MAINSTREET HEALTH INVESTMENTS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Basis of presentation

Financial data in this Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") is for the three and six months ended June 30, 2016. Financial data has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A is intended to provide readers with an assessment of the performance of Mainstreet Health Investments Inc. (the "Company") for the three and six months ended June 30, 2016. This MD&A should be read in conjunction with the final prospectus dated May 26, 2016 and the unaudited condensed consolidated interim financial statements and notes of the Company for the three and six months ended June 30, 2016.

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

Forward-looking disclaimer

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

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

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

These forward-looking statements are made as of August 10, 2016 and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Review and approval by the board of directors

The board of directors, upon the recommendation of the Audit Committee, approved the contents of this MD&A on August 10, 2016.

Business Overview

The Company was incorporated on May 31, 2007 under the Business Corporations Act (Ontario). Effective April 4, 2016, the Company changed its name from "Kingsway Arms Retirement Residences Inc." to "Mainstreet Health Investments Inc." and continued under the laws of the Province of British Columbia. The Company's registered office is 2500 - 700 W Georgia Street, Vancouver, British Columbia V7Y 1B3.

On April 4, 2016, the Company acquired all of the shares of Mainstreet Health Holdings Inc. ("MHI Holdco") held by Mainstreet Investment Company, LLC ("MS Investment") in consideration for 81,160,000 common shares and 307,659,850 non-voting shares of the Company. The non-voting shares were converted to common shares, and all common shares were consolidated on a 250:1 basis upon completion of the Offering described below.

On May 26, 2016, the Company filed a prospectus relating to an offering (the "Offering") of 9,500,000 common shares of the Company. Upon completion of the Offering on June 2, 2016, the Company acquired the remaining shares of MHI Holdco subsequent to the conversion of the outstanding convertible debentures of MHI Holdco into common shares of MHI Holdco.

The shareholders of MHI Holdco received 518,094 common shares of the Company and the convertible debenture holders received 11,117,010 common shares of the Company, both on a post-consolidation basis. The Company has been identified as the accounting acquiree rather than the accounting acquirer and the transaction is considered to be a reverse-takeover. As the former shareholders of MHI Holdco owned a controlling interest in the Company, the financial statements of the Company reflect the historical results of MHI Holdco since it's inception on October 7, 2015 and the acquisition of the net assets of the Company at their fair value on the date of closing. However, the equity structure (i.e. the number and type of shares issued) reflects the equity structure of the Company.

On June 2, 2016, the Company completed the issuance of 9,500,000 common shares for gross proceeds of $95,000. The underwriters of the transaction were granted an overallotment option to purchase up to an additional 1,425,000 common shares within 30 days of the completion of the offering. The overallotment option was exercised in full on June 21, 2016 resulting in gross proceeds of $14,250.

The Company was formed primarily to own income-producing seniors housing and care properties throughout the United States and Canada. Specifically, the Company will look to acquire properties which offer predominately transitional care, long term care, and assisted living programs, including short-term rehabilitation and memory care special care units. As of June 30, 2016, the Company owns a portfolio of 21 properties comprised of 11 long-term care facilities, 6 assisted living facilities and 4 transitional care properties.

Management believes that certain characteristics of the North American senior housing and care industry provide a significant opportunity to continue to expand the Company's portfolio of properties. These characteristics include favorable demographic trends, increasing demand, stagnant supply of new facilities and a shift of some services from traditional hospitals to post-acute care centers and long-term care facilities. Management also believes that the Company is well-positioned to participate in the sector and capitalize on its projected growth without being directly exposed to the day-to-day operations of the senior housing and care sector by investing in high quality properties, and partnering with financially and operationally strong tenant operators

Recent Activities

On April 4, 2016 the Company entered into an asset management agreement (the "Asset Management Agreement") with Mainstreet Asset Management Inc. ("MAMI"), which is owned 100% by the chairman of the Company. Under the terms of the Asset Management Agreement, the Company will pay an asset management fee of (i) 0.3% of the Gross Book Value of the Company (as defined in the Asset Management Agreement) up to a Gross Book value of $1.0 billion plus (ii) 0.1% of the Gross Book Value of the Company in excess of $1.0 billion.

On April 4, 2016 The Company directly and indirectly entered into two development agreements (together, the "Development Agreements") with Mainstreet Property Group, LLC ("Mainstreet LLC") pursuant to which the Company has the right to provide mezzanine financing for projected construction costs for all suitable development properties identified by Mainstreet LLC. The Company will have an option to acquire any property for which it has provided mezzanine financing pursuant to the terms set out in the Development Agreements.

On April 29, 2016, the Company indirectly acquired one property in respect of which the Company had previously entered into a purchase agreement (“Hanover Park”, the eleventh property of a portfolio of eleven seniors housing and care properties located in the state of Illinois (collectively, the "Symphony Portfolio")) for $34,075 plus transaction costs. In order to fund this acquisition, the Company applied a $3,500 security deposit, issued $10,300 of preferred equity, amended an existing note payable to draw an additional $1,500 and drew an additional $19,360 on the Company's credit facility (the "Facility").

On May 26, 2016, the Company filed a prospectus relating to the Offering.

On June 2, 2016, a wholly owned subsidiary of the Company acquired a portfolio of seven properties in Scranton, Pennsylvania (collectively, the "Scranton Portfolio") for a purchase price of $29,091 plus transaction costs.

On June 2, 2016, a wholly owned subsidiary of the Company acquired three properties located in Chesterton, Indiana; Mooresville, Indiana; and Topeka, Kansas, respectively, for a combined purchase price of $59,821 plus transaction costs. The

Topeka, Kansas property is currently under development, and the wholly owned subsidiary of the Company entered into a development lease in conjunction with its purchase of the property.

On August 5, 2016, a wholly owned subsidiary of the Company acquired one property located in Syracuse, New York ("Hearth at Greenpoint") in respect of which the Company had previously entered into a purchase agreement. The Hearth at Greenpoint property was purchased for a purchase price of $32,967 plus transaction costs. The Company assumed mortgage debt on the property of $13,170 which bears interest at a fixed rate of 6.8% annually and matures on September 1, 2018.

Selected Financial Information

(dollar amounts in thousands of U.S. Dollars, except number of income properties)		**Three months ended June 30, 2016**		**Six months ended June 30, 2016**
Operational information				
Income properties		21		21
Average lease term to maturity in years (does not include renewal options)		14.1		14.1
Summary financial information				
Gross book value	$	418,882	$	418,882
Total debt	$	181,156	$	181,156
Debt to gross book value %		43.2%		43.2%
Weighted average interest rate (1)		4.1%		4.1%
Revenue	$	8,625	$	15,979
Operating expenses	$	1,396	$	1,888
Finance cost	$	4,030	$	8,471
Net loss	$	(773)	$	(2,178)
Funds from operations (FFO)	$	1,815	$	3,082
Adjusted funds from operations (AFFO)	$	3,848	$	7,171
Common share distributions declared	$	1,386	$	1,386

(1) Weighted average interest rate includes $147.0 million of debt on the Company's credit facility which is fixed at 4.2% by the Interest Rate Swap.

Results of Operations - Three and Six Months Ended June 30, 2016
(unless otherwise stated, amounts are in thousands of U.S. dollars)

Revenue

		Three months ended June 30, 2016		**Six months ended June 30, 2016**
Cash rentals received	$	6,289	$	11,666
Straight-line rent adjustments		943		1,765
Property tax recoveries		1,384		2,539
	$	8,616	$	15,970

Cash rentals received and straight-line rent adjustments relate to lease agreements pursuant to which the Company indirectly leases its income properties to its tenants. The portfolio consisted of 10 properties for the period from January 1, 2016 until the Hanover Park acquisition on April 29, 2016. The portfolio then consisted of 11 properties until June 2, 2016 when the remaining properties were acquired. All of the Company's leases are triple-net, and property tax recovery represents the revenue recognized for the real estate taxes for which the tenants are responsible to pay.

Operating Expenses

Operating expenses of $1.4 million for the three months ended June 30, 2016 includes $0.3 million in management fees paid to MAMI pursuant to the Asset Management Agreement. Additionally, it includes $0.7 million of non-cash listing expense recorded in accordance with *IFRS 2, Share Based Payment*, in connection with the June 2, 2016 reverse takeover transaction. It also includes $0.3 million in payroll and DSU compensation expense as well as other professional fees and insurance expense.

Operating expenses of $1.9 million for the six months ended June 30, 2016 includes $0.3 million in professional fees and $0.4 million in management fees paid to MAMI. Additionally, it includes $0.7 million of non-cash listing expense recorded in connection with the June 2, 2016 reverse takeover transaction. It also includes $0.3 million in payroll and DSU compensation expense.

Finance Cost

Finance cost consists of the following:

		Three months ended June 30, 2016		Six months ended June 30, 2016
Interest expense on the Facility	$	1,458	$	2,791
Interest expense on mortgages payable		101		101
Interest expense on notes payable		36		72
Interest expense on Convertible Debentures		1,899		4,621
Preferred share dividends		83		83
Amortization expense		171		327
Interest rate swap payments		282		476
	$	4,030	$	8,471

Real Estate Tax Expense

Real estate tax expense of $4.6 million for the six months ended June 30, 2016 represents property tax expensed for the year for properties owned on January 1, 2016 in accordance with the provisions of *IFRIC 21, Levies*. Real estate tax will be recovered from our tenants under the provisions of their triple net leases.

Change in Value of Investment Properties

The $1.8 million decrease in value of investment properties for the three months ended June 30, 2016 included $0.9 million to offset the impact of the increase in straight-line rent receivable and $1.0 million related to acquisition costs paid on the 11 properties acquired during the period.

In addition, the $1.4 million decrease to the value of investment properties represents the offset of the receivable related to real estate tax recoveries recorded under *IFRIC 21, Levies*.

The $2.6 million decrease in value of investment properties for the six months ended June 30, 2016 included $1.8 million to offset the impact of the increase in straight-line rent receivable and $1.0 million related to acquisition costs paid on the 11 properties acquired during the period.

In addition, the $2.1 million increase to the value of investment properties represents a $2.5 million adjustment to the receivable related to real estate tax recoveries, offset by a $4.6 million adjustment representing the offset of the liability related to real estate tax expense recorded on the portfolio under *IFRIC 21, Levies*.

Change in Value of Derivative Instruments

The $0.8 million and $2.7 million change in value of derivative instruments for the three and six months ended June 30, 2016, respectively, relates to the recognition of the fair value of an interest rate swap ("Interest Rate Swap") pursuant to an interest rate swap agreement (the "Swap Agreement") entered into during the three months ended March 31, 2016. This change represents the fair value adjustments during the period. The Interest Rate Swap is not designated as a hedge and is marked to fair value each reporting period.

Income Tax Expense

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

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

For the three and six months ended June 30, 2016, the Company had current income tax expense of $0 and $0 for the three and six months ended June 30, 2016. 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.

Cash Flow Analysis

		Six months ended June 30, 2016
Cash provided by operating activities	$	1,907
Cash provided by financing activities		99,366
Cash used in investing activities		(90,391)
Increase in cash and cash equivalents	$	10,882

Cash Provided by Operating Activities

Cash provided by operating activities for the six months ended June 30, 2016 was $1.9 million. This was primarily due to cash received for rent and prepaid rent, partially offset by cash paid for interest, real estate taxes and operating expenses.

Cash Provided by Financing Activities

Cash provided by financing activities for the six months ended June 30, 2016 was $99.4 million. This was primarily driven by the net cash provided by the issuance of shares of $99.4 million. In addition, cash provided by financing activities increased by a net $3.0 million drawn on the Facility, partially offset by a net $2.5 million of notes payable repaid during the period and financing costs paid of $0.4 million.

Cash Used in Investing Activities

Cash used in investing activities for the six months ended June 30, 2016 was $90.4 million. This was primarily due to the acquisition of the 11 properties during the period and capital expenditures resulting in the use of $86.7 million. In addition, the Company issued a mezzanine loan for $2.5 million and paid a deposit on a future acquisition of $1.0 million.

Financial Position

Total assets of $418.9 million is primarily comprised of $392.7 million of investment properties, which represents the fair market value of Company's portfolio of properties including capital expenditures on one of the properties in the Symphony Portfolio during the six months ended June 30, 2016. Cash on hand at June 30, 2016 was $18.1 million, other assets were $5.6 million, and loans receivable were $2.5 million. Other assets primarily consists of $3.4 million of property taxes receivable, a $1.0 million deposit paid on a future acquisition, $0.1 million of prepaid acquisition costs, $0.9 million of accounts receivable including the development lease receivable and $0.2 million of other prepaid costs. The loans receivable balance relates to the issuance of a mezzanine loan to MS Houston Holdings II, LLC on June 23, 2016 for the development of a seniors housing and care property in Houston, Texas.

Total liabilities of $196.3 million includes current liabilities of $45.8 million and non-current liabilities of $150.5 million. The current liabilities include $5.4 million of real estate taxes payable, of which $2.1 million relates to the period prior to the Company's ownership of the respective properties, and for which cash consideration was provided by the seller at closing, and $3.3 million of which relates to a real estate tax liability recorded under the provisions of *IFRIC 21, Levies*. Accounts payable represents $2.8 million of the balance in current liabilities. Current liabilities also includes $33.5 million representing the current portion of mortgages payable,net of loan fees, assumed on a property acquired during the period. Also included in current liabilities is unearned revenue of $2.0 million, which represents prepaid rent, $1.4 million to record a dividend distribution payable and accrued interest of $0.7 million. Non-current liabilities include the balance outstanding on the Facility of $147.7 million, which is net of loan fees, and a $2.7 million liability which represents the fair value of the Interest Rate Swap.

Summary of Quarterly Results

The following table summarizes the Company’s quarterly unaudited financial information from its date of formation, October 7, 2015 through June 30, 2016:

	Three months ended June 30, 2016	Three months ended March 31, 2016	Period from October 7, 2015 to December 31, 2015
Revenue	$ 8,625	$ 7,354	$ 5,107
Operating expenses	1,396	492	1,266
Finance costs	4,030	4,441	2,808
Real estate tax expense	—	4,621	—
Change in value of investment properties - IFRIC 21	1,384	(3,466)	843
Change in value of investment properties	1,772	822	5,945
Change in value of derivative instruments	816	1,850	—
Loss for the period and comprehensive loss	(773)	(1,406)	(5,755)
Funds from operations (1)	1,815	1,266	190
Adjusted funds from operations (1)	3,848	3,321	1,574

(1) Funds from operations and adjusted funds from operations are supplemental measures which are not defined by IFRS, see *Financial Measures* below.

Liquidity and Capital Resources

The Company expects to have sufficient funds to meet all of its obligations as they become due. The Company expects to have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) financing available through the Facility; (iii) mortgage financing; and (iv) the ability to issue new equity.

Debt Strategy and Indebtedness

Debt Strategy

The Company will seek to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account availability of financing and market conditions and the financial characteristics of the properties. The Company will utilize conventional property-specific secured mortgages and secured floating rate bank financing. Management's objectives are to access the lowest cost debt with flexible terms, to diversify the Company's lender base, to have a large portion of debt be of fixed rate, and to have a debt maturity schedule spread over a time horizon in order to effectively manage interest rate risk and to be in a position to finance the Company within our target debt levels when investment opportunities are available. The Company targets a debt level of 50-55% of gross book value.

Management monitors the Company's debt by reviewing debt to gross book value ratio, interest coverage ratio, debt maturity schedule, and the ratio of fixed versus floating rate debt.

Indebtedness

		Principal Amount	Weighted Average Interest Rate	Years to Maturity
Fixed Rate Indebtedness				
Term loan	$	147,015	4.20% (1)	3.3 (2)
Mortgages payable		23,053	4.00%	2.6
		170,068	4.17%	3.2
Variable Rate Indebtedness				
Term loan		2,985	3.45%	3.3
Revolver		—	3.45%	2.3 (3)
Mortgages payable		10,533	3.50%	1.3
		13,518	3.49%	1.8
Total Indebtedness	$	183,585	4.12%	3.1
Less Loan Fees		(2,429)		
Carrying Amount	$	181,156		

(1) The Company entered into a Swap Agreement effectively fixing the interest rate at 4.2% through October 30, 2019.

(2) For purposes of the years to maturity calculation, the Company used March 16, 2020 for Chesterton, the date to which it may be extended.

(3) For purposes of the years to maturity calculation, the Company used October 31, 2017 for Topeka, the date to which it may be extended.

Debt to Gross Book Value

Debt to gross book value is calculated by dividing the total indebtedness, net of loan costs, by the gross book value of the Company. At June 30, 2016, the Company's total consolidated indebtedness is approximately $181.2 million, which represents approximately 43% of gross book value.

Repayment Summary

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

Management, when appropriate, strives to minimize variable rate debt. To manage interest rate risk, a wholly owned subsidiary of the Company entered into the Swap Agreement, which effectively fixes interest on $147.0 million of the Facility at a rate of 4.2% through its maturity on October 30, 2019. The strategy of the Interest Rate Swap is to convert variable interest cash outflows into known fixed interest cash outflows.

Contractual Commitments

A summary of future debt obligations, in thousands of dollars, based on principal debt maturities as of June 30, 2016, is as follows, including expected interest payments:

	Total	2016	2017	2018	2019	2020	Thereafter
Facility	$ 171,431	$ 3,240	$ 6,428	$ 6,428	$ 155,335	$ —	$ —
Mortgages payable	34,480	11,130	23,350	—	—	—	—
Accounts payable and accrued liabilities	7,861	7,861	—	—	—	—	—
Accrued distributions	1,386	1,386	—	—	—	—	—
Purchase commitment	50,863	39,845	11,018	—	—	—	—
Mezzanine financing commitment	2,550	2,550	—	—	—	—	—

The Facility is comprised of a term loan (the “Term Loan”) with capacity of $150.0 million and an optional revolver (the “Revolver”) with capacity of $50.0 million. The Revolver includes an accordion feature that can extend the capacity of the Revolver to $150.0 million, bringing the total capacity of the Facility to $300.0 million. The Term Loan has an initial maturity date of October 30, 2019. The Revolver has an initial maturity date of October 30, 2018, and has a one year extension option. At June 30, 2016, the Facility was secured by the Symphony Portfolio and the Scranton Portfolio. The Facility provides for interest only payments during the term and a borrowing rate of LIBOR plus 300 basis points. The interest rate has been effectively fixed through the Swap Agreement for $147.0 million of the Facility.

Mortgages payable is comprised of mortgages assumed upon the acquisitions of the Chesterton, Mooresville and Topeka properties. The Chesterton mortgage bears interest at a rate of 4.0% and matures on March 16, 2020. The Mooresville mortgage bears interest at a rate of 4.0% and matures on June 27, 2017. The Topeka mortgage bears interest at a rate of 3.5% and matures on October 31, 2017.

Accounts payable relate primarily to accrued realty taxes, professional fees and accrued costs related to the Topeka development.

Accrued distributions relates to the June 2016 dividend declared.

On March 31, 2016, a subsidiary of the Company entered into a purchase and sale agreement to acquire a portfolio of 3 properties in Syracuse, New York (the "Hearth Portfolio") for total consideration of $50,863. One of these properties closed on August 5, 2016, one is expected to close during 2016, and the third is expected to close in 2017.

On April 7, 2016, the Company entered into an agreement to provide mezzanine financing of $2.5 million to MS Webster LLC, a wholly owned subsidiary of Mainstreet LLC, for a development of a seniors housing and care property in Webster, Texas. The mezzanine loan provides for annual interest of 14.5%, which will be payable at a rate of 10.5% in current pay on a monthly basis, with the remaining 4.0% interest accruing until the earlier of the loan's maturity or prepayment. Mainstreet LLC will pay yield protection on this investment from July 1, 2016 through the date that the project funding conditions are satisfied and the loan is funded. The mezzanine loan will provide the Company with the right to purchase the development upon its substantial completion at fair market value.

Financial Instruments and Other Instruments

To manage interest rate risk, the Company entered into the Swap Agreement. In the Swap Agreement, the Company agreed to exchange the difference between fixed and variable rate interest on a principal amount of $147.0 million. The Swap Agreement effectively fixes interest at a rate of 4.2% through its maturity on October 30, 2019. The Interest Rate Swap is not designated as a hedge and is marked to fair value each reporting period through finance cost in the consolidated statements of profit and other comprehensive income.

Off-Balance Sheet Items

There were no off-balance sheet items as of June 30, 2016.

Transactions Between Related Parties

During the period ended June 30, 2016, the following related party transactions occurred.

The Company paid an asset management fee to MAMI, which is 100% owned by the chairman of the Company. The fee is payable pursuant to the asset management agreement dated October 29, 2015, and calls for an annual asset management fee equal to 3.0% of gross rentals received. For the period ended June 30, 2016, asset management fees paid to MAMI under this asset management agreement were $0.2 million. The asset management agreement was terminated on closing of the reverse takeover and replaced with a new asset management agreement effective April 4, 2016.

On June 23, 2016, the Company issued a mezzanine loan to MS Houston Holdings II, LLC (a wholly owned subsidiary of Mainstreet LLC) for the development of a seniors housing and care property in Houston, Texas. The mezzanine loan provides for annual interest of 14.5%, which will be payable at a rate of 10.5% in current pay on a monthly basis, with the remaining 4.0% interest accruing until the earlier of the loan's maturity or prepayment. The mezzanine loan provides the Company with the right to purchase the development upon its substantial completion at fair market value.

On April 4, 2016, the Company entered into a new asset management agreement with MAMI, which calls for management fees payable at a rate of 0.3% of the estimated gross book value of the Company up to a gross book value of $1.0 billion, plus 0.1% of the gross book value of the Company in excess of $1.0 billion. For the three and six months ended June 30, 2016, asset management fees paid to MAMI under the new asset management agreement were $0.3 million. The asset management agreement entered into on April 4, 2016 is for a term of 5 years, commencing on April 4, 2016, and will be renewed for a further five-year term, without any action of notice, unless the agreement is terminated. Included in accounts payable at June 30, 2016 is $123 payable to the MAMI.

On April 4, 2016 The Company directly and indirectly entered into two development agreements (together, the "Development Agreements") with Mainstreet LLC pursuant to which the Company has the right to provide mezzanine financing for projected construction costs for all suitable development properties identified by Mainstreet LLC. The Company will have an option to acquire any property for which it has provided mezzanine financing pursuant to the terms set out in the Development Agreements.

On October 30, 2015, the Company obtained a $2.5 million loan from a company that is 100% owned by the chairman of the Company. This loan was utilized to fund a portion of acquisition related costs. On February 26, 2016, the loan was increased to $3.5 million. On April 29, 2016, the loan was further increased to $5.0 million. The loan had a maturity date of October 30, 2016 and bore interest at a rate of 5.0% per annum. The full balance of the loan and all remaining accrued interest thereon was repaid on June 2, 2016.

The Company expects to continue to transact with Mainstreet LLC and its affiliates as a result of the asset management agreement and Development Agreements executed during the period.

Significant Areas of Estimation

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

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

(i) Change in value of investment properties:

Investment properties, which include income properties, are carried on the consolidated statement of financial position at fair value and are valued by management with the assistance of qualified external valuation professionals with recognized and relevant valuation credentials. The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of the Company. Refer to note 6 to the financial statements of the Company for the period ended June 30, 2016 for further information on estimates and assumptions made in determination of the fair value of investment properties.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is set forth in notes 1 and 2, respectively, of the financial statements for the period ended December 31, 2015. Other than those noted in note 3 to the financial statements of the Company for the period ended June 30, 2016, there have been no significant changes in accounting policies since December 31, 2015.

Risks and Uncertainties

See "Risk Factors" in the Company's prospectus dated May 26, 2016 for a complete list of risks that could materially affect the Company.

Controls and Procedures

Disclosure Controls and Procedures

At June 30, 2016, the Chief Executive Officer and the Chief Financial Officer (the “Certifying Officers”), together with other members of management, have designed controls and procedures, as defined in National Instrument 52-109 to provide reasonable assurance that material information has been accumulated and communicated to management, to allow timely decisions of required disclosures to the Company and its consolidated subsidiary entities, within the required time periods.

Internal Controls Over Financial Reporting

At June 30, 2016, the Certifying Officers, together with other members of management, have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Outstanding Shares

As of August 10, 2016, 24,196,543 shares in the capital of the Company were issued and outstanding.

Financial Measures

Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO") are supplemental measures used by management to track the Company's performance. Such measures are not defined by IFRS and, therefore, should not be construed as alternatives to net profit 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 these terms reflect the operating performance and cash flow of the Company. Reconciliation to net profit/loss, as defined under IFRS, for FFO and AFFO are presented below.

Funds From Operations

FFO, consistent with the REALpac definition, means net profit in accordance with IFRS, (i) plus or minus fair value adjustments on investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus certain other fair value adjustments; (iv) plus transaction costs expensed as a result of the purchase of property being accounted for as a business combination; (v) plus property taxes accounted for under IFRIC-21; and (vi) plus deferred income tax expense, after adjustments for equity accounted entities calculated to reflect FFO on the same basis as consolidated properties.

The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of the Company. FFO provides an operating performance measure that provides a perspective on the financial performance that is not immediately apparent from net profit determined in accordance with IFRS.

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

	Three months ended June 30, 2016	Six months ended June 30, 2016
Loss for the period	$ (773)	$ (2,178)
Add/(deduct):		
Change in fair value of investment properties	3,156	512
Property taxes accounted for under IFRIC 21	(1,384)	2,082
Fair value adjustment of derivative instruments	816	2,666
Funds from operations	$ 1,815	$ 3,082

In the future, the Company's MD&A will include per share disclosure of FFO. We believe this metric to be an effective means of evaluating performance. The current period does not provide a normalized basis on which FFO per share should be evaluated due to the reverse takeover transaction, the Offering, and the timing of the property acquisitions. Accordingly, we have not included per share values.

Adjusted Funds From Operations

The Company is of the view that AFFO is an effective measure of the cash generated from operations, after providing for certain adjustments.

AFFO means FFO, subject to certain adjustments, including: (i) mark-to-market adjustments on mortgages, amortization of deferred financing costs, and compensation expense related to deferred share incentive plans, (ii) adjusting for any differences resulting from recognizing property rental revenues on a straight-line basis, (iii) interest expense on convertible debentures, and (iv) other adjustments as determined by the directors of the Company in their sole discretion.

AFFO is a financial measure not defined under IFRS, and AFFO as presented herein may not be comparable to similar measures presented by other real estate investment trusts or real estate enterprises. For purposes of this MD&A, AFFO includes adjustments related to interest expense on convertible debentures.

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

	Three months ended June 30, 2016	Six months ended June 30, 2016
Funds from operations	1,815	3,082
Add/(deduct):		
Straight-line rent adjustments	(943)	(1,765)
Interest expense on convertible debentures	1,899	4,621
Amortization of financing costs	171	327
Deferred Share Incentive Plan compensation	81	81
Development lease payments received	125	125
Non-cash listing expense	700	700
Adjusted funds from operations	3,848	7,171

In the future, the Company's MD&A will include per share disclosure of AFFO. We believe this metric to be an effective means of evaluating performance. The current period does not provide a normalized basis on which AFFO per share should be evaluated due to the reverse takeover transaction, the Offering, and the timing of the property acquisitions. Accordingly, we have not included per share values.

Future MD&A

In the future, the Company's MD&A will include per share disclosure of both FFO and AFFO. We believe these metrics to be effective means of evaluating performance. The current period does not provide a normalized basis on which these metrics should be evaluated due to the reverse takeover transaction, the Offering, and the timing of the property acquisitions. Accordingly, we have not included per share values. Our reporting will also include a more robust set of metrics and analyses that evaluate the performance of our portfolio and our Company, against both our historic performance and industry benchmarks.

The analyses will include, but are not limited to the following:

- Operator lease coverage (both earnings before interest, income taxes, depreciation, amortization, rent and management fees ("EBIDTARM") and earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR"));
- Operator occupancy;
- Quality mix of operator revenues;
- Interest coverage ratio of the Company;
- Payout ratio of the Company;
- Facility age;
- Trends in our underlying portfolio and our Company, including revenues, costs, payout ratios, and other trends; and
- Portfolio performance and composition for stabilized properties - by geography, asset type and partner.

We define stabilized properties as follows:

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

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

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

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

We anticipate that our operator performance metrics will be calculated utilizing data that is one quarter in arrears, and, where master leases are in place for portfolios of multiple asset types, using allocated rents pursuant to consistent methodologies.

Due to the timing of events and transactions during the period, including the reverse takeover and property acquisitions, and the corresponding manner in which the ratios and trends are calculated and compiled, we do not believe that the metrics are complete or provide the appropriate evaluation of Company and portfolio performance. Accordingly, we have made the determination that the type of analysis and data discussed herein that we will included in future filings have not been included in this filing.