Consolidated Financial Statements of

NORTHSTAR HEALTHCARE

NORTHSTAR HEALTHCARE INC.

For the Three Months Ended March 31, 2010

(Unaudited)

Northstar Healthcare Inc.

Consolidated Financial Statements

March 31, 2010

Contents

NORTHSTAR HEALTHCARE INC.

Interim Consolidated Balance Sheets

(in thousands of U.S. dollars)

	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,690	$ 6,182
Accounts receivable	1,972	3,040
Medical supplies	491	502
Income tax recoverable	310	310
Prepaid expenses and other current assets	517	667
	8,980	10,701
Long term:		
Property and equipment (Note 5)	3,294	3,552
Intangible assets (Note 7)	285	285
Goodwill (Note 8)	1,635	1,635
Other assets	32	33
	5,246	5,505
Total assets	$ 14,226	$ 16,206
LIABILITIES		
Current liabilities:		
Accounts payable	$ 990	$ 852
Accrued liabilities and other current liabilities	1,617	1,522
Current portion of obligations under capital lease	19	19
	2,626	2,393
Long term liabilities:		
Accrued liabilities (Note 9)	2,050	2,026
Foreign currency exchange contracts (Note 6)	-	-
Other liabilities, non-controlling interest (Note 11)	1,369	1,815
Obligations under capital lease	-	5
	3,419	3,846
Total liabilities	6,045	6,239
Non-controlling interests (Note 12)	4,428	4,776
Shareholders' equity		
Share capital (Note 13)	139,718	139,718
Contributed surplus (Note 16)	726	812
Deficit	(136,691)	(135,339)
Total shareholders' equity	3,753	5,191
Total liabilities and shareholders' equity	$ 14,226	$ 16,206

The accompanying notes are an integral part of the consolidated financial statements.

NORTHSTAR HEALTHCARE INC.

Interim Consolidated Statements of Operations and Comprehensive Income

(in thousands of U.S. dollars, except per share amounts)

(Unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net patient service revenue (Note 17)	$ 3,100	$ 5,544
Operating expenses		
Salaries and benef		

The accompanying notes are an integral part of the consolidated financial statements.

NORTHSTAR HEALTHCARE INC.

Interim Consolidated Statements of Deficit

(in thousands of U.S. dollars)

(Unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Deficit, beginning of period	$ (135,339)	$ (124,952)
Net loss	(1,352)	(1,728)
Deficit, end of period	$ (136,691)	$ (126,680)

The accompanying notes are an integral part of the consolidated financial statements.

NORTHSTAR HEALTHCARE INC.

Interim Consolidated Statements of Cash Flows
(in thousands of U.S. dollars)
(Unaudited)

CASH PROVIDED BY (USED IN):	**Three Months Ended March 31, 2010**	**Three Months Ended March 31, 2009**
OPERATING ACTIVITIES:		
Net loss	$ (1,352)	$ (1,728)
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity based compensation (recovery) expense	(87)	36
Depreciation and amortization	285	437
Loss on foreign currency exchange contracts	-	1,061
Non-controlling interests	124	464
Change in fair value of other liabilities, non-controlling interest	(446)	-
Changes in operating assets and liabilities	1,486	2,713
Cash flows provided by operating activities	**10**	**2,983**
INVESTING ACTIVITIES:		
Purchase of property and equipment	(27)	(28)
Cash flows used in investing activities	**(27)**	**(28)**
FINANCING ACTIVITIES:		
Distributions to non-controlling interests	(471)	(1,654)
Dividends paid	-	(740)
Realized foreign exchange loss on dividends paid	-	81
Principal repayments	(4)	-
Cash flows used in financing activities	**(475)**	**(2,313)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	(492)	642
CASH AND CASH EQUIVALENTS, beginning of period	6,182	3,733
CASH AND CASH EQUIVALENTS, end of period	$ **5,690**	$ **4,375**
Supplemental cash flow information		
Cash paid for income taxes	$ -	$ 665

The accompanying notes are an integral part of the consolidated financial statements.

References in these financial statements to "we" and "our" are to Northstar Healthcare Inc. (the "Company" or "NHC") and its subsidiaries as applicable. The Company was incorporated under the *Business Corporations Act* (British Columbia) on March 16, 2007 and commenced operations following the completion of its initial public offering on May 17, 2007. NHC is a corporation formed to indirectly acquire and/or manage ambulatory surgery centres in the United States, focusing on Houston and other metropolitan areas in Texas. NHC used the net proceeds of an initial public offering to indirectly acquire a 70% partnership interest in The Palladium for Surgery–Houston, L.P. (the "Palladium Partnership") and a 60% partnership interest in Medical Ambulatory Surgical Suites, L.P. (the "Kirby Partnership" and together with the Palladium Partnership, the "Northstar Partnerships"), which operate two ambulatory surgery centres (the "Northstar ASCs") located in Houston. In addition, NHC managed an ambulatory surgery centre in Dallas until December 31, 2009 and prior to July 8, 2009, two pain management clinics in Houston.

Note 1. Significant Accounting Policies and Practices

The consolidated financial statements of the Company are prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Company's functional and reporting currency is U.S. dollars; therefore all amounts are in U.S. dollars, unless otherwise noted.

(a) Going Concern

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business as they come due. There are material uncertainties that cast significant doubt about the appropriateness of the going concern assumptions. The Company has sustained substantial losses in recent years and its ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows. The Company had a net loss of $1.4 million and $13.3 million for the three months ended March 31, 2010 and December 31, 2009, respectively.

Management's plan to reduce losses and ultimately become profitable is dependent on the success of one or more of the following factors, but not limited to; (i) favourable outcome from binding arbitration of its subsidiaries' claims against the Company's founder, Dr. Donald Kramer and related entities, (ii) re-syndication of the Palladium Partnership or if the re-syndication is unsuccessful, sale of the Company's interest in the Palladium Partnership, (iii) collection of accounts receivable from non-partner surgeons at the Palladium Partnership, and/or (iv) execution on the Company's strategic plan.

Should the Company not be able to generate sufficient cash flow from these initiatives to become profitable in the future and generate sufficient working capital to fund operations then it will become necessary to secure additional sources of financing; however, there can be no assurances that such financing will be available to the Company or that such financing will be available on acceptable terms.

The outcome of these matters cannot be predicted at this time which raises significant doubt with regards to the Company's ability to continue as a going concern. The consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge it liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

Note 1. Significant Accounting Policies and Practices (continued)

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. We consolidate when we can exercise control over operations and policies of an entity. When we consolidate, we combine the accounts of our subsidiaries with our accounts, and eliminate intercompany balances and transactions.

(c) Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements and collections.

(d) Foreign Exchange

In 2008, the Company paid cash dividends to common shareholders in Canadian dollars, but the Company's revenues and cash flows are generated in the United States. Therefore we were subject to foreign exchange exposure. We used foreign currency forward contracts to manage the foreign currency fluctuations related to the payment of cash dividends to common shareholders. In January 2009, the Company suspended its monthly dividends. In September 2009, the Company sold its position in the foreign currency forward contracts.

The consolidated financial statements have been prepared in U.S. dollars. From time to time monetary assets and liabilities may be denominated in foreign currency and, if so, will be translated at the exchange rate in effect at the balance sheet date, with resulting gains or losses included in net income. Revenue and expenses denominated in foreign currencies are translated into U.S. dollars at the average foreign currency exchange rate for the period. Foreign exchange gains and losses on other transactions are recorded in income in the year in which they occur.

(e) Cash and Cash Equivalents

We maintain our cash in bank deposit accounts that at times, may exceed U.S. or Canadian federally insured limits. We have not experienced any losses in such accounts, and we believe we are not exposed to any significant credit risks on cash equivalents.

For purposes of balance sheet presentation and reporting our cash flows, we define cash equivalents as highly liquid investments that mature in three months or less from the date of purchase.

Note 1. Significant Accounting Policies and Practices (continued)

(f) Accounts Receivable

On a periodic basis, we evaluate our accounts receivables based on the history of past write–offs and collections and current credit conditions and adjust the carrying value accordingly. An account is written off when it is determined that all collection efforts have been exhausted. The Company does not accrue finance or interest charges.

An allowance for uncollectible patient receivables balances, including receivables from non-partner surgeons, is maintained at a level which the Company believes is adequate to absorb probable losses. The Company determines the adequacy of the allowance based on historical data, current economic conditions and other pertinent factors for the respective Center and its payors.

(g) Medical Supplies

Medical supplies consist of various surgical supplies and medications and are valued at the lower of cost and net realizable value on the first-in, first-out method. The Company had no write-down or reversals of write-down for medical supplies for the three months ended March 31, 2010 and 2009.

(h) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the related assets. Property under capital leases and the related obligation for future lease payments are initially recorded at an amount equal to the lesser of fair value of the property or equipment and the present value of those lease payments. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease. Maintenance and repairs are charged to operations when incurred.

The estimated useful lives for depreciation and amortization purposes are:

Assets	**Estimated Useful Lives**
Telephone equipment	7 Years
Computer hardware	5 Years
Computer software	3 – 5 years
Furniture and office equipment	7 Years
Medical equipment	5 Years
Leasehold improvements	Lease term

(i) Goodwill and Indefinite Life Intangibles

Goodwill represents the difference between the price we paid for our interests in the Northstar Partnerships, using the purchase method of accounting, and the fair value of the net tangible assets and identifiable intangible assets we acquired. We test goodwill for impairment at least annually, based primarily on discounted cash flows.

Indefinite life intangibles assets represent the fair value of Medicare licenses that we obtained when we acquired our interests in the Northstar Partnerships. Medicare licenses are an indefinite life intangible asset and thus, not amortizable.

Note 1. Significant Accounting Policies and Practices (continued)

When evaluating whether goodwill and indefinite life intangibles are impaired, we compare the fair value of the reporting units to its carrying amount, including goodwill and indefinite life intangibles. If the carrying amount exceeds the fair value, then the amount of the impairment loss must be measured. The amount of an impairment loss is calculated by comparing the implied fair value of goodwill and indefinite life intangibles to their carrying value.

(j) Intangible Assets

Intangible assets include the value of non-compete agreements and are amortized on a straight line basis over their estimated life of two years.

(k) Asset Impairment

We monitor events and changes in circumstances which may require us to review the carrying value of our property and equipment and intangible assets. We assess impairment of our property and equipment and intangible assets based on estimated undiscounted future operating cash flows.

We measure impairment, if any, by comparing the carrying value of an asset to its fair value. We recognize an impairment loss if the carrying value exceeds the fair value.

The evaluation of asset impairment requires us to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment, and actual results may differ from assumed and estimated amounts.

(l) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

The amounts actually collected by the Company from third-party payors, including private insurers, are variable, even for identical procedures. An additional factor in the determination of net patient service revenues is the Company's payor mix, as between private health insurance plans, workers' compensation, directly from patients and from government payor plans. Management reviews and evaluates historical payment data, payor mix and current economic conditions on a periodic basis and adjusts the estimated collections as a percentage of gross billings (which are used to determine net patient service revenue) as required in subsequent periods based on final settlements and collections.

Revenue is recognized upon the performance of the patient service and when ultimate collection is measurable and reasonably assured.

Note 1. Significant Accounting Policies and Practices (continued)

(m) Management Fees Revenue

Revenue from management fees represents fees charged to the managed centers, based on a percent of collections, for managing the center's business operations. Management fees revenue is revenue earned for services under the Management and Cost Sharing Agreements between Northstar Healthcare Acquisitions, L.L.C. ("Northstar Acquisitions") and the Northstar Partnerships and for services provided to other clients of Northstar Acquisitions. The Company provided management services to the Palladium for Surgery – Dallas until December 31, 2009 (Note 9), and provided management services to River Oaks Pain Management until July 8, 2009 in exchange for a management fee of 10% of collected revenues.

(n) Income Taxes

We use the asset and liability method to account for income taxes. Under the asset and liability method future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and their respective tax basis.

We measure future income tax assets and liabilities using income tax rates that we expect to apply to taxable income in the years when we expect those differences to be recovered or settled. We recognize the effect of a change in tax rates on future income tax assets and liabilities in income in the period that the rate change is effective.

We establish valuation allowances when necessary to reduce future income tax assets to the amount that is more likely than not to be realized.

(o) Net Income / Loss Per Common Share

We calculate net income/loss per common share by dividing net income/loss available for common shareholders by the weighted average number of common shares outstanding during the period. Fully diluted income/loss per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares includes those that may be issued upon redemption of units granted under the Company's Deferred Share Unit Plan and Restricted Share Unit Plan (Note 13).

(p) Deferred Share Unit Plan

We maintain a Deferred Share Unit Plan (the "DSU Plan") as compensation for independent members of the Board of Directors. Each independent Director, in addition to allocated deferred share units ("DSUs"), may receive any or all of their retainer fees in DSUs under the plan. Effective June 5, 2008, these DSUs may be settled in cash or common shares at the discretion of the board. As such, they are accounted for as equity instruments in the period in which the DSUs are granted. Prior to June 5, 2008, the DSU Plan provided that DSUs were to be settled in cash; accordingly they were accounted for as liabilities and marked-to-market on each reporting date with changes in market value being charged to operations. In addition, we recognize the issuance of additional DSUs to reflect the payment of cash dividends on our common shares under the DSU Plan as an expense.

Note 2. Adoption of New Accounting Standards and Developments

(a) Effective, October 1, 2009, the Company adopted Section 3862, Financial instruments – disclosures. In June 2009, the AcSB amended certain requirements related to financial instrument disclosure in response to amendments issued by the International Accounting Standards Board. The new disclosure standards require disclosure of fair values based on a fair value hierarchy as well as enhanced discussion and quantitative disclosure related to liquidity risk. The amended disclosure requirements are effective for annual financial statements relating to fiscal years ending after September 30, 2009. Earlier adoption is permitted. To provide relief for preparers, and consistent with IFRS, the AcSB decided that an entity need not provide comparative information for the disclosures required by the amendments in the first year of application.

(b) Effective January 1, 2009, the Company adopted Section 3064 Goodwill and Intangible Assets. This section replaces Handbook Section 3062 Goodwill and Other Intangible Assets and Handbook Section 3450 Research and Development Costs. It establishes standards for recognition, measurement and disclosure of goodwill and intangible assets. The AcSB also made an amendment to Section 1000, Financial Statement Concepts to delete guidance previously interpreted to support the appropriateness of deferral of costs. In the past, expenses would be deferred on the basis of the matching principle. Going forward, expenses can only be capitalized if they meet the definition of an asset or the criteria for recognition.

Note 3. Capital Disclosures

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its services and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity as well as the non-controlling interests and the other liabilities, non-controlling interest. As of March 31, 2010, the Company had shareholders' equity of $3.8 million, non-controlling interests of $4.4 million and other liabilities, non-controlling interest of $1.4 million. As of December 31, 2009, the Company had shareholders' equity of $5.2 million, non-controlling interest of $4.8 million and other liabilities, non-controlling interest of $1.8 million. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company is not subject to any externally imposed capital requirements and there was no change with respect to the overall capital risk management strategy during the three months ended March 31, 2010.

Note 4. Financial Instruments

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents; held for trading carried at fair value
- Accounts receivable; loans and receivable carried at amortized cost
- Accounts payable, accrued liabilities and other current liabilities; other liabilities carried at amortized cost
- Foreign currency exchange contracts; derivative carried at fair value
- Dividends payable; other liabilities carried at amortized cost
- Other liabilities, non-controlling interest; other liability carried at fair value (Note 11).

Financial instruments - risk management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk
- Liquidity risk

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and polices related to financial instruments and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board receives reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Credit risk

Credit risk is the risk of financial loss to the Company if a patient, non-partner surgeon or insurance company fails to meet its contractual obligations. The Company, in the normal course of business, is exposed mainly to credit risk on its accounts receivable from insurance companies, other third-party payors, and doctors. Accounts receivables are net of applicable bad debt reserves, which are established based on specific credit risk associated with insurance companies and payors and other relevant information.

Note 4. Financial Instruments (continued)

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted. The Company does not enter into derivatives to manage credit risk.

Revenues and related accounts receivable are reported at estimated collectible amounts which are based on management's evaluation of historical payment rates, payor mix and current economic conditions. A 5% change in the estimated collectible rates would result in a decrease/increase in pre-tax profit and net assets of $0.2 million for the three months ended March 31, 2010. A 5% change in the estimated collectible rates would result in a decrease/increase in pre-tax profit and net assets of $0.3 million for the three months ended March 31, 2009. As of March 31, 2010 the Company had allowance for uncollectible accounts of $0.9 million relating to non-partner surgeons. As of December 31, 2009, the Company had allowance for uncollectible accounts of $0.7 million relating to non-partner surgeons.

Market risk

Market risk is the risk to the Company that the fair value of future cash flows of financial instruments will fluctuate due to changes in interest rates and foreign currency exchange rates.

Interest rate risk

Since the Company does not have any interest bearing debt, it does not have any exposure to interest rate risk.

Foreign exchange risk

Foreign exchange risk arises because the Company's revenues are generated in the United States but certain expenses are incurred in Canadian dollars.

The Company had entered into foreign currency exchange contracts to hedge the Company's exposure to fluctuations in the exchange rate between U.S. and Canadian currencies, which would arise from the payment of dividends on its common shares. The Company recognized gains or losses from any differences between the Canadian to US dollar foreign exchange spot rate and the exchange rate under the Company's currency instruments. During September 2009, the Company sold its position in these contracts.

The Company is also exposed to currency risk on purchases made from vendors based in Canada. The Company had cash and cash equivalents and trade payables of $0.2 million and $0.2 million and $0.4 million and $nil denominated in Canadian dollars as of March 31, 2010 and December 31, 2009, respectively.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due and arises from the Company's management of working capital. The Company's objective to managing liquidity risk is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due. To achieve this objective, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements. The liquidity risk of the Company and its subsidiaries is managed centrally by the Company's finance function. As a result of certain claims made by the Company and its subsidiaries (Note 19), there is a significant amount of uncertainty regarding the Company's liquidity needs in 2010 and beyond. The Company may be required to expend significant amounts and devote considerable management time to the pursuit of these claims. It is not possible to accurately predict the amount of expenses that will be incurred or the resolution of these matters. If the actual cost of the process exceeds management's estimates, the Company may not have sufficient cash to fund its working capital requirements during the next twelve months (Note 1 (a)).

(in thousands of U.S. dollars, unless otherwise indicated)

Note 5. Property and Equipment

	March 31, 2010		
Item	Cost	Accumulated Depreciation	Net Book Value
Telephone equipment	$ 27	$ 19	$ 8
Computer hardware	229	147	82
Computer software	119	101	18
Furniture and office equipment	255	140	115
Medical equipment	3,664	2,328	1,336
Leasehold improvements	2,687	952	1,735
Totals	$ 6,981	$ 3,687	$ 3,294

	December 31, 2009		
Item	Cost	Accumulated Depreciation	Net Book Value
Telephone equipment	$ 27	$ 17	$ 10
Computer hardware	227	133	94
Computer software	119	96	23
Furniture and office equipment	255	127	128
Medical equipment	3,639	2,143	1,496
Leasehold improvements	2,687	886	1,801
Totals	$ 6,954	$ 3,402	$ 3,552

The depreciation expense charged to operations was $0.3 million and $0.4 million for the three months ended March 31, 2010 and 2009, respectively.

Note 6. Foreign Currency Contracts, Reporting Currency and Foreign Currency Translation

The Company had initially entered into foreign currency exchange contracts to manage the Company's exposure to fluctuations in the exchange rate between U.S. and Canadian currencies, which arose from the payment of dividends on its common shares. During the year ended December 31, 2009, the Company sold its position in these contracts.

Note 7. Intangible Assets

Listed below are the identifiable intangible assets recognized upon the acquisition of the Northstar Partnerships. The Company engaged an independent valuation firm to determine the acquisition fair value of its identifiable intangible asset values during the fourth quarter of 2007.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. During the fourth quarter of 2009, the Company completed its 2010 budget, which included amongst other items, legal and consulting expenses attributable to the binding arbitration of its subsidiaries' claims against the Company's founder, Dr. Donald Kramer and related entities, reduced case volume and reimbursement rates. As a result of that budget, the Company performed an impairment test in connection with the preparation of its consolidated financial statements for the year ended December 31, 2009.

(in thousands of U.S. dollars, unless otherwise indicated)

Note 7. Intangible Assets (continued)

The Company engaged an independent valuation firm to determine if intangible assets were impaired. Based on their assessment as of December 31, 2009, management determined that the carrying value of its Medicare licenses exceeded its estimated fair value and recorded a total of $1.2 million pre-tax impairment charge for the year ended December 31, 2009.

Intangible assets consist of the following:

	March 31, 2010			
Intangible assets	Cost	Accumulated Amortization	Impairment Write-Down	Net Book Value
Medicare licenses	$ 8,498	$ -	$ 8,213	$ 285
Non-Compete agreements	841	841	-	-
Totals	$ 9,339	$ 841	$ 8,213	$ 285

	December 31, 2009			
Intangible assets	Cost	Accumulated Amortization	Impairment Write-Down	Net Book Value
Medicare licenses	$ 8,498	$ -	$ 8,213	$ 285
Non-Compete agreements	841	841	-	-
Totals	$ 9,339	$ 841	$ 8,213	$ 285

Intangible assets represent the fair value of the assets that we obtained when we acquired our interests in the Northstar Partnerships. Intangible assets include the value of Medicare licenses and non-compete agreements. Medicare licenses are an indefinite life intangible asset, thus not amortizable. The non-compete agreements are amortized over their estimated useful life of two years. Amortization was zero and $0.1 million for the three months ended March 31, 2010 and 2009, respectively. As of March 31, 2010, management noted no changes in the underlying business that would warrant a reassessment of the recoverability of the carrying amount of intangible assets.

Note 8. Goodwill

Goodwill represents the difference between business acquisitions costs, using the purchase method of accounting, and the fair value of the net tangible assets and identifiable intangible assets acquired. Under Canadian GAAP, goodwill is not amortized but is subject to an annual impairment test based on a two-step impairment approach used to identify potential goodwill impairment.

Since March 2008, management has closely monitored trends in budget to actual results on a quarterly basis to determine if an impairment trigger was present that would warrant a reassessment of the recoverability of the carrying amount of goodwill prior to the required annual impairment test. During the fourth quarter of 2009, the Company completed its 2010 budget, which included amongst other items, legal and consulting expenses attributable to the binding arbitration of its subsidiaries' claims against the Company's founder, Dr. Donald Kramer and related entities, reduced case volume and reimbursement rates. As a result of that budget, the Company performed an impairment test in connection with the preparation of its consolidated financial statements for the year ended December 31, 2009. The

Note 8. Goodwill (continued)

Note 9. Related Parties (continued)

provided at closing of the initial public offering on May 17, 2007. The cash collateral shall remain the property of Ventures and all income earned thereon shall be for the benefit of Ventures. During the year ended December 31, 2009, the Company sold its position in the foreign currency contracts and authorized the release of the cash collateral to Ventures.

Included in accrued liabilities as of March 31, 2010 is $2.1 million related to deferred Northstar Subco monthly distributions to Ventures, compared to $2.0 million as of December 31, 2009. The operating agreement of Northstar Subco provides that until the earlier of December 31, 2010 or an announced increase in monthly dividends by the Company, if the Company's cash available to pay dividends for any month is less than 110% of the initial full monthly dividend, Ventures' distributions from Northstar Subco shall be deferred by the shortfall. The Company's cash available to pay dividends for June, August, November and December 2007 and January, February, March and May 2008 to March 2010 was less than 110% of the initial full monthly dividends; accordingly, the payment of $2.1 million of the distributions due to Ventures on account of its Northstar Subco Class B Units has been deferred until twelve months following the month of each deferral, provided at such time the Company's 12-month trailing cash available for dividends exceeds 110% of the initial full monthly dividend.

Until December 31, 2009 Northstar Acquisitions provided management services to The Palladium for Surgery – Dallas. Until July 8, 2009 Northstar Acquisitions provided management services to River Oaks Pain Management (together with the Palladium for Surgery – Dallas, the "Managed Centers"). The Palladium for Surgery –Dallas is located in Dallas, Texas and began operations in 2005. River Oaks Pain Management consists of two pain management clinics located in Houston and Baytown, Texas. On July 8, 2009, River Oaks Pain Management ceased operations. Dr. Kramer owns 95% of The Palladium for Surgery – Dallas and 100% of River Oaks Pain Management. The Managed Centers were managed by the Company pursuant to separate management agreements. The management agreements provided for a management fee of 10% of collected revenues.

Revenue from management fees represents fees charged to the Managed Centers, based on a percent of collections, for managing the centres' business operations. Since the termination of the management agreements, there were no management fees for the three months ended March 31, 2010, compared to $0.1 million for the same period in the prior year.

In October 2007, the Company acquired an option to acquire a 60% interest in The Palladium for Surgery – Dallas. In consideration for the option, the Company agreed to reduce the management fees it receives from The Palladium for Surgery – Dallas from 10% to 5.5% over the term of the option, upon the achievement of certain prescribed conditions. As of March 31, 2010, The Palladium for Surgery – Dallas had not met the prescribed conditions.

The Palladium Partnership had a service agreement with Palladium Anaesthesia, P.A., which is controlled by Dr. Kramer, to provide anaesthesiology services for cases performed at the Palladium Partnership. On July 22, 2009, a sixty-day termination notice was provided by the Palladium Partnership to terminate the agreement which went into effect September 20, 2009. Subsequent to termination, the Palladium Partnership engaged with another anaesthesiology group to ensure continuity of its patient care.

These transactions are measured at exchange amounts agreed upon by the parties.

Note 10. Income Taxes

(a) Reconciliation of Reported Income Tax Expense to Expected Income Tax Expense

The following table shows the reconciliation between income tax expense reported in our Consolidated Statements of Operations and Comprehensive Income and the income tax expense that would have resulted from applying the United States federal income tax rate of 35% to pre-tax income. Though the Company was incorporated in British Columbia, all of the Company's subsidiaries are incorporated in the United States. Therefore, the Company reconciles the loss before income taxes and non-controlling interests for U.S. tax purposes.

We have reduced our taxable income and therefore, our calculation of income tax expense, by amounts treated as interest expense for United States income tax purposes on the obligations contained in the Sale and Repurchase Agreement dated May 17, 2007 (the "Repurchase Agreement") between the Company, Northstar Acquisitions and Northstar Healthcare Holdings Inc. ("Northstar Holdco"). The obligations of the Company contained in the Repurchase Agreement historically resulted in an annual interest expense of 11.1% that was eliminated in consolidation. There was no interest expense for the year ended December 31, 2009. Interest expense was $6.9 million for the year ended December 31, 2008. As noted above, the Company suspended its common share dividends after January 15, 2009. Following the suspension of the dividend, the parties to the Repurchase Agreement entered into an agreement dated March 5, 2009 (the "Forbearance Agreement") pursuant to which, among other things, (i) Northstar Holdco acknowledged that it was in breach of certain of the financial covenants (the "Existing Event of Default") contained in the Repurchase Agreement; (ii) the Company agreed, based on certain terms and conditions, to forbear from taking any action in connection with the Existing Event of Default under the Repurchase Agreement on a month-to-month basis; and (iii) the parties agreed to amend the Repurchase Agreement such that, in the event Northstar Holdco repurchases the Acquisitions Class A Units under the Repurchase Agreement, the Company should realize an additional internal rate of return of 2.0% per annum on payments received under the repurchase agreement during each fiscal quarter following the date of the Forbearance Agreement for which the Existing Event of Default remains outstanding. Northstar Holdco continues to be in default of its obligations under the Repurchase Agreement. The Company and Northstar Holdco are continuing to evaluate their options under the Repurchase Agreement, the Forbearance Agreement or otherwise. The continuing default by Northstar Holdco under the Repurchase Agreement and any actions that have already been or may be taken by the Company and Northstar Holdco in the future or the failure to take certain actions to date or in the future may result in increased financial and tax risks to Northstar Holdco. See "Risk Factors – We are Subject to the U.S. Tax Laws" in the Company's Annual Information Form dated March 15, 2010.

(in thousands of U.S. dollars, unless otherwise indicated)

Note 10. Income Taxes (continued)

	Three Months Ended March 31, 2010 (Unaudited)	Three Months Ended March 31, 2009 (Unaudited)
Loss before income taxes and non-controlling interests	$ (1,228)	$ (1,824)
U.S. federal income tax rate	35%	35%
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(b) Future Income Tax

The table below sets forth the tax effects of temporary differences that give rise to significant portions of the future income tax assets and future income tax liabilities that are reported in our Consolidated Balance Sheets.

The Company has estimated non-capital losses of $2.4 million, $14.5 million, $17.8 million and $5.5 million that expire in 2027, 2028, 2029 and 2030, respectively. In addition, the Company has an estimated $4.1 million in interest carry-forwards that have no expiration date.

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Note 11. Other Liabilities, Non-Controlling Interest

Ventures has the right exercisable at any time (but not more frequently than once in any six-month period) to request in writing that Northstar Healthcare Subco, L.L.C. ("Northstar Subco") enter into good faith negotiations with Ventures to purchase for cancellation all or any portion of the Northstar Subco Class B Units held by Ventures. The price that forms the basis for negotiation for such Northstar Subco Class B Units will be equal to their fair market value plus the fair market value of a corresponding number of Northstar Acquisitions Class B Units. If negotiations are successfully completed, Northstar Acquisitions will purchase for cancellation all outstanding Northstar Acquisitions Class B Units for a nominal amount on the date that all outstanding Northstar Subco Class B Units have been purchased for cancellation by Northstar Subco.

If within 60 days of receipt of the request by Ventures to purchase the Northstar Subco Class B Units, Northstar Subco; (i) does not use its best efforts to negotiate the purchase for cancellation the Northstar Subco Class B Units, or (ii) Northstar Subco has used it best efforts to negotiate the purchase and the Company fails to agree on a purchase price, or (iii) within 60 days of the request, Northstar Subco offers to purchase Northstar Subco Class B Units and such offer is accepted by Ventures, and the purchase pursuant to such offer does not close within 90 days, Ventures shall be entitled to an enhanced distribution. The enhanced distribution shall be paid to Ventures in an amount per Northstar Subco Class B unit equal to 0.1 times the distribution that otherwise would have been received in respect of such Class B Units. The enhanced distribution shall increase by 0.1 times each fiscal quarter, up to a maximum of 0.5 times (i.e. 150%) the distribution amount otherwise payable per Northstar Subco Class B Unit. The enhanced distribution will be non-cumulative and payable monthly. The enhanced distribution may only be paid to Ventures in respect of a quarter during which the Company has paid dividends on the common shares in an average amount equal to the greater of $0.10 per common share per month and the monthly amount paid in the month preceding the start of such month.

In January 2010, Ventures requested in writing that Northstar Subco negotiate in good faith and use its best efforts to purchase Ventures' 12,500 Class B Units in Northstar Subco. Northstar Subco responded to this request noting that under the terms of the Northstar Subco operating agreement, Ventures is not permitted to exercise its negotiation right as a result of Northstar Holdco being in default of certain of its obligations under the Repurchase Agreement (Note 10(a)).

Other liabilities, non-controlling interest of $1.4 million and $1.8 million at March 31, 2010 and December 31, 2009, respectively, represent fair value pursuant to Canadian GAAP. For the three months ended March 31, 2010, fair value of the Northstar Subco units held by Ventures was calculated using the market capitalization approach, which calculates the fair value based on the number of shares outstanding and Cdn to US$ currency exchange rate as of March 31, 2010. The market capitalization approach is a change in the valuation technique used during the periods prior to the fourth quarter of 2009, as a result of deferrals, significantly reduced cash flows and claims made against Dr. Kramer (Note 19). These factors make the discounted cash flow method impracticable to use in calculating the fair value as of March 31, 2010. Should the Company enter into good faith negotiations with Ventures to purchase for cancellation all or any portion of the Northstar Subco and Northstar Acquisitions Class B Units, the price paid for the Class B Units could be different from the $1.4 million fair value as of March 31, 2010.

Note 12. Non-Controlling Interests

Non-controlling interests at March 31, 2010 represents a 30% interest in the Palladium Partnership and a 40% interest in the Kirby Partnership. Non-controlling interests also includes the Acquisitions Class B Units held by Ventures. Non-controlling interests related to the Northstar Partnerships was $0.1 million and $0.4 million for the periods ended March 31, 2010 and 2009, respectively. Non-controlling interests related to the Acquisitions Class B Units held by Ventures was $30,000 and $0.1 million for the periods ended March 31, 2010 and 2009, respectively.

Note 13. Common Shares

On March 16, 2007, the Company was incorporated with an authorized share structure providing for an unlimited number of common shares.

On May 17, 2007, the Company issued 12,087,698 common shares for net proceeds of $120,866 as part of its initial public offering. On June 5, 2007, the over-allotment option in respect of the offering was exercised resulting in the issuance of 1,813,154 additional common shares for net proceeds of $18,852. In total, the Company issued 13,900,852 shares for net proceeds of $139,718.

During the year ended December 31, 2009, the Board granted RSUs to several employees of the Company, of which 481,369 have vested as of March 31, 2010. In accordance with the second amended and restated RSU plan, upon vesting a Participant is entitled to receive at the discretion of the Board either the number of shares equal to the number of RSUs vested or a cash payment equal to the equivalent of the fair value of the RSUs vested. The payment of shares or cash is to be made on the vesting date, but in no event later than 90 days after the vesting date, which was August 26, 2009 for 287,436 units and May 10, 2010 for 193,933 units (Note 16).

As of March 31, 2010, shares have not been issued in respect of the vested RSUs, but are expected to be issued during 2010.

As of March 31, 2010 and 2009, the number of shares that are anti-dilutive are 1,281,271 and 79,363, respectively.

There were no common shares issued during the three months ended March 31, 2010.

Note 14. Lease Obligations

We lease property and certain equipment under non-cancellable operating lease arrangements, which expire at various dates through 2014. Certain leases of real property provide options to extend the lease terms. We recorded rent expense under operating leases of $0.2 million for the three months ended March 31, 2010 and 2009, respectively.

(in thousands of U.S. dollars, unless otherwise indicated)

Note 14. Lease Obligations (continued)

The following table summarizes our future minimum payments under existing operating leases:

Year	Amount
2010 (remaining nine months)	$ 503
2011	707
2012	727
2013	632
2014	94
Thereafter	-
Total	$ 2,663

Note 15. Employee Retirement Savings Plan and Benefits

401 (k) Savings Plan

The Company has adopted a 401(k) savings plan for its employees. The plan covers substantially all employees. Under the terms of the plan, employees may contribute up to a maximum of 15%, subject to Internal Revenue Code limitations ("IRC"), of their salaries to the plan plus any catch-up contributions permitted under the IRC. The Company may match employee contributions up to 4% of the employee's salary. The Company's matching contribution was $38 and $33 for the three months ended March 31, 2010 and 2009, respectively.

Note 16. Share Unit Plans

Restricted Share Unit Plan

In February 2008, and as subsequently amended in April and June 2008, the Board approved the adoption of an RSU Plan for employees. RSUs may be granted to employees of Northstar Acquisitions at the sole discretion of the Board.

Subject to the Board's ability to accelerate the vesting of the RSUs if it determines circumstances so warrant, each RSU will generally vest in full on the third anniversary of the date of grant; provided that if there is a change of control of the Company prior to the vesting date of the RSUs and a participant is terminated (or resigns for good reason) within six months following such change of control, a pro rata portion of their unvested RSUs will vest up to the date of the change of control.

Upon vesting of his or her RSUs, a participant will be entitled to receive on the vesting date, at the discretion of the Board either: (a) a lump sum cash payment equal to the number of RSUs multiplied by a calculation of the fair market value of a common share (determined by reference to the five-day weighted average closing price of the common shares on the Toronto Stock Exchange) on the redemption date, net of any applicable deductions and withholdings; or (b) that number of common shares equal to the number of RSUs credited to the participant's RSU account, such common shares to be issued from treasury of the Company. The participant is to receive the benefit on, or as soon as practicable after, the vesting date, but in no event later than 90 days after the vesting date. Unlike options, RSUs do not require the payment of any monetary consideration to the Company.

Note 16. Share Unit Plans (continued)

Whenever cash dividends are paid on the Company's common shares, dividend equivalents in the form of additional RSUs will be credited to each Participant and will become part of his or her award under the RSU Plan. The RSUs representing dividend equivalents will vest and be paid at the same time and in the same manner as the RSUs to which the dividend equivalents pertain.

In the event of a Participant's termination of employment, voluntary or by cause, with the Company prior to any vesting date, the Participant's rights to any unvested RSUs will be immediately and irrevocably forfeited.

If the Participant's employment with the Company terminates on account of death or disability or is terminated by the Company without cause prior to any vesting date, the Participant will become vested in a prorated portion of his or her unvested RSUs, based on the number of months that have elapsed in the then current vesting period as of the date of termination. On June 2, 2008, the Company awarded 40,000 RSUs to two employees of the Company. On May 15, 2009, 20,000 of these RSUs were forfeited as a result of the Company's Chief Operating Officer leaving the Company. On May 28, 2009, the Company awarded 1,060,419 additional RSUs, whose value was $0.6 million, to employees of the Company. On March 15, 2010, 118,005 of these RSUs were forfeited as a result of the Company's Chief Financial Officer leaving the Company.

The maximum number of RSUs and DSUs that may be issued under the combined plans is 1,390,085.

RSU expense (recovery) was ($86) and $18 for the three months ended March 31, 2010 and 2009, respectively.

Deferred Share Unit Plan

In February 2008, and as subsequently amended in June 2008, the Company adopted the DSU Plan for independent members of the Board of Directors. Each Director becomes a participant effective as of the date they are first appointed or elected as a Director, provided that they are not an employee of the Company at such time. In addition to allocated DSUs, each Board of Director may receive any or all of their retainer fees in DSUs under the plan. DSUs vest immediately, but can be redeemed only when a director no longer serves on the Board.

A participant will be permitted to redeem his or her vested DSUs upon ceasing to be a director of the Company. Upon redemption of DSUs, a participant will be entitled to receive on the vesting date, at the discretion of the Board either: (a) a lump sum cash payment equal to the number of DSUs to be redeemed multiplied by a calculation of the fair market value of a common share (determined by reference to the five-day weighted average closing price of the common shares on the Toronto Stock Exchange) on the redemption date, net of any applicable deductions and withholdings; or (b) that number of common shares equal to the number of DSUs credited to the participant's DSU account, such common shares to be issued from treasury of the Company.

A participant may elect to receive any such payment in either Canadian dollars or U.S. dollars. If a Participant elects to receive

(in thousands of U.S. dollars, unless otherwise indicated)

Note 16. Share Unit Plans (continued)

The number of DSUs to be credited to a participant's DSU account related to the payment of fees will be calculated by dividing the Canadian dollar equivalent of the US dollar amount of the elected portion of the fees payable to the participant on a payment date by the weighted average closing price of the common shares during the five trading day period ending on the day prior to payment date. Whenever cash dividends are paid on the Company's common shares, additional DSUs will be credited to the participant's DSUs account.

On May 28, 2009, the Company granted 33,246 DSUs, whose value was $20, to each of its five independent directors.

DSU expense was zero for the three months ended March 31, 2010 and 2009.

Share Unit Plan Amendments

Effective June 5, 2008, the Company amended both RSU and DSU plans to include settlement options in cash or common shares at the discretion of the Board. Previously the DSU grants were required to be settled in cash, and were accounted for as liabilities and marked-to-market at each reporting date with changes in the market value being charged to operations.

	March 31, 2010 (unaudited)		
	Number of Units Outstanding	**Number of Units Vested**	**Contributed Surplus**
DSU Plan	216,018	216,018	$ 270
RSU Plan	935,748	481,369	$ 456
Total	1,151,766	697,387	$ 726

	December 31, 2009		
	Number of Units Outstanding	**Number of Units Vested**	**Contributed Surplus**
DSU Plan	216,018	216,018	$ 270
RSU Plan	1,084,920	287,436	$ 542
Total	1,300,938	503,454	$ 812

Note 17. Change in Accounting Estimates

The Northstar ASC's include net patient service revenues reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The amounts actually collected by the Company from third-party payors, including private insurers, are variable, even for identical procedures. An additional factor in the determination of net patient service revenues is the Company's payor mix, as between private health insurance plans, workers' compensation, directly from patients and from government payor plans. Management reviews and evaluates historical payment data, payor mix and current economic conditions on a periodic basis and adjusts the estimated collections as a percentage of gross billings (which are used to determine net patient service revenue) as required in subsequent periods based on final settlements and collections.

For the three months ended March 31, 2010, after comparing historical payment data to the estimated net patient service revenues previously reported in 2009 and recoveries of accounts previously written off to bad debt, management determined that actual collections as of March 31, 2010 had exceeded 2009 reported revenues (actual collections exceed net patient services revenues recorded). As a result, the Company recorded a $0.6 million increase to net patient service revenues during the three months ended March 31, 2010 and $nil for the three months ended March 31, 2009.

Note 18. Business Segment Information

The Company operates in one reportable business segment and one geographic location and operates only in the United States.

Note 19. Subsequent Events and Litigation Update

(a) Claims Against Dr. Donald Kramer

As previously disclosed, Northstar suspended the declaration of dividends on its common shares in January 2009 as a result of difficulties it was experiencing with payment by one of its key third party payors at the Palladium Partnership. In May 2009, Northstar announced that its subsidiaries made claims against Dr. Kramer, related entities and certain former managers under agreements relating to Northstar's acquisition of its interests in the Palladium Partnership. The Company's subsidiaries gave notice of these claims to the escrow agent and have instructed it to not release funds held in escrow for such parties. In November 2009, the Company settled the claims made against certain former managers and agreed to release $0.2 million in escrowed funds to such former managers. As of March 31, 2010, approximately $8.2 million of Dr. Kramer's sale proceeds remained in escrow. In addition, Northstar believes that approximately $1.2 million remains in escrow accounts of other sellers under the Palladium purchase agreement that is owing to Dr. Kramer by such sellers pursuant to certain contractual arrangements among them, and over which Northstar may have a claim.

Under the applicable agreement, resolution of these claims involves mutual good faith discussion, mediation, followed by binding arbitration in Texas. The Company filed a request for mediation with the American Arbitration Association (the "AAA") in July 2009.

Mediation hearings were conducted in September and October 2009. The Company was unable to reach a settlement with Dr. Kramer and filed for binding arbitration which was accepted by the American Arbitration Association on January 22, 2010. The Palladium purchase agreement provides that the

Note 19. Subsequent Events and Litigation Update (continued)

arbitration process be completed within six months of filing, although the parties have agreed to two extensions of that time period to allow for certain discussions to occur and to permit the arbitration panel to resolve certain preliminary motions. Northstar expects the arbitration proceedings to conclude late in the third quarter or early in the fourth quarter of 2010.

Northstar's claims against Dr. Kramer, as set out in the AAA filings; relate primarily to alleged false contractual representations and warranties in the Palladium purchase agreement about the state of Palladium's business and its relationships with health insurers. Northstar is seeking damages of up to $55 million.

In response, Dr. Kramer has made counter claims and cross claims against certain of the Company's subsidiaries and their officers relating to the management of the Palladium Partnership, mismanagement of the Palladium for Surgery – Dallas, defamation and alleged tortuous interference with business relationships. Dr. Kramer has indicated in his filings with the AAA that he is seeking damages of up to $1 million. The Company's subsidiaries and their officers dispute these allegations.

While the damages sought by Northstar are material, there can be no assurance that it will be successful in its claims, that it will be successful in obtaining an award for the full amount claimed or that it will be able to collect any such award. Further, any award could be challenged on procedural grounds by Dr. Kramer in a Texas court. Northstar is unable to predict the precise timing of any such court process or the associated costs.

(b) Notice to Escrow Agent

On January 19, 2010, the Company's subsidiaries gave notice to the escrow agent and has instructed it to not release any of the approximately $0.8 million currently held in escrow for one of its Physician Limited Partners, under agreements relating to Northstar's acquisition of a portion of the physicians interest in the Palladium Partnership.

(c) February 18, 2010 News Release

On February 18, 2010, the Company responded to a news release issued on February 17, 2009 on behalf of Mr. Brad Kovnat. The release indicated that Mr. Kovnat, who owns less than one half of one percent of the equity in the Palladium Partnership, has asked a Texas court to appoint a receiver for the Palladium for Surgery-Houston and other Northstar subsidiaries. Northstar believes that Mr. Kovnat's claim is meritless and is subject to binding arbitration. Northstar moved to dismiss the lawsuit and refer it to arbitration. The motion is still pending in the state court.

(d) D&O Trust Agreement

On February 4, 2010, the Board of Directors approved the formation of Directors and Officers Trust Agreement ("D&O Trust Agreement") and an initial funding of $0.5 million. The purpose of the D&O Trust Agreement is to provide necessary protection to the Company's officers and directors in connection with the Company's obligations under the existing indemnity agreements. The Trust was funded in May 2010.

(e) Offer for Northstar

On May 5, 2010, Dr. Kramer issued a press release announcing his intentions to make an offer to acquire all of the issued and outstanding common shares of Northstar. Should an offer be received from Dr.

Note 19. Subsequent Events and Litigation Update (continued)

Kramer or from any other party, the Company's Board will, consistent with its fiduciary duties and in consultation with its financial and legal advisers, review and consider it and respond in the appropriate manner.

(f) Claims by Dr. Kramer

On May 5, 2010, Dr. Kramer issued a claim against the members of the Northstar Board in their personal capacities. The claim alleges that Northstar's public disclosures included defamatory statements relating to the resyndication of the Palladium Partnership. As a result of these statements, Dr. Kramer claims that he has suffered harm to his personal and professional reputation in Canada and Ontario in particular. Northstar's Board intend to vigorously contest Dr. Kramer's claims and seek indemnification from the Company in connection with such defence.