INVESQUE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE THREE MONTHS ENDED MARCH 31, 2023

May 11, 2023

Basis of presentation

Financial data in this Management's Discussion and Analysis of Results of Operations and Financial Condition (this "MD&A") is for the three months ended March 31, 2023. 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, 2023. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2022 and 2021.

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2022 (the "2022 AIF"), can be found on SEDAR at www.sedar.com.

All financial information is in thousands of U.S. dollars except share and per share amounts and unless otherwise noted.

Forward-looking disclaimer

This MD&A contains certain forward-looking information and/or statements (“forward-looking statements”), that reflect and are provided for the purpose of presenting information about management’s current expectations and plans relating to the future, including, without limitation, statements regarding 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, dispositions, development activities, future maintenance and leasing expenditures, financing, the availability of financing sources and income taxes. Forward-looking information is typically identified by terms such as “anticipate,” “believe,” “continue,” “estimate,” “expect,” “expectations,” “intend,” “may,” “plan,” “project,” “should,” “will,” and other similar expressions that do not relate solely to historical matters and suggest future outcomes or events. Readers should not place undue reliance on forward-looking statements and are cautioned that forward-looking statements may not be appropriate for other purposes. Forward-looking statements in this MD&A are based on current beliefs, expectations, and certain assumptions of the Company's management, including that any conditions relating to the sale of the Company's medical office buildings or the Symphony Care Network ("Symcare") leased facilities will be satisfied or waived and any such transactions will be completed when currently expected, and are subject to significant known and unknown risks, uncertainties, and other factors that are beyond the Company’s ability to predict or control and may cause actual results or events to differ materially from those expressed or implied by such statements and, accordingly, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. The Company's actual results may differ as a result of various factors, including without limitation, the negative impact of COVID-19 pandemic on the Company’s business and the business of operators/tenants, including without limitation, the negative economic conditions arising therefrom; the status of capital markets, including, without limitation, availability and cost of capital; issues facing the health care industry, including, without limitation, compliance with, and changes to, regulations and payment policies, responding to government investigations and settlements and operators’/tenants’ ability to cost effectively obtaining and maintaining adequate liability and other insurance; the risk that the Company’s operators/tenants and borrowers may become subject to bankruptcy or insolvency proceedings; changes in financing terms; competition throughout the health care and senior housing industries; the operating results or financial condition of operators/tenants, including, without limitation, their ability to pay rent and repay loans, the Company’s ability to transition, buy, or sell properties with profitable results as and when anticipated, and occupancy levels; the effect of other factors affecting the Company’s business and facilities outside of the Company’s or operators’/tenants control, including without limitation, natural disasters, other health crises or pandemics, governmental action, particularly in the healthcare industry, protests, strikes, and shortages in supply chains; and those factors set forth under the heading "Risks and Uncertainties" in this MD&A and the 2021 AIF, as well as the risks described in the Company’s current annual information form and other documents, available on SEDAR at www.sedar.com, which risks may be dependent on market factors and not entirely within the Company’s control. Although management believes that it has a reasonable basis for the expectations reflected in these forward-looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons.

These forward-looking statements reflect current expectations of the Company and are made as of May 11, 2023 and speak only as of the date of this MD&A. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as may be required by applicable law.

Financial Measures not Defined Under IFRS

In this document we use a number of performance measures that are not defined by IFRS which follow the disclosure requirements established by National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosures, to

measure, compare and explain the operating results and financial performance of the Company (collectively, the "non-IFRS Financial Measures").

Certain non-IFRS Financial Measures such as Funds From Operations ("FFO"), Adjusted Funds From Operations ("AFFO"), revenue per resident 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 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 made a strategic decision to exit the medical office building segment and therefore reports results of the segment as discontinued operations in the consolidated financial statements. The Company's portfolio also includes investments in owner occupied seniors housing properties in which it owns the real estate and provides management services exclusively 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"):** SNFs are senior care facilities that provide a room, meals and assistance with daily life activities and have licensed nursing staff on duty 24 hours per day. These facilities provide the most intensive level of medical and nursing care in a residential setting for seniors, typically treating residents with physical or mental impairments that prevent them from living in IL or AL communities. In many cases, these facilities supplement hospital care by providing care to patients who require medical and therapeutic services but are stable enough to have these services provided in a facility that is less expensive than a hospital or other post-acute care setting. The SNF 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 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, 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 are subject to extensive federal, state and provincial regulation, including licensing requirements and regulations relating to government funding. SNFs receive revenue from private pay sources and third-party pay sources, including federal, state and provincial governments and insurance companies.

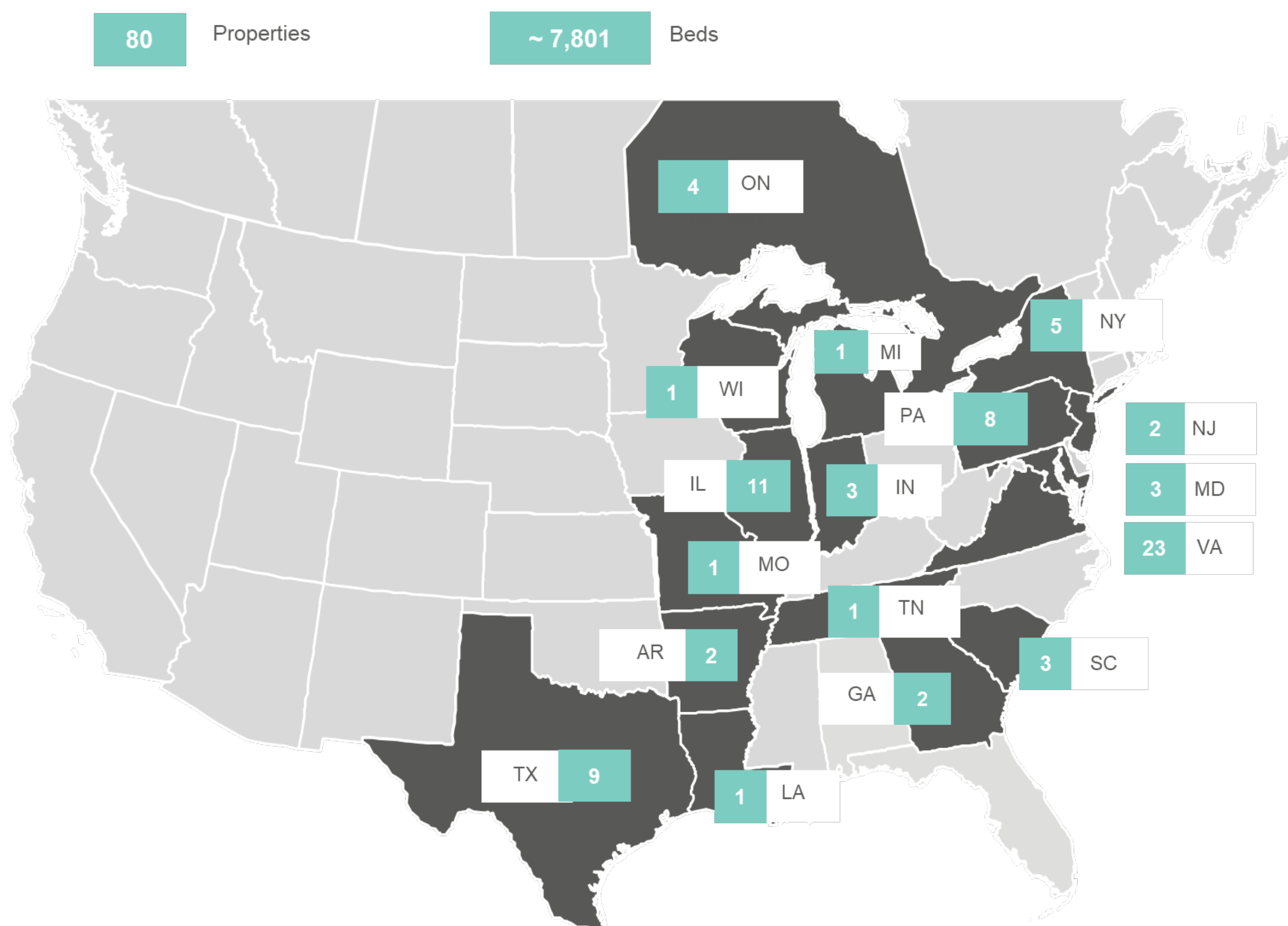
- **Medical Office Buildings ("MOBs"):** MOBs represent a segment of health care real estate comprised of various outpatient health care settings. Outpatient care, sometimes referred to as ambulatory care, is defined as medical care or treatment that does not require an overnight stay in a hospital or 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. A strategic decision has been made to exit the medical office building segment, and the sale of the remaining two buildings is expected to be completed in the upcoming months. Accordingly, this segment has been classified as discontinued operations in the condensed consolidated interim financial statements dated March 31, 2023.

  Throughout 2022, the Company sold 12 medical office buildings. On April 7, 2023, the Company sold a medical office building in Orlando, Florida. Subsequent to these transactions, the Company owns two medical office buildings in the United States and intends to sell them in 2023.

For the Company's SNF 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.

As of May 11, 2023, the Company owns or has a majority interest in a portfolio of 76 properties in the United States, comprised of 57 assisted living and memory care facilities, 13 skilled nursing facilities, 4 transitional care properties and 2 medical office buildings. In Canada, the Company owns an interest in 4 seniors housing assets.

The Company's geographic footprint as of May 11, 2023:



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

The COVID-19 pandemic resulted in a significant economic downturn in the United States, Canada and globally, and also led to disruptions and volatility in capital markets. Certain trends and impacts have continued throughout 2022 and will likely continue throughout 2023. The economic downturn has had an impact on results and operations of the Company, including decreased occupancy, delays in collections from tenants, increased operating expenses and increased interest rates.

The ultimate impact of the pandemic on the Company's results of operations, financial position and cash flows are still uncertain and continually evolving. This includes, among other factors, the duration and severity of negative economic conditions arising therefrom, including interest rates and inflation. The negative impact of the pandemic has been partially offset to date by certain government stimulus programs which have helped to offset increased 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, 2023, the Company recognized $34 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, 2022 - $150). For the three months ended March 31, 2023, the Company recognized $196 of 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, 2022 - $0).

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, interest rates and cost inflation have introduced increased uncertainty. 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 various 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 various debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing that matures in 2023 may no longer be available to the Company at terms and conditions that are forecasted, or at all.

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, 2023. 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 tenants to meet projected 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 flows and preserve liquidity:

(i) utilizing existing cash and cash generated from operations to pay down debts,

(ii) continue with sales activity to dispose of certain properties and use the proceeds to extinguish corresponding debt and pay down additional debts with net proceeds,

(iii) exercise the Company's right to convert its convertible debentures currently issued and outstanding into common shares of the Company,

(iv) reducing non-essential capital expenditures.

Recent Activities

On February 1, 2022, the Company acquired a memory care facility located in Grand Rapids, Michigan for a contractual purchase price of $12,470 plus transaction costs. The transaction was funded by cash on hand and the repayment of $1,799 of outstanding mezzanine and loans principal and accrued interest due to the seller by the Company. 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. The housing community 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, South Carolina The Company transitioned all residents from this property into new locations in order to prepare the building for sale and, as a result, 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 ultimately sold and closed on April 1, 2022 for net cash consideration of $19,571.

On April 1, 2022, Jaguarundi Ventures, LP sold the four properties held in the Jaguarundi 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.

On June 15, 2022, the Company sold its interests in two Calamar properties in Wheatfield, New York for net cash consideration of $10,000.

On July 26, 2022, the Company sold a medical office building in Orlando, Florida to a tenant for cash consideration of $9,850, $9,177 of which was used to partially pay off the US dollar-denominated portion of the MOB credit facility.

On July 28, 2022, the Company sold ten medical office buildings in Canada for $73,629, $66,526 of which was used to fully pay off the Canadian dollar-denominated portion of the MOB credit facility. Subsequent to these transactions, the Company owns three medical office buildings in the United States and one in Canada. A strategic decision has been made to exit the medical office building segment. The sale of the remaining three buildings is expected to be completed in the next twelve months. The medical office building operating segment has been classified as discontinued operations.

On August, 30, 2022, the Company sold two properties in Nebraska for $25,000. Cash in excess of closing costs was used to partially pay down the Company's corporate credit facility.

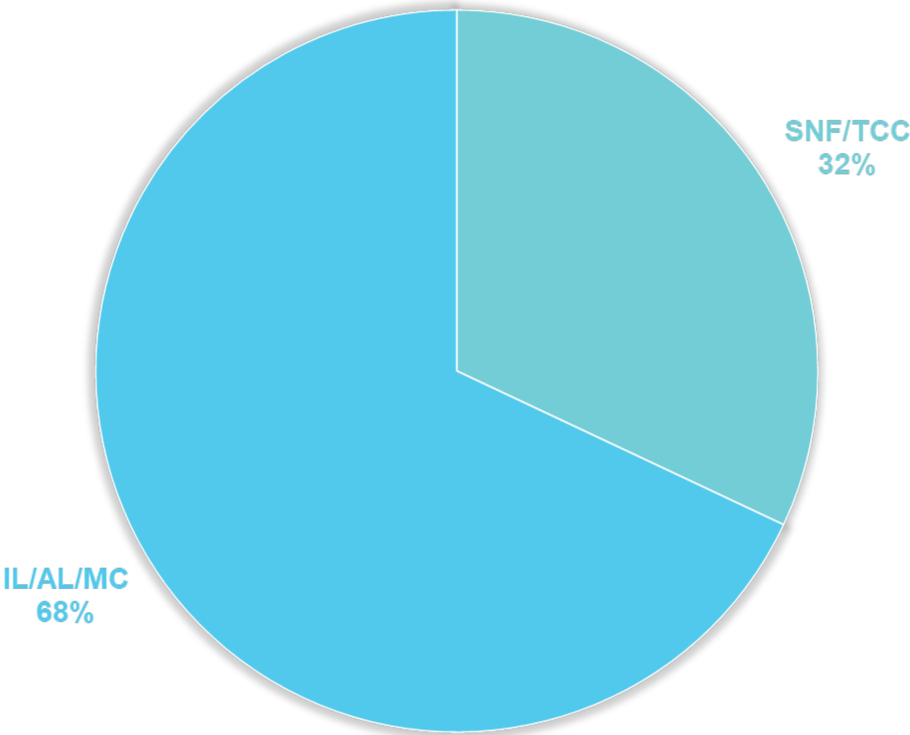
On November 28, 2022, the Company sold a medical office building in Brantford, Ontario for cash consideration of $5,780. $3,790 was financed by the Company via a first mortgage collateralized note, and the remaining proceeds were held in cash to manage working capital.

On February 27, 2023, the Company entered into a purchase and sale agreement to sell the Company's full interest in the Symcare portfolio. The transaction is expected to close in the second quarter of 2023, and all proceeds will be used to retire debt on the corporate credit facility.

On April 7, 2023, the Company sold a medical office building in Orlando, Florida for cash consideration of $6,375 before closing costs.

On April 10, 2023, the Company acquired ownership of the memory care facility as part of a deed in lieu of foreclosure agreement with the debtor or borrower under the note. The Company's assumption of ownership of the memory care facility was exchanged for forgiveness of the note receivable. In conjunction with the acquisition of the property, the Company, as landlord, entered into a triple-net lease with an affiliate of Constant Care Management Company.

As of May 11, 2023, 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, 2023	As at December 31, 2022
Consolidated investment properties	44	44
Consolidated owner occupied properties	33	33
Properties held for sale	3	3
Weighted average lease term to maturity (excludes renewal options)[1]	11.1 years	11.3 years
Average facility age	9.9 years	9.7 years
Total assets	$ 1,082,108	$ 1,097,340
Total indebtedness	$ 769,970	$ 765,457
Weighted average interest rate [2]	5.1 %	4.8 %
Joint venture properties	8	8
Joint venture total assets [3]	$ 160,581	$ 158,777
Joint venture indebtedness [3]	$ 85,104	$ 85,587
Joint venture weighted average interest rate [4]	4.7 %	4.4 %

	Three months ended March 31,	
	2023	2022
Revenue [5]	$ 49,541	$ 48,594
Direct property operating expenses [5]	$ 25,716	$ 25,852
Finance costs [5]	$ 11,472	$ 11,115
General and administrative expenses [5]	$ 5,966	$ 5,991
Change in fair value of investment properties [5]	$ 8,894	$ 8,474
Income (loss) from joint ventures [5]	$ (24)	$ (448)
Net income (loss)	$ (15,598)	$ 3,337
Total comprehensive income (loss)	$ (15,478)	$ 3,963
Net income (loss) per share	$ (0.27)	$ 0.06
Diluted net income (loss) per share	$ (0.27)	$ 0.06
Funds from operations (FFO) [6]	$ 6,903	$ 3,906
FFO per share [6]	$ 0.12	$ 0.07
Diluted FFO per share [6]	$ 0.10	$ 0.06
Adjusted funds from operations (AFFO) [6]	$ 6,571	$ 3,194
AFFO per share [6]	$ 0.12	$ 0.06
Diluted AFFO per share [6]	$ 0.09	$ 0.05

(1) The weighted average lease term to maturity does not include the medical office building portfolio accounted for as a discontinued operation nor owner occupied properties due to the variety and nature of existing leases within those portfolios.

(2) The Company's weighted average interest rates at March 31, 2023 and December 31, 2023 included $470,338; and $470,963, respectively, of the Company's debt that is fixed with interest rate swaps. As of March 31, 2023, the weighted average term to maturity for the Company's fixed debt with interest rate swaps is 0.99 years.

(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, 2023 December 31, 2022 included $77,632 and $87,264, respectively, of the joint ventures debt that is fixed with interest rate swaps. As of March 31, 2023, the weighted average term to maturity for the Company's joint venture fixed debt with interest rate swaps is 2.89 years.

(5) Represents amounts presented from continuing operations, and excludes activity from the medical office building segment, which has been classified as discontinued operations.

(6) 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, 2023 and 2022
(unless otherwise stated, amounts are in thousands of U.S. dollars)

Revenue from continuing operations

	Three months ended March 31,	
	2023	2022
Contractual rental revenue	$ 10,487	$ 10,880
Straight-line rent adjustments	615	1,075
Amortization of tenant inducements	(61)	(60)
Amortization of leasing commission	(5)	—
Property tax recoveries	2,982	2,893
Total rental revenue	14,018	14,788
Resident rental and related services revenue	33,701	32,176
Lease revenue from joint ventures	876	903
Other revenue	946	727
Total revenue	$ 49,541	$ 48,594

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 property tenants are primarily responsible to pay. The decrease in contractual rental revenue for the three months ended March 31, 2023 as compared to the prior period is due to the sale of properties during 2022, 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, 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 three months ended March 31, 2023 is due to increased occupancy rates and rental rate increases.

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 seven properties that are not owned by the Company.

Other income from continuing operations

Other income for the three months ended March 31, 2023 relates to income recognized upon a lease transition of $1,711 and government grant funding received related to COVID-19 relief of $34 (three months ended March 31, 2022 - $150).

Direct property operating expenses from continuing operations

Direct property operating expenses consist of the following:

	Three months ended March 31,	
	2023	2022
Repairs and maintenance	$ 686	$ 805
Utilities	1,163	1,175
Compensation and benefits	16,849	16,321
Other services and supplies	1,922	1,642
Administrative and marketing	2,465	2,394
Real estate taxes	594	668
Insurance	721	799
Other	1,316	2,048
	$ 25,716	$ 25,852

The direct property operating expenses relate to expenses at the Company's owner occupied properties. As of March 31, 2023, the owner occupied properties include 28 properties operated by Commonwealth and five properties operated by Phoenix. The decrease in direct property operating expenses for the three months ended March 31, 2023 as compared to prior year period is primarily due to less owner occupied properties.

Depreciation and amortization expense from continuing operations

For the three months ended March 31, 2023, depreciation and amortization expense was $3,735 (three months ended March 31, 2022 - $3,741), 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. The decrease in depreciation and amortization expense for the three month period ended March 31, 2023 as compared to the prior year period is primarily due to the disposition of one property, a conversion of another property to investment property, and de-recognition of assets across the portfolio, partially offset by increased depreciation resulting from capital additions.

Finance costs from continuing operations

Finance costs from operations consist of the following:

	Three months ended March 31,	
	2023	2022
Interest expense on credit facilities	$ 8,650	$ 3,091
Interest expense on mortgages payable	2,165	1,777
Interest expense on convertible debentures	1,144	1,228
Dividends on Commonwealth preferred units	929	928
Amortization and accretion expense	1,008	1,022
Net interest rate swap payments (receipts)	(2,829)	2,083
Debt extinguishment costs	(9)	340
Amortization of mark-to-market debt adjustments	414	646
	$ 11,472	$ 11,115

Finance costs are primarily related to interest and amortization on the Company's credit facilities and mortgages payable. Interest expense on credit facilities and mortgages payable increased in the three months ended March 31, 2023 as compared to the prior year periods due to the increase in the Company's average borrowing rate. These interest expense increases were partially offset by net interest swap receipts in the current year period due to the terms of the Company's

swap arrangements. The Commonwealth preferred units issued to fund the Commonwealth transactions earn an initial dividend rate of 6.50% per annum.

Interest income from loans receivable from continuing operations

For the three months ended March 31, 2023, interest income from loans receivable was $529 (three months ended March 31, 2022 - $352). Interest income is related to loans issued to operating partners and other entities for purposes of the development of seniors housing and care properties, operating capital expenditures or other costs. The increase in interest income for the three months ended March 31, 2023 as compared to the prior year period is primarily due to the issuance of additional loans.

Real estate tax expense & change in fair value of investment properties - IFRIC 21 from continuing operations

For the three months ended March 31, 2023, real estate tax expense was $12,040 (three months ended March 31, 2022 - $11,409), 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 increase in real estate tax expense as compared to the prior year period is primarily due to increased tax rates and assessed values. Real estate tax expense on the Company's owner occupied properties is included in direct property operating expenses in the consolidated statements of loss and comprehensive loss.

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 consolidated statements of loss and comprehensive loss for the periods presented.

	Three months ended March 31,	
	2023	2022
Property tax recoveries	$ 2,982	$ 2,893
Real estate tax expense	(12,040)	(11,409)
Change in fair value of investment properties - IFRIC 21	9,058	8,515
	$ —	$ (1)

General and administrative expenses from continuing operations

General and administrative expenses consist of the following:

	Three months ended March 31, 2023			Three months ended March 31, 2022		
	Corporate	CSL	Total	Corporate	CSL	Total
Compensation and benefits	$ 1,895	$ 1,791	$ 3,686	$ 2,460	$ 1,601	$ 4,061
Professional fees	951	—	951	928	—	928
Deferred share compensation	340	—	340	140	—	140
Rent	107	—	107	75	—	75
Other	582	300	882	616	171	787
	$ 3,875	$ 2,091	$ 5,966	$ 4,219	$ 1,772	$ 5,991

Compensation and benefits expense includes the cost of salaries, bonuses, and benefits during the period. The decrease in compensation and benefits for the three months ended March 31, 2023 as compared to the prior year period is primarily due to a true up of Corporate bonuses in the prior year period.

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

The increase in deferred share compensation expense for the three months ended March 31, 2023 is primarily due to a release of vested DSU's to directors and executives in the current year period.

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 expected credit losses from continuing operations

Allowance for credit losses on loans and interest receivable for the three months ended March 31, 2023 was $1,047 (three months ended March 31, 2022 - $(24)). The increase in credit losses in the current year period is primarily due to the reserve against real estate taxes receivable, in addition to recoveries in the prior year period of previously reserved accounts. 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 $67 for the three months ended March 31, 2023 (three months ended March 31, 2022 - $236). These costs are the result of the portion of net income or loss attributed to the non-controlling interest partners of the consolidated properties in the owner-occupied reportable segment, and the change during the three months ended March 31, 2023 from the prior year period is primarily due to operating results at the properties and non-cash fair value adjustments.

Change in fair value of investment properties from continuing operations

The change in fair value of investment properties for the three months ended March 31, 2023 was a decrease of $8,894 (three months ended March 31, 2022 - $8,474 decrease). 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, 2023. The adjustments for the period ended March 31, 2023 were primarily driven by write-downs to memory care and skilled nursing facilities to reflect current market conditions.

Change in fair value of financial instruments from continuing operations

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

	Three months ended March 31,	
	2023	2022
Change in fair value of interest rate swaps	$ 3,017	$ (13,744)
Change in fair value of prepayment embedded derivatives	(80)	905
Total loss (income) from change in fair value of financial instruments	$ 2,937	$ (12,839)

The change in fair value of financial instruments for the three months ended March 31, 2023 and 2022 was due primarily 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.

Income (loss) from joint ventures

	Three months ended March 31,	
	2023	2022
Revenue	$ 8,936	$ 8,647
Other income	196	—
Property operating expense	7,404	6,157
Depreciation expense	—	136
Finance costs	935	1,380
Real estate tax expense	—	197
General and administrative expenses	1	1,569
Change in fair value of financial instruments	541	(1,441)
Change in fair value of investment properties	275	1,097
Income (loss) from joint ventures	$ (24)	$ (448)

Income (loss) from joint ventures represents the Company's share of net income or loss from entities in which the Company has an equity or jointly controlled interest. The decrease in loss from joint ventures during the three month period ended March 31, 2023 as compared to the same period in the prior year is primarily due to decreased general and administrative expenses resulting from fewer properties, and decreases in the change in fair value of investment properties and in the change in fair value of financial instruments due to market conditions.

Income tax expense/recovery from continuing operations

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

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 loss on translation of foreign operations for the three months ended March 31, 2023 of $120 (three months ended March 31, 2022 - $626), was due to the change in value of the Canadian dollar as compared to the U.S. dollar during the period. During the three months ended March 31, 2023 the Company reclassified $5 of unrealized foreign exchange gain to realized gain related to the medical office building reportable segment, the majority of which was sold during 2022.

Cash Flow Analysis

		Three months ended March 31,	
		2023	2022
Cash provided by (used in) operating activities	$	(4,482) $	1,923
Cash provided by financing activities		2,903	10,179
Cash used in investing activities		(3,754)	(4,383)
Increase (decrease) in cash and cash equivalents	$	(5,333) $	7,719

Cash Provided by (Used In) Operating Activities

Cash from operating activities decreased during the three month period ended March 31, 2023 as compared to the prior year period. The decrease is primarily due to payments of real estate taxes and a general decrease in the number of properties owned.

Cash Provided by Financing Activities

Cash provided by financing activities for the three month period ended March 31, 2023 was $2,903 as compared to cash used in financing activities of $10,179 in the prior year period. The current period cash provided by financing activities was primarily driven by net activity on mortgages payable and credit facilities, which included $2,660 and $1,897 of cash proceeds, respectively.

Cash provided by financing activities in the three month period ended March 31, 2022 was primarily driven by net payments on the mortgages payable, convertible debentures and Commonwealth preferred units, partially offset by draws on the Credit Facility.

Cash Used in Investing Activities

Cash used in investing activities for the three months ended March 31, 2023 was $3,754. This was primarily due to additions to investment properties of $1,985 and additions to property, plant and equipment of $1,871.

Cash used in investing activities for the three months ended March 31, 2022 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 $8,695, distributions from joint ventures of $105, contributions to joint ventures of $286 and distributions made to non-controlling interest partners of $169.

Financial Position

Total assets of $1,082,108 are comprised primarily of $532,342 of investment properties, which represents the estimated fair market value of the Company's portfolio of properties, including capital expenditures, and $394,398 of property, plant and equipment, net of $104,711 of accumulated depreciation as at March 31, 2023. Cash on hand at March 31, 2023 was $22,246, net loans receivable were $22,473, investments in joint ventures were $49,125, total derivative assets were $7,483, and other assets were $11,180. Total gross loans receivable of $30,750 is offset by an allowance for losses on loans receivable of $8,277. Gross loans receivable includes $8,080 of gross loans made to the tenant operator Symcare. Other assets primarily consisted of $5,687 of escrows held by lenders, $2,096 of prepaid expense, $878 of right-of-use asset, $564 of bond assets and $1,910 of other costs. In addition, current assets include tenant and other receivables of $8,030, real estate tax receivables of $12,734, and assets held for sale of $16,460. 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 $865,589 includes current liabilities of $500,282 (see "Liquidity and Capital Resources" for additional information) and non-current liabilities of $365,307. The current liabilities included $13,730 of real estate taxes payable. Accounts payable and accrued liabilities represented $12,039 of the balance in current liabilities. In addition, current liabilities included $77,681 representing the current portion of mortgages payable, net of loan fees. Non-current liabilities included $110,530 representing the non-current portion of mortgages payable, net of loan fees; $176,003 representing the non-current balance outstanding on the credit facilities, net of loan fees; $17,409 of the convertible debentures, net of fees; $58,017 of Commonwealth preferred unit liability; and $145 of non-controlling interest liability. Other non-current liabilities of $3,202 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, 2021 through March 31, 2023:

	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 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
Revenue [1]	$ 49,541	$ 50,044	$ 49,665	$ 49,732	$ 48,594	$ 47,850	$ 49,372	$ 48,592
Other income [1]	1,745	111	393	41	150	1,600	—	2,023
Direct property operating expenses [1]	25,716	26,447	25,481	24,862	25,852	26,168	24,552	22,460
Depreciation and amortization expense [1]	3,735	5,119	3,873	3,783	3,741	4,017	4,722	5,718
Finance costs [1]	11,472	11,001	11,037	10,795	11,115	10,579	11,637	12,477
Interest income from loans receivable [1]	529	442	(378)	(367)	(352)	(386)	(461)	(314)
Real estate tax expense [1]	12,040	676	—	8	11,409	346	2,404	(577)
General and administrative expenses [1]	5,966	4,280	4,679	5,335	5,991	5,375	3,039	4,499
Allowance for expected credit losses [1]	1,047	9,239	6,752	494	(24)	530	(19)	(480)
Changes in non-controlling interest liability [1]	67	(2)	72	140	236	(108)	(225)	4
Change in fair value of investment properties - IFRIC 21 [1]	(9,058)	2,798	2,827	2,864	(8,515)	2,725	2,253	3,098
Change in fair value of investment properties [1]	8,894	14,747	11,139	18,644	8,474	(834)	9,373	4,991
Change in fair value of financial instruments [1]	2,937	21	(6,463)	(3,848)	(12,839)	(12,556)	(1,922)	(2,423)
Change in fair value of contingent consideration [1]	—	—	—	—	—	(1,263)	(192)	1,197
Gain (loss) on sale of property, plant and equipment [1]	(12)	—	3,670	672	(1,333)	(1,160)	(40)	(14)
Income (loss) from joint ventures [1]	(24)	2,249	221	4,373	(448)	(14,806)	1,569	(2,428)
Deferred income tax expense (recovery) [1]	—	—	—	—	(1,127)	—	—	—
Impairment of property, plant and equipment [1]	—	4,513	—	—	—	1,100	—	—
Net income (loss) from continuing operations	(11,013)	(25,993)	(12,449)	(9,236)	5,668	111	(4,180)	(2,449)
Net income (loss) from discontinued operations	(4,585)	(4,972)	(1,054)	1,555	(2,331)	(5,564)	(902)	(1,051)
Net income (loss) for the period	(15,598)	(30,965)	(13,503)	(7,681)	3,337	(5,453)	(5,082)	(3,500)
Income (loss) per share: Basic	$ (0.27)	$ (0.55)	$ (0.24)	$ (0.14)	$ 0.06	$ (0.10)	$ (0.09)	$ (0.06)
Income (loss) per share: Diluted	$ (0.27)	$ (0.55)	$ (0.24)	$ (0.14)	$ 0.05	$ (0.10)	$ (0.09)	$ (0.06)
Funds from operations [2]	6,903	6,852	6,725	6,457	3,907	5,996	5,643	10,075
Funds from operations per share: Basic [2]	$ 0.12	$ 0.12	$ 0.12	$ 0.11	$ 0.07	$ 0.11	$ 0.10	$ 0.18
Funds from operations per share: Diluted [2]	$ 0.10	$ 0.10	$ 0.10	$ 0.09	$ 0.06	$ 0.10	$ 0.10	$ 0.15
Adjusted funds from operations [2]	6,571	5,611	6,207	7,059	3,194	5,317	4,766	9,286
Adjusted funds from operations per share: Basic [2]	$ 0.12	$ 0.10	$ 0.11	$ 0.12	$ 0.06	$ 0.09	$ 0.08	$ 0.16
Adjusted funds from operations per share: Diluted [2]	$ 0.09	$ 0.08	$ 0.09	$ 0.10	$ 0.05	$ 0.09	$ 0.07	$ 0.14

(1) Represents amounts presented from continuing operations, and excludes activity from the medical office building segment, which has been reported as discontinued operations.

(2) 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 property acquisitions, 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, 2023, current liabilities totaled $500,282, and current assets totaled $75,437, resulting in a working capital deficit of $424,845. 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 $22,246, (ii) cash flow generated from operations, (iii) credit facilities, under which $10,821 was available as at March 31, 2023, (iv) property-specific mortgages and refinancings, (v) strategic sale of assets, (vi) issuance of preferred shares, (vii) issuance of convertible debentures, subject to market conditions, (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 transactions 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, 2023, the Preferred Shares are convertible into 12,362,362 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 four-seven 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 indebtedness.

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 for financial reporting purposes, 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]	0.7
Credit Facility Revolver	25,000	4.8 % [1]	0.7
Commonwealth Facility	174,633	3.8 % [1]	1.3
Mortgages payable	103,416	4.0 % [1]	9.6
2016 Convertible Debentures	24,850	7.0 %	1.8
2018 Convertible Debentures	48,280	6.0 %	0.5
	576,179	4.4 %	2.5
Variable Rate Indebtedness			
Credit Facility Revolver	$ 63,496	7.1 %	0.7
Credit Facility Revolver	50,000	7.1 %	0.7
Commonwealth Facility	4,453	7.0 %	1.3
Mortgages payable	81,180	7.4 %	1.2
	199,129	7.2 %	0.9
Total indebtedness	$ 775,308	5.1 %	2.1
Less loan fees and issue costs, net of amortization and accretion	(812)		
Equity component of convertible debentures, excluding issue costs and taxes	(4,990)		
Mark-to-market adjustment, net	464		
Carrying amount	$ 769,970		

(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, and which are generally exercisable at the Company's discretion.

Joint Venture Indebtedness

		Principal Amount	Weighted Average Interest Rate	Years to Maturity
Fixed rate mortgages payable	$	85,256	4.0 % [(1)]	3.1
Variable rate mortgages payable		17,890	8.0 %	0.8
Total Indebtedness	$	103,146	4.7 %	2.7
Less loan fees, net of amortization		(1,157)		
Carrying amount	$	101,989		
Company's share of carrying amount	$	85,104		

(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 were originally due on January 31, 2022 and interest was borne 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 at which 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.

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.

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.

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.

On May 23, 2023, a meeting of holders of the 2018 Convertible Debentures will be held for voting on proposed amendments to the 2018 Convertible Debentures, including the following:

1. Increase the interest rate from 6.00% to 8.75%, effective September 30, 2023.
2. Decrease the conversion price from $10.70 to $2.75 per share.

3. Extend the maturity date from September 30, 2023 to September 30, 2026.
4. Redemption of $22,000 of the principal amount of the 2018 Convertible Debentures as of the close of business on September 30, 2023.

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.

Debt Covenant Compliance

Credit Facility:

Debt to total assets is calculated by dividing the total consolidated indebtedness, net of loan costs, by the total consolidated assets of the Company. 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, 2023, the Company is in compliance with the required debt to total asset ratio under the terms of the Credit Facility.

The Company's fixed charge coverage ratio is calculated by dividing adjusted 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, 2023, the fixed charge coverage ratio of the Company was in compliance with the levels required under the terms of the Credit Facility.

Mortgage Debt:

The Company's mortgage debt includes various financial covenants which include, but are not limited to, debt service coverage ratios, fixed charge ratios and debt yields. At March 31, 2023, the Company is in compliance with all such covenants.

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, 2023, including expected interest payments, is as follows:

	Total	2023	2024	2025	2026	2027	Thereafter
Credit facilities principal	$517,582	$340,361	$177,221	$ —	$ —	$ —	$ —
Mortgages payable principal	184,596	60,123	46,423	20,375	1,358	18,122	38,195
Convertible debentures principal	73,130	48,280	—	24,850	—	—	—
Commonwealth preferred unit liability principal [(1)]	57,906	—	—	57,906	—	—	—
Total principal	$833,214	$448,764	$223,644	$103,131	$ 1,358	$ 18,122	$ 38,195
Percentage of total	100.0 %	53.9 %	26.8 %	12.3 %	0.2 %	2.2 %	4.6 %
Credit facilities interest	$ 21,044	$ 17,010	$ 4,034	$ —	$ —	$ —	$ —
Mortgages payable interest	30,697	4,557	4,614	2,586	2,331	1,561	15,048
Convertible debentures interest	4,927	2,318	1,739	870	—	—	—
Commonwealth preferred unit liability interest	8,721	2,931	3,860	1,930	—	—	—
Accounts payable and accrued liabilities	12,039	12,039	—	—	—	—	—
Accrued real estate taxes	13,730	13,730	—	—	—	—	—
Other current liabilities	7,691	7,691	—	—	—	—	—
Other non-current liabilities	3,202	906	517	247	134	71	1,327
Total other commitments	$102,051	$ 61,182	$ 14,764	$ 5,633	$ 2,465	$ 1,632	$ 16,375
Total commitments	$935,265	$509,946	$238,408	$108,764	$ 3,823	$ 19,754	$ 54,570

(1) The liability has no stated maturity date. The Company's anticipates repaying the liability by 2025 based on cash flow forecasts.

The credit facilities have an outstanding balance of $516,387 as of March 31, 2023. The Company is in active negotiations to refinance the credit facilities with near term maturities and fully expects to execute in advance of the maturity dates.

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, 2023.

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 (approximately 26% of common shares as of March 31, 2023), 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, which remain outstanding as of March 31, 2023.

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. As of April 1, 2022, Jaguarundi Ventures, LP has sold all properties owned by 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 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 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:

In determining the amount of expected credit losses, the Company's significant assumptions include the assessment of probability of default and loss given default. The determination takes into account different factors and varies by nature of investment.

The Company considers reasonable and supportable information that is relevant and available without undue cost or effort. Management considers past events, current market conditions and reasonable forward-looking supportable information about future economic conditions. In assessing information about possible future economic conditions, management utilized multiple economic scenarios including a base case, which represents the most probable outcome and is consistent with management's view of the financial asset. In considering the lifetime of a loan, the contractual period of the loan, including prepayment, extension and other options is generally used.

The estimation of expected credit losses also includes assumptions about local real estate market conditions, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events.

Impairment of property, plant and equipment:

The Company makes a determination at each reporting date if any events have occurred that would indicate property, plant and equipment may be impaired. If impairment indicators exist, management estimates the underlying assets' recoverable amount based on future cash flows and capitalization and discount rates in order to determine whether an impairment loss should be recognized.

Other:

Estimates are also made in the determination of the fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Company to its counterparties, the credit risk of the Company's counterparties, the estimated future cash flows and discount rates.

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, 2022.

Risks and Uncertainties

See "Risk Factors" in the Company's 2022 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. The Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures as at December 31, 2022 and have concluded that, as of such date, the Company's disclosure controls and procedures were adequate and effective.

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, 2023, 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, 2023 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Outstanding Shares

As of May 11, 2023, 56,298,194 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 4,520,066 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, 2023, 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, 2023, 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 12,326,592 common shares would be issued.

As of May 11, 2023, assuming the voluntary conversion of all of the Exchangeable Units, a total of 327,869 common shares would be issued.

As of May 11, 2023, assuming the voluntary conversion of all of the Commonwealth preferred units, a total of 6,010,872 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, current 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, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 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
Net income (loss) from continuing operations	$ (11,013)	$ (25,993)	$ (12,449)	$ (9,236)	$ 5,668	$ 111	$ (4,180)	$ (2,449)
Add/(deduct):								
Change in fair value of investment properties	(164)	17,545	13,966	21,508	(41)	1,891	11,626	8,089
Property taxes accounted for under IFRIC 21	9,058	(2,798)	(2,827)	(2,864)	8,515	(2,725)	(2,253)	(3,097)
Depreciation and amortization expense	3,626	5,744	3,838	3,758	3,719	3,995	4,700	5,696
Amortization of tenant inducements	61	60	61	61	61	65	75	75
Accretion expense and amortization of non-cash adjustments to the 2016 Convertible Debentures	725	679	635	647	922	—	—	—
Change in fair value of financial instruments	2,937	21	(6,463)	(3,848)	(12,839)	(12,556)	(1,922)	(2,423)
Change in fair value of contingent consideration	—	—	—	—	—	(1,263)	(192)	1,197
Loss (gain) on sale of property, plant and equipment	(12)	—	3,670	672	(1,333)	(1,160)	(40)	(14)
Impairment of property, plant and equipment	—	4,513	—	—	—	1,100	—	—
Deferred income tax recovery	—	—	—	—	(1,127)	—	—	—
Allowance for expected credit losses	1,047	9,239	6,752	494	(24)	530	(19)	(480)
Change in non-controlling interest liability in respect of the above	(35)	(50)	(38)	(32)	130	(152)	(105)	(124)
Adjustments for equity accounted entities	824	(1,995)	(295)	(5,155)	23	15,438	(2,567)	2,939
FFO from continuing operations	$ 7,054	$ 6,965	$ 6,850	$ 6,005	$ 3,674	$ 5,274	$ 5,123	$ 9,409
FFO from discontinued operations	(151)	(113)	(125)	452	233	722	520	666
Total FFO	$ 6,903	$ 6,852	$ 6,725	$ 6,457	$ 3,907	$ 5,996	$ 5,643	$ 10,075
Interest, amortization and accretion expense on dilutive convertible units	435	479	478	480	—	2,756	2,769	2,754
Total diluted FFO from continuing operations	$ 7,338	$ 7,331	$ 7,203	$ 6,937	$ 3,907	$ 8,752	$ 8,412	$ 12,829
Weighted average number of shares, including fully vested deferred shares: Basic	56,746,431	56,488,064	56,626,021	56,721,074	56,706,423	56,412,206	56,363,180	56,308,810
Weighted average shares issued if all convertible instruments were converted	17,454,633	17,250,587	17,050,465	16,826,300	11,675,994	29,677,526	26,996,602	26,825,090
Weighted average number of shares: Diluted	74,201,064	73,738,651	73,676,486	73,547,374	68,382,417	86,089,732	83,359,782	83,133,900
Funds from operations per share	$ 0.12	$ 0.12	$ 0.12	$ 0.11	$ 0.07	$ 0.11	$ 0.10	$ 0.18
Diluted funds from operations per share	$ 0.10	$ 0.10	$ 0.10	$ 0.09	$ 0.06	$ 0.10	$ 0.10	$ 0.15

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, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 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
Cash flows provided by (used in) operating activities	$ (4,482)	$ (2,375)	$ 6,168	$ 6,196	$ 1,923	$ 7,362	$ 3,386	$ 7,630
Change in non-cash working capital	9,197	8,817	(719)	1,288	1,505	(1,840)	2,097	1,768
Less: interest expense [(1)]	(9,919)	(9,644)	(9,655)	(9,781)	(9,680)	(10,171)	(10,331)	(11,712)
Less: change in non-controlling interest liability	(67)	2	(72)	(140)	(236)	108	225	(4)
Plus: loss from joint ventures	(24)	2,249	221	4,373	(448)	(14,806)	1,569	(2,428)
Plus: interest paid	11,102	8,810	11,412	9,580	10,491	9,875	11,193	11,821
Less: interest received	(144)	(135)	(144)	(151)	(119)	(120)	(153)	(201)
Plus: debt extinguishment costs	(9)	(247)	(10)	254	340	71	213	36
Plus: realized loss (gain) on currency exchange	(5)	409	—	—	—	—	—	—
Plus: amortization of lease asset	(62)	671	—	—	—	—	—	—
Plus: current income tax expense	551	—	—	—	—	—	—	—
Plus: non-cash portion of non-controlling interest expense	(38)	(54)	(42)	(35)	126	(156)	(108)	(126)
Plus: adjustments for equity accounted entities	834	(1,979)	(286)	(3,968)	(119)	15,652	(1,576)	2,816
Plus: deferred share incentive plan compensation	340	(184)	63	173	140	173	(918)	517
Less: capital maintenance reserve	(703)	(729)	(729)	(730)	(729)	(831)	(831)	(831)
AFFO	$ 6,571	$ 5,611	$ 6,207	$ 7,059	$ 3,194	$ 5,317	$ 4,766	$ 9,286
AFFO from discontinued operations	(102)	(81)	279	554	309	817	598	755
AFFO from continuing operations	6,673	5,692	5,928	6,505	2,885	4,500	4,168	8,531
Interest expense on dilutive convertible units	435	435	433	435	—	2,420	—	2,408
Total diluted AFFO	$ 7,006	$ 6,046	$ 6,640	$ 7,494	$ 3,194	$ 7,737	$ 4,766	$ 11,694
Weighted average number of shares, including fully vested deferred shares: Basic	56,746,431	56,488,064	56,626,021	56,721,074	56,706,423	56,412,206	56,363,180	56,308,810
Weighted average shares issued if all dilutive convertible units were converted	17,454,633	17,250,587	17,050,465	16,826,300	11,675,994	29,677,526	11,324,196	26,825,090
Weighted average number of shares: Diluted	74,201,064	73,738.651	73,676.486	73,547,374	68,382,417	86,089,732	67,687,376	83,133,900
AFFO per share	$ 0.12	$ 0.10	$ 0.11	$ 0.12	$ 0.06	$ 0.09	$ 0.08	$ 0.16
Diluted AFFO per share	$ 0.09	$ 0.08	$ 0.09	$ 0.10	$ 0.05	$ 0.09	$ 0.07	$ 0.14

(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.

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.

Properties meeting the above criteria are generally considered stabilized.

A property may be considered unstabilized 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, 2023 and 2022.

	Three months ended March 31, 2023		Three months ended March 31, 2022	
	NOI	% of Total	NOI	% of Total
SHOP	$ 8,449	39.0 %	$ 6,093	31.8 %
NNN	13,076	60.3 %	11,925	62.2 %
MOB	143	0.7 %	1,149	6.0 %
	$ 21,668	100.0 %	$ 19,167	100.0 %

Triple-Net Lease Portfolio ("NNN")

The Company's triple-net lease portfolio for the period ended March 31, 2023, consisted of 33 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, 2023 had an average lease term to maturity, excluding renewal options, of approximately 11.1 years.

Approximately 91% of the Company's forward twelve 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 rental revenue from continuing operations for the twelve months ended March 31, 2023 and 2022.

	Contractual Rental Revenue, twelve months ended March 31, 2023[1]	% of Total NNN Contractual Rental Revenue	Contractual Rental Revenue, twelve months ended March 31, 2022 [1]	% of Total NNN Contractual Rental Revenue
Symphony Care Network	$ 12,804	31.2 %	$ 15,188	33.1 %
Constant Care Management Company	6,234	15.2 %	5,407	11.8 %
Providence Group	5,611	13.7 %	5,440	11.9 %
Cascade Capital Group	4,875	11.9 %	3,544	7.7 %
Other	11,502	28.0 %	16,304	35.5 %
Total	$ 41,026	100.0 %	$ 45,883	100.0 %

(1) Represents contractual rental revenue for the respective time period.

The table below displays the Company's contractual forward twelve months rental revenue from continuing operations for the period commencing April 1, 2023.

	Contractual Rent, forward twelve months for the period beginning April 1, 2023	% of Total Contractual Rental Revenue
Symphony Care Network	$ 14,697	36.1 %
Constant Care Management Company	6,522	16.0 %
Providence Group	5,795	14.2 %
Cascade Capital Group	5,455	13.4 %
Hearth Management	3,697	9.1 %
Other	4,559	11.2 %
Total	$ 40,725	100.0 %

Seniors Housing Operating Properties ("SHOP")

The Company's SHOP portfolio for the period ended March 31, 2023 consisted of 44 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 table summarizes stabilized SHOP metrics for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	2022
NOI margin	23.8 %	20.5 %
Occupancy	82.6 %	75.4 %
Revenue per resident (in whole U.S. dollars)	$ 4,988	$ 4,734

The table above includes the stabilized SHOP assets that were owned at the end of the respective reporting periods. NOI margin is calculated by dividing total NOI by total revenue for the respective period. Revenue per resident is calculated by dividing the average number of residents by total revenue for the respective period. These non-IFRS financial measures are commonly used to analyze performance within the seniors housing and care industry.

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, 2023					
	NNN	SHOP	Medical office buildings (discontinued operations)	Total operations	Corporate/ other	Total
Net income (loss)	$ (790)	$ (3,259)	$ (4,585)	$ (8,634)	$ (6,964)	$ (15,598)
Change in fair value of investment properties	8,893	—	3,882	12,775	—	12,775
Depreciation and amortization expense	—	3,688	—	3,688	(15)	3,673
Amortization expense and debt extinguishment costs	15	264	42	321	990	1,311
Amortization of tenant inducements	61	—	6	67	—	67
Change in fair value of financial instruments	841	1,564	—	2,405	1,579	3,984
Gain on sale of property, plant and equipment	—	(12)	—	(12)	(9)	(21)
Changes in non-controlling interest liability	—	(35)	—	(35)	—	(35)
Straight-line rent	(615)	—	8	(607)	—	(607)
DSU compensation	—	—	—	—	340	340
Finance cost from operations	4,671	4,243	244	9,158	1,145	10,303
Foreign currency exchange loss (gain)	—	—	(5)	(5)	—	(5)
Current income tax expense	—	—	551	551	—	551
Finance costs from operations from equity accounted entities	—	915	—	915	—	915
Non-cash adjustment for equity accounted entities	—	1,081	—	1,081	(247)	834
Net operating income (loss)	$ 13,076	$ 8,449	$ 143	$ 21,668	$ (3,181)	$ 18,487

	Three months ended March 31, 2022					
	NNN	SHOP	Medical office buildings (discontinued operations)	Total operations	Corporate/ other	Total
Net income (loss)	$ (505)	$ 4,372	$ (2,330)	$ 1,537	$ 1,800	$ 3,337
Change in fair value of investment properties	8,474	—	3,400	11,874	—	11,874
Depreciation and amortization expense	—	3,718	—	3,718	23	3,741
Amortization expense and debt extinguishment costs	19	655	83	757	1,246	2,003
Amortization of tenant inducements	60	—	30	90	—	90
Change in fair value of financial instruments	(22)	(5,778)	(866)	(6,666)	(7,063)	(13,729)
Gain on sale of property, plant and equipment	—	(1,324)	—	(1,324)	(9)	(1,333)
Changes in non-controlling interest liability	—	126	—	126	—	126
Straight-line rent	(1,075)	—	(8)	(1,083)	—	(1,083)
DSU compensation	—	—	—	—	140	140
Finance cost from operations	4,291	3,766	840	8,897	1,045	9,942
Deferred tax recovery	—	—	—	—	(1,127)	(1,127)
Finance costs from operations from equity accounted entities	358	1,002	—	1,360	—	1,360
Non-cash adjustment for equity accounted entities	325	(444)	—	(119)	—	(119)
Net operating income (loss)	$ 11,925	$ 6,093	$ 1,149	$ 19,167	$ (3,945)	$ 15,222