INVESQUE INC.

(FORMERLY MAINSTREET HEALTH INVESTMENTS INC.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2017

March 14, 2018

Basis of presentation

Financial data in this Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") is for the year ended December 31, 2017. Financial data has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A is intended to provide readers with an assessment of the performance of Invesque Inc. (the "Company") for the year ended December 31, 2017. This MD&A should be read in conjunction with the audited consolidated financial statements and notes of the Company for the years ended December 31, 2017 and 2016.

Additional information relating to the Company, including the Company's annual information form dated March 29, 2017 (the "2016 AIF") can be found on SEDAR at www.sedar.com.

All financial information is in thousands of U.S. dollars unless otherwise noted.

Forward-looking disclaimer

Certain information in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements (which involve significant risks and uncertainties and should not be read as guarantees of future performance or results) include statements related to, among other things, the expected seniors housing and care industry and demographic trends, acquisitions, development activities, future maintenance and leasing expenditures, financing, the availability of financing sources and income taxes. Management of the Company ("Management") believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements.

Without limiting the foregoing, the words "believe", "expect", "anticipate", "should", "may", "will", "intend", "estimate" and similar expressions identify forward-looking statements.

Factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, general economic conditions, competitive uncertainties and contingencies, demographic and industry trends, legislative and regulatory changes, tax laws and those factors set forth under the heading "Risks and Uncertainties" in this MD&A and 2016 AIF. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions, with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of March 14, 2018 and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Financial Measures not Defined Under IFRS

Certain terms used in this MD&A are performance measures that are not defined by IFRS such as Funds From Operations ("FFO"), Adjusted Funds From Operations ("AFFO"), consolidated income (loss) adjusted for IFRIC 21, fixed charge coverage ratio, payout ratio, earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR"), earnings before interest, income taxes, depreciation, amortization, rent and management fees ("EBITDARM") and any related per share amounts used by the Company to measure, compare and explain the operating results and financial performance of the Company. Such performance measures should not be construed as alternatives to income (loss) and comprehensive income (loss) or cash flows from operating activities calculated in accordance with IFRS. Further, the supplemental measures used by management may not be comparable to similar measures presented by other real estate enterprises. Management believes that these terms are relevant measures in comparing the Company's performance to industry data and assessing it's ability to meet its ongoing obligations.

Business Overview

Invesque Inc. is a corporation continued under the *Business Corporations Act* (British Columbia). Effective January 3, 2018, the Company changed its name from "Mainstreet Health Investments Inc." to "Invesque Inc.". The registered office of the Company is located at 2500 - 700 W Georgia Street, Vancouver, British Columbia V7Y 1B3 and the head office of the Company is located at 333 Bay Street Suite 3400, Toronto, Ontario, M5H 2S7.

The Company is a North American health care real estate company with a growing portfolio of high quality properties located in the United States and Canada and operated by best-in-class health care, senior living and care operators primarily under long-term leases and joint ventures. The Company partners with industry leaders to invest across the health care spectrum. The Company generally owns the land and buildings and leases them to operators on a long-term, triple-net lease basis or has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility. Under a triple-net lease structure, the tenant operators assume the operational risks and expenses associated with operating a seniors housing and care facility on the leased premises. The tenant operators provide and manage the service offerings available at the facilities, deliver all care services and maintain the buildings. As of December 31, 2017, the Company owns a portfolio of 36 properties in the United States comprised of 14 long-term care facilities, 12 memory care and assisted living facilities and 10 transitional care properties. The Company has also entered into a joint arrangement with Autumnwood, which jointly owns the real estate of four seniors housing and care facilities located in the province of Ontario, and through a joint venture, operates each of the respective facilities.

The Company also issues financing for the development and operation of seniors housing and care properties. The development financing is generally secured behind the construction lender by a pledge of equity interests in the developments and, in some instances, a second mortgage position in the real estate. This financing often provides the Company with the right to purchase the development upon its substantial completion at fair market value. These financings provide the Company with an identifiable and actionable pipeline from which to grow the Company organically.

Management believes that certain characteristics of the North American senior housing and care industry provide a significant opportunity to continue to expand the Company's portfolio of properties. These characteristics include favorable demographic trends, increasing demand, stagnant supply of new facilities and a shift of some services from traditional hospitals to post-acute care centers and long-term care facilities. Management also believes that the Company is well-positioned to participate in the sector and capitalize on its projected growth by investing in high quality properties, and partnering with financially and operationally strong tenant operators.

Recent Activities

Recent Acquisitions and Dispositions

The following asset acquisitions and dispositions were completed during the year ended December 31, 2017:

	Ensign Properties	Columbia	Omaha	Houston II	Wichita	Total
Number of properties acquired (disposed):	3	1	1	1	(1)	5
Net assets acquired (disposed):						
Investment properties	$ 38,229	$ 21,420	$ 24,629	$ 22,018	$ (22,761)	$ 83,535
Assumed mortgages	—	(8,781)	(9,925)	(12,514)	—	(31,220)
Mezzanine loan applied against purchase	—	(411)	(965)	(2,661)	—	(4,037)
Working capital balances	—	(1,937)	(1,991)	—	83	(3,845)
	$ 38,229	$ 10,291	$ 11,748	$ 6,843	$ (22,678)	$ 44,433
Consideration paid/funded (received) by:						
Cash	2,229	10,291	11,970	6,843	(22,678)	8,655
Proceeds from mortgage payable	30,000	—	—	—	—	30,000
Proceeds from Secured Revolving Facility	6,000	—	—	—	—	6,000
Development lease funded	—	—	(222)	—	—	(222)
	$ 38,229	$ 10,291	$ 11,748	$ 6,843	$ (22,678)	$ 44,433

On May 10, 2017, a wholly owned subsidiary of the Company acquired three properties (the "Ensign Properties") for a combined purchase price of $38,000 plus transaction costs. One property is located in Glendale, Arizona and provides long term and transitional care services. The other two properties are located in Rosemead, California and primarily provide combined assisted living and transitional care services. Each property is leased to a subsidiary of The Ensign Group, Inc. under a triple net master lease. The Company entered into new mortgage secured by all three Ensign Properties to fund $30,000 of the purchase price. The debt bears interest at a variable rate of LIBOR plus 350 basis points through its maturity date of June 1, 2022. The Company funded the remainder of the purchase with cash on hand and $6,000 in proceeds from the Secured Revolving Facility (as defined below).

On November 28, 2017 the Company purchased three transitional care facilities located in Columbia, Missouri; Omaha, Nebraska and Houston, Texas from Mainstreet LLC for a purchase price of $68,000 plus transaction costs. The Company funded the transaction through a combination of assumed debt, the retirement of the Company's mezzanine loans outstanding on the three properties, cash on hand and equity in the unencumbered Wichita, Kansas property, which was sold concurrently to Mainstreet LLC for $22,775 plus transaction costs. The Company held mezzanine loans on these properties with a total principal and PIK Interest balance of $4,037, which were repaid as a credit towards the combined purchase price at closing.

At the acquisition date, the Omaha, Nebraska property was under development, and the vendor of the property, Mainstreet LLC, agreed to fund payment for two months until rental income commences. The Company recorded a development lease receivable of $222, which reduced the cost of the investment property acquired. The Company has received full payment related to the development lease receivable as of December 31, 2017.

At the acquisition date, the Company assumed a mortgage payable in the amount of $8,781 on the property located in Columbia, Missouri. The mortgage requires interest only payments and bears interest at a variable rate of LIBOR plus 300 basis points through the mortgage's maturity date of December 23, 2018. Subsequent to the assumption of the Columbia, Missouri property mortgage, the Company drew an additional $1,816 as of December 31, 2017 to fund its construction.

At the acquisition date, the Company assumed a mortgage payable in the amount of $9,925 on the property located in Omaha, Nebraska. The mortgage requires interest only payments and bears interest at a variable rate of LIBOR plus 325 basis points through its maturity date of December 31, 2018. Subsequent to the assumption of the Omaha Nebraska property mortgage, the Company drew an additional $2,024 as of December 31, 2017 to fund its construction.

At the acquisition date, the Company assumed a mortgage payable in the amount of $12,514 on the property located in Houston, Texas. The mortgage requires interest only payments and bears interest at a variable rate of LIBOR plus 300 basis points through its maturity date of June 25, 2018.

At the time of closing the Company also assumed $3,870 of liabilities related to the remaining development costs of the properties which was recorded as a construction payable in the consolidated statement of financial position.

Other Recent Activities

On March 3, 2017 the Company filed a base shelf prospectus with the securities regulatory authorities in each of the provinces and territories of Canada. The prospectus is valid for a 25-month period, during which time the Company may offer and issue, from time to time, common shares, preferred shares, debt securities, warrants, subscription receipts and units, or any combination thereof, having an aggregate offering price of $500,000. The intention of the base shelf prospectus is to allow the Company to more quickly access capital when market opportunities permit.

On June 6, 2017 the Company amended the terms of the Facility (as defined below) (the "Facility Recast") to extend the maturity date of the term loan from October 30, 2019 to June 6, 2022 and extend the maturity date of the revolving line of credit from October 31, 2018 to June 6, 2021 with an additional one year extension option. The Facility Recast also increased the total Facility capacity from $285,000 to $300,000. The term loan capacity remained consistent at $200,000 while the revolving line of credit capacity increased from $85,000 to $100,000. The amended Facility also includes an accordion feature that would extend the capacity of the total revolving line of credit, the total term commitment or both, by an aggregate amount of $200,000 bringing the total capacity of the Facility to $500,000.

On December 22, 2017, the Company entered into subscription agreements in respect of the issuance of class A convertible preferred shares to certain funds managed by Magnetar Financial LLC (collectively, "Magnetar") for aggregate gross proceeds of $54,000, to be funded in multiple series. The first series was funded on the day of the agreement resulting in the issuance of 2,802,009 Class A Series 1 Convertible Preferred Shares (the "Series 1 Preferred Shares") for aggregate gross proceeds of $26,500. The second tranche of the private placement closed in February 2018, and the third tranche of the private placement is expected to close by May 31, 2018 (see "*Subsequent Events*" for additional information).

Subsequent Events

On January 10, 2018, a wholly owned subsidiary of the Company acquired a newly constructed transitional care facility located in Lincoln, Nebraska from Mainstreet LLC. The property was acquired for a purchase price of $21,614 plus transaction costs. The acquisition was funded by the assumption of $11,668 in mortgage debt, a $3,756 credit received in satisfaction of a mezzanine loan held by the Company with respect to this property, and available cash on hand.

On January 31, 2018, a wholly owned subsidiary of the Company acquired a newly constructed transitional care facility located in Round Rock, Texas from Mainstreet LLC. The property was acquired for a purchase price of $22,769 plus transaction costs. The acquisition was funded by the assumption of $13,755 in mortgage debt and available cash on hand.

On February 1, 2018, a wholly owned subsidiary of the Company completed the acquisition of Care Investment Trust, LLC ("Care") from Tiptree Inc. This transformative acquisition includes an ownership interest in 42 seniors housing and care properties in the United States. The Care portfolio is comprised of 35 independent living, assisted living and memory care properties, and seven skilled nursing facilities located in 11 states. Of the 42 properties acquired, 24 of the properties are leased to operators under long-term triple-net lease and 18 of the properties are held through joint venture arrangements with seniors housing operators in which the Company owns the majority of the real estate and the operations.

The contractual purchase price of the Company's interest in the Care portfolio was $425,000, subject to working capital adjustments and transaction costs. The purchase price was funded by the assumption of approximately $260,708 in property level indebtedness and the issuance of 16,647,236 common shares at a fixed issuance price of $9.75 per common share. Transaction costs and certain working capital adjustments were settled with available cash on hand. This transaction is expected to be accounted for as a business combination and as a result transaction costs are expensed as incurred. For the year ended December 31, 2017, the consolidated statements of income and comprehensive income includes expense of $2,073 related to this transaction. The Company expects to incur additional expense of approximately $5,672 related to this transaction.

On February 2, 2018, the Company amended the terms of the subscription agreements to increase the amount of the subscription to approximately $71,500. The second series was funded on February 9, 2018, resulting in the issuance of 3,172,086 Class A Series 2 Preferred Shares (the "Series 2 Preferred Shares") for aggregate gross proceeds of $30,000. The third and final series is expected to be funded prior to May 31, 2018 and result in the issuance of 1,586,042 Class A Series 3 Preferred Shares (the "Series 3 Preferred Shares" and together with the Series 1 Preferred Shares and the Series 2 Preferred Shares, the "Preferred Shares") on substantially the same terms as the other series for aggregate gross proceeds of $15,000.

On February 9, 2018, a wholly owned subsidiary of the Company acquired three properties located in Garland, Texas; Grapevine, Texas and McKinney, Texas (together, the "Grand Brook Properties"), respectively, for a combined purchase price of $21,500 plus transaction costs. The acquisition was funded by cash on hand and $17,024 in proceeds from the Secured Revolving Facility.

On February 23, 2018, the Company purchased two transitional care facilities located in San Antonio, Texas and Webster, Texas from Mainstreet, LLC for a combined purchase price of $51,967 plus transaction costs. This transaction was funded through the assumption of $25,705 of mortgages payable, the retirement of the Company's mezzanine loan outstanding on the Webster, Texas property of $2,697 and cash on hand. At the time of closing the Company also assumed $5,819 of liabilities related to the remaining development costs of the properties which will be funded through future draws on the mortgages payable.

On March 2, 2018, the Company announced it had entered into an arrangement agreement ("Arrangement Agreement") with Mohawk Medical Properties Real Estate Investment Trust and its subsidiary, Mohawk Medical Operating Partnership (I) LP (collectively, "Mohawk REIT") to acquire all of the outstanding units of Mohawk REIT, for approximately CAD$177,740, subject to certain adjustments. Mohawk REIT owns 14 multi-tenant medical office buildings located in seven markets throughout Canada and the United States. Upon closing, Mohawk Realty Advisors Ltd. and its affiliates will continue to provide asset and property management for the properties. The acquisition is expected to be funded through a combination of new debt, cash on hand, and an issuance of the Company's common shares at a fixed price of $9.75 per share.

Selected Financial Information

(dollar amounts in thousands of U.S. Dollars, except per share amounts)	As at December 31,		
	2017	2016	2015
Investment properties	40	35	10
Weighted average lease term to maturity (excludes renewal options)	13.3 years	13.9 years	14.8 years
Weighted average facility age	11.5 years	11.7 years	16.1 years
Total assets	$ 785,005	$ 677,719	$ 279,053
Total indebtedness	$ 428,377	$ 356,220	$ 144,692
Debt to total assets %	54.6%	52.6%	51.9%
Weighted average interest rate [(1)]	4.6%	4.2%	3.2%

	Year ended December 31, 2017	Year ended December 31, 2016	Period from October 7, 2015 to December 31, 2015
Revenue	$ 68,066	$ 40,865	$ 5,107
Finance costs	$ 20,117	$ 13,967	$ 2,808
General and administrative expenses	$ 8,565	$ 5,178	$ 1,266
Net income (loss)	$ 16,263	$ 4,877	$ (5,755)
Total comprehensive income	$ 17,521	$ 4,806	$ (5,755)
Net income per share	$ 0.50	$ 0.30	$ (2.78)
Diluted net income per share	$ 0.50	$ 0.30	$ (2.78)
Funds from operations (FFO) [(3)]	$ 28,188	$ 14,736	$ 190
FFO per share [(3) (4)]	$ 0.87	$ 0.91	$ 0.09
Diluted FFO per share [(3) (4)]	$ 0.85	$ 0.90	$ 0.09
Adjusted funds from operations (AFFO) [(3)]	$ 30,920	$ 19,571	$ 1,574
AFFO per share [(3) (4)]	$ 0.96	$ 1.21	$ 0.76
Diluted AFFO per share [(3) (4)]	$ 0.91	$ 1.20	$ 0.76
Common share dividends declared	$ 23,791	$ 11,739	$ —
Dividends declared per share	$ 0.73668	$ 0.42563	$ —
Payout ratio [(2)]	77%	60%	—%

(1) The Company's weighted average interest rates as at December 31, 2017, 2016 and 2015 includes $227,070, $200,000 and $147,015, respectively, of the Company's debt that is fixed with interest rate swaps.

(2) Payout ratio is a financial measure not defined under IFRS. Payout ratio is calculated by dividing the common share dividends declared by AFFO. The Company made its first monthly dividend declaration for the period beginning June 2, 2016.

(3) FFO and AFFO, and related per share amounts, are financial measures not defined under IFRS. Please refer to the "Financial Measures not Defined Under IFRS" section of this MD&A.

(4) The year ended December 31, 2016 and the period from October 7, 2015 to December 31, 2015 do not provide a normalized basis on which FFO or AFFO per share should be evaluated due to the Reverse Takeover, the June 2016 Offering and the timing of the property acquisitions.

While the Company believes per share measures to be an effective means of evaluating performance, net income and comprehensive income per share, FFO per share and AFFO per share for the twelve month period ended December 31, 2016 do not provide a normalized basis on which per share amounts should be evaluated due to the Company's reverse takeover transaction that closed on April 4, 2016 (the "Reverse Takeover"), the offering of common shares on June 2, 2016 (the "June 2016 Offering"), and the timing of the 2016 property acquisitions.

Results of Operations - Three and Twelve Months Ended December 31, 2017
(unless otherwise stated, amounts are in thousands of U.S. dollars)

Revenue

	Three months ended December 31,		Years ended December 31,	
	2017	2016	2017	2016
Cash rentals received	$ 12,170	$ 9,154	$ 45,372	$ 28,895
Straight-line rent adjustments	1,666	1,279	5,982	4,224
Property tax recoveries	2,252	2,164	8,834	6,317
	16,088	12,597	60,188	39,436
Lease revenue from joint ventures	737	455	2,887	455
Other income	981	797	4,991	974
Total revenue	$ 17,806	$ 13,849	$ 68,066	$ 40,865

Cash rentals received and straight-line rent adjustments relate to lease agreements pursuant to which the Company leases its income properties to its tenants. Property tax recovery represents the revenue recognized for the real estate taxes for which the tenants are primarily responsible to pay. The increase in rental revenues is primarily due to additional properties acquired and annual rent escalators. Rental revenues for the year ended December 31, 2017 include revenue from 36 income properties, whereas rental revenues for the year ended December 31, 2016 include revenues from 28 income properties.

Lease revenue from joint ventures represents revenue earned under lease arrangements with four operating entities which are jointly owned by the Company. Other income relates to interest income earned on outstanding loans receivable as well as, for the twelve month period, $750 of income related to security deposits forfeited during the quarter ended June 30, 2017.

Finance Costs

Finance costs consist of the following:

	Three months ended December 31,		Years ended December 31,	
	2017	2016	2017	2016
Interest expense on credit facilities	$ 2,800	$ 1,937	$ 10,337	$ 6,179
Interest expense on mortgages payable	1,606	633	4,822	1,217
Interest expense on notes payable	—	—	—	72
Interest expense on convertible debentures	562	94	2,250	4,715
Preferred share dividends	—	—	—	83
Amortization and accretion expense	561	336	2,345	887
Interest rate swap payments	5	258	374	999
Write off of MTM adjustment on refinanced debt	—	(609)	—	(609)
Non-cash write-off of deferred financing costs from refinancing	—	287	—	287
Yield maintenance premium on refinanced debt	—	919	—	919
Amortization of mark-to-market debt adjustments	(3)	(88)	(11)	(115)
Fair value gain on subscription receipts	—	(667)	—	(667)
	$ 5,531	$ 3,100	$ 20,117	$ 13,967

Finance costs are primarily related to interest and amortization on the Company's credit facilities and mortgages payable. Interest expense increased in the year ended December 31, 2017 compared to prior period due primarily to additional debt incurred associated with the assets acquired in the fourth fiscal quarter of 2016 and second fiscal quarter of 2017. A portion of the increase is also attributable to increases in the one month LIBOR rate, which has an impact on the Company's variable rate debt. Additionally, the Company refinanced several mortgages during the year to longer term instruments, which are at slightly higher rates in the short term, but are at fixed rates through their respective terms.

Interest expense on convertible debentures for the twelve months ended December 31, 2016 was primarily related to the 2015 Convertible Debentures, which were repaid in full on June 2, 2016. Interest expense on convertible debentures for the year ended December 31, 2017 consisted of interest on the 2016 Convertible Debentures (as defined below).

Real Estate Tax Expense & Change in Value of Investment Properties - IFRIC 21

Real estate tax (income) expense was ($11) and $8,763 for the three and twelve month periods ended December 31, 2017, respectively (three and twelve month periods ended December 31, 2016 - $397 and $5,044, respectively), which represents property tax expensed for the year for properties owned on the tax assessment date (generally January 1), in accordance with the provisions of *IFRIC 21, Levies*. Real estate taxes resulted in income during the three months ended December 31, 2017 due to adjustments made to prior estimates as actual invoices were received. Real estate tax are recovered from the Company's tenants under the provisions of their triple net leases.

The following table presents real estate tax expense and change in value of investment property - IFRIC 21 together with real estate tax recoveries to show the net effect of real estate taxes on the Company's consolidated statements of income and comprehensive income for the periods presented.

	Three months ended December 31,		Years ended December 31,	
	2017	2016	2017	2016
Property tax recoveries	$ 2,252	$ 2,164	$ 8,834	$ 6,317
Real estate tax income (expense)	11	(397)	(8,763)	(5,044)
Change in value of investment properties - IFRIC 21	(2,255)	(1,767)	(309)	(1,299)
	$ 8	$ —	$ (238)	$ (26)

General and Administrative Expense

General and administrative expense consists of the following:

	Three months ended December 31,		Years ended December 31,	
	2017	2016	2017	2016
Compensation and benefits	$ 899	$ 1,296	$ 3,333	$ 1,580
Management and administrative fees	67	159	270	896
Professional fees	396	290	1,942	1,044
Deferred share compensation	315	143	1,614	352
Loss on currency conversion	9	41	3	41
Listing expense	—	—	—	700
Diligence costs for transactions not pursued	—	22	491	22
Other	242	164	912	543
	$ 1,928	$ 2,115	$ 8,565	$ 5,178

Compensation and benefits expense includes the cost of salaries, bonuses and benefits during the period. The prior year expense include cost of salaries, bonuses and benefits for five direct employees of the Company beginning April 1, 2016 as

well as expense as a result of the internalization of management on November 1, 2016, the current year compensation and benefits expense increased compared to the prior year as a result of this internalization of management.

Management and administrative fees include amounts paid to Mainstreet Asset Management, Inc. ("MAMI") for services provided under the First Asset Management Agreement (as defined below) from January 1, 2016 to April 3, 2016, the Second Asset Management Agreement (as defined below) from April 4, 2016 to October 31, 2016 and under the administrative services agreement from November 1, 2016 to December 31, 2016 and for the year ended December 31, 2017.

Professional fees is comprised of costs incurred for external legal counsel, accounting fees and other professional services. The increase in professional fees for the year ended December 31, 2017 as compared to the prior year is primarily due to an increase in services provided due to growth in the Company and the level of service required subsequent to the internalization of management on November 1, 2016.

Deferred share compensation for the prior year ended December 31, 2016 relates to a grant of shares made on June 2, 2016. The expense for the year ended December 31, 2017 increased over the prior year due to a full year of expense for the June 2, 2016 grant as well as expense associated with employee grants made after June 2, 2016. There was additional expense associated with a separation agreement entered into between the Company and its former chief executive officer. In addition, during the fourth quarter of 2017, the Company issued a service provider $100 of deferred shares in satisfaction of an outstanding invoice.

The listing expense is a non-cash listing expense recorded in connection with the June 2016 Offering.

Diligence costs for transactions not pursued during the three and twelve months ended December 31, 2017 include expenses related to the evaluation of investment opportunities that did not result in a purchase transaction. These costs were primarily incurred during the quarter ended September 30, 2017, and were the result of the Company's pursuit of a significant investment, which the Company ultimately decided was not in the best interest of its shareholders.

Other general and administrative expense primarily includes the cost of insurance, fees earned by directors of the Company, travel and entertainment expense, investor relations and marketing. The increase as compared to the prior year is primarily due to growth associated with additional properties owned and expenses associated with the rebranding of the Company due to the name change effective January 3, 2018.

Transaction Costs for Business Combination

Transaction costs for business combination for the three and twelve months ended December 31, 2017 include transactions cost incurred in 2017 related to the acquisition of Care on February 1, 2018. These costs related primarily to legal expenses, opinion fees and appraisal costs.

Change in Value of Investment Properties

The change in value of investment properties was a decrease of $10,111 and $8,846 for the three and twelve month periods ended December 31, 2017, respectively. The change in value is primarily due to an adjustment to record investment properties at fair value based on the Company's estimate of fair value using level 3 inputs as of December 31, 2017. This was partially offset by an adjustment to offset the impact of the increase in straight-line rent receivable.

Change in Value of Financial Instruments

Change in value of financial instruments is comprised of changes in the Company's interest rate swap agreements and changes in the value of the income support receivable. For the twelve month period ended December 31, 2017, the Company recognized income of $1,107 related to the value of the income support receivable. In July 2017, the Company entered lease agreements on the remaining unleased properties and the Income Support Agreement (as defined below) was terminated. Rent for the properties commenced on July 15, 2017. There was no activity related to the income support receivable in the three months ended December 31, 2017. There were no changes in fair value of income support receivable recognized in the consolidated statements of income (loss) and comprehensive income (loss) during the comparable prior year periods.

For the three and twelve month periods ended December 31, 2017, the Company recorded income of $1,201 and $1,185, respectively, in the value of interest rate swaps. The Company recorded income related to the value of interest rate swaps in the prior year three and twelve month periods ended December 31, 2016 of $3,206 and $1,543, respectively. These changes

represent the fair value adjustments during the period and reflect the impact of increased market interest rates. The interest rate swaps are not designated as hedges and are marked to fair value each reporting period.

Income Tax Expense

For the Canadian and U.S. corporate subsidiaries of the Company, income tax expense is comprised of current and deferred tax. Certain of the Company's subsidiaries are limited partnerships, and are accordingly not subject to income tax. Taxable income or loss of the partnerships is allocated to their partners.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

For the three and twelve month periods ended December 31, 2017 the Company had current income tax expense of $23 and $51, respectively (three and twelve month periods ended December 31, 2016 - NIL). The Company anticipates that future current income tax expense will result from distributions from its U.S. subsidiaries to the Canadian corporation, which will be subject to a 5% withholding tax. No such distributions were made during the periods presented.

Cash Flow Analysis

	Years ended December 31,	
	2017	2016
Cash provided by operating activities	$ 40,814	$ 9,240
Cash provided by financing activities	40,188	257,616
Cash used in investing activities	(75,695)	(266,394)
Increase in cash and cash equivalents	$ 5,307	$ 462

Cash Provided by Operating Activities

Cash provided by operating activities for the twelve months ended December 31, 2017 increased over the comparable prior year period primarily due to twelve months of operating activity in the current year, which included acquisitions made throughout 2017. Also, cash from operating activities includes the net impact of operating cash flows of acquisitions made and loans receivable issued during the current year. The change in cash provided by operating activities was also impacted by changes in working capital balances and security deposits received.

Cash Provided by Financing Activities

Cash provided by financing activities for the twelve month period ended December 31, 2017 was $40,188 as compared to cash provided by financing activities of $257,616 in the prior year period. The current period cash provided by financing activities was primarily driven by net proceeds from credit facility and mortgage activity and proceeds from the issuance of the Series 1 Preferred Shares in December 2017. These proceeds were offset by debt issuance costs incurred associated with new and refinanced mortgages, property acquisitions and the Facility Recast. In addition, the Company paid dividends of $23,414 during the period.

Financing costs provided in the twelve month period ended December 31, 2016 included $169,962 of proceeds from the issuance of shares, net of issuance costs. It also included net proceeds from credit facilities and mortgages payable of $56,859, proceeds from issuance of convertible debentures of $42,762, the net repayment of notes payable of $2,500 and dividends paid of $9,711.

Cash Used in Investing Activities

Cash used in investing activities for the twelve months ended December 31, 2017 was $75,695. This was primarily due to $77,359 used for properties acquired in May 2017 and November 2017 and capital expenditures made during the year. In addition, the Company issued loans receivable for $20,925, received $9,629 as repayment of mezzanine loans receivable and paid construction payables of $9,214.

For the twelve months ended December 31, 2016, the Company used $220,938 in the acquisition of properties and capital expenditures. In addition, the Company issued mezzanine loans for $38,452, paid construction payables of $6,087, and made investments in joint ventures of $917.

Reconciliation of Consolidated Statements of Income (Loss)

Consolidated income (loss) as adjusted for IFRIC 21 is a non-IFRS measure representing the adjustment of property tax expense on all investment properties located in the United States, based on the period of ownership throughout the period presented. Consolidated income (loss) adjusted for IFRIC 21 does not have any standardized meaning proscribed by IFRS.

The following tables provide a reconciliation from the Company's consolidated statements of income (loss) and comprehensive income (loss) prepared in accordance with IFRS to consolidated income (loss), adjusted for IFRIC 21, as described above, for the affected reporting periods presented.

Year ended December 31, 2017	Consolidated statements of income (loss) and comprehensive income (loss)	IFRIC 21 property tax adjustment	Consolidated income (loss) adjusted for IFRIC 21
Revenue:			
Cash rentals received	$ 45,372	$ —	$ 45,372
Straight-line rent adjustments	5,982	—	5,982
Property tax recoveries	8,834	—	8,834
Lease revenue from joint ventures	2,887	—	2,887
Other income	4,991	—	4,991
	68,066	—	68,066
Expenses (income):			
Finance costs	20,117	—	20,117
Real estate tax expense	8,763	309	9,072
General and administrative expenses	8,565	—	8,565
Transaction costs for business combination	2,073		2,073
Change in value of investment properties - IFRIC 21	309	(309)	—
Change in value of investment properties	8,846	—	8,846
Change in value of financial instruments	(2,292)	—	(2,292)
Income before income taxes	21,685	—	21,685
Income tax expense:			
Deferred	5,371	—	5,371
Current	51	—	51
Net income (loss)	$ 16,263	$ —	$ 16,263

Three months ended December 31, 2017	Consolidated statements of income (loss) and comprehensive income (loss)	IFRIC 21 property tax adjustment	Consolidated income (loss) adjusted for IFRIC 21
Revenue:			
Cash rentals received	$ 12,170	$ —	$ 12,170
Straight-line rent adjustments	1,666	—	1,666
Property tax recoveries	2,252	—	2,252
Lease revenue from joint ventures	737	—	737
Other income	981	—	981
	17,806	—	17,806
Expenses (income):			
Finance costs	5,531	—	5,531
Real estate tax expense	(11)	2,255	2,244
General and administrative expenses	1,928	—	1,928
Transaction costs for business combination	2,073	—	2,073
Change in value of investment properties - IFRIC 21	2,255	(2,255)	—
Change in value of investment properties	10,111	—	10,111
Change in value of financial instruments	(1,201)	—	(1,201)
Income before income taxes	(2,880)	—	(2,880)
Income tax expense:			
Deferred	(4,906)	—	(4,906)
Current	23	—	23
Net income (loss)	$ 2,003	$ —	$ 2,003

Year ended December 31, 2016	Consolidated statements of income (loss) and comprehensive income (loss)	IFRIC 21 property tax adjustment	Consolidated income (loss) adjusted for IFRIC 21
Revenue:			
Cash rentals received	$ 28,895	$ —	$ 28,895
Straight-line rent adjustments	4,224	—	4,224
Property tax recoveries	6,317	—	6,317
Lease revenue from joint ventures	455	—	455
Other income	974	—	974
	40,865	—	40,865
Expenses (income):			
Finance costs	13,967	—	13,967
Real estate tax expense	5,044	1,299	6,343
General and administrative expenses	5,178	—	5,178
Transaction costs for business combination	—	—	—
Change in value of investment properties - IFRIC 21	1,299	(1,299)	—
Change in value of investment properties	6,507	—	6,507
Change in value of financial instruments	(1,543)	—	(1,543)
Income before income taxes	10,413	—	10,413
Income tax expense:			
Deferred	5,536	—	5,536
Current	—	—	—
Net income (loss)	$ 4,877	$ —	$ 4,877

Three months ended December 31, 2016	Consolidated statements of income (loss) and comprehensive income (loss)	IFRIC 21 property tax adjustment	Consolidated income (loss) adjusted for IFRIC 21
Revenue:			
Cash rentals received	$ 9,154	$ —	$ 9,154
Straight-line rent adjustments	1,279	—	1,279
Property tax recoveries	2,164	—	2,164
Lease revenue from joint ventures	455	—	455
Other income	797	—	797
	13,849	—	13,849
Expenses (income):			
Finance costs	3,100	—	3,100
Real estate tax expense	397	1,767	2,164
General and administrative expenses	2,115	—	2,115
Transaction costs for business combination	—	—	—
Change in value of investment properties - IFRIC 21	1,767	(1,767)	—
Change in value of investment properties	621	—	621
Change in value of financial instruments	(3,206)	—	(3,206)
Income before income taxes	9,055	—	9,055
Income tax expense:			
Deferred	3,916	—	3,916
Current	—	—	—
Net income (loss)	$ 5,139	$ —	$ 5,139

Financial Position

Total assets of $785,005 are primarily comprised of $721,991 of investment properties, which represents the fair market value of the Company's portfolio of properties including capital expenditures during the year ended December 31, 2017. Cash on hand at December 31, 2017 was $12,958, other assets were $1,182, and total loans receivable were $36,431. Other assets primarily consists of $548 of prepaid acquisition costs, $217 of deposits paid on future acquisitions, $328 of prepaid expense and $89 of other costs. Tenant and other receivables of $7,564 is primarily comprised of real estate tax and rent receivables. The loans receivable balance primarily relates to the issuance of loans for the development of seniors housing and care properties in the United States and Canada. The Company's derivative asset balance of $2,827 represents the fair market value of interest rate swap agreements that are an asset to the Company.

Total liabilities of $465,621 includes current liabilities of $75,663 and non-current liabilities of $389,958. The current liabilities include $8,056 of real estate taxes payable, of which $510 relates to the period prior to the Company's ownership of the respective properties, and for which cash consideration was provided by the seller at closing, and $7,546 of which relates to real estate tax liabilities. Accounts payable and accrued liabilities represents $5,400 of the balance in current liabilities. In addition, current liabilities includes $52,351 representing the current portion of mortgages payable, net of loan fees, $5,958 representing the current balance outstanding on the credit facilities, net of loan fees, $1,097 in construction payables and $1,987 to record a dividend payable. Non-current liabilities include $117,158 representing the non-current portion of mortgages payable, net of loan fees, $210,974 representing the non-current balance outstanding on the credit facilities, net of loan fees, and a $10,291 deferred tax liability. Other non-current liabilities of $9,500 primarily consists of security deposits received from tenants and a liability related deferred shares granted under the Company's deferred share incentive plan.

Summary of Quarterly Results

The following table summarizes the Company's quarterly unaudited financial information from January 1, 2016 through December 31, 2017:

	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended June 30, 2017	Three months ended March 31, 2017	Three months ended December 31, 2016	Three months ended September 30, 2016	Three months ended June 30, 2016	Three months ended March 31, 2016
Revenue	$ 17,806	$ 17,542	$ 17,196	$ 15,522	$ 13,849	$ 11,037	$ 8,625	$ 7,354
Finance costs	5,531	5,355	4,885	4,346	3,100	2,396	4,030	4,441
Real estate tax expense (income)	(11)	430	485	7,859	397	26	—	4,621
General and administrative expenses	1,928	2,166	2,084	2,387	2,115	955	1,396	492
Change in value of investment properties - IFRIC 21	2,255	1,865	2,043	(5,854)	1,767	1,614	1,384	(3,466)
Change in value of investment properties	10,111	374	(1,692)	53	622	3,292	1,772	822
Change in value of financial instruments	(1,201)	(155)	1,249	(2,185)	(3,206)	(1,003)	816	1,850
Deferred income tax expense	(4,906)	2,936	3,408	3,933	3,916	1,620	—	—
Current income tax expense	23	—	28	—	—	—	—	—
Net income (loss)	2,003	4,571	4,706	4,983	5,138	2,137	(773)	(1,406)
Income (loss) per share: Basic	$ 0.06	$ 0.14	$ 0.15	$ 0.15	$ 0.17	$ 0.09	$ (0.09)	$ (0.68)
Income (loss) per share: Diluted	$ 0.06	$ 0.14	$ 0.15	$ 0.15	$ 0.17	$ 0.09	$ (0.09)	$ (0.68)
Funds from operations [(1)]	6,007	7,726	7,671	6,784	5,803	6,046	1,815	1,266
Funds from operations per share: Basic [(1)]	$ 0.19	$ 0.24	$ 0.24	$ 0.21	$ 0.20	$ 0.25	[(2)]	[(2)]
Funds from operations per share: Diluted [(1)]	$ 0.18	$ 0.23	$ 0.23	$ 0.20	$ 0.19	$ 0.25	[(2)]	[(2)]
Adjusted funds from operations [(1)]	7,509	7,062	8,278	8,071	7,149	5,511	3,848	3,321
Adjusted funds from operations per share: Basic [(1)]	$ 0.23	$ 0.22	$ 0.26	$ 0.25	$ 0.24	$ 0.23	[(2)]	[(2)]
Adjusted funds from operations per share: Diluted [(1)]	$ 0.22	$ 0.21	$ 0.24	$ 0.24	$ 0.24	$ 0.23	[(2)]	[(2)]

(1) Funds from operations and adjusted funds from operations, and related per share amounts, are supplemental measures which are not defined by IFRS, see *Financial Measures not Defined Under IFRS.*

(2) The three months ended June 30, 2016 and March 31, 2016 do not provide a normalized basis on which FFO or AFFO per share should be evaluated due to the Reverse Takeover, the June 2016 Offering and the timing of the property acquisitions. Accordingly, we have not included per share values.

The Company's results for the past eight quarters have primarily been affected by the Reverse Takeover, the June 2016 Offering, the timing of additional property acquisitions subsequent to the June 2016 Offering and changes in the fair value of investment properties and financial instruments. Refer to the "Recent Activities" section of this MD&A for details of the timing of property acquisitions.

Liquidity and Capital Resources

The Company's objectives when managing capital are to ensure sufficient liquidity to pursue its organic growth combined with strategic acquisitions, and to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk while preserving the ability to meet financial obligations.

The capital of the Company consists of mortgages payable, the credit facilities, convertible debentures and shareholders' equity.

The Company expects to meet its working capital requirements with respect to accounts payable and accrued liabilities, construction payable and dividends payable through cash on hand and operating cash flows. The balance of accrued real estate taxes will be paid by the Company's tenants under our triple net lease structure, except for $510 that relates to the period prior to the Company's ownership of the respective properties, and for which cash consideration was provided by the seller at closing. As at December 31, 2017, current liabilities totaled $75,663, exceeding current assets of $33,150, resulting in a working capital deficiency of $42,513. The Company expects to be able to meet all of its obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from operations, (ii) credit facilities, under which $23,976 was available as at December 31, 2017, (iii) property specific mortgages, (iv) issuance of Preferred Shares and (v) subject to market conditions, the issuance of common shares.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets, as well as with consideration of externally imposed capital requirements. In managing its capital structure, the Company monitors performance throughout the period to ensure working capital requirements are funded from operations, available cash on deposit and available financing. The Company may make changes to its capital structure in order to support the broader corporate strategy or in light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue equity or new debt, issue new debt with different characteristics to replace existing debt, or reduce the amount of existing debt. On March 3, 2017 the Company filed a base shelf prospectus with the securities regulatory authorities in each of the provinces and territories of Canada with the intention of allowing the Company to more quickly access capital when market opportunities permit.

The real estate industry is capital-intensive by nature. As a result, debt capital is an important aspect in managing the business. In addition, financial leverage is used to enhance terms from purchased real estate. The Company actively monitors debt maturities and available debt financing options.

Preferred Equity

On December 22, 2017, the Company entered into subscription agreements in respect of the issuance of class A convertible preferred shares to Magnetar for aggregate gross proceeds of $54,000, to be funded in multiple series. The first series was funded on the day of the agreement resulting in the issuance of 2,802,009 Series 1 Preferred Shares for aggregate gross proceeds of $26,500.

On February 2, 2018, the Company amended the terms of the subscription agreements to, among other things, increase the amount of the subscription to approximately $71,500. The second series was funded on February 9, 2018, resulting in the issuance of 3,172,086 Series 2 Preferred Shares for aggregate gross proceeds of $30,000. The third series is expected to be funded prior to May 31, 2018 and result in the issuance of 1,586,042 Series 3 Preferred Shares on substantially the same terms as the other series for aggregate gross proceeds of $15,000.

The Preferred Shares are non-voting and are initially convertible into common shares of the Company on a one-for-one basis at the option of the holder based on an initial liquidation preference and a conversion price of $9.75. The Series 1 Preferred Shares are also convertible at the option of the Company in certain circumstances, and the Company has agreed to deliver to an undertaking to the Toronto Stock Exchange not to covert the Series 1 Preferred Shares at a conversion price below $6.00. The Preferred Shares were (or in the case of the Series 3 Preferred Shares, are expected to be) issued at a price per share equal to the initial liquidation preference of $9.75, subject to a 3% discount. Following issuance, the liquidation preference of the Preferred Shares accrues at a rate of 5.65% per annum, compounded quarterly, increasing the number of common shares into which each Preferred Share is convertible at the fixed rate, and is subject to further adjustments in certain circumstances.

Debt Strategy and Indebtedness

Debt Strategy

The Company seeks to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account availability of financing and market conditions and the financial characteristics of the properties. The Company utilizes conventional property-specific secured mortgages and secured floating rate bank financing, as well as unsecured and non-recourse financing. Management's objectives are to access the lowest cost debt with flexible terms, to diversify the Company's lender base, to have a large portion of debt be of fixed rate, and to have a debt maturity schedule spread over a time horizon in order to effectively manage interest rate risk and to be in a position to finance the Company within its target debt levels when investment opportunities are available. Management monitors the Company's debt by reviewing debt to total assets ratio, interest coverage ratio, debt maturity schedule, and the ratio of fixed versus floating rate debt. Over the long-term, the Company strives to have a portfolio average years to maturity of 5-8 years. The Company targets a long-term debt level of 50-55% of total assets, for 70-85% of its debt to be of fixed rate and for a fixed charge coverage ratio to be a minimum of 1.75.

To manage interest rate risk, the Company may enter into interest rate swap agreements from time to time. On November 30, 2016, the Company increased the principal amount of an existing interest rate swap agreement from $147,015 to $200,000, the amount outstanding on the term loan, effectively fixing the LIBOR rate at 1.16% through October 30, 2019. On April 15, 2017, the Company entered into two interest rate swap agreements with principal amounts corresponding with the outstanding balance on two variable rate mortgages payable with the same interest rate and term. The interest rate swap agreements fix the interest rate on each of the two mortgages at 4.55% through their maturity on March 15, 2024. The Company does not designate its interest rate swaps as hedges and they are marked to fair value each reporting period through finance cost in the consolidated statements of income and other comprehensive income.

Indebtedness

	Principal Amount	Weighted Average Interest Rate	Years to Maturity
Fixed Rate Indebtedness			
Term loan	$ 200,000	4.4% [1]	4.4
Mortgages payable	85,646	4.5% [1]	8.3
2016 Convertible Debentures	45,000	5.0%	4.1
	330,646	4.5%	5.4
Variable Rate Indebtedness			
Revolver	14,895	4.8%	3.4
Secured Revolving Facility	6,000	7.0%	0.2
Mortgages payable	85,022	4.7%	2.2
	105,917	4.8%	2.3
Total Indebtedness	$ 436,563	4.6%	4.6
Less loan fees and issue costs, net of amortization and accretion	(6,795)		
Equity component of convertible debentures, excluding issue costs and taxes	(1,648)		
Mark-to-market adjustment, net	257		
Carrying amount	$ 428,377		

(1) Weighted average interest rates as at December 31, 2017 includes debt that is fixed with interest rate swaps.

2016 Convertible Debentures

On December 16, 2016, the Company issued $45,000 aggregate principal amount of convertible unsecured subordinated debentures (the "2016 Convertible Debentures"). The 2016 Convertible Debentures are due on January 31, 2022 and bear interest at an annual rate of 5.00% payable semi-annually in arrears on July 31 and January 31 of each year which commenced on July 31, 2017.

Debt to Total Assets

Debt to total assets is calculated by dividing the total indebtedness, net of loan costs, by the total assets of the Company. At December 31, 2017, the Company's total consolidated indebtedness is approximately $428,377, which represents approximately 54.6% of total assets. Excluding the convertible debentures, total consolidated indebtedness is approximately $386,441, which is 49.2% of total assets. Fixed rate debt represents approximately 75.7% of the Company's gross total indebtedness.

Fixed Charge Coverage Ratio

The Company's fixed charge coverage ratio is calculated by dividing earnings before interest, taxes, depreciation and amortization by certain fixed charges comprised of interest expense payable in cash, regularly scheduled principal payments and preferred dividends paid. For the year ended December 31, 2017 the fixed charge coverage ratio of the Company is 2.18.

Repayment Summary

Management attempts to stagger the maturity of the Company's fixed rate debt with the objective of achieving a distribution of maturities over a time horizon. This strategy reduces the Company's exposure to interest rate fluctuations on its fixed rate debt in any one period and reduces liquidity risk. From time to time, the Company will assume existing debt upon the acquisition of income properties, and the maturity of such debt may not fit within the overall target debt maturity profile of the Company.

Contractual Commitments

A summary of future contractual commitments as at December 31, 2017, including expected interest payments, is as follows:

	Total	2018	2019	2020	2021	2022	Thereafter
Credit facilities	$ 263,396	$ 15,856	$ 9,793	$ 9,820	$ 24,133	$ 203,794	$ —
Mortgages payable	206,474	59,175	11,925	7,641	7,630	38,852	81,251
Convertible debentures	55,125	2,250	2,250	2,250	2,250	46,125	—
Accounts payable and accrued liabilities	5,400	5,400	—	—	—	—	—
Accrued real estate taxes	8,056	8,056	—	—	—	—	—
Construction payable	1,097	1,097	—	—	—	—	—
Dividends payable	1,987	1,987	—	—	—	—	—
Other non-current liabilities	9,500	751	185	160	—	—	8,404
Purchase commitments	59,570	59,570		—	—	—	—
Total Commitments	$ 610,605	$ 154,142	$ 24,153	$ 19,871	$ 34,013	$ 288,771	$ 89,655

Credit facilities is comprised of the Company's credit facility (the "Facility") entered into on October 31, 2015, as amended on June 6, 2017 and a secured revolving credit facility entered into on February 24, 2017 (the "Secured Revolving Facility"). The credit facilities combined have an outstanding balance of $216,932 as of December 31, 2017.

Mortgages payable is comprised of mortgages secured by individual investment properties.

Accounts payable relate primarily to professional fees, other general and administrative costs payable, accrued interest and other accrued costs.

Dividends payable relates to the December 2017 dividend declared.

Other non-current liabilities relates to the issuance of deferred shares under the Company's deferred share incentive plan, and security deposits received from tenant operators.

On March 31, 2016, a subsidiary of the Company entered into a purchase and sale agreement to acquire a portfolio of three properties in Syracuse, New York for total consideration of $50,863. As of December 31, 2017, one of these properties, Keepsake Village at Greenpoint, has yet to be acquired. The Company has a commitment to acquire Keepsake Village at Greenpoint for total consideration of $11,018.

On November 16, 2017 a subsidiary of the Company entered into a purchase and sale agreement to acquire a portfolio of 42 senior housing and care properties for a total consideration of $425,000. The transaction was completed in February of 2018.

On December 15, 2017 a subsidiary of the Company entered into a purchase and sale agreement to acquire a portfolio of three properties located in Garland, Texas; Grapevine, Texas and McKinney, Texas for total consideration of $21,500. The transaction completed in February of 2018.

On December 29, 2017 a subsidiary of the Company entered into a purchase and sale agreement to acquire a portfolio of four properties located in Lincoln, Nebraska; Round Rock, Texas; Webster, Texas and San Antonio, Texas for total consideration of $96,351. These properties were purchased in January and February of 2018.

Financial Instruments and Other Instruments

To manage interest rate risk, the Company may enter into interest rate swap agreements from time to time. Please refer to the "Debt Strategy and Indebtedness" section of this MD&A.

Off-Balance Sheet Items

There were no off-balance sheet items as of December 31, 2017.

Transactions Between Related Parties

Related party transactions during the years ended December 31, 2017 and 2016 include transactions between the Company and entities with an ownership interest held by Paul "Zeke" Turner, who served as chairman of the Company's board of directors from June 2, 2016 through September 19, 2017. Effective September 19, 2017, Mr. Turner resigned from his position on the board of directors of the Company, at which point he was no longer a related party. Mr. Turner owns or has a majority interest in certain entities with which the Company has transacted, including Mainstreet LLC, Mainstreet Asset Management, Inc ("MAMI") and MS Investment. These entities are considered related parties with respect to all transactions completed while Mr. Turner served on the Company's board of directors. As at and for the years ended December 31, 2017 and 2016, the following related party transactions occurred involving the former chairman of the Company or entities owned or controlled by him:

(i) For the year ended December 31, 2017, the Company paid asset management and administrative services fees of $270, (2016 - $896), to MAMI, which is owned 100% by the former chairman of the Company. Prior to the completion of the Reverse Takeover on April 4, 2016, the fee was payable pursuant to an asset management agreement (the "First Asset Management Agreement") dated October 29, 2015, and required the Company to pay an asset management fee equal to 3.0% of gross rentals received. On April 4, 2016, the Company entered into a new asset management agreement with MAMI (the "Second Asset Management Agreement"), which required the Company to pay management fees at a rate of 0.3% of the estimated gross book value of the Company up to a gross book value of $1,000,000, plus 0.1% of the gross book value of the Company in excess of $1,000,000.

On November 1, 2016, the Company announced that it had completed the internalization of asset management functions. The Second Asset Management Agreement was terminated effective October 31, 2016, and no fees or penalties were paid to MAMI. In connection with internalization, the Company and MAMI, entered into an administrative services agreement pursuant to which MAMI will provide the Company with certain administrative services, including information technology support and equipment as well as dedicated office space for a period of up to two years, in exchange for a one time fee of $65 and a monthly fee of $23.

(ii) The Company has issued certain mezzanine loans to entities which are wholly owned subsidiaries of Mainstreet LLC. The loans have been issued for the development of seniors housing and care properties in the United States. The mezzanine loans provide for annual interest, of which a portion is payable at a current pay rate on a monthly basis, with the remaining portion of interest accruing until the earlier of the loan's maturity or prepayment ("PIK Interest"). The mezzanine loans provide the Company with the right to purchase the development upon its substantial completion at fair market value.

(iii) On October 30, 2015, the Company entered into a $2,500 note payable with an entity that is owned 100% by the former chairman of the Company. On February 26, 2016, this note was amended and increased by $1,000. On April 14, 2016, $1,400 of this note was repaid. On April 28, 2016, this note was further increased by $1,500. The note payable had an original maturity date of October 30, 2016 and an interest rate of 5.0% per annum. The note payable of $3,600 and all accrued interest was repaid in full on June 2, 2016.

On April 26, 2016, a subsidiary of the Company entered into a $1,400 note payable with an entity that is owned 100% by the former chairman of the Company. The note payable had an original maturity date of October 30, 2016 and an interest rate of 5.0% per annum. The note payable of $1,400 and all accrued interest was repaid in full on June 2, 2016.

(iv) On April 4, 2016, the Company entered into a development agreement with Mainstreet LLC with the right to provide mezzanine financing for projected construction costs for all suitable development properties identified by Mainstreet LLC. The Company will have an option to acquire any property for which it has provided mezzanine financing pursuant to the terms set out in the development agreement. As at December 31, 2017, the Company has $16,760 (December 31, 2016 - $26,572) in outstanding mezzanine financing receivable from wholly owned subsidiaries of Mainstreet LLC.

(v) On June 2, 2016, a wholly owned subsidiary of the Company acquired three properties located in Chesterton, Indiana; Mooresville, Indiana; and Topeka, Kansas, respectively, for a combined purchase price of $59,821 plus transaction costs. These properties were acquired from wholly owned subsidiaries of Mainstreet LLC.

At the acquisition date, the Topeka, Kansas property was under development, and a wholly owned subsidiary of the Company entered into a development lease in conjunction with its purchase of the property, whereby the vendor of the property, Mainstreet LLC, agreed to fund payment until rental income commenced. Upon execution of the development lease, the Company recorded a development lease receivable of $259, which reduced the cost of the investment property acquired and which was subsequently paid. At the time of closing, the Company also assumed $2,249 of liabilities related to the remaining development costs of the property which were recorded as a development cost liability on the statement of financial position. There is no remaining development cost liability related to the Topeka, Kansas property.

(vi) On June 2, 2016, a wholly owned subsidiary of the Company acquired a portfolio of seven properties in Scranton, Pennsylvania (the "Scranton Portfolio") for a purchase price of $29,091 plus transaction costs. The Scranton Portfolio was owned 50% by an entity that is owned 100% by the former chairman of the Company.

(vii) On November 1, 2016, a wholly owned subsidiary of the Company acquired four properties located in Leawood, Kansas; Houston, Texas; Fort Worth, Texas and Wichita, Kansas, respectively, for a combined purchase price of $92,321 plus transaction costs. These properties were acquired from wholly owned subsidiaries of Mainstreet LLC.

At the acquisition date, all four properties were under development, and a wholly owned subsidiary of the Company entered into an income support agreement (the "Income Support Agreement") in conjunction with its purchase of the property, whereby the vendor of the property, Mainstreet LLC, agreed to fund payment until rental income commences. Upon execution of the development leases, the Company recorded an income support receivable of $2,076, which reduced the cost of the investment properties acquired. The Leawood, Kansas property is operational and rent commenced on December 1, 2016. The Company has received full payment of the initial $2,076 income support receivable recorded at acquisition. The Company has received additional payments under the Income Support Agreement of $1,107 as of December 31, 2017 due to the timing of lease commencements on the remaining properties.

At the time of closing the Company also assumed $2,984 of liabilities related to development costs of the properties which was recorded as a construction cost liability on the statement of financial position. Subsequent to the acquisition date, an additional $14,333 of construction was completed on these properties as of December 31, 2017. The Company received a credit from Mainstreet LLC at closing in the amount of $17,317 related to the construction costs to be completed.

(viii) On December 22, 2016, a subsidiary of the Company entered into a full recourse loan agreement with MS Investment with a capacity of $5,000 to be used by MS Investment for development costs, operating capital expenditures or other costs. $2,500 of the loan was advanced to MS Investment on December 22, 2016, and an additional $2,500 was advanced on January 6, 2017. The loan provides for an annual interest rate of 10.0%, of which 8.5% is payable at a current pay rate on a monthly basis, with an additional 1.5% accruing at PIK Interest and due at the repayment of the loan. The loan matures on December 22, 2018.

(ix) In July 2017, the Company entered into an agreement to sell the Wichita, Kansas and Fort Worth, Texas properties to Mainstreet LLC for a combined purchase price of approximately $47,298. In conjunction with this transaction, lease agreements to operate both properties were entered into by an affiliate of Mainstreet LLC and the Income Support Agreement has been terminated. The triple-net lease agreements have initial terms of 15 years and are at market rates, which are equal to the payments previously received under the Income Support Agreement. The final income support payments were received in July 2017 and there is no remaining income support receivable related to these properties. Rent for the two properties commenced on July 15, 2017. The Company has recognized $1,726 of rental revenue for these properties for the year ended December 31, 2017.

Subsequent to the original agreement in July 2017, the purchase agreement was amended to exclude the Fort Worth, Texas property from the sale transaction. The lease agreement remains in place and the property will continue to be operated by an affiliate of Mainstreet LLC.

(x) On November 28, 2017 the Company purchased three transitional care facilities located in Columbia, Missouri; Omaha, Nebraska and Houston, Texas from Mainstreet LLC for a purchase price of $68,000 plus transaction costs. The Company funded the transaction through a combination of assumed debt, the retirement of the Company's mezzanine loans outstanding on the three properties, cash on hand and equity in the unencumbered Wichita, Kansas property, the sale of which was completed concurrently for $22,775 plus transaction costs. The Company held mezzanine loans on these properties with a total principal and PIK Interest balance of $4,037, which were repaid as a credit towards the combined purchase price at closing.

(xi) On July 25, 2017, the Company received total payments of $6,673 representing full repayment of outstanding principal, accrued PIK Interest and current interest, as of the repayment date, on the mezzanine loans receivable from MS Aurora Holdings II, LLC and MS Phoenix Holdings, LLC.

Other related party transactions

The Company entered into subscription agreements in respect of the issuance of class A convertible preferred shares to Magnetar for aggregate gross proceeds of $54,000, to be funded in multiple series. Magnetar is a related party of the Company as it beneficially owns or controls more than 10% of the Company's outstanding common shares. The purpose of the transaction was to raise proceeds to be used for the repayment of debt, general working capital purposes and to fund future acquisitions.

The first series of the private placement was funded on the day of the agreement resulting in the issuance of 2,802,009 Series 1 Preferred Shares for aggregate gross proceeds of $26,500. On February 2, 2018, the Company amended the terms of the subscription agreements to increase the amount of the subscription to approximately $71,500. The second series was funded on February 9, 2018, resulting in the issuance of 3,172,086 Series 2 Preferred Shares for aggregate gross proceeds of $30,000. The third series is expected to be funded prior to May 31, 2018 and result in the issuance of 1,586,042 Series 3 Preferred Shares on substantially the same terms as the other series for aggregate gross proceeds of $15,000.

Significant Areas of Estimation

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that may have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Change in value of investment properties:

Acquired investment properties are initially measured at cost, including directly attributable acquisition costs, when the transactions are deemed to be asset acquisitions. Subsequent to initial recognition, investment properties are measured at fair value, determined based on available market evidence. The Company uses alternative valuation methods such as the direct capitalized income approach, discounted cash flow projections or recent transaction prices (Level 3 inputs).

The fair value of investment properties reflects rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The valuation of investment properties is one of the principal estimates and uncertainties of the Company. Refer to note 4 to the consolidated financial statements of the Company for the period ended December 31, 2017 for further information on estimates and assumptions made in determination of the fair value of investment properties.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is set forth in notes 1 and 2, respectively, of the financial statements for the period ended December 31, 2017.

Risks and Uncertainties

See "Risk Factors" in the Company's annual information form dated March 29, 2017 for a discussion of risks that could materially affect the Company.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that its objectives are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; and (ii) the impact of isolated errors. Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

We are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design and operating effectiveness of our internal controls over financial reporting as at December 31, 2017, and based on that assessment determined that the Company's internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the 2013 COSO framework as published by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no changes in internal controls over financial reporting that occurred during the year ended December 31, 2017 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Outstanding Shares

As of March 14, 2018, 49,045,041 common shares in the capital of the Company were issued and outstanding. Additionally, each 2016 Convertible Debenture is convertible into freely tradable shares of the Company at the option of the holder at any time prior to the earlier of January 31, 2022 and the last business day immediately preceding the date specified by the Company for redemption, at a conversion price of $11.00 per common share. If every 2016 Convertible Debenture was converted into common shares of the Company, it would result in the issuance of 4,090,909 additional common shares.

As of March 14, 2018, there were 2,802,009 Series 1 Preferred Shares outstanding and 3,172,086 Series 2 Preferred Shares Outstanding. The Series 1 Preferred Shares and Series 2 Preferred Shares are convertible into freely tradable shares of the Company. As of March 14, 2018, assuming the voluntary conversion of all of the Series 1 Preferred Shares and Series 2 Preferred Shares then outstanding, a total of 6,032,991 common shares would be issuable.

Financial Measures

Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO") are supplemental measures used by management to track the Company's performance. Management believes these terms reflect the operating performance and cash flow of the Company. The Company believes that AFFO and AFFO per share provide the most effective metric by which to evaluate the performance of the Company, and which most accurately identifies the cash flows available for distribution to shareholders. In February 2017, the Real Property Association of Canada ("REALPAC") issued white papers with recommendations for calculations of FFO and AFFO and introduced a new cash flow measure, Adjusted Cash Flow from Operations ("ACFO").

Funds From Operations

FFO means net income in accordance with IFRS, (i) plus or minus fair value adjustments on investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus certain other fair value adjustments; (iv) plus transaction costs expensed as a result of the purchase of property being accounted for as a business combination; (v) plus property taxes accounted for under IFRIC 21; and (vi) plus deferred income tax expense, after adjustments for equity accounted entities calculated to reflect FFO on the same basis as consolidated properties. The use of FFO, a non IFRS measure, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of the Company. FFO provides an operating performance measure that provides a perspective on the financial performance that is not immediately apparent from net income determined in accordance with IFRS.

To the extent the Company's 2016 Convertible Debentures were dilutive to FFO per share, the related interest, amortization and accretion expense has been added back to calculate a diluted FFO for the purpose of calculating diluted FFO per share.

The Company's FFO is calculated as follows (in thousands of U.S. dollars):

	Three months ended December 31,		Years ended December 31,	
	2017	2016	2017	2016
Net income for the period	$ 2,003	$ 5,138	$ 16,263	$ 4,877
Add/(deduct):				
Change in fair value of investment properties	12,366	2,388	9,155	7,806
Property taxes accounted for under IFRIC 21	(2,255)	(1,766)	(309)	(1,273)
Change in fair value of financial instruments	(1,201)	(3,206)	(2,292)	(1,543)
Deferred income tax expense	(4,906)	3,916	5,371	5,536
Fair value gain on subscription receipts	—	(667)	—	(667)
Funds from operations	$ 6,007	$ 5,803	$ 28,188	$ 14,736
Interest, amortization and accretion expense on 2016 Convertible Debentures	740	94	2,965	94
Total diluted funds from operations	$ 6,747	$ 5,897	$ 31,153	$ 14,830
Weighted average number of shares, including fully vested deferred shares: Basic	32,377,271	29,607,972	32,323,269	16,236,291
Weighted average shares issued if all 2016 Convertible Debentures were converted	4,090,909	711,462	4,090,909	178,838
Weighted average shares issued if all Preferred Shares were converted	304,566	—	76,558	—
Weighted average number of shares: Diluted	36,772,746	30,319,434	36,490,736	16,415,129
Funds from operations per share	$ 0.19	$ 0.20	$ 0.87	$ 0.91
Diluted funds from operations per share	$ 0.18	$ 0.19	$ 0.85	$ 0.90

While the Company believes per share measures to be an effective means of evaluating performance, FFO per share for the year periods ended December 31, 2016 does not provide a normalized basis on which FFO per share should be evaluated, due to the Reverse Takeover and the related capital structure of the Company during the corresponding period.

Adjusted Funds From Operations

The Company is of the view that AFFO is an effective measure of the cash generated from operations, after providing for certain adjustments. AFFO means cash provided by operating activities, subject to certain adjustments, including: (i) adjustments for certain non-cash working capital items that are not considered indicative of sustainable economic cash flow available for distribution, (ii) adjustments for interest expense on the credit facilities and mortgages payable that is included in finance costs, (iii) adjustments for cash paid for interest, (iv) adds back compensation expense related to the Company's deferred share incentive plan (v) adds back payments received under the Company's Income Support Agreement and development lease arrangements and (vi) other adjustments as determined by the directors of the Company in their sole discretion.

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

To the extent the Company's 2016 Convertible Debentures were dilutive to AFFO per share, the related interest has been added back to calculate a diluted AFFO for the purpose of calculating diluted AFFO per share.

The Company's AFFO is calculated as follows (in thousands of U.S. dollars):

	Three months ended December 31,		Years ended December 31,	
	2017	2016	2017	2016
Cash flows provided by operating activities	$ 16,384	$ 4,884	$ 40,814	$ 9,240
Change in non-cash working capital	(10,815)	692	(15,207)	5,197
Less: interest expense [1]	(4,973)	(2,896)	(17,783)	(8,618)
Plus: interest paid	4,253	2,690	16,538	11,383
Plus: deferred share incentive plan compensation	315	143	1,614	352
Plus: income support and development lease payments received	222	990	2,693	1,371
Plus: one-time asset management internalization costs	—	646	—	646
Plus: investment in MS-SW Development Fund Holdings, LLC	50	—	178	—
Plus: Transaction costs for business combination	2,073	—	2,073	—
Adjusted funds from operations	$ 7,509	$ 7,149	$ 30,920	$ 19,571
Interest expense on 2016 Convertible Debentures	562	94	2,250	94
Total diluted adjusted funds from operations	$ 8,071	$ 7,243	$ 33,170	$ 19,665
Weighted average number of shares, including fully vested deferred shares: Basic	32,377,271	29,607,972	32,323,269	16,236,291
Weighted average shares issued if all 2016 Convertible Debentures were converted	4,090,909	711,462	4,090,909	178,838
Weighted average shares issued if all Preferred Shares were converted	304,566	—	76,558	—
Weighted average number of shares: Diluted	36,468,180	30,319,434	36,414,178	16,415,129
Adjusted funds from operations per share	$ 0.23	$ 0.24	$ 0.96	$ 1.21
Diluted adjusted funds from operations per share	$ 0.22	$ 0.24	$ 0.91	$ 1.20
Dividends declared	$ 5,957	$ 5,896	$ 23,791	$ 11,739
AFFO payout ratio	79%	82%	77%	60%

(1) Includes interest on the credit facilities and mortgages payable included in finance costs.

While the Company believes per share measures to be an effective means of evaluating performance, AFFO per share for the twelve month period ended December 31, 2016 does not provide a normalized basis on which AFFO per share should be evaluated due to the Reverse Takeover and the related capital structure of the Company during the corresponding period.

The reduction in AFFO per share in the current quarter is partially due to the increase in finance costs, which resulted from the Company's previous refinancing of certain properties, whereby the corresponding loan terms were extended and the interest rates fixed over a longer time frame. Over the long-term, the Company believes the stability and predictability resulting from the financings will provide economic benefit. In addition, the Company entered into leases, each with 18 year terms, on two properties in Houston, Texas where cash rent over the initial 12-18 month term was set to approximate debt service on the corresponding property. After the initial period, the leases will escalate to full yield. The first of these leases commenced on August 1, 2017, and the yield difference over the current quarter was $327 ($545 for the period from August 1, 2017 to December 31, 2017). The second of the leases commenced on December 5, 2017, and the yield difference over this period was $86. The Company expects the lease structure on these two properties to transition to full yield by January 2019 and June 2019, respectively.

Cash Dividends

	Three months ended December 31, 2017	Three months ended December 31, 2016	Years ended December 31, 2017	Years ended December 31, 2016
Cash flows provided by operating activities	$ 16,384	$ 4,884	$ 40,814	$ 9,240
Net income	2,003	2,137	16,263	4,877
Total dividends declared	5,957	5,896	23,791	11,739
Cash provided by operating activities in excess (shortfall) of total dividends	10,427	(1,012)	17,023	(2,499)
Shortfall of net income over total dividends	(3,954)	(3,759)	(7,528)	(6,862)

Total dividends for the years ended December 31, 2017 and 2016 exceeded net income primarily due to non-cash items. Non-cash items relating to fair value adjustments of investment properties and the Company's financial instruments, amortization of financing costs, deferred income tax expense and non-cash listing expense are deducted from or added to net income and have no impact on cash available to pay current dividends. In addition, payments received with respect to the Company's Income Support Agreement and development lease payments received are not added to net income, but provide cash available to pay current dividends. Adjusting net income for these items results in an excess over dividends declared by $1,552 and $7,129 for the three and twelve months ended December 31, 2017, respectively (three and twelve months ended December 31, 2016 - $1,253 and $7,832, respectively).

Cash provided by operating activities increased in 2017 largely due to the acquisitions of investment property which took place in 2016, May 2017 and November 2017 and as a result, exceeded total dividends for the three and twelve month periods ended December 31, 2017. Total dividends for the three and twelve months ended December 31, 2016 exceeded cash provided by operating activities primarily due to the timing of payments in working capital accounts, including cash paid for real estate taxes related to the period prior to the Company's ownership of the respective properties for which cash consideration was provided by the seller at closing. In addition, payments received with respect to the Company's Income Support Agreement are not added to cash provided by operating activities, but provide cash available to pay current dividends.

The excess of dividends over cash flow provided by operating activities during these prior year periods were temporary in nature and were funded through a combination of cash flows generated by property acquisitions and mezzanine loan investments during the third quarter of 2016, proceeds from the exercise of the over-allotment option on the June 2016 Offering and proceeds from credit facilities. The excess of dividends over cash flow provided by operating activities in the prior year does not change the Company's view about its ability to pay dividends in the future.

The Company declared its first monthly dividend for the period from June 2, 2016 to June 30, 2016.

Operational Measures

The Company reports on certain metrics regarding the underlying operations in its stabilized income properties. The Company has defined stabilized properties as follows:

Long-term care facilities and transitional care properties - stabilized upon the earlier of 80% occupancy at the underlying operating level for two consecutive quarters and 24 months after opening.

Assisted living facilities - stabilized upon the earlier of 90% occupancy for two consecutive quarters and 36 months after opening.

Stabilized properties generally include any triple-net lease property unless it is:

1. A new development that is not yet complete,
2. Not yet stabilized and is within 12 months of the above criteria,
3. Newly acquired and/or undergoing a major renovation or otherwise being repositioned or in transition to a new operator; or
4. Held for sale.

The majority of the income properties in the Company's portfolio are leased under long-term, triple-net leases. The Company believes relevant metrics to evaluating the performance in the underlying operations include operator lease coverage and occupancy. The Company's operator performance metrics are calculated utilizing data that is one quarter in arrears (i.e. as of and through September 30, 2017 for this reporting period), and, where master leases are in place for portfolios of multiple asset types, using allocated rents pursuant to consistent methodologies.

All operator data is made available solely from the information as provided by the operators and has not been independently verified by the Company.

Operator Lease Coverage

Operator lease coverage is a measure of a tenant's ability to meet their cash rent and other obligations during its normal course of business. The Company believes that both EBITDAR and EBITDARM (as defined below) provide insight to the core operations at the facility level. Metrics provided below are for the trailing 12 month ("TTM") period for all stabilized assets. For purposes of the TTM calculations, the Company has included only the period for which the stabilized properties have been owned by the Company and, therefore, the TTM metrics shown may include less than 12 months in the calculations. The metrics presented below represent all stabilized income properties, which include assist living, independent living, long-term care, and transitional care properties.

EBITDAR (earnings before interest, income taxes, depreciation, amortization, and rent) lease coverage is calculated by taking the EBITDAR generated over the trailing twelve months divided by corresponding cash rent due over the same period. The Company's stabilized portfolio generated EBITDAR lease coverage of 1.2.

EBITDARM (earnings before interest, income taxes, depreciation, amortization, rent, and management fees) lease coverage is also used by the Company. Together with EBITDAR lease coverage, EBITDARM lease coverage allows the Company to evaluate operations at each property by eliminating management fees, which can vary based on the operator/tenant and its negotiated structure with the Company. The Company believes EBITDARM is valuable because it isolates the operational performance to the results of the direct operations within the facility. The Company's stabilized portfolio generated EBITDARM lease coverage of 1.5.

Through certain of its leases with operators, the Company has the ability to claw back the management fees that the operator is able to pay. This provision in the leases is enforceable when certain performance metrics are not met, as defined within the lease agreements. This mechanism further enhances the Company's position relative to the performance and risk mitigation within the portfolio. Specific to the stabilized portfolio, the Company has the ability to claw back management fees that would equate to an additional 0.2 of lease coverage, on an aggregate EBITDAR basis.

Operator Occupancy

The Company also utilizes operator occupancy percentage to evaluate underlying operations within the portfolio. Occupancy percentage is calculated by dividing the actual number of revenue generated days occupied from the period by the maximum

available revenue days available for the period. Metrics provided below are for the trailing 12 month period for all stabilized assets based on the Company's definition of stabilization.

For the trailing twelve months ended September 30, 2017, the Company's stabilized portfolio had an occupancy percentage of 87%.