NORTHSTAR HEALTHCARE

NORTHSTAR HEALTHCARE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Twelve Months Ended December 31, 2008

This MD&A replaces the previously-filed MD&A for the three months and twelve months ended December 31, 2008

The following management discussion and analysis of the financial condition and results of operations of Northstar Healthcare Inc. (the "Company" or "NHC") for the three and twelve months ended December 31, 2008 is provided as of June 30 , 2009. It is supplemental to, and should be read in conjunction with, the financial statements of the Company for the year ended December 31, 2008 and from the inception of operations on May 17, 2007 to December 31, 2007. The Company's financial statements are prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Substantially all of the Company's operating cash flows are in U.S. dollars; accordingly, all amounts presented herein are stated in thousands of U.S. dollars, except per share data, unless otherwise indicated.

FORWARD LOOKING INFORMATION

This management's discussion and analysis contains "forward-looking information" (as defined under applicable securities laws). Forward-looking information is typically identified by words such as "believe," "expect," "forecast," "anticipate," "intend," "estimate," "goal," "plan," and "project" and similar expressions of future or conditional verbs such as "will," "may," "should," "could," or "would". These statements reflect current beliefs and are based on information currently available to management.

By its very nature, forward-looking information involves significant known and unknown risks, uncertainties and assumptions. Important assumptions relating to the forward-looking information contained in this management's discussion and analysis include expansion, capital expenditures, currency risks, natural disasters, competitive conditions and gross economic conditions.

Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking information, including, without limitation, general economic conditions, general business risks inherent in the ambulatory surgical center ("ASC") industry, including changing surgeon and patient preferences, numerous federal, state and local laws, competition from other healthcare providers, payor mix and our dependence on payment from third-party payors, including private insurers, managed care organizations and government healthcare programs. For a description of risks that could cause our actual results to materially differ from our current expectations, please see section titled "Risk Factors" in NHC's Annual Information Form, filed with Canadian securities regulators. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Should one or more of these risks or uncertainties materialize or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking information. Certain statements regarding forward-looking information included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A.

All forward-looking information in this MD&A is qualified by these cautionary statements. The forward-looking statements in this management's discussion and analysis are made as of the date hereof and except as required by law we do not intend, and do not assume any obligation, to update or revise these forward-looking statements.

NON-GAAP FINANCIAL MEASURES

This management's discussion and analysis contains references to Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization, net of non-controlling interests and before unrealized gain on foreign currency exchange contracts, goodwill impairment and change in fair value of other liabilities, non-controlling interest) and Adjusted EBITDA Margin (Adjusted EBITDA, net of capital expenditures divided by net patient service revenue). Management believes that Adjusted EBITDA is a useful supplemental measure of cash available for dividends prior to debt service, capital expenditures, income taxes and other reserves. However, both Adjusted EBITDA and Adjusted EBITDA margin are not recognized measures under Canadian GAAP and do not have a standardized meaning prescribed by Canadian GAAP. Therefore, they may not be comparable to similar measures presented by other issuers. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income or loss (which are determined in accordance with Canadian GAAP) as an indicator of the performance of the Company or its subsidiaries or as a measure of liquidity and cash flows.

PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated on March 16, 2007 and completed its initial public offering and acquisition of its subsidiaries on May 17, 2007. At the time of the Company's initial public offering, it acquired controlling interests in two distinct business entities: The Palladium for Surgery – Houston, Ltd. (the "Palladium Partnership") and Medical Ambulatory Surgical Suites, L.P. (the "Kirby Partnership" and together with the Palladium Partnership, the "Northstar Partnerships").

This management discussion and analysis includes the adjusted pro forma combined operating results of the Company for the period of January 1, 2007 to May 16, 2007 prior to the public offering. Certain figures disclosed in these adjusted pro forma combined operating results differ from the pro forma combined operating results previously disclosed in the Company's Business Acquisition Report, dated July 27, 2007, for the quarter ended June 30, 2007, as a result of management's change in estimates used to determine net patient service revenues made following the introduction of new reporting and trending software in the third quarter of 2007.

In addition, the adjusted pro forma combined operating results for the period of January 1, 2007 to May 16, 2007 are not necessarily indicative of the results that would have actually occurred had the transaction been consummated at the dates indicated nor are they necessarily indicative of future operating results or the financial position of the Company, as the adjusted pro forma combined operating results excludes expenses related to being a public issuer, as well as expenses of Northstar Healthcare Acquisitions, L.L.C. ("Northstar Acquisitions"), the Company's operating subsidiary.

We have also included a number of comparative operating statistics, such as cases and procedures performed at the facilities operated by the Palladium Partnership and the Kirby Partnership for the three and twelve months ended December 31, 2008 compared with the prior year periods. Cases and procedures are key drivers of our revenues. This information is not intended to provide a comprehensive comparison of financial results, as gross billings and net patient service revenues vary by patient, insurance carrier and procedure.

CORPORATE OVERVIEW

NHC was incorporated under the *Business Corporations Act* (British Columbia) on March 16, 2007. NHC is a corporation formed to indirectly acquire and/or manage ambulatory surgery centres in the United States, focusing initially 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 Partnership and a 60% partnership interest in the Kirby Partnership, which operate two ambulatory surgery centres (the "Northstar ASCs") located in Houston. In addition, NHC manages an ambulatory surgery centre in Dallas and two pain management clinics in Houston.

The Northstar ASCs are licensed ambulatory surgery centres that provide scheduled surgical procedures in a limited number of clinical specialties, which enables them to develop routines, procedures and protocols to maximize operating efficiency and productivity while offering an enhanced healthcare experience for both surgeons and patients. The Northstar ASCs consist of The Palladium For Surgery - Houston and Kirby Surgical Center.

Together, the Northstar ASCs have seven operating suites, three procedure or treatment rooms typically used by pain management specialists or for colonoscopies, 12 pre-operation beds, 17 post-operation or recovery beds and 107 surgeons that performed procedures in 2008.

The Northstar ASCs do not offer the full range of services typically found in traditional hospitals, but instead focus on certain clinical specialties, including orthopaedic surgery, podiatric surgery, ear, nose and throat ("ENT"), gastroenterology, pain management, and general surgery.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2008 AND FOR THE THREE MONTHS ENDED DECEMBER 31, 2007

(in 000's of US $, except per share data)

(Unaudited)

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Net patient service revenue	$ 11,536	$ 13,593
Operating expenses		
Salaries and benefits	1,723	1,561
Drugs and supplies	1,314	1,173
General and administrative	2,113	1,985
Bad debt expense	5,735	-
Depreciation and amortization	450	443
	11,335	5,162
Income from operations	**201**	**8,431**
Other expense (income)		
Distribution, other liabilities, non-controlling interest	185	433
Withholding tax	(143)	345
Change in fair value of other liabilities, non-controlling interest	(5,800)	(146)
(Gain) / loss on foreign currency	5,185	356
Goodwill and intangible asset impairment	52,200	-
State franchise tax	90	87
Other expense (income)	(8)	(40)
	51,709	1,035
Income (loss) before income taxes and non-controlling interest	**(51,508)**	**7,396**
Income tax expense		
Current	86	94
Future	23,614	2,742
	23,700	2,836
Non-controlling interests	619	3,090
Net income (loss) and comprehensive income (loss)	**$ (75,827)**	**$ 1,470**
Net income (loss) per common share		
Basic	**$ (5.45)**	**$ 0.11**
Diluted	**$ (5.45)**	**$ 0.11**
Weighted average number of shares and share equivalents outstanding		
Basic	**13,900,852**	**13,900,852**
Diluted	**13,900,852**	**13,900,852**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Revenue is recognized upon the performance of the patient service. 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. As of December 31, 2008, the number of shares that are anti-dilutive are 34,426.

Net patient service revenues for the three months ended December 31, 2008 totalled $11.5 million, a decrease of $2.1 million or 15.3%, compared to $13.6 million for the same period in 2007. The decline was primarily a result of an 11.8% decrease in case volume accompanied by a 3.9% decrease in the reimbursement rate for the three months ended December 31, 2008 from the same period in 2007.

Salaries and benefits for the three months ended December 31, 2008 totalled $1.7 million, which exceeded the salaries and benefits for the three months ended December 31, 2007 by $0.2 million or 10.4%. The increase was partially attributable to the additional salaries and benefits for employees of Northstar Acquisitions, the Company's operating subsidiary, as the operation was not fully established in 2007. Salaries and benefits expense for Northstar Acquisitions was $0.4 million for the three months ended December 31, 2008.

Drugs and medical supplies for the three months ended December 31, 2008 increased by $0.1 million or 12.1% to $1.3 million from $1.2 million for the same period in 2007. This was due to an increase in the percentage of cases using high cost medical implants and disposables within orthopaedics, general surgery, and ear, nose, and throat (ENT) specialties. The increase was offset by a 27.2% case volume decrease in pain management cases.

General and administrative expense for the three months ended December 31, 2008 totalled $2.1 million, which exceeded the prior year period by $0.1 million, or 6.4%. The majority of these general and administrative expenses, including legal, accounting, consulting, recruiting, insurance, and directors' and officers' compensation, related to expenses associated with being a reporting issuer in Canada.

Bad debt expense for the three months ended December 31, 2008 totalled $5.7 million as the Company experienced difficulties with payments by one of its key third party payors at the Palladium Partnership of which, $2.8 million and $2.9 million were related to cases performed during and prior to the three months ended December 31, 2008, respectively. A majority of the bad debt expense relates to net patient services revenues on cases performed by some of the non-partner surgeons operating at the Palladium – Houston surgical center under use agreements with the center.

For the three months ended December 21, 2008, distributions, other liabilities, and non-controlling interest totalled $0.2 million, withholding tax totalled $0.1 million, change in fair value of other liabilities, non-controlling interest totalled $5.8 million, loss on foreign currency exchange contracts totalled $5.2 million, goodwill and intangible asset impairment totalled $52.2 million and non-controlling interests amounted to $0.6 million based on percentage of minority interests owned by the physician limited partners and Healthcare Ventures Ltd. ("Ventures").

The $5.8 million change in the fair value of other liabilities, non-controlling interest represented the change in fair value of the Class B Units of Northstar Healthcare Subco, L.L.C. ("Northstar Subco") held by Ventures. The fair value was based on an appraisal using the discounted cash flow method as of December 31, 2008 conducted by an external company. This item is recorded as an income or expense of the Company under Canadian GAAP as a result of the negotiation right held by Ventures, which entitles it to request at any time after May 17, 2009 that Northstar Subco enter into good faith negotiations to purchase for cancellation all or any portion of the Class B Units of Northstar Subco held by Ventures. The price paid 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 Class B Units of Northstar Acquisitions. Northstar Acquisitions will purchase for cancellation all outstanding Class B Units of Northstar Acquisitions for a nominal amount on the date that all outstanding Class B Units of Northstar Subco have been purchased for cancellation from Ventures by Northstar Subco.

The $5.2 million loss in foreign currency exchange contracts related to the change during the period in the fair value of the four and a half year foreign currency exchange contracts entered into by the Company to hedge exposure to fluctuations between the U.S. dollar and the Canadian dollar for future Common Share dividends. This loss was a result of the decline in value of the Canadian dollar during the period, net of realized gains recognized between the spot rate on the date of record and the exchange rate under the Company's currency instruments.

For the three months ended December 31, 2008, the Company recognized an additional $52.2 million goodwill and intangible asset impairment, which consisted of $46.7 million from goodwill and $5.5 million from intangible asset impairment. On September 22, 2008, as a result of the continued impact in the negative shift in payor mix, which resulted in lower then forecasted net patient service revenues and cash flow generation, the Company announced a reduction in the monthly dividend to shareholders from C$0.10 to C$0.058, effective for the September 2008 dividend. In addition, the Company during the three months ended December 31, 2008 experienced difficulties with one of its key third party payors at Palladium Partnership. As a result of these unfavourable operating conditions and the near term outlook, the Company performed an annual impairment test in connection with the preparation of our consolidated financial statements for the year ended December 31, 2008. The Company engaged an independent valuation firm to determine, based primarily on discounted cash flows, any possible impairment. Based on this assessment as of December 31, 2008, management determined that the carrying value of goodwill exceeded its estimated fair value and recorded a $52.2 million pre-tax impairment charge in the quarter.

The following table summarizes the Company's operating results as a percentage of net patient service revenues for the period indicated.

RESULTS OF OPERATIONS AS PERCENTAGE OF NET PATIENT SERVICE REVENUES FOR THE THREE MONTHS ENDED DECEMBER 31, 2008 AND FOR THE THREE MONTHS ENDED DECEMBER 31, 2007

(Unaudited)

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Net patient service revenue	**100.0%**	**100.0%**
Operating expenses		
Salaries and benefits	14.9%	11.5%
Drugs and supplies	11.4%	8.6%
General and administrative	18.3%	14.6%
Bad debt expense	49.7%	0.0%
Depreciation and amortization	3.9%	3.3%
	98.2%	38.0%
Income from operations	**1.8%**	**62.0%**
Other expense (income)		
Distribution, other liabilities, non-controlling interest	1.6%	3.2%
Withholding tax	-1.2%	2.5%
Change in fair value of other liabilities, non-controlling interest	-50.3%	-1.1%
(Gain) / loss on foreign currency	44.9%	2.6%
Goodwill and intangible asset impairment	452.5%	0.0%
State franchise tax	0.8%	0.6%
Other expense (income)	-0.1%	-0.3%
	448.2%	7.5%
Income (loss) before income taxes and non-controlling interest	**-446.4%**	**54.5%**
Income tax expense		
Current	0.7%	0.7%
Future	204.7%	20.2%
	205.4%	20.9%
Non-controlling interests	5.4%	22.7%
Net income (loss) and comprehensive income (loss)	**-657.2%**	**10.9%**

NET PATIENT SERVICE REVENUES BY PAYOR MIX OF THE NORTHSTAR ASCS FOR THE THREE MONTHS ENDED DECEMBER 31, 2008 AND THE THREE MONTHS ENDED DECEMBER 31, 2007

Payors	Q4 2008 Net Patient Service Revenue by Payor Mix	Q4 2007 Net Patient Service Revenue by Payor Mix
Private insurance and other private pay……	93.6%	93.1%
Workers compensation…………………….....	3.5%	3.8%
Medicare/Medicaid…………………………..	1.3%	1.2%
Other…………………………………………..	1.6%	1.9%
Total…………………………………………	**100.0%**	**100.0%**

Net patient service revenues represent gross revenues received from patients and third-party payors, less provisions for contractual adjustments with third-party payors, such as Medicare, Medicaid or private payors with managed care plans. Both reimbursement and net patient service revenue are the highest from patients with private insurance and other private payment sources and lowest from patients with Medicare/Medicaid. Net patient service revenues from private insurance and private pay payors are generally higher when a facility does not have an in-network contract with the payor. As of December 31, 2008, Northstar ASCs did not have any in-network contracts with its private insurance and other private pay payors. During Q1 2009, the Kirby partnership entered into an in-network contract, with a major private insurance company. This information is not intended to provide a comprehensive comparison of financial results, as reimbursement by insurance carrier varies based on deductibles, plan coverage and procedures performed.

CASE AND PROCEDURE MIX OF THE NORTHSTAR ASCS FOR THE THREE MONTHS ENDED DECEMBER 31, 2008 AND THE THREE MONTHS ENDED DECEMBER 31, 2007

Specialty	Q4 2008 Cases	Q4 2008 Percentage of Cases	Q4 2008 Procedures	Q4 2008 Percentage of Procedures	Q4 2007 Cases	Q4 2007 Percentage of Cases	Q4 2007 Procedures	Q4 2007 Percentage of Procedures
Pain Management…………	1,204	45.6%	7,553	65.6%	1,654	55.3%	10,105	71.6%
Orthopaedics………………	680	25.8%	1,744	15.1%	691	23.1%	1,790	12.7%
Podiatry……………………	188	7.1%	851	7.4%	164	5.5%	600	4.2%
Gastro-intestinal…………..	273	10.4%	272	2.4%	197	6.5%	311	2.2%
General Surgery……………	116	4.4%	242	2.1%	98	3.3%	251	1.8%
ENT……………………….	176	6.7%	850	7.4%	187	6.3%	1,054	7.5%
Total……………………….	**2,637**	**100.0%**	**11,512**	**100.0%**	**2,991**	**100.0%**	**14,111**	**100.0%**

Note: A procedure is defined as the actual surgery or surgeries that are performed on the date of service for each patient (case). Each case typically includes numerous procedures. In prior management discussion and analysis reports, the Company provided the number of "unique" procedures per case as the total number of procedures during the period (i.e. a patient may have three different procedures performed, however, one of the three procedures might have been performed numerous times during the case). In this management discussion and analysis, the Company has calculated the total quantity of procedures performed on a case, regardless of the fact that the same procedure may have been performed numerous times. As a result, the total number of procedures has been adjusted for the 2007 period. This change in the number of procedures has no effect on the number of cases or net patient service revenues, and was adjusted to provide the total number of all procedures for analysis purposes only.

The Company has provided a number of comparative operating statistics, such as cases and procedures performed at the facilities operated by the Palladium Partnership and the Kirby Partnership for the three-month period ended December 31, 2008 compared with the same period in the prior year. This information is not intended to provide a comprehensive comparison of financial results, as gross billings and net patient service revenues vary by patient, insurance carrier and procedure.

A case is defined as a patient visit to the ambulatory surgery center on a specific date of service. A procedure is defined as the actual surgery or surgeries that are performed on the date of service. As a result, there may be more than a single procedure performed during a specific case.

Total cases for the three months ended December 31, 2008 were 2,637, a decrease of 354 cases or 11.8% from the 2,991 cases in the same period in 2007. Case increases in podiatry, gastro-intestinal, and general surgery specialties were offset by decreases in pain management, orthopaedics, and ear, nose and throat (ENT) specialties. A majority of the decline in case volume was in the pain management specialty, of which the Palladium Partnership contributed 70% of the decline due to the loss of physician referral sources to one of the physician partners. The losses are expected to be permanent but an effort to rebuild the referral base is currently underway. Case volume in other specialties was negatively impacted by the decline in the local economy.

Procedure volume for the three months ended December 31, 2008 decreased by 18.4% from 11,512 to 14,111 in the prior year period. Since case reimbursement is based on case type, the decrease in the number of procedures per case has no effect on reimbursement and net patient service revenues per case.

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA FOR THE THREE MONTHS ENDED DECEMBER 31, 2008 AND THE THREE MONTHS ENDED DECEMBER 31, 2007

(in 000's of US $, except per share data)
(Unaudited)

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Net patient service revenue……………………………………..	$ 11,536	$ 13,593
Net income (loss) and comprehensive income (loss)………	$ (75,827)	$ 1,470
Add:		
Depreciation and amortization………………………………..	450	443
Change in fair value of other liabilities, non-controlling interest………………………………………………………	(5,800)	(146)
Unrealized (gain)/ loss on foreign currency exchange contracts…………………………………………………….	5,185	356
Goodwill and intangible asset impairment…...………………	52,200	-
Income tax (current&future)…………………..………………	23,700	2,836
Adjusted EBITDA ……………………………………………..	**(92)**	**4,959**
Less:		
Capital expenditures……………………………………………	(155)	(189)
Adjusted EBITDA net of capital expenditures……..………..	**$ (247)**	**$ 4,770**
Adjusted EBITDA margin net of capital expenditures……	-2.1%	35.1%

(1) Cash available to the Company to pay dividends for the three months ended December 31, 2008 was $0.1 million less than Adjusted EBITDA net of capital expenditures.

(2) Cash available to the Company to pay dividends for the three months ended December 31, 2007 was $0.1 million less than Adjusted EBITDA net of capital expenditures.

Adjusted EBITDA net of capital expenditures before non-controlling interests of the Physician Limited Partners and distributions to Ventures, including a $5.7 million adjustment in net patient service revenues, for the three months ended December 31, 2008 was negative $0.2 million. The Company had a policy of distributing its available cash from consolidated operations, subject to applicable laws, by way of a monthly dividend on its common shares, after the retention of amounts considered reasonable and prudent by the Board of Directors for working capital and other purposes, including capital investment and capital reserves. Cash dividends paid for the three months ended December 31, 2008 totalled $2.2 million or $0.160 (Cdn $0.174) per common share.

On January 12, 2009, the Company announced that it was experiencing difficulties with payments by one of its key third party payors at Northstar's Palladium for Surgery – Houston ASC. One issue relates to payments on cases performed by non-partner surgeons operating at Palladium-Houston under use agreements with the center. As a result, to maintain Northstar's debt-free financial position, the Company's Board of Directors suspended dividends on Northstar's common shares after the December, 2008 dividend payable on January 15, 2009.

RESULTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND THE ADJUSTED PRO FORMA COMBINED RESULTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

(in 000's of US $, except per share data)

	Twelve Months Ended December 31, 2008	Adjusted Pro forma Combined January 1, 2007 to May 16, 2007 (Unaudited)	Inception, May 17, 2007 to December 31, 2007	Adjusted Pro forma Combined Twelve Months Ended December 31, 2007 (Unaudited)
Net patient service revenue	**$ 42,779**	**$ 17,305**	**$ 32,919**	**$ 50,224**
Operating expenses				
Salaries and benefits	6,674	1,945	3,853	5,798
Drugs and supplies	4,038	1,378	2,528	3,906
General and administrative	7,761	1,753	4,136	5,889
Bad debt expense	5,735	-	-	-
Depreciation and amortization	1,783	612	1,079	1,691
	25,991	5,688	11,596	17,284
Income from operations	**16,788**	**11,617**	**21,323**	**32,940**
Other expense (income)				
Distribution, other liabilities, non-controlling interest	1,384	821	1,088	1,909
Withholding tax	853	575	857	1,432
Change in fair value of other liabilities, non-controlling interest	(24,800)	-	10,236	10,236
(Gain) / loss on foreign currency	8,809	-	(6,003)	(6,003)
Goodwill and intangible asset impairment	131,141	-	-	-
State franchise tax	301	-	225	225
Other expense (income)	(72)	16	(82)	(66)
	117,616	1,412	6,321	7,733
Income (loss) before income taxes and non-controlling interest	**(100,828)**	**10,205**	**15,002**	**25,207**
Income tax expense				
Current	459	(61)	227	166
Future	(3,991)	1,245	3,991	5,236
	(3,532)	1,184	4,218	5,402

	Twelve Months Ended December 31, 2008	Adjusted Pro forma Combined January 1, 2007 to May 16, 2007 (Unaudited)	Inception, May 17, 2007 to December 31, 2007	Adjusted Pro forma Combined Twelve Months Ended December 31, 2007 (Unaudited)
Non-controlling interests………	6,910	3,420	7,624	11,044
Net income (loss) and comprehensive income (loss)………	$ **(104,206)**	$ **5,601**	$ **3,160**	$ **8,761**
Net income (loss) per common share				
Basic………	$ **(7.50)**	$ -	$ **0.23**	$ -
Diluted………	$ **(7.50)**	$ -	$ **0.23**	$ -
Weighted average number of shares and share equivalents outstanding				
Basic………	**13,900,852**	-	**13,749,756**	-
Diluted………	**13,900,852**	-	**13,749,756**	-

Net patient service revenues for the twelve months ended December 31, 2008 totalled $42.8 million, compared to $50.2 million for the adjusted pro forma combined twelve months ended December 31, 2007, a decrease of $7.4 million or 14.8%. The decline was primarily a result of a 5.5% decrease in case volume accompanied by a 9.7% decrease in the reimbursement rate due to the decline in the percentage of high payors at the Kirby Partnership. The decrease in the case volume was attributable to Tropical Storm Edouard and Hurricane Ike in August and September 2008. The decline in the percentage of payors reimbursing at higher percentages at the Kirby Partnership started to stabilize during the center's negotiation for an in-network contract with one of the major private insurance companies which was completed for implementation in Q1 2009.

Salaries and benefits for the twelve months ended December 31, 2008 totalled $6.7 million, which exceeded the salaries and benefits for the adjusted pro forma combined twelve months ended December 31, 2007 by $0.9 million or 15.1%. The increase was due primarily to the inclusion of $1.4 million in salaries and benefits for the additional employees at Northstar Acquisitions, the Company's operating subsidiary (as such salaries and benefits were only included in the pro forma combined results for the period of May 17, 2007 to December 31, 2007).

Drugs and medical supplies for the twelve months ended December 31, 2008 were materially unchanged from the adjusted pro forma combined twelve months ended December 31, 2007. A decrease in cases from specialties that have lower supply costs, such as pain management, was offset by the increases in the number of cases with high supply costs, such as orthopaedics, general surgery and ear, nose, and throat (ENT).

General and administrative expense for the twelve months ended December 31, 2008 totalled $7.8 million, which exceeded the general and administrative expense for the adjusted pro forma twelve months ended December 31, 2007 by $1.9 million, or 31.8%. The majority of these general and administrative expenses, including legal, accounting, insurance, and directors' and officers' compensation, relate to expenses associated with being a reporting issuer in Canada. In addition, the Company incurred additional costs related to the recruitment of the Company's first Chief Operating Officer, a new Chief Executive Officer and two new members of the Board of Directors, as well as additional common area maintenance expense.

Bad debt expense for the twelve months ended December 31, 2008 totalled $5.7 million as the Company experienced difficulties with collections from one of its key third party payors at the Palladium Partnership, of which, $2.8 million and $2.9 million were related to cases performed during and prior to the three months ended December 31, 2008, respectively. A majority of the bad debt expense relates to unpaid net paid service revenue on cases performed by some of the non-partner surgeons operating at the Palladium – Houston surgical center under use agreements with the center in respect of the major payor.

Distributions, other liabilities, and non-controlling interest totalled $1.4 million, withholding tax totalled $ 0.9 million, change in fair value of other liabilities non-controlling interest totalled $24.8 million, loss on foreign currency exchange contracts totalled $8.8 million, goodwill and intangible asset impairment totalled $131.1 million and non-controlling interests amounted to $6.9 million based on percentage of minority interests owned by the physician limited partners and Ventures.

The $24.8 million change in the fair value of other liabilities, non-controlling interest represents the change in fair value of the Class B Units of Northstar Subco held by Ventures. The fair value was based on an external appraisal incorporating the discounted cash flow method as of December 31, 2008. This item is recorded as an income or expense of the Company under Canadian GAAP as a result of the negotiation right held by Ventures, which entitles it to request at any time after May 17, 2009 that Northstar Subco enter into good faith negotiations to purchase for cancellation all or any portion of the Class B Units of Northstar Subco held by Ventures. The price to be negotiated for such Northstar Subco Class B Units will be related to their fair market value plus the fair market value of a corresponding number of Class B Units of Northstar Acquisitions. Northstar Acquisitions will purchase for cancellation all outstanding Class B Units of Northstar Acquisitions for a nominal amount on the date that all outstanding Class B Units of Northstar Subco have been purchased for cancellation from Ventures by Northstar Subco.

The loss on foreign currency exchange contracts of $8.8 million related to the change during the period in the fair value of the four and a half year foreign currency exchange contracts entered into by the Company to hedge exposure to fluctuations between the U.S. dollar and the Canadian dollar for future Common Share dividends. This loss was a result of the decline in value of the Canadian dollar during the period, net of realized gains recognized between the spot rate on the date of record and the exchange rate under the Company's currency instruments. In September 2008, a $0.7 million gain was recognized on the sale of approximately 40% of the Company's foreign currency exchange contracts as a result of NHC's reduction in the monthly dividend from C$0.10 to C$0.058.

For the twelve months ended December 31, 2008, the Company recognized a $ 131.1 million goodwill and intangible asset impairment, which consisted of $124.1 million from goodwill and $7.0 million from intangible asset impairment. On September 22, 2008, as a result of the continued impact in the negative shift in payor mix, which resulted in lower than forecasted net patient service revenues and cash flow generation, the Company announced a reduction in the monthly dividend to shareholders from C$0.10 to C$0.058, effective for the September 2008 dividend. In addition, during the three months ended December 31, 2008 the Company experienced difficulties with one of its key third party payors at the Palladium Partnership. As a result of these unfavourable operating conditions and the near term outlook, the Company performed an annual impairment test in connection with the preparation of our consolidated financial statements for the year ended December 31, 2008. The Company engaged an independent valuation firm to determine, based primarily on discounted cash flows, any possible impairment. Based on this assessment as of December 31, 2008, management determined that the carrying value of goodwill exceeded its estimated fair value and recorded a $ 131.1 million pre-tax impairment charge.

The following table summarizes the Company's operating results as a percentage of net patient service revenues for the period indicated.

RESULTS OF OPERATIONS AS PERCENTAGE OF NET PATIENT SERVICE REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2007
(Unaudited)

	Twelve Months Ended December 31, 2008	Adjusted Pro forma Combined January 1, 2007 to May 16, 2007	Inception, May 17, 2007 to December 31, 2007	Adjusted Pro forma Combined Twelve Months Ended Ended December 31, 2007
Net patient service revenue………………………………………	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Operating expenses				
Salaries and benefits……………………..……………………	15.6%	11.2%	11.7%	11.5%
Drugs and supplies……………………..……………………	9.4%	8.0%	7.7%	7.8%
General and administrative………………………..…………..	18.1%	10.1%	12.6%	11.7%
Bad debt expense………...………………………..…………..	13.4%	0.0%	0.0%	0.0%
Depreciation and amortization…………………………………	4.2%	3.5%	3.3%	3.4%
	60.8%	32.9%	35.2%	34.4%
Income from operations	**39.2%**	**67.1%**	**64.8%**	**65.6%**
Other expense (income)				
Distribution, other liabilities, non-controlling interest…………	3.2%	4.7%	3.3%	3.8%
Withholding tax…………………………………………………	2.0%	3.3%	2.6%	2.9%
Change in fair value of other liabilities, non-controlling interest……………………………………………………..	-58.0%	0.0%	31.1%	20.4%
(Gain) / loss on foreign currency………………………………	20.6%	0.0%	-18.2%	-12.0%
Goodwill and intangible asset impairment…...…………………	306.6%	0.0%	0.0%	0.0%
State franchise tax………………………………………………	0.7%	0.0%	0.7%	0.4%
Other expense (income)…………………………………………	-0.2%	0.1%	-0.3%	-0.1%
	274.9%	8.2%	19.2%	15.4%
Income (loss) before income taxes and non-controlling interest…	**-235.7%**	**59.0%**	**45.6%**	**50.2%**
Income tax expense				
Current…………………………………………………………	1.1%	-0.3%	0.7%	0.3%
Future……………………………………………………………	-9.3%	7.2%	12.1%	10.4%
	-8.3%	6.8%	12.8%	10.8%
Non-controlling interests……………………………………………	16.2%	19.8%	23.2%	22.0%
Net income (loss) and comprehensive income (loss)………………	**-243.6%**	**32.4%**	**9.6%**	**17.4%**

NET PATIENT SERVICE REVENUES BY PAYOR MIX OF THE NORTHSTAR ASCS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2007

Payors	2008 Net Patient Service Revenue by Payor Mix	2007 Net Patient Service Revenue by Payor Mix
Private insurance and other private pay…...	91.4%	91.8%
Workers compensation………………………	4.9%	4.9%
Medicare/Medicaid…………………………..	1.5%	1.2%
Other…………………………………………	2.2%	2.1%
Total…………………………………………	**100.0%**	**100.0%**

Net patient service revenues represent gross revenues received from patients less provisions for contractual adjustments with third-party payors, such as Medicare, Medicaid or private payors with managed care plans. Both reimbursement and net patient service revenue are the highest from patients with private insurance and other private payment sources and lowest from patients with Medicare/Medicaid. Net patient service revenues from private insurance and private pay payors are generally higher when a facility does not have a in-network contract with the payor. As of December 31, 2008, Northstar ASCs did not have any in-network contract with its private insurance and other private pay payors. During Q1 2009, the Kirby partnership entered into an in-network contract, with a major private insurance company. This information is not intended to provide a comprehensive comparison of financial results, as reimbursement by insurance carrier varies based on deductibles, plan coverage and procedures performed.

CASE AND PROCEDURE MIX OF THE NORTHSTAR ASCS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2007

Specialty	2008 Cases	2008 Percentage of Cases	2008 Procedures	2008 Percentage of Procedures	2007 Cases	2007 Percentage of Cases	2007 Procedures	2007 Percentage of Procedures
Pain Management…………	4,855	50.3%	28,576	67.5%	5,644	55.2%	34,494	70.6%
Orthopaedics………………	2,330	24.1%	5,996	14.2%	2,231	21.8%	5,920	12.1%
Podiatry……………………	607	6.3%	2,490	5.9%	648	6.4%	2,373	4.9%
Gastro-intestinal…………..	793	8.2%	956	2.2%	643	6.3%	1,020	2.1%
General Surgery……………	423	4.4%	966	2.3%	384	3.8%	1,187	2.4%
ENT………………………..	643	6.7%	3,337	7.9%	668	6.5%	3,838	7.9%
Total……………………….	**9,651**	**100.0%**	**42,321**	**100.0%**	**10,218**	**100.0%**	**48,832**	**100.0%**

Note: A procedure is defined as the actual surgery or surgeries that are performed on the date of service for each patient (case). Each case typically includes numerous procedures. In prior management discussion and analysis reports, the Company provided the number of "unique" procedures per case as the total number of procedures during the period (i.e. a patient may have three different procedures performed, however, one of the three procedures might have been performed numerous times during the case). In this management discussion and analysis, the Company has calculated the total quantity of procedures performed on a case, regardless of the fact that the same procedure may have been performed numerous times. As a result, the total number of procedures has been adjusted in the 2007 period. This change in the number of procedures has no effect on the number of cases or net patient service revenues, and was adjusted to provide the total number of all procedures for analysis purposes only.

Case volume for the twelve months ended December 31, 2008 was 9,651, a decrease of 567 cases, or 5.5%, from the 10,218 total cases in the same prior year period. Case increases in orthopaedics, gastro-intestinal, and general surgery specialties were offset by decreases in pain management, podiatry, and ear, nose and throat (ENT) specialties. The decrease in case volume for the twelve months ended December 31, 2008 was primarily caused by the inclement weather from Tropical Storm Edouard in August and Hurricane Ike in September and continuing general deterioration of the economy. The case volume decline in pain management at the Palladium Partnership during the three months ended December 31, 2008 further exacerbated the decline.

Procedure volume for the twelve months ended December 31, 2008 decreased by 13.3% from 48,832 to 42,321 in the same prior year period. Since case reimbursement is based on case type, the decrease in the number of procedures per case has no effect on reimbursement and net patient service revenues per case.

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 TO THE ADJUSTED PRO FORMA COMBINED RESULTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

(in 000's of US $, except per share data)
(Unaudited)

	Twelve Months Ended December 31, 2008	Adjusted Pro forma Combined January 1, 2007 to May 16, 2007	Inception, May 17, 2007 to December 31, 2007	Adjusted Pro forma Combined Twelve Months Ended December 31, 2007
Net patient service revenue…………………………………..	$ 42,779	$ 17,305	$ 32,919	$ 50,224
Net income (loss) and comprehensive income (loss)………	$ (104,206)	$ 5,601	$ 3,160	$ 8,761
Add:				
Depreciation and amortization……………………………..…..	1,783	612	1,079	1,691
Change in fair value of other liabilities, non-controlling interest………………………………………………………	(24,800)	-	10,236	10,236
Unrealized (Gain)/ loss on foreign currency exchange contracts………………………………………………..………	9,520	-	(6,003)	(6,003)
Goodwill and intangible asset impairment…....…………………	131,141	-	-	-
Income tax (current&future)…………………...……………..	(3,532)	1,184	4,218	5,402
Adjusted EBITDA ……………………………………….…...	**9,906**	**7,397**	**12,690**	**20,087**
Less:				
Capital expenditures……………………………………………	(467)	(90)	(346)	(436)
Adjusted EBITDA net of capital expenditures……..………..	**$ 9,439**	**$ 7,307**	**$ 12,344**	**$ 19,651**
Adjusted EBITDA margin net of capital expenditures……..	22.1%	42.2%	37.5%	39.1%

(1) Cash available to the Company to pay dividends for the twelve months ended December 31, 2008 is $0.5 million less than Adjusted EBITDA net of capital expenditures.

(2) Cash available to the Company to pay dividends for the twelve months ended December 31, 2007 is $0.2 million less than Adjusted EBITDA net of capital expenditures.

Adjusted EBITDA net of capital expenditures before non-controlling interests of the Physician Limited Partners and distributions to Ventures for the twelve months ended December 31, 2008 was $9.4 million. Cash dividends paid for the twelve months ended December 31, 2008 totalled $13.7 million or $0.986 (Cdn $1.074) per common share, compared to $10.2 million or $0.735 (Cdn $0.748) per common share for the period from May 17, 2007 to December 31, 2007.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL CONDITION

Liquidity refers to an entity's ability to meet its financial obligations and commitments as they become due. Management anticipates that cash flows from operations and funds provided from time to time under available credit facilities will provide the Company with sufficient liquidity to manage accounts receivable, medical supplies and other short-term cash requirements for the next 12 months. Management expects to have sufficient working capital to meet the Company's obligations in 2009.

The Company is dependent upon cash generated from operating activities of the Northstar Partnerships, which are the source of financing for its operations and for meeting its contractual obligations. A majority of the Northstar Partnerships' cash flows are distributed, on a monthly basis, to the Company and holders of minority partnership interests.

During the three and twelve months ended December 31, 2008, the Company had a policy of distributing its available cash from consolidated operations, subject to applicable law and the terms of any then existing indebtedness, by way of monthly dividends on its common shares, after the retention of amounts considered reasonable and prudent by the Board of Directors for working capital and other purposes, including capital investment and capital reserves. Included in the calculation of the Company's cash available to pay dividends was a cash reserve equal to 10% of the Company's aggregate monthly dividend, which was retained by the Company, through its subsidiary, Northstar Subco. In addition, any cash in excess of the cash reserve and the amount necessary to pay the monthly dividend was also retained by the Company. The calculation of the monthly 10% cash reserve was $2.3 million for the period of May 17, 2007 to December 31, 2008. As of December 31, 2008, the Company had cash reserves of $1.4 million. Had the Company not deferred a portion of the Subco monthly distributions to Ventures of $1.7 million for the period of May 17, 2007 to December 31, 2008, such cash reserves balances would have been negative $0.3 million. Of the $1.7 million deferral, $0.2 million and $1.2 million were for the three and twelve months ended December 31, 2008, respectively.

The Company determines the amount of its monthly dividend based on periodic reviews of its estimated annual earnings and related estimated annual cash flows.

On September 22, 2008, the Company announced that it was reducing its monthly dividend from C$0.10 to C$0.058 per share commencing with the dividend for the month-ended September 30, 2008, which was paid on October 15, 2008. On January 12, 2009, the Board of Directors suspended the payments of dividends on the Company's common shares. As a result, the Company ceased to purchase additional currency hedges.

The Company's cash flow from operations was $3.9 million and $22.2 million for the three and twelve months ended December 31, 2008, respectively. Dividends paid, including realized gains on the foreign translation of the dividend paid, and distributions to non-controlling interests were $3.7 million and $23.7 million for three and twelve months ended December 31, respectively. Capital expenditures were $0.1 million and $0.5 million for the three and twelve months ended December 31, 2008, respectively.

Cash dividends paid in the three months ended December 31, 2008 totalled $2.2 million or $0.160 (Cdn $0.17) per common share. Cash dividends paid in the twelve months ended December 31, 2008 totalled $13.7 million or $0.986 (Cdn $1.074) per common share.

The following table summarizes the available cash, accounts receivable, total assets, current liabilities, long-term liabilities and net working capital as of the end of the periods indicated.

	Year Ended December 31, 2008	Year Ended December 31, 2007
Cash and cash equivalents……………………….	$ 3,733	$ 4,983
Accounts receivable……………………………..	8,366	13,861
Total assets…………………………………………	35,583	179,609
Current liabilities……………………………………	3,649	5,357
Long-term liabilities……………………………..	9,868	32,191
Net working capital…………………………………	10,283	14,662

The decrease in accounts receivable at December 31, 2008 compared to December 31, 2007 included a $5.7 million revenue adjustment as the Company experienced difficulties with payments by one of its key third party payors at the Palladium Partnership. The decrease in the long-term liabilities during the same comparison periods was primarily due to the change in fair value of the Class B Units of Northstar Subco held by Ventures.

	4th Q 2008	3rd Q 2008	2nd Q 2008	1st Q 2008	4th Q 2007	3rd Q 2007
Net patient service revenues………………	$ 11,536	$ 9,364	$ 10,926	$ 10,953	$ 13,593	$ 12,508
Net income (loss) and comprehensive income (loss)………………………………..	$ (75,827)	$ (33,371)	$ 2,890	$ 2,102	$ 1,470	$ 322
Net income (loss) per share……………..	$ (5.45)	$ (2.39)	$ 0.21	$ 0.15	$ 0.11	$ 0.02

CONTRACTUAL OBLIGATIONS

The Company leases 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.

The following table outlines the future minimum payments under these operating leases:

Year	Amount
2009	854
2010	867
2011	882
2012	880
2013	675
Thereafter	28
Total	$ 4,186

FINANCIAL INSTRUMENTS

Foreign Exchange Contracts

The Company 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 arise from the payment of dividends on its Common Shares.

As of December 31, 2008, the Company is committed to deliver approximately $0.8 million monthly in exchange for approximately C$0.9 million for the contract period of January 2009 to June 2012; and $0.9 million monthly in exchange for approximately C$0.9 million for the contract period of July 2012 to June 2013 at the following stipulated exchange rates:

Contract Dates	US$ to be delivered (in 000's)	Cdn$ to be received (in 000's)	Cdn$ per US$
January 2009 – June 2012	33,174	36,120	1.0888
July 2012 – December 2012	5,244	5,160	0.9840
January 2013 – June 2013	5,158	5,160	1.0003

The fair value of the Company's foreign currency contracts was a $4.8 million unrealized loss at December 31, 2008. Changes in the fair value during each reporting period are recorded as loss or gain on foreign currency in the consolidated statement of operations.

Ventures has provided collateral in the amount of $5.0 million to secure performance under these contracts.

At the date of record, the Company records a liability based on the amount of U.S. funds required to pay the declared distribution using the Canadian to U.S. dollar foreign exchange spot rate then in effect. When the dividend is paid, the difference between the Canadian to U.S. dollar foreign exchange spot rate and the exchange rate under the Company's currency instruments is recognized as loss or gain on foreign currency. The loss recognized was $0.2 million for the three months ended December 31, 2008 and $0.7 million gain for year ended December 31, 2008.

On September 30, 2008, the Company sold approximately 40% of its existing foreign currency exchange contracts. A gain of $0.7 million was recognized for the three months ended September 30, 2008.

On March 5, 2009, the Company and its subsidiaries, Northstar Healthcare Holdings Inc. ("Northstar Holdco") and Northstar Acquisitions, entered into an agreement (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 Sale and Repurchase Agreement among the parties dated May 17, 2007 (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 internal rate of return of 11.1% per annum on the initial purchase price of the Acquisitions Class A Units plus, if applicable, an additional internal rate of return of 2.0% per annum during each fiscal quarter following the date of the Forbearance Agreement (including, for clarity, the first fiscal quarter of 2009) for which the Existing Event of Default remains outstanding.

RELATED PARTY TRANSACTIONS

Physicians who represent the non-controlling interests in the Northstar Partnerships routinely provide independent professional services directly to patients utilizing the Northstar ASCs. In addition, Donald Kramer, M.D., NHC's co-founder and former CEO and director, owns approximately 18.0% of the Palladium Partnership.

Donald Kramer, M.D., is the sole limited partner of Ventures. Ventures holds all of the Northstar Acquisitions Class B Units. Each Northstar Acquisitions Class B Unit entitles Ventures to receive monthly distributions of cash from Northstar Acquisitions equal to a specified percentage of Northstar Acquisitions' gross management fee revenues (including management fees earned for services earned under the Management and Cost Sharing Agreement between Northstar Acquisitions and the Northstar Partnerships and for services provided to other clients of Northstar Acquisitions), payable after all distributions have been made to the holders of Northstar Acquisitions Preferred Units and Northstar Acquisitions Class A Units. The specified percentage is currently equal to 12.5% and will decrease if Ventures disposes of Northstar Acquisitions Class B Units pursuant to its negotiation right.

Ventures also holds all of the Northstar Subco Class B Units. Each Northstar Subco Class B Unit entitles Ventures to receive monthly distributions of cash from Northstar Subco on a *pari passu* basis with the holders of the Northstar Subco Class A Units except, if the Company's cash available to pay dividends for any month is less than 110% of the initial full monthly dividend, Ventures' distribution from Northstar Subco shall be deferred by the amount of any shortfall.

Ventures, as promoter, received $15.8 million in net proceeds from the initial public offering (including the over-allotment option) and has provided a $5.0 million revolving credit facility to the Company. The credit facility bears interest at the 30 day LIBOR plus 300 basis points, payable monthly. In addition, the Company paid a one-time commitment fee equal to 0.5% of the full amount of the credit facility, and will pay a fee equal to 0.25% per annum on all amounts not drawn on the credit facility. To date, no amounts have been drawn on the credit facility.

Ventures has also provided cash collateral of $5.0 million as required to support the foreign currency arrangement. Ventures received a fee equal to 1.0% of the amount of cash collateral provided at closing of the initial public offering on May 17, 2007. The cash collateral remains the property of Ventures and all income earned thereon is for the benefit of Ventures.

Included in accrued liabilities is $1.7 million related to the deferred Northstar Subco monthly distributions to Ventures. 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, December 2007 and January, February, March and May to December 2008 was less than 110% of the initial full monthly dividends; accordingly, the payment of $1.7 million of the distributions due to Ventures on account of its Northstar Subco Class B Units for those months has been deferred until twelve months following the month of deferral, provided at such time the Company's 12-month trailing cash available for dividends exceeds 110% of the initial full monthly dividend.

The Company provides management services to the Palladium for Surgery - Dallas and River Oaks Pain Management (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. Donald Kramer, M.D., the former CEO and director of the Company owns 95% of The Palladium for Surgery – Dallas. The Managed Centers are managed by the Company pursuant to a management agreement. The management agreements with the Managed Centers provide for a management fee of 10% of net collected revenues.

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 December 31, 2008, The Palladium for Surgery – Dallas had not met the prescribed conditions.

Revenue from management fees represents fees charged to the Managed Centers is based on a percent of collections for managing the center's business operations. The revenue from these fees, included in net patient service revenues, was $0.1 million and $0.4 million for the three and twelve months ended December 31, 2008, respectively.

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

CRITICAL ACCOUNTING ESTIMATES

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

Management estimates are required with respect to the valuation of financial instruments, acquired assets and liabilities, intangible assets, goodwill, accounts receivable, inventories, provisions for potential liabilities, determination of net patient service revenues and income tax provisions.

Net patient service revenues of the Company include amounts for services billed to private insurance carriers, federal and state agencies and patients. Billed revenues are recorded net of the estimated contractual adjustments provided for under the reimbursement practices of the majority of these third party payors. Management establishes the contractual allowance adjustments and allowances for doubtful accounts based on historical payment data, current economic conditions and other pertinent facts for each Northstar ASC. Management reviews and evaluates historical payment data and current economic conditions on a quarterly basis and adjusts its estimates as appropriate.

ADOPTING OF NEW ACCOUNTING STANDARDS AND DEVELOPMENTS

Recent Accounting Pronouncements

On January 31, 2008, the CICA issued a new accounting standard: Handbook Section 3064 Goodwill and Intangible Assets. Section 3064 replaces Handbook Section 3062 Goodwill and Other Intangible Assets and Handbook Section 3450 Research and Development Costs. Section 3064 establishes standards for recognition, measurement

and disclosure of goodwill and intangible assets. Canada's Accounting Standards Board (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. This new standard will be effective for the Company in the first quarter of 2009. The Company is currently evaluating the implications of this new standard.

Section 1582, Business Combinations. This new Section replaces Section 1581 and will be applicable to business combinations for which the acquisition date is on or after the Company's interim and fiscal year beginning January 1, 2011. Early adoption is permitted. This section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The Company is currently evaluating the implications of this new standard.

Section 1601, Consolidated financial statements. These new Sections will be applicable to financial statements relating to the Company's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. This section establishes standards for the preparation of consolidated financial statements. The Company is currently evaluating the implications of this new standard.

Section 1602, Non-Controlling interests. This new Section will be applicable to financial statements relating to the Fund's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. This section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is currently evaluating the implications of this new standard. Section 1601 and 1602 replaced Section 1600, the previous consolidated financial statements section.

In 2008, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards ("IFRS") over a transitional period currently expected to be about five years. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company is currently in the preparation stage for completion of a diagnostic impact assessment and an overall implementation plan by having key management staff educated with the potential requirements and standards through various IFRS training classes and materials. A steering committee comprised of senior management is also established to monitor the progress and assess additional resources needed to facilitate a timely conversion. The management will continue to review all proposed and continuing projects of the International Accounting Standards Board to determine their impact on the Company, and will report a formalized plan by the end of the second quarter in 2009.

Adopting of New Accounting Standards and Developments

Effective January 1, 2008, the Company adopted two new CICA standards related to the disclosure and presentation of financial instruments. Section 3862, Financial Instruments Disclosure and Section 3863, Financial Instruments Presentation, replaced Section 3861 Financial Instruments Disclosure and Presentation. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements.

Effective January 1, 2008, the Company adopted Section 1535, "Capital Disclosures,". This standard establishes standards for disclosing information about a Company's capital and how it is managed in order that a user of the financial statements may evaluate the company's objectives, policies, and processes for managed capital.

Effective January 1, 2008, the Company adopted Section 3031, "Inventories", which is based on International Accounting Standard 2. Under the new standard, inventories are required to be measured at the "lower of cost and net realizable value", which is different from the existing guidance of the "lower of cost and market". The new standard also allows the reversal of any write-downs previously recognized.

Effective January 1, 2008, the Company adopted the amended CICA Handbook Section 1400, "General Standards of Financial Statement Presentation". This revised standard requires management to assess the Company's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The adoption of this revised standard had no impact on the Company's presentation of its financial position.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Internal Controls over Financial Reporting

Disclosure controls and procedures within the Company are designed to provide reasonable assurance that all relevant information required to be disclosed in its annual and interim filings and other reports is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the Northstar management.

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures to provide reasonable assurance that all relevant information required to be disclosed is gathered and reported on a timely basis so that appropriate decisions can be made regarding public disclosure. It should be noted that while the CEO and CFO believe that disclosure controls and procedures can provide a reasonable level of assurance and they are effective, they do not expect that disclosure controls and procedures can prevent all errors and fraud. A control system, no matter how well designed or operated can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

The CEO and CFO have designed such disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared. The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that they are adequate and effective as of December 31, 2008, based on such evaluation.

There has been no material change in the design of the Company's internal control over financial reporting during the three and twelve months ended December 31, 2008, that would materially effect or are reasonably likely to materially affect the Company's internal control over financial reporting.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP focusing in particular on controls over information. Management is responsible for establishing and maintaining adequate internal controls over financial reporting. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute assurance that the objectives of the control system are met. Because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. These weaknesses in internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected on a timely basis.

During the twelve months ended December 31, 2008 the Company made several improvements toward the design of procedures and controls impacting several weaknesses previously identified and engaged independent auditors to test these controls. The improvements include adequate establishment of human capital and management experience and a better information technology and system control. Based on these evaluations and associated improvements, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2008, the Company's disclosure controls and procedures were effective.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. Based on this assessment, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2008, the Company's internal control over financial reporting was effective."

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, the Company is exposed to market risks arising from adverse changes in the C$/US$ foreign currency exchange rate. Market risk is defined for these purposes as the potential change in the fair market value of financial assets and liabilities resulting from an adverse movement in these rates.

After suspending its monthly dividends to the common shares commencing January 12, 2009, the Company will still be obligated to deliver approximately $0.8 million monthly for all of its open forward currency exchange contracts previously entered into between the Canadian dollar and the U.S. dollar. The remaining 54 contracts as of December 31, 2008 include Canadian dollar/U.S. dollar exchange contracts at a rate of US$1 = C$1.0888 until June 2012, US$1 = C$0.9840 for the period from July 2012 until December 2012, and US$1 = C$1.0003 for the period from January 2013 until June 2013.

The effect of a 20.0% strengthening of the Canadian dollar against the U.S. dollar, as of December 31, 2008, on the forward currency swaps carried at that date would, all other variables held constant, have resulted in an increase in pre-tax profit for the year and increase in net assets of $9.4 million. A 20.0% weakening in the exchange rate would, on the same basis, have decreased pre-tax profit and decreased net assets by $6.1 million. The Company is also exposed to currency risk on purchases made from vendors based in Canada. As of December 31, 2008, the Company had trade payables of $0.2 million denominated in Canadian Dollars.

At December 31, 2008, NHC had an unrealized foreign exchange loss of $4.8 million on the open forward currency exchange contracts based on the open spot rate as of December 31, 2008.

RISK FACTORS

Please refer to the risk factors set out in the Company's Annual Information Form, dated March 30, 2009, for a list of the significant risk factors to which the Company is exposed.

OUTSTANDING SHARE DATA

At December 31, 2008, the Company had 13,900,852 Common Shares outstanding and had issued 75,440 shares under the Restricted and Deferred Share Unit Plan.

OUTLOOK

Northstar continues to focus on building its base business and executing key initiatives in an effort to return to its growth path, in spite of a mix of financial and economic challenges. These challenges include immediate threats, such as the current payment dispute with one of its key third party payors and adverse changes in some major private insurance companies' benefit plans, to an unfavorable long term outlook for the local and national economies and capital markets.

On February 9, 2009 NHC announced that the Company's Board of Directors has initiated a process to identify and evaluate strategic alternatives available to maximize shareholder value. In addition, the Board has completed a process of leadership renewal undertaken last September and has appointed Stephen Linehan, a highly experienced healthcare executive, as Chief Executive Officer of the Company.

The strategic review process is being undertaken in response to recent events including the Board's concern for the current valuation of the Company and an indication by Donald Kramer, M.D., founder and former director of the Company, that he and a group of physicians are considering making an offer to purchase all of the outstanding common shares of the Company at a price of $0.95 cdn per share. In light of this latter development, Dr. Kramer tendered his resignation as a director of the Company, which the Board accepted.

Northstar's Board has constituted a committee of independent directors to oversee the Company's process of reviewing strategic alternatives. The committee is comprised of Robert P. Kanee, John Rogers, V. James Sardo,

Barry A. Tissenbaum and Victor A. Wells, each of whom is independent of management. Mr. Kanee will serve as Chair of the committee and Mr. Wells will serve as Vice-Chair.

The independent committee of the Board has engaged Genuity Capital Markets as its financial advisor to assist it with the evaluation of strategic alternatives that may be available to maximize value for the Company and its shareholders. The strategic review will encompass an evaluation of the Company's business plan, growth strategy, market valuation and future prospects, and consider the appropriateness of Northstar's business structure in the current environment, the sale of the Company or its businesses, the recapitalization of the Company, or any other alternatives identified by its advisors. However, the Company emphasizes there can be no assurance that the strategic review process will result in any transaction.

At the center level, the Kirby Partnership recruited a center administrator in December, 2008 while the Palladium Partnership continues its search. Establishment of these key positions will enable NHC to more effectively execute various strategic plans and communicate with its physician partners.

In an effort to stabilize its payor mix, Kirby Partnership signed a multi-year in-network contract with one of the major private insurance companies. The contract went into effect starting January 1, 2009. It provides access to its one million plus members in the Houston metropolitan area and minimizes fluctuation of the reimbursement during the contractual period.

During the three months ended December 31, 2008, the Palladium Partnership experienced significant disruption in its cash flow from one of its key private insurance payors, which led to recording a $5.7 million allowance for doubtful accounts and contributed to the decision to suspend the Company's monthly dividend to its common shareholders starting January 2009. Since then, the Company has been in active communication with the payor to resolve various issues related to the unpaid claims.

Part of the issue with the insurer was related to payments on cases performed by some of the non-partner surgeons under the exclusive use agreement. In response, the Company has temporarily excluded certain payors from the use agreement and, consequently, expects further case volume decline in 2009, in addition to the continuing reduction from the deterioration of the economy.

Based on a study prepared for the U.S. Conference of Mayors, Houston is expected to shed some 43,800 jobs in 2009, which will increase the local unemployment rate from 5.3 percent at the end of 2008 to 6.6 percent at the end of this year. To prepare for all of these challenges, and to reduce the dependence on exclusive use procedures, the Palladium Partnership has begun the process of broadening its physician partners base by planning to recruit three to five new surgeon partners in 2009. Additional measures to restructure the workforce for the expected decline in case volume have also been implemented. No assurances can be made as to the timing and success of this re-syndication.

Unlike the healthcare system in Canada, for-profit private insurance companies in the U.S. represent the second largest healthcare payor after the U.S. government. Management has observed a continuing trend by some insurance companies toward discouraging their members from using out-of-network benefits through an increase in their out-of-network deductible amounts by as much as three times above the previous level. In management's opinion, such economic control inappropriately prevents healthcare users from accessing more efficient and higher quality providers and facilities. While this change has taken place, the health insurance industry has been under state government scrutiny for its reimbursement practices, particularly to the out-of-network providers. To date, the industry has settled with and been fined by several state attorneys general in a total of $415 million related to this systematic underpayment scheme. Part of the fine will go toward building an independent system to assess reimbursement rates without undue pressure from the insurance industry. Management expects the change in the long term will reverse the current decline in the out-of-network payments to a fair value.

On October 15, 2008 the Company implemented a Shareholder Rights Plan Agreement (the "Rights Plan"). The Rights Plan provides a mechanism to ensure that shareholders have adequate time to properly evaluate and assess any future takeover bids without facing undue pressure or coercion. The Rights Plan also provides the Company time to explore alternative transactions in order to maximize shareholder value.

The rights issued under the Rights Plan will become exercisable only if a person, together with his or her affiliates, associates and joint actors acquires or announces the intention to acquire beneficial ownership of the Company's common shares which, when aggregated with current holdings, total 15% or more of Northstar's outstanding common shares, other than a permitted bid, as defined by the Rights Plan.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the consolidated interim financial statements for the twelve months ended December 31, 2008 and the Company's annual information form, is available on SEDAR at www.sedar.com.

June 30, 2009

FORM 52-109F1R
CERTIFICATION OF REFILED ANNUAL FILINGS

This certificate is being filed on the same date that Northstar Healthcare Inc. (the "issuer") has refiled its annual MD&A for the financial year ended December 31, 2008.

I, Steve Linehan, Chief Executive Officer of the issuer, certify the following**:**

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of the issuer for the financial year ended December 31, 2008.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is Internal Control – Integrated Framework (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission.

5.2 ***N/A***

5.3 ***N/A***

6. ***Evaluation:*** The issuer's other certifying officer(s) and I have

   (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

   (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

      (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

(ii) for each material weakness relating to operation existing at the financial year end

(A) a description of the material weakness;

(B) the impact of the material weakness referred to in (ii) on the issuer's financial reporting and its ICFR; and

(C) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness referred to in (ii).

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2008 and ended on December 31, 2008 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: June 30, 2009.

"*Steve Linehan*"
Steve Linehan
Chief Executive Officer

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FORM 52-109F1R
CERTIFICATION OF REFILED ANNUAL FILINGS

This certificate is being filed on the same date that Northstar Healthcare Inc. (the "issuer") has refiled its annual MD&A for the financial year ended December 31, 2008.

I, Kenneth Klein, Chief Financial Officer of the issuer, certify the following**:**

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of the issuer for the financial year ended December 31, 2008.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is Internal Control – Integrated Framework (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission.

5.2 ***N/A***

5.3 ***N/A***

6. ***Evaluation:*** The issuer's other certifying officer(s) and I have

   (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

   (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

      (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

(ii) for each material weakness relating to operation existing at the financial year end

(A) a description of the material weakness;

(B) the impact of the material weakness referred to in (ii) on the issuer's financial reporting and its ICFR; and

(C) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness referred to in (ii).

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2008 and ended on December 31, 2008 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: June 30, 2009.

"*Kenneth Klein*"
Kenneth Klein
Chief Financial Officer

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