INVESQUE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE THREE MONTHS ENDED MARCH 31, 2022

May 11, 2022

Basis of presentation

Financial data in this Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") is for the three months ended March 31, 2022. 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 three months ended March 31, 2022. 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, 2021 and 2020 and the unaudited condensed consolidated financial statements for Q1 2022.

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2021 (the "2021 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 impact of COVID-19 on the business, operations and financial performance of the Company. 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 2021 AIF, including risks relating to the effect of COVID-19 on the business, operations and financial performance of the Company. 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 May 11, 2022 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"), fixed charge coverage ratio, payout ratio, effective payout ratio, earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR"), earnings before interest, income taxes, depreciation, amortization, rent and management fees ("EBITDARM"), revenue per occupied room 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 do not have standardized meanings under IFRS and therefore may not be comparable to similar measures presented by other issuers. Such performance measures should not be construed as alternatives to loss and comprehensive 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 its ability to meet its ongoing obligations. Please refer to the "Financial Measures" section of this MD&A for a more detailed description of FFO and AFFO and a reconciliation to IFRS measures.

Business Overview

Invesque Inc. is a corporation continued under the *Business Corporations Act* (British Columbia). The registered office of the Company is located at 700 W Georgia Street, 25th Floor, 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 an investment thesis focused on the premise that an aging demographic in North America will continue to utilize health care services in growing proportion to the overall economy. The Company currently capitalizes on this opportunity by investing in a highly diversified portfolio of income generating properties across the health care spectrum. The Company's portfolio includes investments in independent living, assisted living, memory care, skilled nursing, transitional care and medical office properties, which are operated primarily under long-term leases and joint venture arrangements with industry leading operating partners. The Company's portfolio also includes investments in owner occupied seniors housing properties in which it owns the real estate and provides management services through its subsidiary management company ("Commonwealth").

Description of the Company's asset types are as follows:

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

- **Assisted Living ("AL") and Memory Care ("MC") Communities**: AL and MC communities play a key role in the continuum of seniors housing and care, as they bridge the gap between IL communities and SNFs/LTCs (defined below). AL communities provide relatively independent elderly persons with typical amenities associated with less medically-intensive seniors housing and care as well as assistance with activities of daily living and some healthcare services. Services provided at AL communities typically include 24-hour care for resident protection, an emergency response system, supervision for persons with disabilities, housekeeping, maintenance and transportation. MC communities are substantially similar to AL communities because they also focus on elderly persons who need assistance with activities of daily living and healthcare services but differ from AL communities because MC residents need to be cared for in a secured environment to prevent seniors from leaving the community in a confused state. AL and MC communities in the United States are typically licensed and regulated by state and local governments rather than the federal government. In Canada, AL communities are licensed or certified and regulated in most jurisdictions but are typically less regulated than LTCs (defined below). Licensure for MC communities is generally identical to AL licensure except for specific building requirements including locked exterior doors secured by keys or an access code. AL communities receive most of their revenues through private pay sources and may also receive revenue from third-party pay sources, including federal, state and provincial governments.

- **Skilled Nursing Facilities ("SNFs") and Long-Term Care Facilities ("LTCs"):** SNFs, as referred to in the United States, and LTCs, as referred to in Canada, are senior care facilities that provide a room, meals and assistance with daily life activities and have licensed nursing staff on duty 24 hours per day. These facilities provide the most intensive level of medical and nursing care in a residential setting for seniors, typically treating residents with physical or mental impairments that prevent them from living in IL or AL communities. In many cases, these facilities supplement hospital care by providing care to patients who require medical and therapeutic services but are stable enough to have these services provided in a facility that is less expensive than a hospital or other post-acute care setting. The SNF and LTC segment includes services to patients requiring medical and/or nursing care and rehabilitation services for post-operative procedures including hip or knee replacements and cardiac surgeries, among others. SNFs and LTCs also provide transitional care services, and facilities that specialize in this type of care are often referred to as Transitional Care Centers ("TCCs"). TCCs are designed for

patients transitioning from the hospital to their home after a surgery or an acute health episode. TCCs, a sub-segment of SNFs and LTCs, are the most common destination for post-acute care patients requiring short-term, physician-ordered intense rehabilitation for post-operative procedures. They are staffed by registered nurses, therapists, pharmacists and social workers. SNFs and LTCs in North America are subject to extensive federal, state and provincial regulation, including licensing requirements and regulations relating to government funding. SNFs and LTCs receive revenue from private pay sources and third-party pay sources, including federal, state and provincial governments and insurance companies.

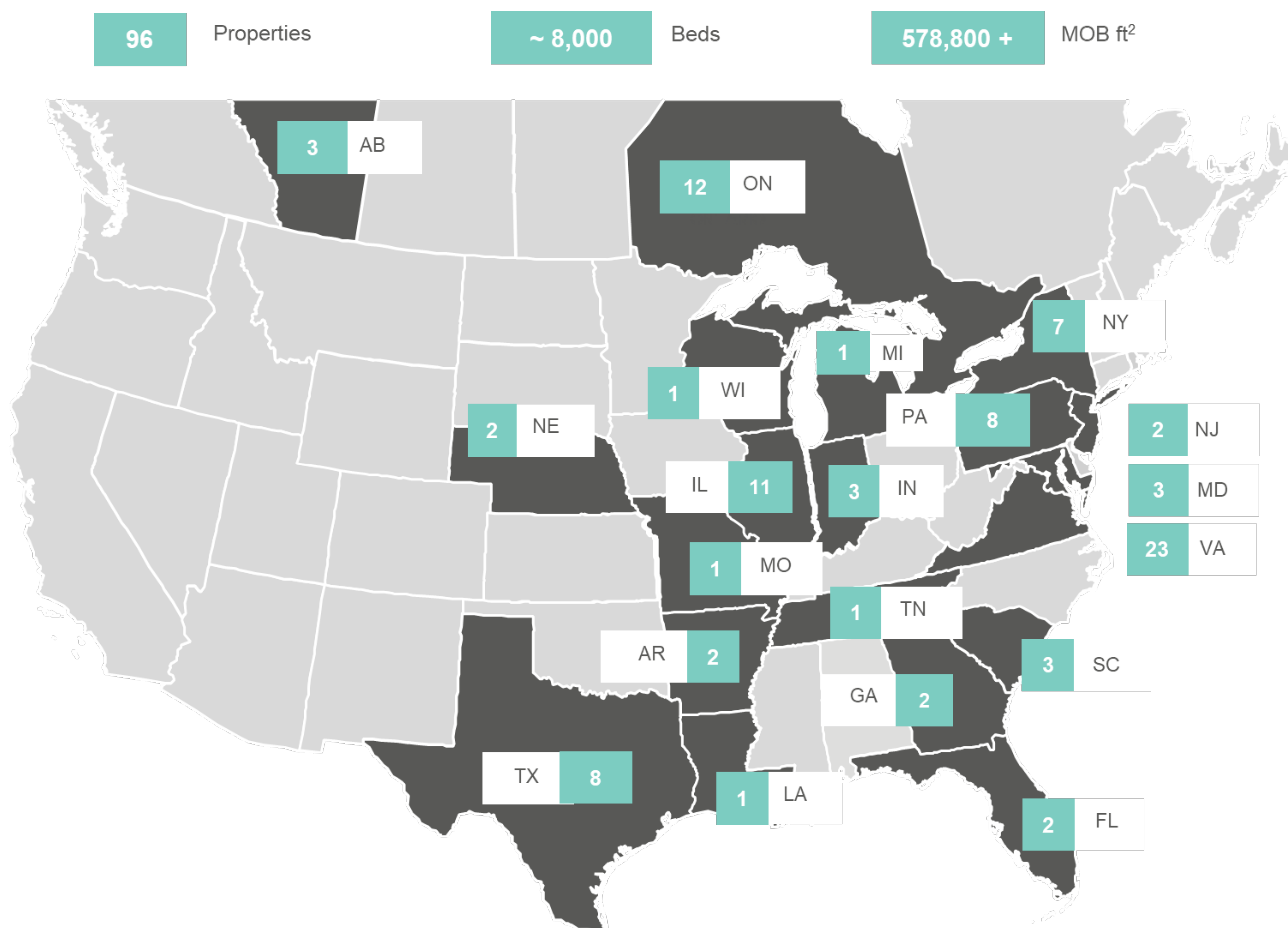
- **Medical Office Buildings ("MOBs"):** MOBs represent a large segment of health care real estate comprised of various outpatient health care settings. Outpatient care, sometimes referred to as ambulatory care, is defined as medical care or treatment that does not require an overnight stay in a hospital or medical facility. Unlike seniors housing and care properties, the utilization of outpatient care settings and MOBs is generally not age-restricted and is available to all segments of the population. In the United States, MOBs can house service providers that provide a wide variety of health care services, ranging from family medicine and geriatric care to plastic surgery, and those providers can each accept a wide variety of reimbursements for services, including private pay, Medicare, Medicaid and insurance and managed care plans. The Canadian medical office focuses strongly on the general practitioner as a primary referral source and magnet to attract patients to the MOB in order to support other tenants in the building. General practitioners provide referrals, prescriptions and recommendations for the patient to visit other physicians and practices within the building.

For the Company's SNF and TCC properties, it generally owns the land and buildings and leases them to third party operators on a long-term, triple-net lease basis. For its IL and AL properties, it either owns the land and buildings and leases them to third party operators on a long-term, triple-net basis, has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility, or wholly owns and operates the property. For the triple-net lease structured assets, 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.

The Company’s multi-tenant MOB portfolio is operated by the third party manager Jones Lang LaSalle ("JLL"). JLL is an industry leader in property management services and has significantly enhanced the Company's capabilities in the medical office building portfolio.

As of May 11, 2022, the Company owns or has a majority interest in a portfolio of 81 properties in the United States, comprised of 59 assisted living and memory care facilities, 12 skilled nursing facilities, 6 transitional care properties and 4 medical office buildings. In Canada, the Company owns an interest in 15 properties comprised of 11 medical office buildings and 4 seniors housing and care facilities.

The Company's geographic footprint as of May 11, 2022:



Management believes that certain characteristics of the North American seniors housing and care industry, including favorable demographic trends, increasing demand with stagnant supply of new facilities and the shift from high cost hospitals for post-acute care to lower cost settings such as skilled nursing facilities, provide for a unique investment opportunity. The increased demand for health care facilities further enforces the growing demand for health care spending in medical office buildings as well. Management also believes that, as a result of the high quality of the Company's properties, its triple-net lease and joint venture structures and its relationships with reputable operators, including the majority owned Commonwealth management company, and industry participants, the Company is well-positioned to succeed in the industry by capitalizing on these market opportunities.

Liquidity Assessment and COVID-19 Risk

A novel strain of coronavirus causing the disease known as COVID-19 has spread throughout the world, including across the United States and Canada, causing the World Health Organization to declare the COVID-19 outbreak a pandemic in March 2020. In an attempt to contain the spread and impact of the pandemic, authorities throughout the United States and Canada have implemented measures such as travel bans and restrictions, stay-at-home orders, social distancing guidelines and limitations on other business activity. The pandemic has resulted in a significant economic downturn in the United States, Canada and globally, and has also led to disruptions and volatility in capital markets. These trends are likely to continue throughout 2022.

The pandemic has had an impact on results and operations of the Company, including decreased occupancy, delays in collections from tenants, and increased operating expenses. The Company announced on April 10, 2020 that it suspended the dividend for all common shares beginning from April 1, 2020 until further notice.

The Company expects that the pandemic could continue to have a negative affect on its results of operations, financial position and cash flows, particularly if negative economic and public health conditions in the United States and Canada

persist for a significant period of time. The ultimate impact of the pandemic on the Company's financial results will depend on future developments, which are uncertain. This includes, among other factors, the duration and severity of the pandemic as well as negative economic conditions arising therefrom, the impact of the pandemic on occupancy rates in the Company's communities, the volume of COVID-19 patients cared for across the portfolio, and the impact of government actions on the seniors housing industry and broader economy, including through existing and future stimulus efforts. The impact of COVID-19 has been partially offset to date by certain government stimulus programs which have helped to offset COVID-19 related expenses and compensate for lost revenues, but the Company is not able to provide assurance that such programs may continue to be available in the future. For the three months ended March 31, 2022, the Company recognized $150, of other income related to government grants funded through programs designed to assist seniors housing operators who have experienced both lost revenue and increased expenses during the COVID-19 pandemic (three months ended March 31, 2021 - $107). For the three months ended March 31, 2022, the Company did not recognize any income from joint ventures related to the Company's share of government grants recognized at the joint venture properties for COVID-19 pandemic relief (three months ended March 31, 2021 - $129).

Liquidity risk is the risk that an entity is unable to fund its assets or meet its obligations as they come due. Liquidity risk is managed in part through cash forecasting. While there are uncertainties in assessing future liquidity requirements under normal operating conditions, the stressed conditions caused by COVID-19 have introduced increased uncertainties. The Company monitors forecasts of liquidity requirements to ensure it has the ability to meet operational needs by maintaining sufficient availability of the combination of cash and credit facility capacity, and to ensure the Company will meet its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment which takes into consideration current and projected macroeconomic conditions, the Company's cash collection efforts, debt financing and refinancing plans, and covenant compliance required under the terms of debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing may no longer be available to the Company at terms and conditions that are favorable, or at all.

As a result of the risks and conditions associated with COVID-19, the Company has amended certain terms of various financing arrangements having conducted an assessment of its liquidity. The Company believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants in its credit facilities, as amended, for a period of at least 12 months from March 31, 2022. Further, the Company has assessed that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. In making this significant judgment, the Company has prepared a cash flow forecast with the most significant assumptions in the preparation of such forecast being the ability of its most significant tenant, Symcare, to meet its rental obligations to the Company and the continued availability of financing.

In response to a severe downside scenario, management has the ability to take the following mitigating actions to reduce costs, optimize the Company's cash flow and preserve liquidity:

(i) utilizing available cash to pay down debts,

(ii) sell certain properties and use the proceeds to buy down debt,

(iii) exercise the Company's right to convert its convertible debentures into common shares,

(iv) reducing non-essential capital expenditures.

Recent Activities

On February 1, 2022, the Company acquired a memory care facility located in Grand Rapids, MI for a contractual purchase price of $12,470 plus transaction costs. The transaction was funded by the repayment of $1,799 of outstanding mezzanine and loans receivable principal and accrued interest and cash on hand. The property was added to the borrowing base of the Credit Facility upon acquisition.

On March 1, 2022, the Company closed on the sale of a non-core seniors housing community in Harrisburg, Pennsylvania. The community was sold for $5,500, and proceeds were used to reduce existing indebtedness. The community was previously managed by Greenfield Senior Living and operational management was transitioned to Commonwealth in 2019, and was considered non-core to the Commonwealth operational platform.

In June 2021, the Company ceased operations in and listed for sale a property located in Port Royal, SC. The Company transitioned all residents from this property into new locations in order to prepare the building for sale and classified the

property as held for sale. On March 31, 2022, the Company sold the property for total consideration of $3,500 before closing costs, received in the form of cash.

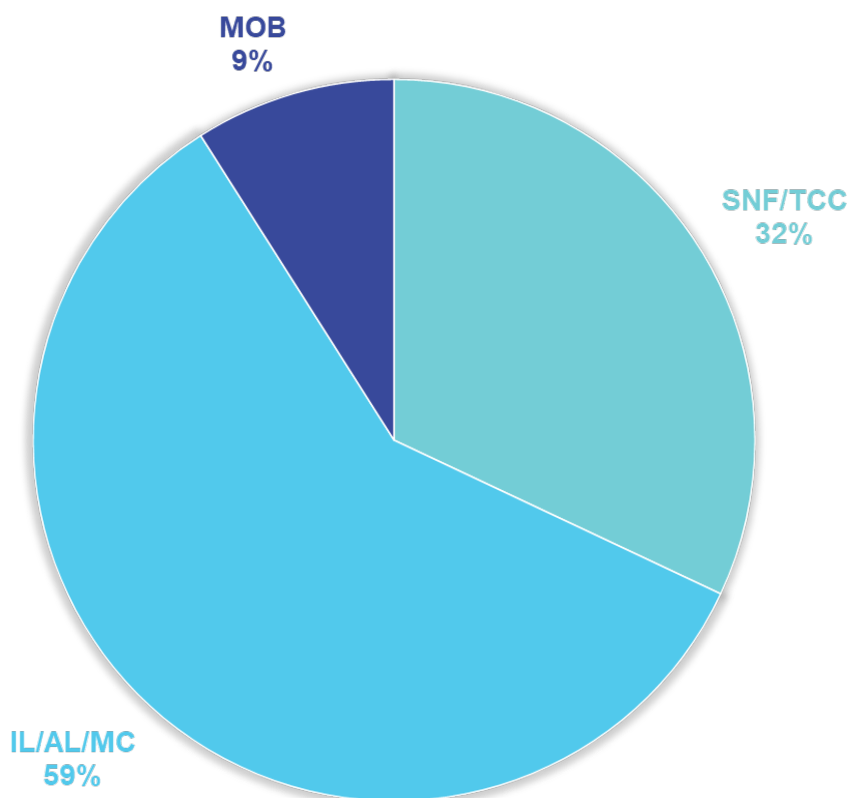
On November 15, 2021, the Company entered into a purchase and sale agreement to sell two properties in New York. These properties were previously transferred to property, plant and equipment on October 24, 2021. The assets were classified as held for sale on the condensed consolidated interim statement of financial position at March 31, 2022. The assets were ultimately sold and closed on April 1, 2022 for net cash consideration of $19,571.

On April 1, 2022 Jaguarundi Ventures, LP sold the remaining four properties held in the joint venture for a total sale price of $51,534. Proceeds from the sale were used in part to repay $37,300 in existing mortgage debt on three of the properties sold. An additional $7,734 of proceeds was used to repay the Company's Credit Facility, to which the property located in Webster, TX was pledged.

Relative to first quarter 2022 performance, the sales of the communities discussed above will have a positive aggregate impact to AFFO per share of approximately $0.11-$0.12 per share on an annual basis.

Further, and as indicated in our earnings call in March 2022, given the changes in the market dynamics as well as the Company's portfolio composition following the transactions outlined above, the Company retracts its performance guidance that was issued in June 2021.

As of May 11, 2022, the Company’s portfolio composition by asset type based on forward looking net operating income projections is as follows:



Selected Financial Information

(dollar amounts in thousands of U.S. Dollars, except per share amounts)		As at March 31, 2022		As at December 31, 2021
Consolidated investment properties		54		53
Consolidated owner occupied properties		34		35
Properties held for sale		2		3
Weighted average lease term to maturity (excludes renewal options)[1]		11.4 years		11.3 years
Average facility age		11.3 years		10.8 years
Total assets	$	1,304,888	$	1,301,011
Total indebtedness	$	916,810	$	893,746
Weighted average interest rate [2]		4.0 %		4.1 %
Joint venture properties		12		12
Joint venture total assets [3]	$	188,938	$	188,681
Joint venture indebtedness [3]	$	116,276	$	116,948
Joint venture weighted average interest rate [4]		4.3 %		4.3 %

	Three months ended March 31,			
		2022		2021
Revenue	$	52,050	$	53,671
Direct property operating expenses	$	(27,621)	$	(25,063)
Finance costs	$	(11,686)	$	(13,845)
General and administrative expenses	$	(5,991)	$	(7,134)
Change in fair value of investment properties	$	(11,874)	$	2,111
Income (loss) from joint ventures	$	(448)	$	759
Net income	$	3,337	$	1,800
Net income per share	$	0.06	$	0.03
Diluted net income per share	$	0.05	$	0.03
Funds from operations (FFO) [5]	$	3,906	$	5,032
FFO per share [5]	$	0.07	$	0.09
Diluted FFO per share [5]	$	0.06	$	0.07
Adjusted funds from operations (AFFO) [5]	$	3,194	$	5,677
AFFO per share [5]	$	0.06	$	0.10
Diluted AFFO per share [5]	$	0.05	$	0.08

(1) The weighted average lease term to maturity does not include the medical office building portfolio nor owner occupied properties.

(2) The Company's weighted average interest rates at March 31, 2022 and December 31, 2021 included $554,215 and $553,546, respectively, of the Company's debt that is fixed with interest rate swaps.

(3) This total represents the Company's share based on percentage of ownership.

(4) The Company's joint venture weighted average interest rate at March 31, 2022 and December 31, 2021 included $88,758 and $89,231, respectively, of the joint ventures debt that is fixed with interest rate swaps.

(5) 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.

Results of Operations - Three Months Ended March 31, 2022 and 2021

(unless otherwise stated, amounts are in thousands of U.S. dollars)

Revenue

	Three months ended March 31, 2022	2021
Contractual rental revenue	$ 12,895	$ 17,572
Straight-line rent adjustments	1,083	1,262
Amortization of tenant inducements	(90)	(195)
Property tax recoveries	3,386	3,413
CAM recoveries	731	710
Total rental revenue	18,005	22,762
Resident rental and related revenue	32,176	29,089
Lease revenue from joint ventures	903	873
Other revenue	966	947
Total revenue	$ 52,050	$ 53,671

Contractual rentals received and straight-line rent adjustments relate to lease agreements under which the Company leases its investment properties to its tenants. Property tax recoveries represent the revenue recognized for the real estate taxes for which the tenants are primarily responsible to pay. CAM recoveries represent the recovery of common area maintenance expenses in investment properties that are not triple-net leased, primarily within the Company's medical office building portfolio. The decrease in contractual rental revenue for the three months ended March 31, 2022 as compared to the prior year periods is due to the sale of properties during the last twelve months and the restructuring of current tenant leases, partially offset by annual rent escalators.

Resident rental and related revenue relates to operating revenue at the wholly owned properties that are managed by Commonwealth, Heritage, and Phoenix, in which the Company owns the operations as well as the real estate. This revenue consists of rental revenue and service revenue paid by residents in the Company's owner occupied properties. The increase in resident rental and related revenue over the prior year is due to increased occupancy rates in addition to rental rate increases effective in the current quarter.

Lease revenue from joint ventures represents revenue earned under lease arrangements with four operating entities, which are jointly owned by the Company.

Other revenue includes management fee income earned from communities managed by Commonwealth but that are not owned by the Company. Commonwealth currently manages four properties that are not owned by the Company. Other revenue also includes parking revenue earned in the Company's medical office building portfolio.

Other income

Other income for the three months months ended March 31, 2022 relates to government grant funding received related to COVID-19 relief of $150 (three months ended March 31, 2021 - $107).

Direct Property Operating Expenses

Direct property operating expenses consist of the following:

	Three months ended March 31, 2022			Three months ended March 31, 2021		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Number of properties	34	15	49	36	15	51
Repairs and maintenance	$ 805	$ 439	$ 1,244	$ 639	$ 506	$ 1,145
Utilities	1,175	394	1,569	1,067	375	1,442
Property management fees	—	133	133	—	148	148
Compensation and benefits	16,321	—	16,321	14,541	—	14,541
Other services and supplies	1,642	309	1,951	1,520	239	1,759
Real estate taxes [(1)]	667	—	667	633	—	633
Other	5,243	493	5,736	5,004	391	5,395
	$ 25,853	$ 1,768	$ 27,621	$ 23,404	$ 1,659	$ 25,063

(1) Real estate taxes associated with medical office buildings are included in real estate tax expense in the condensed consolidated statements of income and comprehensive income.

The direct property operating expenses relate to expenses at the 15 multi-tenant medical office buildings and the Company's 34 owner occupied properties. As of March 31, 2022, the owner occupied properties include 28 properties operated by Commonwealth, five properties operated by Phoenix, and one property operated by Heritage. The increase in the three months ended March 31, 2022 compared to prior year period is primarily due to an inflationary increase in the cost of services and supplies at the properties and increases in the cost of labor.

Depreciation and Amortization Expense

For the three months ended March 31, 2022, depreciation and amortization expense was $3,741 (three months ended March 31, 2021 - $7,695), which relates to the straight-line depreciation over the useful life of the Company's property, plant and equipment relating to the owner occupied properties. The Company amortizes the value of in place leases over the estimated lease up term in the corresponding building.

Finance Costs from Operations

Finance costs from operations consist of the following:

	Three months ended March 31,	
	2022	2021
Interest expense on credit facilities	$ 3,672	$ 4,412
Interest expense on mortgages payable	1,777	2,919
Interest expense on convertible debentures	1,228	1,312
Dividends on Commonwealth preferred units	928	1,080
Amortization and accretion expense	1,105	1,204
Interest rate swap payments	2,342	2,591
Debt extinguishment costs	340	696
Amortization of mark-to-market debt adjustments	646	(62)
Interest income from loans receivable	(352)	(307)
	$ 11,686	$ 13,845

Finance costs are primarily related to interest and amortization on the Company's credit facilities and mortgages payable. Interest expense on credit facilities decreased in the three months ended March 31, 2022 as compared to the prior year

period due to the decrease the Company's average borrowing rate. Interest expense on mortgages payable decreased in the three months ended March 31, 2022 as compared to the prior year period due to the repayment of mortgages due to the sale of properties and repayment of mortgages that were put on the Credit Facility (defined below). Debt extinguishment costs incurred in the three months ended March 31, 2022 and 2021 are due to a prepayment penalty in conjunction with mortgage refinances. The Commonwealth preferred units issued to fund the Commonwealth transactions earn an initial dividend rate of 6.50% per annum. Expense associated with dividends on Commonwealth preferred units decreased due to a $10,000 redemption of the Commonwealth preferred units on January 4, 2022.

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

For the three months ended March 31, 2022, real estate tax expense was $12,469 (three months ended March 31, 2021 - $13,417), which represents property tax expensed for the period for properties owned on the tax assessment date (generally January 1), in accordance with the provisions of *IFRIC 21, Levies*. Real estate taxes are recovered from the Company's tenants under the provisions of their triple-net leases. The decrease in real estate tax expense as compared to the prior year period is primarily due to the sale of properties. Real estate tax expense on the Company's owner occupied properties is included in direct property operating expenses in the condensed consolidated interim statements of income and comprehensive income.

The following table presents real estate tax expense and change in fair value of investment properties - IFRIC 21 together with property tax recoveries to show the net effect of real estate taxes on the Company's condensed consolidated interim statements of income and comprehensive income for the periods presented. The expense in excess of property tax revenue is primarily due to properties that are not fully occupied, generally within the medical office building portfolio.

	Three months ended March 31,	
	2022	2021
Property tax recoveries	$ 3,386	$ 3,413
Real estate tax expense	(12,469)	(13,417)
Change in fair value of investment properties - IFRIC 21	9,014	9,804
	$ (69)	$ (200)

General and Administrative Expenses

General and administrative expenses consist of the following:

	Three months ended March 31, 2022			Three months ended March 31, 2021		
	Corporate	CSL	Total	Corporate	CSL	Total
Compensation and benefits	$ 2,460	$ 1,601	$ 4,061	$ 1,478	$ 1,488	$ 2,966
Professional fees	928	—	928	909	—	909
Deferred share compensation	140	—	140	1,021	—	1,021
Bad debt expense	—	—	—	1,623	—	1,623
Other	691	171	862	404	211	615
	$ 4,219	$ 1,772	$ 5,991	$ 5,435	$ 1,699	$ 7,134

Compensation and benefits expense includes the cost of salaries, bonuses, and benefits during the period. The increase in compensation and benefits for the three months ended March 31, 2022 as compared to the prior year period is primarily due to an increase in bonus expense at Corporate and wage increases at CSL.

Professional fees is comprised of costs incurred for external legal counsel, accounting fees and other professional services.

The decrease in deferred share compensation expense for the three months ended March 31, 2022 is primarily due to the revaluing of equity settled deferred shares due to a decline in number of shares estimated to be issued with the plan as well as a decrease in DSU's granted to employees.

Bad debt expense in the prior year is due to a reserve recorded against aged rents receivable. The Company recognizes a reserve based on an estimated probability of collection. Bad debt expense for the three months ended March 31, 2021 was due to the estimated uncollectible rent for the consolidated property located in Webster, TX operated by Bridgemoor. This property was contributed to the Jaguarundi Ventures, LP joint venture on October 29, 2021 and the joint venture sold this property and 3 others operated by Bridgemoor on April 1, 2022.

Other general and administrative expense primarily includes cost of insurance, fees earned by directors of the Company, travel and entertainment expense, franchise and licensure taxes, investor relations, marketing, foreign exchange loss (gain), and administrative expenses at Commonwealth management company ("CSL").

Allowance for Credit Losses on Loans and Interest Receivable

Allowance (recovery) for credit losses on loans and interest receivable for the three months ended March 31, 2022 was $(24) (three months ended March 31, 2021 - $1,165). The recovery in the current period is due to repayment of loans previously reserved for. The losses in the prior year period are related to a change in estimated credit losses with respect to loans receivable and related interest receivables. The Company applies a three-stage approach to measure allowance for credit losses. Loss allowance is measured at an amount equal to 12 months of expected losses for performing loans (Stage 1) and at an amount equal to lifetime expected credit losses on performing loans that have seen a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected credit losses for loans considered to be credit impaired (Stage 3). Certain borrowers have experienced negative impacts to operations due in part to the COVID-19 pandemic, and the Company has accordingly ascribed a higher risk rating to these outstanding loans.

Change in Non-controlling Interest Liability

The change in non-controlling interest liability was an expense of $236 for the three months ended March 31, 2022 (three months ended March 31, 2021 - $(50) recovery). These costs are the result of the portion of net income attributed to the non-controlling interest partners of the consolidated properties, and the change during the three months ended March 31, 2022 from the prior year period is primarily due to non-cash fair value adjustments.

Change in Fair Value of Investment Properties

The change in fair value of investment properties for the three months ended March 31, 2022 was a decrease of $11,874 (three months ended March 31, 2021 - $2,111 increase). The change in fair value of investment properties was primarily driven by an adjustment to record investment properties at fair value based on the Company's estimate of fair value using level 3 inputs as of March 31, 2022. The adjustment for the prior year period was primarily driven by annual rent increases.

Change in Fair Value of Financial Instruments

Change in fair value of financial instruments consists of the following:

	Three months ended March 31,	
	2022	2021
Change in fair value of interest rate swaps	$ (14,610)	$ (5,562)
Change in fair value of prepayment embedded derivatives	905	1,945
Total loss (income) from change in fair value of financial instruments	$ (13,705)	$ (3,617)

The change in fair value of financial instruments for the three months ended March 31, 2022 and 2021 was due primarily to the change in fair value of interest rate swaps due to changes in variable interest rates that underlie the corresponding interest rate swaps. Interest rate swaps are used to manage interest costs on debt. The Company does not apply hedge accounting to its interest rate swaps, and as a result they are marked to fair value each reporting period through finance costs in the consolidated statements of loss and other comprehensive loss. The change in fair value of financial instruments is also due to the change in fair value of prepayment embedded derivatives on certain mortgages payable due to changes in market interest rates and the change in fair value of loans receivable due to estimated collectibility.

Income (loss) from Joint Ventures

	Three months ended March 31, 2022	2021
Revenue	$ 8,647	$ 8,613
Other income	—	129
Property operating expense	(6,157)	(5,547)
Depreciation expense	(136)	(136)
Finance costs	(1,380)	(1,643)
Real estate tax expense	(197)	(247)
General and administrative expenses	(1,569)	(681)
Allowance for credit losses on loans and interest receivable	—	(423)
Change in fair value of financial instruments	1,441	1,094
Change in fair value of investment properties	(1,097)	(400)
Income (loss) from joint ventures	$ (448)	$ 759

Income (loss) from joint ventures represents the Company's share of net income or loss from unconsolidated entities. The decrease in income from joint ventures during the three months ended March 31, 2022 is primarily due to an increase in property operating expense and general and administrative expense. The increase in property operating expense is primarily due to labor rate increases and the increase in general and administrative expense is due to increases in bad debt expense in the Jaguarundi Ventures, LP joint venture.

Income Tax Expense/Recovery

For the Canadian and U.S. corporate subsidiaries of the Company, income tax expense/recovery is comprised of current and deferred tax. Certain of the Company's subsidiaries are limited partnerships and, accordingly, are 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. The deferred tax asset value is limited based on the probability of realizing the future benefits. 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.

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.

Other Comprehensive Loss: Unrealized Gain (Loss) on Translation of Foreign Operations

Unrealized gain on translation of foreign operations for the three months ended March 31, 2022 of $626 (three months ended March 31, 2021 - $752), was due to the change in value of the Canadian dollar as compared to the U.S. dollar during the period.

Cash Flow Analysis

	Three months ended March 31, 2022	2021
Cash provided by operating activities	$ 1,923	$ 302
Cash (used in) provided by financing activities	10,179	6,008
Cash used in investing activities	(4,383)	(4,256)
Increase (decrease) in cash and cash equivalents	$ 7,719	$ 2,054

Cash Provided by Operating Activities

Cash provided by operating activities increased during the three month period ended March 31, 2022 as compared to the prior year period. The changes were primarily due to an increase in operating cash provided by the Company's owner occupied portfolio of properties and lower average interest rates on outstanding debt.

Cash (Used in) Provided by Financing Activities

Cash used in financing activities for the three month period ended March 31, 2022 was $10,179 as compared to cash provided by financing activities of $6,008 in the prior year period. The current period cash used in financing activities was primarily driven by net repayments on mortgages payable, convertible debentures and Commonwealth preferred units, partially offset by draws on the Credit Facility.

Cash provided by financing activities in the three month period ended March 31, 2021 was primarily driven by net proceeds from the credit facilities and mortgage activity of $6,214, offset by debt issuance costs of $206.

Cash Used in Investing Activities

Cash used in investing activities for the three months ended March 31, 2022 was $4,383. This was primarily due to the acquisition of one investment property of $11,923 offset by disposals of property, plant and equipment and assets held for sale of $7,362, distributions from joint ventures of $105, contributions to joint ventures of $286 and distributions made to non-controlling interest partners of $169.

Cash provided by investing activities for the three months ended March 31, 2021 was primarily due to additions of property, plant and equipment of $2,155 and distributions made to non-controlling interest partners of $2,106.

Financial Position

Total assets of $1,304,888 are comprised primarily of $720,284 of investment properties, which represents the estimated fair market value of the Company's portfolio of properties, including capital expenditures, and $424,130 of property, plant and equipment, net of $88,460 of accumulated depreciation as at March 31, 2022. Cash on hand at March 31, 2022 was $27,088, net loans receivable were $19,902, investments in joint ventures were $50,184, total derivative assets were $6,226, and other assets were $17,898. Total gross loans receivable of $26,210 is offset by an allowance for losses on loans receivable of $6,308. Gross loans receivable includes $7,534 of gross loans made to the tenant operator Symcare. Other assets primarily consisted of $3,933 of escrows held by lenders, $2,147 of prepaid expense, $1,375 of right-of-use asset, $692 of bond assets and $1,808 of other costs. In addition, current assets include tenant and other receivables of $5,341, real estate tax receivables of $14,199, and assets held for sale of $19,600. The loans receivable balance related mainly to the issuance of loans for the development and operation of seniors housing and care properties in the United States and Canada.

Total liabilities of $1,015,480 includes current liabilities of $70,156 (see "Liquidity and Capital Resources" for additional information) and non-current liabilities of $945,324. The current liabilities included $15,388 of real estate taxes payable. Accounts payable and accrued liabilities represented $14,303 of the balance in current liabilities. In addition, current liabilities included $35,003 representing the current portion of mortgages payable, net of loan fees. Non-current liabilities included $152,471 representing the non-current portion of mortgages payable, net of loan fees; $664,391 representing the non-current balance outstanding on the credit facilities, net of loan fees; $63,544 of the convertible debentures, net of fees; $56,349 of Commonwealth preferred unit liability; $183 of derivative liability; and $439 of non-controlling interest liability. Other non-current liabilities of $7,947 primarily consisted of security deposits received from tenants, lease liability, loan commitment liability, earn-out payable, and a liability related to 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, 2020 through March 31, 2022:

	Three months ended March 31, 2022	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021	Three months ended March 31, 2021	Three months ended December 31, 2020	Three months ended September 30, 2020	Three months ended June 30, 2020
Revenue	$ 52,050	$ 51,603	$ 52,949	$ 52,227	$ 53,671	$ 54,380	$ 55,429	$ 53,687
Other income	150	1,600	—	2,023	107	821	2,529	65
Direct property operating expenses	27,621	27,710	26,124	23,871	25,063	25,300	24,391	23,191
Depreciation and amortization expense	3,741	4,017	4,722	5,718	7,695	11,963	12,581	11,537
Finance costs	11,686	11,137	12,120	13,119	13,845	12,953	12,160	12,504
Real estate tax expense	12,469	759	2,728	(189)	13,417	(626)	407	383
General and administrative expenses	5,991	5,378	3,115	4,515	7,134	4,956	4,858	6,244
Transaction costs for business combination	—	—	—	—	—	—	(237)	—
Allowance for credit losses on loans and interest receivable	(24)	530	(19)	(480)	1,165	3,395	13,056	5,560
Changes in non-controlling interest liability	236	(108)	(225)	4	(50)	107	41	119
Change in fair value of investment properties - IFRIC 21	(9,014)	2,889	2,418	3,271	(9,804)	3,221	3,206	3,215
Change in fair value of investment properties	11,874	6,051	11,045	7,167	(2,111)	28,301	39,699	13,739
Change in fair value of financial instruments	(13,705)	(13,190)	(2,196)	(2,857)	(3,617)	(2,672)	(2,131)	346
Change in fair value of contingent consideration	—	(1,263)	(192)	1,197	—	2,254	3,256	—
Loss on sale of property, plant and equipment	(1,333)	(1,160)	(40)	(14)	—	21	—	23
Income (loss) from joint ventures	(448)	(14,806)	1,569	(2,428)	759	(2,343)	(7,420)	(6,900)
Deferred income tax expense (recovery)	(1,127)	—	—	—	—	—	—	—
Net income (loss)	3,337	(5,453)	(5,082)	(3,500)	1,800	(36,315)	(60,749)	(30,009)
Income (loss) per share: Basic	$ 0.06	$ (0.10)	$ (0.09)	$ (0.06)	$ 0.03	$ (0.65)	$ (1.09)	$ (0.54)
Income (loss) per share: Diluted	$ 0.05	$ (0.10)	$ (0.09)	$ (0.06)	$ 0.03	$ (0.65)	$ (1.09)	$ (0.54)
Funds from operations [(1)]	3,906	5,996	5,643	10,075	5,032	10,429	13,728	10,453
Funds from operations per share: Basic [(1)]	$ 0.07	$ 0.11	$ 0.10	$ 0.18	$ 0.09	$ 0.19	$ 0.25	$ 0.19
Funds from operations per share: Diluted [(1)]	$ 0.06	$ 0.10	$ 0.10	$ 0.15	$ 0.09	$ 0.16	$ 0.20	$ 0.16
Adjusted funds from operations [(1)]	3,194	5,317	4,766	9,286	5,677	9,522	12,499	9,380
Adjusted funds from operations per share: Basic [(1)]	$ 0.06	$ 0.09	$ 0.08	$ 0.16	$ 0.10	$ 0.17	$ 0.22	$ 0.17
Adjusted funds from operations per share: Diluted [(1)]	$ 0.05	$ 0.09	$ 0.07	$ 0.14	$ 0.10	$ 0.15	$ 0.18	$ 0.14

(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*".

The Company's results for the past eight quarters have primarily been affected by the timing of additional property acquisitions, business combinations, dispositions, transfers, changes in the fair value of investment properties and financial instruments, allowance for credit losses on loans receivable and interest receivable and change in non-controlling interest liability. 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, credit facilities, convertible debentures, and shareholders' equity.

The Company expects to meet its working capital requirements with respect to accounts payable and accrued liabilities through cash on hand and operating cash flows. As at March 31, 2022, current liabilities totaled $70,156, and current assets totaled $83,155, resulting in a working capital surplus of $12,999. 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 on hand of $27,088, (ii) cash flow generated from operations, (iii) credit facilities, under which $47,447 was available as at March 31, 2022, (iv) property specific mortgages and refinancings, (v) strategic sale of assets, (vi) issuance of preferred shares, (vii) issuance of convertible debentures, (viii) issuance of common shares, subject to market conditions, and (ix) alternative financing sources.

In addition, liquidity risk is managed in part through cash forecasting. The Company monitors forecasts of liquidity requirements to ensure it has the ability to meet operational needs by maintaining sufficient availability of the combination of cash and credit facility capacity, and by ensuring the Company will meet its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment which takes into consideration current and projected macroeconomic conditions, the Company's cash collection efforts, debt financing and refinancing plans, and covenant compliance required under the terms of debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing may no longer be available to the Company at terms and conditions that are favorable, or at all.

The Company announced on April 10, 2020 that it has suspended the dividend for all common shares beginning from April 1, 2020 until further notice. To further enhance its liquidity position, the Company is analyzing a variety of options to reduce or defer non-essential capital expenditures and to reduce corporate-level costs, some of which have already been implemented.

On November 4, 2020, the Company entered into an agreement to modify the credit facility with a $400,000 capacity, comprised of a $200,000 term loan and a $200,000 revolving line of credit (the "Credit Facility"). Per the amendment, the Credit Facility permanently converted to a facility secured by pledges of equity in properties making up a borrowing base. The minimum fixed charge coverage ratio covenant permanently decreased from 1.75 to 1.60. Per the agreement, the Company was granted a surge period effective with the quarterly reporting period ended September 30, 2020 through June 30, 2021. During the surge period, the consolidated leverage ratio covenant increased from 60% to 65%, the advance rate increased from 60% to 65% of the borrowing base, the applicable margin for LIBOR loans increased 15 basis points, and the implied interest rate used to calculate the debt service coverage amount decreased from 6.0% to 5.75%. Per the agreement, the surge period ended June 30, 2021. On December 31, 2021, the Company entered into an agreement to modify the Credit Facility, in which the maturity date for the revolving line of credit was permanently extended from December 20, 2022 to December 20, 2023. The minimum fixed charge coverage ratio covenant was permanently decreased from 1.60x to 1.50x. Per the agreement, the Company also agreed to an ongoing $25,000 liquidity requirement as well as a limitation on gross dividends that can be declared during 2022 and 2023. These changes were effective with the reporting period ended December 31, 2021.

The Company, while considering externally imposed capital requirements, sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. 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 response to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue equity or new debt, issue new debt with different characteristics to replace existing debt, or reduce the amount of existing debt.

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

Preferred Equity

The Company entered into subscription agreements in prior periods with respect to the issuance of class A convertible preferred shares to affiliates of Magnetar for aggregate gross proceeds of $86,050, funded in multiple series. 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 Company issued 9,098,598 preferred shares.

As at March 31, 2022, the Preferred Shares are convertible into 11,526,416 common shares of the Company. The weighted average accretion rate of the four series of preferred shares is 6.32%.

Debt Strategy and Indebtedness

Debt Strategy

The Company, taking into account availability of financing, market conditions, and the financial characteristics of the properties, seeks to maintain a combination of short, medium, and long-term debt maturities that are appropriate for the overall debt level of its portfolio. The Company utilizes conventional property-specific or portfolio-specific secured mortgages, 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 with a fixed rate, and to have a debt maturity schedule spread over a time horizon which allows the Company to effectively manage refinancing risk and to be in a position to finance within the Company's target debt levels when investment opportunities become available. Management monitors the Company's debt by reviewing the debt to total assets ratio, interest coverage ratio, debt maturity schedule, and ratio of fixed versus floating rate debt. Over the long-term, the Company strives to have a portfolio with an average years to maturity of 5-8 years. The Company targets a long-term debt level of 50-55% of total assets, although from time to time it may carry a higher leverage ratio if market conditions present an opportunity to maximize shareholder value. The Company also targets a fixed rate debt level of 70-85% of its total debt.

To manage interest rate risk, the Company may enter into interest rate swap agreements from time to time. Management's objectives are to source the lowest cost fixed rate debt within its targeted levels while laddering its fixed rate maturity schedule to effectively manage repricing risk. The Company does not designate its interest rate swaps as hedges, and they are marked to fair value each reporting period through change in fair value of financial instruments in the consolidated statements of loss and other comprehensive loss.

Indebtedness

		Principal Amount	Weighted Average Interest Rate	Years to Maturity [2]
Fixed Rate Indebtedness				
Credit Facility Term	$	200,000	4.3 % [1]	1.7
Credit Facility Revolver		25,000	4.8 % [1]	1.7
Credit Facility Revolver		50,000	4.3 % [1]	1.7
MOB Facility		68,128	4.3 % [1]	1.1
Commonwealth Facility		176,000	3.8 % [1]	2.3
Mortgages payable		131,610	3.9 % [1]	8.7
2016 Convertible Debentures		24,850	7.0 %	2.8
2018 Convertible Debentures		50,000	6.0 %	1.5
		725,588	4.3 %	3.1
Variable Rate Indebtedness				
Credit Facility Revolver	$	123,789	2.7 %	1.7
MOB Facility		21,286	2.7 %	1.1
Commonwealth Facility		4,453	2.6 %	2.3
Mortgages payable		52,330	3.6 %	2.2
		201,858	2.9 %	1.8
Total indebtedness	$	927,446	4.0 %	2.8
Less loan fees and issue costs, net of amortization and accretion		(4,586)		
Equity component of convertible debentures, excluding issue costs and taxes		(4,990)		
Mark-to-market adjustment, net		(1,368)		
Carrying amount	$	916,502		

(1) Weighted average interest rates include debt that is fixed with interest rate swaps.

(2) Years to maturity does not include the exercise of extension options, where available.

Joint Venture Indebtedness

	Principal Amount	Weighted Average Interest Rate	Years to Maturity
Fixed rate mortgages payable	$ 150,013	4.3 % [1]	2.9
Variable rate mortgages payable	498	3.8 %	1.0
Total Indebtedness	$ 150,511	4.3 %	2.9
Less loan fees, net of amortization	(1,036)		
Carrying amount	$ 149,475		
Company's share of carrying amount	$ 116,276		

(1) Weighted average interest rates include debt that is fixed with interest rate swaps.

2016 Convertible Debentures

On December 16, 2016, the Company issued an aggregate principal amount of $45,000 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 and commencing on July 31, 2017.

On November 15, 2021, a meeting of holders of the 2016 Convertible Debentures was held whereby the holders of 2016 Convertible Debentures ("2016 Debentureholders") approved amendments to the 2016 Convertible Debentures, including the following:

1. Increase the interest rate from 5.00% to 7.00%, effective January 31, 2022.
2. Decrease the conversion price from $11.00 to $5.00 per share.
3. Extend the maturity date from January 31, 2022 to January 31, 2025.
4. Redemption of $20,000 of the principal amount of the 2016 Convertible Debentures as of the close of business on January 31, 2022.

On January 31, 2022 (the “Redemption Date”), the Company redeemed $20,000 of the principal amount of the 2016 Convertible Debentures outstanding plus accrued and unpaid interest (at 5.00%) thereon. In accordance with the Debenture Amendments, the interest rate on the remaining 2016 Convertible Debentures was increased to 7.00% effective January 31, 2022.

2018 Convertible Debentures

On August 24, 2018, the Company issued an aggregate principal amount of $50,000 of convertible unsecured subordinated debentures ("2018 Convertible Debentures"). The 2018 Convertible Debentures are due on September 30, 2023 and bear interest at an annual rate of 6.00% payable semi-annually in arrears on March 31 and September 30 of each year commencing on March 31, 2019.

Debt to Total Assets

Debt to total assets is calculated by dividing the total consolidated indebtedness, net of loan costs, by the total consolidated assets of the Company. The Company’s debt to total assets, after adding back accumulated depreciation is 65.8%. It is important to note that this metric includes changes in fair value of the Company’s investment properties. The Company also tracks and monitors a similar metric for its Credit Facility, where consolidated assets is calculated using the total undepreciated purchase price of the Company's real estate, as defined in the agreement. At March 31, 2022, the Company's consolidated debt is 56.1% of total assets under the terms of the Credit Facility agreement. This is the pertinent metric for the Company’s Credit Facility.

Fixed rate debt represented approximately 78.2% 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, which are comprised of interest expense payable in cash, regularly scheduled principal payments, and preferred dividends paid. For covenant purposes, the consolidated fixed charge coverage ratio is calculated on a trailing twelve month basis. For the twelve month period ended March 31, 2022, the fixed charge coverage ratio of the Company was 1.62. We anticipate that this ratio will increase due to future transactions including the buy down of debt, refinancing of debt, sale of non-core assets and improved operating performance.

Repayment Summary

Management attempts to stagger the maturity of the Company's fixed rate debt in order to achieve 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 March 31, 2022, including expected interest payments, is as follows:

	Total	2022	2023	2024	2025	2026	Thereafter
Credit facilities principal	$668,656	$ 795	$490,679	$177,182	$ —	$ —	$ —
Mortgages payable principal	183,940	16,574	48,720	40,270	20,385	1,368	56,623
Convertible debentures principal	74,850	—	50,000	—	24,850	—	—
Commonwealth preferred unit liability principal (1)	67,381	—	—	67,381	—	—	—
Total principal	$994,827	$ 17,369	$589,399	$284,833	$ 45,235	$ 1,368	$ 56,623
Percentage of total	99.9 %	1.8 %	59.2 %	28.6 %	4.5 %	0.1 %	5.7 %
Credit facilities interest	$ 45,433	$ 18,906	$ 22,607	$ 3,920	$ —	$ —	$ —
Mortgages payable interest	34,780	5,121	5,327	3,721	2,416	2,165	16,030
Convertible debentures interest	10,193	3,769	4,385	1,748	291	—	—
Commonwealth preferred unit liability interest	11,667	3,318	4,574	3,775	—	—	—
Accounts payable and accrued liabilities	14,303	14,303	—	—	—	—	—
Accrued real estate taxes	15,388	15,388	—	—	—	—	—
Other current liabilities	3,742	3,742	—	—	—	—	—
Other non-current liabilities	7,947	2,835	545	407	126	—	4,034
Total other commitments	$143,453	$ 67,382	$ 37,438	$ 13,571	$ 2,833	$ 2,165	$ 20,064
Total commitments	$1,138,280	$ 84,751	$626,837	$298,404	$ 48,068	$ 3,533	$ 76,687

(1) The liability has no stated maturity date. It is the Company's expectation that the liability will be repaid in 2024.

The credit facilities have an outstanding balance of $665,792 as of March 31, 2022.

Mortgages payable are comprised of mortgages secured by individual investment properties or small portfolios of investment properties.

Accounts payable consisted primarily of professional fees, other general and administrative costs payable, accrued interest, and other accrued costs.

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

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 March 31, 2022.

Transactions Between Related Parties

The Company entered into subscription agreements in 2017, 2018 and 2019 in respect of the issuance of class A convertible preferred shares to certain funds managed by Magnetar Financial LLC (collectively, "Magnetar"), a significant shareholder of the Company, funded in multiple series. 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 Company issued 9,098,598 preferred shares for aggregate gross proceeds of $86,050.

On June 5, 2019, the Company formed a joint venture, Jaguarundi Ventures, LP, with Magnetar. The Company contributed 8 properties to a newly formed joint venture and received $23,000 from Magnetar in exchange for a 39.49% interest in the joint venture.

On July 26, 2019, the Company entered into a credit agreement with Magnetar for a principal amount of $30,000, annual interest rate of 8.5%, and an initial maturity of one year with a one year extension option. On December 5, 2019, the Company repaid $15,000 on the facility. On June 5, 2020, the Company gave notice of intent to exercise the one year extension option and per the credit agreement the interest rate will increase to 9.0%. On June 16, 2020, the Company repaid $5,000 on the facility. On June 22, 2021, the company repaid the remaining $10,000 on the facility.

Critical Accounting Estimates

The preparation of condensed consolidated interim 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 fair value of investment properties:

The significant assumptions used when determining the fair value of investment properties in use are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases.

Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts. As part of Management's internal valuation program, the Company also considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations across the Company's portfolio and updates, as deemed necessary, the valuation models to reflect current market data.

Impairment of loans receivable:

The Company reviews loans receivable on an ongoing basis to assess whether any loans should be classified as impaired and whether an allowance or write-off should be recorded. Allowances for impaired loans are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. To determine the amount, the Company expects to recover from an individually significant impaired loan, the Company uses the value of the estimated future cash flows discounted at the loan's original effective interest rate. The determination of estimated future cash flows of a collateralized impaired loan reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower. Refer to note 4 of the consolidated financial statements of the Company for the period ended December 31, 2020 for further information on estimates and assumptions made in determination of the impairment recorded on loans receivable.

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 consolidated financial statements for the year ended December 31, 2021.

Risks and Uncertainties

See "Risk Factors" in the Company's 2021 AIF for a discussion of risks that could materially affect the Company, which risk factors are incorporated herein by reference.

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

The Company's 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 to 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

The Company is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance about 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 of our internal controls over financial reporting as at March 31, 2022, and based on that assessment, they 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 period ended March 31, 2022 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting. We have not experienced any material impact to our internal control over financial reporting to date as a result of most of the employees of the Company working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 pandemic on our internal controls to minimize the impact to their design and operating effectiveness.

Outstanding Shares

As of May 11, 2022, 56,476,003 common shares in the capital of the Company were issued and outstanding.

Each 2016 Convertible Debenture is convertible into freely tradable common shares of the Company at the option of the holder at any time prior to the earlier of January 31, 2025 and the last business day immediately preceding the date specified by the Company for redemption, at a conversion price of $5.00 per common share. Subsequent to the $20,000 paydown of the 2016 Convertible Debentures on January 31, 2022, if all outstanding 2016 Convertible Debenture were converted into common shares of the Company, it would result in the issuance of 4,970,000 additional common shares. Upon redemption or maturity, the Company may satisfy its obligations with respect to the convertible debentures in cash or the issuance of common shares based on 95% of the Current Market Price on the Redemption Date or Maturity Date, respectively.

Each 2018 Convertible Debenture is convertible into freely tradable common shares of the Company at the option of the holder on or after September 30, 2022, and prior to September 30, 2023 at a conversion price of $10.70 per common share. If all outstanding 2018 Convertible Debenture were converted into common shares of the Company, it would result in the issuance of 4,672,897 additional common shares. Upon redemption or maturity, the Company may satisfy its obligations with respect to the convertible debentures in cash or the issuance of common shares based on 95% of the Current Market Price on the Redemption Date or Maturity Date, respectively.

As of May 11, 2022, there were 2,802,009 Series 1 Preferred Shares outstanding, 3,172,086 Series 2 Preferred Shares outstanding, 1,586,042 Series 3 Preferred Shares and 1,538,461 Class A Series 4 Preferred Shares. The Series 1 Preferred Shares, Series 2 Preferred Shares, Series 3 Preferred Shares, and Series 4 Preferred Shares are convertible into freely tradable common shares of the Company. As of May 11, 2022, assuming the voluntary conversion of all of the Series 1 Preferred Shares, Series 2 Preferred Shares, Series 3 Preferred Shares, and Series 4 Preferred Shares then outstanding, a total of 11,526,416 common shares would be issued.

As of May 11, 2022, assuming the voluntary conversion of all of the Exchangeable Units, a total of 327,869 common shares would be issued.

As of May 11, 2022, assuming the voluntary conversion of all of the Commonwealth preferred units, a total of 5,885,231 common shares would be issued.

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 to most accurately identify the cash flows available for distribution to shareholders.

Funds From Operations

FFO means net income in accordance with IFRS, (i) plus or minus fair value adjustments of 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; (vi) plus allowance for credit losses on loans and interest receivable; (vii) plus accretion and amortization of non-cash adjustments to the 2016 Convertible Debentures (viii) plus deferred income tax expense, after adjustments for equity accounted entities calculated to reflect FFO on the same basis as consolidated properties and adjustments for non-controlling interests. 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 presents 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.

FFO is a financial measure not defined under IFRS, and FFO, 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 and 2018 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 purposes of calculating diluted FFO per share.

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

	Three months ended March 31,	
	2022	2021
Net income for the period	$ 3,337	$ 1,800
Add/(deduct):		
Change in fair value of investment properties	2,860	(11,915)
Property taxes accounted for under IFRIC 21	9,014	9,804
Depreciation and amortization expense	3,719	7,672
Amortization of tenant inducements	90	195
Accretion expense and amortization of non-cash adjustments to the 2016 Convertible Debentures	922	—
Change in fair value of financial instruments	(13,705)	(3,617)
Gain on sale of property, plant and equipment	(1,333)	—
Deferred income tax recovery	(1,127)	—
Allowance for credit losses on loans and interest receivable	(24)	1,165
Change in non-controlling interest liability in respect of the above	130	(116)
Adjustments for equity accounted entities	23	44
Funds from operations	$ 3,906	$ 5,032
Interest, amortization and accretion expense on dilutive convertible units (1)	—	—
Total diluted funds from operations	$ 3,906	$ 5,032
Weighted average number of shares, including fully vested deferred shares: Basic	56,706,423	56,162,127
Weighted average shares issued if all convertible units were converted (1)	11,675,994	10,984,000
Weighted average number of shares: Diluted	68,382,417	67,146,127
Funds from operations per share	$ 0.07	$ 0.09
Diluted funds from operations per share	$ 0.06	$ 0.07

(1) For the three months ended March 31, 2022 and 2021, dilutive convertible units includes Preferred Shares and Exchangeable Units.

Adjusted Funds From Operations

The Company maintains the view that AFFO is an effective measure of cash generated from operations, after providing for certain adjustments. AFFO means cash provided by operating activities, subject to certain adjustments, which include: (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) add backs for compensation expense related to the Company's deferred share incentive plan; (v) add backs for payments received under the Company's income support agreements and development lease arrangements; (vi) add backs for the write-off of deferred financing costs from refinancing; and (vii) 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 and 2018 Convertible Debentures were dilutive to AFFO per share, the related interest has been added back to calculate a diluted AFFO for purposes of calculating diluted AFFO per share.

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

	Three months ended March 31, 2022	2021
Cash flows provided by (used in) operating activities	$ 1,923	$ 302
Change in non-cash working capital	1,505	3,079
Less: interest expense [1]	(9,680)	(12,007)
Less: change in non-controlling interest liability	(236)	50
Plus: loss from joint ventures	(448)	759
Plus: interest paid	10,491	12,993
Less: interest received	(119)	(169)
Plus: debt extinguishment costs	340	696
Plus: non-cash portion of non-controlling interest expense	126	(256)
Plus: adjustments for equity accounted entities	(119)	40
Plus: deferred share incentive plan compensation	140	1,021
Less: capital maintenance reserve	(729)	(831)
Adjusted funds from operations	$ 3,194	$ 5,677
Interest expense on dilutive convertible units [2]	—	—
Total diluted adjusted funds from operations	$ 3,194	$ 5,677
Weighted average number of shares, including fully vested deferred shares: Basic	56,706,423	56,162,127
Weighted average shares issued if all dilutive convertible units were converted [2]	11,675,994	10,984,000
Weighted average number of shares: Diluted	68,382,417	67,146,127
Adjusted funds from operations per share	$ 0.06	$ 0.10
Diluted adjusted funds from operations per share	$ 0.05	$ 0.08

(1) Includes interest expense on the credit facilities, mortgages payable, convertible debentures, interest rate swaps, write off of deferred financing costs from refinancing, debt extinguishment costs and interest income earned on notes receivable included in finance costs.

(2) For the three months ended March 31, 2022 and 2021, dilutive convertible units includes Preferred Shares and Exchangeable Units.

The Company deducts a capital maintenance reserve in its calculation of AFFO based on estimated quarterly expenditures related to sustaining and maintaining existing space. Expenditures that are related to new development or revenue enhancing renovations are excluded from this calculation.

Operational Measures

The Company reports on certain metrics related to the underlying operations in its stabilized income properties. The Company has defined stabilized income 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.

Medical office buildings - stabilized upon the earlier of 90% occupancy, measured in physical occupancy of greater than 90% of the rentable square footage in the building, for two consecutive quarters and 36 months after opening.

Properties meeting the above criteria are generally considered stabilized.

A property may be considered unstablized if:

1. It is a new development that is not yet complete,
2. It is not yet stabilized and is within 12 months of the above criteria,
3. It is newly acquired within the last 12 months,
4. It is undergoing a major renovation or has within the last 12 months,
5. An operator transition has occurred or a binding agreement to transfer operations has been signed within the last 12 months,
6. It is held for sale and/or slated for closure,
7. A significant tenant or the licensed operator or management company has filed for bankruptcy, which is either ongoing or has been resolved within the last 12 months,
8. It has experienced significant incident of casualty materially disrupting the operations / financial performance, or
9. It has experienced a change in reporting structure, such as an alteration from triple-net lease to SHOP reporting structure

The Company believes relevant metrics for evaluating the performance of the underlying operations in stable, triple-net leased assets include operator lease coverage and occupancy.

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

NOI by Operating Segment

The tables below are presented at the Company’s proportionate share and display trailing three months net operating income (“NOI”) to the Company from its senior housing operating properties (“SHOP”), triple-net lease and medical office building portfolios for the three months ended March 31, 2022 and 2021.

	Three months ended March 31, 2022		Three months ended March 31, 2021	
	NOI	% of Total	NOI	% of Total
SHOP	$ 6,093	31.8 %	$ 5,519	24.3 %
NNN	11,925	62.2 %	16,015	70.4 %
MOB	1,149	6.0 %	1,197	5.3 %
	$ 19,167	100.0 %	$ 22,731	100.0 %

Triple-Net Lease Portfolio

The Company's triple-net lease portfolio for the period ending March 31, 2022, consisted of 34 seniors housing and care properties which are leased to operators on a long-term, triple-net basis. Under a triple-net lease structure, the tenant operators assume the operational risks and expenses associated with operating the facility. The Company's triple-net leased portfolio as of March 31, 2022 had an average lease term to maturity, excluding renewal options, of approximately 11.4 years.

Approximately 92% of the Company's forward 12 month rent from unaffiliated tenants in the triple-net lease portfolio is currently subject to a master-lease or is subject to a lease where the Company has the right to consolidate multiple leases into a single master-lease.

The table below displays the Company's contractual rent for the twelve months ended March 31, 2022 and 2021.

	Contractual Rent, twelve months ended March 31, 2022[1]	% of Total NNN Contractual Rent	Contractual Rent, twelve months ended March 31, 2021 [1]	% of Total NNN Contractual Rent
Symphony Post Acute	$ 15,118	32.9 %	$ 30,808	48.9 %
The Providence Group	5,440	11.9 %	4,703	7.5 %
Constant Care	5,407	11.8 %	4,725	7.5 %
Hillcrest Healthcare	3,806	8.3 %	3,423	5.4 %
Cascade	3,544	7.7 %	—	— %
Other	12,568	27.4 %	19,329	30.7 %
Total	$ 45,883	100.0 %	$ 62,988	100.0 %

(1) Represents contractual rent for the respective time period.

The table below displays the Company's contractual forward twelve months rent for the period commencing April 1, 2022.

	Contractual Rent, forward twelve months for the period beginning April 1, 2022	% of Total Contractual Rent
Symphony Post Acute	$ 14,409	32.0 %
The Providence Group	5,542	12.4 %
Constant Care	6,240	13.9 %
Cascade Capital Group	4,875	10.9 %
Hillcrest Healthcare	3,891	8.7 %
Other	9,882	22.1 %
Total	$ 44,839	100.0 %

Seniors Housing Operating Properties ("SHOP")

The Company's SHOP portfolio for the period ended March 31, 2022 consisted of 47 properties in which the Company wholly owns both the operations and the real estate of each community or owns an interest in both the operations and real estate through joint arrangements and where management services are provided to each community by a third-party management company.

The following tables summarizes stabilized SHOP metrics for the three months ended March 31, 2022 and 2021:

	Three months ended March 31,	
	2022	2021
NOI margin	21.8 %	24.1 %
Occupancy	79.0 %	75.0 %
Revenue per resident (in whole U.S. dollars)	$ 4,516	$ 4,360

The table above include all stabilized SHOP assets that were owned at the respective reporting periods. Also included in the above metrics are the operating results of stabilized assets that were previously owned as triple-net leased assets but have since been transitioned to SHOP.

Medical Office Building Portfolio

The Company's medical office building portfolio consists of 15 multi-tenant medical office buildings in which the Company has full ownership of the property. The Company's stabilized medical office building portfolio consists of 11 properties through March 31, 2022 in the United States and Canada. The Company's stabilized medical office building portfolio has an average lease term to maturity, excluding renewal options, of 2.42 years.

The Company utilizes occupancy as a percentage of gross leasable area in addition to other financial metrics when evaluating performance in its medical office building portfolio. The following table displays the occupancy of and NOI from the Company's medical office building portfolio for the three months ended March 31, 2022 and 2021.

	Three months ended March 31,	
	2022	2021
Occupancy	79.8 %	81.8 %
Contractual rent	$ 2,015	$ 2,102
NOI	$ 1,149	$ 1,197

The following table discloses the leases expiring by year for the Company's medical office building portfolio.

Expiration Year	Expiring Leases	Expiring Lease GLA	% of Total GLA
2022	62	117,345	20.3%
2023	43	108,448	18.8%
2024	25	48,858	8.5%
2025	20	30,235	5.2%
2026	20	49,753	8.6%
Thereafter	28	57,798	10.0%
MTM	17	25,551	4.4%
Vacant	—	139,629	24.2%
Total	215	577,617	100%

Reconciliation of Net Operating Income to Net Income

The tables below are presented to reconcile the Company's proportionate share of net operating income NOI to Net Income, which represents the nearest measure defined by IFRS.

	Three months ended March 31, 2022				
	NNN	SHOP	Medical office buildings	Corporate/ other	Total
Net income (loss)	$ (505)	$ 4,372	$ (2,330)	$ 1,800	$ 3,337
Change in fair value of investment properties	8,474	—	3,400	—	11,874
Depreciation and amortization expense	—	3,718	—	23	3,741
Amortization expense and debt extinguishment costs	19	655	83	1,246	2,003
Amortization of tenant inducements	60	—	30	—	90
Change in fair value of financial instruments	(22)	(5,778)	(866)	(7,063)	(13,729)
Gain on sale of property, plant and equipment	—	(1,324)	—	(9)	(1,333)
Changes in non-controlling interest liability	—	126	—	—	126
Straight-line rent	(1,075)	—	(8)	—	(1,083)
DSU compensation	—	—	—	140	140
Finance cost from operations	4,291	3,766	840	1,045	9,942
Deferred tax recovery	—	—	—	(1,127)	(1,127)
Finance costs from operations from equity accounted entities	358	1,002	—	—	1,360
Non-cash adjustment for equity accounted entities	325	(444)	—	—	(119)
Net operating income (loss)	$ 11,925	$ 6,093	$ 1,149	$ (3,945)	$ 15,222

	Three months ended March 31, 2021				
	NNN	SHOP	Medical office buildings	Corporate/ other	Total
Net income (loss)	$ 11,202	$ (7,764)	$ 1,806	$ (3,444)	$ 1,800
Change in fair value of investment properties	(864)	—	(1,247)	—	(2,111)
Depreciation and amortization expense	—	7,672	—	23	7,695
Amortization expense and debt extinguishment costs	76	1,144	83	535	1,838
Amortization of tenant inducements	75	—	120	—	195
Change in fair value of financial instruments	(50)	(424)	(380)	(1,598)	(2,452)
Changes in non-controlling interest liability	—	(120)	—	—	(120)
Straight-line rent	(1,236)	—	(26)	—	(1,262)
DSU compensation	—	—	—	1,021	1,021
Finance cost from operations	6,193	4,104	841	1,176	12,314
Finance costs from operations from equity accounted entities	654	968	—	—	1,622
Non-cash adjustment for equity accounted entities	(35)	(61)			(96)
Net operating income (loss)	$ 16,015	$ 5,519	$ 1,197	$ (2,287)	$ 20,444