MAINSTREET HEALTH INVESTMENTS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

November 8, 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 nine months ended September 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 nine months ended September 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 nine months ended September 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, among other things, the expected seniors housing and care industry and demographic trends, acquisitions, development activities, future maintenance and leasing expenditures, financing, the availability of financing sources and income taxes. Management of the Company (“Management”) believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements.

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

Factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, general economic conditions, competitive uncertainties and contingencies, demographic and industry trends, legislative and regulatory changes, tax laws and those factors set forth under the heading “Risks and Uncertainties” in this MD&A and under the heading “Risk Factors” in the Company’s Annual Information Form dated September 14, 2016, which can be found under the Company’s profile at www.sedar.com. 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 November 8, 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 November 8, 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.

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 September 30, 2016, the Company owns a portfolio of 22 properties comprised of 11 long-term care facilities, 7 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 by investing in high quality properties, and partnering with financially and operationally strong tenant operators

Recent Activities

On October 6, 2016, the Company closed its offering of 7,406,000 subscription receipts (the "Subscription Receipts") at a price of $10.10 per Subscription Receipt, which includes 966,000 Subscription Receipts acquired upon the exercise by the underwriters of an overallotment option granted to them by the Company. The Subscription Receipts are being used to finance the acquisitions of (i) a portfolio of four NextGen® post-acute transitional care properties currently under development and located in the states of Kansas and Texas; (ii) one post-acute transitional care and memory facility located in the state of Illinois; (iii) a 50% interest in two assisted living properties located in the province of Ontario, as well as the operating assets related thereto; and (iv) eight mezzanine loans advanced to Mainstreet Property Group, LLC, which is owned 100% by the chairman of the Company ("Mainstreet LLC") or an affiliate thereof in respect of certain development properties located in the states of Texas, Kansas, Arizona and Colorado (four of which relate to the development properties being purchased, as described in (i) above). The Subscription Receipts are also being used to finance a mezzanine loan from the Company to Mainstreet LLC or its affiliate in the amount of approximately $3.5 million to fund certain costs in connection with the development of a Mainstreet LLC NextGen® transitional care property located in the state of Nebraska.

On October 18, 2016, a wholly owned subsidiary of the Company acquired one property located in Syracuse, New York ("Hearth on James") in respect of which the Company had previously entered into a purchase agreement. The Hearth on James property was acquired for a purchase price of $6.9 million plus transaction costs. The Company assumed mortgage debt on the property of $3.7 million which bears interest at a fixed rate of 4.1% annually and matures on March 1, 2049.

On October 28, 2016, the Subscription Receipts were deemed to be exchanged for common shares of the Company pursuant to the terms of the Subscription Receipts.

On October 31, 2016, the Company exercised the accordion feature on its existing credit facility (the "Facility") and increased its total capacity from $200 million to $285 million. Subsequent to this transaction, the term loan component of the Facility has a capacity of $200 million, and the revolving line of credit component of the Facility has a capacity of $85 million. On November 1, 2016, the Company used proceeds from the additional capacity on the Facility to repay in full two existing mortgages totaling $23.0 million on the Chesterton, Indiana and Mooresville, Indiana properties. On November 3, 2016, the Company used proceeds from the additional capacity on the Facility to repay in full one existing mortgage totaling $12.5 million on the Topeka, Kansas property.

On November 1, 2016, the Company completed the acquisitions of interests in seven seniors housing and care properties and investments in five mezzanine loans (collectively, the "Transactions"). The aggregate purchase price for the Transactions was approximately $150 million, and was financed with (i) the net proceeds from the Subscription Receipts, including proceeds from the over-allotment; (ii) the assumption of approximately $65.6 million of existing property level indebtedness; (iii) the issuance of approximately $3.6 million of common shares of the Company to certain vendors of the two properties located in the province of Ontario; and (iv) cash on hand.

On November 1, 2016, concurrent with the closing of the transactions described above, the Company announced that it has completed the internalization of asset management functions. The Second Asset Management Agreement was terminated effective October 31, 2016, and no fees or penalties were or will be paid to the Asset Manager. In connection with internalization, the Company and Mainstreet Asset Management, Inc ("MAMI"), which is 100% owned by the chairman of the Company, entered into an administrative services agreement pursuant to which MAMI will provide the Company with certain administrative services, including information technology support and equipment as well as dedicated office space for a period of up to two years, in exchange for a one time fee of $65 and a monthly fee of $22.5.

On November 4, 2016, the Company acquired a 50% interest in two assisted and independent living properties located in Timmins, Ontario and Sudbury, Ontario, together with the operating assets related thereto, on a joint venture basis with Autumnwood Lifestyles Inc. ("Autumnwood"). The two properties comprise a total of 177 assisted living and 66 independent living suites and will be subject to the joint venture arrangements entered into by the Company and Autumnwood. The aggregate purchase price for the 50% interest in the two properties was approximately $22.6 million (assuming an exchange

rate of Cdn$1.00 equals US$0.7456), which was financed by the assumption of approximately $12.9 million of property level indebtedness, cash and approximately $2.6 million of the Company's common shares issued to certain minority interest owners of the properties at $10.10 per common share.

Selected Financial Information

(dollar amounts in thousands of U.S. Dollars, except number of income properties)	Three months ended September 30, 2016	Nine months ended September 30, 2016
Operational information		
Income properties	22	22
Weighted average lease term to maturity (excludes renewal options)	13.9 years	13.9 years
Weighted average facility age	13.2 years	13.2 years
Summary financial information		
Gross book value	$ 452,775	$ 452,775
Total debt	$ 216,990	$ 216,990
Debt to gross book value %	47.9%	47.9%
Weighted average interest rate (1)	4.2%	4.2%
Revenue	$ 11,037	$ 27,017
Finance cost	$ 2,396	$ 10,867
General and administrative expenses	$ 955	$ 2,843
Net income (loss) and comprehensive income (loss)	$ 2,137	$ (41)
Earnings per share	$ 0.09	$ —
Funds from operations (FFO) (3)	$ 6,046	$ 9,128
FFO per share (3)	$ 0.25	$ 0.78
Adjusted funds from operations (AFFO) (3)	$ 5,511	$ 12,680
AFFO per share (3)	$ 0.23	$ 1.08
Common share dividends declared	$ 4,456	$ 5,842
Dividends declared per share	$ 0.18417	$ 0.24146
Payout ratio (2)	81%	46%

(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.

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

(3) FFO and AFFO are financial measures not defined under IFRS. Please refer to the "Financial Measures" section of this MD&A.

While the Company believes per share measures to be an effective means of evaluating performance, net income and comprehensive income per share, FFO per share and AFFO per share for the nine month period ended September 30, 2016 do not provide a normalized basis on which per share amounts should be evaluated due to the Company's reverse takeover transaction that closed on April 4, 2016 (the "Reverse Takeover"), the Company's offering of common shares that closed on June 2, 2016 (the "June Offering"), and the timing of the property acquisitions.

Actual Results Versus the Forecast

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

	Three-month periods ending		
	September 30, 2016 Actual	September 30, 2016 Forecast	$ Variance
Revenue:			
Rental	$ 10,869	$ 11,376	$ (507)
Interest income	168	184	(16)
	11,037	11,560	(523)
Expenses:			
Finance costs	2,396	2,536	(140)
Real estate tax expense	26		26
	2,422	2,536	(114)
Income from operations	8,615	9,024	(409)
Fair value loss on investment properties	4,906	2,839	2,067
Change in value of derivative instruments	(1,003)	—	(1,003)
General and administrative expenses	955	897	58
Income before income taxes	3,757	5,288	(1,531)
Income tax expense:			
Current	—	111	(111)
Deferred	1,620	2,082	(462)
	1,620	2,193	(573)
Net income and comprehensive income	$ 2,137	$ 3,095	$ (958)
Funds from operations (FFO)	$ 6,046	$ 6,309	$ (263)
Adjusted funds from operations (AFFO)	$ 5,511	$ 5,529	$ (18)
FFO per share	$ 0.25	$ 0.28	$ (0.03)
AFFO per share	$ 0.23	$ 0.24	$ (0.01)

Revenue was $0.5 million less than forecast primarily due to the Hearth at Greenpoint and Hearth on James (together, the "Hearth Properties"). The Hearth Properties were anticipated to be acquired as of July 1, 2016, or the beginning of the forecast period. Hearth at Greenpoint was acquired on August 5, 2016, and has slightly less than 2 months of revenue in the period. Hearth on James was acquired on October 18, 2016, and did not earn revenue during the reporting period. Actual rental revenue was lower than forecast by $0.3 million in cash rental revenue, $0.1 million of straight-line rent revenue and $0.1 million of property tax recovery revenue, all primarily due to the timing of the acquisition of the Hearth Properties.

Interest income was unfavorable compared to forecast due to the timing of the placement of the loan receivable to MS Webster Holdings, LLC. The forecast included interest income on this loan receivable beginning July 1, 2016, however the loan was placed on September 2, 2016. Mainstreet LLC paid the Company $63 of interest income support for this time period, however that amount is recorded as an offset to loans receivable, and will be amortized into income over the life of the loan. This variance was offset by a $3.7 million loan made to MS-SW Mezzanine Fund, LLC during the period. This loan was not contemplated in the forecast for the period.

Finance costs were favorable relative to forecast due to the timing of the acquisition of the Hearth Properties as discussed above. In addition, the Company had a lower outstanding credit facility balance throughout the period compared to the forecast, which resulted in lower credit facility interest.

Fair value loss on investment properties was unfavorable relative to forecast due to the timing of the acquisition of the Hearth at Greenpoint property and the write off of related acquisition costs, which had been expected to occur prior to the quarter. This was partially offset by a reduction in fair value adjustments related to offset straight-line rent and property tax recoveries due to the timing of the acquisition of the Hearth Properties.

The Company did not forecast changes in value of its derivative instrument, therefore the variance is entirely due to actual changes in fair value of the interest rate swap.

General and administrative expenses were slightly unfavorable compared to forecast, primarily due to an increase in professional fees.

Forecasted current income taxes were related to expected withholdings on distributions out of Mainstreet Health U.S. Holdings Inc. to the Company, which would be subject to a 5% withholding tax. Mainstreet Health U.S. Holdings Inc. did not distribute to the Company during the period, and therefore no current income tax was incurred.

The favorable variance in deferred income taxes relative to forecast is primarily due to the unfavorable net income and the timing of the acquisition of the Hearth Properties.

Funds from operations was unfavorable to forecast due the timing of the acquisition of the Hearth Properties, slightly offset by interest income on the mezzanine loans not included in the forecast, and interest expense that was favorable as compared to forecast.

Adjusted funds from operations was consistent with the forecast.

FFO per share and AFFO per share for the forecast period did not assume the exercise of the over-allotment option in connection with the June Offering. The over-allotment option was exercised on June 2, 2016, and an additional 1,425,000 common shares of the Company were issued as compared to the forecast.

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

Revenue

	Three months ended September 30, 2016	Nine months ended September 30, 2016
Cash rentals received	$ 8,075	$ 19,741
Straight-line rent adjustments	1,180	2,946
Property tax recoveries	1,614	4,153
	10,869	26,840
Interest income	168	177
Total revenue	$ 11,037	$ 27,017

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 an additional 10 properties were acquired. One additional property was acquired on August 5, 2016. 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. Interest income relates to interest income earned on outstanding loans receivable.

Finance Cost

Finance cost consists of the following:

	Three months ended September 30, 2016	Nine months ended September 30, 2016
Interest expense on the Facility	$ 1,450	$ 4,242
Interest expense on mortgages payable	483	584
Interest expense on notes payable	—	72
Interest expense on Convertible Debentures	—	4,621
Preferred share dividends	—	83
Amortization expense	226	552
Interest rate swap payments	265	741
Mark-to-market debt adjustments	(28)	(28)
	$ 2,396	$ 10,867

Real Estate Tax Expense

Real estate tax expense of $4.6 million for the nine months ended September 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 the Company's tenants under the provisions of their triple net leases.

General and Administrative Expense

General and administrative expense of $1.0 million for the three months ended September 30, 2016 includes $0.3 million in management fees paid to MAMI pursuant to the Asset Management Agreement. It also includes $0.3 million in payroll and DSU compensation expense, as well as other professional fees and insurance expense.

General and administrative expense of $2.8 million for the nine months ended September 30, 2016 includes $0.5 million in professional fees and $0.7 million in management fees paid to MAMI. Additionally, it includes $0.7 million of non-cash listing expense recorded in connection with the June Offering. It also includes $0.6 million in payroll and DSU compensation expense.

Change in Value of Investment Properties

The $3.3 million decrease in value of investment properties for the three months ended September 30, 2016 included $1.2 million to offset the impact of the increase in straight-line rent receivable, a $1.9 million write-down in value of the Hearth at Greenpoint property and $0.3 million related to acquisition costs paid on investment property acquired during the period. The decreases were offset by a $0.1 million increase related to payments received with respect to the Topeka, Kansas property development lease receivable.

In addition, the $1.6 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 $5.9 million decrease in value of investment properties for the nine months ended September 30, 2016 included $2.9 million to offset the impact of the increase in straight-line rent receivable, a $1.9 million write-down in value of the Hearth at Greenpoint property and $1.2 million related to acquisition costs paid on the investment properties acquired during the period. The decreases were offset by a $0.3 million increase related to payments received with respect to the Topeka, Kansas property development lease receivable.

In addition, the $0.5 million increase to the value of investment properties represents a $4.2 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 $1.0 million decrease and $1.7 million increase in value of derivative instruments for the three and nine months ended September 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 nine months ended September 30, 2016, deferred tax expense was $1.6 million and $1.6 million, respectively.

For each of the three and nine months ended September 30, 2016, the Company had current income tax expense of $0. 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

		Nine months ended September 30, 2016
Cash provided by operating activities	$	4,356
Cash provided by financing activities		116,542
Cash used in investing activities		(120,176)
Increase in cash and cash equivalents	$	722

Cash Provided by Operating Activities

Cash provided by operating activities for the nine months ended September 30, 2016 was $4.4 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 nine months ended September 30, 2016 was $116.5 million. This was primarily driven by the net cash provided by the issuance of shares of $99.2 million. In addition, cash provided by financing activities increased by a net $23.0 million drawn on the Facility and $2.0 million of proceeds from mortgages payable. These increases were partially offset by a net $2.5 million of notes payable repaid during the period, $4.3 million of dividends paid to common shareholders and debt issuance costs paid of $0.7 million.

Cash Used in Investing Activities

Cash used in investing activities for the nine months ended September 30, 2016 was $120.2 million. This was primarily due to the acquisition of the 12 properties during the period and capital expenditures resulting in the use of $107.9 million. In addition, the Company issued mezzanine loans for $8.8 million and paid deposits on a future acquisitions of $3.2 million.

Financial Position

Total assets of $452.8 million is primarily comprised of $426.0 million of investment properties, which represents the fair market value of Company's portfolio of properties including capital expenditures on two of the properties in the Symphony Portfolio during the nine months ended September 30, 2016. Cash on hand at September 30, 2016 was $7.9 million, other assets were $10.0 million, and loans receivable were $8.8 million. Other assets primarily consists of $5.0 million of property taxes receivable, $3.2 million of deposits paid on a future acquisitions, a $0.8 million equity method investment, $0.2 million of prepaid acquisition costs, $0.4 million of accounts receivable and $0.3 million of other prepaid costs. The loans receivable balance relates to the issuance of mezzanine loans for the development of seniors housing and care properties in the United States.

Total liabilities of $232.6 million includes current liabilities of $47.4 million and non-current liabilities of $185.2 million. The current liabilities include $6.5 million of real estate taxes payable, of which $1.5 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 $5.0 million of which relates to real estate tax liabilities. Accounts payable represents $0.8 million of the balance in current liabilities. Current liabilities also includes $35.7 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 $2.2 million, which represents prepaid rent, $1.5 million to record a dividend payable and accrued interest of $0.8 million. Non-current liabilities include the balance outstanding on the Facility of $167.9 million, which is net of loan fees, $13.5 million representing the non-current portion of mortgages payable, net of loan fees, and a $1.7 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 September 30, 2016:

	Three months ended September 30, 2016	Three months ended June 30, 2016	Three months ended March 31, 2016	Period from October 7, 2015 to December 31, 2015
Revenue	$ 11,037	$ 8,625	$ 7,354	$ 5,107
Finance costs	2,396	4,030	4,441	2,808
Real estate tax expense	26	—	4,621	—
General and administrative expenses	955	1,396	492	1,266
Change in value of investment properties - IFRIC 21	1,614	1,384	(3,466)	843
Change in value of investment properties	3,292	1,772	822	5,945
Change in value of derivative instruments	(1,003)	816	1,850	—
Income (loss) and comprehensive income (loss)	2,137	(773)	(1,406)	(5,755)
Funds from operations [(1)]	6,046	1,815	1,266	190
Adjusted funds from operations [(1)]	5,511	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 its 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	4.2% [1]	3.1 [2]
Mortgages payable		36,305	5.0%	2.2
		183,320	4.4%	2.9
Variable Rate Indebtedness				
Term loan		2,985	3.5%	3.1
Revolver		20,000	3.5%	2.1 [3]
Mortgages payable		12,485	3.5%	1.1
		35,470	3.5%	1.8
Total Indebtedness	$	218,790	4.2%	2.7
Less Loan Fees		(2,495)		
Mark-to-market adjustment, net	$	695		
Carrying Amount	$	216,990		

(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 September 30, 2016, the Company's total consolidated indebtedness is approximately $217.0 million, which represents approximately 48% 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 September 30, 2016, is as follows, including expected interest payments:

	Total	2016	2017	2018	2019	2020	Thereafter
Facility	$ 191,020	$ 1,769	$ 7,019	$ 27,019	$ 155,213	$ —	$ —
Mortgages payable	51,218	13,042	24,495	13,681	—	—	—
Accounts payable and accrued liabilities	7,350	7,350	—	—	—	—	—
Dividends payable	1,485	1,485	—	—	—	—	—
Purchase commitment	153,441	142,423	11,018	—	—	—	—
Mezzanine financing commitment	16,628	16,628	—	—	—	—	—

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 September 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, Topeka and Hearth at Greenpoint 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. The Hearth at Greenpoint mortgage bears interest at a rate of 6.8% and matures on September 1, 2018.

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

Dividends payable relates to the September 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 closed on October 18, 2016, and the third is expected to close in 2017.

On October 6, 2016, the Company closed its offering of 7,406,000 Subscription Receipts at a price of $10.10 per Subscription Receipt, which includes 966,000 Subscription Receipts acquired upon the exercise by the underwriters of an overallotment option granted to them by the Company. The Subscription Receipts are being used to finance the acquisitions of (i) a portfolio of four NextGen® post-acute transitional care properties currently under development and located in the states of Kansas and Texas; (ii) one post-acute transitional care and memory facility located in the state of Illinois; (iii) a 50% interest in two assisted living properties located in the province of Ontario, as well as the operating assets related thereto; and (iv) eight mezzanine loans advanced to Mainstreet, LLC, which is owned 100% by the chairman of the Company or an affiliate thereof in respect of certain development properties located in the states of Texas, Kansas, Arizona and Colorado (four of which relate to the development properties being purchased, as described in (i) above). The Subscription Receipts are also being used to finance a mezzanine loan from the Company to Mainstreet LLC or its affiliate in the amount of approximately $3.5 million to fund certain costs in connection with the development of a Mainstreet LLC NextGen® transitional care property located in the state of Nebraska.

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 September 30, 2016.

Transactions Between Related Parties

During the period ended September 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. 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 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.

On April 4, 2016 The Company entered into a development agreement with Mainstreet LLC, which is majority owned by the chairman of the Company, with the right to provide mezzanine financing for projected construction costs for all suitable development properties identified by Mainstreet LLC. The Company will have an option to acquire any property for which it has provided mezzanine financing pursuant to the terms set out in the development agreement.

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 $59.8 million plus transaction costs. These properties were acquired from wholly owned subsidiaries of Mainstreet LLC.

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.

For the three and nine months ended September 30, 2016, the condensed consolidated interim statements of profit and other comprehensive income include the following revenue and expenses resulting from transactions with related parties:

(dollar amounts in thousands of U.S. Dollars)	Three months ended September 30, 2016	Nine months ended September 30, 2016
Revenues:		
Other income - loan interest revenue	$ 168	$ 177
Total revenues	$ 168	$ 177
Expenses:		
Operating - management fee	$ 326	$ 737
Finance costs - interest on related party note payable	—	72
Total expenses	$ 326	$ 809

At September 30, 2016 and December 31, 2015, the condensed consolidated interim statements of financial position include the following related party balances:

(dollar amounts in thousands of U.S. Dollars)	September 30, 2016	December 31, 2015
Assets:		
Loans receivable	$ 8,789	$ —
Other - equity method investment	837	—
Total Assets	$ 9,626	$ —
Liabilities:		
Accounts payable	$ 127	$ —
Note payable to related party	—	2,500
Total liabilities	$ 127	$ 2,500

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 September 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 September 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 annual information form dated September 14, 2016 for a discussion of risks that could materially affect the Company.

Controls and Procedures

Disclosure Controls and Procedures

At September 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

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.

At September 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 November 8, 2016, 24,197,317 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 September 30, 2016	Nine months ended September 30, 2016
Net profit for the period	$ 2,137	$ (41)
Add/(deduct):		
Change in fair value of investment properties	4,906	5,418
Property taxes accounted for under IFRIC 21	(1,614)	468
Fair value adjustment of derivative instruments	(1,003)	1,663
Deferred income tax expense	1,620	1,620
Funds from operations	$ 6,046	$ 9,128
Funds from operations per share	$ 0.25	$ 0.78

While the Company believes per share measures to be an effective means of evaluating performance, FFO per share for the nine month period ended September 30, 2016 does not provide a normalized basis on which FFO per share should be evaluated due to the Reverse Takeover , the June Offering, and the timing of the property acquisitions.

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 September 30, 2016	Nine months ended September 30, 2016
Funds from operations	$ 6,046	$ 9,128
Add/(deduct):		
Straight-line rent adjustments	(1,180)	(2,946)
Interest expense on convertible debentures	—	4,621
Amortization of financing costs	226	552
Mark-to-market debt adjustments	(28)	(28)
Deferred Share Incentive Plan compensation	128	209
Income and other support payments	185	185
Development lease payments received	134	259
Non-cash listing expense	—	700
Adjusted funds from operations	$ 5,511	$ 12,680
Adjusted funds from operations per share	$ 0.23	$ 1.08

While the Company believes per share measures to be an effective means of evaluating performance, AFFO per share for the nine month period ended September 30, 2016 does not provide a normalized basis on which AFFO per share should be evaluated due to the Reverse Takeover transaction, the June Offering, and the timing of the property acquisitions.

Operational Measures

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

Long-term care facilities and transitional care properties - stabilized upon the earlier of 80% occupancy 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.

All of the income properties in the Company's portfolio are leased under long-term, triple-net leases. The Company believes relevant metrics to evaluating the performance in the underlying operations include operator lease coverage and occupancy. The Company's operator performance metrics are calculated utilizing data that is one quarter in arrears (i.e. as of and through June 30, 2016 for this reporting period), and, where master leases are in place for portfolios of multiple asset types, using allocated rents pursuant to consistent methodologies.

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

Operator Lease Coverage

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

EBITDAR (earnings before interest, income taxes, depreciation, amortization, and rent) lease coverage is calculated by taking the EBITDAR generated over the trailing twelve months divided by corresponding cash rent due over the same period. The Company's stabilized portfolio generated EBITDAR lease coverage is 1.3.

EBITDARM (earnings before interest, income taxes, depreciation, amortization, rent, and management fees) lease coverage is also used by the Company. Together with EBITDAR lease coverage, EBITDARM lease coverage allows the Company to evaluate operations at each property by eliminating management fees, which can vary based on the operator/tenant and its negotiated structure with the Company. The Company believes EBITDARM is valuable because it isolates the operational performance to the results of the direct operations within the facility. The Company's stabilized portfolio generated EBITDARM lease coverage is 1.7.

Through certain of its leases with operators, the Company has the ability to claw back the management fees that the operator is able to pay. This provision in the leases is enforceable when certain performance metrics are not met, as defined within the lease agreements. This mechanism further enhances the Company's position relative to the performance in the portfolio.

Operator Occupancy

The Company also utilizes operator occupancy percentage to evaluate underlying operations within the portfolio. Occupancy percentage is calculated by dividing the actual number of revenue generated days occupied from the period by the maximum available revenue days available for the period. Metrics provided below are for the trailing 12 month period for all stabilized assets based on the Company's definition of stabilization.

For the trailing twelve months ended September 30th, 2016, the Company's stabilized portfolio had an occupancy percentage of 87%.