# INVESQUE INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE THREE MONTHS ENDED MARCH 31, 2024

**May 9, 2024**

## 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, 2024. Financial data has been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

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, 2024. 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, 2023 and 2022, prepared in accordance with IFRS Accounting Standards.

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2023 (the "2023 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, 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 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 without limitation that any conditions relating to the sale of the Company's medical office buildings will be satisfied or waived and any such transactions will be completed when currently expected, that the Company will not be able to refinance or extend the maturity on its existing debt facility or be permitted, that the Company's lender will agree to a waiver or an amendment to the definition of net worth in the current credit agreement for future reporting periods 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 status of capital markets, including, without limitation, availability and cost of capital; issues facing the healthcare 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 healthcare and seniors 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 2023 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 9, 2024, being 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"), and revenue per resident and related per share amounts are 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 healthcare real estate company with an investment thesis focused on the premise that an aging demographic in North America will continue to utilize healthcare services in growing proportion to the overall economy. The Company currently capitalizes on this opportunity by investing in a portfolio of income generating properties with a focus on seniors housing. The Company's portfolio includes investments in independent living, assisted living, memory care, skilled nursing and medical office properties. The Company's skilled nursing facilities and a portion of its assisted living and memory care portfolios are operated under long-term leases and joint venture arrangements with industry leading operating partners. The Company's portfolio also includes investments in owner occupied seniors housing properties in which it owns the real estate and operations. The majority of the operations are managed through its subsidiary management company ("Commonwealth"). The Company made a strategic decision to exit the medical office building segment in 2022 and therefore reports results of this segment as discontinued operations in the Company's consolidated financial statements.

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 (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 (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. 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 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.

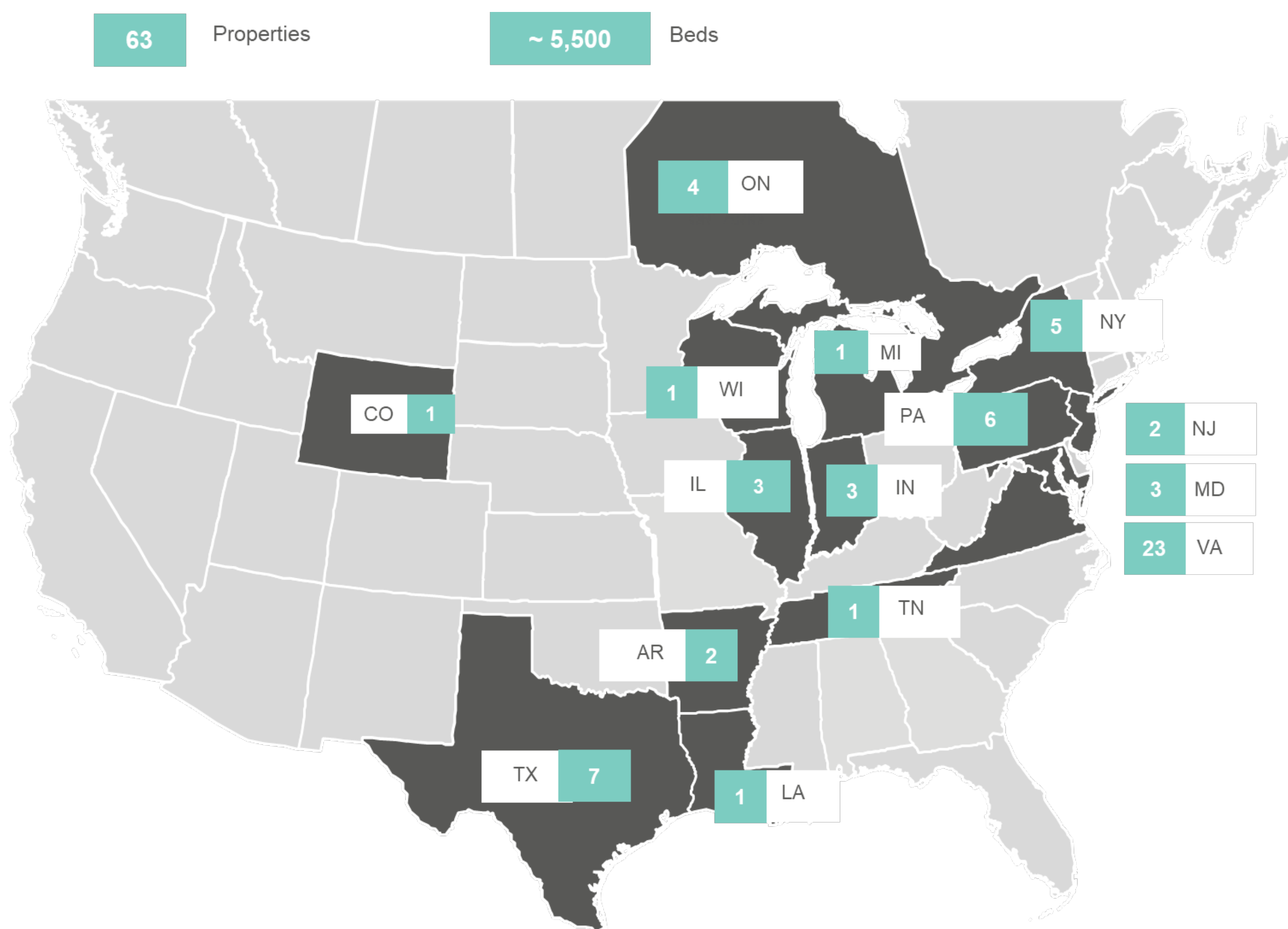
- **Medical Office Buildings ("MOBs"):** MOBs represent a segment of healthcare real estate comprised of various outpatient healthcare settings. Outpatient care, sometimes referred to as ambulatory care, is defined as medical care or treatment that does not require an overnight stay in a hospital or 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 healthcare 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. 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 2024. Accordingly, this segment has been classified as discontinued operations in the condensed consolidated interim financial statements dated March 31, 2024.

  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 2024. The medical office building segment has been classified as discontinued operations for a period greater than one year from the date of classification, however the Company remains committed to selling the buildings. The Company has sold 12 of the original 14 buildings and multiple buyers have approached the Company with offers on the remaining two buildings. Due to circumstances beyond the Company's control, such as the inability to obtain financings and the economic environment within the medical office building industry, no deals have closed on the remaining two buildings to date. The Company remains steadfast in commitment to sell the assets at a reasonable fair market value, which is reflected in change in fair value of investment properties.

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. For wholly-owned or partially-owned and occupied properties, the Company owns the real estate and provides management services and assumes all or a portion of operating risk within the buildings.

As of May 9, 2024, the Company owns or has a majority interest in a portfolio of 59 properties in the United States, comprised of 53 assisted living and memory care facilities, 4 skilled nursing facilities 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 9, 2024:




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, assisted living and memory care facilities, provide for a unique investment opportunity. 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 Commonwealth and industry participants, the Company is well-positioned to succeed in the industry by capitalizing on these market opportunities.

**Liquidity Assessment Risk**

Liquidity risk is the risk that an entity is unable to fund its assets or meet its financial obligations as they come due. Liquidity risk is managed in part through cash flow forecasting by the Company. While there are uncertainties in assessing future liquidity requirements under normal operating conditions, 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 debt capacity, and to ensure the Company will meet its financial covenants, which include minimum cash requirements, 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 the next 12 months may no longer be available to the Company at terms and conditions that are forecasted, or at all.

The Company believes, once it completes the strategic sales of assets and refinances both maturing credit facilities, that it will have sufficient available liquidity to meet its minimum obligations as they come due and to comply with required financial covenants for a period of at least 12 months from March 31, 2024. 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, the ability of the Company to complete strategic sales of assets and the continued availability of financing.

In response to a downside scenario, which would be a scenario whereby the Company is unable to refinance the two credit facilities coming due within the next 12 months, the Company has the ability to take the following mitigating actions to reduce costs, optimize the Company's cash flows and preserve liquidity:

i. utilize available cash above minimum covenant requirements to pay down debts,

ii. pursue sales transactions to dispose of certain properties and use the net proceeds to pay down and reduce debts,

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

iv. offer discounts to current loans receivable in exchange for early repayment,

v. reduce non-essential capital expenditures, and

vi. extend or refinance debt with near-term maturities, subject to third party lender credit approval.

*Corporate Credit Facility Requirements*

On November 8, 2023, the Company executed an amended credit agreement replacing the existing credit facility and revolver with the same lending syndicate, which resulted in the maturity date being extended to March 31, 2025. Material terms of the amended credit agreement are as follows:

i. The interest rate on the amended credit facility is initially Secured Overnight Financing Rate Date ("SOFR") + SOFR index adjustment of 10 basis points + 250 basis points and will increase to SOFR + SOFR index adjustment of 10 basis points + 280 basis points during the term.

ii. The Company is prohibited from repaying subordinated debt or making common distributions.

iii. The Company is permitted to make all required interest payments on both senior and subordinated debt.

iv. The amended credit agreement has a declining maximum commitment balance. In addition to a $15,000 revolving commitment over the term of the agreement, the term commitment must be reduced over the term of the loan. However, missing a first required curtailment amount at the below-noted dates does not result in an event of default and instead a fee is added to the principal amounts of the credit facility. The occurrence of two or more required curtailment amounts during the term of the agreement will result in an event of default. Maximum term commitment amounts are as follows:

    1. $125,000 by March 31, 2024
    2. $115,000 by June 30, 2024
    3. $110,000 by September 30, 2024
    4. $105,000 by December 31, 2024, and
    5. $20,000 by March 31, 2025 (maturity date of the facility).

v. The amended credit agreement requires the Company to maintain a consolidated fixed charge coverage ratio of 1.45x, which can be reduced to 1.35x upon achieving specific targets.

vi. The amended credit agreement requires the Company to maintain a consolidated leverage ratio not to exceed 62.5% through March 31, 2024, which will be reduced to 60.0% for the quarter ending June 30, 2024, and as of each quarter end thereafter.

While uncertainty exists surrounding the Company's ability to achieve the above noted curtailments associated with the maximum term commitment amounts, the Company believes it will be able to satisfy all conditions over its term to maturity, which is contingent on executing the following:

i. Selling certain properties at fair market value and using the net sale proceeds to meet the loan pay down requirements. In the first quarter of 2024, the Company successfully completed sales of five skilled nursing facilities. Net cash proceeds, after closing costs, were used to pay down the corporate credit facility.

ii. Refinancing certain properties, at a reasonable loan-to-value based on the underlying value of the property and using the net refinancing proceeds to meet the loan curtailment requirements.

iii. Entering into fixed interest rate swaps, at market terms, in order to reduce the exposure to variable interest rate fluctuations and manage debt service costs to meet the fixed charge coverage ratio requirements.

iv. Refinancing or extending the remaining unpaid debt balance at maturity utilizing residual assets as collateral.

On March 5, 2024, the Company executed a consent and first amendment to the amended credit agreement ("first amendment") referenced above, in which the parties agreed to the completion of a series of asset sale transactions and debt refinancings in order to achieve further paydowns on the credit facility in exchange for a reduction in the minimum requirements for certain covenants. The changes to specified covenants are effective as of March 5, 2024, which are applicable as long as a) the Company executes on the completion of the sale of three skilled nursing buildings, and b) the term commitment does not exceed $75,700 and the borrowing base leverage ratio does not exceed 70.0% as of August 1, 2024. Material amendments to the credit facility were as follows:

i. The minimum consolidated fixed charge coverage ratio shall be reduced to 1.35x from January 1, 2024 until March 31, 2024, and thereafter reduced to 1.25x.

ii. The minimum liquidity requirement shall be reduced to $10,000 once the term commitment is reduced below $75,700 and the borrowing base leverage does not exceed 70.0%.

iii. The minimum assumed debt service coverage ratio shall not be less than 1.30x from March 5, 2024 to September 30, 2024, and 1.50x thereafter.

Failure to meet these consent conditions by August 1, 2024, shall not constitute a default or event of default but shall result in adjusted covenants consistent with those covenants in place prior to the first amendment described above. A failure to meet the adjusted covenants shall result in an event of default subject to the terms of the credit agreement.

The Company believes it will be able to satisfy all conditions per the amendments noted above, specifically with respect to the asset sales and property-level debt refinancings, which will result in additional margin on key financial covenants for the remaining term of the credit facility.

*Commonwealth Credit Facility Requirements*

The Company is negotiating a refinancing arrangement related to the renewal of the Commonwealth Facility. The Company also has the option to extend the maturity of the Commonwealth Facility by 1-year to August 1, 2025 (the "First Extended Maturity Date"), subject to meeting certain conditions including a minimum Project Yield of 10.00% and a minimum Debt Service Coverage Ratio of 1.40x. As of period end, management believes the Company has met these conditions, and all other relevant conditions, and has begun the process with the lender of amending the credit agreement to execute this extension.

*Working Capital Requirements and Near-Term Debt Maturities*

The Company expects to meet its working capital requirements with respect to accounts payable and accrued liabilities through cash and cash equivalents on hand and operating cash flows. As at March 31, 2024, current liabilities totaled $409,476, and current assets totaled $82,849, resulting in a working capital deficit of $326,627 (December 31, 2023 - $308,396, $46,900 and $261,496, respectively). 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 in excess of lender requirements (ii) cash flows generated from operations, (iii) property-specific mortgages and refinancings and (iv) strategic sale of assets. The Company also has the ability to raise additional liquidity through issuance of common shares, subject to market conditions, and alternative financing sources. With respect to near-term debt maturities, including mortgages and credit facilities, the Company believes it will be successful in either refinancing or settling

each of the near-term debt instruments through sales of the underlying assets securing such debts. However, the Company will be exposed to increased interest expense while pursuing refinancings and new interest rate swaps in 2024 due to the current interest rate environment.

**Recent Activities**

On January 31, 2024, the Company sold a property in Summerville, South Carolina for a sale price of $3,975. Sale proceeds in excess of closing costs were received and held by the Company.

On February 29, 2024, the Company sold two skilled nursing facilities in Pennsylvania for a total sale price of $11,435 and $1,500 in lease termination fees. Sale proceeds in excess of closing costs were used to pay down a portion of the corporate credit facility.

On March 5, 2024, the Company sold two skilled nursing facilities in Texas and one in Missouri for a total sale price of $55,500. Sale proceeds in excess of closing costs were used to pay down a portion of the corporate credit facility and the mortgage affiliated with two of the properties. These sales satisfied a condition of the March 5, 2024 credit facility amendments.

On March 29, 2024, the Company announced that IVQ Stock Holding Company, LLC (“ISHC”), a company controlled by Adlai Chester ("Mr. Chester"), the Company’s Chief Financial Officer and a member of its board of directors, entered into a share purchase agreement to acquire 16,982,283 common shares of the Company from certain subsidiaries of Tiptree Inc. (collectively, “Tiptree”) at a price of $0.0368 per common share and an aggregate purchase price of $625,000. Following the acquisition, Tiptree will no longer own or control any shares in the Company. The acquisition closed in the second quarter of 2024. After giving effect to the acquisition, ISHC would own or control, directly or indirectly, 16,982,283 common shares, representing approximately 30.21% of the outstanding common shares of the Company. Together with the 212,907 common shares currently owned or controlled by Mr. Chester, ISHC and Mr. Chester will collectively own 17,195,190 common shares, representing approximately 30.59% of the outstanding common shares of the Company.

**Selected Financial Information**

| *(dollar amounts in thousands of U.S. Dollars, except per share amounts)* | | As at March 31, 2024 | | As at December 31, 2023 |
|---|---|---|---|---|
| Consolidated investment properties | | 30 | | 38 |
| Consolidated owner occupied properties | | 28 | | 28 |
| Properties held for sale | | 5 | | 3 |
| Weighted average lease term to maturity (excludes renewal options)[1] | | 10.0 years | | 9.7 years |
| Average facility age | | 9.9 years | | 9.5 years |
| Total assets | $ | 749,343 | $ | 828,283 |
| Total indebtedness | $ | 521,299 | $ | 588,245 |
| Weighted average interest rate on debt [2] | | 7.1 % | | 6.6 % |
| Joint venture properties | | 8 | | 8 |
| Joint venture total assets [3] | $ | 159,725 | $ | 159,715 |
| Joint venture indebtedness [3] | $ | 104,722 | $ | 83,689 |
| Joint venture weighted average interest rate on debt [4] | | 5.8 % | | 5.0 % |

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| | | 2024 | | 2023 |
| Revenue [5] | $ | 43,642 | $ | 49,541 |
| Direct property operating expenses [5] | $ | 24,650 | $ | 25,716 |
| Net finance costs [5] | $ | 13,049 | $ | 11,472 |
| General and administrative expenses [5] | $ | 5,216 | $ | 5,966 |
| Change in fair value of investment properties [5] | $ | 359 | $ | 8,894 |
| Income (loss) from joint ventures [5] | $ | (1,206) | $ | (24) |
| Net loss | $ | (6,244) | $ | (15,598) |
| Total comprehensive loss | $ | (7,262) | $ | (15,478) |
| Net loss per share | $ | (0.11) | $ | (0.27) |
| Diluted net loss per share | $ | (0.11) | $ | (0.27) |
| Funds from operations (FFO) [6] | $ | 2,504 | $ | 6,903 |
| FFO per share [6] | $ | 0.04 | $ | 0.12 |
| Diluted FFO per share [6] | $ | 0.03 | $ | 0.10 |
| Adjusted funds from operations (AFFO) [6] | $ | 2,081 | $ | 6.571 |
| AFFO per share [6] | $ | 0.04 | $ | 0.12 |
| Diluted AFFO per share [6] | $ | 0.03 | $ | 0.09 |

(1) The weighted average lease term to maturity does not include the medical office building portfolio accounted for as a discontinued operation, In addition, it does not include owner occupied properties due to the variety and nature of existing leases within the portfolio.

(2) The Company's weighted average interest rates at March 31, 2024 and December 31, 2023, included $74,028 and $241,330, respectively, of the Company's debt that is fixed with interest rate swaps. As of March 31, 2024, the weighted average term to maturity for the Company's fixed debt with interest rate swaps is 2.36 years while the term to maturity of the fixed rate swaps is 1.14 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 and December 31, 2023 included $75,750 and $76,221, respectively, of the joint ventures debt that is fixed with interest rate swaps. As of March 31, 2024, the weighted average term to maturity for the Company's joint venture fixed debt with interest rate swaps is 1.42 years while the term to maturity of the fixed rate swaps is 0.20 years.

(5) Represents amounts 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, 2024 and 2023**
*(unless otherwise stated, amounts are in thousands of U.S. dollars)*

***Revenue from continuing operations***

| | Three months ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Contractual rental revenue | $ 6,000 | $ 10,487 |
| Straight-line rent adjustments | 451 | 615 |
| Amortization of tenant inducements | (61) | (61) |
| Amortization of leasing commission | (5) | (5) |
| Property tax recoveries | 1,722 | 2,982 |
| Total rental revenue | 8,107 | 14,018 |
| | | |
| Resident rental and related services revenue | 33,409 | 33,701 |
| Lease revenue from joint ventures | 909 | 876 |
| Other revenue | 1,217 | 946 |
| Total revenue | $ 43,642 | $ 49,541 |

Contractual rentals received and straight-line rent adjustments relate to lease agreements under which the Company leases its investment properties to its operator 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, 2024 as compared to the prior year periods is primarily due to the sale of investment properties.

Resident rental and related revenue relates to operating revenue at the wholly owned properties that are managed by subsidiaries Commonwealth and Phoenix, where the Company owns the real estate and is the operator of the facility. This revenue consists of rental revenue and service revenue paid by residents in the Company's owner occupied properties. The decrease in resident rental and related revenue over the three months ended March 31, 2024 as compared to the prior year period is due to dispositions of all Phoenix properties. Resident rental and related revenues at the Commonwealth portfolio increased nearly 11% from the first quarter of 2023 to the first quarter of 2024, primarily due to rate increases.

Lease revenue from joint ventures represents revenue earned under lease arrangements with four operating entities, which are jointly owned by the Company. Lease revenue from joint ventures contractually escalates at a minimum of 3.5% each calendar year.

Other revenue includes management fee income earned from communities managed by Commonwealth but that are not owned by the Company. Commonwealth currently manages nine properties that are not owned by the Company.

***Other income from continuing operations***

Other income for the three months ended March 31, 2024 relates to income recognized upon a lease termination of $1,500 pursuant to the disposition of the Saber buildings (three months ended March 31, 2023 - $1,711 of income recognized upon a lease transition).

***Direct property operating expenses from continuing operations***

Direct property operating expenses consist of the following:

| | Three months ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Repairs and maintenance | $ 688 | $ 686 |
| Utilities | 1,089 | 1,163 |
| Compensation and benefits | 16,449 | 16,849 |
| Other services and supplies | 2,112 | 1,922 |
| Administrative and marketing | 2,541 | 2,465 |
| Real estate taxes | 517 | 594 |
| Insurance | 695 | 721 |
| Other | 559 | 1,316 |
| | $ 24,650 | $ 25,716 |

The direct property operating expenses relate to expenses at the Company's owner occupied properties. As of March 31, 2024, the owner occupied properties include 28 properties operated by Commonwealth and one property operated by Phoenix. The decrease in direct property operating expenses for the three months ended March 31, 2024 as compared to the prior year period is primarily due to dispositions of all Phoenix properties, partially offset by general inflationary increases in expenses, most notably in annual wages.

***Depreciation and amortization expense from continuing operations***

For the three months ended March 31, 2024, depreciation and amortization expense was $3,468, (three months ended March 31, 2023 - $3,735), 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 decrease in depreciation and amortization expense for the three months ended March 31, 2024 as compared to the prior year periods is primarily due to the disposition of the Phoenix properties and de-recognition of assets across the portfolio due to dispositions, partially offset by increased depreciation resulting from capital additions.

***Net finance costs from continuing operations***

Net finance costs from operations consist of the following:

| | Three months ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Interest expense on credit facilities | $ 6,307 | $ 8,650 |
| Interest expense on mortgages payable | 3,097 | 2,165 |
| Interest expense on convertible debentures | 1,385 | 1,144 |
| Dividends on Commonwealth preferred units | 1,022 | 929 |
| Amortization and accretion expense | 1,373 | 1,008 |
| Net interest rate swap payments (receipts) | (1,192) | (2,829) |
| Debt extinguishment costs | (412) | (9) |
| Amortization of mark-to-market debt adjustments | 1,469 | 414 |
| | $ 13,049 | $ 11,472 |

Net finance costs are primarily related to interest and amortization on the Company's credit facilities and mortgages payable. Interest expense on credit facilities decreased in the three months ended March 31, 2024 as compared to the prior year period due to paydowns on the Company's corporate credit facility. Interest expense on mortgages payable increased in the three months ended March 31, 2024 as compared to the prior year period 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 were issued by the Company as partial consideration for the Commonwealth acquisitions in a prior period and earn a dividend rate of 7.00% per annum. Amortization and accretion expense increased in the three months and year ended March 31, 2024 as compared to the prior year periods due to the acceleration of loan fee amortization per the paydown of a mortgage affiliated with disposed investment properties. Amortization of mark-to-market debt adjustments increased in the three months ended March 31, 2024 as compared to the prior year period due to fair market adjustments to the 2018 Convertible Debentures resulting from the amended terms in May 2023 and September 2023.

***Interest income from loans receivable from continuing operations***

For the three months ended March 31, 2024, interest income from loans receivable was $214 (three months ended March 31, 2023 - $529). Interest income is related to loans issued to operating partners and other third party entities for purposes of the development of seniors housing and care properties, operating capital expenditures or other costs. The decrease in interest income for the three months ended March 31, 2024 as compared to the prior year period is primarily due to lower loans receivable balances and interest income adjustments made in late 2023 to loans that were adjusted to $0 balances.

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

For the three months ended March 31, 2024, real estate tax expense was $6,173 (three months ended March 31, 2023 - $12,040), 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 and are reflected as part of revenue. The decrease in real estate tax expense as compared to the prior year periods is primarily due to the disposition of investment properties. 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, | |
|---|---|---|
| | 2024 | 2023 |
| Revenue - Property tax recoveries | $ 1,722 | $ 2,982 |
| Real estate tax expense | (6,173) | (12,040) |
| Change in fair value of investment properties - IFRIC 21 | 4,451 | 9,058 |
| | $ — | $ — |

***General and administrative expenses from continuing operations***

General and administrative expenses consist of the following:

| | Three months ended March 31, 2024 | | | Three months ended March 31, 2023 | | |
|---|---|---|---|---|---|---|
| | Corporate | CSL[(1)] | Total | Corporate | CSL | Total |
| Compensation and benefits | $ 1,001 | $ 2,062 | $ 3,063 | $ 1,895 | $ 1,791 | $ 3,686 |
| Professional fees | 1,059 | — | 1,059 | 951 | — | 951 |
| Deferred share compensation | 14 | — | 14 | 340 | — | 340 |
| Insurance | 181 | — | 181 | 131 | — | 131 |
| Rent | 109 | — | 109 | 107 | — | 107 |
| Other | 442 | 348 | 790 | 451 | 300 | 751 |
| | $ 2,806 | $ 2,410 | $ 5,216 | $ 3,875 | $ 2,091 | $ 5,966 |

(1) Defined below.

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, 2024 as compared to the prior year periods is primarily due to a reduction in headcount at Corporate, partially offset by increases in cost of labor and an increase in headcount at Commonwealth.

Professional fees is comprised of costs incurred for external legal counsel, external audit and accounting fees and other professional services. The increase in professional fees for the three months ended March 31, 2024 as compared to the prior period is primarily due to increases in legal costs in the current year as compared to the prior year.

The decrease in deferred share compensation expense for the three months ended March 31, 2024 as compared to the prior year period is primarily due to no additional employee grants being made, previous employee grants becoming fully amortized and the Company's declining share price which impacts the grant-date fair value.

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") where the costs did not change significantly over the same period in the prior year.

***Allowance for expected credit losses from continuing operations***

Allowance for credit losses on loans and interest receivable for the three months ended March 31, 2024 was $260 (three months ended March 31, 2023 - $1,047). The decrease in credit losses in the current year period is primarily due to prior year reserves recognized against the Symcare loan receivable. 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 economic challenges, 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 $124 for the three months ended March 31, 2024 (three months ended March 31, 2023 - $67). These amounts represent the portion of net income or loss attributed to the non-controlling interest partners of five consolidated properties in the owner-occupied reportable segment and one investment property whereby the Company controls, but does not own 100% of, the investment. The change in non-controlling interest liability during the three months ended March 31, 2024 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, 2024 was a decrease of $359 (three months ended March 31, 2023 - decrease of $8,894). 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, 2024. The adjustments for the three months ended March 31, 2024 were primarily driven by downward adjustments to skilled nursing facilities buildings to reflect current market conditions and sale prices with third parties associated with properties disposed of by the Company. The adjustments for the prior year periods were primarily driven by downward adjustments of skilled nursing facilities and memory care buildings to reflect market conditions at the time.

***Impairment of property, plant and equipment from continuing operations***

Impairment of property, plant and equipment for the three months ended March 31, 2024 was $1,376 (three months ended March 31, 2023 - $nil). The increase in impairment of property, plant and equipment was due to a current year period fair market valuation of a senior housing facility in Maryland with declining operational performance.

***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, | |
|---|---|---|
| | 2024 | 2023 |
| Change in fair value of interest rate swaps | $ 301 | $ 3,017 |
| Change in fair value of prepayment embedded derivatives | 80 | (80) |
| Total loss (income) from change in fair value of financial instruments | $ 381 | $ 2,937 |

The change in fair value of financial instruments for the three months ended March 31, 2024 and 2023 was due to changes in variable interest rates that underlie the corresponding interest rate swaps. The Company does not apply hedge accounting to its interest rate swaps, and as a result they are adjusted to fair value each reporting period and presented as part of 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 from joint ventures***

| | Three months ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Revenue | $ 10,305 | $ 8,936 |
| Other income | — | 196 |
| Property operating expense | 8,693 | 7,404 |
| Depreciation expense | — | — |
| Finance costs | 1,518 | 935 |
| Real estate tax expense | — | — |
| General and administrative expenses | 4 | 1 |
| Change in fair value of financial instruments | 526 | 541 |
| Change in fair value of investment properties | 770 | 275 |
| Income (loss) from joint ventures | $ (1,206) | $ (24) |

Loss from joint ventures represents the Company's share of net loss from entities in which the Company has an equity or jointly controlled interest. The increase in loss from joint ventures during the three months ended March 31, 2024 as compared to the prior year period is primarily due to the change in fair value of investment properties, and increased operating and finance costs at a recently opened senior living facility in Colorado.

***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. Current income tax expense was $nil for the current year period due to continued tax losses. Current income tax expense recorded in the prior year period within the discontinued operations reportable segment resulted from the sale of investment property.

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. Deferred income tax recovery recorded in the current year period resulted from net book income before taxes in the current year period.

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 when realized. 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, 2024 was $1,018 loss (three month ended March 31, 2023 - gain of $120). The change in gain (loss) on translation of foreign operations for the three months ended March 31, 2024 as compared to the prior year period was due to the change in value of the Canadian dollar as compared to the U.S. dollar during the period applied to the Company's net investment in the foreign operations with a Canadian functional currency. During the three months ended March 31, 2024 the Company reclassified $7, of unrealized foreign exchange loss to realized foreign exchange loss related to activity within the medical office building reportable segment.

***Cash Flow Analysis***

| | Three months ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Cash provided by (used in) operating activities | $ 640 | $ (4,482) |
| Cash provided by (used in) financing activities | (69,131) | 2,903 |
| Cash provided by (used in) investing activities | 71,271 | (3,754) |
| Increase (decrease) in cash and cash equivalents | $ 2,780 | $ (5,333) |

*Cash Provided by (Used in) Operating Activities*

Cash from operating activities increased during the three months ended March 31, 2024 as compared to the prior year period. The increase is primarily due to payments of real estate taxes related to a larger portfolio in the prior year period.

*Cash Provided by (Used in) Financing Activities*

Cash used in financing activities for the three months ended March 31, 2024 was $69,131 as compared to cash provided by financing activities of $2,903 in the prior year period. The variance in cash used in financing activities as compared to the prior year was primarily driven by net activity on mortgages payable and credit facilities, which included principal paydowns totaling over $69,267 in 2024 primarily on the Company's corporate credit facility.

*Cash Provided by (Used in) Investing Activities*

Cash provided by investing activities for the year ended March 31, 2024 was $71,271 as compared to cash used in investing activities of $(3,754) in the prior year period. The increase in cash provided by investing activities as compared to the prior year period was due to increased proceeds from dispositions of investment properties, properties held for sale and property, plant and equipment.

**Financial Position**

Total assets of $749,343 are comprised primarily of $263,575 of investment properties, which represents the estimated fair market value of the Company's portfolio of properties, including capital expenditures, and $345,835 of property, plant and equipment, net of $114,621 of accumulated depreciation as at March 31, 2024. Cash on hand at March 31, 2024 was $13,525, net loans receivable were $8,566, investments in joint ventures were $44,366, total derivative assets were $2,841, and other assets were $12,854. Total gross loans receivable of $13,017 is offset by an allowance for losses on loans receivable of $4,451. Gross loans receivable includes $3,648 of gross loans made to Symcare. Other assets primarily consisted of $6,311 of escrows held by lenders, $2,359 of prepaid expense, $1,622 of right-of-use asset, $431 of bond assets and $1,261 of other costs. In addition, current assets include tenant and other receivables of $7,423, real estate tax receivables of $5,503, and assets held for sale of $44,741. 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 $611,196 includes current liabilities of $409,476 (see "Liquidity and Capital Resources" for additional information) and non-current liabilities of $201,720. The current liabilities included $6,278 of real estate taxes payable. Accounts payable and accrued liabilities represented $17,428 of the balance in current liabilities. In addition, current liabilities included $63,222 representing the current portion of mortgages payable, net of loan fees. Non-current liabilities included $122,318 representing the non-current portion of mortgages payable, net of loan fees; $0 representing the non-current balance outstanding on the credit facilities, net of loan fees; $16,782 of the convertible debentures, net of fees; $58,459 of Commonwealth preferred unit liability; and $200 of non-controlling interest liability. Other non-current liabilities of $3,201 primarily consisted of security deposits received from tenants, lease liability, loan commitment liability, 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, 2022 through March 31, 2024:

| | Three months ended March 31, 2024 | Three months ended December 31, 2023 | Three months ended September 30, 2023 | Three months ended June 30, 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 |
|---|---|---|---|---|---|---|---|---|
| Revenue [1] | $ 43,642 | $ 46,290 | $ 46,741 | $ 50,257 | $ 49,541 | $ 50,044 | $ 49,665 | $ 49,732 |
| Other income [1] | 1,500 | — | — | — | 1,745 | 111 | 393 | 41 |
| Direct property operating expenses [1] | 24,650 | 26,069 | 27,542 | 26,386 | 25,716 | 26,447 | 25,481 | 24,862 |
| Depreciation and amortization expense [1] | 3,468 | 4,252 | 3,854 | 3,743 | 3,735 | 5,119 | 3,873 | 3,783 |
| Finance costs [1] | 13,049 | 15,079 | 16,019 | 12,564 | 11,472 | 11,001 | 11,037 | 10,795 |
| Interest income from loans receivable [1] | 214 | (251) | 587 | 531 | 529 | 442 | (378) | (367) |
| Real estate tax expense [1] | 6,173 | 58 | 50 | (1,954) | 12,040 | 676 | — | 8 |
| General and administrative expenses [1] | 5,216 | 4,545 | 4,146 | 4,953 | 5,966 | 4,280 | 4,679 | 5,335 |
| Transactions costs | 276 | (541) | 673 | 655 | — | — | 68 | — |
| Allowance for expected credit losses [1] | 260 | 1,097 | 465 | 13,123 | 1,047 | 9,239 | 6,752 | 494 |
| Changes in non-controlling interest liability [1] | 124 | 11 | 95 | 69 | 67 | (2) | 72 | 140 |
| Change in fair value of investment properties - IFRIC 21 [1] | (4,451) | 2,310 | 1,423 | 5,371 | (9,058) | 2,798 | 2,827 | 2,864 |
| Change in fair value of investment properties [1] | 359 | 11,196 | 140 | 44,440 | 8,894 | 14,747 | 11,071 | 18,644 |
| Change in fair value of financial instruments [1] | 381 | 4,286 | (11,962) | (9,475) | 2,937 | 21 | (6,463) | (3,848) |
| Gain (loss) on sale of property, plant and equipment [1] | (8) | (10) | — | — | (12) | — | 3,670 | 672 |
| Income (loss) from joint ventures [1] | (1,206) | (4,527) | (1,454) | 1,872 | (24) | 2,249 | 221 | 4,373 |
| Deferred income tax expense (recovery) [1] | (889) | 1,605 | (958) | (959) | — | — | — | — |
| Impairment of property, plant and equipment [1] | 1,376 | 5,147 | 3,636 | — | — | 4,513 | — | — |
| Net income (loss) from continuing operations | (5,834) | (33,592) | 751 | (46,256) | (11,013) | (25,993) | (12,449) | (9,236) |
| Net income (loss) from discontinued operations | (410) | (4,716) | (159) | 330 | (4,585) | (4,972) | (1,054) | 1,555 |
| Net income (loss) for the period | (6,244) | (38,308) | 592 | (45,926) | (15,598) | (30,965) | (13,503) | (7,681) |
| Income (loss) per share: Basic | $ (0.11) | $ (0.68) | $ 0.01 | $ (0.81) | $ (0.27) | $ (0.55) | $ (0.24) | $ (0.14) |
| Income (loss) per share: Diluted | $ (0.11) | $ (0.68) | $ 0.01 | $ (0.81) | $ (0.27) | $ (0.55) | $ (0.24) | $ (0.14) |
| Funds from operations [2] | 2,504 | 1,970 | 4,223 | 5,824 | 6,903 | 6,852 | 6,725 | 6,457 |
| Funds from operations per share: Basic [2] | $ 0.04 | $ 0.03 | $ 0.07 | $ 0.10 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.11 |
| Funds from operations per share: Diluted [2] | $ 0.03 | $ 0.03 | $ 0.06 | $ 0.08 | $ 0.10 | $ 0.10 | $ 0.10 | $ 0.09 |
| Adjusted funds from operations [2] | 2,081 | 1,613 | 3,017 | 5,927 | 6,571 | 5,611 | 6,207 | 7,059 |
| Adjusted funds from operations per share: Basic [2] | $ 0.04 | $ 0.03 | $ 0.05 | $ 0.10 | $ 0.12 | $ 0.10 | $ 0.11 | $ 0.12 |
| Adjusted funds from operations per share: Diluted [2] | $ 0.03 | $ 0.03 | $ 0.04 | $ 0.09 | $ 0.09 | $ 0.08 | $ 0.09 | $ 0.10 |

(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, and allowance for credit losses on loans receivable and interest receivable. Refer to the "Summary of Quarterly Results" and "Recent Activities" section of this MD&A for details of the results.

**Liquidity and Capital Resources**

The Company's objectives when managing capital are to ensure sufficient liquidity to pursue its organic growth 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, 2024, current liabilities totaled $409,476, and current assets totaled $82,849, resulting in a working capital deficit of $326,627 (December 31, 2023 - $308,396, $46,900 and $261,496, respectively). 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 at period end of $1,862 in excess of lender requirements of $12,500, (ii) cash flows generated from operations, (iii) property-specific mortgages and refinancings and (iv) strategic sale of assets. The Company sold 5 skilled nursing facilities with sales prices totaling $66,935 to date in 2024. The Company also has the ability to raise additional liquidity through issuance of common shares, subject to market conditions, and alternative financing sources. With respect to near term debt maturities, the Company believes it will be successful in either refinancing each of the near term debt instruments or settling the debt instruments through sales of the underlying assets securing such debts. However, the Company will be exposed to increased interest expense while pursuing refinancings and new interest rate swaps in 2024 due to the current interest rate environment. On November 8, 2023, the Company executed an amended credit agreement for the corporate credit facility, extending the maturity date to March 31, 2025 and amending various terms including interest rates, debt service coverage ratio, and restrictions on subordinated debt and other payments, among others.

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 debt 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 the next 12 months may no longer be available to the Company at terms and conditions that are forecasted, 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.

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, 2024, the preferred shares are convertible into 13,235,382 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, 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 plans to reduce the corporate credit facility by selling investment properties and refinancing qualified assets with various lenders and platforms and by selling assets over the upcoming 18 months. The Company is exposed to the risk of selling assets at below-market prices, although management is confident in its ability to find suitable buyers to purchase assets at fair market prices. To manage interest rate risk, the Company may enter into derivative instruments. 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 [1] |
|---|---|---|---|
| **Fixed Rate Indebtedness** | | | |
| Mortgages payable | $ 60,535 | 4.1 % [2] | 13.9 |
| 2016 Convertible Debentures | 24,850 | 7.0 % | 0.8 |
| 2018 Convertible Debentures | 43,415 | 8.8 % | 2.5 |
| | 128,800 | 6.2 % | 7.5 |
| **Variable Rate Indebtedness** | | | |
| Credit Facility Term and Revolver | $ 121,487 | 7.9 % | 1.0 |
| Commonwealth Facility | 176,638 | 7.6 % | 0.3 |
| Mortgages payable | 121,947 | 6.6 % | 1.6 |
| | 420,072 | 7.4 % | 0.9 |
| Total indebtedness | $ 548,872 | 7.1 % | 2.5 |
| Loan fees and issue costs, net of amortization and accretion | 1,269 | | |
| Equity component of convertible debentures, excluding issue costs and taxes | (11,490) | | |
| Mark-to-market adjustment, net | (17,352) | | |
| Carrying amount | $ 521,299 | | |

(1) Years to maturity does not include the exercise of extension options, where available, and which are generally exercisable at the Company's discretion.

(2) Weighted average interest rates include debt that is fixed with interest rate swaps and interest rate caps. Details of fixed rate swaps and cap rates are as follows:

| | Stated interest rate | Swapped rate / cap maturity | Debt maturity |
|---|---|---|---|
| Mortgages payable: | | | |
| $3,000 fixed swap at 8.1% | 8.9 % | August 5, 2026 | August 5, 2026 |
| $3,465 fixed swap at 5.9% | 6.8 % | July 31, 2024 | July 31, 2024 |
| $10,063 SOFR cap at 2.0% plus 2.45% | 7.8 % | July 1, 2024 | August 1, 2030 |
| $57,500 rate cap at 5.5% | 8.8 % | June 10, 2025 | January 10, 2026 |

*Joint Venture Indebtedness*

| | Principal Amount | Weighted Average Interest Rate | Years to Maturity |
|---|---|---|---|
| Fixed rate mortgages payable | $ 12,004 | 6.0 % [1] | 0.8 |
| Variable rate mortgages payable | 115,509 | 5.8 % | 1.6 |
| Total Indebtedness | $ 127,513 | 5.8 % | 1.6 |
| Less loan fees, net of amortization | (1,140) | | |
| Carrying amount | $ 126,373 | | |
| Company's share of carrying amount | $ 104,722 | | |

(1) Weighted average interest rates include debt that is fixed with interest rate swaps. Details of fixed rate swaps are as follows:

| | Stated interest rate | Swapped rate / cap maturity | Debt maturity |
|---|---|---|---|
| $75,750 fixed swap at 4.0% | 7.4 % | May 31, 2024 | May 31, 2026 |

*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 was held at which the holders of the 2018 Convertible Debentures ("2018 Debentureholders") approved 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.

On September 26, 2023, a meeting of holders of the 2018 Convertible Debentures was held whereby the 2018 Debentureholders approved proposed amendments to the 2018 Convertible Debentures. The approved amendments include the following changes to the 2018 Convertible Debentures:

1. Decrease the amount to be redeemed in 2023 to $4,828.
2. Decrease the conversion price from $2.75 to $1.10 per share.
3. Add a covenant that the Corporation shall not make any cash repayment or redemption of principal on the Corporation's outstanding 2016 Convertible Debentures whether before, on or after the maturity date of the 2016 Convertible Debentures unless, prior to or contemporaneously with the repayment or redemption of 2016 Convertible Debentures, it redeems or repays for cash an equal principal amount of the amended debentures of the maturity date from September 30, 2023 to September 30, 2026.

4. Adding a covenant that the Corporation shall not issue (i) a new class or series of unsecured convertible debentures unless the maturity date for such debentures is at least 18 months after September 30, 2026 or (ii) senior notes in exchange for, or to fund the cash repayment of, all or a portion of the 2016 Convertible Debentures.

As a result of the substantive modification of the terms of the 2018 Convertible Debentures, on the date of modification the amortized cost of the previously recorded liability was derecognized for an amount equal to its fair value, resulting in a gain of $15,200 recorded within the "Change in fair value of financial instruments" financial statement caption. The previously recorded equity component of the 2018 Convertible Debentures was transferred to share capital, and the fair value of the liability and equity components of the modified convertible debentures were recorded.

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. Consolidated assets is calculated using the total undepreciated purchase price of the Company's real estate, as defined in the agreement. At March 31, 2024, the Company is in compliance with the required debt to total asset ratio under the terms of the corporate credit facility.

The Company's debt service coverage ratio for assets encumbered by the corporate credit facility is calculated by dividing adjusted operating income by assumed debt service of the facility as of the applicable test period. At March 31, 2024, the Company is in compliance with the required debt service coverage ratio under the terms of the corporate 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 trailing twelve month period ended March 31, 2024, the fixed charge coverage ratio of the Company was in compliance with the levels required under the terms of the corporate credit facility. For the same period, all other debt covenants were in compliance.

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, 2024, 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, 2024, including expected interest payments, is as follows:

| | Total | 2024 | 2025 | 2026 | 2027 | 2028 | Thereafter |
|---|---|---|---|---|---|---|---|
| Credit facilities principal | $298,125 | $178,125 | $120,000 | $ — | $ — | $ — | $ — |
| Mortgages payable principal | 182,482 | 46,426 | 17,922 | 58,898 | 18,166 | 3,873 | 37,197 |
| Convertible debentures principal | 68,265 | — | 24,850 | 43,415 | — | — | — |
| Commonwealth preferred unit liability principal [(1)] | 58,606 | 58,606 | — | — | — | — | — |
| Total principal | $607,478 | $283,157 | $162,772 | $102,313 | $ 18,166 | $ 3,873 | $ 37,197 |
| Percentage of total | 100.0 % | 46.7 % | 26.8 % | 16.8 % | 3.0 % | 0.6 % | 6.1 % |
| Credit facilities interest | $ 14,490 | $ 12,055 | $ 2,435 | $ — | $ — | $ — | $ — |
| Mortgages payable interest | 32,768 | 6,083 | 7,206 | 2,571 | 1,797 | 1,521 | 13,590 |
| Convertible debentures interest | 8,810 | 1,292 | 4,669 | 2,849 | — | — | — |
| Commonwealth preferred unit liability interest | 3,564 | 3,564 | — | — | — | — | — |
| Accounts payable and accrued liabilities | 17,428 | 17,428 | — | — | — | — | — |
| Accrued real estate taxes | 6,278 | 6,278 | — | — | — | — | — |
| Other current liabilities | 3,388 | 3,388 | — | — | — | — | — |
| Other non-current liabilities | 3,201 | 486 | 497 | 417 | 391 | 358 | 1,052 |
| Total other commitments | $ 89,927 | $ 50,574 | $ 14,807 | $ 5,837 | $ 2,188 | $ 1,879 | $ 14,642 |
| Total commitments | $697,405 | $333,731 | $177,579 | $108,150 | $ 20,354 | $ 5,752 | $ 51,839 |

(1) The liability has no stated maturity date. The Company's anticipates repaying the liability by 2027 based on cash flow forecasts.

The credit facilities have an outstanding balance of $297,955 as of March 31, 2024. On November 8, 2023, the Company executed an amended credit agreement for the corporate credit facility, extending the maturity date to March 31, 2025 and amending various terms including interest rates, debt service coverage ratio, and restrictions on subordinated debt and other payments, among others. The Company is in active negotiations to extend the Commonwealth credit facility and fully expects to execute in advance of its maturity date. In addition, the Company has two twelve-month contractual extension options available within the existing agreement, which can be executed upon the satisfaction of certain performance metrics within the underlying portfolio of properties.

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, 2024.

**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, 2024), 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, 2024.

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 March 29, 2024, the Company announced that IVQ Stock Holding Company, LLC ("ISHC"), a company controlled by Adlai Chester ("Mr. Chester"), the Company's Chief Financial Officer and a member of its board of directors, entered into a share purchase agreement to acquire 16,982,283 common shares of the Company from certain subsidiaries of Tiptree Inc. (collectively, "Tiptree") at a price of $0.0368 per common share and an aggregate purchase price of $625,000. Following the acquisition, Tiptree will no longer own or control any shares in the Company. The acquisition is expected to close in the second quarter of 2024 and remains subject to customary closing conditions. After giving effect to the acquisition, ISHC would own or control, directly or indirectly, 16,982,283 common shares, representing approximately 30.21% of the outstanding common shares of the Company. Together with the 212,907 common shares currently owned or controlled by Mr. Chester, ISHC and Mr. Chester will collectively own 17,195,190 common shares, representing approximately 30.59% of the outstanding common shares of the Company. as of March 31, 2024.

**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 are overall capitalization rates and stabilized future cash flows for each property valued using the direct capitalization income approach, and future cash flows over the holding period, terminal capitalization rates and discount rates for each property valued using the discounted cash flow approach. The overall capitalization rates, terminal capitalization rates and discount rates applied are reflective of the characteristics, location and market of each investment property. The stabilized future cash flows, or future cash flows over the holding period, 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.

**Material Accounting Policies and Changes in Accounting Policies**

The Company applied the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2023, with the exception of the amendments adopted in 2024. The Company adopted *Classification of Liabilities as Current or Non-currnet and Non-current Liabilities with Covenants - Amendments to IAS 1*, as issued in 2020 and 2022. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current liabilities that are subject to covenants within 12 months after the reporting period. This resulted in a change in the accounting policy for classification of liabilities that can be settled in a Company's own shares (i.e. convertible debt). Previously, the Company ignored all counterparty conversion options when classifying the related liabilities as current or non-current. Under the revised policy, when a liability includes a counterparty conversion option that may be settled by a transfer of the Company's own shares, the Company takes into account the conversion option in classifying the host liability as current or non-current, except when it is classified as an equity component or a compound instrument.

The adoption of the amendments did not have any material impact on the Company's consolidated financial statements.

**Risks and Uncertainties**

See "Risk Factors" in the Company's 2023 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, 2023 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, 2024, 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, 2024 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

**Outstanding Shares**

As of May 9, 2024, 56,225,170 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 39,468,182 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. After September 30, 2023, and before September 30, 2026, the 2018 Convertible Debentures can be converted into 9,550,182 shares.

As of May 9, 2024, 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 9, 2024, 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 9, 2024, assuming the voluntary conversion of all of the Exchangeable Units, a total of 294,235 common shares would be issued.

As of May 9, 2024, 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. The Company considers RealPac's "White Paper on Funds From Operations and Adjusted Funds From Operations for IFRS" when calculating these measures.

*Funds From Operations*

FFO means net income (loss) 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 sale or acquisition of property or modification of debt; (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 and 2018 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. In addition to complying with RealPac's explicit guidance on the calculation of FFO, the Company incrementally considers the following amounts in the calculation to more accurately measure the performance of its underlying operations:

i. accretion expense and amortization of non-cash adjustments to convertible debentures; and
ii. debt extinguishment and refinancing costs.

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 (loss) 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, 2024 | Three months ended December 31, 2023 | Three months ended September 30, 2023 | Three months ended June 30, 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 |
|---|---|---|---|---|---|---|---|---|
| Net income (loss) from continuing operations | $ (5,834) | $ (33,592) | $ 751 | $ (46,256) | $ (11,013) | $ (25,993) | $ (12,449) | $ (9,236) |
| Add/(deduct): | | | | | | | | |
| Change in fair value of investment properties | (4,092) | 13,506 | 1,563 | 49,811 | (164) | 17,545 | 13,898 | 21,508 |
| Property taxes accounted for under IFRIC 21 | 4,451 | (2,310) | (1,423) | (5,371) | 9,058 | (2,798) | (2,827) | (2,864) |
| Depreciation and amortization expense | 3,458 | 4,181 | 3,742 | 3,633 | 3,626 | 5,744 | 3,838 | 3,758 |
| Amortization of tenant inducements | 61 | 60 | 61 | 61 | 61 | 60 | 61 | 61 |
| Accretion expense and amortization of non-cash adjustments to Convertible Debentures | 2,148 | 1,939 | 6,024 | 775 | 725 | 679 | 635 | 647 |
| Change in fair value of financial instruments | 381 | 4,286 | (11,962) | (9,475) | 2,937 | 21 | (6,463) | (3,848) |
| Transaction costs | 276 | (541) | 673 | 655 | — | — | 68 | — |
| Debt extinguishment costs | — | 3,270 | — | — | — | — | — | — |
| Loss (gain) on sale of property, plant and equipment | (8) | (10) | — | — | (12) | — | 3,670 | 672 |
| Impairment of property, plant and equipment | 1,376 | 5,147 | 3,636 | — | — | 4,513 | — | — |
| Deferred income tax recovery | (889) | 1,605 | (958) | (959) | — | — | — | — |
| Allowance for expected credit losses | 260 | 1,097 | 465 | 13,123 | 1,047 | 9,239 | 6,752 | 494 |
| Change in non-controlling interest liability in respect of the above | 2 | (64) | (29) | (35) | (35) | (50) | (38) | (32) |
| Adjustments for equity accounted entities | 1,302 | 4,256 | 1,855 | 4 | 824 | (1,995) | (295) | (5,155) |
| FFO from continuing operations | $ 2,892 | $ 2,830 | $ 4,398 | $ 5,966 | $ 7,054 | $ 6,965 | $ 6,850 | $ 6,005 |
| FFO from discontinued operations | (388) | (860) | (175) | (142) | (151) | (113) | (125) | 452 |
| Total FFO | $ 2,504 | $ 1,970 | $ 4,223 | $ 5,824 | $ 6,903 | $ 6,852 | $ 6,725 | $ 6,457 |
| Interest, amortization and accretion expense on dilutive convertible units | 950 | 955 | — | 435 | 435 | 479 | 478 | 480 |
| Total diluted FFO from continuing operations | $ 3,454 | $ 2,925 | $ 4,223 | $ 6,259 | $ 7,338 | $ 7,331 | $ 7,203 | $ 6,937 |
| Weighted average number of shares, including fully vested deferred shares: Basic | 56,658,322 | 56,659,499 | 56,674,097 | 56,736,310 | 56,746,431 | 56,488,064 | 56,626,021 | 56,721,074 |
| Weighted average shares issued if all convertible instruments were converted | 52,733,149 | 51,068,876 | 12,904,535 | 17,662,560 | 17,454,633 | 17,250,587 | 17,050,465 | 16,826,300 |
| Weighted average number of shares: Diluted | 109,391,471 | 107,728,375 | 69,578,632 | 74,398,870 | 74,201,064 | 73,738,651 | 73,676,486 | 73,547,374 |
| Funds from operations per share | $ 0.04 | $ 0.03 | $ 0.07 | $ 0.10 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.11 |
| Diluted funds from operations per share | $ 0.03 | $ 0.03 | $ 0.06 | $ 0.08 | $ 0.10 | $ 0.10 | $ 0.10 | $ 0.09 |

*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 incremental adjustments not addressed by RealPac guidance as determined by the directors of the Company in their sole discretion.

In addition to complying with RealPac's explicit guidance on the calculation of AFFO, the Company considers the following amounts in the calculation to more accurately measure the performance of its underlying operations:

i. transaction costs;
ii. debt extinguishment and refinancing costs; and
iii. accretion expense and amortization of non-cash adjustments to convertible debentures.

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, 2024 | Three months ended December 31, 2023 | Three months ended September 30, 2023 | Three months ended June 30, 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 |
|---|---|---|---|---|---|---|---|---|
| Cash flows provided by (used in) operating activities | $ 640 | $ (2,193) | $ 4,704 | $ 8,002 | $ (4,482) | $ (2,375) | $ 6,168 | $ 6,196 |
| Change in non-cash working capital | 3,514 | 3,115 | (1,260) | (2,046) | 9,197 | 8,817 | (719) | 1,288 |
| Less: interest expense [(1)] | (10,597) | (9,500) | (9,313) | (9,893) | (9,919) | (9,644) | (9,655) | (9,781) |
| Less: change in non-controlling interest liability | (124) | (11) | (95) | (69) | (67) | 2 | (72) | (140) |
| Plus: income (loss) from joint ventures | (1,206) | (4,527) | (1,454) | 1,872 | (24) | 2,249 | 221 | 4,373 |
| Plus: interest paid | 9,414 | 8,545 | 9,552 | 8,186 | 11,102 | 8,810 | 11,412 | 9,580 |
| Less: interest received | (170) | (499) | (19) | (112) | (144) | (135) | (144) | (151) |
| Plus: debt extinguishment costs | (412) | 3,387 | (4) | 366 | (9) | (247) | (10) | 254 |
| Plus: realized loss (gain) on currency exchange | 7 | (14) | 22 | (24) | (5) | 409 | — | — |
| Plus: amortization of lease asset | 36 | (25) | (66) | (64) | (62) | 671 | — | — |
| Plus: current income tax expense | — | (110) | — | 441 | 551 | — | — | — |
| Plus: non-cash portion of non-controlling interest expense | 14 | (51) | (21) | (37) | (38) | (54) | (42) | (35) |
| Plus: adjustments for equity accounted entities | 1,322 | 4,271 | 1,865 | 14 | 834 | (1,979) | (286) | (3,968) |
| Plus: deferred share incentive plan compensation | 15 | (72) | (191) | (6) | 340 | (184) | 63 | 173 |
| Less: capital maintenance reserve | (372) | (703) | (703) | (703) | (703) | (729) | (729) | (730) |
| AFFO | $ 2,081 | $ 1,613 | $ 3,017 | $ 5,927 | $ 6,571 | $ 5,611 | $ 6,207 | $ 7,059 |
| AFFO from discontinued operations | (346) | (815) | (130) | (97) | (102) | (81) | 279 | 554 |
| AFFO from continuing operations | 2,427 | 2,428 | 3,147 | 6,024 | 6,673 | 5,692 | 5,928 | 6,505 |
| Interest expense on dilutive convertible units | 950 | 955 | — | 435 | 435 | 435 | 433 | 435 |
| Total diluted AFFO | $ 3,031 | $ 2,568 | $ 3,017 | $ 6,362 | $ 7,006 | $ 6,046 | $ 6,640 | $ 7,494 |
| Weighted average number of shares, including fully vested deferred shares: Basic | 56,658,322 | 56,659,499 | 56,674,097 | 56,736,310 | 56,746,431 | 56,488,064 | 56,626,021 | 56,721,074 |
| Weighted average shares issued if all dilutive convertible units were converted | 52,733,149 | 51,068,876 | 12,904,535 | 17,662,560 | 17,454,633 | 17,250,587 | 17,050,465 | 16,826,300 |
| Weighted average number of shares: Diluted | 109,391,471 | 107,728,375 | 69,578,632 | 74,398,870 | 74,201,064 | 73,738,651 | 73,676,486 | 73,547,374 |
| AFFO per share | $ 0.04 | $ 0.03 | $ 0.05 | $ 0.10 | $ 0.12 | $ 0.10 | $ 0.11 | $ 0.12 |
| Diluted AFFO per share | $ 0.03 | $ 0.02 | $ 0.04 | $ 0.09 | $ 0.09 | $ 0.08 | $ 0.09 | $ 0.10 |

(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* - 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.

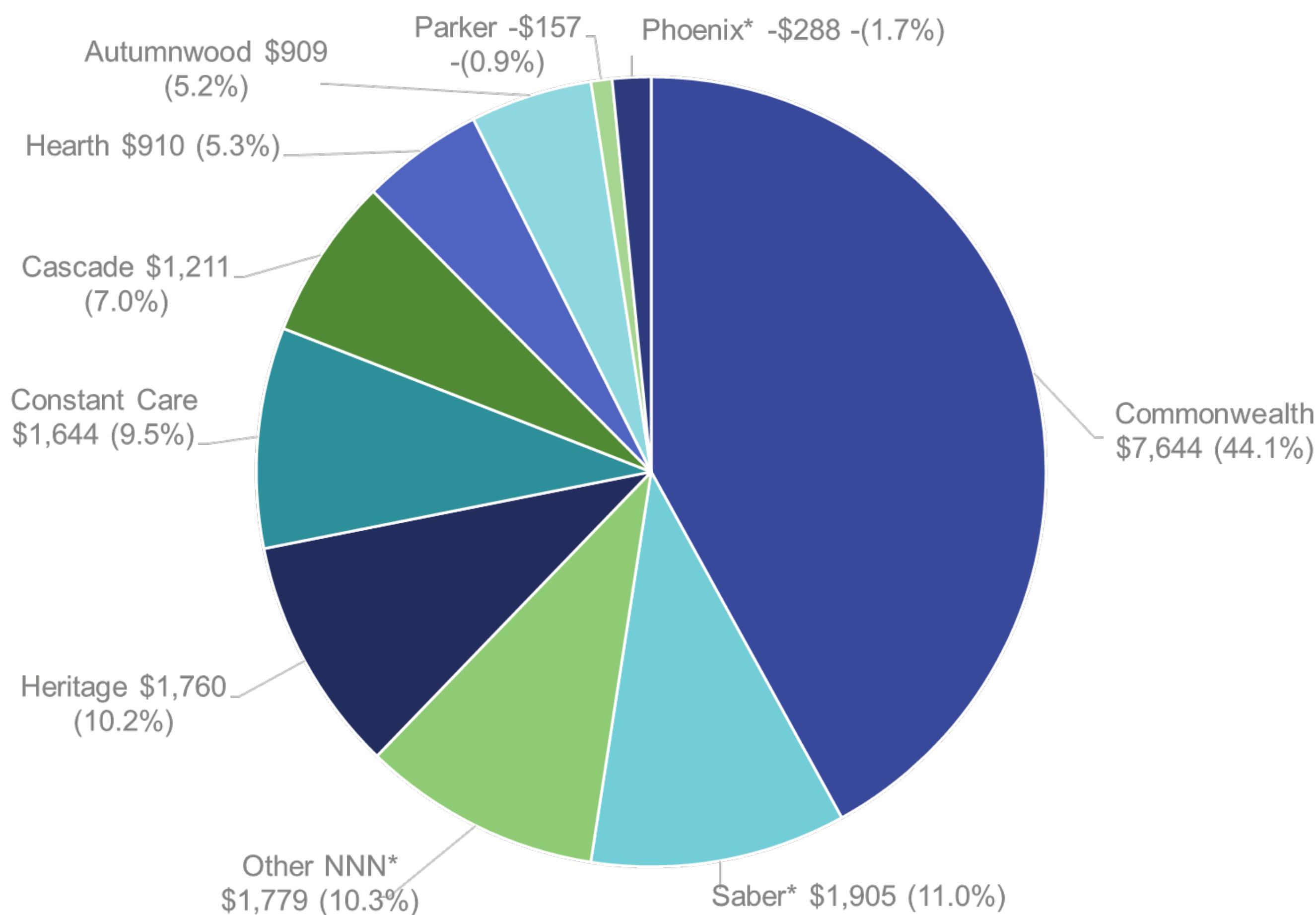
*NOI by Operating Segment*

The tables below are presented at the Company's proportionate share and display trailing three months NOI to the Company from its seniors housing operating properties ("SHOP"), triple-net lease and medical office building portfolios for the years ended March 31, 2024 and 2023.

| | Three months ended March 31, 2024 | | Three months ended March 31, 2023 | |
|---|---|---|---|---|
| | NOI | % of Total | NOI | % of Total |
| SHOP | $ 8,959 | 52.3 % | $ 8,449 | 39.0 % |
| NNN | 8,354 | 48.7 % | 13,076 | 60.3 % |
| MOB (Discontinued operations) | (170) | (1.0)% | 143 | 0.7 % |
| | $ 17,143 | 100.0 % | $ 21,668 | 100.0 % |

*NOI by Operator*

The chart below displays the trailing three months NOIs as of March 31, 2024, from the Company's SHOP portfolios, triple-net lease portfolios and Autumnwood preferred return, by operator.




*Saber, Providence and Phoenix portfolios were sold.

*Triple-Net Lease Portfolio ("NNN") and Autumnwood Preferred Return*

The Company's triple-net lease portfolio for the period ended March 31, 2024, consisted of 21 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, 2024 had an average lease term to maturity, excluding renewal options, of approximately 10.0 years.

The Company's Autumnwood portfolio for the period ended March 31, 2024, consisted of 4 senior living assets in Canada. The Company maintains in interest in a proportionate and preferred return share of the landlords' lease receipts.

The table below displays the Company's contractual rental revenue from continuing operations for the twelve months ended March 31, 2024 and 2023.

| | Contractual Rental Revenue, 12 months ended March 31, 2024[1] | % of Total Contractual Rental Revenue | Contractual Rental Revenue, 12 months ended March 31, 2023 [1] | % of Total Contractual Rental Revenue |
|---|---|---|---|---|
| Constant Care Management Company | $ 6,517 | 21.0 % | $ 6,234 | 14.0 % |
| Providence Group | 5,402 | 17.4 % | 5,611 | 12.6 % |
| Cascade Capital Group | 4,940 | 15.9 % | 4,875 | 11.0 % |
| Hearth Management | 3,697 | 11.9 % | 3,607 | 8.1 % |
| Autumnwood Mature Lifestyle Communities [2] | 3,544 | 11.4 % | 3,492 | 7.8 % |
| Other | 6,975 | 22.4 % | 20,699 | 46.5 % |
| Total | $ 31,075 | 100.0 % | $ 44,518 | 100.0 % |

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

(2) Represents contractual preferred rental revenue.

The table below displays the Company's contractual forward twelve months rental revenue from continuing operations for the period commencing April 1, 2024.

| | Contractual Rent, forward twelve months for the period beginning April 1, 2024 | % of Total Contractual Rental Revenue |
|---|---|---|
| Constant Care Management Company | $ 6,936 | 31.0 % |
| Cascade Capital Group | 4,930 | 22.0 % |
| Hearth Management | 3,790 | 16.9 % |
| Autumnwood Mature Lifestyle Communities | 3,670 | 16.4 % |
| Chapters | 1,942 | 8.7 % |
| Other | 1,105 | 5.0 % |
| Total | $ 22,373 | 100.0 % |

*Seniors Housing Operating Properties ("SHOP")*

The Company's SHOP portfolio for the period ended March 31, 2024 consisted of 40 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 table below displays trends in NOI, occupancy and revenue per resident of the Company's existing SHOP portfolio as of March 31, 2024 . The Company previously disposed of all Phoenix Senior living properties.

| | | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Commonwealth | NOI | $ 22,521 | $ 24,266 | $ 27,672 |
| | Occupancy [1] | 71.4 % | 77.5 % | 80.4 % |
| | Revenue per resident [2] | $ 5,205 | $ 5,470 | $ 5,826 |
| Heritage | NOI | $ 3,259 | $ 4,581 | $ 6,216 |
| | Occupancy [1] | 67.7 % | 78.9 % | 84.5 % |
| | Revenue per resident [2] | $ 4,709 | $ 4,886 | $ 5,192 |

(1) Average occupancy rates per portfolio.

(2) Average revenue per resident, in whole U.S. dollars.

*Reconciliation of Net Operating Income to Net Income*

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

| | Three months ended March 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | NNN | SHOP | Medical office buildings (discontinued operations) | Total operations | Corporate/ Other | Total |
| Net income (loss) | $ 3,485 | $ (5,384) | $ (410) | $ (2,309) | $ (3,935) | $ (6,244) |
| Change in fair value of investment properties | 359 | — | 13 | 372 | — | 372 |
| Depreciation and amortization expense | — | 3,527 | — | 3,527 | (23) | 3,504 |
| Amortization expense and debt extinguishment costs | 695 | 236 | 42 | 973 | 1,483 | 2,456 |
| Amortization of tenant inducements | 61 | — | 3 | 64 | — | 64 |
| Change in fair value of financial instruments | (88) | 2,440 | — | 2,352 | (335) | 2,017 |
| Transaction costs | 390 | (8) | — | 382 | (115) | 267 |
| Changes in non-controlling interest liability | (22) | 24 | — | 2 | — | 2 |
| Straight-line rent | (451) | — | — | (451) | — | (451) |
| DSU compensation | — | — | — | — | 15 | 15 |
| Finance cost from operations, net | 3,912 | 5,321 | 175 | 9,408 | 1,385 | 10,793 |
| Foreign currency exchange loss | — | — | 7 | 7 | — | 7 |
| Income tax recovery | — | — | — | — | (889) | (889) |
| Finance costs from operations from equity accounted entities | — | 1,483 | — | 1,483 | — | 1,483 |
| Non-cash adjustment for equity accounted entities | 13 | 1,320 | — | 1,333 | — | 1,333 |
| Net operating income (loss) | $ 8,354 | $ 8,959 | $ (170) | $ 17,143 | $ (2,414) | $ 14,729 |

| | 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 | — | — | (5) | (5) | — | (5) |
| 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 |