initial maturity date of October 30, 2020, but was repaid in full on December 18, 2015. Total interest paid with respect to the note payable was $22.

7. Convertible debentures:

On October 29, 2015, the Company issued convertible subordinated debentures ("Convertible Debentures") in the aggregate principal amount of $107,961, maturing October 29, 2020. The Convertible Debentures bear interest at the following rates: (i) 10% per annum for the period commencing on October 29, 2015 and ending on and including October 28, 2016; and (ii) 8.5% per annum for the annual period commencing on October 29, 2016 and each year thereafter; in each case payable on a quarterly basis commencing on December 31, 2015, fifty percent (50.0%) in cash and fifty percent (50.0%) by capitalizing the interest accrued and payable as an increase to the principal amount. All or any portion of the Convertible Debentures are convertible into shares of the Company at any time based on the conversion formula outlined in the Convertible Debentures agreement. At any time commencing on May 1, 2016, the Company may prepay the Convertible Debentures without penalty.

Convertible Debentures principal activity during the period ended December 31, 2015 is as follows:

	Convertible Debentures balance
Convertible Debentures issued, October 30, 2015	$ 107,961
Interest capitalized as principal	930
	$ 108,891

7. Convertible debentures (continued):

Interest expense on the Convertible Debentures for the period ended December 31, 2015 of $1,859 is included in finance cost (note 11) in the consolidated statement of loss and comprehensive loss.

The rights of the holders of the Convertible Debentures are subordinated to the principal and, premium, if any and accrued and unpaid interest on secured indebtedness of the Company, guarantees by the Company of any secured indebtedness or any obligations of the Company under an agreement to lease real or personal property.

The Convertible Debentures are carried at fair value. The valuation is determined based on a number of assumptions which underlie the overall value of the Company, such as the value of the Company's investment properties and changes in the actual and expected net cash flows of the Company, which are considered Level 3 fair value measurements. Fair value changes are reflected in the consolidated statement of loss and comprehensive loss. No fair market value gain or loss was recognized during the period ended December 31, 2015.

8. Common shares:

The Company is authorized to issue up to 5,000,000 common shares. During the period ended December 31, 2015, the Company issued 207,338.75 common shares for cash proceeds of $20,734.

(Expressed in thousands of U.S. dollars, except per share amounts)

9. Loss per share:

Basic and diluted loss per share are calculated by dividing net loss and comprehensive loss by the weighted average number of common shares during the period from October 7, 2015 (date of formation) to December 31, 2015.

Numerator for loss per share:	
Net loss and comprehensive loss	$ (5,755)
Denominator for loss per share:	
Weighted average number of common shares (basic and diluted)	207,338.75
Loss per share - basic and diluted	$ (27.76)

10. Rental revenue:

The Company leases its income properties under an operating lease with a lease term of 15 years, and options to extend up to an additional 15 years.

Rental revenue consists of the following:

Cash rentals received	$ 3,697
Straight-line rent adjustments	567
Property tax recovery	843
	$ 5,107

(Expressed in thousands of U.S. dollars, except per share amounts)

10. Rental revenue (continued):

The Company is scheduled to receive rental income from an operator under the provisions of a long-term non-cancellable operating lease. The lease is triple net and includes renewal options and a rent escalation clause. Future minimum rentals to be received as of December 31, 2015 are as follows:

Less than 1 year	$ 21,510
Between 1 and 5 years	89,536
More than 5 years	256,730
	$ 367,776

11. Finance cost:

Finance cost consists of the following:

Interest expense on line of credit	$ 813
Amortization expense	92
Interest expense on notes payable	44
Interest expense on convertible debentures	1,859
	$ 2,808

(Expressed in thousands of U.S. dollars, except per share amounts)

12. Related party transactions:

Except as disclosed elsewhere in the consolidated financial statements, related party transactions for the period ended December 31, 2015 included the following:

The Company paid an asset management fee to an asset management company (the "Asset Manager"), which is owned 100% by a key executive of the Company. The fee is payable pursuant to an asset management agreement (the "Asset Management Agreement") dated October 29, 2015, and calls for an asset management fee equal to 3.0% of gross rentals received. For the period ended December 31, 2015, asset management fees paid to the Asset Manager were $111. The Asset Management Agreement is for a term of 10 years, commencing on October 29, 2015, and will be renewed for a further five-year term, without any action of notice, unless the agreement is terminated. Included in accounts payable at December 31, 2015 is $3 payable to the Asset Manager.

13. Income taxes:

The Company has certain subsidiaries in the United States that are subject to tax on their taxable income. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below. Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

Deferred tax assets:	
Net operating losses	$ 211
Investment properties	1,289
Other	78
Deferred tax assets	$ 1,578

At December 31, 2015, U.S. subsidiaries had accumulated net operating losses available for carryforward for U.S. income tax purposes of $522.

The federal net operating losses will expire in 2035. The state net operating losses will expire in 2027.

14. Financial instrument risks and risk management:

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(a) Interest rate risk:

The Company is exposed to interest rate risk on the line of credit, which bears interest based on the 30-day LIBOR rate. As at December 31, 2015, a 25 basis point increase or decrease in interest rates would result in a $368 increase or decrease in the Company's annual interest expense.

(b) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. The Company is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the consolidated statement of financial position. The Company actively manages its affairs to minimize its credit risk through careful selection and assessment of its credit parties and collateral based on knowledge obtained through means such as due diligence carried out in respect of leasing transactions to new operators. The Company also manages credit risk related to its cash balances by selection of reputable banking institutions.

(c) Liquidity risk:

The Company is subject to the liquidity risk that it will not be able to meet its financial obligations as they come due. Although a portion of the cash flow generated by the investment properties is devoted to servicing outstanding debt and the Convertible Debentures, there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If the Company is unable to meet principal or interest repayment obligations, it could be required to renegotiate such payments, issue additional equity or debt, or obtain other financing. The failure to make or renegotiate interest or principal payments, issue additional equity or debt, or obtain other financing could have a material adverse effect on the Company's financial condition and results of operations. The Company manages its liquidity risk through cash and debt management. The Company plans to address scheduled interest payments through operating cash flows and significant principal maturities through a combination of debt and equity financing.

(Expressed in thousands of U.S. dollars, except per share amounts)

14. Financial instrument risks and risk management (continued):

The following are the contractual maturities of financial liabilities as at December 31, 2015, including expected interest payments:

	2016	2017-2020	Total
Credit facility (note 5)	$ 6,253	$ 164,910	$ 171,163
Convertible Debentures (note 7)	5,401	154,004	159,405
Note payable (note 6)	2,606	–	2,606
Accounts payable and accrued liabilities	6,201	–	6,201
	$ 20,461	$ 318,914	$ 339,375

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect the Company's financial instruments. The valuation of the Convertible Debentures were computed using market inputs (note 15). At December 31, 2015, a 1% increase or decrease in interest rates would result in a fair value gain of approximately $4,431 and a fair value loss of approximately $4,655, respectively.

15. Fair value measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses various methods in estimating the fair values of assets and liabilities that are measured at fair value on recurring or non-recurring basis in the consolidated statement of financial position. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - fair value is based on unadjusted quoted prices trades in active markets for identical instruments;
- Level 2 - fair value is based on models using significant market-observable inputs other than quoted prices for the instruments; and
- Level 3 - fair value is based on models using significant inputs that are not based on observable market data.

(Expressed in thousands of U.S. dollars, except per share amounts)

15. Fair value measurements (continued):

In addition to those financial instruments carried at fair value, the fair values of the Company's financial assets and financial liabilities, together with their contractual carrying amounts shown in the consolidated statement of financial position at December 31, 2015, are as follows:

	Fair value	Carrying amount
Credit facility	$ 147,015	$ 144,692

(a) The Company determined the fair value of the Convertible Debentures to be $108,891 using a number of assumptions which reflect the overall value of the Company, such as the value of the Company's investment properties and changes in the actual and expected net cash flows of the Company, which are considered Level 3 fair value measurements.

(b) The Company determined the fair value of its credit facility to be $147,015 at December 31, 2015 based on borrowing rates currently available to the Company for a credit facility with similar terms and maturity. The determination was made using Level 2 inputs.

(c) The carrying values of the Company's financial assets, which include cash and restricted cash, as well as other financial liabilities, which include note payable to related party, accounts payable and accrued liabilities, approximate their recorded fair values due to their short-term nature.

16. Capital management:

The Company's objectives when managing capital are to ensure sufficient liquidity to pursue its organic growth combined with strategic acquisitions, and to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations.

16. Capital management (continued):

The capital structure of the Company consists of cash, debt, and shareholders' equity. In managing its capital structure, the Company monitors performance throughout the period to ensure working capital requirements are funded from operations, available cash on deposit, available financing, and proceeds from shareholder contributions. The Company may make changes to its capital structure in order to support the broader corporate strategy or in light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue equity or new debt, issue new debt with different characteristics to replace existing debt, or reduce the amount of existing debt.

The real estate industry is capital-intensive by nature. As a result, debt capital is an important aspect in managing the business. In addition, financial leverage is used to enhance terms from purchased real estate. The Company actively monitors debt maturities and available debt financing options.

APPENDIX II
UNAUDITED PRO FORMA FINANCIAL STATEMENTS OF MAINSTREET HEALTH INVESTMENTS INC.

See attached.

Pro Forma Condensed Consolidated
Statement of Financial Position
(In U.S. dollars)

MAINSTREET HEALTH INVESTMENTS INC.

September 30, 2015
(Unaudited)

MAINSTREET HEALTH INVESTMENTS INC.

Pro Forma Condensed Consolidated Statement of Financial Position
(In thousands of U.S. dollars unless otherwise noted)

September 30, 2015
(Unaudited)

	Kingsway Arms Retirement Residences Inc. (September 30, 2015)	Mainstreet Health Holdings Inc. (December 31, 2015)	Notes	Pro forma adjustments	Equity elimination (note 3(e))	Total
Assets						
Current:						
Cash and cash equivalents	$ 1,230	$ 7,189	3(a)	$ (833)	$ (7,189)	
			3(b)	(337)	–	
			3(c)	(300)	300	$ 60
Deposits and other assets	9	3,439	3(d)	(2,500)	(939)	9
	1,239	10,628		(3,970)	(7,828)	69
Non-current:						
Investment properties	–	268,425	3(d)	34,075	(302,500)	–
Investment in Mainstreet Health Holdings, Inc.	–	–	3(c)	10,466	–	10,466
Total assets	$ 1,239	$ 279,053		$ 40,571	$ (310,328)	$ 10,535
Liabilities and Shareholders' Equity						
Current:						
Accounts payable and accrued liabilities	$ 81	$ 6,201		$ –	$ (6,201)	$ 81
Notes payable to related party	–	2,500	3(d)	1,000	–	–
	–	–	3(d)	2,609	–	–
	–	–	3(d)	(3,500)	(2,609)	–
	81	8,701		109	(8,810)	81
Non-current:						
Credit facility	–	144,692	3(d)	15,860	–	–
	–	–	3(d)	3,500	(164,052)	–
Convertible debentures	–	108,891	3(d)	12,831	(121,722)	–
Unearned revenue	–	1,790		–	(1,790)	–
	–	255,373		32,191	(287,564)	–
Total liabilities	81	264,074		32,300	(296,374)	81
Shareholders' equity:						
Share capital	1,894	20,734	3(c)	10,466		
			3(c)	530	(20,734)	12,890
Contributed surplus	200	–		–	–	200
Deficit	(936)	(5,755)	3(a)	(833)	5,755	
			3(b)	(337)	–	
			3(c)	(530)	–	
			3(c)	(300)	300	
			3(d)	(725)	725	(2,636)
Total shareholders' equity	1,158	14,979		8,271	(13,954)	10,454
Total liabilities and shareholders' equity	$ 1,239	$ 279,053		$ 40,592	$ (310,328)	$ 10,535

See accompanying notes to pro forma condensed consolidated statement of financial position.

MAINSTREET HEALTH INVESTMENTS INC.

Notes to Pro Forma Condensed Consolidated Statement of Financial Position
(In thousands of U.S. dollars unless otherwise noted)

September 30, 2015
(Unaudited)

1. Basis of presentation:

Mainstreet Health Investments Inc. (formerly Kingsway Arms Retirement Residences Inc.) (the "Company") was incorporated on May 31, 2007 under the Business Corporations Act (Ontario) and commenced trading on the TSX Venture Exchange ("TSX-V") under the trading symbol KWA at the opening of trading on August 5, 2008. The Company's registered head office is 208 Evans Avenue, Suite 115, Toronto, Ontario, M8Z 1J7.

On November 6, 2015, the Company agreed to acquire Mainstreet Investment Company, LLC's interest in a joint venture, Mainstreet Health Holdings Inc., in consideration for the issuance of 81,160,000 common shares and 307,659,850 non-voting shares of the Company (the "Acquisition").

This unaudited pro forma condensed consolidated statement of financial position has been prepared by management of the Company for inclusion in the Management Information Circular (the "Circular"), dated February 29, 2016, relating to the Acquisition. This unaudited pro forma condensed consolidated statement of financial position contemplates the Acquisition which has been accounted for as an asset acquisition in which Mainstreet Health Holdings Inc. has been identified as the acquirer of the Company. As the Company will not own a controlling interest in Mainstreet Health Holdings Inc., management has determined that the financial statements of the Company form the basis of the ongoing operations of the combined entity.

These pro forma condensed consolidated financial statements have been prepared from:

(i) the unaudited statement of financial position of the Company as at September 30, 2015 have been translated into U.S. dollars using the closing exchange rate on that date as follows:

	Canadian dollars	Exchange rate	U.S. dollars
Cash and cash equivalents	$ 1,649	1.34	$ 1,230
Deposits and other assets	12	1.34	9
Accounts payable and accrued liabilities	(109)	1.34	(81)
Share capital	(2,539)	1.34	(1,894)
Contributed surplus	(268)	1.34	(200)
Deficit	1,255	1.34	936

1. Basis of presentation (continued):

and

(ii) the statement of financial position of Mainstreet Health Holdings Inc. as at December 31, 2015.

The pro forma condensed consolidated statement of financial position gives effect to the transactions in note 3 as if they had occurred on September 30, 2015.

The pro forma condensed consolidated statement of financial position is not necessarily indicative of the financial position of the Company that would have actually occurred had the transactions been consummated at the dates indicated.

2. Significant accounting policies:

(a) Basis of presentation:

This pro forma condensed consolidated statement of financial position has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and incorporates the principal accounting policies expected to be used to prepare the Company's financial statements.

(b) Basis of measurement:

This pro forma condensed consolidated statement of financial position has been prepared on the historical cost basis.

(c) Functional currency:

As a result of the Acquisition, management has concluded that the functional and presentational currency of the Company has changed from the Canadian dollar to the U.S. dollar.

2. Significant accounting policies (continued):

(d) Jointly controlled entities:

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

This pro forma condensed consolidated statement of financial position includes the Company's joint venture interest in Mainstreet Health Holdings Inc. using the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the net assets including the impact of changes to net earnings as a result of the pro forma adjustments (note 3).

(e) Cash and cash equivalents:

Cash and cash equivalents are comprised of unrestricted cash and short-term investments with original maturities of 90 days or less at their date of purchase and are stated at cost, which approximates fair value.

(f) Financial instruments:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies financial instruments as either held-to-maturity, loans and receivables, available-for-sale or fair value through profit or loss ("FVTPL") or other financial liabilities. Financial assets held to maturity and loans and amounts receivable and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value unless they are unlisted with no active market and fair value cannot be reliably measured and, in that case, they are measured at cost. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of comprehensive loss.

The Company has designated its cash and cash equivalents as FVTPL, which is measured at fair value. Amounts receivable are classified as loans and amounts receivable and are measured at amortized cost. Accounts payable and accrued liabilities and notes payable to related party balances are classified as other financial liabilities and are measured at amortized cost. For FVTPL assets and liabilities, transaction costs are expensed when incurred. For all other financial instruments, transaction costs are included in the carrying amount of the instrument and amortized using the effective interest method.

2. Significant accounting policies (continued):

(g) Sources of estimation uncertainties:

In making estimates, the Company relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates in this pro forma condensed consolidated statement of financial position. The estimates used in determining the recorded amount for assets and liabilities in the pro forma condensed consolidated statement of financial position include the following:

(i) Valuation of jointly controlled entities:

The value of the Company's investment in Mainstreet Health Holdings Inc. is most significantly impacted by the fair value of the investment properties held by that investee. The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management assesses fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

(ii) Financial instruments:

Estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Company to its counterparties, the credit risk of the Company's counterparties relative to the Company, the estimated future cash flows and discount rates.

2. Significant accounting policies (continued):

(h) Critical judgments:

(i) Accounting for acquisitions:

Management must assess whether the acquisition of a property or entity should be accounted for as an asset purchase or business combination and whether or not it has obtained control. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition, whether or not goodwill is recognized, and in the case of a reverse takeover transaction, which financial statements represent the ongoing operations of the combined entity. The Company's acquisitions are generally determined to be asset purchases as the Company does not acquire an integrated set of processes as part of the acquisition transaction.

(ii) Leases - Mainstreet Health Holdings Inc. as lessor:

The Company uses judgment regarding the present value of lease payments and the fair value of assets in assessing the classification of leases with operators as operating leases, in particular with long-term leases in single operator properties. The Company has determined that all of Mainstreet Health Holdings, Inc.'s interests in leases are operating leases.

(iii) Assessment of joint control:

Management must assess whether it controls or jointly controls entities in which it has made investments. This assessment includes an evaluation of the relevant activities of the investees and the Company's rights to direct such activities. This assessment impacts whether or not an investee is consolidated or accounted for as an equity investment. The Company has determined that it jointly controls Mainstreet Health Holdings Inc. and has accounted for its investment in this investee using the equity method.

3. Pro forma assumptions and statement of financial position adjustments:

The pro forma adjustments to the unaudited pro forma condensed consolidated statement of financial position have been prepared to account for the Acquisition as described below:

(a) Dividend:

On October 20, 2015, the Company paid dividends of $833 (Cdn. $1,116) to its existing shareholders.

(b) Operating costs:

Subsequent to September 30, 2015, the Company estimates it has paid additional operating costs of approximately $337.

(c) Acquisition transaction:

On December 2, 2015, the Company agreed to acquire all of the shares of Mainstreet Health Holdings Inc. held by Mainstreet Investment Company, LLC, together with its affiliates, representing approximately 75% of the issued and outstanding common shares of Mainstreet Health Holdings, Inc., in consideration for the issuance of 81,160,000 common shares and 307,659,850 non-voting shares of the Company. Mainstreet Health Holdings, Inc. represents a joint venture between Mainstreet Investment Company, LLC and third parties, which will be accounted for using the equity method. Subsequent to December 31, 2015, Mainstreet Health Holdings, Inc. estimates it has incurred costs of $300 related to the Acquisition.

Upon completion of the Acquisition, Mainstreet Investment Company, LLC will own approximately 95% of the total outstanding shares of the Company and an 80% voting interest (with the balance of their equity interest being held in the form of non-voting shares of the Company). As a result of this and other qualitative considerations, the Company has been identified as the accounting acquiree rather than the accounting acquiror and the Acquisition is considered to be a reverse-takeover. Since the Company will not own a controlling interest in Mainstreet Health Holdings Inc., the financial statements of the Company will continue to reflect the historical results of the Company and the acquisition of an equity investment in Mainstreet Health Holdings Inc.

(In thousands of U.S. dollars unless otherwise noted)

3. Pro forma assumptions and statement of financial position adjustments (continued):

At the closing of the Acquisition, the Company does not meet the definition of a business and therefore the acquisition of the Company is not a business combination. The acquisition of the Company has been accounted for in accordance with IFRS 2, Share-based Payment, resulting in the issuance of shares and a listing expense. The Company's $10,466 equity investment is measured at the Company's interest in the book value of the net assets of Mainstreet Health Holdings Inc. which has been calculated as follows:

Shareholders' equity, as reported	$ 14,979
Additional circular related costs	(300)
The Claremont of Hanover Park acquisition costs (note 3(d))	(725)
Pro forma shareholders' equity	13,954
Approximate percentage acquired	75.0%
Book value acquired	$ 10,466

The Company's recorded listing expense of $530 is measured by calculating the difference between (i) the fair value (which approximates book value) of the number of shares that Mainstreet Health Holdings Inc. would have had to issue in order to provide the same percentage ownership of the combined entity to the shareholders of the Company as they would have in the combined entity as a result of the reverse takeover and (ii) the fair value of the identifiable net assets (principally cash) of the Company acquired on the closing date, which approximate their book value which has been calculated as follows:

Cash		$ 60
Deposits and other assets		9
Accounts payable and accrued liabilities		(81)
Fair value of the Company's net assets on the closing date		$ (12)
Fair value of the Company's net assets of ($12) acquired by the former shareholders of Mainstreet Health Holdings Inc.	95.04%	$ (11)
Fair value of Mainstreet Health Holdings shares deemed acquired by the original shareholders of the Company (based on an estimated total fair value of $10,466)	4.96%	519
Listing expense	100.00%	$ 530

3. Pro forma assumptions and statement of financial position adjustments (continued):

The pro forma condensed consolidated statement of financial position reflects the Acquisition at its provisional fair values as if it had occurred on September 30, 2015.

(d) Purchase commitment:

Mainstreet Health Holdings Inc. has committed to the acquisition of a skilled nursing facility, The Claremont of Hanover Park, on or before March 31, 2016, with an option to extend an additional 30 days. The total purchase price is $34,075 and expected closing costs are estimated to be $725, which are expected to be settled through the application of a $3,500 deposit on the purchase (of which $1,000 was provided subsequent to Decmeber 31, 2015 through a shareholder loan), a $15,860 draw on Mainstreet Health Holdings Inc.'s term loan facility, proceeds from $2,609* of shareholder loans and the issuance of an additional $12,831* of convertible debentures. An additional $3,500 is expected to be drawn on Mainstreet Health Holdings Inc.'s term loan facility to settle notes payable to related parties. The purchase of The Claremont of Hanover Park is expected to close after the Acquisition.

The pro forma condensed consolidated statement of financial position reflects the acquisition of The Claremont of Hanover Park at is provisional fair value as it had occurred on September 30, 2015

(e) Net investment in Mainstreet Health Holdings, Inc.:

While the Company owns a majority of the shares of Mainstreet Health Holdings Inc., based on the terms of the shareholders' agreement, management has determined that the Company jointly controls the entity with the remaining shareholder. As a result, the Company's investment in Mainstreet Health Holdings Inc. is accounted for under the equity method and the pro forma condensed consolidated statement of financial position has been adjusted to reflect the Company's interest on an equity basis.

*Under the terms of the underlying agreements, one of the investors of Mainstreet Health Holdings Inc. has the option of fulfilling its funding commitment in respect of this acquisition through the acquisition of convertible debentures, the acquisition of shares or the issuance of a loan. For purposes of the pro forma, it is assumed that the funding was provided through a $652 loan and the acquisition of $12,831 of convertible debentures.

(In thousands of U.S. dollars unless otherwise noted)

3. Pro forma assumptions and statement of financial position adjustments (continued):

(f) Pro-forma share capital:

The impact on share capital of the pro forma adjustments is as follows:

	Common shares issued		Non-voting shares issued		
	Shares	Dollars	Shares	Dollars	Total dollars
Share capital as presented in the Company's September 30, 2015 condensed consolidated interim financial statements	20,290,000	$ 1,894	–	$ –	$ 1,894
Issuance of shares as consideration for the Acquisition (note 3(c))	81,160,000	2,295	307,659,850	8,701	10,996
Pro-forma share capital September 30, 2015	101,450,000	$ 4,189	307,659,850	$ 8,701	$ 12,890

(g) Pro forma effective income tax rate:

Subsequent to the Acquisition, the Company's effective income tax rate applicable to consolidated operations is expected to be 40.5%.