INVESQUE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE THREE MONTHS ENDED MARCH 31, 2019

May 14, 2019

Basis of presentation

Financial data in this Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") is for the three months ended March 31, 2019. Financial data has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A is intended to provide readers with an assessment of the performance of Invesque Inc. (the "Company") for the three months ended March 31, 2019. This MD&A should be read in conjunction with the audited consolidated financial statements and notes of the Company for the years ended December 31, 2018 and 2017 and the unaudited condensed consolidated interim financial statements and notes of the Company for the three months ended March 31, 2019 and 2018.

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2018 (the "2018 AIF"), can be found on SEDAR at www.sedar.com.

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

Forward-looking disclaimer

Certain information in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements (which involve significant risks and uncertainties and should not be read as guarantees of future performance or results) include statements related to, among other things, the 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 2018 AIF. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions, with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of May 14, 2019 and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Financial Measures not Defined Under IFRS

Certain terms used in this MD&A are performance measures that are not defined by IFRS such as Funds From Operations ("FFO"), Adjusted Funds From Operations ("AFFO"), fixed charge coverage ratio, payout ratio, effective payout ratio, earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR"), earnings before interest, income taxes, depreciation, amortization, rent and management fees ("EBITDARM") and any related per share amounts used by the Company to measure, compare and explain the operating results and financial performance of the Company. Such performance measures do not have standardized meanings under IFRS and therefore may not be comparable to similar measures presented by other issuers. Such performance measures should not be construed as alternatives to income (loss) and comprehensive income (loss) or cash flows from operating activities calculated in accordance with IFRS. Further, the supplemental measures used by management may not be comparable to similar measures presented by other real estate enterprises. Management believes that these terms are relevant measures in comparing the Company's performance to industry data and assessing its ability to meet its ongoing obligations.

Business Overview

Invesque Inc. is a corporation continued under the *Business Corporations Act* (British Columbia). Effective January 3, 2018, the Company changed its name from "Mainstreet Health Investments Inc." to "Invesque Inc.". The registered office of the Company is located at 700 W Georgia Street, 25th Floor, Vancouver, British Columbia V7Y 1B3 and the head office of the Company is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7.

The Company is a North American health care real estate company with a growing portfolio of high quality health care properties and medical office buildings located in the United States and Canada that partners with industry leading operators to invest across the health care spectrum. The Company's current portfolio includes investments in independent living, assisted living, memory care, skilled nursing, transitional care, and medical office properties, which are operated primarily under long-term leases and joint venture arrangements. For the Company's seniors housing properties, it generally owns the land and buildings and leases them to operators on a long-term, triple-net lease basis or has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility. Under a triple-net lease structure, the tenant operators assume the operational risks and expenses associated with operating a seniors housing and care facility on the leased premises. The tenant operators provide and manage the service offerings available at the facilities, deliver all care services, and maintain the buildings. The Company's multi-tenant medical office portfolio is operated via a third party asset management contract with Mohawk Realty Advisors Ltd ("Mohawk").

- **Independent Living ("IL") Communities:** IL communities are the least medically-intensive type of senior housing and care properties. These communities are designed to serve the healthiest residents among seniors housing and care properties. IL communities come in many forms ranging from age-restricted apartment communities to villa homes which are on a retirement village campus. IL communities in North America are generally unregulated and unlicensed, and most receive revenue solely through private pay sources.

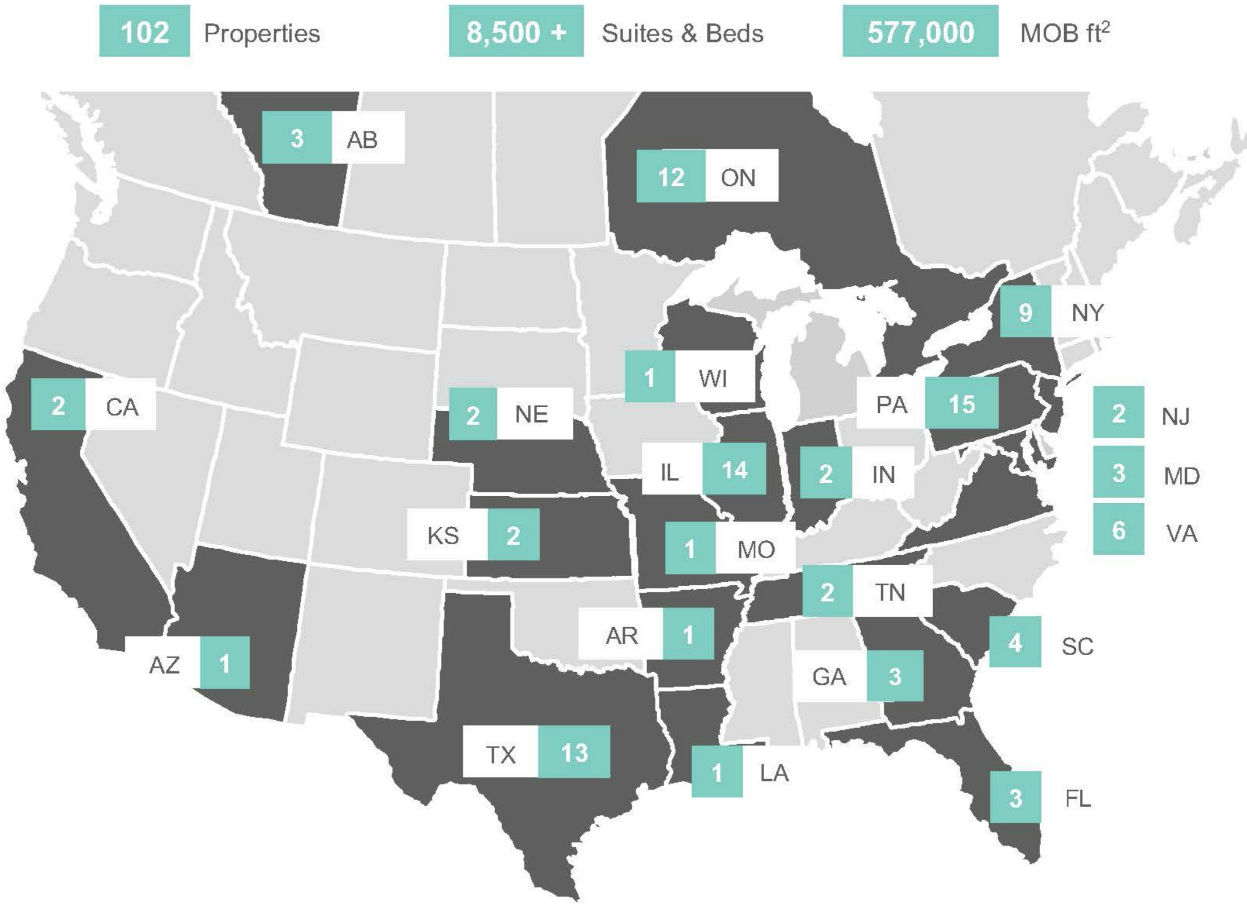
- **Assisted Living ("AL") Communities:** AL communities provide relatively independent elderly persons with typical amenities associated with less medically-intensive senior housing and care as well as assistance with activities of daily living and some healthcare services. Services provided at AL communities typically include 24-hour care for resident protection, an emergency response system, dining, housekeeping, maintenance and transportation. A growing number of AL communities offer services specifically designed for residents with Alzheimer's and/or memory care needs. AL communities in the United States are typically licensed and regulated by state and local governments rather than the federal government. In Canada, AL communities are licensed or certified and regulated in most jurisdictions. AL communities receive revenue from private pay and/or third-party pay sources.

- **Skilled Nursing Facilities ("SNFs") and Transitional Care Centers ("TCCs"):** SNFs (referred to as Long-Term Care Facilities ("LTCs") in Canada) are senior care facilities that provide assistance with daily life activities and have licensed nursing staff on duty 24 hours per day. These facilities provide the most intensive level of medical and nursing care in a residential setting for seniors, typically treating residents with physical or mental impairments that prevent them from living in IL or AL communities. In many cases, these facilities supplement hospital care by providing care to patients who require medical and therapeutic services but are stable enough to have these services provided in a facility that is less expensive than a hospital or other post-acute care setting. SNFs also provide transitional care services, often referred to as TCCs, which are designed for post-operative patients transitioning from the hospital to their home. SNFs and LTCs in North America are subject to extensive federal, state and provincial regulation, and primarily rely on government reimbursement and third-party insurance providers for payment.

- **Medical Office Buildings ("MOB"):** MOBs represent a large segment of health care real estate comprised of various outpatient health care settings. Outpatient care, sometimes referred to as ambulatory care, is defined as medical care or treatment that does not require an overnight stay in a hospital or medical facility. The MOB segment is one of the largest segments of outpatient care. Ownership of outpatient care settings and MOBs is highly fragmented; typical owners include hospitals, health systems, independent physicians and physician groups, individual investors and institutional real estate owners, such as real estate investment trusts. Unlike seniors housing and care properties, the utilization of outpatient care settings and MOBs is generally not age restricted and is available to all segments of the population.

As of May 14, 2019, the Company owns or has a majority interest in a portfolio of 87 properties in the United States comprised of 55 assisted living and memory care facilities, 14 skilled nursing facilities, 14 transitional care properties, and 4 medical office buildings. The Company also owns 11 medical office buildings and jointly owns the real estate of 4 seniors housing and care facilities in Canada.

The Company's geographic footprint as of May 14, 2019:



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

Recent Activities

Recent Acquisitions

The following asset acquisitions were completed during the three months ended March 31, 2019:

	Allen, TX	Oswego, IL	Total
Number of consolidated properties acquired:	1	1	2
Net assets acquired:			
Investment properties	$ 8,136	$ 22,113	$ 30,249
Working capital balances	—	(21)	(21)
	$ 8,136	$ 22,092	$ 30,228
Consideration paid/funded:			
Cash	2,445	22,092	24,537
Proceeds from mortgage payable, net of fees	5,591	—	5,591
Deposit applied against purchase price	100	—	100
	$ 8,136	$ 22,092	$ 30,228

On January 16, 2019, the Company acquired a memory care facility leased to an operator located in Allen, TX for a purchase price of $8,100 plus transaction costs. The Company entered into a new mortgage secured by the property to fund $5,693 of the purchase price and funded the remainder of the purchase with cash on hand.

On March 15, 2019, the Company acquired a skilled nursing property located in Oswego, IL for a purchase price of $22,000 plus transaction costs funded with cash on hand. The building is operated by the tenant operator of the Symphony Portfolio ("Symcare"). The original master lease with Symcare was amended to include this new building.

Subsequent Events

On April 30, 2019, the Company purchased two buildings located in Chicago, IL and Glendale, WI from Symcare for total consideration of $30,000 plus transaction costs. The transaction was funded by the issuance of $5,000 in shares and cash on hand. The original master lease with the Symcare operator was amended to include these new buildings.

Selected Financial Information

(dollar amounts in thousands of U.S. Dollars, except per share amounts)

	As at March 31, 2019	As at March 31, 2018
Consolidated properties	82	71
Weighted average lease term to maturity (excludes renewal options)(4)	12.5 years	12.0 years
Average facility age	10.2 years	11.5 years
Total assets	$ 1,324,034	$ 1,178,848
Total indebtedness	$ 778,415	$ 623,782
Debt to total assets %	58.8%	52.9%
Weighted average interest rate (1)	4.8%	4.9%
Joint venture properties	18	18
Joint venture total assets	$ 295,918	$ 310,193
Joint venture indebtedness	$ 175,923	$ 178,517
Joint venture debt to total assets %	59.4%	57.6%
Joint venture weighted average interest rate (5)	4.8%	4.5%

	Three months ended March 31, 2019	Three months ended March 31, 2018
Revenue	$ 29,224	$ 23,039
Finance costs	$ 9,070	$ 6,502
General and administrative expenses	$ 3,481	$ 2,733
Direct property operating expenses	$ 1,302	$ —
Income (loss) from joint ventures	$ (3,813)	$ 806
Net income	$ 7,205	$ 2,319
Total comprehensive income	$ 8,660	$ 1,813
Net income per share	$ 0.14	$ 0.05
Diluted net income per share	$ 0.12	$ 0.05
Funds from operations (FFO) (3)	$ 12,623	$ 11,707
FFO per share (3)	$ 0.24	$ 0.27
Diluted FFO per share (3)	$ 0.20	$ 0.24
Adjusted funds from operations (AFFO) (3)	$ 10,976	$ 10,092
AFFO per share (3)	$ 0.21	$ 0.23
Diluted AFFO per share (3)	$ 0.18	$ 0.20
Common share dividends declared	$ 9,774	$ 8,012
Dividends declared per share	$ 0.18417	$ 0.18417
Payout ratio (2)	89%	79%
Effective payout ratio (2)	72%	78%
General and administrative expenses to total asset %	0.26%	0.23%

(1) The Company's weighted average interest rates at March 31, 2019 and 2018 included $342,374 and $245,615, respectively, of the Company's debt that is fixed with interest rate swaps.

(2) Payout ratio and effective payout ratio are financial measures not defined under IFRS. Payout ratio is calculated by dividing the common share dividends declared by AFFO. Effective payout ratio is calculated by dividing common share dividends payable in cash, as adjusted for DRIP participation, by AFFO.

(3) FFO and AFFO, and related per share amounts, are financial measures not defined under IFRS. Please refer to the "Financial Measures not Defined Under IFRS" section of this MD&A.

(4) The weighted average lease term to maturity does not include the medical office building portfolio.

(5) The Company's joint venture weighted average interest rate at March 31, 2019 and 2018 included $83,480 and $84,447, respectively of the joint ventures debt that is fixed with interest rate swaps.

Results of Operations - Three Months Ended March 31, 2019
(unless otherwise stated, amounts are in thousands of U.S. dollars)

Revenue

	Three months ended March 31, 2019	Three months ended March 31, 2018
Cash rental revenue	$ 21,032	$ 16,640
Straight-line rent adjustments	2,354	2,693
Property tax recoveries	3,838	2,862
CAM recoveries	793	—
Total rental revenue	28,017	22,195
Lease revenue from joint ventures	751	766
Other income	456	78
Total revenue	$ 29,224	$ 23,039

Cash rentals received and straight-line rent adjustments relate to lease agreements under which the Company leases its investment properties to its tenants. Property tax recoveries represent the revenue recognized for the real estate taxes for which the tenants are primarily responsible to pay. CAM recoveries represents the recovery of common area maintenance expenses in investment properties that are not triple-net leased, primarily within the Company's medical office building portfolio. Rental revenue increased for the three months ended March 31, 2019 due to the additional properties acquired and annual rent escalators.

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

Other income for the three months ended March 31, 2019 related primarily to parking income earned at the medical office buildings. There was no comparable income related to parking in the prior year period as this income is generated within the Company's medical office building portfolio. Other income for the three months ended March 31, 2018 primarily related to the equity return earned on the investment in MS-SW Development Fund Holdings, LLC.

Finance Costs from Operations

Finance costs from operations consist of the following:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Interest expense on credit facilities	$ 4,235	$ 3,016
Interest expense on mortgages payable	3,650	3,251
Interest expense on convertible debentures	1,312	563
Amortization and accretion expense	711	598
Interest rate swap receipts	(115)	(167)
Amortization of mark-to-market debt adjustments	22	13
Interest income from loans receivable	(745)	(772)
	$ 9,070	$ 6,502

Finance costs are primarily related to interest and amortization on the Company's credit facilities and mortgages payable. Interest expense increased in the three months ended March 31, 2019 as compared to the prior year primarily due to mortgage debt assumed on new property acquisitions and a new credit facility that partially funded the purchase of 15 medical office buildings (the "Mohawk Facility") in the second quarter of 2018. A portion of the increase is also attributable to increases in the one-month LIBOR rate, which has an impact on the Company's variable rate debt. Additionally, the Company refinanced several mortgages during the prior year and in the current year to longer term instruments, which are at slightly higher rates in the short-term, but are at fixed rates through their respective terms. Interest expense on convertible debentures increased over the comparable prior year due to the 2018 Convertible Debentures issued August 24, 2018.

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

For the three months ended March 31, 2019, real estate tax expense was $14,428 (March 31, 2018 - $9,200), which represents property tax expensed for the year for properties owned on the tax assessment date (generally January 1), in accordance with the provisions of *IFRIC 21, Levies*. Real estate taxes are recovered from the Company's tenants under the provisions of their leases. The increase in real estate tax expense as compared to the prior year period is primarily due to additional properties acquired in the prior year.

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Property tax recoveries	$ 3,838	$ 2,862
Real estate tax expense	(14,428)	(9,200)
Change in fair value of investment properties - IFRIC 21	10,424	6,338
	$ (166)	$ —

General and Administrative Expense

General and administrative expense consists of the following:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Compensation and benefits	$ 1,750	$ 1,339
Asset management and administrative fees	125	68
Professional fees	769	574
Deferred share compensation	349	254
Other	488	498
	$ 3,481	$ 2,733

Compensation and benefits expense includes the cost of salaries, bonuses, and benefits during the period. The increase in compensation and benefits over the prior year periods was primarily due to an increase in personnel of the Company as its portfolio has grown.

Asset management fees for the current period related to the contractual fee due under an asset management agreement with Mohawk to manage our portfolio of medical office buildings. The asset management agreement has an initial term of two years.

Professional fees is comprised of costs incurred for external legal counsel, accounting fees and other professional services. The increase in professional fees for the three month periods ended March 31, 2019 as compared to the prior year periods is primarily due to an increase in services provided due to growth in the Company.

Deferred share compensation expense for the three months ended March 31, 2019 increased over the prior year due to increased amount of discretionary shares issued with respect to employee grants.

Other general and administrative expense primarily includes foreign exchange loss (gain), cost of insurance, fees earned by directors of the Company, travel and entertainment expense, investor relations, and marketing.

Direct Property Operating Expenses

Direct property operating expenses consist of the following:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Repairs and maintenance	$ 383	$ —
Utilities	357	—
Property management fees	143	—
Services	235	—
Other	39	—
Non-recoverable operating expenses	145	—
	$ 1,302	$ —

The direct property operating expenses in the current period relate to expenses at the 15 multi-tenant medical office buildings the Company owns. These buildings were all acquired in the second quarter of 2018, and there are no comparable prior period expenses.

Transaction Costs for Business Combination

For the three months ended March 31, 2019, the Company did not incur any transaction costs for business combination. Transaction costs for business combination for the prior year comparable period were $6,116 and included transaction costs incurred in relation to the acquisition of Care on February 1, 2018.

Allowance for Credit Losses on Loans and Interest Receivable

Allowance for credit losses on loans and interest receivable for the three months ended March 31, 2019 was $491 (March 31, 2018 - $1,251). The losses are primarily related to a change in collectability estimates with respect to loans receivable and related interest receivables.

Change in Non-controlling Interest Liability

The change in non-controlling interest liability was an increase of $56 for the three months ended March 31, 2019 (March 31, 2018 - $41). These costs are the result of the portion of net income attributed to the non-controlling interest partners of the consolidated properties.

Change in Fair Value of Investment Properties

The change in fair value of investment properties was an increase of $4,857 for the three months ended March 31, 2019, (March 31, 2018 - $2,321 decrease). The change in fair value of investment properties was primarily driven by an adjustment to record investment properties at fair value based on the Company's estimate of fair value using level 3 inputs as of March 31, 2019.

Change in Fair Value of Financial Instruments

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Change in fair value of interest rate swaps	$ 1,811	$ (1,398)

The change in fair value of financial instruments for the three months ended March 31, 2019 and 2018 was due to the change in fair value of interest rate swaps. Interest rate swaps are used to manage interest costs on debt. The Company does not designate its interest rate swaps as hedges, and they are marked to fair value each reporting period through finance costs in the consolidated statements of income and other comprehensive income.

Income from Joint Ventures

	Three months ended March 31, 2019	Three months ended March 31, 2018
Income (loss) from joint ventures	$ (3,813)	$ 806

Income (loss) from joint ventures represents the Company's share of income from unconsolidated entities. The Company acquired an interest in 18 joint venture properties on February 1, 2018 as part of the acquisition of the Care portfolio. The loss from joint ventures during the three months ended March 31, 2019 is primarily related to the change in fair value of investment properties offset by income from operations.

Income Tax Expense/Recovery

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

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

The Company anticipates that future current income tax expense will result from distributions from its U.S. subsidiaries to the Canadian corporation, which will be subject to a 5% withholding tax. No such distributions were made during the periods presented.

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

Unrealized gain (loss) on translation of foreign operations for the three months ended March 31, 2019 of $1,455 (March 31, 2018 - $(506)) was due to the change in value of the Canadian dollar as compared to the U.S. dollar during the period.

Cash Flow Analysis

		Three months ended March 31,	
		2019	2018
Cash provided by operating activities	$	2,285	$ 1,983
Cash provided by financing activities		36,306	57,625
Cash used in investing activities		(39,892)	(57,674)
Increase (decrease) in cash and cash equivalents	$	(1,301)	$ 1,934

Cash Provided by Operating Activities

Cash provided by operating activities increased slightly for the three months ended March 31, 2019 as compared to the prior year period. The changes were primarily due to decreases as a result of changes in non-cash operating working capital, which were offset by $6,116 of transaction costs for business combination incurred in the prior year comparable period in connection with the acquisition of the Care portfolio. In addition, for the Care transaction, the Company incurred $2,073 of transaction costs for business combination which were expensed in the consolidated statements of income and comprehensive income for the three months ended December 31, 2017 but paid during the three months ended March 31, 2018.

Cash Provided by Financing Activities

Cash provided by financing activities for the three month period ended March 31, 2019 was $36,306 as compared to $57,625 in the prior year period. The current period cash provided by financing activities was primarily driven by net proceeds from the credit facilities and mortgage activity of $44,767. In addition, the Company paid cash dividends of $8,417 during the period.

Cash provided by financing activities in the three month period ended March 31, 2018 included net proceeds from credit facilities and mortgages payable of $20,571 and proceeds of $45,000 from the issuance of the Series 2 Preferred Shares in February of 2018 and Series 3 Preferred Shares in March of 2018. These proceeds were offset by debt issuance costs incurred in association with new and refinanced mortgages of $1,097 and cash dividends paid of $6,849.

Cash Used in Investing Activities

Cash used in investing activities for the three months ended March 31, 2019 was $39,892. This was primarily due to $31,367 used for property acquisitions and capital expenditures made during the three month period. The Company also issued loans receivable for $470, made a payment of $9,676 to the previous owner of Care for its portion of the proceeds of the sale of the Traditions portfolio in December of 2018 and made cash contributions to investments in joint ventures. These uses of cash in investing activities were offset by the receipt of $2,125 as repayment of loans receivable.

For the three months ended March 31, 2018, the Company used $57,272 for the acquisition of properties and capital expenditures. In addition, the Company issued loans receivable for $6,696, received $5,276 as repayment of mezzanine loans receivable and paid construction payables of $2,945.

Financial Position

Total assets of $1,324,034 are comprised primarily of $1,157,477 of investment properties, which represents the estimated fair market value of the Company's portfolio of properties, including capital expenditures, as at March 31, 2019. Cash on hand at March 31, 2019 was $25,677, total loans receivable were $36,204, investments in joint ventures were $81,464, and other assets were $8,099. Total loans receivable includes $16,830 of loans to the tenant operator Symcare. Other assets primarily consisted of $545 of prepaid asset management fees, $1,668 of security deposits and costs related to potential acquisitions, $1,808 of escrows held by lenders, $225 of income support receivable, $775 of prepaid expense, $505 of furniture, fixtures, and equipment, $1,447 of right-of-use asset and $1,126 of other costs. Tenant and other receivables of $14,616 is primarily comprised of real estate tax and rent receivables. The loans receivable balance related mainly to the issuance of loans for the development and operation of seniors housing and care properties in the United States and Canada. The Company's derivative asset balance of $497 represented the fair market value of interest rate swap agreements that are assets to the Company.

Total liabilities of $829,525 includes current liabilities of $84,422 (see "Liquidity and Capital Resources" for additional information) and non-current liabilities of $745,103. The current liabilities included $10,040 of real estate taxes payable. Of the real estate taxes payable, $324 related to the period prior to the Company's ownership of the respective properties, and the seller provided cash consideration at closing for this amount. Accounts payable and accrued liabilities represented $7,810 of the balance in current liabilities. In addition, current liabilities included $48,928 representing the current portion of mortgages payable, net of loan fees; $12,700 representing the current balance outstanding on the credit facilities, net of loan fees, and $3,268 of dividends payable. Non-current liabilities included $244,687 representing the non-current portion of mortgages payable, net of loan fees; $382,027 representing the non-current balance outstanding on the credit facilities, net of loan fees; $90,073 of the convertible debentures, net of fees; $9,859 of deferred tax liability; and $2,978 of non-controlling interest liability. Other non-current liabilities of $14,137 primarily consisted of security deposits received from tenants, lease liability and a liability related to deferred shares granted under the Company's deferred share incentive plan.

Summary of Quarterly Results

The following table summarizes the Company's quarterly unaudited financial information from April 1, 2017 through March 31, 2019:

	Three months ended March 31, 2019	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended June 30, 2018	Three months ended March 31, 2018	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended June 30, 2017
Revenue	$ 29,224	$ 29,953	$ 31,581	$ 29,354	$ 23,039	$ 16,875	$ 16,605	$ 16,092
Finance costs	9,070	13,537	9,540	8,685	6,502	4,600	4,418	3,776
Real estate tax expense (income)	14,428	535	1,810	251	9,200	(11)	430	485
General and administrative expenses	3,481	3,786	3,732	3,231	2,733	1,928	1,763	2,040
Direct property operating	1,302	1,184	1,256	686	—	—	—	—
Transaction costs for business combination	—	—	6	322	6,116	2,073	—	—
Diligence costs for transactions not pursued	—	—	1,971	70	—	—	403	44
Allowance for credit losses on loans and interest receivable	491	8,807	555	724	1,250	—	—	—
Changes in non-controlling interest liability	56	120	17,028	738	41	—	—	—
Change in fair value of investment properties - IFRIC 21	(10,424)	3,186	2,741	3,212	(6,338)	2,255	1,865	2,043
Change in fair value of investment properties	(4,857)	43,256	(29,082)	(2,110)	2,321	10,111	374	(1,692)
Change in fair value of financial instruments	1,811	4,150	(334)	(94)	(1,397)	(1,201)	(155)	1,249
Change in fair value of contingent consideration	—	(495)	11,171	—	—	—	—	—
Income from joint ventures	(3,813)	2,077	974	1,593	806	—	—	—
Deferred income tax expense (recovery)	2,848	(12,243)	3,507	4,757	1,098	(4,906)	2,936	3,408
Current income tax expense	—	(18)	—	18	—	23	—	28
Net income (loss)	7,205	(33,775)	8,654	10,527	2,319	2,003	4,571	4,706
Income (loss) per share: Basic	$ 0.14	$ (0.64)	$ 0.16	$ 0.20	$ 0.05	$ 0.06	$ 0.14	$ 0.15
Income (loss) per share: Diluted	$ 0.12	$ (0.64)	$ 0.14	$ 0.18	$ 0.05	$ 0.06	$ 0.14	$ 0.15
Funds from operations [(1)]	12,623	8,596	12,401	15,042	5,591	6,007	7,726	7,671
Funds from operations per share: Basic [(1)]	$ 0.24	$ 0.16	$ 0.23	$ 0.29	$ 0.27	$ 0.19	$ 0.24	$ 0.24
Funds from operations per share: Diluted [(1)]	$ 0.20	$ 0.15	$ 0.20	$ 0.25	$ 0.24	$ 0.18	$ 0.23	$ 0.23
Adjusted funds from operations [(1)]	10,976	10,300	10,541	12,953	10,092	7,509	7,062	8,278
Adjusted funds from operations per share: Basic [(1)]	$ 0.21	$ 0.19	$ 0.20	$ 0.25	$ 0.23	$ 0.23	$ 0.22	$ 0.26
Adjusted funds from operations per share: Diluted [(1)]	$ 0.18	$ 0.17	$ 0.17	$ 0.21	$ 0.20	$ 0.22	$ 0.21	$ 0.24

(1) Funds from operations and adjusted funds from operations, and related per share amounts, are supplemental measures which are not defined by IFRS. See "*Financial Measures not Defined Under IFRS*".

The Company's results for the past eight quarters have primarily been affected by the timing of additional property acquisitions, changes in the fair value of investment properties and financial instruments and change in non-controlling interest liability. Refer to the "Recent Activities" section of this MD&A for details of the timing of property acquisitions.

Liquidity and Capital Resources

The Company's objectives when managing capital are to ensure sufficient liquidity to pursue its organic growth combined with strategic acquisitions and to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk while preserving the ability to meet financial obligations.

The capital of the Company consists of mortgages payable, credit facilities, convertible debentures, and shareholders' equity.

The Company expects to meet its working capital requirements with respect to accounts payable and accrued liabilities and dividends payable through cash on hand and operating cash flows. The majority of accrued real estate taxes will be paid by the Company's tenants under the triple net lease structures. As at March 31, 2019, current liabilities totaled $84,422, exceeding current assets of $56,386 and resulting in a working capital deficiency of $28,036. The Company expects to be able to meet all of its obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from operations, (ii) credit facilities, under which $38,680 was available as at March 31, 2019, (iii) property specific mortgages and refinancings, (iv) issuance of preferred shares, (v) issuance of convertible debentures, and (vi) issuance of common shares, subject to market conditions.

The Company, while considering externally imposed capital requirements, sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In managing its capital structure, the Company monitors performance throughout the period to ensure working capital requirements are funded from operations, available cash on deposit, and available financing. The Company may make changes to its capital structure in order to support the broader corporate strategy or in response to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue equity or new debt, issue new debt with different characteristics to replace existing debt, or reduce the amount of existing debt.

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

Preferred Equity

The Company entered into subscription agreements in prior periods with respect to the issuance of class A convertible preferred shares to Magnetar for aggregate gross proceeds of $71,500, funded in multiple series. The purpose of the transaction was to raise proceeds to be used for the repayment of debt, general working capital purposes and to fund future acquisitions. The Company issued 7,560,137 preferred shares.

As at March 31, 2019, the Preferred Shares are convertible into 8,054,308 common shares of the Company.

Debt Strategy and Indebtedness

Debt Strategy

The Company, taking into account availability of financing, market conditions, and the financial characteristics of the properties, seeks to maintain a combination of short, medium, and long-term debt maturities that are appropriate for the overall debt level of its portfolio. The Company utilizes conventional property-specific secured mortgages and secured floating rate bank financing, as well as unsecured and non-recourse financing. Management's objectives are to access the lowest cost debt with flexible terms, to diversify the Company's lender base, to have a large portion of debt with a fixed rate, and to have a debt maturity schedule spread over a time horizon which allows the Company to effectively manage interest rate risk and to be in a position to finance within the Company's target debt levels when investment opportunities become available. Management monitors the Company's debt by reviewing the debt to total assets ratio, interest coverage ratio, debt maturity schedule, and ratio of fixed versus floating rate debt. Over the long-term, the Company strives to have a portfolio with an average years to maturity of 5-8 years. The Company targets a long-term debt level of 50-55% of total assets, a fixed rate debt level of 70-85% of its total debt, and a minimum fixed charge coverage ratio of 1.75.

To manage interest rate risk, the Company may enter into interest rate swap agreements from time to time. The Company does not designate its interest rate swaps as hedges, and they are marked to fair value each reporting period through change in fair value of financial instruments in the consolidated statements of income and other comprehensive income.

Indebtedness

	Principal Amount	Weighted Average Interest Rate	Years to Maturity
Fixed Rate Indebtedness			
Unsecured Term loan	$ 200,000	4.3% (1)	4.7
Unsecured Revolver	25,000	4.8% (1)	3.7
Mohawk Facility	63,822	4.5% (1)	4.1
Mortgages payable	221,197	4.6% (1)	7.0
2016 Convertible Debentures	45,000	5.0%	2.8
2018 Convertible Debentures	50,000	6.0%	4.5
	605,019	4.6%	5.3
Variable Rate Indebtedness			
Unsecured Revolver	$ 74,900	4.7%	3.7
Mohawk Facility	21,286	4.7%	4.1
Secured Revolving Facility	12,740	6.3%	0.2
Mortgages payable	75,248	5.6%	1.8
	184,174	5.2%	2.7
Total indebtedness	$ 789,193	4.8%	4.7
Less loan fees and issue costs, net of amortization and accretion	(7,534)		
Equity component of convertible debentures, excluding issue costs and taxes	(2,384)		
Mark-to-market adjustment, net	(860)		
Carrying amount	$ 778,415		

(1) Weighted average interest rates as at March 31, 2019 included debt that is fixed with interest rate swaps.

Joint Venture Indebtedness

		Principal Amount	Weighted Average Interest Rate	Years to Maturity
Fixed rate mortgages payable	$	99,640	4.3% (1)	3.0
Variable rate mortgages payable		76,431	5.4%	1.2
Total Indebtedness	$	176,071	4.8%	2.2
Less loan fees, net of amortization		(148)		
Carrying amount	$	175,923		

(1) Weighted average interest rates as at March 31, 2019 included debt that is fixed with interest rate swaps.

Weighted Average Interest Rate

During the period from March 31, 2017 to March 31, 2019, the one-month LIBOR rate has increased from 0.98% to 2.50%, or 152 basis points. During the same period the Company's weighted average interest rate for the comparable period has increased from 4.2% to 4.8% or 60 basis points. This highlights that the Company has been successful over this time in navigating a rising interest rate environment to maintain stable rates through effective use of interest rate swaps and strategic debt refinancings.

2016 Convertible Debentures

On December 16, 2016, the Company issued an aggregate principal amount of $45,000 of convertible unsecured subordinated debentures (the "2016 Convertible Debentures"). The 2016 Convertible Debentures are due on January 31, 2022 and bear interest at an annual rate of 5.00%, payable semi-annually in arrears on July 31 and January 31 of each year and commencing on July 31, 2017.

2018 Convertible Debentures

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

Debt to Total Assets

Debt to total assets is calculated by dividing the total indebtedness, net of loan costs, by the total assets of the Company. At March 31, 2019, the Company's total consolidated indebtedness was approximately $778,415, which represents 58.8% of total assets. Excluding the convertible debentures, total consolidated indebtedness was approximately $688,342, which was 52.0% of total assets. Fixed rate debt represented approximately 76.7% of the Company's gross total indebtedness.

Fixed Charge Coverage Ratio

The Company's fixed charge coverage ratio is calculated by dividing earnings before interest, taxes, depreciation and amortization by certain fixed charges, which are comprised of interest expense payable in cash, regularly scheduled principal payments, and preferred dividends paid. For the period ended March 31, 2019, the fixed charge coverage ratio of the Company was 2.13.

Repayment Summary

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

Contractual Commitments

A summary of future contractual commitments as at March 31, 2019, including expected interest payments, is as follows:

	Total	Remaining 2019	2020	2021	2022	2023	Thereafter
Credit facilities	$ 472,309	$ 25,948	$ 17,312	$ 17,265	$ 117,010	$ 294,774	$ —
Mortgages payable	360,400	45,793	28,643	24,132	73,991	47,682	140,159
Convertible debentures	117,067	4,442	5,250	5,250	49,125	53,000	—
Accounts payable and accrued liabilities	7,810	7,810	—	—	—	—	—
Accrued real estate taxes	10,040	10,040	—	—	—	—	—
Dividends payable	3,268	3,268	—	—	—	—	—
Other current liabilities	1,676	1,676	—	—	—	—	—
Other non-current liabilities	14,137	764	1,621	432	260	260	10,800
Purchase commitments	25,000	25,000	—	—	—	—	—
Total Commitments	$1,011,707	$ 124,741	$ 52,826	$ 47,079	$ 240,386	$ 395,716	$ 150,959

The credit facilities have an outstanding balance of $394,727 as of March 31, 2019.

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

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

Dividends payable relate to the March 2019 dividend declared.

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

On January 22, 2019, the Company entered into a purchase agreement with Symcare to purchase three buildings. Total consideration is expected to be $52,000 plus transaction costs. On March 15, 2019, the Company acquired a property located in Oswego, IL from Symcare under the purchase agreement for a purchase price of $22,000 plus transaction costs funded with cash on hand. On April 30, 2019, the Company purchased the remaining 2 buildings under the purchase agreement located in Chicago, IL and Glendale, WI from Symcare for total consideration of $30,000 plus transaction costs. The transaction was funded by the issuance of $5,000 in shares and cash on hand. The original master lease with the Symcare operator was amended to include the three new properties.

Financial Instruments and Other Instruments

To manage interest rate risk, the Company may enter into interest rate swap agreements from time to time. Please refer to the "Debt Strategy and Indebtedness" section of this MD&A.

Off-Balance Sheet Items

There were no off-balance sheet items as of March 31, 2019.

Transactions Between Related Parties

The Company entered into subscription agreements in prior periods in respect of the issuance of class A convertible preferred shares to certain funds managed by Magnetar Financial LLC (collectively, "Magnetar"), a significant shareholder of the Company, funded in multiple series. The purpose of the transaction was to raise proceeds to be used for the repayment of debt, general working capital purposes and to fund future acquisitions. The Company issued 7,560,137 shares for aggregate gross proceeds of $71,500.

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:

Change in fair value of investment properties:

Acquired investment properties are initially measured at cost, including directly attributable acquisition costs, when the transactions are deemed to be asset acquisitions. Subsequent to initial recognition, investment properties are measured at fair value, determined based on available market evidence. The Company uses alternative valuation methods such as the direct capitalized income approach, discounted cash flow projections, or recent transaction prices (Level 3 inputs). The fair value of investment properties reflects rental income from current leases and assumptions about rental income from future leases based on current market conditions. The valuation of investment properties is one of the principal estimates and uncertainties of the Company. Refer to note 4 of the condensed consolidated interim financial statements of the Company for the period ended March 31, 2019 for further information on estimates and assumptions made in determination of the fair value of investment properties.

Impairment of loans receivable:

The Company reviews loans receivable on an ongoing basis to assess whether any loans should be classified as impaired and whether an allowance or write-off should be recorded. Allowances for impaired loans are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. To determine the amount, the Company expects to recover from an individually significant impaired loan, the Company uses the value of the estimated future cash flows discounted at the loan's original effective interest rate. The determination of estimated future cash flows of a collateralized impaired loan reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower. Refer to note 2 of the condensed consolidated interim financial statements of the Company for the period ended March 31, 2019 for further information on estimates and assumptions made in determination of the impairment recorded on loans receivable.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is set forth in notes 1 and 2, respectively, of the consolidated financial statements for the period ended December 31, 2018.

The following IFRS amendments were adopted in 2019:

(i) The Company adopted IFRS 16, Leases ("IFRS 16"), effective January 1, 2019 using the modified retrospective approach. On January 1, 2019 the Company recognized both a right-of-use asset and lease liability of $1,490. There was no impact to equity as a result of the adoption of IFRS 16.

(ii) On January 1, 2019, we adopted IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("IFRIC 23"), with no material impact on the Company's condensed consolidated interim financial statements.

These changes in accounting policies are further described in note 1 of the condensed consolidated interim financial statements for the period ended March 31, 2019.

Risks and Uncertainties

See "Risk Factors" in the Company's 2018 AIF for a discussion of risks that could materially affect the Company, which risk factors are incorporated herein by reference.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that its objectives are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances and (ii) the impact of isolated errors. Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people, or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified under Canadian securities laws and to include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

We are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design of our internal controls over financial reporting as at March 31, 2019, and based on that assessment, they determined that the Company's internal controls over financial reporting were appropriately designed in accordance with the 2013 COSO framework as published by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no changes in internal controls over financial reporting that occurred during the three months ended March 31, 2019 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Outstanding Shares

As of May 14, 2019, 53,883,828 common shares in the capital of the Company were issued and outstanding.

Each 2016 Convertible Debenture is convertible into freely tradable common shares of the Company at the option of the holder at any time prior to the earlier of January 31, 2022 and the last business day immediately preceding the date specified by the Company for redemption, at a conversion price of $11.00 per common share. If all outstanding 2016 Convertible Debenture were converted into common shares of the Company, it would result in the issuance of 4,090,909 additional common shares.

Each 2018 Convertible Debenture is convertible into freely tradable common shares of the Company at the option of the holder on or after September 30, 2021, and prior to September 30, 2022 at a conversion price of $10.70 per common share.

As of May 14, 2019, there were 2,802,009 Series 1 Preferred Shares outstanding, 3,172,086 Series 2 Preferred Shares outstanding and 1,586,042 Series 3 Preferred Shares outstanding. The Series 1 Preferred Shares, Series 2 Preferred Shares, and Series 3 Preferred Shares are convertible into freely tradable common shares of the Company. As of May 14, 2019, assuming the voluntary conversion of all of the Series 1 Preferred Shares, Series 2 Preferred Shares, and Series 3 Preferred Shares then outstanding, a total of 8,054,308 common shares would be issued.

Financial Measures

Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO") are supplemental measures used by management to track the Company's performance. Management believes these terms reflect the operating performance and cash flow of the Company. The Company believes that AFFO and AFFO per share provide the most effective metric by which to evaluate the performance of the Company and to most accurately identify the cash flows available for distribution to shareholders.

Funds From Operations

FFO means net income in accordance with IFRS, (i) plus or minus fair value adjustments of investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus certain other fair value adjustments; (iv) plus transaction costs expensed as a result of the purchase of property being accounted for as a business combination; (v) plus property taxes accounted for under IFRIC 21; (vi) plus allowance for credit losses on loans and interest receivable; (vii) plus deferred income tax expense, after adjustments for equity accounted entities calculated to reflect FFO on the same basis as consolidated properties and adjustments for non-controlling interests. The use of FFO, a non-IFRS measure, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of the Company. FFO presents an operating performance measure that provides a perspective on the financial performance that is not immediately apparent from net income determined in accordance with IFRS.

FFO is a financial measure not defined under IFRS, and FFO, as presented herein, may not be comparable to similar measures presented by other real estate investment trusts or real estate enterprises.

To the extent the Company's 2016 Convertible Debentures and 2018 Convertible Debentures were dilutive to FFO per share, the related interest, amortization, and accretion expense has been added back to calculate a diluted FFO for purposes of calculating diluted FFO per share.

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

	Three months ended March 31, 2019	2018
Net income for the period	$ 7,205	$ 2,319
Add/(deduct):		
Change in fair value of investment properties	(15,281)	(4,017)
Property taxes accounted for under IFRIC 21	10,424	6,338
Change in fair value of financial instruments	1,811	(147)
Deferred income tax expense	2,848	1,098
Transaction costs for business combination	—	6,116
Allowance for credit losses on loans and interest receivable	491	—
Change in non-controlling interest liability in respect of the above	(5)	—
Adjustments for equity accounted entities	5,130	—
Funds from operations	$ 12,623	$ 11,707
Interest, amortization and accretion expense on 2016 Convertible Debentures	743	742
Interest, amortization and accretion expense on 2018 Convertible Debentures	899	—
Total diluted funds from operations	$ 14,265	$ 12,449
Weighted average number of shares, including fully vested deferred shares: Basic	53,134,791	43,353,208
Weighted average shares issued if all 2016 Convertible Debentures were converted	4,090,909	4,090,909
Weighted average shares issued if all 2018 Convertible Debentures were converted	4,672,897	—
Weighted average shares issued if all Preferred Shares were converted	7,946,496	4,653,161
Weighted average number of shares: Diluted	69,845,093	52,097,278
Funds from operations per share	$ 0.24	$ 0.27
Diluted funds from operations per share	$ 0.20	$ 0.24

Adjusted Funds From Operations

The Company maintains the view that AFFO is an effective measure of cash generated from operations, after providing for certain adjustments. AFFO means cash provided by operating activities, subject to certain adjustments, which include: (i) adjustments for certain non-cash working capital items that are not considered indicative of sustainable economic cash flow available for distribution; (ii) adjustments for interest expense on the credit facilities and mortgages payable that is included in finance costs; (iii) adjustments for cash paid for interest; (iv) add backs for compensation expense related to the Company's deferred share incentive plan; (v) add backs for payments received under the Company's income support agreements and development lease arrangements; (vi) add backs for the write-off of deferred financing costs from refinancing; and (vii) other adjustments as determined by the directors of the Company in their sole discretion.

AFFO is a financial measure not defined under IFRS, and AFFO, as presented herein, may not be comparable to similar measures presented by other real estate investment trusts or real estate enterprises.

To the extent the Company's 2016 Convertible Debentures and 2018 Convertible Debentures were dilutive to AFFO per share, the related interest has been added back to calculate a diluted AFFO for purposes of calculating diluted AFFO per share.

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

	Three months ended March 31, 2019	2018
Cash flows provided by operating activities	$ 2,285	$ 1,983
Change in non-cash working capital	7,564	547
Less: interest expense (1)	(8,337)	(5,891)
Less: change in non-controlling interest liability	(56)	(41)
Plus: income from joint ventures	(3,813)	806
Plus: change in fair value of investment in MS-SW Development Fund Holdings, LLC	—	50
Plus: interest paid	8,293	6,914
Less: interest received	(59)	(772)
Plus: transaction costs for business combination	—	6,116
Plus: non-cash portion of non-controlling interest expense	(5)	(89)
Plus: adjustments for equity accounted entities	5,127	482
Plus: deferred share incentive plan compensation	349	254
Plus: income support and development lease payments received	120	—
Less: capital maintenance reserve	(492)	(267)
Adjusted funds from operations	$ 10,976	$ 10,092
Interest expense on 2016 Convertible Debentures	563	563
Interest expense on 2018 Convertible Debentures	750	—
Total diluted adjusted funds from operations	$ 12,289	$ 10,655
Weighted average number of shares, including fully vested deferred shares: Basic	53,134,791	43,353,208
Weighted average shares issued if all 2016 Convertible Debentures were converted	4,090,909	4,090,909
Weighted average shares issued if all 2018 Convertible Debentures were converted	4,672,897	—
Weighted average shares issued if all Preferred Shares were converted	7,946,496	4,653,161
Weighted average number of shares: Diluted	69,845,093	52,097,278
Adjusted funds from operations per share	$ 0.21	$ 0.23
Diluted adjusted funds from operations per share	$ 0.18	$ 0.20
Dividends declared	$ 9,774	$ 8,012
Payout ratio (2)	89%	79%
Effective payout ratio (2)	72%	78%

(1) Includes interest expense on the credit facilities, mortgages payable, convertible debentures, interest rate swaps, write off of deferred financing costs from refinancing and interest income earned on notes receivable included in finance costs.
(2) Payout ratio is calculated by dividing the common share dividends declared by AFFO. Effective payout ratio is calculated by dividing common share dividends payable in cash, as adjusted for Dividend Reinvestment Plan ("DRIP") participation, by AFFO.

The Company entered into leases, each with 18 year terms, on two properties in Houston, Texas in which cash rent over the initial 12-18 month term was set to approximate debt service on the corresponding property. After the initial period, the leases will escalate to full yield. The lease structure on the first property transitioned to full yield in February of 2019. The second of these properties is expected to return to full yield by January of 2020.

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

Cash Dividends

	Three months ended March 31,	
	2019	2018
Cash flows provided by operating activities	$ 2,285	$ 1,983
Net income (loss)	7,205	2,319
Total dividends declared	9,774	8,012
Cash provided by operating activities in shortfall of total dividends	(7,489)	(6,029)
Shortfall of net income over total dividends	(2,569)	(5,693)

Non-cash items relating to fair value adjustments of investment properties and the Company's financial instruments, amortization of financing costs and deferred income tax expense are deducted from or added to net income and have no impact on cash available to pay current dividends. Total dividends for the three months ended March 31, 2019 exceeded cash flows provided by operating activities largely due to non-cash expenses, working capital changes and operating cash flow from joint arrangements, which may be realized in the form of cash distributions to meet future cash needs. Total dividends for the three months ended March 31, 2019 exceeded net income primarily due to non-cash items. Of the $9,774 dividends declared, $1,882 was paid in the form of shares issued through the Dividend Reinvestment Plan ("DRIP"). The resulting cash provided by operating activities in shortfall of cash dividends is ($5,607) and the shortfall of net income over cash dividends is ($687).

The Company believes its current distributions are sustainable.

Operational Measures

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

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

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

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 within 12 months of the above criteria,
3. Newly acquired and/or undergoing a major renovation or otherwise being repositioned or in transition to a new operator, or
4. Held for sale.

The Company believes relevant metrics for evaluating the performance of the underlying operations in stable, triple-net leased assets include operator lease coverage and occupancy. The Company's operator performance metrics are calculated utilizing data that is one quarter in arrears (i.e. as of and through December 31, 2018 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 information as provided by the operators and has not been independently verified by the Company.

Triple Net Lease Portfolio

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. The stabilized triple-net lease portfolio through December 31, 2018 includes 33 properties.

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. The metrics presented below represent all stabilized income properties, which includes assist living, independent living, long-term care, and transitional care properties.

EBITDAR (earnings before interest, income taxes, depreciation, amortization, and rent) lease coverage is calculated by dividing the TTM EBITDAR generated by corresponding cash rent due over the same period. The Company's stabilized portfolio generated EBITDAR lease coverage of 1.2.

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 operational performance to the results of the direct operations within the facility. The Company's stabilized portfolio generated EBITDARM lease coverage of 1.5.

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 and risk mitigation within 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 during the period by the maximum available revenue days available for the period. Metrics provided below are for the TTM period for all stabilized assets based on the Company's definition of stabilization.

For the TTM period ended December 31, 2018, the Company's stabilized portfolio had an occupancy percentage of 85%.

Joint Venture/Joint Arrangement Portfolio

The Company’s joint venture/joint arrangement portfolio consists of seniors housing assets in which the Company has ownership of both the property and operations. The Company’s stabilized joint arrangement portfolio consists of 16 properties through December 31, 2018.

Based upon the Company’s ownership structure in these assets, the Company believes the most relevant operational metrics will include occupancy, net operating income and year over year revenue growth metrics. For the period ended December 31, 2018, the occupancy in the stabilized joint arrangement portfolio was 89%. As comparative periods become available in the Company’s ownership period, the Company anticipates that additional metrics will be included in future filings.

Medical Office Building Portfolio

The Company’s medical office building portfolio consists of multi tenant medical office buildings in which the Company has full ownership of the property. The Company’s stabilized medical office building portfolio consists of 11 properties through December 31, 2018 in the United States and Canada.

The Company utilizes occupancy as a percentage of gross leasable area in addition to other financial metrics when evaluating performance in its medical office building portfolio. For the period ended December 31, 2018, occupancy in the stabilized medical office building portfolio was 92%. As comparative periods become available in the Company’s ownership period, the Company anticipates that additional metrics will be included in future filings.