



MAINSTREET HEALTH INVESTMENTS INC.

Management Information Circular

And

Notice of Special Meeting of Common Shareholders

To be held on May 25, 2016

**At the offices of
Goodmans LLP
333 Bay Street, Suite 3400
Toronto, Ontario, Canada**

at 11:00 a.m. (Toronto time)

MAINSTREET HEALTH INVESTMENTS INC.

NOTICE OF SPECIAL MEETING OF COMMON SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the “**Meeting**”) of holders (the “**Shareholders**”) of common shares (the “**Shares**”) of Mainstreet Health Investments Inc. (the “**Corporation**”) will be held at the offices of Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario, Canada on May 25, 2016 at the hour of 11:00 a.m. (Toronto time) for the following purposes:

- (a) to consider and, if deemed advisable, to pass, with or without modification, a resolution of the Disinterested Shareholders (as defined in the Circular (as defined below)) (the “**Related Party Transactions Resolution**”) approving the Related Party Transactions (as defined in the Circular), all as more particularly described in the accompanying information circular (the “**Circular**”);
- (b) to consider and, if deemed advisable, to pass, with or without modification, a resolution (the “**Magnetar Exchange Resolution**”) approving the Magnetar Exchange (as defined in the Circular) pursuant to the terms and conditions of the Magnetar Exchange Agreement (as defined in the Circular), all as more particularly described in the Circular;
- (c) to consider and, if deemed advisable, to pass, with or without modification, a resolution of the Disinterested Shareholders (“**DSI Plan Reservation Resolution**”) that approves an increase in the maximum number of Shares reserved for issuance under the Deferred Share Incentive Plan, as more particularly described in the Circular;
- (d) to consider and, if deemed advisable, to pass, with or without modification, a resolution of the Disinterested Shareholders (“**Asset Management Agreement Amendment Resolution**”) that approves the fixing of a maximum number of Shares reserved for issuance under the Asset Management Agreement (as defined in the Circular), as more particularly described in the Circular; and
- (e) to transact such other business as may properly be brought before the Meeting or any postponement or adjournment thereof.

The accompanying Circular contains the full text of each of the above resolutions and provides additional information relating to the subject matter of the Meeting. In order to become effective, (i) the Related Party Transactions Resolution, the DSI Plan Reservation Resolution and the Asset Management Agreement Amendment Resolution must be approved by a majority of the votes cast by Disinterested Shareholders (as defined in the Circular) present in person or by proxy at the Meeting or any adjournment(s) thereof, and (ii) the Magnetar Exchange Resolution must be approved by a majority of the votes cast by Shareholders present in person or by proxy at the Meeting or any adjournment(s) thereof.

The Corporation’s board of directors has fixed April 15, 2016 as the record date for determination of Shareholders entitled to notice of and to vote at the Meeting and at any adjournment or postponement thereof. Each registered Shareholder at the close of business on that date is entitled to such notice and to vote at the Meeting in the circumstances set out in the Circular.

Accompanying this Notice of Meeting is a copy of the Circular and a form of proxy. A Shareholder wishing to be represented by proxy at the Meeting or any adjournment or postponement thereof must deposit his, her or its duly executed form of proxy in person, by mail or by facsimile with Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or any adjournment(s) thereof.

Non-registered Shareholders who receive this notice and related materials through an intermediary should complete and return the materials in accordance with the instructions provided to them by their intermediary. Failure to do so may result in their Shares not being eligible to be voted at the Meeting.

DATED at Toronto, Ontario, this 21st day of April, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "*Paul Ezekiel Turner*"
Paul Ezekiel Turner
Chairman

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GLOSSARY OF TERMS

“**Acceptance Period**” means the thirty (30) day period following the delivery of the Notice of Sale.

“**ACO**” means Accountable Care Organization.

“**Additional Leases**” means, collectively, the Hearth Leases, the Indiana Leases, the Scranton Master Lease and the Topeka Primary Lease.

“**Additional Tenants**” means, collectively, Claremont of Indiana ML, LLC, The Hearth at Greenpoint, Inc., The Hearth on James, LLC, Greenpoint Special Needs, Inc., the Scranton Tenants, RHS Partners of Mooresville, LLC and Top City Healthcare, Inc.

“**Additional Securities**” means any additional MHI Holdco Shares, options to purchase MHI Holdco Shares or securities exchangeable or convertible into MHI Holdco Shares, or other securities of MHI Holdco.

“**affiliate**” has the meaning given to it in Section 1.3 of National Instrument 45-106 – *Prospectus and Registration Exemptions*.

“**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) adding an amount in respect of the Topeka Development Lease; and (iv) other adjustments as determined by the Directors in their sole discretion.

“**AL**” means assisted living.

“**Appraisals**” means the Master Appraisal and the Property Appraisals.

“**Appraiser**” means Tellatin, Short & Hansen Inc.

“**Asset Management Agreement**” means the asset management agreement dated April 4, 2016 entered into among the Corporation, MHI US, MHI Partnership and MAMI pursuant to which MAMI acts as the asset manager of the properties owned by the Corporation, MHI US and MHI Partnership.

“**Asset Management Agreement Amendment Resolution**” means the resolution that approves the fixing of a maximum number of Shares reserved for issuance under the Asset Management Agreement, in the form attached to this Circular as Appendix E.

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended, supplemented, modified, replaced or restated from time to time.

“**Beneficial Shareholder**” has the meaning ascribed thereto under “*Important Information for Non-Registered Shareholders*”.

“**Board**” means the board of directors of the Corporation.

“**Building**” means all buildings, structures and improvements located on land.

“**Business Day**” means any day other than a Saturday, Sunday or a statutory holiday in Toronto, Ontario.

“**Canadian Development Agreement**” means the development agreement dated April 4, 2016 and entered into among Mainstreet LLC, MAMI and the Corporation.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**Chesterton Lease**” means the lease agreement dated December 17, 2014, as amended, between MS Chesterton, LLC, as landlord, and Claremont of Indiana ML, LLC, as tenant, pursuant to which MS Chesterton, LLC leased the Chesterton Property to Indiana ML, LLC.

“**Chesterton Property**” means the seniors housing and care property owned by Mainstreet LLC and located at 2775 Village Point, Chesterton, Indiana, 46304.

“**Chesterton Purchase Agreement**” means the agreement, dated April 21, 2016, between MHI Partnership and MS Chesterton, LLC in respect of the purchase of the Chesterton Property.

“**Circular**” means this management information circular furnished in connection with the solicitation of proxies by the management of the Corporation for use at the Meeting, together with any appendices or schedules attached thereto.

“**Class A Shares**” means the Class A shares in the capital of the Corporation.

“**Class B Unit**” means the Class B units of MHI Partnership, which are exchangeable for Shares pursuant to the Mainstreet Exchange Agreement.

“**Code**” means the *United States Internal Revenue Code of 1986*, as amended from time to time.

“**Companies Law**” means Companies Law (2013 Revision) of the Cayman Islands, as amended or revised from time to time.

“**Compensation, Governance and Nominating Committee**” means the compensation, governance and nominating committee of the Board.

“**Computershare**” means Computershare Investor Services Inc.

“**CON**” means certificate of need.

“**Consolidation**” means the consolidation of outstanding Shares and Non-Voting Shares on the basis of one post-consolidation Share for every 250 pre-consolidation Shares and one post-consolidation Non-Voting Share for every 250 pre-consolidation Non-Voting Shares.

“**Convertible Debentures**” means the subordinated convertible debentures of MHI Holdco issued by MHI Holdco to the Funds on October 29, 2015 in the aggregate principal amount of approximately \$108.0 million, which amount has subsequently increased to approximately \$110.3 million as of March 31, 2016 as a result of capitalizing a portion of the interest accrued and payable on the Convertible Debentures in accordance with their terms.

“**Corporation**” means Mainstreet Health Investments Inc.

“**Corporation Contributed Deferred Shares**” means the Deferred Shares granted to Directors further to the Corporation’s obligation to match the Elected Amount pursuant to the Deferred Share Incentive Plan.

“**Deferred Share**” means a bookkeeping entry, equivalent in value to a Share, credited to a named executive officer’s account in accordance with the terms and conditions of the Deferred Share Incentive Plan, and for clarity includes an entry in respect of Individual Contributed Deferred Shares, Corporation Contributed Deferred Shares and Discretionary Deferred Shares.

“**Deferred Share Incentive Plan**” means the deferred share incentive plan of the Corporation.

“**Development Agreements**” means, together, the Canadian Development Agreement and the US Development Agreement, as described under “*Appendix A – Information Concerning the Corporation and MHI Holdco – Arrangements with Mainstreet – Development Agreements*”.

“**Development Option Agreement**” means the agreement contemplated to be entered into pursuant to the Hearth Purchase Agreement as described under “Particular of Matter to be Acted Upon at the Meeting – Related Party Transactions – Related Party Acquisitions - Hearth Purchase Agreement”.

“**Development Property**” means a Building and the Land on which it is erected, or the Interest therein, suitable for inclusion in the Corporation’s portfolio of properties.

“**Directors**” means the directors of the Corporation.

“**Discretionary Deferred Shares**” means Deferred Shares granted from time to time to Participants at the discretion of the Board or the Compensation, Governance and Nominating Committee.

“**Disinterested Shareholders**” means the Shareholders, other than Mainstreet or any related parties, associates or affiliates, and, in the context of the DSI Plan Reservation Resolution, including any Service Providers.

“**Dividend Date**” means the date on which dividends on Shares are paid.

“**DOJ**” means the Department of Justice.

“**DSI Plan Reservation Resolution**” means the resolution to approve the increase of the maximum number of Shares reserved for issuance under the Deferred Share Incentive Plan, as attached to this Circular as Appendix D.

“**EBITDAR**” means earnings before interest, taxes, depreciation, amortization and rent.

“**Elected Amount**” means the amount, as elected by the Director, in accordance with applicable tax law, between 0% and 100% of the base annual retainer fees paid by the Corporation to such director in a calendar year for service on the Board, (but specifically excluding meeting fees and fees for acting as a committee chair).

“**Ensign**” means The Ensign Group, Inc.

“**Excess Bed Rights**” means any excess, unused bed rights designated in writing by tenant to landlord under the Symphony Master Lease as not necessary or useful for operations contained in the licenses for the properties in the Symphony Portfolio and the Hanover Park Property.

“**Exchange Policies**” means the policies of the TSXV and all orders, policies, rules, regulations and by-laws of the TSXV, as amended from time to time.

“**Existing Development Funds**” means Mainstreet Development Fund II, L.P., Mainstreet Mezzanine Fund II, L.P., Mainstreet Friends, Family and Employees Development Fund LLC, Mainstreet Development Fund III LLC and Mainstreet Sidecar Fund LLC.

“**Facility**” means the \$200,000,000 senior credit facility with a syndicate of lenders, led jointly by KeyBank Capital Markets and National Bank of Canada, comprised of the Term Loan and the Revolver.

“**FAD Rules**” means the provisions in the Tax Act affecting foreign-controlled corporations that are resident in Canada and that make various forms of direct and indirect “investments” in foreign corporations that are, or become after the investment and as part of a transaction or event or series of transactions or events that includes the making of the investment, “foreign affiliates” of the Canadian-resident corporation.

“**Fahs**” means Fahs Construction Group.

“**FAPI**” means foreign accrual property income, as defined in the Tax Act.

“**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.

“**FIRPTA**” means the *Foreign Investment in Real Property Act of 1980*.

“**First Mainstreet Loan**” means a \$2.0 million loan made by Mainstreet to MHI US on October 30, 2015, which was subsequently repaid in full in December 2015.

“**Funds**” means certain funds managed by the Funds Manager.

“**Funds Manager**” means Magnetar Financial LLC.

“**Hanover Park Property**” means the seniors housing and care property owned indirectly by Symphony and located at 2000 W. Lake Street, Hanover Park, Illinois, 60133.

“**Health Reform Laws**” means the United States *Patient Protection and Affordable Care Act (2010)*, as modified by the United States *Health Care and Education Reconciliation Act (2010)*.

“**Hearth**” means Hearth Management, LLC.

“**Hearth at Greenpoint Lease**” means the lease agreement to be entered into between MHI Greenpoint, LP, as landlord, and The Hearth at Greenpoint, Inc., as tenant, pursuant to which MHI Greenpoint, LP leased the Hearth at Greenpoint property to The Hearth at Greenpoint, Inc.

“**Hearth at Keepsake Village Lease**” means the lease agreement to be entered into between MHI Keepsake Village, LP, as landlord, and Greenpoint Special Needs, Inc., as tenant, pursuant to which MHI Keepsake Village, LP leased the Hearth at Keepsake Village property to Greenpoint Special Needs, Inc.

“**Hearth Leases**” means the Hearth at Greenpoint Lease, the Hearth at Keepsake Village Lease and the Hearth on James Lease.

“**Hearth on James Lease**” means the lease agreement to be entered into between MS James LP, as landlord, and The Hearth on James, LLC, as tenant, pursuant to which MS James LP leased the Hearth on James property to The Hearth on James, LLC.

“**Hearth Portfolio**” means the three seniors housing and care properties owned by Hearth or its affiliates.

“**Hearth Purchase Agreement**” means the agreement, dated March 31, 2016, between Mainstreet LLC, The Hearth At Greenpoint, Inc., The Hearth On James, LLC and Greenpoint Special Needs, Inc., in respect of the purchase of the Hearth Portfolio.

“**Hearth Purchase Agreement Assignment**” means the assignment by Mainstreet LLC or its affiliates of the Hearth Purchase Agreement to the Corporation or its affiliates.

“**IL**” means independent living.

“**Independent Director**” means a Director who is independent pursuant to NI 58-201.

“**Indiana Leases**” means the Chesterton Lease and the Mooresville Lease.

“**Individual Contributed Deferred Shares**” means Deferred Shares granted to Directors further to their Elected Amount.

“**Interest**” means, in relation to a Development Property, any beneficial interest in the whole or any part of such property, including any beneficial or ownership interest in the securities of a single asset entity beneficially owning such Development Property.

“**Intermediaries**” has the meaning ascribed thereto under “*General Proxy Information*”.

“**Investment Committee**” means the investment committee of the Board.

“**IRS**” means Internal Revenue Service.

“**Joint Commission**” means an independent, not-for-profit organization that accredits and certifies health care organizations and programs in the United States.

“**Kingsway**” means Kingsway Arms Retirement Residences Inc.

“**Land**” means land owned or leased by Mainstreet or MAMI.

“**MACs**” means Medicare Administrator Contractors.

“**Magnetar Consideration Shares**” means the approximately 11.64 million post-consolidation Shares to be issued to the Funds in exchange for the MHI Holdco Shares held by the Funds (including on conversion of the Convertible Debentures) pursuant to the terms and conditions of the Magnetar Exchange Agreement.

“**Magnetar Exchange**” means the exchange by the Funds of their MHI Holdco Shares for Shares pursuant to the terms and conditions of the Magnetar Exchange Agreement.

“**Magnetar Exchange Agreement**” means the exchange agreement dated April 21, 2016 entered into among the Corporation and the Funds.

“**Magnetar Exchange Resolution**” means the resolution to approve the Magnetar Exchange, as attached to this Circular as Appendix C.

“**Mainstreet**” means Mainstreet Investment Company, LLC, together with its affiliates.

“**Mainstreet Conversion**” means the conversion of Mainstreet’s Non-Voting Shares into Shares in connection with the closing of the Offering.

“**Mainstreet Exchange Agreement**” means the exchange agreement to be entered into among the Corporation, MAMI, MHI Holdco, MHI US, MHI GP and MHI Partnership.

“**Mainstreet LLC**” means Mainstreet Property Group, LLC.

“**Mainstreet Parties**” means MAMI, Mainstreet LLC, the Principal, Principal Entities and/or their respective affiliates.

“**MAMI**” means Mainstreet Asset Management, Inc. and, where applicable, its affiliates and their respective permitted successors and assigns.

“**Master Appraisal**” means the appraisal dated April 20, 2016 and effective March 31, 2016 that includes the independent estimate of the aggregate market value of the Properties.

“**MC**” means memory care.

“**Meeting**” means the special meeting of the Shareholders of the Corporation to be held at the time and place and for the purposes set forth in the Notice.

“**Mezzanine Financing**” means the mezzanine financing to be provided by the Corporation to Mainstreet LLC or its affiliate on or following the closing of the Offering in the amounts of \$2.55 million and \$2.52 million to fund certain costs in connection with the development of two senior care facilities located in Houston, Texas.

“**MHI GP**” means Mainstreet Health Holdings GP, LLC.

“**MHI Holdco**” means Mainstreet Health Holdings Inc.

“**MHI Holdco Asset Management Agreement**” means the agreement dated October 29, 2015 among MAMI, the Funds Manager (on behalf of the Funds), MHI Holdco, MHI US and MHI Partnership.

“**MHI Holdco Preferred Shares**” means the preferred shares in the capital of MHI Holdco.

“**MHI Holdco Shareholders**” means the holders of MHI Holdco Shares.

“**MHI Holdco Shareholders Agreement**” means the shareholders agreement dated October 29, 2015 among MHI Holdco and the MHI Holdco Shareholders.

“**MHI Holdco Shares**” means the shares in the capital of MHI Holdco, but specifically excluding the MHI Holdco Preferred Shares.

“**MHI Partnership**” means Mainstreet Health Holdings, LP.

“**MHI Scranton Property Owners**” means SH Scranton Manor Care Centre, LLC, SH Kingston Manor, LLC, SH Mid-Valley Health Care Centre, LLC, SH Old Forge Manor, LLC, SH Wyoming Manor, LLC and SH Kingston Health Care Centre, LLC, all of which are subsidiaries of the Corporation.

“**MHI Symphony Property Owners**” means MS Aria, LP, MS Buffalo Grove, LP, MS 87th Street, LP, MS Midway, LP, MS Park South, LP, MS Ivy, LP, MS Bronzville, LP, MS Jackson Square, LP, MS South Shore, LP and MS Claremont, LP, all of which are subsidiaries of the Corporation.

“**MHI US**” means Mainstreet Health US Holdings, Inc.

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“**Mooreville Lease**” means the lease agreement dated January 29, 2015 between MS Mooreville, LLC, as landlord, and RHS Partners of Mooreville, LLC, as tenant, pursuant to which MS Mooreville, LLC leased the Mooreville Property to RHS Partners of Mooreville, LLC.

“**Mooreville Property**” means the seniors housing and care property owned by Mainstreet LLC and located at 302 North Johnson Road, Mooreville, Indiana, 46158.

“**Mooreville Purchase Agreement**” means the agreement, dated April 21, 2016, between MHI Partnership and MS Mooreville, LLC in respect of the purchase of the Mooreville Property.

“**MS Topeka**” means MS Topeka, LLC.

“**New Properties**” means the seven properties comprising the Scranton Portfolio, the three properties comprising the Hearth Portfolio, the Topeka Property, the Mooreville Property and the Chesterton Property.

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

“**NI 58-201**” means National Instrument 58-201 – *Corporate Governance Guidelines*.

“**Non-Competition Agreement**” means the non-competition agreement dated April 4, 2016 entered into between the Corporation, MHI US, MAMI, Mainstreet LLC and the Principal.

“**Non-Registered Shareholders**” has the meaning ascribed thereto under “*General Proxy Information*”

“**Non-Voting Shares**” means the non-voting shares in the capital of the Corporation.

“**Notice**” means the Notice of Special Meeting dated April 21, 2016 sent by the Corporation to Shareholders.

“**Notice of Sale**” means the notice in writing to be delivered by the Selling Shareholder to the Other Shareholders irrevocably offering to sell them the MHI Holdco Shares subject to a Third Party Offer at the same price and in all material respects on the same terms and conditions as provided in a Third Party Offer.

“**Offered Investment**” means any investment opportunity identified by MAMI or Mainstreet LLC, as applicable, involving the acquisition, directly or indirectly, of an ownership or other interest in senior housing properties in the United States or Canada, subject to certain exceptions as described in this Circular.

“**Offering**” means the offering of Shares pursuant to the Underwriting Agreement.

“**Offering Price**” means the price per Share sold pursuant to the Offering.

“**OIG**” means the Office of Inspector General of the Department of Health and Human Services.

“**Other Shareholders**” means the MHI Holdco Shareholders who are not the Selling Shareholder.

“**Participants**” has the meaning ascribed thereto under “*DSI Plan Amendment – Deferred Share Incentive Plan*”.

“**PCA Reports**” means property condition assessment reports.

“**Phase I ESA Report**” means a Phase I environmental site assessment report.

“**Principal**” means Paul Ezekiel Turner.

“**Principal Entities**” means all persons beneficially owned or controlled by the Principal.

“**Prior Valuation**” has the meaning given to it in Section 1.1 of MI 61-101.

“**promoter**” has the meaning given to such term in the *Securities Act* (Ontario).

“**Properties**” means, collectively, the 10 properties comprising the Symphony Portfolio, the Hanover Park Property, the seven properties comprising the Scranton Portfolio, the three properties comprising the Hearth Portfolio, the Topeka Property, the Mooresville Property and the Chesterton Property.

“**Property Appraisals**” means the individual independent estimates of the market value of each of the Properties.

“**Public Offering**” means any financing that involves an offering of equity securities (or securities capable of converting to equity) of the Corporation.

“**Purchase Agreements**” means the Symphony Purchase Agreement, the Hearth Purchase Agreement, the Scranton Purchase Agreement, the Chesterton Purchase Agreement, the Mooresville Purchase Agreement and the Topeka Purchase Agreement.

“**Record Date**” has the meaning ascribed thereto under “*Voting Securities and Principal Holders of Voting Securities*.”

“**RECs**” means recognized environmental conditions.

“**Related Party Acquisitions**” means, collectively, the acquisition of the New Properties and the Hearth Purchase Agreement Assignment.

“**Related Party Transactions**” means, collectively, the Related Party Acquisitions, the Mezzanine Financing and the entering into of Topeka Development Lease.

“**Related Party Transactions Resolution**” means the resolution to approve the Related Party Transactions, as attached to this Circular as Appendix B.

“**Revolver**” means the \$50,000,000 senior secured revolving line of credit forming part of the Facility.

“**Saber**” means Saber Health Group, LLC.

“**Scranton Master Lease**” means the master lease agreement dated July 1, 2014, as amended, between MHI Scranton Property Owners and the Scranton Tenants pursuant to which the MHI Scranton Property Owners leased the Scranton Portfolio to the Scranton Tenants.

“**Scranton Portfolio**” means the seven seniors housing and care properties owned by Mainstreet LLC and Saber.

“**Scranton Purchase Agreement**” means the agreement, dated April 21, 2016, among MHI Partnership, Scranton-7 Holdings, LLC and seven Indiana limited liability companies in respect of the purchase of the Scranton Portfolio.

“**Scranton Tenants**” means Scranton Manor PCH, LLC, Kingston Manor PCH, LLC, Mid-Valley SNF, LLC, Mid-Valley Manor PCH, LLC, Old Forge Manor PCH, LLC, Wyoming Manor PCH, LLC and Kingston SNF, LLC.

“**Second Mainstreet Loan**” means the \$2.5 million loan made by Mainstreet to MHI US on October 30, 2015, which was subsequently increased to \$3.5 million on February 26, 2016.

“**SEDAR**” means System for Electronic Analysis and Retrieval.

“**Selling Shareholder**” means an MHI Holdco Shareholder that has received a Third Party Offer to purchase any of its MHI Holdco Shares, which it has conditionally accepted subject to the rights of other MHI Holdco Shareholders pursuant to the MHI Holdco Shareholders Agreement.

“**Service Providers**” has the meaning ascribed thereto under “*DSI Plan Amendment – Deferred Share Incentive Plan*”.

“**Share Purchase Agreement**” means the agreement entered into among the Corporation, Mainstreet and the Funds Manager (on behalf of the Funds for the limited purpose of certain sections of the agreement) dated December 2, 2015, as amended on January 25, 2016 and as amended and restated as of February 29, 2016, pursuant to which the Corporation acquired all of the issued and outstanding shares of MHI Holdco held by Mainstreet, which represented approximately 75% of the issued and outstanding MHI Holdco Shares, in consideration 81,160,000 pre-Consolidation Shares and 307,659,000 Non-Voting Shares.

“**Shareholders**” means the holders of Shares.

“**Shares**” means common shares of the Corporation.

“**SNF**” means skilled nursing property.

“**Suitable Development Properties**” means income-producing seniors housing and care properties focused on providing care primarily to seniors that are proposed to be owned in fee simple and long-term, triple-net leased to an identified creditworthy tenant operator, but specifically excluding any property that is subject to the right of first opportunity in favour of Welltower under agreements between Mainstreet and Welltower unless such right of first opportunity has expired or Welltower has elected not to exercise such right of first opportunity in respect of such property.

“**Swap Agreement**” means the interest rate swap agreement entered into among MHI Holdco, MHI Partnership and National Bank of Canada effective January 29, 2016.

“**Symphony**” means Symphony Post-Acute Network and its affiliates.

“**Symphony Acquisition Financing**” means the indebtedness incurred by one or more subsidiaries of MHI Holdco in connection with the acquisition of the Symphony Portfolio.

“**Symphony Master Lease**” means the master lease agreement dated October 30, 2015 between the MHI Symphony Property Owners and the Symphony Master Tenant pursuant to which the MHI Symphony Property Owners leased the Symphony Portfolio and the Hanover Park Property to the Symphony Master Tenant.

“**Symphony Master Tenant**” means Symcare ML, LLC.

“**Symphony Portfolio**” means ten seniors housing and care properties indirectly acquired by MHI US from Symphony on October 30, 2015 pursuant to the Symphony Purchase Agreement.

“**Symphony Purchase Agreement**” means the purchase agreement dated August 21, 2015, as amended on September 30, 2015 and February 26, 2016, among the MHI Symphony Property Owners, The Claridge, L.L.C., Halsted Associates, LLC, Halsted Associates, LLC – Series RH, Ren Realty, LLC, Church Street Station Properties, LLC, Encore Realty Partners, LLC, Claremont Extended Healthcare Realty, LLC, The Claridge At Cicero Limited Partnership, The Renaissance At Beverley, L.P., Nuvision Holdings L.L.C. and SSO LLC, pursuant to which MHI US indirectly acquired the Symphony Portfolio and agreed to acquire the Hanover Park Property.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended from time to time.

“**TCC**” means transitional care centre.

“**Term Loan**” means the \$150,000,000 senior secured term loan forming part of the Facility.

“**Third Party**” means an unrelated third party.

“**Third Party Offer**” means a bona fide written all cash offer to purchase any of the MHI Holdco Shares from an MHI Holdco Shareholder.

“**Topeka Development Lease**” means the development lease to be entered into in respect of the Topeka Property among the Topeka Landlord, MS Topeka and MAMI as described under “*Related Party Transactions – Topeka Development Lease*”.

“**Topeka Landlord**” means MHI Topeka, LP and its sole member, MHI Partnership.

“**Topeka Primary Lease**” means the lease agreement in respect of the Topeka Property dated January 28, 2015 between MHI Topeka, LP and Top City Healthcare.

“**Topeka Property**” means the seniors housing and care property that is currently under development by Mainstreet LLC and located at 6300 SW 6th Avenue, Topeka, Kansas, 66615.

“**Topeka Purchase Agreement**” means the agreement, dated April 21, 2016, between MHI Partnership and MS Topeka, LLC in respect of the purchase of the Topeka Property.

“**Treaty**” means the Canada-United States Tax Convention (1980), as amended.

“**Trilogy**” means Trilogy Health Services, LLC.

“**TSX**” means the Toronto Stock Exchange.

“**TSXV**” means the TSX Venture Exchange.

“**Underwriters**” means BMO Nesbitt Burns Inc., CIBC World Markets Inc. and National Bank Financial Inc.

“**Underwriting Agreement**” means the underwriting agreement to be entered into among the Corporation and the Underwriters in connection with the Offering.

“**US Development Agreement**” means the development agreement dated April 4, 2016 entered into among Mainstreet LLC, MAMI, the Corporation and MHI Partnership, as described under “*Arrangements with Mainstreet*”.

“**USPAP**” means Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

“**Value-Add Funds**” means the investment vehicles to be established by Mainstreet focused primarily on “value-add” seniors housing investments, including Mainstreet Opportunity Fund, LP.

“**Voting and Support Agreements**” means the amended and restated voting and support agreements dated February 29, 2016 entered into by Mainstreet and Shareholders holding approximately 45% of the outstanding Shares (excluding Shares owned by Mainstreet and its related parties and joint actors and without giving effect to the closing of the Offering or the Magnetar Exchange) pursuant to which such Shareholders have agreed to, among other things, vote their Shares in favour of the Related Party Acquisitions and the Magnetar Exchange.

“**Welltower**” means Welltower Inc.

“**Xgen**” means Xgen Ventures Inc.

Words importing the singular number only include the plural and vice versa, and words importing any gender include all genders.

MANAGEMENT INFORMATION CIRCULAR

This Circular is furnished in connection with the solicitation of proxies by management of the Corporation for use at the Meeting or at any adjournment thereof.

The Meeting has been called for the purpose of considering, among other matters, and, if deemed advisable, passing the Related Party Transactions Resolution, the Magnetar Exchange Resolution, the DSI Plan Reservation Resolution and the Asset Management Agreement Amendment Resolution. Each of the Related Party Transactions and the Magnetar Exchange are subject to the satisfaction or waiver of all conditions precedent to, or are conditional on the closing of, the Offering. A preliminary prospectus in connection with the Offering was filed on April 21, 2016.

All capitalized terms used in this Circular have the meanings set forth under “Glossary of Terms” or as otherwise defined herein.

This Circular does not constitute the solicitation of an offer to purchase any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

Information contained in this Circular should not be construed as legal, tax or financial advice and Shareholders are urged to consult their own professional advisers in connection therewith.

MEANING OF CERTAIN REFERENCES

References to the “Corporation” in this Circular includes its subsidiaries, unless the context otherwise requires. References to “\$”, “dollars” and “US\$” are to United States dollars and references to “Cdn\$” and “Canadian dollars” are to Canadian dollars.

References to “management” in this Circular means the persons acting in the capacities of the Corporation’s Chief Executive Officer, President and Chief Financial Officer. Any statements in this Circular made by or on behalf of management are made in such persons’ capacities as officers of the Corporation and not in their personal capacities.

NON-IFRS MEASURES

The Corporation reports its financial results in accordance with IFRS. Included in this Circular are certain non-IFRS financial measures as supplemental indicators used by management to track the Corporation’s performance. These non-IFRS measures are FFO, AFFO and NOI.

“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.

“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) adding an amount in respect of the Topeka Development Lease; and (iv) other adjustments as determined by the Directors in their sole discretion.

“NOI is used by industry analysts, investors and management to measure the operating performance of real estate investment trusts and real estate operating companies. NOI represents investment properties revenue less investment properties operating expenses, and excludes the impact of non-cash straight-line rent and fair value adjustments to investment properties in respect of IFRIC 21, Levies.”

The Corporation believes that AFFO is an important measure of economic performance and is indicative of the Corporation’s ability to pay dividends, while FFO and NOI are important measures of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income.

The Corporation believes that these non-IFRS financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Corporation. These measures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS.

NOTICE CONCERNING FORWARD-LOOKING STATEMENTS

This Circular contains forward-looking statements or forward-looking information within the meaning of applicable securities laws. Statements other than statements of historical fact contained in this document may be forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intent”, “estimate”, “anticipate”, “believe”, “should”, “plans”, “predict”, “estimate”, “potential”, “could”, “likely”, “approximately”, “scheduled”, “forecast”, “variation” or “continue”, or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and the Corporation’s objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to plans and objectives of the Corporation’s Board, or estimates or predictions of actions of tenants, suppliers, competitors or regulatory authorities; and statements regarding its future economic performance. These forward-looking statements are based on the Corporation’s current expectations about future events. Some of the specific forward-looking statements in this document may include, but are not limited to, statements with respect to: (i) the Corporation’s stated objectives; (ii) the Related Party Transactions; (iii) the Magnetar Exchange; (iv) the Mezzanine Financing; (v) the Topeka Development Lease; (vi) the Corporation’s ability to execute its business and growth strategies, including by making additional acquisitions of properties in its primary markets; and (vii) the Corporation’s access to available sources of debt and equity financing.

Forward-looking statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made.

Although the Corporation believes that the expectations reflected in the forward-looking information are reasonable, the Corporation can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this document as well as the following: (i) all closing conditions in respect of the Related Party Transactions and Magnetar Exchange will be satisfied, including completion of the Offering; (ii) the demographic and industry trends will remain unchanged; (iii) the Corporation’s future level of indebtedness and its future growth potential will remain consistent with the Corporation’s current expectations; (iv) the Corporation will continue to receive financing on acceptable terms; (v) the tax laws as currently in effect remaining unchanged; (vi) the Corporation will retain and continue to attract qualified and knowledgeable personnel as it expands its portfolio and business; (vii) impact of the current economic climate and the current global financial conditions on the Corporation’s operations, including its financing capability and asset value, will remain consistent with current expectations; (viii) there will be no material changes to government and environmental regulations adversely affecting the Corporation’s operations; and (ix) capital markets will provide the Corporation with readily available access to equity and/or debt financing.

The forward-looking statements are subject to inherent uncertainties and risks, including, but not limited to, the factors discussed under the “Risk Factors” section of this Circular. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements

GENERAL PROXY INFORMATION

The solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone or electronic means by directors or officers of the Corporation. None of these individuals will receive extra compensation for such efforts. The cost of solicitation will be borne by the Corporation. The Corporation has distributed, or made available for distribution, copies of the Notice, Circular and form of proxy to clearing agencies, securities dealers, banks and trust companies or their nominees (“**Intermediaries**”) for distribution to holders of Shares whose units

are held by or in custody of such Intermediaries (“**Non-Registered Shareholders**”). Such Intermediaries are required to forward such documents to Non-Registered Shareholders. The solicitation of proxies from Non-Registered Shareholders will be carried out by the Intermediaries or by the Corporation if the names and addresses of the Non-Registered Shareholders are provided by the Intermediaries. The Corporation will reimburse reasonable expenses incurred by the Intermediaries in connection with the distribution of these materials.

The information contained in this Circular is given as of April 21, 2016, except where otherwise indicated. **No person has been authorized to give any information or make any representations in connection with the Related Party Transactions or the Magnetar Exchange or other matters to be considered at the Meeting, other than those contained in this Circular, and if given or made, any such information or representation must not be relied upon as having been authorized by the Corporation.** The delivery of this Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date of this Circular.

IMPORTANT INFORMATION FOR NON-REGISTERED SHAREHOLDERS

Shares registered in the name of CDS can only be voted at the Meeting upon the instructions of the beneficial holder (the “Beneficial Shareholder”) of those Shares. Therefore, Beneficial Shareholders should ensure that instructions in respect of the voting of their Shares are communicated to the appropriate party.

Intermediaries are required to forward meeting materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Typically, Intermediaries will use service companies (such as Broadridge Financial Solutions, Inc.) to forward the meeting materials to Beneficial Shareholders. Beneficial Shareholders who have not waived the right to receive meeting materials will either:

- (a) be given a voting instruction form which must be completed and signed by the Beneficial Shareholder in accordance with the directions on the voting instruction form, which may in some cases permit the completion of the voting instruction form by telephone or through the Internet. A Beneficial Shareholder who receives a voting instruction form cannot use that form to vote the Shares directly at the Meeting; rather, the Beneficial Shareholder must complete the voting instruction form in accordance with the instructions contained therein well in advance of the Meeting; or
- (b) less frequently, be given a proxy which has already been signed by the intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Shares beneficially owned by the Beneficial Shareholder but which is otherwise uncompleted. This form of proxy need not be signed by the Beneficial Shareholder. In this case, the Beneficial Shareholder who wishes to submit a proxy should otherwise properly complete the form of proxy received from the intermediary and deposit it with the Corporation’s transfer agent, as described below under “Appointment of Proxies”.

The purpose of these procedures is to permit Beneficial Shareholders to direct voting of the Shares they beneficially own. Should a Beneficial Shareholder who receives a proxy wish to attend and vote at the Meeting in person, or have another person attend and vote on behalf of the Beneficial Shareholder, the Beneficial Shareholder should insert the Beneficial Shareholder’s, or such other person’s, name in the blank space provided. A Beneficial Shareholder who receives a voting instruction form and wishes to attend and vote at the Meeting in person, or have another person attend and vote on behalf of the Beneficial Shareholder, should follow the corresponding instructions on the form. In either case, Beneficial Shareholders should carefully follow the instructions of their intermediaries and their service companies.

Appointment of Proxies

A registered Shareholder wishing to be represented by proxy at the Meeting or any adjournment or postponement thereof must deposit his, her or its duly executed form of proxy in person, by mail or by facsimile with the Corporation’s transfer agent and registrar, Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attn: Proxy Department) prior to 11:00 a.m. (Toronto time) on the business day preceding the Meeting, being May 24, 2016, or any postponement or adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof prior to the time of voting.

The persons named in the enclosed form of proxy accompanying this Circular are officers and/or Directors of the Corporation. A Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act on behalf of such Shareholder at the Meeting and at any postponement or adjournment thereof other than the persons designated in the enclosed form of proxy. Such right may be exercised by striking out the names of the persons specified in the form of proxy and inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation's transfer agent and registrar in the manner specified above or to the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof prior to the time of voting. A proxy must be executed by the registered Shareholder or his or her attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized. It is important to ensure that any other person that is appointed is attending the Meeting and is aware that his or her appointment has been made to vote the Shares of the Shareholder. Proxyholders should, at the Meeting, present themselves to a representative of the transfer agent and registrar.

Revocation of Proxies

Proxies given by Shareholders for use at the Meeting may be revoked prior to their use:

- (a) by depositing an instrument in writing or transmitting an instrument by telephonic or electronic means executed (in writing or by electronic signature) by the Shareholder or by such Shareholder's attorney duly authorized in writing or, if the Shareholder is a corporation, under its corporate seal, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing,
 - (i) to the Corporation at the registered office of the Corporation, at any time up to and including 4:00 p.m. on the last business day preceding the day of the Meeting, being May 24, 2016, or any postponement or adjournment thereof; or
 - (ii) with the Chairman of the Meeting on the day of the Meeting, prior to the time of voting, or any postponement or adjournment thereof; or
- (b) in any other manner permitted by law.

A Non-Registered Shareholder may revoke a voting instruction form given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a voting instruction form that is not received by the Intermediary sufficiently in advance of the Meeting so that an Intermediary may act on such revocation. A Non-Registered Shareholder should contact its Intermediary to discuss what procedure to follow and the deadlines by which it needs to provide its revocation so that the Intermediaries can act on such revocation.

Exercise of Discretion by Proxies

All properly executed forms of proxy, not previously revoked, will be voted or withheld from voting on any poll taken at the Meeting in accordance with the instructions of the Shareholder contained therein. **A properly executed form of proxy containing no instructions regarding the matters to be acted upon will be voted in favour of such matters.** The form of proxy also confers discretionary authority in respect of amendments to, or variations in, all matters which may properly come before the Meeting or any postponement or adjournment thereof. At the time of the printing of this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. However, if any such amendments, variations or other matters which are not now known to management, should properly come before the Meeting, the Shares represented by the proxies hereby solicited will be voted thereon in such manner as such persons then consider proper.

VOTING OF SECURITIES

The Shares represented by proxies will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, Shares represented by properly executed proxies will be voted accordingly. **In the absence of such specification, such Shares will be voted at the Meeting as follows:**

- **FOR the approval of the Related Party Transactions Resolution as described in this Circular;**
- **FOR the approval of the Magnetar Exchange Resolution as described in this Circular;**
- **FOR the approval of the DSI Plan Reservation Resolution as described in this Circular; and**
- **FOR the approval of the Asset Management Agreement Amendment Resolution as described in this Circular.**

For more information on these matters, please see the section entitled “*Particulars of Matters to be Acted Upon at the Meeting*” in this Circular.

The persons appointed under the Form of Proxy or voting instruction form provided by a broker or intermediary have discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting or any postponement or adjustment. At the time of printing the Circular, management and the Directors are not aware of any such amendments, variations or other matters to be presented for action at the Meeting. If any other matter should properly be presented at the Meeting or any postponement or adjustment, a proxyholder will have the discretion to vote the Shares represented by such proxy in accordance with his or her best judgment.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Corporation has fixed the close of business on April 15, 2016 as the record date (the “**Record Date**”) for the purposes of determining Shareholders entitled to receive the Notice and vote at the Meeting.

The Corporation’s authorized share capital consists of an unlimited number of Shares, an unlimited number of Non-Voting Shares and an unlimited number of Class A Shares. 101,450,000 Shares were issued and outstanding as at the date of this Circular. Each Share entitles the holder thereof to one vote for each matter to be voted on at the Meeting.

The Corporation or its transfer agent will prepare a list of the Shareholders on the Record Date. Each Shareholder named in the list will be entitled to vote the Shares shown opposite his, her or its name on the list.

As of April 21, 2016, the Directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 84,300,000 Shares and 307,659,850 Non-Voting Shares, representing approximately 83% and 100% of the issued and outstanding Shares and Non-Voting Shares, respectively. Of these, 81,160,000 Shares and all of the Non-Voting Shares are owned by Mainstreet Investment Company, LLC, which is controlled by the chairman of the Corporation, Paul Ezekiel Turner, and 3,140,000 are owned or controlled by Dan Amadori, a director of the Corporation.

To the knowledge of the Directors and senior officers of the Corporation, and based upon the Corporation’s review of the records maintained by the transfer agent and insider reports filed with the System for Electronic Disclosure by Insiders, as at the Record Date, the only persons who beneficially own, directly or indirectly, or exercise control or direction over voting securities of the Corporation carrying more than 10% of the voting rights of the total issued and outstanding Shares are as follows:

Name	Number of Shares Owned	
	Class	Percentage of Class
Mainstreet Investment Company, LLC	81,160,000 Shares	80%
Mainstreet Investment Company, LLC	307,659,850 Non-Voting Shares	100%

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except in so far as they may be Shareholders and unless otherwise disclosed in this Circular, no person who has been a Director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matters to be acted upon at the Meeting.

PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

1. Related Party Transactions

Background to the Related Party Transactions

Because Mainstreet Investment Company, LLC is controlled by Paul Ezekiel Turner (a director of the Corporation), owns or controls 80% of the Shares and is affiliated with the Corporation's external asset manager, Mainstreet Investment Company, LLC and its affiliates are "related parties" of the Corporation for the purposes of applicable securities laws. Affiliates of Mainstreet Investment Company, LLC are parties to the proposed Related Party Transactions with the Corporation. In particular, an affiliate of Mainstreet Investment Company, LLC (i) is the owner of the New Properties (or, in the case of the Hearth Portfolio, has entered into the Hearth Purchase Agreement and will assign its rights thereunder under the Hearth Purchase Agreement Assignment) that are proposed to be acquired by the Corporation, (ii) is the borrower under two mezzanine loans proposed to be made by the Corporation and (iii) will be the tenant under the Topeka Development Lease. The terms of the Related Party Transactions are the result of negotiations conducted between representatives of the Corporation, on the one hand, and Mainstreet Investment Company, LLC and its affiliates, on the other hand, and their respective advisors. In particular, one of the directors of the Corporation who is independent of Mainstreet Investment Company, LLC and its affiliates instructed counsel in connection with the negotiation of the acquisition of the New Properties, including the applicable purchase agreements (other than the Hearth Purchase Agreement), and on behalf of the Corporation retained the Appraiser to provide an independent estimate of the market value of the Properties.

The Corporation is a reporting issuer under applicable securities legislation in certain of the provinces of Canada and is, among other things, subject to applicable securities laws, including MI 61-101. MI 61-101 is intended to regulate certain transactions to ensure the protection and fair treatment of securityholders by requiring enhanced disclosure, approval by a majority of securityholders (excluding interested or related parties) and, in certain cases, independent valuations. The Related Party Transactions constitute "related party transactions" under MI 61-101 because they are transactions in which the Corporation will (i) be acquiring an asset from a related party of the Corporation, (ii) providing a loan to a related party of the Corporation or (iii) lease property to a related party of the Corporation.

MI 61-101 provides that, unless an exemption is available, a reporting issuer proposing to carry out a related party transaction is required to obtain a formal valuation of the assets from a qualified independent valuator and to provide the holders of the affected securities with a summary of such valuation. Although the Related Party Transactions constitute "related party transactions", the Corporation is not required to obtain a formal valuation under MI 61-101 since the securities of the Corporation are not currently listed on certain exchanges.

As the Related Party Transactions constitute "related party transactions", MI 61-101 requires that such transactions be approved by a majority of the minority Shareholders. In determining minority approval for a related party transaction, the Corporation is required to exclude the votes attached to Shares that, to the knowledge of the Corporation or any "interested party" or their respective directors and senior officers, after reasonable inquiry, are beneficially owned or over which control or direction is exercised by "interested parties" and their "related parties" and "joint actors" (all as defined in MI 61-101). At the Meeting, the Shares held by Mainstreet Investment Company, LLC and its related parties and any joint actors will be excluded for the purposes of determining minority approval. Accordingly, Mainstreet Investment Company will not be entitled to vote its 81,160,000 Shares, representing approximately 80% of the issued and outstanding Shares as at the date of this Circular, in respect of the Related Party Transactions Resolution. Management of the Corporation and the Directors are not aware of any other Shares that will be excluded from voting in respect of the Related Party Transactions Resolution.

Given that the Related Party Transactions constitute "related party transactions", such transactions were reviewed and considered by those directors who are independent for purposes of MI 61-101.

At the Meeting, Disinterested Shareholders will be asked to consider and, if deemed advisable, to pass, with or without amendment, the Related Party Transactions Resolution approving the Related Party Transactions. A copy of the Related Party Transactions Resolution is attached hereto as Appendix B.

The Board recommends that Disinterested Shareholders vote **FOR** the Related Party Transactions Resolution approving (i) the acquisition of the New Properties (other than the Hearth Portfolio) and the Hearth Purchase Agreement Assignment, (ii) the Mezzanine Financing and (iii) the Topeka Development Lease.

Related Party Acquisitions

The New Properties

The New Properties are comprised of seven properties in Pennsylvania, three properties in New York, two properties in Indiana and one property in Kansas. For more information concerning the Properties the operators of such Properties, see “*Appendix A: Information Concerning the Corporation and MHI Holdco.*”

Scranton Portfolio

On April 21, 2016, MHI Partnership entered into an agreement to purchase the Scranton Portfolio, which is comprised of the following properties and subject to the Scranton Master Lease:

Scranton Manor Personal Care Center: 819 Jefferson Avenue, Scranton, Pennsylvania 18510: Scranton Manor Personal Care Center is a 48 suite AL facility offering long term living options and short term respite care. The four-story property was built in 1998, and underwent significant renovations in 2013. The property sits on 0.37 acres, encompasses 30,120 square feet and is located next to an area hospital. The community is 100% private pay and is licensed as a personal care facility by the State of Pennsylvania, which is similar to an AL facility in other states. The services offered by the community include emergency call response systems in every suite, private and companion suites with full bathrooms, continuously monitored fire and safety systems and local transportation to appointments.

Kingston Manor Personal Care Center: 700 Third Avenue, Kingston, Pennsylvania 18704: Kingston Manor Personal Care Center is a 48 suite AL facility located south of Scranton. The single story property was built in 1992 and underwent significant renovations in 1994 and 2013. Included in the 2013 renovations was the addition of a 24 bed secured memory care unit designed for residents with memory impairment, including those diagnosed with Alzheimer’s disease. The property sits on 2.03 acres, encompasses 21,077 square feet and is located within two miles of an area hospital. The community is 100% private pay and is licensed as a personal care facility by the State of Pennsylvania, which is similar to an AL facility in other states. The services offered by the community include emergency call response systems in every suite, private and companion suites with full bathrooms, continuously monitored fire and safety systems and local transportation to appointments.

Mid-Valley Health Care Center: 81 Sturges Road, Peckville, Pennsylvania 18452: Mid-Valley Health Care Center is a 38 licensed bed SNF, specializing in short-term rehabilitation and long-term nursing care. Located in the northern Scranton suburb of Peckville, the single story property was built in 1992 and underwent significant renovations in 2013. The property sits on 2.05 acres, encompasses 15,170 square feet and is within a ten mile radius of two area hospitals. The payor mix is comprised of Medicare, Medicaid and private pay for services offered. The facility’s skilled nursing services include, but are not limited to, 24/7 nursing care, post-surgical care, physical, speech and occupational therapy, respite care, cardiac recovery and stroke recovery. Long-term care provides 24 hour medical and support services to individuals with a chronic condition or a prolonged illness, including life enrichment activities, salon and barber services, laundry services and restaurant style meals.

Mid-Valley Manor Personal Care Center: 85 Sturges Road, Peckville, Pennsylvania 18452: Mid-Valley Manor Personal Care Center is a 45 suite AL facility located north of Scranton. The single story property was built in 1991 and underwent significant renovations in 2013 and 2014. The property sits on 3.03 acres, encompasses 19,178 square feet and is within a ten mile radius of two area hospitals. The community is 100% private pay and is licensed as a personal care facility by the State of Pennsylvania, which is similar to an AL facility in other states. The services offered by the community include emergency call response systems in every suite, private and companion suites with full bathrooms, continuously monitored fire and safety systems and local transportation to appointments.

Old Forge Manor Personal Care Center: 246 South Main Street, Old Forge, Pennsylvania 18518: Old Forge Manor Personal Care Center is a 31 suite AL facility located south of Scranton. The three-story building was built in 1990 and underwent significant renovations in 2013. The property sits on 0.34 acres, encompasses 13,665 square feet and is within eight miles of an area hospital. The community is 100% private pay and is licensed as a personal care facility by the State of Pennsylvania, which is similar to an AL facility in other states. The services offered by the community include emergency call response systems in every suite, private and companion suites with full bathrooms, continuously monitored fire and safety systems and local transportation to appointments.

Wyoming Manor Personal Care Center: 80 Wyoming Avenue, Wyoming, Pennsylvania 18644: The Wyoming Manor Personal Care Center is a 31 suite AL facility located south of Scranton. The three-story property was built in 1993 and underwent significant renovations in 2013. The property sits on 0.37 acres, encompasses 15,716 square feet and is within a six mile radius of two area hospitals. The community is 100% private pay and is licensed as a personal care facility by the State of Pennsylvania, which is similar to an AL facility in other states. The services offered by the community include emergency call response systems in every suite, private and companion suites with full bathrooms, continuously monitored fire and safety systems and local transportation to appointments.

Kingston Health Care Center: 702 Third Avenue, Kingston, Pennsylvania 18704: Kingston Health Care Center is a 65 bed licensed SNF, specializing in short-term rehabilitation and long-term nursing care. Located south of Scranton, the single story property was built in 1992 and underwent significant renovations in 2013. The property sits on 2.33 acres, encompasses 22,970 square feet and is located within two miles of an area hospital. The payor mix is comprised of Medicare, Medicaid and private pay for services offered. The facility's skilled nursing services offered include, but are not limited to, 24/7 nursing care, post-surgical care, physical, speech and occupational therapy, respite care, cardiac recovery and stroke recovery. Long-term care provides 24-hour medical and support services to individuals with a chronic condition or a prolonged illness, including life enrichment activities, salon and barber services, laundry services, and restaurant style meals.

See "Appendix F - Audited Annual Financial Statements for the Scranton Portfolio for the year ended December 31, 2015 and the period from July 1, 2014 to December 31, 2014" for the financial information concerning the Scranton Portfolio.

Hearth Portfolio

On March 31, 2016, Mainstreet LLC entered into an agreement to purchase the Hearth Portfolio, which will be assigned to the Corporation or its affiliate on closing of the Offering pursuant to the Hearth Purchase Agreement Assignment, which is comprised of the following properties:

The Hearth on James: 830 James Street, Syracuse, New York 13203: The Hearth on James is a 71 suite independent living and assisted living community built in 2000 and renovated in 2007. The two-story property sits on a 2.11 acre parcel, encompasses 49,715 square feet and offers both studio and one-bedroom apartments. The community is 100% private pay and offers a complete range of seniors living options from IL to AL private apartments. Services offered to residents include 24/7 on-site care staff, weekly housekeeping service, three full meals a day, personal care assistance, on-site recreational amenities, and an on-site, full-service therapy company that offers residents personalized wellness programs.

The Hearth at Greenpoint: 150 Old Liverpool Road, Liverpool, New York 13088: The Hearth at Greenpoint is a 186 suite independent living and assisted living community located next to Keepsake Village at Greenpoint. Built in two phases between 1991 and 1994, the community is comprised of two buildings that vary in height between two and four stories. The two buildings sit on a 7.68 acre parcel and encompass 180,952 square feet. The community offers studio apartments, one-bedroom apartments and two-bedroom apartments. The community is 100% private pay and offers a complete range of seniors living options from IL to AL private apartments. Services offered to residents include 24/7 on-site care staff, weekly housekeeping service, three full meals a day, personal care assistance, recreational amenities, and an on-site, full-service therapy company that offers residents personalized wellness programs.

Keepsake Village at Greenpoint: 138 Old Liverpool Road, Liverpool, New York 13088: Keepsake Village at Greenpoint is a 48 suite memory care community located next to The Hearth at Greenpoint. Built in 1998, the two-story building sits on 4.35 acres and totals 31,000 square feet. The community is 100% private pay and offers studio apartments. Amenities include state-of-the-art emergency and wander-control systems, 24/7 on-site care staff, and daily activities designed specifically for residents requiring memory related care.

Chesterton Property

On April 21, 2016, MHI Partnership entered into an agreement to purchase the following property:

The Symphony of Chesterton, 2775 Village Point, Chesterton, Indiana 46304: The Symphony of Chesterton is a post-acute transitional rehab center with 70 licensed beds designated as skilled nursing for shorter-term stay patients and 36 suites designated as assisted living for those patients requiring a longer term rehabilitation stay. Constructed in 2015, the single story, state-of-the-art property sits on 8.51 acres and totals 76,701 square feet. The property provides 24/7 nursing care as well as rehabilitation services including physical, occupational & speech therapy, pulmonary rehabilitation, and post-surgical recovery. The community also features resort type amenities for guests, including a movie theater, private dining rooms and spacious social and recreational areas for multiple planned activities.

Mooreville Property

On April 21, 2016, MHI Partnership entered into an agreement to purchase the following property:

The Springs of Mooreville, 302 North Johnson Road, Mooreville, Indiana 46158: The Springs of Mooreville is a post-acute transitional rehab center with 70 licensed beds designated as skilled nursing for shorter-term stay patients. Constructed in 2015, the single story, state-of-the-art property sits on 6.67 acres and totals 48,187 square feet. The property provides 24/7 nursing care as well as rehabilitation services including physical, occupational & speech therapy, cardiac recovery, and post-surgical recovery. The community also features resort type amenities for guests, including a full service salon and spa, private dining rooms and spacious social and recreational areas for multiple planned activities.

Topeka Property

On April 21, 2016, MHI Partnership entered into an agreement to purchase the following project that is currently under development:

The Healthcare Resort of Topeka, 6300 SW 6th Avenue, Topeka, Kansas 66615: The Healthcare Resort of Topeka will be a post-acute transitional rehab center with 70 licensed beds designated as skilled nursing for shorter-term stay patients and 24 suites designated as assisted living for those patients requiring a longer term rehabilitation stay. Targeted for completion in the third quarter of 2016, the two-story, state-of-the-art property sits on 10.16 acres and will total 69,935 square feet. The property is being developed by Mainstreet LLC, an affiliate of the Corporation's manager. The community will provide 24/7 nursing care as well as rehabilitation services including physical, occupational & speech therapy, stroke and cardiac rehabilitation, and out-patient therapy services. The community will also feature resort type amenities for guests, including a full service salon and spa, fully equipped gym and spacious social and recreational areas for multiple planned activities.

Descriptions of the Related Party Acquisitions Agreements

Scranton Purchase Agreement

Scranton-7 Holdings, LLC, as seller, together with seven Indiana limited liability companies, collectively as vendors, and MHI Partnership, as purchaser, entered into the Scranton Purchase Agreement, pursuant to which the purchaser has agreed to purchase the Scranton Portfolio subject to a third party, triple net operating master lease in favour of Saber Healthcare Holdings, LLC, which will remain in place after closing of the acquisition.

The purchase and sale contemplated by the Scranton Purchase Agreement will be effected as follows: (i) the purchaser will form seven new Delaware limited partnerships and will assign its rights under the Scranton Purchase Agreement with respect to each property to the new limited partnerships; and (ii) the seller will cause the vendors to convey each property to the corresponding new limited partnership.

The purchase price for the Scranton Portfolio is \$29,091,000, excluding transaction costs, subject to typical adjustments provided for in the Scranton Purchase Agreement.

The Scranton Purchase Agreement contains representations and warranties that are standard for the type of facilities being purchased and having leases of the nature of the operating leases, including representations related to the

seller's organization and authority, financial statements, land and improvements, licenses, the status of the operating leases, compliance with law, insurance, zoning, labour matters and hazardous materials.

The Scranton Purchase Agreement also contains conditions to closing which are typical for this type of transaction, including: conditions for assuming existing financing or obtaining new financing; satisfactory survey and title; confirmation that healthcare licenses are in order and that the transfer of the Scranton Portfolio is approved by the applicable healthcare regulatory authorities; investment committee/board approval; TSXV and Shareholder approval; insurance in place; and closing of the Offering.

The Scranton Portfolio is currently encumbered by loans. Pursuant to the Scranton Purchase Agreement, the purchaser may elect to assume all or any of the existing financing in its sole discretion. If the purchaser so elects, the outstanding principal balance and any accrued interest thereon will be credited, in full, against the purchase price at closing of the acquisition of the Symphony Portfolio.

In addition to the purchase price, if the conditions set forth below are met, the purchaser shall be obligated to make an earn-out payment to the seller, within sixty days following the first anniversary of the closing of the acquisition and within sixty days following the second anniversary of the closing of the acquisition, upon the financial performance improvement of the Scranton Portfolio, such that (i) EBITDAR Lease Coverage Ratio (as defined in the master lease) is greater than 1.35 to 1.00 for two or more consecutive calendar quarters during the immediately preceding twelve month period, and (ii) as a result, Base Rent (as defined under the master lease), is increased by \$50,000 or more. Upon each earn-out date, if the above earn-out hurdles are met (as determined based on the records agreed upon by the tenant and landlord under the master lease), the seller will be paid by the purchaser an earn-out payment equal to (i) the new Base Rent (as defined under the master lease) that goes into effect as of the applicable earn-out date, pursuant to the terms set forth in the master lease, minus Base Rent (as defined in the master lease), in effect immediately prior to such earn-out date (ii) divided by, an amount equal to the Base Rent (as defined in the master lease) divided by the purchase price, for the year immediately preceding the earn-out date.

In the Scranton Purchase Agreement, the seller has agreed to indemnify, defend and hold the purchaser and the new limited partnerships free and harmless for, from and against all losses suffered or incurred by the purchaser or the new limited partnerships, as a result of or in connection with any of the following: (i) any real estate taxes, federal, state or local income sales or other taxes of any kind whatsoever attributable to any period prior to the closing date; (ii) any damages to persons or property occurring on any of the properties in the Scranton Portfolio prior to the closing date or arising solely out of any events that occur on such properties prior to the closing date including, without limitation, injuries to or death of any residents and any claims arising out of any event that results in a violation of environmental laws; (iii) any claims made by parties with respect to contracts entered into by the seller or the vendors prior to the closing date and which are known by the seller or the vendors and not disclosed to the purchaser; (iv) any violations by the vendors or the properties, prior to the closing date, of laws, codes, rules or regulations; and (v) any breaches of seller's representations and warranties in the Scranton Purchase Agreement. The indemnities survive closing for 18 months and are subject to a typical "basket" of \$100,000 before any claims can be made by the purchaser. The seller's liability under the indemnity provision is subject to a cap of 7% of the purchase price (or \$2,036,370).

Hearth Purchase Agreement

The Hearth at Greenpoint, Inc., The Hearth on James, LLC and Greenpoint Special Needs, Inc., collectively as sellers, and Mainstreet LLC, as purchaser, entered into the Hearth Purchase Agreement pursuant to which the purchaser has agreed to purchase the Hearth Portfolio, which will be subject to a separate operating lease agreement for each of the three facilities in the Hearth Portfolio.

The purchase price for the Hearth Portfolio is \$50,863,000, excluding transaction costs, less a deposit of \$1,000,000 and less the then outstanding principal balance and accrued but unpaid interest, if any, on the existing financing for the Hearth Portfolio, as of the closing date of the acquisition, and subject to the adjustments and prorations provided for in the Hearth Purchase Agreement.

The Hearth Purchase Agreement contains a financing contingency such that it is a condition to closing that the purchaser shall have been able to arrange with the existing lenders for each facility in the Hearth Portfolio an agreement to allow the purchaser (or its permitted assignee) to assume the existing financing for each facility, at closing of the acquisition, on its present terms or terms otherwise satisfactory to the purchaser, and that no default exist under the terms of any existing financing. Under the Hearth Purchase Agreement, the purchaser is responsible

for the payment of all costs, fees and expenses associated with the assumption of any of the existing financing, irrespective of whether such request is approved by the applicable existing lender, and the sellers have covenanted to cooperate fully with the purchaser, at no cost to sellers, in the purchaser's efforts to assume the existing financing. If the purchaser is unable, on or before the Finance Contingency Date, with respect to each facility, to reach an agreement with the existing lender to allow the purchaser (or its permitted assignee) to assume the existing financing at closing of the acquisition, on its present terms or terms otherwise satisfactory to the purchaser, then the purchaser, by written notice to the sellers, no later than the Finance Contingency Date, may elect to terminate the Hearth Purchase Agreement and the entire deposit shall be refunded to the purchaser. If the purchaser does not elect to terminate the Hearth Purchase Agreement on or prior to the Finance Contingency Date, the condition to closing shall be deemed satisfied and waived by the purchaser and the deposit shall be non-refundable.

The Hearth Purchase Agreement also includes an agreement by the parties to enter into the Development Option Agreement, the form of which will be agreed upon by the parties during the 45 day due diligence period ending May 16, 2016. The Development Option Agreement will permit the purchaser to have the first opportunity to provide mezzanine financing for any seniors housing development that the sellers undertake, up to a maximum of six facilities. If the purchaser elects to provide the mezzanine financing, the purchaser will also have a purchase option with respect to the development facility. If the parties have not reached an agreement on the form of the Development Option Agreement by the date which is two business days prior to May 16, 2016, the sellers shall be obligated to provide the purchaser with the most recent form of the Development Option Agreement which is acceptable to sellers. If the form is not acceptable to the purchaser, the purchaser may terminate the Hearth Purchase Agreement and receive a full refund of the deposit. If either (i) the sellers and the purchaser reach an agreement on the form of the Development Option Agreement, or (ii) the sellers and the purchaser fail to reach an agreement but the purchaser does not elect to terminate and determines that the form of the Development Option Agreement that the sellers deliver is acceptable, then the Development Option Agreement shall be executed and delivered as a condition to closing.

The Hearth Purchase Agreement provides for the sellers (which are affiliates of Hearth Management L.L.C.), to enter into a triple net operating lease at closing with respect to each facility. Each of the tenants under those net operating leases will, in turn, enter into a sublease or a management agreement with Hearth Management L.L.C. to manage and operate each of the facilities.

The Hearth Purchase Agreement contains representations and warranties that are standard for the type of facilities being purchased, including representations related to the sellers' organization and authority, financial statements, land and improvements, licenses, compliance with law, insurance, zoning, labour matters and hazardous materials.

The Hearth Purchase Agreement also contains conditions to closing which are typical for this type of transaction including: conditions for assuming existing financing or obtaining new financing; satisfactory survey and title; confirmation that healthcare licenses are in order and that the transfer of the Hearth Portfolio is approved by the applicable healthcare regulatory authorities; investment committee/board approval; and execution and delivery of the Development Option Agreement.

Under the Hearth Purchase Agreement, each seller, severally and not jointly and severally, but in each case on a joint and several basis with the purchase agreement guarantor, has agreed to indemnify, defend and hold the purchaser harmless from and against all losses relating to or resulting from any of the following: (i) any breach of the sellers' representations and warranties in the Hearth Purchase Agreement; (ii) any obligation, indebtedness or liability of each seller including, but not limited to, claims by any state and federal agencies or third party contract parties for payments; and (iii) breach of any bulk sales act. The indemnities survive closing for 18 months and are subject to a typical "basket" of \$50,000 before any claims can be made by the purchaser. The aggregate liability of the sellers and the guarantor under the indemnity provision is subject to a cap of \$1,780,205.

Chesterton Purchase Agreement

MS Chesterton, LLC, as seller, and MHI Partnership, as purchaser, entered into the Chesterton Purchase Agreement pursuant to which the purchaser agreed to purchase the Chesterton Property subject to a third party, triple net operating lease in favor of Claremont of Indiana ML, LLC, which will remain in place after closing of the acquisition.

The purchase price for the Chesterton Property is \$23,936,161, excluding transaction costs, subject to typical prorations and adjustments provided for in the Chesterton Purchase Agreement.

The Chesterton Purchase Agreement contains representations and warranties which are standard for the type of facility being purchased, including representations related to the seller's organization and authority, financial statements, land and improvements, licenses, compliance with law, insurance, zoning, labour matters and hazardous materials.

The Chesterton Purchase Agreement also contains conditions to the closing of the acquisition that are typical for this type of transaction, including: conditions for assuming existing financing or obtaining new financing; satisfactory survey and title; confirmation that healthcare licenses are in order and that the transfer of the Chesterton Property is approved by the applicable healthcare regulatory authorities; investment committee/board approval; TSXV and Shareholder approval; insurance in place; and closing of the Offering.

The Chesterton Property is currently encumbered by the Chesterton Debt. Pursuant to the Chesterton Purchase Agreement, the purchaser may elect to assume all or any of the Chesterton Debt in its sole discretion. If the purchaser elects to assume any of the Chesterton Debt, the purchaser shall notify the seller of such election on or before the date that is 45 days following the date of the Chesterton Purchase Agreement. If the purchaser so elects, the outstanding principal balance and any accrued interest thereon will be credited, in full, against the purchase price at the closing of the acquisition.

In the Chesterton Purchase Agreement, the seller has agreed to indemnify, defend and hold the purchaser free and harmless for, from and against all losses suffered or incurred by the purchaser, as a result of or in connection with any of the following: (i) any real estate taxes, federal, state or local income sales or other taxes of any kind whatsoever attributable to any period prior to the closing date; (ii) any damages to persons or property occurring on the Chesterton Property prior to the closing date or arising solely out of any events that occur on the Chesterton Property prior to the closing date including, without limitation, injuries to or death of any residents and any claims arising out of any event that results in a violation of environmental laws; (iii) any claims made by parties with respect to contracts entered into by the seller prior to the closing date and which are known by the seller and not disclosed to the purchaser; (iv) any violations by the seller or the Chesterton Property, prior to the closing date, of any laws, codes, rules or regulations; and (v) any breaches of the seller's representations and warranties in the Chesterton Purchase Agreement. The indemnities survive closing of the acquisition for 18 months and are subject to a typical "basket" of \$100,000 before any claims can be made by the purchaser. The seller's liability under the indemnity provision is subject to a cap of 7% of the purchase price (or \$1,675,531.27).

Mooreville Purchase Agreement

MS Mooreville, LLC, as seller, and MHI Partnership, as purchaser, entered into the Mooreville Purchase Agreement pursuant to which the purchaser has agreed to purchase the Mooreville Property subject to a third party, triple net operating lease in favor of RHS Partners of Mooreville, LLC, which will remain in place after closing of the acquisition.

The purchase price for the Mooreville Property is \$15,776,595, excluding transaction costs, subject to typical prorations and adjustments provided for in the Mooreville Purchase Agreement.

The Mooreville Purchase Agreement contains representations and warranties that are standard for the type of facility being purchased, including representations related to the seller's organization and authority, financial statements, land and improvements, licenses, compliance with law, insurance, zoning, labour matters and hazardous materials.

The Mooreville Purchase Agreement also contains conditions to the closing of the acquisition that are typical for this type of transaction including: conditions for assuming existing financing or obtaining new financing; satisfactory survey and title; confirmation that healthcare licenses are in order and that the transfer of the Mooreville Property is approved by the applicable regulatory authorities; investment committee/board approval; TSXV and Shareholder approval; insurance in place; and closing of the Offering.

The Mooreville Property is currently encumbered by the Mooreville Debt. Pursuant to the Mooreville Purchase Agreement, the purchaser may elect to assume all or any of the Mooreville Debt in its sole discretion. If the purchaser elects to assume any of the Mooreville Debt, the purchaser shall notify the seller of such election on or before the date that is 45 days following the date of the Mooreville Purchase Agreement. If the purchaser so elects, the outstanding principal balance and any accrued interest thereon will be credited, in full, against the purchase price at closing of the acquisition.

In the Mooresville Purchase Agreement, the seller agrees to indemnify, defend and hold the purchaser free and harmless for, from and against all losses suffered or incurred by the purchaser, as a result of or in connection with any of the following: (i) any real estate taxes, federal, state or local income sales or other taxes of any kind whatsoever attributable to any period prior to the closing date; (ii) any damages to persons or property occurring on the Mooresville Property prior to the closing date or arising solely out of any events that occur on the Mooresville Property prior to the closing date including, without limitation, injuries to or death of any residents and any claims arising out of any event that results in a violation of environmental laws; (iii) any claims made by parties with respect to contracts entered into by the seller prior to the closing date and which are known by the seller and not disclosed to the purchaser; (iv) any violations by the seller or the Mooresville Property, prior to the closing date, of any laws, codes, rules or regulations; and (v) any breaches of the seller's representations and warranties in the Mooresville Purchase Agreement. The indemnities survive the closing of the acquisition for 18 months and are subject to a typical "basket" of \$100,000 before any claims can be made by the purchaser. The seller's liability under the indemnity provision is subject to a cap of 7% of the purchase price (or \$1,104,361.65).

Topeka Purchase Agreement

MS Topeka, LLC, as seller, and MHI Partnership, as purchaser, entered into the Topeka Purchase Agreement pursuant to which the purchaser agreed to purchase the Topeka Property subject to a third party, triple net operating lease in favour of Top City Healthcare, Inc., a subsidiary of Ensign, which will remain in place after Closing.

The purchase price for the Topeka Property is \$20,108,699, excluding transaction costs, subject to typical prorations and adjustments provided for in the Topeka Purchase Agreement.

The Topeka Purchase Agreement contains representations and warranties that are standard for the type of facility being purchased, including representations related to the seller's organization and authority, financial statements, land and improvements, licenses, compliance with law, insurance, zoning, labour matters and hazardous materials.

The Topeka Purchase Agreement also contains conditions to closing of the acquisition that are typical for this type of transaction including: conditions for assuming existing financing or obtaining new financing; satisfactory survey and title; confirmation that healthcare licenses are in order and that the transfer of the Topeka Property is approved by the applicable healthcare regulatory authorities; investment committee/board approval; TSXV and Shareholder approval; insurance in place; and closing of the Offering.

The Topeka Property is currently encumbered by a loan. Pursuant to the Topeka Purchase Agreement, the purchaser may elect to assume all or any of the existing financing in its sole discretion. If the purchaser elects to assume any of the existing financing, the purchaser shall notify the seller of such election on or before the date that is 45 days following the date of the Topeka Purchase Agreement. If the purchaser so elects, the outstanding principal balance and any accrued interest thereon will be credited, in full, against the purchase price at the closing of the acquisition.

In the Topeka Purchase Agreement, the seller agrees to indemnify, defend and hold the purchaser free and harmless for, from and against all losses suffered or incurred by the purchaser, as a result of or in connection with any of the following: (i) any real estate taxes, federal, state or local income sales or other taxes of any kind whatsoever attributable to any period prior to the closing date; (ii) any damages to persons or property occurring on the Topeka Property prior to the closing date or arising solely out of any events that occur on the Topeka Property prior to the closing date including, without limitation, injuries to or death of any residents and any claims arising out of any event that results in a violation of environmental laws; (iii) any claims made by parties with respect to contracts entered into by the seller prior to the closing date that are known by the seller and not disclosed to the purchaser; (iv) any violations by the seller or the Topeka Property, prior to the closing date, of any laws, codes, rules or regulations; and (v) any breaches of the seller's representations and warranties in the Topeka Purchase Agreement. The indemnities survive the closing of the acquisition for 18 months and are subject to a typical "basket" of \$100,000 before any claims can be made by the purchaser. The seller's liability under the indemnity provision is subject to a cap of 7% of the purchase price (or \$1,443,750.00).

As a condition to the Topeka Purchase Agreement, the seller is required to cause Mainstreet LLC to enter into the Topeka Development Lease. See "*Related Party Transactions – Topeka Development Lease*" for a description of the Topeka Development Lease.

Additional Leases

The Additional Leases contain covenants that are standard for the type of facilities being leased, including, but not limited to, covenants related to each Additional Tenant's maintenance and repair obligations, alterations and expansion, compliance with laws, capital expenditures and maintenance of rent coverage ratios.

Each Additional Lease contains customary events of default, including, but not limited to: (i) the applicable Additional Tenant's failure to pay rent or other amounts which, for each Additional Lease other than the Mooresville Lease, is not remedied within five business days after such payment is due; (ii) the applicable Additional Tenant's failure to comply with any material term or provision of the applicable Additional Lease and such failure continues for a period of 30 days after written notice by the Corporation; and (iii) the filing by the applicable Additional Tenant of a petition for bankruptcy.

Upon the occurrence of any event of default under the Indiana Leases or the Scranton Master Lease, the landlord for such leases may, among other remedies, (i) terminate the applicable Additional Lease; (ii) sue for specific performance for any covenant of the applicable Additional Tenant under the applicable Additional Lease; (iii) sue for rent or other monetary damages as the same come due; or (iv) assign the applicable Additional Lease from the applicable Additional Tenant to a third party selected by the landlord. If an event of default occurs under the Topeka Primary Lease, the landlord for such lease may, among other remedies, (i) terminate the Topeka Primary Lease; (ii) take possession of the leased property and remove the tenant with or without having terminated the Topeka Primary Lease; (iii) alter locks and other security devices at the leased property; or (iv) terminate any and all agreements or arrangements for possession entered into by tenant with the landlord or with any third party. Remedies for events of default under the Hearth Leases are similar to those for the Symphony Master Lease.

Except as otherwise set out in the Additional Leases, each Additional Lease will be absolute net and carefree to the Corporation and the Corporation will not be responsible for any costs relating to the Scranton Portfolio, Hearth Portfolio, the Chesterton Property, the Mooresville Property or the Topeka Property, each as applicable.

Assessment and Valuation of the Properties

Assessment and Independent Valuation

The Corporation retained the Appraiser to provide an independent estimate of the market value of the Properties. The Appraiser was not given any restrictions. The Appraiser prepared Property Appraisals in respect of each of the Properties, as well as a Master Appraisal, which provides an independent estimate of the market value of the Properties as a portfolio and includes a portfolio premium.

The Appraisals were prepared in conformity with:

- USPAP;
- The requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and
- The Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

USPAP defines market value as "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus". According to the Appraisal Institute, implicit in this definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their own best interests; (iii) a reasonable time is allowed for exposure of each individual property in the open market; (iv) payment is made in terms of cash in U.S. dollars or on terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

In the Master Appraisal, the Appraiser estimated the “as is” market value of the New Properties, including the leased fee interest in the real property (including a portfolio premium for all of the Properties of 3%), as of March 31, 2016, to be as follows:

Property Name	City	State	Leased Fee Value With Portfolio Premium ⁽¹⁾
The Health Resort of Topeka	Topeka	KS	\$21,287,328
Hearth on James	Syracuse	NY	6,811,533
Hearth at Greenpoint	Liverpool	NY	32,662,197
Keepsake Village at Greenpoint	Liverpool	NY	10,910,399
Mid-Valley Health Care Center	Peckville	PA	8,990,729
Kingston Health Care Center	Kingston	PA	12,780,636
Kingston Manor	Kingston	PA	2,265,705
Old Forge Manor	Old Forge	PA	257,466
Mid Valley Manor	Peckville	PA	2,358,393
Wyoming Manor	Wyoming	PA	1,297,631
Scranton Manor	Scranton	PA	906,282
Symphony of Chesterton	Chesterton	IN	25,118,429
The Springs of Mooresville	Mooresville	IN	16,282,180
Total			\$141,928,908

(1) Each of the leased fee values is 3% greater than the leased fee values in the Property Appraisals for the applicable property.

The estimated market value of the leased fee interests of the Properties was determined by the Appraiser using the income valuation approach, which utilized the direct income capitalization approach (overall capitalization rate method) with consideration to the discounted cash flow method. These valuation methods are methods traditionally used by investors when acquiring properties of this nature. The Appraiser gave appropriate consideration to a forecast of income for each of the Properties in terms of occupancy, payor mix (private-pay, Medicare, Medicaid – Public Aid, etc.), market and government reimbursement levels, based on historical and current levels at the properties, with consideration to competitive properties (existing and proposed) in each market area. Operating expense forecasts were based on actual levels at the Properties and paired with comparisons to the operating expenses of comparable nursing facilities; the expense forecast included market levels of management expense and capital replacement reserves. The Appraiser visited each of the Properties to assess location and physical characteristics and estimated the highest and best use for each Property. Appropriate valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information.

In determining the approximate market value of the Properties, the Appraiser relied on operating and financial data provided by or on behalf of the Corporation, including detailed occupancy reports and posted rates with respect to vacant beds/suites, which also included data on current and historic financial information from financial statements provided by or on behalf of the Corporation. The Appraiser believes that its appraisal gives appropriate consideration to projected net operating income for each of the Properties in terms of occupancy, private-pay rates and government reimbursements, operating expenses, ground lease obligations (where applicable) and provisions for required capital improvements. Specifically, for each Property, the Appraiser discussed with management the Property’s history, current tenant status and future prospects, reviewed historical operating results and reviewed in detail management revenue and expense estimates as set forth in the operating budgets and historical statements for their reasonableness. In addition, the Appraiser toured the respective Properties within six months of the effective date of the Property Appraisal. Based on its review, and other relevant facts, the Appraiser considered such data to be reasonable and supportable.

In appraising the Properties, the Appraiser assumed that title to the Properties is good and marketable and did not take into account engineering, environmental, zoning, planning or related issues.

Caution should be exercised in the evaluation and use of the Appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisals are based on various assumptions of future expectations and while each of the Appraiser's forecasts for the Properties is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

A publicly traded real estate corporation will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Properties may trade at a premium or a discount to values implied by the Appraisals.

Environmental Site Assessments

Each of the Properties has been the subject of a Phase I ESA Report conducted by independent and experienced environmental consultants. With the exception of the Phase I ESA Report in respect of the Topeka Property, the Phase I ESA Reports were issued between August 2015 and April 2016. A Phase I ESA Report in respect of the Topeka Property (which is still under development) was issued in December 2014. A Phase I ESA Report for the Topeka Property has been commissioned and is expected to be issued by the first week of May 2016. The Phase I ESA Reports were prepared in general accordance with ASTM Practice E1527-13 for Environmental Site Assessments: Phase I Environmental Site Assessment Process. The purpose of the Phase I ESA Reports was to identify any RECs at the Properties, which means the presence or likely presence of any hazardous substances or petroleum products on any of the Properties under conditions that indicate an existing release, a past release, or a material threat of a future release of any hazardous substances or petroleum products into structures on any property or into the ground, groundwater or surface water of any of the Properties.

Based on the Phase I ESA Reports, the independent environmental consultants recommended that a Phase II assessment be conducted on four of the Properties. Under the Phase II assessments, only one of the Properties required further action due to elevated levels of petroleum compounds that were found in a limited area at this property. As recommended by the consultant, a cap of two feet of clean soil was placed over this area in September 2015.

It is the Corporation's intention to obtain a Phase I ESA Report conducted by an independent and experienced environmental consultant prior to acquiring a property. If the Phase I ESA Report recommends a Phase II environmental assessment be conducted, the Corporation conducts a Phase II environmental assessment, in each case by an independent and experienced environmental consultant.

Property Condition Assessments

PCA Reports were prepared for 21 of the Properties for the purpose of assessing and documenting the existing condition of each building and major building operating components and systems forming part of the Properties, and to identify and quantify major defects in materials or systems that might significantly affect the value of any of the Properties or continued operation thereof. PCA Reports were not prepared for three of the properties that were either built in 2015 or are still under development. Of these three properties, two are located in the state of Indiana and received certificates of occupancy during the fourth quarter of 2015 and authorization from the Indiana State Department of Health to admit residents to the property effective during the first quarter of 2016. The remaining property, the Topeka Property, is still under development and has received appropriate zoning designations.

The PCA Reports in respect of the Properties range in date from April 2015 to April 2016. Each of the PCA Reports assessed both work required to be completed in the short term (within one year of the audit) and medium and long term repairs (between one to 12 years of the audit). Based on the PCA Reports, each of the Properties appears to be well maintained, with approximately \$0.4 million of repairs necessary over the short term. Based upon recommendations from the PCA Reports, the Corporation estimates medium and long term capital improvements in the amount of approximately \$11.6 million will be required for the Properties over the next 12 years. As the Properties are leased by tenant operators under triple-net leases, the tenant operator will be required to pay for these improvements.

Under the Symphony Master Lease, the Corporation has agreed to fund up to \$11.5 million over a three year period. The funds are to be used for capital improvement projects such as additions or major renovations that improve the quality of the property, census and revenue. The Funds will not be utilized for maintenance capital expenditures. The Corporation has approved a project with projected costs of \$3.1 million, of which \$675,849 has been funded as

of March 31, 2016. To offset the costs of such capital improvements, Symphony has agreed to increase its rent payments to ensure that the Corporation earns the same rate of return under the Symphony Master Lease as it was earning prior to funding the capital improvements.

The Corporation, in its capacity as the landlord of the Properties and as part of its annual asset review program, will monitor the level of repairs and maintenance and capital expenditures undertaken by the respective tenant operator to ensure that the Properties are maintained in appropriate condition.

Mezzanine Financing

On April 21, 2016, the Corporation entered into two commitment letters with Mainstreet LLC pursuant to which the Corporation agreed to provide the Mezzanine Financing to Mainstreet LLC or its affiliate in the amounts of \$2.55 million and \$2.52 million to fund certain costs in connection with the development of two Mainstreet NextGen® transitional care properties located in Houston, Texas. Both projects are expected to be 70 bed skilled nursing licensed with a focus on short term transitional care.

The Mezzanine Financing for each facility will bear interest at a rate of 10.5% per annum, which will be payable in cash, in arrears monthly. In addition, additional interest, which may, at the option of Mainstreet LLC or its affiliate, be paid in cash or capitalized, will accrue on the principal balance of the Mezzanine Financing for each facility at the rate of (i) 4% per annum if such Mezzanine Financing is not secured by a mortgage on the facility; and (ii) 3% per annum if such Mezzanine Financing is secured by a mortgage on the facility, which interest will, if capitalized, be payable in cash in connection with any prepayment or repayment of the outstanding principal balance of the applicable Mezzanine Financing, whether at maturity or otherwise. The Mezzanine Financing has a term of 48 months.

Mainstreet LLC will provide a guaranty in respect of the Mezzanine Financing for each facility. In addition, the Mezzanine Financing for each facility will be secured by a pledge of 100% of Mainstreet LLC's equity ownership interest in the owner of the applicable facility. Mainstreet LLC or its affiliate has also covenanted to use reasonable commercial efforts to secure the Mezzanine Financing for each facility by way of a mortgage in favour of the Corporation registered on the title of the applicable facility.

The Corporation's obligation to provide the Mezzanine Financing for each of the facilities is subject to a number of closing conditions, including, but not limited to the following:

- no material adverse change will have occurred in the financial condition of Mainstreet LLC or its affiliate, the applicable facility or the tenant;
- there will be no material breach under the operating lease in respect of the applicable facility;
- the Corporation will have received the entitlements, plans and specifications in respect of the applicable facility, and a guaranteed maximum price or stipulated sum construction contract for the development of the applicable facility;
- the parties will have received all necessary approvals, including any licensing and regulatory approvals; and
- Shareholder approval of the Mezzanine Financing at the Meeting.

Pursuant to the commitment letters, the parties agreed that each facility is a Suitable Development Property under the terms of the US Development Agreement and that the Mezzanine Financing in respect of each facility will constitute a "Mezzanine Loan" for purposes of the US Development Agreement. As such, the Corporation will have the right to purchase both facilities at fair market value pursuant to the terms of the US Development Agreement. See "*Appendix A: Information Concerning the Corporation and MHI Holdco – Arrangements with Mainstreet – Development Agreements*".

Topeka Development Lease

MS Topeka has agreed to enter into the Topeka Development Lease, pursuant to which it commits to complete construction of the Topeka Property as required by the terms of the Topeka Primary Lease and pursuant to which it will make monthly payments to the Topeka Landlord in the amount of approximately \$134,058 during the term of the Topeka Development Lease. As a result of the proposed Topeka Development Lease, until the Topeka Primary Lease commences or, if Top City Healthcare, a subsidiary of Ensign, has not yet taken possession of the Topeka Property, until Top City Healthcare has taken possession of the Topeka Property (but no later than the date that Top City Healthcare commences paying rent under the Topeka Primary Lease), MS Topeka has effectively guaranteed that the Corporation will achieve a total AFFO from the Topeka Property as if the Topeka Property was occupied and lease payments were being paid by Top City Healthcare. It is expected that Top City Healthcare will commence making lease payments under the Topeka Primary Lease on or before August 1, 2016. Assuming Top City Healthcare commences making lease payments under the Topeka Primary Lease on such date, the total amount of rent to be paid by MS Topeka under the Topeka Development Lease would be approximately \$268,116. MAMI has agreed to guarantee MS Topeka's obligations under the Topeka Development Lease. Following 45 days of non-payment by MS Topeka and MAMI under the Topeka Development Lease, the Topeka Landlord is entitled to set off any amounts payable to MAMI under the Asset Management Agreement against any amounts payable to the Topeka Landlord under the Topeka Development Lease. See "*Related Party Transactions – Related Party Acquisitions – The New Properties— Topeka Property*".

Approval of the Related Party Transactions

After considering a number of factors, the Independent Directors approved the Related Party Transactions on April 20, 2016.

Based upon, among other things, discussions with management of the Corporation, consideration of various information in respect of the New Properties provided by management, consideration of the conclusions of the Appraiser who was retained on behalf of the Corporation by a director independent of Mainstreet, its own review and consideration of the Related Party Transactions (including the purchase price consideration for the New Properties) and related agreements, consideration of the due diligence conducted in connection with such transactions, including due diligence performed by counsel who was instructed by a director independent of Mainstreet, and the review and input in such transactions by the co-lead underwriters involved in the Offering, the Independent Directors have unanimously resolved that the Related Party Transactions are on commercially reasonable terms and in the best interests of the Corporation, and have unanimously approved the Related Party Transactions. The Independent Directors of the Board unanimously recommend that Shareholders vote in favour of the Related Party Transactions Resolution set out in Appendix B hereto. The recommendations and considerations of the Independent Directors of the Board are based upon the following factors, among others:

- the Related Party Transactions are consistent with the long-term strategy of the Corporation;
- the Related Party Transactions expand the Corporation's asset base and property portfolio;
- the Related Party Transactions improve the quality of the Corporation's property portfolio;
- the purchase price to be paid by the Corporation for the New Properties is consistent with the appraised market value of the New Properties;
- the negotiation of the acquisition of the New Properties on behalf of the Corporation by a director who was independent of Mainstreet and representation by counsel;
- Shareholders holding approximately 45% of the outstanding Shares have entered into Voting and Support Agreements and have agreed to vote their Shares in favour of the Related Party Acquisitions and the Magnetar Exchange; and
- the requirement under Section 5.6 of MI 61-101 to obtain approval of the Related Party Acquisitions from a majority of the votes cast by the Disinterested Shareholders, voting together, in person or by proxy at the Meeting.

The foregoing discussion of the information and factors considered by the Independent Directors is not, and is not intended to be, exhaustive.

Voting and Support Agreements

Shareholders holding approximately 45% of the outstanding Shares (excluding Mainstreet and without giving effect to the closing of the Offering or the Magnetar Exchange) have entered into Voting and Support Agreements in favour of Mainstreet pursuant to which such Shareholders have agreed to vote their Shares in favour of, among other things, the Related Party Acquisitions.

Prior Valuations

The Corporation is not aware of any Prior Valuation of any of the New Properties within the 24-month period preceding the date of this Circular.

2. Magnetar Exchange

Prior to the closing of the Offering, and subject to the approval of the Magnetar Exchange Resolution, the Funds have agreed to convert the Convertible Debentures into approximately 1,111,708 MHI Holdco Shares, subject to adjustment, pursuant to the terms and conditions of the Convertible Debentures and the Magnetar Exchange Agreement. In connection with the closing of the Offering, the Funds have agreed to transfer their MHI Holdco Shares to the Corporation in consideration for approximately 11.64 million post-consolidation Shares pursuant to the terms and conditions of the Magnetar Exchange Agreement. Upon completion of such transaction, the MHI Holdco Shareholders Agreement will be terminated in accordance with its terms and the Corporation will be the sole shareholder of MHI Holdco. A copy of the Magnetar Exchange Resolution is attached hereto as Appendix C.

The Board recommends that Shareholders vote **FOR** the Magnetar Exchange Resolution approving the Magnetar Exchange.

Magnetar Exchange Agreement

Representations and Warranties

The Magnetar Exchange Agreement contains customary representations and warranties of the Corporation and the Funds relating to, among other things: corporate status, corporate authorization and enforceability of the Magnetar Exchange Agreement.

Conditions Precedent

The transactions contemplated by the Magnetar Exchange Agreement are subject to a number of conditions in favour of the Funds, including, but not limited to:

- the TSXV shall have approved the transactions contemplated in the Magnetar Exchange Agreement and the TSX shall have approved the listing the Magnetar Consideration Shares, subject to standard listing conditions, on terms and conditions satisfactory to the Funds;
- the resolution to approve the Magnetar Exchange shall have been passed by the Shareholders at the Meeting;
- all of the conditions in the Underwriting Agreement shall have been satisfied or waived other than those conditions to be satisfied at the Closing;
- the representations and warranties of the Corporation in the Magnetar Exchange Agreement shall be true and correct in all material respects;
- the Corporation shall have performed or complied, in all material respects, with all obligations, covenants and conditions in the Magnetar Exchange Agreement;

- the closing of the transactions contemplated by the Magnetar Exchange Agreement, or any part thereof, shall not be illegal and there shall not be any material restrictions, limitations or conditions on any party to the Magnetar Exchange Agreement in connection therewith;
- no governmental entity shall have commenced, or given notice of its intention to commence, an action to enjoin the consummation of the closing of the transactions contemplated by the Magnetar Exchange Agreement, or any part thereof, or to suspend or cease or stop trading of Shares; and
- there shall have been no Material Adverse Effect (as defined in the Magnetar Exchange Agreement) in respect of the Corporation since the date of the Magnetar Exchange Agreement.

The transactions contemplated by the Magnetar Exchange Agreement are also subject to a number of conditions in favour of the Corporation, including, but not limited to:

- the resolution to approve the Magnetar Exchange shall have been passed by the Shareholders at the Meeting;
- the representations and warranties of the Funds in the Magnetar Exchange Agreement shall be true and correct in all material respects;
- the Funds shall have performed or complied, in all material respects, with all obligations, covenants and conditions in the Magnetar Exchange Agreement;
- the closing of the transactions contemplated by the Magnetar Exchange Agreement, or any part thereof, shall not be illegal and there shall not be any material restrictions, limitations or conditions on any party to the Magnetar Exchange Agreement in connection therewith; and
- no governmental entity shall have commenced, or given notice of its intention to commence, an action to enjoin the consummation of the closing of the transactions contemplated by the Magnetar Exchange Agreement, or any part thereof, or to suspend or cease or stop trading of Shares.

Covenants

Under the Magnetar Exchange Agreement, the Corporation has agreed to a number of covenants, including covenants to, until the closing of the transactions contemplated by the Magnetar Exchange Agreement:

- within prescribed time periods, prepare and file any forms or notices required under applicable securities laws in connection with the offer and sale of the Magnetar Consideration Shares;
- forthwith upon the closing of the transactions contemplated by the Magnetar Exchange Agreement, provide notice of the issuance of the Magnetar Consideration Shares to the TSXV and the TSX and do all other things as are required in order for the listing of the Magnetar Consideration Shares to become effective on the TSX;
- call and give notice of the Meeting;
- cause the Circular to be mailed to Shareholders and filed with applicable regulatory authorities and each other governmental entity in all jurisdictions where the same is required to be mailed and filed;
- promptly inform the Funds Manager of the full particulars of:
 - any material change in or affecting the business, operations, capital, properties, assets, liabilities, condition or results of operations of the Corporation;
 - any change in any material fact contained or referred to in the Circular; and
 - the occurrence or discovery of a material fact or event which is, or may be, of such a nature as to (i) render any statement in the Circular false or misleading in any material respect; (ii) result in a

misrepresentation in the Circular; or (iii) result in items in the Circular not complying in any material respect with securities laws.

- promptly advise the Funds Manager in writing of the occurrence of any Material Adverse Effect (as defined in the Magnetar Exchange Agreement) in respect of the Corporation or of any facts that would cause any of the Corporation's representations or warranties in the Magnetar Exchange Agreement to be untrue in any respect; and
- use all reasonable commercial efforts to obtain all consents and authorizations required to complete the transactions contemplated by the Magnetar Exchange Agreement.

Under the Magnetar Exchange Agreement, the Corporation waived the provisions of the MHI Holdco Shareholders Agreement with respect to the transfer of the MHI Holdco Shares held by the Funds pursuant to the terms of the Magnetar Exchange Agreement. The Funds and the Corporation also agreed that, on completion of the Magnetar Exchange, the MHI Holdco Shareholders Agreement will terminate in accordance with its terms.

Indemnification

The Corporation agreed to indemnify the Funds Manager and the Funds, as well as the directors, officers, employees and agents of the Funds Manager and each of the Funds, for losses arising out of or relating to any breach of a representation, warranty, covenant, condition or agreement by the Corporation contained in the Magnetar Exchange Agreement.

The Funds agreed to indemnify the Corporation, as well as its directors, officers, employees and agents, for losses arising out of or relating to any breach of a representation, warranty, covenant, condition or agreement by the Funds contained in the Magnetar Exchange Agreement.

Termination

The Magnetar Exchange Agreement may be terminated by (i) mutual written consent of the Funds and the Corporation; or (ii) by either party in the event that any of the conditions precedent for the benefit of such party have not been satisfied or waived by June 30, 2016 or if the completion of the Magnetar Exchange has not occurred prior to or on such date; provided that a party may not terminate the Magnetar Exchange Agreement if the failure to complete the Magnetar Exchange has been caused by, or is a result of, a breach by such party of any of its representations or warranties or the failure of such party to perform any of its covenants or agreements under the Magnetar Exchange Agreement.

Voting and Support Agreements

Shareholders holding approximately 45% of the outstanding Share (excluding Shares owned by Mainstreet and its related parties and joint actors and without giving effect to the closing of the Offering or the Magnetar Exchange) have entered into Voting and Support Agreements in favour of Mainstreet pursuant to which such Shareholders have agreed to vote their Shares in favour of, among other things, the Magnetar Exchange.

3. DSI Plan Amendment

The Deferred Share Incentive Plan was established on April 4, 2016. It provides that a maximum of 17,772,200 pre-Consolidation Shares may be issued thereunder (which would equal approximately 71,088 Shares on a post-Consolidation basis). It is the Corporation's intention to increase the maximum number of Shares reserved for issuance under the Deferred Share Incentive Plan in order to continue providing a long-term incentive to its employees. On April 20, 2016, the Board approved amendments to the Deferred Share Incentive Plan in order to (i) subject to TSXV and Disinterested Shareholder approval, increase the maximum number of Shares reserved for issuance thereunder to 1,200,000 post-Consolidation Shares (ii) expand the definition of "Elected Amount" to include all annual fees paid to a Director, including meeting fees and fees for acting as a committee chair, and (iii) changing the vesting of Discretionary Deferred Shares to the second anniversary following the applicable grant date.

At the Meeting, Disinterested Shareholders will be asked to consider and, if deemed advisable, to pass, with or without amendment, the DSI Plan Reservation Resolution approving the DSI Plan Amendment. A copy of the DSI Plan Reservation Resolution is attached hereto as Appendix D.

The Board recommends that Disinterested Shareholders vote **FOR** the DSI Plan Reservation Resolution approving the proposed increase in Shares reserved for issuance under the Deferred Incentive Plan.

Deferred Share Incentive Plan

Because Deferred Shares are tied to the Share trading performance and vest or accrue over a number of years, grants of Deferred Shares under the Deferred Share Incentive Plan align the interests of Service Providers (as defined below) to whom Deferred Shares have been granted under the Deferred Share Incentive Plan (“**Participants**”) more closely with the interests of Shareholders.

The following individuals are eligible to participate in the Deferred Share Incentive Plan: (i) directors, officers, managers, employees or service providers of the Corporation or a subsidiary of the Corporation; (ii) directors, officers, managers and employees of MAMI; and/or (iii) employees of certain service providers who spend a significant amount of time and attention on the affairs and business of the Corporation or a subsidiary of the Corporation (collectively, “**Service Providers**”).

Each Director is given the right to participate in the Deferred Share Incentive Plan. Each Director who elects to participate shall receive his or her Elected Amount in the form of Deferred Shares in lieu of cash. In addition, the Deferred Share Incentive Plan provides that the Corporation shall match 100% of the Elected Amount for each director such that the aggregate number of Deferred Shares issued to each such director annually shall be equal in value to two times the Elected Amount for such director.

Under the Deferred Share Incentive Plan, Discretionary Deferred Shares may also be granted from time to time to Participants at the discretion of the Board or the Compensation, Governance and Nominating Committee.

The number of Deferred Shares granted at any particular time pursuant to the Deferred Share Incentive Plan is calculated by dividing (i) the Elected Amount or such other amount as allocated to the Participant by the Board or Compensation, Governance and Nominating Committee, by (ii) the market value of a Share on the award date. The “market value” of a Share at any date for purposes of the Deferred Share Incentive Plan means the volume weighted average price of all Shares traded on the TSX or TSXV (as applicable) for the five trading days immediately preceding such date (or, if such Shares are not listed and posted for trading on the TSX or TSXV (as applicable), on such stock exchange on which such Shares are listed and posted for trading as may be selected for such purpose by the Board); provided that, for so long as the Shares are listed and posted for trading on the TSX or TSXV (as applicable), the market value will (i) not be less than the discounted market price, as calculated under the policies of the TSX or TSXV (as applicable); and (ii) be subject, notwithstanding the application of any such maximum discount, to a minimum price per Share of \$0.05. In the event that the Shares are not listed and posted for trading on any stock exchange, the market value shall be the fair market value of the Shares as determined by the Board in its sole discretion.

Wherever cash dividends are paid on the Shares, additional Deferred Shares are credited to the Participant’s account. The number of such additional Deferred Shares is calculated by multiplying the aggregate number of Deferred Shares held on the relevant dividend record date by the amount of the dividend paid by the Corporation on each Share, and dividing the result by the market value of the Shares on the Dividend Date.

Individual Contributed Deferred Shares vest immediately upon grant. Corporation Contributed Deferred Shares, which are granted only to Directors, generally vest in accordance with the following schedule:

- One-third of the Corporation Contributed Deferred Shares shall vest on the first anniversary of the date of grant;
- One-third of the Corporation Contributed Deferred Shares shall vest on the second anniversary of the date of grant; and

- One-third of the Corporation Contributed Deferred Shares shall vest on the third anniversary of the date of grant.

Discretionary Deferred Shares may also be granted to Participants and, where vesting is not specified in connection with the grant, such Discretionary Deferred Shares will vest on the second anniversary following the date of grant.

Additional Deferred Shares credited to a Participant's account in connection with cash dividends vest on the same schedule as their corresponding Deferred Shares and are considered issued on the same date as the Deferred Shares in respect of which they were credited.

In the event of any Change of Control (as such term is defined in the Deferred Share Incentive Plan), any unvested Deferred Shares shall vest upon the earlier of (i) the next applicable vesting date determined in accordance with the above provisions and (ii) the date which is immediately prior to the date upon which the Change of Control is completed. Upon the death or "disability" (as defined in the Deferred Share Incentive Plan) of a Participant, any unvested Deferred Shares held by such Participant shall vest immediately. Notwithstanding the foregoing, the Board has the discretion to vary the manner in which Deferred Shares vest.

Participants that are Canadian residents will generally be permitted to redeem their vested Deferred Shares for Shares in whole or in part at any time by filing a written notice of redemption with the Corporation; provided that, if a Director redeems his or her Individual Contributed Deferred Shares prior to the date on which the corresponding Corporation Contributed Deferred Shares (or portion thereof) have vested, then the Director will forfeit the right to all such unvested Corporation Contributed Deferred Shares. Participants that are U.S. residents are generally subject to more stringent redemption restrictions to ensure compliance with Section 409A of the Code. Deferred Shares may also be subject to other redemption restrictions as required by the Board from time to time.

Upon the redemption of Deferred Shares for Shares, the Corporation will issue Shares to Participants, within five business days of the relevant redemption date, on the basis of one Share for each whole vested Deferred Share that is being redeemed, net of any applicable withholding taxes. Upon redemption of the Deferred Shares for cash (which is subject to the approval of the Compensation, Governance and Nominating Committee), the Corporation will make, within five business days of the relevant redemption date a cash payment, net of any applicable withholding taxes, to the Participant in an amount calculated by multiplying (i) the number for Deferred Shares to be redeemed by (ii) the market value of a Share on the redemption date, calculated with reference to the volume weighted average price of all Shares traded on the TSXV for the five trading days immediately preceding such date. Upon payment in full of the value of the Deferred Shares, the Deferred Shares shall be cancelled.

On termination of a Participant for "cause" (as such term is defined in the Deferred Share Incentive Plan) all Deferred Shares held by the Participant will terminate. On a Participant's resignation or retirement, all Deferred Shares will terminate 30 days after such resignation or retirement. On termination of a Participant without "cause", outstanding unvested Deferred Shares will continue to vest and be paid out on a pro rata basis based on the portion of the vesting period completed as of cessation of active employment for a period of 12 months following the Participant's termination date. On a Participant's death or "disability", all unvested Deferred Shares vest immediately and the Participant (or his or her estate) will have one year to redeem his or her vested Deferred Shares. Notwithstanding the foregoing, the Board may at any time prior permit the redemption of any or all Deferred Shares held by a Participant in the manner and on the terms authorized by the Board.

Deferred Shares are not transferable or assignable, except to a Participant's estate.

The maximum number of Shares that are available for issuance under the Deferred Share Incentive Plan is 17,772,200 pre-Consolidation Shares, which would equal approximately 71,088 Shares on a post-Consolidation basis. See "*Appendix A: Information Concerning the Corporation and MHI Holdco – Business of the Corporation*". The aggregate of the Shares: (a) issued to insiders of the Corporation, within any one year period; and (b) issuable to insiders of the Corporation, at any time, under the Deferred Share Incentive Plan, when combined with all other security-based compensation arrangements of the Corporation, shall not exceed 10% of the total issued and outstanding Shares.

The Compensation, Governance and Nominating Committee may review and confirm the terms of the Deferred Share Incentive Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Deferred Share Incentive Plan in whole or in part as well as terminate the Deferred Share Incentive Plan without prior notice as it deems appropriate; provided, however, that any amendment to the Deferred Share Incentive Plan

that would result in any increase in the number of Deferred Shares issuable under the Deferred Share Incentive Plan will be subject to the approval of holders of Shares. Without limitation, the Compensation, Governance and Nominating Committee may, without obtaining the approval of holders of Shares, make any changes to the Deferred Share Incentive Plan that do not require the approval of holders of Shares under applicable law (including the rules and policies of the applicable stock exchange on which the Shares are then listed) including, but not limited to, changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Deferred Share Incentive Plan; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements); and (c) to the vesting provisions applicable to Deferred Shares issued under the Deferred Share Incentive Plan. However, subject to the terms of the Deferred Share Incentive Plan, no amendment may adversely affect the Deferred Shares previously granted under the Deferred Share Incentive Plan without the consent of the affected Participant.

On April 5, 2016, the Board approved the grant of a total of 40,000 Deferred Shares to the named executive officers at the Offering Price, which grants will be effective on closing of the Offering. Such Deferred Shares will vest two years from the date of grant. Following the approval of the DSI Plan Reservation Resolution, there will be 1,160,000 remaining Shares reserved for issuance under the Deferred Share Incentive Plan.

4. Asset Management Agreement Amendment

The Asset Management Agreement was entered into on April 4, 2016. The annual management fee under the Asset Management Agreement is paid in cash or, at the option of MAMI and subject to receipt of applicable regulatory approval and the approval of Disinterested Shareholders (in each case, for so long as the Shares are listed on the TSXV or the TSX, as applicable), up to 100% in Shares or Class B Units, calculated based on the volume weighted average price of the Shares on the stock exchange on which the Shares are then listed for the five trading days immediately preceding the end of the applicable month. The Asset Management Agreement currently does not provide a maximum number of Shares that may be issued (or reserved for issuance) and, as such, no Shares are currently issuable thereunder. It is the Corporation's intention to set a maximum number of Shares reserved for issuance under the Asset Management Agreement in order to enable the Corporation to issue Shares in lieu of cash if MAMI elect to be paid in Shares. On April 20, 2016, the Board approved an amendment to the Asset Management Agreement that fixes the maximum number of Shares reserved for issuance thereunder at 800,000 post-Consolidation Shares. The amendment is subject to TSXV and Disinterested Shareholder approval.

At the Meeting, Disinterested Shareholders will be asked to consider and, if deemed advisable, to pass, with or without amendment, the Asset Management Agreement Amendment Resolution approving the fixing of a maximum number of Shares reserved for issuance under the Asset Management Agreement. A copy of the Asset Management Agreement Amendment Resolution is attached hereto as Appendix E.

The Board recommends that Disinterested Shareholders vote **FOR** the Asset Management Agreement Amendment Resolution approving amendments to the Asset Management Agreement in order to, among other things, set the maximum number of Shares reserved for issuance under the Asset Management Agreement. The Asset Management Agreement Amendment Resolution is only effective on the completion of the Offering.

For a description of the Asset Management Agreement, see "*Appendix A – Information Concerning the Corporation and MHI Holdco – Arrangements with Mainstreet – Asset Management Agreement*".

RISK FACTORS

The Corporation faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the Corporation and the operators of the Corporation's properties. See "*Appendix A: Information Concerning the Corporation and MHI Holdco – Risk Factors*" risks specific to the Related Party Transactions and the Properties, and for certain risks that could materially affect the Corporation and MHI Holdco, generally. Other risks and uncertainties that the Corporation does not presently consider to be material, or of which the Corporation is not presently aware, may become important factors that affect the Corporation's future financial condition and results of operations. The occurrence of any of the risks discussed in Appendix A could materially and adversely affect the business, prospects, financial condition, results of operations or cash flow of the Corporation and MHI Holdco.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

No director, executive officer or senior officer of the Corporation or MHI Holdco, nor each associate of any such director or officer, is or has been indebted to the Corporation at any time during the last completed financial year, nor are any such individuals indebted to another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation.

PROMOTER

Mainstreet has taken the initiative in substantially reorganizing the business of the Corporation and is therefore a promoter of the Corporation. Mainstreet Investment Company, LLC holds 81,160,000 Shares and 307,659,850 Non-Voting Shares, representing 80% and 100% of the Shares and Non-Voting Shares, respectively. Certain affiliates of Mainstreet Investment Company, LLC have entered into the Asset Management Agreement and the Development Agreements with the Corporation and are parties to the Purchase Agreements and the Mezzanine Financing.

LEGAL PROCEEDINGS

There have been no legal proceedings that the Corporation is or was a party to, or that any of its property is or was the subject of, since January 1, 2015. Management of the Corporation is currently not aware of any contemplated legal proceedings.

There have been no legal proceedings that MHI Holdco is or was a party to, or that any of its property is or was the subject of, since October 7, 2015. Management of MHI Holdco is currently not aware of any contemplated legal proceedings.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Corporation

Other than as disclosed in this Circular, including under “*Appendix A: Information Concerning the Corporation and MHI Holdco – Arrangements with Mainstreet – Development Agreements*”, there are no material interests, direct or indirect, of the Directors or executive officers of the Corporation, any Shareholder that beneficially owns more than 10% of the Shares or any associate or affiliate of any of the foregoing persons in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation or any of its subsidiaries.

MHI Holdco

Other than as disclosed in this Circular, including under “*Appendix A: Information Concerning the Corporation and MHI Holdco – Arrangements with Mainstreet – Development Agreements*”, there are no material interests, direct or indirect, of the directors or executive officers of MHI Holdco, any shareholder of MHI Holdco that beneficially owns more than 10% of the MHI Holdco Shares or any associate or affiliate of any of the foregoing persons in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect MHI Holdco or any of its subsidiaries.

MHI Holdco was a party to an asset management with MAMI pursuant to which MAMI was the asset manager of the properties owned by MHI Holdco. Such agreement was terminated on April 4, 2016 on completion of the acquisition of Mainstreet’s MHI Holdco Shares by the Corporation.

AUDITORS, TRANSFER AGENT AND REGISTRAR

KPMG LLP, Chartered Professional Accountants, located, in Toronto, Ontario are the auditors of the Corporation, and are independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

The consolidated financial statements of the Scranton Portfolio as of December 31, 2015 and 2014, and for the year ended December 31, 2015 and the period from March 4, 2014 (date of formation) to December 31, 2014, have been included herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

Computershare is the transfer agent and registrar for the Shares at its principal office in Toronto, Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information is provided in the Corporation's financial statements and management's discussion and analysis for its most recently completed financial year. Shareholders may contact the Corporation at 14390 Clay Terrace Blvd., Suite 205, Carmel, Indiana, US 46032 to request copies of such documents, free of charge.

APPROVAL OF BOARD OF DIRECTORS

The contents of this Circular and the sending of it to each Director of the Corporation, to the auditor of the Corporation, to the Shareholders and to the applicable regulatory authorities, have been approved by the Directors of the Corporation.

DATED at Toronto, Ontario, this 21st day of April, 2016.

(signed) "*Paul Ezekiel Turner*"
Paul Ezekiel Turner
Chairman

CONSENT

TO: The Independent Directors of Mainstreet Health Investments Inc.

We refer to the appraisal (the “**Master Appraisal**”) dated April 20, 2016, with an effective date of March 31, 2016, together with the individual appraisals referenced therein (together with the Master Appraisal, the “**Appraisals**”) which we prepared for the Independent Directors of Mainstreet Health Investments Inc. in connection with the acquisition of the Properties (as defined in the Circular of Mainstreet Health Investments Inc. dated April 21, 2016 (the “**Circular**”). We consent to the filing of the Appraisals with the securities regulatory authority and the inclusion of summaries of the Appraisals in the Circular.

Toronto, Ontario
April 21, 2016

(signed) “*Tellatin, Short & Hansen Inc.*”
Tellatin, Short & Hansen Inc.

APPENDIX A
INFORMATION CONCERNING THE CORPORATION AND MHI HOLDCO

Except where otherwise indicated or the context otherwise requires, in this Appendix A, references to the Corporation, including its business, property portfolio, growth strategies and goals, shall include MHI Holdco.

Corporate Structure

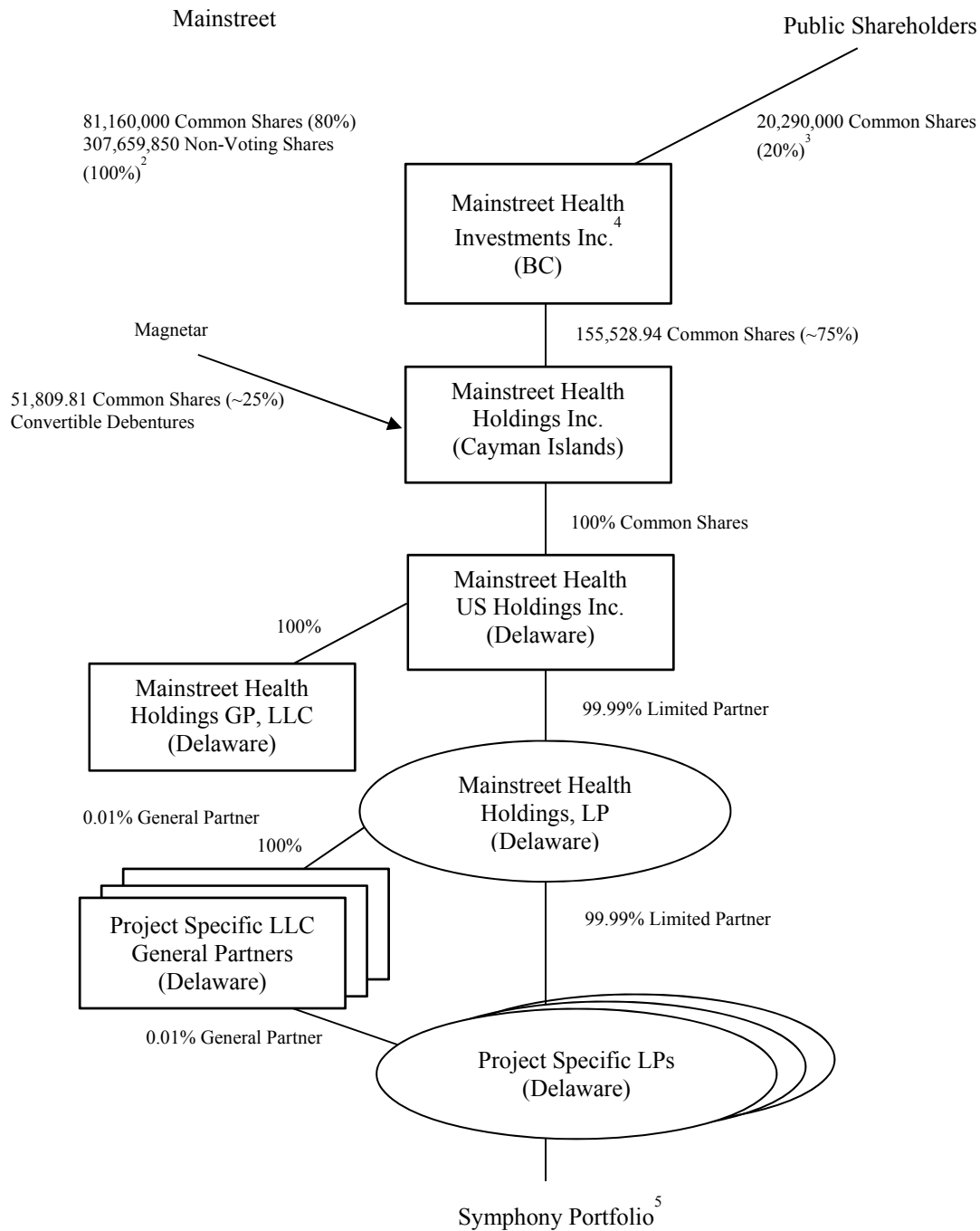
Mainstreet Health Investments Inc. is a corporation continued under the BCBCA. The registered office of the Corporation is located at 700 W Georgia Street, 25th Floor, Vancouver, British Columbia, V7Y 1B3 and the head office of the Corporation is located at 11 King Street West, Suite 700, Toronto, Ontario, M5H 4C7.

Immediately prior to the closing of the Offering and the Magnetar Exchange, the outstanding Shares will be consolidated on the basis of one post-consolidation Share for every 250 pre-Consolidation Shares and one post-consolidation Non-Voting Share for every 250 pre-Consolidation Non-Voting Shares. The Consolidation was approved at the general and special meeting of the Shareholders held on March 30, 2016.

MHI Holdco, a subsidiary the Corporation, was incorporated under the laws of the Cayman Islands on October 7, 2015 for the purpose of indirectly acquiring the Symphony Portfolio. The registered and head office of MHI Holdco is PO Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands. Until the acquisition of the Symphony Portfolio, MHI Holdco had no operations. Following the closing of the Offering, the Magnetar Exchange and the redemption of the MHI Holdco Preferred Shares to be issued to the Funds, MHI Holdco will be wound-up, and the shares of MHI US will be directly held by the Corporation (or a Canadian subsidiary thereof).

The intercorporate relationships of the Corporation are set forth in the following corporate structure chart:

Mainstreet Health Investments Inc.¹



Notes:

1. The chart above does not reflect the Consolidation, the issuance of Shares pursuant to the Offering and the Magnetar Exchange.
2. In the aggregate, Mainstreet's shareholdings represent approximately 95% of all outstanding shares.
3. Represents approximately 5.0% of all outstanding shares.
4. Formerly Kingsway Arms Retirements Residences Inc.
5. The chart above does not reflect the Related Party Acquisitions.

Business of the Corporation

The Corporation currently owns, indirectly through its holding subsidiaries, including MHI Holdco, the Symphony Portfolio, and has agreed to acquire the Hanover Park Property. Subject to the approval of the Related Party Transactions Resolution, and following the closing of the Offering, the Corporation intends to acquire the Scranton Portfolio, which is comprised of seven seniors housing and care properties located in Pennsylvania, the Hearth Portfolio, which is comprised of three seniors housing and care properties in New York, the Chesterton Property and the Mooresville Property, which are seniors housing and care properties located in Indiana, and the Topeka Property, a seniors housing and care property that is currently under development in Kansas. The net proceeds from the Offering will be used to fund, among other things, the acquisition of the Hanover Park Property, the Related Party Acquisitions and the Mezzanine Financing.

The Corporation will own the land and buildings and lease them to operators on a long-term, triple-net lease basis. 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.

Management believes that certain characteristics of the North American seniors housing and care industry, including favourable 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 SNFs, provide for a unique investment opportunity. Management also believes that, as a result of the high quality of the Corporation's properties, its triple-net leasing structure and its relationships with reputable operators and industry participants, the Corporation is well-positioned to succeed in the industry by capitalizing on these market opportunities.

The Corporation's goals are to deliver stable and growing dividends to its Shareholders while expanding its high quality portfolio of seniors housing and care properties over time through organic growth, strategic and accretive acquisitions and acquisitions of "next generation" pre-leased development projects (including newly built NextGen® transitional care projects) from Mainstreet as well as others.

Acquisition of the Symphony Portfolio

On October 30, 2015, MHI Holdco indirectly acquired the Symphony Portfolio for a total purchase of approximately \$268.4 million, excluding transaction costs, as adjusted pursuant to the terms of the Symphony Purchase Agreement, and agreed to acquire the Hanover Park Property. It is expected that the purchase of the Hanover Park Property will be completed prior to the Offering for a total purchase price of approximately \$34.1 million, excluding transaction costs, as adjusted pursuant to the terms of the Symphony Purchase Agreement. See "*Appendix A: Information Concerning the Corporation and MHI Holdco – The Properties*" and "*Appendix A: Information Concerning the Corporation and MHI Holdco – Business of the Corporation – Symphony Portfolio and Hanover Park Property*".

Upon completion of the acquisition of the Symphony Portfolio, the existing leases and operating agreements were terminated and the properties comprising the Symphony Portfolio were leased to the Symphony Master Tenant pursuant to the Symphony Master Lease. See "*Appendix A: Information Concerning the Corporation and MHI Holdco – Business of the Corporation – Symphony Portfolio and Hanover Park Property – Symphony Master Lease*". The Symphony Master Tenant is affiliated with Symphony. See "*Appendix A: Information Concerning the Corporation and MHI Holdco – Business of the Corporation – Description of Operators*".

Financing

On October 30, 2015, MHI US obtained the First Mainstreet Loan (which has been repaid in full) and the Second Mainstreet Loan. The Second Mainstreet Loan bears interest at a rate of 5% per annum and matures on October 30, 2016. The Second Mainstreet Loan was used to fund the deposit for the acquisition of the Hanover Park Property. It is intended that the Second Mainstreet Loan will be repaid using the proceeds of the Offering.

Reverse Takeover and Share Purchase Agreement

On April 4, 2016, the Corporation acquired all of the MHI Holdco Shares held by Mainstreet, representing approximately 75% of the issued and outstanding MHI Holdco Shares, in consideration for the issuance of

81,160,000 pre-Consolidation Shares and 307,659,850 pre-Consolidation Non-Voting Shares to Mainstreet, representing approximately 95% of the issued and outstanding shares of the Corporation. The Funds hold the remaining issued and outstanding MHI Holdco Shares, representing approximately 25% of the issued and outstanding MHI Holdco Shares. The transaction constituted a reverse takeover of the Corporation for purposes of applicable securities laws and the Exchange Policies. Generally, a reverse takeover means a transaction which involves an issuer issuing securities from its treasury to purchase another entity or significant assets, where the owners of the other entity or assets acquire control of the issuer.

Pursuant to the Share Purchase Agreement, the Corporation is not permitted to, without the prior written consent of the Funds, effect any financing that involves a Public Offering if such proposed Public Offering will close (i) prior to November 1, 2016; or (ii) on or after November 1, 2016, where the proposed Public Offering will be completed at a price per share that reflects a valuation for the Corporation that is less than book value on the date of announcement of the Public Offering; provided, however, that the Funds shall not have any approval rights for any such Public Offering that will close on or after November 1, 2016 if, at the relevant time, the Funds own less than 50% of the outstanding equity securities of the Corporation (calculated on an as-converted, fully diluted basis). As a result, the consent of the Funds is required in connection with the Offering and is expected to be obtained. Notwithstanding the foregoing restrictions, the Corporation may issue securities to Mainstreet or its affiliates in connection with the acquisition of any properties from Mainstreet or its affiliates (including pursuant to the Development Agreements) or pursuant to any of the Corporation's compensation plans (including the Asset Management Agreement) without the consent of the Funds. Following the closing of the Offering and the Magnetar Exchange, the Funds will hold approximately 11.64 million post-consolidation Shares.

Under the Symphony Master Lease, the landlord (in each case, a subsidiary of MHI Holdco), has the right to transfer any Excess Bed Rights for use at any new Mainstreet NextGen® properties which the landlord intends to develop in Illinois. Under the Share Purchase Agreement, the Corporation has agreed that, upon receipt of notice by Mainstreet, the Corporation will use best efforts to cause such Excess Bed Rights to be transferred to Mainstreet or its affiliate in consideration for \$10,000 per bed. In payment of such consideration, an amount equal to \$10,000 per bed will be deemed to have been advanced by the Corporation to Mainstreet or its affiliates in the form of a mezzanine loan pursuant to the terms of the Development Agreements and such mezzanine loan shall be applied or repaid to the Corporation, as applicable, pursuant to the terms of the Development Agreements.

Future Acquisitions

In the normal course, MAMI (in its capacity as asset manager of the Corporation) may have outstanding non-binding letters of intent and/or may otherwise be engaged in discussions with respect to possible acquisitions of new properties which may or may not be material. However, there can be no assurance that any of these letters and/or discussions will result in an acquisition and, if they do, what the final terms or timing of any acquisition would be. MAMI expects to continue to pursue acquisitions and investment opportunities following closing of the Offering. See "Appendix A: *Information Concerning the Corporation and MHI Holdco – Arrangements with Mainstreet*".

Growth Strategies

The goal of the Corporation and MHI Holdco is to deliver stable and growing dividends to Shareholders while expanding its portfolio of seniors housing and care properties over time through organic growth, strategic and accretive acquisitions and acquisitions of pre-leased development projects (including newly built NextGen® transitional care projects) from Mainstreet as well as others.

Organic Growth

Management believes there are opportunities to increase the value of the Corporation's portfolio through a number of internal growth initiatives designed to enhance the Corporation's cash flow produced by the Properties. Each of the Corporation's leases with its tenant operators are structured as triple-net leases which include annual rent escalators that average approximately 2.2% over the remaining weighted average lease term of approximately 14 years or have rental escalators that are linked to the growth in the U.S. Consumer Price Index. Each lease also contains capital expenditure requirements and indemnity provisions on the part of the tenant, as well as provisions regarding the tenant's responsibility for payment of insurance, taxes, utilities and structural and non-structural capital expenditures. As a result of this lease structure, the Corporation expects to enjoy predictable annual increases in rental revenue and stable income margins. Mainstreet will look to continue to grow its portfolio and continue to diversify the portfolio by geography, by operator and across the continuum of care.

Strategic and Accretive Acquisitions

The Corporation will leverage Mainstreet's deep network of industry relationships to source and identify acquisitions of seniors housing and care properties across the United States and Canada that meet the Corporation's acquisition criteria. The acquisition criteria focuses on the age and quality of the property, the strength and experience of the tenant operator, the type of care and services offered, market demographics, lease terms, security and stability of cash flows as well as potential for increasing value through more efficient management of the acquisition property, including through expansion and repositioning. It is the Corporation's intention that all acquisitions will be accretive to the Corporation's AFFO per Share. It is also the Corporation's intention that the properties purchased will be leased to qualified tenant operators using a similar triple-net lease structure to the Properties. Further, the Corporation intends to build meaningful strategic relationships with its operator partners to grow its presence outside of its current geographic footprint. Mainstreet will look to continue to grow the Corporation's portfolio and continue to diversify the portfolio by geography, by operator and across the continuum of care.

Acquisition of Pre-Leased Mainstreet Development Properties

Management believes a portion of the Corporation's future growth will come from the acquisition of NextGen®, pre-leased transitional care development properties built by Mainstreet. Since 2008, Mainstreet has successfully financed, developed and leased 29 properties, representing over \$500 million in development value. Mainstreet has an extensive pipeline of future pre-leased development opportunities, positioned around existing relationships with established operators. Many operators are interested in pursuing growth opportunities with Mainstreet in order to take advantage of its expertise in site location, design and construction management. Since 2010, Mainstreet has been named to the Inc. 500|5000 five times, and in 2013, 2014 and 2015, Mainstreet properties won the Senior Housing News Architecture & Design Award in Skilled Nursing. Mainstreet was also the recipient of Indiana's "Best Place to work" listing in 2014, 2015 and 2016 and was named to Entrepreneur Magazine's inaugural national listing of Top Company Cultures.

Mainstreet intends to target states and geographic regions demonstrating strong fundamentals for seniors housing and care properties, with an emphasis on those geographic regions which Mainstreet is already familiar with through its existing relationships. These fundamentals may include the following: an expanding population of residents 65 years of age and older; a favourable regulatory landscape for seniors housing and care properties; state fiscal stability; strong local age and income demographics; a pro-economic development environment as demonstrated by the availability of incentives such as tax abatements or credit enhancements; and an obsolescence of existing seniors housing and care assets.

It is management's intention that all acquired development properties will be accretive to the Corporation's AFFO, measured on a per-Share basis. It is also management's intention that all of the properties developed will be leased to qualified tenant operators using a similar triple-net lease structure to the Properties. The Corporation will, subject to certain exceptions, be offered the opportunity to provide mezzanine financing for developments that meet these criteria, and if provided at the discretion of the Independent Directors, the Corporation will be offered a purchase right for the development property upon stabilization. However, the Corporation is not obligated to provide mezzanine financing or to purchase the property from Mainstreet upon completion. See "Appendix A: *Information Concerning the Corporation and MHI Holdco – Arrangements with Mainstreet - Development Agreements*"

The Properties

The Corporation indirectly owns the Symphony Portfolio, which is comprised of 10 properties located in the Chicago metropolitan area. Prior to the Meeting and the closing of the Offering, the Corporation intends to acquire the Hanover Park Property, which is also located in the Chicago metropolitan area. On or following the closing of the Offering, the Corporation intends, subject to the satisfaction of various conditions in connection with the acquisition of the New Properties, including obtaining Shareholder approval at the Meeting to acquire the New Properties, of which seven are located in Pennsylvania, three are located in New York, two are located in Indiana and one is located in Kansas. MAMI is the asset manager of the Corporation, giving the Corporation access to MAMI's experienced management team and extensive network of relationships in the United States seniors housing and care market.

Details of the Properties

Name of Facility	Location	Year Built ⁽¹⁾	Operator	Property Type	SNF/ TCC Beds	AL/ IL/ MC Suites	Total Beds/ Suites	Lease Expiration Date ⁽²⁾	Lease Escalator Dates and Terms
Symphony Portfolio and Hanover Park Property:⁽³⁾									
Aria.....	Chicago, IL	1996/2013	Symphony	SNF and TCC	198	-	198	September 30, 2030	1% increase in the second year, 1.5% increase in the third year, 2.25% to 3.0% annual increase starting in the fourth year, 15 year term
Bronzeville Park.....	Chicago, IL	1977/2007	Symphony	SNF and TCC	302	-	302	September 30, 2030	See above.
The Claremont of Buffalo Grove.....	Buffalo Grove, IL	1994	Symphony	SNF and TCC	200	-	200	September 30, 2030	See above.
The Claremont of Hanover Park.....	Hanover Park, IL	2010	Symphony	SNF and TCC	150	-	150	September 30, 2030	See above.
The Imperial of Lincoln Park.....	Chicago, IL	1903/1984	Symphony	SNF and TCC	248	-	248	September 30, 2030	See above.
The Ivy Apartments.....	Chicago, IL	1903/1984	Symphony	AL	-	118	118	September 30, 2030	See above.
Jackson Square Skilled Nursing and Living....	Chicago, IL	1987	Symphony	SNF and TCC	234	-	234	September 30, 2030	See above.
The Renaissance at 87th Street.....	Chicago, IL	1998/2012	Symphony	SNF and TCC	210	-	210	September 30, 2030	See above.
The Renaissance at Midway.....	Chicago, IL	2000	Symphony	SNF and TCC	249	-	249	September 30, 2030	See above.
Renaissance Park South	Chicago, IL	1975/2005	Symphony	SNF and TCC	294	-	294	September 30, 2030	See above.
The Renaissance at South Shore.....	Chicago, IL	1995/1997	Symphony	SNF and TCC	248	-	248	September 30, 2030	See above.
Total.....					2,333	118	2,451		
Scranton Portfolio Properties:									
Scranton Manor Personal Care Center ..	Scranton, PA	1998/2013	Saber	AL	-	48	48	June 30, 2024	2.0% annual increase starting in the fourth year of the lease, 10 year term ⁽⁴⁾
Kingston Manor Personal Care Center ..	Kingston, PA	1992/2013	Saber	AL	-	48	48	June 30, 2024	See above.
Mid-Valley Health Care Center.....	Peckville, PA	1992/2014	Saber	SNF	38	-	38	June 30, 2024	See above.
Mid-Valley Manor Personal Care Center ..	Peckville, PA	1991/2013	Saber	AL	-	45	45	June 30, 2024	See above.
Old Forge Manor Personal Care Center ..	Old Forge, PA	1990/2013	Saber	AL	-	31	31	June 30, 2024	See above.
Wyoming Manor Personal Care Center ..	Wyoming, PA	1993/2013	Saber	AL	-	31	31	June 30, 2024	See above.
Kingston Health Care Center.....	Kingston, PA	1992/2013	Saber	SNF	65	-	65	June 30, 2024	See above.
Total.....					103	203	306		
Hearth Portfolio Properties:									
The Hearth on James.....	Syracuse, NY	2000/2007	Hearth	IL and AL	-	71	71	May 31, 2031	2.5% annual increase, 15 year term
The Hearth at Greenpoint.....	Liverpool, NY	1991/1994	Hearth	IL and AL	-	186	186	May 31, 2031	See above.
Keepsake Village at Greenpoint.....	Liverpool, NY	1998	Hearth	MC	-	48	48	May 31, 2031	See above.

Name of Facility	Location	Year Built ⁽¹⁾	Operator	Property Type	SNF/ TCC Beds	AL/ IL/ MC Suites	Total Beds/ Suites	Lease Expiration Date ⁽²⁾	Lease Escalator Dates and Terms
Total.....					-	305	305		
Mainstreet Developed Properties:									
The Symphony of Chesterton.....	Chesterton, IN	2015	Symphony	TCC and AL	70	36	106	January 29, 2031	2.25% annual increase, 15 year term ⁽⁵⁾
The Springs of Mooresville.....	Mooresville, IN	2015	Trilogy	TCC	70	-	70	January 31, 2031	Annual increase equal to the greater of 2% or the CPI increase, 15 year term
Total.....					140	36	176		
Pre-Leased Development Properties:									
The Healthcare Resort of Topeka.....	Topeka, KS	2016 ⁽⁶⁾	Ensign	TCC and AL	70	24	94	June 31, 2031 ⁽⁶⁾	CPI increase not to exceed 3%, 15 year term
Total for the Properties....					2,646	686	3,332		

- (1) Date indicates year built, and, if applicable, most recent year of major renovations.
- (2) Refers to the expiration of the initial term of each lease, in each case subject to the following renewal options: (i) Symphony Master Lease – three options for five years each; (ii) Scranton Master Lease – two options for five years each; (iii) Hearth Leases – two options for 10 years each; (iv) Mooresville Lease: two options for 10 years each; Chesterton Lease – three options for five years each; and (vi) Topeka Primary Lease: two options for 10 years each. Lease renewal options may be exercised at each tenant’s discretion.
- (3) Properties covered under the Symphony Master Lease. See “Appendix A: *Information Concerning the Corporation and MHI Holdco – The Properties – Symphony Portfolio and Hanover Park Property – Symphony Master Lease*”.
- (4) Annual increase in the second year and third year if the rent coverage ratio has been equal to or greater than 1.35 to 1.00 for any two consecutive full calendar quarters during the preceding year. Such annual increase will be equal to the amount necessary to result in the rent coverage ratio being exactly 1.35 to 1.00.
- (5) Pursuant to the letter amending agreement to the Chesterton Lease dated December 17, 2014, as amended pursuant to a letter agreement dated March 4, 2015, the tenant under the Chesterton Lease has an option to increase rent for the Chesterton Property to a level that is supported by a 1.50 to 1.00 rent coverage ratio, based on a pro forma for the following twelve months EBITDAR (using a \$300 per bed annual capital expenditure), subject to certain limitations, including that pro forma EBITDAR cannot be more than EBITDAR from the trailing twelve months. In consideration for the exercise of such option, the landlord is required to pay the tenant an amount equal to the capitalized value of the rent increase using a 9.25% capitalization rate.
- (6) Estimated, based upon a construction start date of March 2015 and a projected completion date of June 2016.

Symphony Portfolio

The Corporation indirectly owns the Symphony Portfolio, which is comprised of the following properties that are subject to the Symphony Master Lease:

Aria: 4600 N. Frontage Road, Hillside, Illinois 60162: Aria is a post-acute transitional rehab and long term care combination property that consists of 198 licensed beds. The property also offers a complete range of dementia and memory care services as well as specific programs geared towards rehabilitation including, rapid rehabilitation, orthopedic, cardiac, complex wound care and palliative care. The three-story property was built in 1996 and renovated in 2013 and is located in the western Chicago suburb of Hillside. The property sits on 2.37 acres and totals 78,251 square feet. Aria’s post-acute wing, which includes a therapy gym, dining room and 62 private suites, has recently been renovated. Within the last five years, another wing was renovated to serve post-acute and long term care residents. The community was one of the first properties in the United States to receive the new post-acute certification from the Joint Commission. Joint Commission accreditation and certification is recognized nationwide in the United States as a symbol of quality and performance. The community has also received a five-star deficiency-free survey from the Illinois Department of Public Health.

Bronzeville Park: 3400 S. Indiana Avenue, Chicago, Illinois 60616: Bronzeville Park is a post-acute transitional rehab and long term care combination property that consists of 302 licensed beds. It offers 85 beds for dementia and memory care, as well as specific programs geared towards rehabilitation including rapid rehabilitation, orthopedic, cardiac, complex wound care and palliative care. The four-story property was built in 1977 with recent renovations in 2007, and is located in the Bronzeville neighborhood of Chicago’s south side. The property sits on 1.85 acres and encompasses 91,055 square feet. The community is Joint Commission accredited.

The Claremont of Buffalo Grove: 150 N. Weiland Road, Buffalo Grove, Illinois 60089: The Claremont of Buffalo Grove is a post-acute transitional rehab and long term care combination property that consists of 200 licensed beds, including 60 Medicare and managed care beds. The three-story property was built in 1994 and is located in the northwest Chicago suburb of Buffalo Grove. The property sits on 4.15 acres and encompasses 86,580 square feet. The community was one of the first properties in the nation to achieve Joint Commission certification for disease-specific care in orthopedic, pulmonary and complex wound care. The community offers specific rehabilitation programs including pancreatic, dialysis, complex wound care and palliative care programs.

The Imperial of Lincoln Park: 1366 W. Fullerton Avenue, Chicago, Illinois 60614: The Imperial of Lincoln Park is a post-acute transitional rehab and long term care combination property comprised of 248 licensed beds. The community offers dementia and memory care services as well as rapid rehabilitation, pulmonary, infectious disease, cardiac, complex wound care and palliative care programs. The six-story brick building adjoins The Ivy Apartments supported living property. It was originally constructed in 1903 and was converted into its current use in 1984. The two combined properties sit on 1.42 acres, total 188,300 square feet and are located near Chicago's affluent Lincoln Park neighborhood, serving the entire north side of Chicago. The community is five-star rated by CMS and is Joint Commission and accredited.

Jackson Square: 5130 W. Jackson Boulevard, Chicago, Illinois 60644: Jackson Square is a post-acute transitional rehab and long term care combination property that consists of 234 licensed beds. The community offers dementia and memory care as well as rapid rehabilitation, dialysis, cardiac, complex wound care and palliative care programs. Located in Chicago's west side, the four-story brick property was built in 1987. The property sits on 2.05 acres and encompasses 110,407 square feet. The community is Joint Commission accredited.

The Renaissance at 87th Street: 2940 W. 87th Street, Chicago, Illinois 60652: The Renaissance is a post-acute transitional rehab and long term care combination property that consists of 210 licensed beds. The community provides dementia and memory care as well as rapid rehabilitation, orthopedic, cardiac, complex wound care and palliative care programs. The three-story brick property was built in 1998 and is located on Chicago's southwest side. It was renovated extensively in 2012 and was ranked number one in the Advocate Post-Acute Network two years in row. The property sits on 1.18 acres and totals 89,215 square feet. The community is Joint Commission accredited.

The Renaissance at Midway: 4437 S. Cicero Avenue, Chicago, Illinois 60632: The Renaissance at Midway is a post-acute transitional rehab and long term care combination property that consists of 249 licensed beds. The community offers dementia and memory care as well as rapid rehabilitation, S.T.A.T. (Stabilize, Treat, Assess, and Transition), cardiac, complex wound care and palliative care programs. The four-story brick facility was built in 2000 and is located on Chicago's south side. The property sits on 1.50 acres and totals 98,903 square feet. The community is Joint Commission accredited.

Renaissance Park South: 10935 S. Halsted Street, Chicago, Illinois 60628: The Renaissance Park South is a 294 licensed bed post-acute transitional rehab and long term care combination property that offers memory care services as well as rapid rehabilitation, S.T.A.T. (Stabilize, Treat, Assess, and Transition), cardiac, complex wound care and dialysis programs. The three-story brick property was built in 1975. It is located on Chicago's south side and was renovated extensively in 2008 and 2010. The property sits on 1.52 acres and totals 75,609 square feet. The community is Joint Commission accredited.

The Renaissance at South Shore: 2425 E. 71st Street, Chicago, Illinois 60649: The Renaissance at South Shore is a post-acute transitional rehab and long term care combination property that consists of 248 licensed beds. The community offers dementia and memory care as well as rapid rehabilitation, orthopedic, cardiac and complex wound care programs. The four-story brick property was built in 1995 and renovated extensively in 1997 in the post-acute care unit and lobby. It is located along Chicago's southern lake-front south shore neighborhood. The property sits on 1.29 acres and encompasses 84,200 square feet. The community is Joint Commission accredited.

The Ivy Apartments: 2437 N. Southport Avenue, Chicago, Illinois 60614: The Ivy Apartments is a supportive living property that consists of 118 suites. The six-story brick property adjoins The Imperial of Lincoln Park and was also built in 1903. It was converted into its current use in 1984. The two combined properties sit on 1.42 acres, total 188,300 square feet and are located near Chicago's affluent Lincoln Park neighbourhood, serving the entire north side of Chicago. The community is licensed under Illinois' Medicaid waiver program and offers affordable assisted living for Medicaid eligible individuals as well as those paying privately. The community offers both independent

and supportive living with staff in the building 24 hours a day, seven days a week. Visiting physicians and specialists provide ancillary services as needed.

Hanover Park Property

Pursuant to the terms of the Symphony Purchase Agreement, the Corporation will acquire the Hanover Park Property located in the Chicago metropolitan area prior to the closing of the Offering.

The Claremont of Hanover Park: 2000 W. Lake Street, Hanover Park, Illinois 60133: The Claremont of Hanover Park is a post-acute transitional rehab property that consists of 150 licensed beds. Built in 2010, this three-story brick property is located in the Chicago suburb of Hanover Park. It sits on 2.75 acres and totals 76,744 square feet. It is rated as a five-star rated property by the Centers for Medicare & Medicaid Services, a United States government program that administers Medicare and Medicaid services. The community is also one of the first properties in the nation to receive the post-acute care certification from the Joint Commission. It provides rehabilitation programs including cardiac, pulmonary, complex wound care and infectious disease programs.

Symphony Portfolio and Hanover Park Property Acquisitions

Symphony Purchase Agreement

On October 30, 2015, MHI Holdco indirectly acquired the Symphony Portfolio for a total purchase of approximately \$268.4 million, excluding transaction costs, as adjusted pursuant to the terms of the Symphony Purchase Agreement, and agreed to acquire the Hanover Park Property. It is expected that the purchase of the Hanover Park Property will be completed prior to the closing of the Offering for a total purchase price of approximately \$34.1 million, excluding transaction costs, as adjusted pursuant to the terms of the Symphony Purchase Agreement.

Under the Symphony Purchase Agreement, the vendors of the properties comprising the Symphony Portfolio deposited: (i) \$6.0 million of the purchase price proceeds into a holdback escrow account for purposes of satisfying the vendors' indemnification obligations, of which \$3,000,000 will be released to the vendors on October 30, 2016, and the remainder of which will be released to the vendors on October 30, 2017, assuming, in each case, that no amounts are withdrawn prior to such dates to satisfy amounts owing under the vendors' indemnification obligation; (ii) \$9.0 million of the purchase price proceeds into the escrow account which will serve as a security deposit for the Symphony Master Tenant's obligations under the Symphony Master Lease, such amount (or any portion thereof remaining) will be released to the vendors upon expiration or earlier termination of the Symphony Master Lease and the surrender and delivery of all premises leased thereunder; and (iii) \$7.0 million, which will fund an escrow to protect against cash flow deficiencies through the end of calendar year 2018, one third of which will be returned to the vendors at the end of calendar years 2016, 2017 and 2018 if applicable rent coverage ratios or cash collection hurdles are met.

Each vendor provided customary representations and warranties regarding their organization, authority, compliance with governmental authorities, default of existing agreements and title to property. Each vendor also provided representations and warranties regarding the Symphony Portfolio and Hanover Park Property, including environmental matters, leases, insurance, litigation, financial statement, undisclosed liabilities, physical condition, prohibited persons, employees, and other standard representations and warranties. Each of the previous operators of the facilities also provided representations and warranties regarding their organization and qualification, authority, health care matters, borrowings, survey reports, environmental laws, leases, and other standard representations and warranties. Certain of the representations and warranties are qualified as to materiality and knowledge subject to reasonable exceptions. Subject to certain exceptions, the representations and warranties survive for a period of two years following the acquisition of the Symphony Portfolio (or following the closing of the acquisition of the Hanover Park Property, as applicable).

Pursuant to the Symphony Purchase Agreement, the vendors and previous operators of the facilities agreed to jointly and severally indemnify and defend the Corporation against (i) liabilities arising out of the vendor's ownership or operation of the Symphony Portfolio or the Hanover Park Property, as applicable; (ii) all liabilities arising prior to or after the acquisition of the Symphony Portfolio or the Hanover Park Property, as applicable; (iii) breaches of representations, warranties or covenants given by the vendors or previous operators under the Symphony Purchase Agreement; (iv) any failure by any vendors or previous operators to carry out, perform or satisfy any of its post-closing covenants; (v) any general liability or professional liability claim with respect to any facility, to the extent that the underlying basis for such claim occurs or arises prior to the acquisition of the Symphony Portfolio or the

Hanover Park Property, as applicable; (vi) any and all claims brought by any governmental authorities or third party payor programs against the Corporation; and (vii) any liability arising out of vendor's failure to deliver tax clearance letters as required pursuant to the Symphony Purchase Agreement. With certain exceptions, the maximum indemnity available to the Corporation is \$6,000,000. The Corporation is not able to recover any amounts under the indemnity until its total claims reach \$400,000, at which time the Corporation is entitled to recover all amounts including the threshold amount. There can be no assurance of recovery by the Corporation from the Symphony vendors for any breach of the representations, warranties or covenants provided by the vendors under the Symphony Purchase Agreement because there can be no assurance that the amount and length of the indemnification obligations will be sufficient to satisfy such obligations or that the Symphony vendors will have any assets or continue to exist.

The original closing date for the acquisition of the Hanover Park Property under the Symphony Purchase Agreement, as amended, was March 31, 2016. The Corporation has exercised its option of extending the closing date to April 29, 2016 by delivering an additional \$1,000,000 to the escrow agent prior to the original closing date. The Corporation's obligation to consummate the acquisition of the Hanover Park Property is conditioned upon, among other customary closing conditions, there not being any physical condition or violation of applicable laws or regulations of the State of Illinois or the United States which would prohibit the Corporation's prompt receipt of all healthcare licenses necessary to operate the Hanover Park Property for its intended purpose. In the event that these conditions are not satisfied or waived by the Corporation in respect of the Hanover Park Property, the Corporation may elect to terminate the acquisition of the Hanover Park Property. It is expected that the purchase of the Hanover Park Property will be completed prior to the closing of the Offering for a total purchase price of approximately \$34.1 million, excluding transaction costs, as adjusted pursuant to the terms of the Symphony Purchase Agreement.

Under the Share Purchase Agreement, if requested by MHI Holdco in order to fund, in part, the acquisition of the Hanover Park Property, the Funds Manager is obligated to (i) purchase subordinated convertible debentures of MHI Holdco, and/or (ii) subscribe for shares of MHI Holdco, and/or (iii) loan cash or provide other financing to MHI Holdco or its affiliate, in an aggregate amount of up to \$13.5 million. It is expected that, pursuant to such terms, the Funds will, among other things, subscribe for MHI Holdco Preferred Shares and such MHI Holdco Preferred Shares will be redeemed using the proceeds of the Offering. Closing of the Hanover Park Property acquisition is not conditional upon the successful closing by the Corporation of any debt or equity financing, including this Offering.

Symphony Master Lease

The initial term of the Symphony Master Lease expires on October 31, 2030. Pursuant to its terms, a new facility may be added to the existing Symphony Master Lease by way of an amendment to the lease. Such amendment will extend the initial term of the Symphony Master Lease such that it shall expire on the day before the fifteenth anniversary of the amendment commencement date. Provided the Symphony Master Tenant is not in material default beyond any applicable cure period and provides irrevocable written notice of renewal no later than 365 days prior to the expiration date of the then then current term, the Symphony Master Tenant will have three successive options to extend its lease for renewal periods of five years each.

Pursuant to the Symphony Master Lease, the Symphony Master Tenant is required to pay annual basic rent in equal monthly installments in advance on the first day of each month. Annual basic rent under the Symphony Master Lease will escalate annually at a rate of 1.00% during the second year of the lease, 1.50% during the third year of the lease, and by the greater of 2.25% or the percentage change in the consumer price index for the immediately preceding year, but not in excess of 3.00%, for each year thereafter. The annual basic rent payable in respect of the initial year of each renewal term under the Symphony Master Lease will equal the annual basic rent payable during the final year of the initial term or preceding renewal term, as the case may be, increased by the greater of 2.25% or the percentage change in the consumer price index for the immediately preceding year, but not to exceed 3.00%.

The Symphony Master Lease contains covenants that are standard for the type of facilities being leased, including, but not limited to, covenants related to Symphony Master Tenant's maintenance obligations, alterations and expansions, compliance with laws, capital expenditures, maintenance of rent coverage ratios, facility licensure and certification, transfer of license and facility operations, Medicare and Medicaid and bed operating rights.

The Symphony Master Lease contains customary events of default, including, but not limited to: (i) the Symphony Master Tenant's failure to pay rent or other amounts which is not remedied within five business days after such payment is due; (ii) the Symphony Master Tenant's failure to observe or perform any covenant, condition or agreement under the Symphony Master Lease and such failure continues for a period of 30 days after written notice by the Corporation; and (iii) the voluntary filing by the Symphony Master Tenant of a petition for bankruptcy.

Upon the occurrence of any event of default, the landlord may, among other remedies, (i) terminate the Symphony Master Lease; (ii) without terminating the Symphony Master Lease, re-enter and take possession of the leased property and lease such property for the account of the Symphony Master Tenant; (iii) re-enter, repossess and enjoy the leased property as if the Symphony Master Lease had not been made; and (iv) take whatever action at law or equity as is necessary to collect rent.

Except as otherwise set out in the Symphony Master Lease, the Symphony Master Lease will be absolute net and carefree to the Corporation and the Corporation will not be responsible for any costs relating to the Symphony Portfolio or, if applicable, Hanover Park Property.

Description of Operators

A key component of the Corporation's development strategy is its ability to form meaningful strategic relationships with reputable operators of seniors housing and care facilities. The Corporation's operators include strong regional operators with the financial resources to support current lease payments as well as future growth. The Corporation's current operators have extensive experience in operating multiple properties in multiple states.

Mainstreet has targeted operating partners with growth ability and expansion plans as it has expanded from a Midwest concentration to a national footprint. The Corporation anticipates these relationships will allow it to continue to expand into new markets throughout North America. The following table includes information regarding the operators of the Properties, organized according to their percentage contribution to total contractual annual rent of the Corporation for the first year of operations:

Operator	Year Founded	Principal Office	Number of Facilities Managed	Number of Beds/Suites Managed	Geographic Footprint	% of Contractual Rent
Symphony	1984	Lincolnwood, IL	30	5,400+	4 States- Midwest, Southwest	76%
Hearth	1988	Syracuse, NY	15	1,800+	4 States- East, Midwest	9%
Saber	2001	Cleveland, OH	111	10,000+	6 States- Midwest, East, Southeast	7%
Ensign	1999	Mission Viejo, CA	186	19,000+	14 States- West, Midwest, Southeast	4%
Trilogy	1997	Louisville, KY	100	10,000+	4 States- Midwest	4%
Total			442	46,200+		100%

The following is a brief description of the Corporation's current strategic operators:

- **Symphony** is comprised of privately owned and operated member facilities providing skilled nursing care with a concentration on long term care and post-acute rehabilitation. Founded in 1984, the Symphony Network has 30 member facilities with more than 5,400 licensed beds. Symphony is headquartered in Chicago and is the dominant network in Illinois, with 24 facilities. The network members also operate in Indiana, Arizona and Wisconsin. The Hanover Park Property and the Chesterton Property are member facilities of the Symphony Network.

The Corporation has given an undertaking that it will file the unaudited quarterly and audited annual financial statements, as well as corresponding management discussion and analysis, of the Symphony Master Tenant on SEDAR for so long as the Symphony Portfolio and the Hanover Park Property collectively remain significant assets of the Corporation.

- **Hearth** is a privately owned and operated seniors housing and healthcare management company based in Syracuse, New York. Founded in 1988, Hearth owns and operates 15 communities with more than 1,800 licensed beds. Hearth properties offer independent living, assisted living and memory care in New York, Connecticut, Indiana and Tennessee. Hearth derives significant benefits from its close relationship with Fahs, the developer and builder of the Hearth branded communities. Headquartered in Binghamton, New York and founded in 1946, Fahs has broad experience building projects in health care, education, hospitality, residential, retail and other industries. Fahs developed 13 of the 15 communities in Hearth's

portfolio and utilizes its internal construction resources to maintain the physical plants of the facilities. While both companies operate independently, they share key members of the leadership team. This affiliation creates a synergy between the operation and ownership of each community, including decisions on the design, location and amenities offered. Hearth is the operator of the properties comprising the Hearth Portfolio.

- **Saber** is an experienced operator of SNFs and AL facilities. Saber was founded in 2001 and currently operates 111 facilities and over 10,000 licensed beds and suites in six states including Pennsylvania, Ohio, Florida, Virginia, Indiana and North Carolina. Based in Bedford Heights, Ohio, a majority of Saber-managed properties are in Ohio and Pennsylvania. Saber is considered a best-in-class regional operator of long term care and AL care and specializes in turning around under-performing AL facilities, SNFs and long-term acute care facilities. Saber is the operator of the properties comprising the Scranton Portfolio.
- **Ensign** is a publicly owned experienced operator of SNF and AL facilities and provides a broad spectrum of services including physical, occupational and speech therapies, home health and hospice services, urgent care services and other rehabilitative and healthcare services. Founded in 1999, Ensign manages 186 healthcare facilities, 14 hospice agencies, 15 home health agencies and 17 urgent care clinics, representing over 19,000 licensed beds and suites. Based in Mission Viejo, California, a majority of Ensign-managed properties are located in California, Texas and Arizona, but Ensign also operates in Washington, Utah, Idaho, Colorado, Nevada, Iowa and Oregon. Ensign is the operator of the Topeka Property.
- **Trilogy** is a privately owned experienced operator based in Louisville, Kentucky, that offers a full range of personalized senior health and hospitality services, from IL and AL, to SNF and rehabilitative services in 100 senior living communities throughout Indiana, Ohio, Kentucky and Michigan. Founded in 1997, Trilogy operates over 10,000 licensed beds and suites while offering services which include a full range of rehabilitation services, including physical, occupational and speech therapy, outpatient services, and memory care. Trilogy is the operator of the Mooresville Property.

Arrangements with Mainstreet

The Corporation, MAMI and Mainstreet LLC, among others, have entered into certain agreements that govern the relationships among such parties. These agreements are described below. All of the directors and officers of MHI Holdco are officers of Mainstreet LLC and its affiliates.

Asset Management Agreement

The Corporation, MAMI, MHI US and MHI Partnership are parties to the Asset Management Agreement. Pursuant to the Asset Management Agreement, MAMI is the asset manager of the properties owned by the Corporation, MHI US and MHI Partnership. The Asset Management Agreement provides that MAMI will provide various services to the Corporation, including among others: services of a senior management team to provide advisory, consultation and investment management services and monitor the financial performance of the Corporation, MHI US and MHI Partnership; advise the Board, the directors of MHI US and the directors of the general partner of MHI Partnership on strategic matters, including potential acquisitions, dispositions, financings and development; identify, evaluate, recommend and assist in the structuring of acquisitions, dispositions, and other transactions; advise and assist with borrowings, issuances of securities and other capital requirements, including assistance in dealings with banks and other lenders, investment dealers, institutions and investors; make recommendations with respect to the payment of dividends; provide advice in connection with the preparation of business plans and annual budgets, implement such plans and budgets and monitor the financial performance of the Corporation, MHI US and MHI Partnership; advise with respect to risk management policies and any litigation matters; certain administrative and support services, including keeping and maintaining books and records and preparing returns, filings and documents; and any additional services as may from time to time be agreed to in writing by the parties thereto for which MAMI will be compensated on terms to be agreed upon between the parties thereto prior to the provision of such services.

MAMI receives an aggregate annual management fee equal to 0.30% of the Gross Book Value of the Corporation's assets up to \$1 billion plus 0.10% of the Gross Book Value of the Corporation's assets in excess of \$1 billion, calculated monthly as of the last day of the applicable calendar month. In addition, MAMI is reimbursed by the Corporation, MHI US and MHI Partnership for all reasonable and necessary actual out-of-pocket costs and expenses paid by MAMI in connection with the performance of the services described in the Asset Management Agreement (including, without limitation, the reasonable costs and necessary expenses incurred by MAMI for travel, lodging

and the reasonable and necessary costs for experts and consultants reasonably required by MAMI and approved by the Independent Directors). The annual management fee is paid in cash or, at the option of MAMI and subject to receipt of applicable regulatory approval and the approval of disinterested holders of Shares (in each case, for so long as the Shares are listed on the TSXV or the TSX, as applicable), up to 100% in Shares or Class B Units, calculated based on the volume weighted average price of the Shares on the stock exchange on which the Shares are then listed for the five trading days immediately preceding the end of the applicable month.

The Asset Management Agreement has an initial term of five years commencing on April 4, 2016, and renews for additional five-year terms, provided MAMI is not in material default on the renewal date or otherwise terminated. At such time as the Corporation has achieved a fully-diluted market capitalization of \$500 million based on the volume weighted average price of the Shares on a recognized stock exchange over a 20 Business Day period and the Board has determined no cost internalization to be in the best interests of Shareholders, the Asset Management Agreement shall terminate and the management of the Corporation shall be internalized at no additional cost to the Corporation.

The Corporation, MHI US and MHI Partnership are entitled to terminate the Asset Management Agreement upon 30-days written notice in the event of default (if such default is not cured within such period) or event of insolvency of MAMI (within the meaning of the Asset Management Agreement). An event of default is defined as: (i) the commission by MAMI or any of its agents or employees of any act constituting fraud, willful misconduct, breach of fiduciary duty, gross negligence or a willful breach of applicable laws in connection with the performance of its duties as an asset manager under the Asset Management Agreement; (ii) demonstration by MAMI of a willful disregard of the best interests of the Corporation, MHI US and MHI Partnership in the performance, or failure in the performance, of MAMI's duties under the Asset Management Agreement; (iii) material breach by MAMI in the performance of its obligations under the Asset Management Agreement, subject to force majeure; (iv) unpermitted assignment of MAMI's interest in the Asset Management Agreement; (v) persistent, continuing failure in the performance of MAMI's material obligations under the Asset Management Agreement and the continuing failure by MAMI to cure any breach of any of its obligations under the Asset Management Agreement after notice has been given; or (vi) material breach by MAMI of the terms of the Development Agreements or the Non-Competition Agreement. The Corporation also has the right to terminate the Asset Management Agreement at the end of a term if the Corporation's independent directors determine MAMI has not been meeting its obligations under the Asset Management Agreement and such termination is approved by more than 50% of the votes cast by the holders of Shares (excluding the votes of MAMI) at a meeting called and held for such purpose, provided that the Corporation provides MAMI with at least 12 months' prior written notice of such termination and provided further that, upon such termination, MAMI shall be entitled to an additional amount equal to MAMI's annual management fees earned for the preceding 12-month period.

Under the Asset Management Agreement, MAMI has the right to select (i) one individual or (ii) at any such time as MAMI beneficially owns or exercises control or direction over, directly or indirectly, 10% or more of the Shares (after giving effect to the exchange of Class B Units owned by MAMI but without giving effect to the exercise, conversion or exchange of any other securities exercisable for, convertible into or exchangeable for Shares), two individuals, to be nominated as part of the management proposed list of nominees to serve as directors on the Board. On the closing of the Offering, it is expected that MAMI will have the right to nominate one individual to serve as director pursuant to this provision.

The Asset Management Agreement may be assigned by MAMI to an affiliated entity as part of a corporate reorganization, provided the level of service provided by the successor does not change. The Corporation will have six employees who perform certain accounting, finance, asset management and other supporting functions.

Development Agreements

MAMI, Mainstreet LLC and the Corporation are parties to the Canadian Development Agreement and MAMI, Mainstreet LLC, the Corporation, and MHI Partnership are parties to the US Development Agreement. In accordance with the Development Agreements, Mainstreet LLC provides the Corporation, with respect to Canadian development properties under the Canadian Development Agreement, and MHI Partnership, with respect to development properties in the United States under the US Development Agreement, with the right to provide mezzanine financing for projected construction costs for all Suitable Development Properties identified by Mainstreet LLC. The Corporation, with respect to Canadian development properties under the Canadian Development Agreement, and MHI Partnership, with respect to development properties in the United States under the US Development Agreement, will have an option to acquire any property for which it provides mezzanine financing, subject to receipt of applicable regulatory approval (for so long as the Shares are listed on the TSXV or

the TSX, as applicable) and, if required by applicable law (including the rules of any stock exchange on which the Shares are listed), the approval of holders of Shares or disinterested holders of Shares, pursuant to the terms set out in the applicable Development Agreement. Once a Development Property is approximately 90% complete (as determined by an independent architectural firm) and so long as acquiring such property would be accretive to the Corporation during the twelve months following the acquisition of such property, as determined, in their sole discretion, by the independent members of the Board, the applicable parties shall commission an appraisal of the fair market value of the property by an independent third-party appraiser. If a contribution of property in exchange for Shares, Class B Units and/or cash with a value equal to its appraised fair market value would provide Mainstreet LLC with a rate of return on investment agreed upon in advance, Mainstreet LLC is required to offer to contribute the property to the Corporation or MHI Partnership, as applicable, for such price, which will be payable in a combination of Shares, Class B Units and cash, as determined by Mainstreet LLC in its discretion, subject to receipt of required regulatory approvals. The independent members of the Board will determine, in their sole discretion, whether to accept the property and, if accepted, Mainstreet LLC and the Corporation or MHI Partnership, as applicable, will consummate the contribution of the property at such time as agreed upon by Mainstreet LLC and the Corporation or MHI US, as applicable. If a contribution of the property at the appraised value would not provide Mainstreet LLC with the agreed upon return, Mainstreet LLC will retain the property.

If Mainstreet LLC subsequently determines that a contribution of a retained property equal to its fair market value would provide Mainstreet LLC with the agreed upon rate of return on investment, Mainstreet LLC may offer to contribute the property to the Corporation or MHI Partnership, as applicable, at such new price, which will be payable, at Mainstreet LLC's discretion, in a combination of Shares, Class B Units and cash. The Corporation or MHI Partnership, as applicable, may accept the contribution in the sole discretion of the independent members of Board. If Mainstreet LLC desires to sell any retained property to a third party at a price that would not provide it with the agreed upon rate of return on investment, Mainstreet LLC is first required to offer the Corporation or MHI Partnership, as applicable, the right for a period of 30 days to purchase the property on terms not less favourable to the Corporation or MHI Partnership, as applicable, than those offered to the third party, before being entitled to sell it to the third party.

The Development Agreements also provide the Corporation with the right to provide mezzanine financing and acquire Mainstreet LLC's (or any of its affiliate's) interest in a Development Property where Mainstreet LLC or its affiliate, as applicable, does not own the entire development property on the same terms and conditions as described in the two immediately preceding paragraphs.

The Development Agreements grant MAMI a first right to develop properties for the Corporation or MHI Partnership, as applicable, on equitable commercial terms, regardless of the original source of the properties. If the Corporation or MHI Partnership, as applicable, is approached by a third party with a development opportunity, the Corporation or MHI Partnership, as applicable, is entitled to request that MAMI waive such right with respect to the property and such waiver shall not be unreasonably withheld. If MAMI agrees to waive its first right to develop a property, the Corporation or MHI Partnership, as applicable, shall pay to MAMI an advisory development fee equal to 1.5% of certain construction costs (as defined in the Development Agreements) and MAMI will act as an owner-representative on the construction project.

The initial term of the Development Agreements is for five years commencing on April 4, 2016, with automatic five-year renewal terms; provided MAMI is not in material default of the applicable Development Agreement on the applicable renewal date. Each of the Development Agreements is not be transferable by MAMI or Mainstreet LLC to unaffiliated third parties unless otherwise consented to by the Corporation or MHI Partnership, as applicable. The Corporation or MHI Partnership, as applicable, is entitled to terminate the applicable Development Agreement upon 30 days' written notice in the event of the material default or insolvency of Mainstreet LLC or MAMI. An event of default is defined in each Development Agreement as: (i) the commission by Mainstreet LLC or MAMI of any act constituting fraud, willful misconduct, breach of fiduciary duty, gross negligence or a willful breach of applicable laws in connection with the performance of their duties under the applicable Development Agreement; (ii) demonstration of a willful disregard of the best interests of the Corporation or MHI Partnership, as applicable, by MAMI in the performance of its duties under the applicable Development Agreement; (iii) material breach by Mainstreet LLC or MAMI in the performance of their obligations under either Development Agreement; (iv) material breach by MAMI in the performance of any of its obligations under the Asset Management Agreement; (v) material breach by MAMI or Mainstreet LLC or their respective principals or affiliates in the performance of any of their obligations under the Non-Competition Agreement; (vi) unpermitted assignment by MAMI or Mainstreet LLC of their interest in the applicable Development Agreement; or (vii) persistent, continuing failure in the performance of their material obligations under the applicable Development Agreement by Mainstreet LLC or

MAMI. Upon any such termination, the applicable Development Agreement will continue to apply in all respects to the development of any property in which the Corporation or MHI Partnership, as applicable, has elected to participate prior to termination. The Corporation or MHI Partnership, as applicable, may terminate the applicable Development Agreement upon the Corporation achieving a fully-diluted market capitalization of \$500 million based on the volume weighted average price of the Shares (assuming that all Shares issuable upon the exercise of any in-the-money options, warrants or rights of conversion or rights of exchange have been issued and are outstanding) on a recognized stock exchange over a 20 Business Day period. The Development Agreements are also terminable by any party upon the termination of the Asset Management Agreement.

Non-Competition Agreement

The Corporation, MHI US, MAMI, Mainstreet LLC and the Principal are parties to the Non-Competition Agreement. Pursuant to the Non-Competition Agreement, the Principal has agreed not to, and agreed to cause the Principal Entities not to, create another publicly traded investment vehicle (including, but not limited to, a publicly traded real estate investment trust) which primarily invests in senior housing properties in the United States or Canada.

Pursuant to the Asset Management Agreement, MAMI is required to perform the services and functions to be performed by it in an expeditious, ethical, honest and businesslike manner and in keeping with the standards of asset management for senior care asset management that are customarily employed by asset managers in servicing and managing comparable properties. Pursuant to the Non-Competition Agreement, MAMI and Mainstreet LLC are required to present any Offered Investment to the Corporation. At the time MAMI or Mainstreet LLC, as applicable, presents the Offered Investment to the Corporation, it is also required to provide its reasonable estimation regarding whether the Offered Investment would be a suitable investment for the Corporation and is consistent with the Corporation's strategy and other relevant investment considerations, together with an outline of all of the material terms and conditions of the Offered Investment then known to MAMI or Mainstreet LLC, as applicable, including relevant summary financial and property information.

Exceptions to the definition of "Offered Investment" include (a) any senior housing property owned or controlled by the Mainstreet Parties, in whole or in part, which is being developed by, acquired to be developed by, or has previously been developed by, any of the Mainstreet Parties (including together with any joint venture or other partners) at the relevant date; (b) any property that is ancillary to any development project managed or owned by any of the Mainstreet Parties involving primarily non-senior housing properties; (c) any property that is a part of a portfolio of primarily non-senior housing properties; (d) any investment of up to 10% of the issued and outstanding equity securities of any public issuer and investments in the Corporation; (e) any "value-add" investment that, in the sole, reasonable discretion of MAMI, would not be a suitable investment for the Corporation (with regard to the Corporation's focus on stabilized seniors housing properties and other relevant investment considerations); and (f) any property that is developed by the Existing Development Funds and in respect of which Welltower or its affiliates have an option to purchase described below or elect to exercise their option to purchase as described below.

Mainstreet currently manages the Existing Development Funds. The Existing Development Funds invest solely in development projects and are contractually obligated to provide Welltower or its affiliates with the option to purchase properties they develop.

In addition, Mainstreet is contemplating the establishment of one or more Value-Add Funds. The Value-Add Funds' acquisition strategy will focus on "value-add" seniors housing investments, which is a different focus from that of the Corporation, which will focus on stabilized seniors housing properties. Notwithstanding the clear delineation of investment focus between the Corporation and the Value-Add Funds, Mainstreet's role as manager of the Value-Add Funds could place MAMI in a position of conflict with respect to a potential investment. In the event of such a conflict, but subject to MAMI complying with the obligations in the paragraphs above, MAMI will assess the investment and proceed with the investor that has the highest probability of successfully acquiring the subject property as determined by factors that include capital availability, level of interest and other deal term and timing requirements; provided, however, that if such probability is equal or such assessment is not practicable, MAMI shall endeavour to arrange for the Corporation and the applicable Value-Add Fund to participate equally (or as otherwise mutually agreed to by the Corporation and such Value-Add Fund) in the Offered Investment. MAMI shall also provide notice of its intention to create any Value-Add Fund to the Corporation and, for a period of 30 days following receipt of such notice, the Corporation shall have the right, but not the obligation, to subscribe for, directly

or indirectly, up to 10% of the equity interests in any such Value-Add Fund at the price and upon the terms and conditions, if any, set forth in such notice.

The Non-Competition Agreement will be in effect so long as MAMI is the asset manager of the Corporation, provided that the non-competition provisions shall remain in effect for a period of 12 months following the effective date of any termination of the Asset Management Agreement resulting from an event of default of MAMI. An event of default of MAMI under the Asset Management Agreement includes a material breach by MAMI under the terms of the Asset Management Agreement, Development Agreement or the Non-Competition Agreement. See “Appendix A: *Information Concerning the Corporation and MHI Holdco – The Business of the Corporation - Arrangements with Mainstreet – Asset Management Agreement*”.

Exchange Agreement

The Corporation, MHI Holdco, MHI US, MHI GP, MHI Partnership and MAMI will enter into the Mainstreet Exchange Agreement. The Mainstreet Exchange Agreement will grant to MAMI the right to require the Corporation to exchange each Class B Unit, including Class B Units issued to MAMI under the Asset Management Agreement or the Development Agreements, for one Share, subject to customary anti-dilution adjustments.

The exchange procedure may be initiated at any time by MAMI so long as all of the following conditions have been met:

- the Corporation is legally entitled to issue the Shares in connection with MAMI’s exercise of its exchange rights; and
- MAMI will, upon the exercise of its exchange rights, comply with all applicable securities laws.

The Mainstreet Exchange Agreement will also provide that if the Corporation enters into a transaction that will involve: (i) the transfer, directly or indirectly, of all or substantially all of its assets to a third party; and (ii) the winding up or dissolution of the Corporation, or exchange of Shares for securities of a third party issuer or successor issuer; and, at such time, MAMI holds in the aggregate, directly or indirectly, 10% or less of the outstanding Shares on a fully-diluted basis, then MAMI will be obligated to, upon the written request of the Corporation, exercise its exchange right in respect of the Class B Units then held by MAMI.

In addition, in the event of an acquisition of not less than 90% of the Shares (including Shares issuable upon the exchange of Class B Units) by a person (including persons acting jointly or in concert with such person), the Corporation will have the right, subject to applicable law, to acquire outstanding Class B Units in exchange for an equal number of Shares, subject to customary anti-dilution adjustments.

Risk Factors

Real Property Ownership and Tenant Risks

The Corporation owns the Symphony Portfolio and will, prior to the closing of the Offering, acquire the Hanover Park Property. Subject to the closing of the Offering and the satisfaction or waiver of the conditions in the applicable purchase agreement, the Corporation will acquire the New Properties. It is also expected that the Corporation will acquire interests in other real property (primarily senior care properties in the United States initially and potentially Canada) in the future. All real property investments are subject to elements of risk. By specializing in a particular type of real estate, the Corporation will be exposed to adverse effects on that segment of the real estate market and will not benefit from a diversification of its portfolio by property type.

The value of real property and any improvements thereto depends on the credit and financial stability of tenants, and upon the vacancy rates of the properties. As the Corporation’s properties will be leased to a relatively small number of operators, AFFO will be adversely affected if one or more operators are unable to meet their obligations under their leases or if any of the properties in which the Corporation will have an interest are not able to be leased to an operator on economically favourable lease terms.

In the event of default by an operator, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the Corporation’s investment may be incurred. Furthermore, at any time, an operator of

any of the properties in which the Corporation has an interest may experience cash flow issues, including in respect of paying its payments under the applicable leases, and/or seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and termination of such operator's lease, any of which events could have an adverse effect on the Corporation's financial condition and results of operations and decrease the amount of cash available for distribution. Moreover, in the event of the failure of an operator, the Corporation may be required to arrange for MAMI to operate the properties until another operator can be found. MAMI's ability to operate the properties will be subject to the Corporation and MAMI receiving the required regulatory approvals. See "*Appendix A – Information Concerning the Corporation and MHI Holdco – Arrangements with Mainstreet*".

Upon the expiration of any lease, there can be no assurance that the lease will be renewed or the operator replaced. The terms of any subsequent lease may be less favourable to the Corporation than the existing lease. The ability to rent unleased properties will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for seniors housing and care properties, competition from other available premises and various other factors, many of which will be beyond the Corporation's control.

Additionally, due to changing trends in the design of the types of properties that will be owned by the Corporation, it is possible that the Corporation's properties will be less desirable than newer models developed by competitors. This, in turn, would affect the ability of the Corporation to renew its leases with existing operators and, in the event such leases are not renewed, to rent unleased properties.

Liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the Corporation's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Corporation was to be required to liquidate its real property investments, the proceeds to the Corporation might be significantly less than the aggregate carrying value of its properties, which could have an adverse effect on the Corporation's financial condition and results of operation and decrease the amount of cash available for distribution.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of seniors housing and care properties will compete with the Corporation in seeking operators. Some of the properties located in the same markets as the Corporation's properties will be newer, better located, less levered or have stronger tenant profiles than the Corporation's properties. Some property owners with properties located in the same markets as the Corporation's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn and better able to adapt existing and new properties to changing trends in design and functionality. The existence of developers, managers and owners in such markets and competition for the residents of such properties could have a negative effect on the Corporation's ability to find operators for its properties in such markets, which could have an adverse effect on the Corporation's financial condition and results of operation and decrease the amount of cash available for distribution.

Competition for acquisitions of real properties can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the Corporation may be prepared to accept. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Concentration on Seniors Housing and Care

The Corporation will make investments primarily in seniors housing and care properties, which will subject the Corporation to the risks inherent in concentrating investments in a limited number of asset classes. A downturn in the real estate industry generally or the seniors housing and care sector specifically could reduce the value of the Corporation's properties and could require the Corporation to recognize impairment losses from its properties. The risks the Corporation will face may be more pronounced than if the Corporation diversified its investments outside real estate in general or outside seniors housing and care properties specifically.

Fixed Costs

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Although the Corporation's leases with operators will generally pass these costs to those operators, if the Corporation is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights to charge additional interest or penalties, or of foreclosure or sale. Costs may also be incurred in making improvements or repairs to a property required by a new operator and income may be lost as a result of any prolonged delay in attracting a suitable operator for a property.

The timing and amount of capital or other expenditures by the Corporation will indirectly affect the amount of cash available for distribution. Distributions may be reduced, or even eliminated, at times when the Corporation deems it necessary to make significant capital or other expenditures.

Current Economic Environment

Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit and the United States mortgage market have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the Corporation's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the Corporation's operators to maintain occupancy rates in its properties, which could harm the Corporation's financial condition. If these economic conditions continue, the Corporation's operators may be unable to meet their rental payments and other obligations due to the Corporation, which could have a material adverse effect on the Corporation.

Risk Factors Related to the Business of the Corporation

Operator risks

The seniors housing and care industry is highly competitive and it may become more competitive in the future. The Corporation's operators will be competing with numerous other companies providing similar seniors housing and care services or alternatives such as home health agencies, life care at home, community-based service programs, retirement communities and convalescent centers. As a result, the Corporation will not be certain that the operators of all of its properties will be able to achieve and maintain occupancy and rate levels that will enable them to meet all of their obligations to the Corporation.

The Corporation will lease a substantial portion of its properties to a limited number of operators, and certain of them will represent a significant source of the Corporation's total revenues and operating income. Any inability or unwillingness by the operators to make rental payments or to otherwise satisfy obligations or comply with covenants (including the applicable rent coverage ratios) under a lease could have a material adverse effect on the Corporation's business, financial condition, results of operations and liquidity, on the Corporation's ability to service its indebtedness and other obligations and on its ability to make distributions. In addition, any failure by any of the operators of the Corporation's properties to effectively conduct its operations or to maintain and improve the Corporation's properties could adversely affect its business reputation and its ability to attract and retain patients and residents in the Corporation's properties, which could have a material adverse effect on the Corporation. Due to the nature of their business, the operators may be subject to class action suits, which may in turn subject the Corporation to such litigation. Although management of the Corporation believes such claims would be without merit, litigation is expensive, time consuming and may divert management's attention away from the operation of the Corporation. Although the operators will agree to indemnify, defend and hold the Corporation harmless from and against various claims, litigation and liabilities arising in connection with their respective businesses, there is no assurance such operators will possess sufficient assets, income, access to financing and insurance coverage to enable them to satisfy their indemnification obligations.

Any adverse developments in the business and affairs, financial strength or ability of the Corporation's tenants to operate the Corporation's properties efficiently and effectively could have a material adverse effect on the Corporation. If any of the operators of the Corporation's properties experience any significant financial, legal, accounting or regulatory difficulties due to a weakened economy or otherwise, such difficulties could result in, among other adverse events, acceleration of its indebtedness, the inability to renew or extend its credit facilities, the

enforcement of default remedies by its counterparties or the commencement of insolvency proceedings, any one or a combination of which could have a material adverse effect on the Corporation.

In the event that an operator defaults under a lease, the leases provide numerous rights and remedies to the Corporation. First, the leases contain standard default remedies such as rent acceleration (subject to applicable laws), the ability to remove the tenant operator from the property (subject to existing arrangements with the health authorities, if any) and the right to collect from the guarantor or indemnitor, if any. Additionally, the Corporation will have access to further remedies to ensure that the operations of the property will continue seamlessly after the tenant is removed from the operations (subject to existing arrangements with the health authorities, if any). The typical lease states that the personal property necessary for the operations of the property becomes the property of the landlord at the end of the lease term or upon the earlier termination of the lease or, alternatively, provides the landlord with a security interest in such personal property. In the United States, any licenses and certifications necessary for operation and third-party payor reimbursement remain with the property and the tenant is required to cooperate in transferring such licenses to the landlord or a new tenant. In Canada, there are established procedures employed by the relevant regulators, which are designed to ensure smooth transitions between operators in the event of default. In the event the Corporation finds it necessary to remove a tenant operator from a property, the Corporation will be able to, in the United States, either designate a new tenant operator or designate an interim tenant operator, or MAMI, as manager, to operate the property until a more permanent tenant operator is identified. In Canada, Mainstreet's/MAMI's current intention is to, as needed, identify appropriate replacement tenant operators through its arrangements and relationships with the health authorities and/or through the Corporation's relationships in the Canadian seniors housing and care industry. In the event that one or more replacement tenant operators are required to be appointed by the Corporation in respect of one or more of its properties, there may be a delay in the appointment of such tenant operator(s) and/or the new lease(s) may be on terms that are not as favourable to the Corporation as the terms of the lease with the then existing operator. Any such delay or variation in the terms could have a material adverse effect on the Corporation. Additionally, bankruptcy and insolvency laws afford certain rights to a party that has filed for bankruptcy or reorganization. In the event that the tenant becomes subject to bankruptcy or insolvency proceedings, it may be able to limit or delay the Corporation's ability to collect unpaid rent or exercise other rights and remedies.

In addition, operators of the Corporation-owned properties are subject to numerous federal, state, provincial and local laws and regulations that are subject to frequent and substantial changes (sometimes applied retroactively) resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. The ultimate timing or effect of these changes cannot be predicted. These changes may have a dramatic effect on such operators' costs of doing business and the amount of reimbursement by both government and other third-party payors. The failure of any of the Corporation's operators to comply with these laws, requirements and regulations could adversely affect their ability to meet their obligations to the Corporation. In particular:

Changes to Governmental Reimbursement Programs such as Medicare or Medicaid. A significant portion of the Corporation's SNF and AL property operators' revenue will be derived from governmentally-funded reimbursement programs, such as Medicare and Medicaid. Failure to maintain certification and accreditation in these programs would result in a loss of funding from them. Further, such revenues may be subject to statutory and regulatory changes, retroactive rate adjustments, recovery of program overpayments or set-offs, court decisions, administrative rulings, policy interpretations, payment or other delays by MACs, government funding restrictions (at a program level or with respect to specific facilities) and interruption or delays in payments due to any ongoing government investigations and audits at such property. In recent years, government payors have frozen or reduced payments to health care providers due to budgetary pressures. Health care reimbursement will likely continue to be of paramount importance to federal and state authorities. The Corporation cannot make any assessment as to the ultimate timing or effect any future legislative reforms may have on the financial condition of the Corporation's tenants and properties. There can be no assurance that adequate reimbursement levels will be available for services provided by any property operator, whether the property receives reimbursement from Medicare, Medicaid or private payors. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on a tenant's liquidity, financial condition and results of operations, which could adversely affect the ability of a tenant to meet its obligations to the Corporation.

The Health Reform Laws provide those states that expand their Medicaid coverage to otherwise eligible state residents with incomes at or below 138% of the federal poverty level with an increased federal medical assistance percentage, effective January 1, 2014, when certain conditions are met. On June 28, 2012, the United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion allows states to elect not to participate in the expansion – and to forego funding for the Medicaid expansion – without losing their existing Medicaid funding. Given that the federal government

substantially funds the Medicaid expansion, it is unclear how many states will ultimately pursue this option, although, as of late January 2015, roughly half of the states have expanded Medicaid coverage. The participation by states in the Medicaid expansion could have the dual effect of increasing the Corporation's tenants' revenues, through new patients, but further straining state budgets and their ability to pay the Corporation's tenants. While the federal government will pay for approximately 100% of those additional costs from 2014 to 2016, states will be expected to pay for part of those additional costs beginning in 2017. With increasingly strained budgets, it is unclear how states will pay their share of these additional Medicaid costs and what other health care expenditures could be reduced as a result. A significant reduction in other health care related spending by states to pay for increased Medicaid costs could affect the Corporation's tenants' revenue streams.

More generally, and because of the dynamic nature of the legislative and regulatory environment for health care products and services, and in light of existing federal deficit and budgetary concerns, the Corporation cannot predict the impact that broad-based, far-reaching legislative or regulatory changes could have on the United States economy, the Corporation's business or that of the Corporation's operators.

New payment systems for health care services are being explored by many payors, including government payors. Those payment systems provide for "bundling payments" across a continuum of providers, including acute care hospital, physician, rehabilitation, skilled nursing, home health, and other health care services needed by a patient for a single disease state (e.g., hip replacement). Under a bundled payment system, a single payment is given to the hospital provider for services needed by a patient with that disease state, and the hospital is expected to contract with other providers for non-hospital needs of the patient relating to that disease state. Medicare has also begun a more expansive program which goes beyond single disease states and requires entities to provide population health management services to patients. Those entities are called ACOs. ACOs are groups of doctors, hospitals and other health care providers who come together to give coordinated care to Medicare patients. ACOs are required to manage the entire health of patients assigned to them for set periodic payments determined by CMS. ACOs are expected to give high quality care to Medicare patients while also reducing costs to the Medicare program. Under the ACO system, a single payment is given to the sponsoring organization who then contracts with other health care providers to give all of the services needed by a patient. It is unknown how bundled payment initiatives and the ACO payment model may affect the Corporation's tenants. The goal of such efforts is to reduce costs to the Medicare program and therefore they could reduce payments to our tenants. To the extent payments to tenants are reduced and tenants fail to pay rents to the Corporation, these programs could have a material adverse effect on the Corporation. Moreover, often times commercial payors institute payment programs similar to those instituted by CMS. If that were to happen, it could further negatively impact the financial strength or ability of the Corporation's tenants to fulfill their obligations to the Corporation.

Licensing and Certification. The Corporation's operators and properties are subject to varying levels of federal, state, local, and industry-regulated licensure, certification and inspection laws, regulations and standards. The Corporation's operators' failure to comply with any of these laws, regulations or standards could result in loss of accreditation, denial of reimbursement, imposition of fines, suspension, decertification or exclusion from federal and state health care programs, loss of license or closure of a facility. Such actions may have an effect on the Corporation's operators' ability to make lease payments to the Corporation and, therefore, adversely impact the Corporation.

Many of the Corporation's properties require a license, registration and CON to operate. Failure to obtain a license, registration or CON, or loss of a required license, registration or CON, would prevent a facility from operating in the manner intended by the operators. These events could materially adversely affect the Corporation's operators' ability to make rent payments to the Corporation. State and local laws also may regulate the expansion, including the addition of new beds or services or acquisition of medical equipment, and the construction or renovation of health care facilities, by requiring a CON or other similar approval from a state agency.

Fraud and Abuse Laws and Regulations. There are various complex federal and state laws and regulations governing fraud and abuse by health care providers. The laws define fraud and abuse expansively, to include many relationships and referral arrangements that are common in other industries but illegal in health care. Violation of these laws or regulations by a tenant could result in the imposition of extremely large criminal or civil fines or penalties, exclusion from the Medicare and Medicaid programs, and reputational harm that may jeopardize a tenant's ability to continue operating its property or make lease payments to the Corporation. Reducing fraud and abuse in health care has been identified as a priority of the OIG and the DOJ. OIG and DOJ enforcement efforts are a significant risk to any health care operator or provider. Additionally, a tenant's violation of fraud and abuse laws or regulations could cause reputational damage to the Corporation.

Legislative Developments. Each year, legislative proposals are introduced or proposed in congress, and in some state legislatures, that would affect major changes in the health care system, either nationally or at the state level. The Corporation will not be able to predict whether any proposals will be adopted or, if adopted, what effect, if any, these proposals would have on operators and, thus, the Corporation's business.

Decreases in Revenues or Increases in Expenses

The Corporation's operators' revenues will be primarily driven by occupancy and Medicare, Medicaid and private payor reimbursement. Expenses for the seniors housing and care properties in which the Corporation intends to invest are primarily driven by the costs of labor, food, utilities, taxes, insurance and rent or debt service. Revenues from government reimbursement have, and may continue to, come under pressure due to reimbursement cuts and state budget shortfalls. Operating costs will continue to increase for the Corporation's operators. To the extent that any decrease in revenues or any increase in operating expenses result in a property not generating enough cash to make payments to the Corporation, the credit of the Corporation's operator and the value of other collateral would have to be relied upon. To the extent the value of such a property is reduced, the Corporation may need to record an impairment for such asset. Furthermore, if the Corporation determines to dispose of an underperforming property, such sale may result in a loss. Any such impairment or loss on sale would negatively affect the Corporation's financial results.

Acquisitions

The Corporation's business plan includes, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing such properties. If the Corporation is unable to manage its growth effectively, it could adversely impact the Corporation's financial position and results of operation and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the Corporation will be able to identify suitable assets or acquire assets on an accretive basis and, as such, there can be no assurance that distributions will increase in the future. The Corporation will depend on MAMI to identify suitable acquisition opportunities. The failure of MAMI to identify suitable acquisition opportunities or to pre-lease development properties to quality operators could have a material adverse effect on the Corporation.

Access to Capital

The real estate industry is highly capital intensive. The Corporation will require access to capital to maintain its properties, as well as to fund its growth strategy and certain capital expenditures from time to time. There can be no assurances that the Corporation will otherwise have access to sufficient capital or access to capital on terms favourable to the Corporation for future property acquisitions, financing or refinancing of properties, development of properties, funding operating expenses or other purposes. Failure by the Corporation to access required capital could adversely impact the Corporation's financial condition and results of operations and decrease the amount of cash available for distribution.

Development Risks

The Corporation's strategy includes, among other things, growth through the indirect acquisition of pre-leased development projects (including newly built NextGen® transitional care projects) from Mainstreet as well as others. Pursuant to the Development Agreements, the Corporation will have certain rights to acquire prescribed development projects developed by Mainstreet LLC, as well as the opportunity to finance such development opportunities via mezzanine loans at an interest rate that is accretive to the Corporation. If Mainstreet LLC defaults on a mezzanine loan or debt, including the Mezzanine Financing, that is senior to the Corporation's mezzanine loan, or in the event of the bankruptcy of Mainstreet LLC, the Corporation's mezzanine loan, including the Mezzanine Financing, will be satisfied only after the senior debt. As a result, the Corporation may not recover all or some of its investment in these loans.

The failure of Mainstreet LLC (or its Subsidiaries, as applicable) to perform its obligations under the Development Agreements (and any future development agreements) could have a material adverse effect on the Corporation. Moreover, the termination of the Development Agreements could have an adverse effect on the Corporation's financial condition and results of operation. See "*Appendix A: Information Concerning the Corporation and MHI Holdco – Arrangements with Mainstreet LLC – Development Agreements*".

Financing Risks

The Corporation expects to maintain indebtedness on its investment properties. Although a portion of the cash flow generated by the Corporation's properties will be devoted to servicing such debt, there can be no assurance that the Corporation will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Corporation is unable to meet its obligations, it may be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the Corporation to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the Corporation's financial condition and results of operations, thereby decreasing the amount of cash available for distribution.

The Corporation will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the Corporation's properties will not be able to be refinanced or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. To the extent the Corporation incurs variable rate indebtedness, there will be fluctuations in the Corporation's cost of borrowing as interest rates change. To the extent that interest rates rise, the Corporation's operating results and financial condition could be adversely affected, thereby decreasing the amount of cash available for distribution.

The Corporation's credit facilities contain covenants that require the Corporation to maintain certain financial ratios on a consolidated basis. If the Corporation does not maintain such ratios, its ability to pay dividends or make other distributions could be limited.

Interest Rate Risk

The Corporation will require extensive financial resources to complete the Related Party Acquisitions and to implement its future growth strategy. When concluding financing agreements or extending such agreements, the Corporation will depend on its ability to agree on terms, including in respect of interest payments and, if applicable, amortization that will not impair the Corporation's desired AFFO per Share and that do not restrict its ability to make dividends to shareholders. In addition to the credit facilities, the Corporation may enter into future financing agreements with variable interest rates if the current historical low level of interest rates continue. There is a risk that interest rates will increase in the future. An increase in interest rates could result in a significant increase in the amount paid by the Corporation to service debt, resulting in a decrease in or the elimination of dividends to shareholders, which could materially adversely affect the trading price of the Shares. In addition, increasing interest rates may put pressure on the levels of distributable income made by the Corporation to shareholders, increasing the level of competition for capital faced by the Corporation, which could have a material adverse effect on the trading price of the Shares.

The Corporation may implement hedging programs, where applicable, in respect of its indebtedness, including the credit facilities, in order to offset the risk of revenue losses and to provide more certainty regarding the payment of dividends to shareholders. However, to the extent that the Corporation fails to adequately manage its variable interest rate risks, its financial results, and its ability to pay dividends to shareholders and interest payments under the credit facilities and any other variable rate financings, may be materially adversely affected.

Increases in interest rates generally cause a decrease in demand for real property. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by lenders, could have a material adverse effect on the Corporation's ability to sell any of its properties.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in the United States, the Corporation is subject to various United States laws relating to environmental matters. Such laws provide that the Corporation could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the Corporation with respect to the release of such substances from or to the Corporation's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. These laws also govern the maintenance and removal of asbestos containing materials in the event of damage, demolition or renovation of a property and emissions of and exposure to asbestos fibers in the air. The presence of contamination or the failure to

remediate contamination may adversely affect the Corporation's ability to sell such properties, realize the full value of such properties or borrow using such properties as collateral security, and could potentially result in claims against the Corporation by public or private parties.

The Corporation intends to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a new property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments will provide the Corporation with some level of assurance about the condition of property, the Corporation could become subject to liability for undetected contamination or other environmental conditions at its properties, which could negatively impact the Corporation's financial condition and results of operations and decrease the amount of cash available for distribution.

The Corporation intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on the Corporation's business, financial condition or results of operation and decrease the amount of cash available for distribution. However, environmental laws can change and the Corporation may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the Corporation's financial condition and results of operation and decrease the amount of cash available for distribution.

Geographic Concentration

A majority of the business and operations of the Corporation will initially be conducted in Illinois, Pennsylvania and New York. The fair value of the Corporation's assets and the income generated therefrom could be negatively affected by changes in local and regional economic conditions.

Potential Conflicts of Interest

Certain of the Directors and officers of the Corporation and MHI Holdco are engaged in corporations or businesses which may be in competition with the business of the Corporation. Accordingly, situations may arise where some of the Directors or officers will be in direct competition with the Corporation and/or MHI Holdco. See "*Particulars of Matters to be Acted Upon at the Meeting – Related Party Transactions*".

Conflicts may also exist due to the fact that (i) certain Directors and officers of the Corporation will be affiliated with Mainstreet; (ii) the Corporation and/or MHI Holdco and Mainstreet will enter into certain arrangements; (iii) Mainstreet is engaged in a wide variety of activities in the senior care industry; and (iv) the Corporation and MHI Holdco may become involved in transactions that conflict with the interests of the foregoing. See "*Appendix A: Information Concerning the Corporation and MHI Holdco – Arrangements with Mainstreet*".

Mainstreet manages certain investment funds, which acquire senior care facilities from time to time. In particular, Mainstreet Opportunity Fund GP, LLC manages Mainstreet Opportunity Fund, LP, a Delaware limited partnership that has been established to target investments in seniors housing and care properties. Mainstreet's role as manager of this fund and other funds could place MAMI in a position of conflict with respect to a potential investment.

General Insured and Uninsured Risks

The business carried on by the Corporation entails an inherent risk of liability. From time to time, the Corporation may be subject to lawsuits as a result of the nature of its business. The Corporation's tenant-operators are required to carry comprehensive property insurance coverage with customary policy specifications, limits and deductibles and will be required to include the owner of the property as an additional insured under such policies. There can be no assurance, however, that such policies will not lapse, claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the Corporation not covered by, or in excess of, the Corporation's insurance could have a material adverse effect on the Corporation's business, operating results and financial condition. Claims against the Corporation, regardless of their merit or eventual outcome, also may have a material adverse effect on the Corporation's ability to attract operators or expand its businesses, and will require management to devote time to matters unrelated to the operation of the Corporation's business.

Reliance on Key Personnel

The management and governance of each of the Corporation and MHI Holdco depends on the services of certain key personnel, including MAMI, certain executive officers and the respective Directors of the Corporation and MHI Holdco. The loss of the services of any key personnel could have an adverse effect on the Corporation and adversely impact the Corporation's financial condition and results of operations and decrease the amount of cash available for distribution. The Corporation will not have key man insurance on any of its key employees.

Risks Associated with External Management Arrangements

The Corporation relies on MAMI with respect to administrative services and the management of its properties. Consequently, the Corporation's ability to achieve its investment objectives depends in large part on MAMI and its ability to advise the Corporation. This means the Corporation's investments will be dependent upon MAMI's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the Corporation were to lose the services provided by MAMI or its key personnel or if MAMI fails to perform its obligations under the Asset Management Agreement, the Corporation's investments and growth prospects may decline. The Corporation may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another asset manager.

The Asset Management Agreement may be terminated in the event of material default or insolvency of MAMI within the meaning of the Asset Management Agreement and is only renewable on certain conditions. Accordingly, there can be no assurance the Corporation will continue to have the benefit of MAMI's administrative services, including its executive officers, or that MAMI will continue to be the Corporation's asset manager. If MAMI should cease for whatever reason to provide administrative services or be the asset manager, including on internationalization, the cost of obtaining substitute services may be greater than the fees the Corporation will pay to MAMI under the Asset Management Agreement, and this could adversely impact the Corporation's ability to meet its objectives and execute its strategy, which could materially and adversely affect the Corporation's cash flows, operating results and financial condition.

Lease Renewals and Rental Increases

Expiries of leases for the Corporation's properties will occur from time to time over the short and long-term. No assurance can be provided that the Corporation will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the Corporation's financial condition and results of operations and decrease the amount of cash available for distribution.

Third Party Purchase Agreements

Pursuant to the Purchase Agreements, the sellers and the previous operators of the Symphony Portfolio have each made certain representations and warranties to the Corporation (or its affiliate buyer) with respect to the respective properties that are being conveyed pursuant to the respective Purchase Agreements. The Purchase Agreements also include an obligation of the respective sellers to indemnify the Corporation (or its affiliate buyer) in respect of various items, including a breach of a representation and warranty or covenant in the respective Purchase Agreements, which indemnities are subject to certain caps and time limitations. Upon completion of the acquisition of the Symphony Portfolio, the sellers placed into escrow with a third party escrow agent certain required funds which will be available to the Corporation (or its affiliate buyer) to satisfy any indemnity claim made within two years of the anniversary of the completion of the acquisition. The indemnity obligations of the sellers under the Scranton Purchase Agreement, the Mooresville Purchase Agreement, the Chesterton Purchase Agreement and the Topeka Purchase Agreement will be backed by a guaranty from Mainstreet LLC. There can be no assurance that the Corporation (or its affiliate buyer) will be fully protected in the event of a breach of the Purchase Agreements or that the respective sellers will be in a position to satisfy a successful claim by the Corporation (or its affiliate buyer) in the event any such breach occurs. The Corporation (or its affiliate buyer) may not be able to successfully enforce the indemnities contained in the Purchase Agreements or such indemnities may not be sufficient to fully indemnify the Corporation (or its affiliate buyer) from third party claims.

Related Party Acquisitions Risk

The Corporation expects to complete the Related Party Acquisitions (other than the acquisition of the Hearth Portfolio) on or shortly following the closing of the Offering, subject to satisfactory completion of each Related Party Acquisition's closing conditions. However, the Corporation has no control over whether or not the conditions will be met and there can be no assurance that all conditions will be satisfied or waived or that any or all of the Related Party Acquisitions will be consummated.

If one or more of the Related Party Acquisitions is not consummated, the Corporation may be subject to a number of risks, including: (i) the price of the Shares may decline to the extent that the relevant current market price reflects a market assumption that the Related Party Acquisitions will be consummated; and (ii) certain costs related to the Related Party Acquisitions, such as legal, accounting and consulting fees, must be paid even if one or more of the Related Party Acquisitions is not completed.

Although the Corporation has conducted due diligence in connection with each Related Party Acquisition and the applicable sellers have provided a number of representations and warranties in favour of the Corporation in connection with each Related Party Acquisition, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, the New Properties. Following the Related Party Acquisitions, the Corporation may discover that it has acquired substantial undisclosed liabilities or that certain of the representations made by the applicable sellers prove to be untrue. While the sellers have agreed to indemnify the Corporation under the applicable Related Party Acquisition Agreement with respect to certain liabilities, losses and damages, many of the representations and warranties are qualified by knowledge and/or materiality and, with limited exception, the indemnity available to the Corporation is capped under the applicable Related Party Acquisition Agreements. There can be no assurance of recovery by the Corporation from the sellers for any breach of the representations, warranties or covenants provided by the sellers under the applicable Related Party Acquisition Agreement because there can be no assurance that the amount and length of the indemnification obligations will be sufficient to satisfy such obligations or that the applicable sellers will have any assets or continue to exist. The Corporation's inability to claim for full indemnification from the applicable sellers could have a material and adverse effect on the Corporation.

To effectively integrate the New Properties into its current portfolio, the Corporation must establish appropriate administrative, finance and management systems and controls relating to the New Properties. This will require substantial attention from the Corporation's management team. This diversion of management attention, as well as any other difficulties which the Corporation may encounter in completing the transition and integration process, could have a material adverse impact on the Corporation. There can be no assurance that the Corporation will be successful in integrating the New Properties, or that the expected benefits of one or more of the Related Party Acquisitions will be realized.

Completion of the Topeka Property

The Topeka Primary Lease's commencement date is the earlier of: (i) 30 days after a certificate of occupancy has been issued; or (ii) the facility receives a nursing license from the Kansas Department for Aging and Disability Services. It is currently anticipated that the Topeka Property will be completed in July 2016. Any delay in the completion of the Topeka Property will result in the Corporation relying on payments from affiliates of Mainstreet under the Topeka Development Agreement for a longer than anticipated period of time. Monthly payments under the Topeka Development Agreement are fixed at \$134,058.00, whereas payments under the Topeka Primary Lease are subject to an annual increase equal to the CPI increase not to exceed 3%. A significant delay in completion of the Topeka Property could materially and adversely affect the Corporation's cash flows, operating results and financial condition.

Appraisal

The Corporation retained the Appraiser to provide independent estimates of the market value in respect of the Properties (see "*Particulars of Matters to be Acted Upon at the Meeting – Related Party Transactions – Related Party Acquisitions – Assessment and Valuation of the Properties*"). Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals such as the Property Appraisal represents only the analysis and opinion of qualified experts as of the effective date of such Property Appraisal and is not a guarantee of present or future value. There is no assurance that the assumptions (including with respect to the operator's operating results and rent coverage) employed in determining

the appraised values of the Properties are correct as of the date of the prospectus or that such appraisals actually reflect an amount that would be realized upon a current or future sale of any of the Properties or that any projections included in the Property Appraisal will be attainable. As prices in the real estate market fluctuate over time in response to numerous factors, the fair market value of the Properties shown on the Property Appraisal may be an unreliable indication of their current market value.

Ownership of Shares by the Funds

Concurrently with closing of the Offering, the Funds have agreed to exchange their MHI Holdco Shares for Shares pursuant to the Magnetar Exchange Agreement. For so long as the Funds maintain a substantial interest in the Corporation, the Funds will be in a position to exercise substantial influence with respect to the affairs of the Corporation and significantly affect the outcome of the votes of holders of Shares, and may have the ability to prevent certain fundamental transactions. If the Funds reduce their interests in the Corporation, the market price of the Shares could fall. The perception among the public that these sales may occur could also produce such effect.

Tax-Related Risk Factors

Canadian Tax Risks

FAPI. FAPI earned by MHI Holdco or MHI US (or any other “controlled foreign affiliate” of the Corporation, as defined in the Tax Act) must be included in computing the Corporation’s income for the taxation year of the Corporation in which the taxation year of MHI Holdco or MHI US (or other controlled affiliate), as the case may be, ends, subject to a deduction for grossed-up “foreign accrual tax” as computed in accordance with the Tax Act. The Corporation intends that the income earned from the Properties will not give rise to FAPI and has structured the operations of its controlled foreign affiliates accordingly. However, there is no assurance that this will continue to be the case or that this position will not be challenged by the Canada Revenue Agency. The deduction for grossed-up “foreign accrual tax” may not fully offset the FAPI realized by MHI Holdco or MHI US, thereby increasing the Corporation’s Canadian tax liability and reducing cash available for distribution. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though MHI Holdco or MHI US, as applicable, were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions that are not taxable to MHI Holdco or MHI US under the relevant tax laws (including under the Code) may still give rise to FAPI for purposes of the Tax Act and, accordingly, may result in a Canadian tax liability of the Corporation, thereby reducing cash available for distribution.

Change of Law. The Corporation is subject to Canadian tax laws. There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative policies and assessing practices of the Canada Revenue Agency will not be changed in a manner that adversely affects the Corporation or Shareholders. Any such change could increase the amount of tax payable by the Corporation or its affiliates or could otherwise adversely affect Shareholders by reducing the amount available to pay dividends or changing the tax treatment applicable to Shareholders in respect of such distributions.

Non-Residents of Canada. The Tax Act imposes withholding taxes on distributions made by the Corporation to Shareholders who are non-residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time.

Canadian Foreign Affiliate Dumping Rules. The Tax Act contains legislation (the “FAD Rules”) affecting foreign-controlled corporations that are resident in Canada and that make various forms of direct and indirect “investments” in foreign corporations that are, or become after the investment and as part of a transaction or event or series of transactions or events that includes the making of the investment, “foreign affiliates” of the Canadian-resident corporation. The Corporation currently is, and at the time of the Magnetar Exchange and the closing of the Offering may be, a foreign-controlled Canadian resident corporation under the Tax Act. If the Corporation is considered to be a foreign-controlled Canadian resident corporation, direct or indirect investments, including by way of a contribution of property, made by the Corporation in MHI Holdco, MHI US or other foreign affiliate of the Corporation may result in (i) a reduction of the “paid-up capital” of the Common Shares for purposes of the Tax Act or (ii) the Corporation being deemed to have paid a dividend for purposes of the Tax Act to a Magnetar entity (resulting in a liability for non-resident Canadian withholding tax), which could increase the Corporation’s tax costs and have a material adverse effect on the Corporation or the Shareholders. As a result of the application of the FAD Rules, the paid-up capital for purposes of the Tax Act of each Common Share (including the Common Shares issued pursuant to the Offering) will be less (and may be materially less) than the Offering Price (and accordingly will be

less than Shareholders' adjusted cost base in such shares). The Corporation intends to manage its investments and affairs such that it will not be deemed to have paid any dividends by virtue of the FAD Rules. In general, the reduced paid-up capital of the Common Shares should not have a material adverse effect on the Corporation or the Shareholders. However, in certain circumstances the reduced paid-up capital of the Common Shares could have a material adverse effect on Shareholders. For example, if the Common Shares held by a Shareholder are redeemed by the Corporation (other than through an open market purchase in the manner in which shares would normally be purchased by any member of the public in the open market), the Shareholder will be deemed to have received a dividend from the Corporation equal to the amount, if any, by which the redemption proceeds exceed the aggregate paid-up capital of the shares redeemed (regardless of the adjusted cost base of such shares to the Shareholder). If the Shareholder is a non-resident of Canada, any such deemed dividend will be subject to Canadian withholding tax. Furthermore, so long as the Corporation is a foreign-controlled Canadian resident corporation subject to the FAD Rules, the Corporation generally will not be able to borrow funds to make direct or indirect investments in MHI Holdco, MHI US or other foreign affiliates of the Corporation without material adverse effects on the Corporation. None of the debt financing to be incurred or assumed in connection with the acquisition of the Hanover Park Property and the New Properties will be incurred or assumed directly by the Corporation (but rather will be incurred or assumed by MHI US or a subsidiary thereof) and therefore will not engage the FAD Rules.

United States Tax Risks

Change of Law. MHI US is subject to United States tax laws. There can be no assurance that United States federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative and assessing practices and policies of the Internal Revenue Service and the Department of Treasury will not be changed, possibly on a retroactive basis, in a manner that adversely affects MHI US, the Corporation or Shareholders. In particular, any such change could increase the amount of United States federal income tax payable by MHI US or its Affiliates or could otherwise adversely affect Shareholders by reducing the amount available to pay distributions.

Change of law or subsequent events could affect the Corporation's status as a foreign corporation for U.S. federal income tax purposes and impose U.S. withholding tax on certain payments made by the Corporation

Although the Corporation will be incorporated in Canada, the IRS may assert that it should be treated as a U.S. corporation (and therefore, a U.S. tax resident) for U.S. federal income tax purposes pursuant to section 7874 of the Code. For U.S. federal income tax purposes, a corporation generally is considered a tax resident in the jurisdiction of its organization or incorporation. Because the Corporation is a Canadian incorporated entity, it would generally be classified as a foreign corporation (and therefore, a non-U.S. tax resident) under these rules. Section 7874 provides an exception under which a foreign incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal tax purposes.

The Corporation believes that it will be classified as a foreign corporation for U.S. federal income tax purposes. However, the IRS could disagree with this determination. Furthermore, such determination could be influenced by subsequent events (such as a subsequent issuance of Common Shares by the Corporation). In addition, there have been legislative proposals to expand the scope of U.S. corporate tax residence, including by potentially causing a corporation to be treated as a U.S. corporation if the management and control of such corporation and its affiliates were determined to be located primarily in the United States, and there could be prospective or retroactive changes to Section 7874, the U.S. Treasury regulations promulgated thereunder or to other relevant tax laws that could result in the Corporation being treated as a U.S. corporation.

If the IRS were able to successfully assert that the Corporation is classified as a U.S. corporation for U.S. federal income tax purposes, the Corporation would be subject to U.S. federal income taxation, which could materially increase the amount of U.S. federal income tax payable by the Corporation and its subsidiaries, and certain distributions made by the Corporation would be subject to U.S. federal withholding taxes. Such consequences could have a material adverse effect on the financial position and cash flow of the Corporation and could materially reduce the after-tax distributions received by Shareholders.

U.S. Withholding Taxes. Distributions from MHI US directly or indirectly to the Corporation will be treated as dividends to the extent of the current and accumulated earnings and profits of MHI US and subject to United States withholding tax of 30%, subject to reduction under an applicable tax treaty. Assuming the Corporation is eligible for benefits under the Treaty, dividends paid by MHI US to the Corporation will be subject to 5% United States withholding tax. The Corporation should be eligible for benefits under the Treaty as long as the Common Shares are primarily and regularly traded on a Canadian stock exchange. The Corporation expects that the Common Shares will

be primarily and regularly traded on the TSX, but there can be no assurance that this will be the case. MHI US will be a United States real property holding corporation for purposes of the United States FIRPTA rules. Distributions from MHI US that are not treated as dividends because they exceed current and accumulated earnings and profits (as determined for United States federal income tax purposes) may be subject to a 15% United States FIRPTA withholding tax. Furthermore, distributions (including deemed distributions) by MHI US in excess of current and accumulated earnings and profits and tax basis for United States tax purposes may result in United States federal income taxation of the excess (currently at a rate of approximately 35%). To the extent that cash dividends by MHI US are subject to United States withholding tax or income tax, cash available for distribution by the Corporation may be adversely affected.

Dispositions of Real Property. MHI US will be subject to tax under the Code on the dispositions of real property, whether such properties are sold directly or indirectly through the sale of securities of an underlying entity. In addition, because MHI US is a United States real property holding corporation, a shareholder of MHI US generally will be subject to tax under the Code on a disposition of stock of MHI US. United States taxes paid in connection with such dispositions will reduce the after-tax proceeds received by the Corporation on any such sales. Furthermore, taxes imposed under the Code may be greater than taxes imposed under the Tax Act, thereby increasing the effective tax rate to the Corporation on such dispositions and reducing the cash available for distribution.

Historical Financial Information

The following documents and, if applicable, the auditor's reports thereon, filed with the securities commissions or similar authorities in certain of the provinces of Canada and available under the Corporation's profile on SEDAR at www.sedar.com, are specifically incorporated by reference into and form an integral part of this circular:

1. Audited financial statements of Kingsway as at and for the year ended December 31, 2013 and management's discussion and analysis in respect of the same period;
2. Audited financial statements of Kingsway as at and for the year ended December 31, 2014 and management's discussion and analysis in respect of the same period; and
3. Audited financial statements of Kingsway as at and for the year ended December 31, 2015 and management's discussion and analysis in respect of the same period.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that was required to be stated or that was necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular. See Appendix H hereto for pro forma consolidated financial statements for the Corporation for the year ended December 31, 2015.

Additional Information concerning MHI Holdco

Following the closing of the Offering, MHI Holdco will be wound-up.

Financial Information

The following table contains selected consolidated financial and operating information with respect to MHI Holdco and has been derived from and should be read in consultation with MHI Holdco's financial statements for the period ended December 31, 2015, and the auditor's report thereon, set out in Appendix G hereto.

	Period ended December 31, 2015⁽¹⁾
Net sales or total revenues	US\$5,107

	Period ended December 31, 2015⁽¹⁾
Net income or loss	(US\$5,755)
Total assets	US\$279,053
Long term financial liabilities	US\$255,373
Cash dividends declared	Nil
Total shareholders' equity	US\$14,979

(1) Amounts in thousands of US dollars.

Management's Discussion and Analysis

The below management's discussion and analysis was prepared to assist readers in understanding the historical performance of MHI Holdco. Any references to forward-looking information contained herein should be read in conjunction with "Notice Regarding Forward-Looking Information" in this Circular. Any references to risk factors contained herein should be read in conjunction with "Risk Factors" in this Circular.

The following discusses the historical financial condition and results of operations of MHI Holdco for the period from the date of MHI Holdco's formation, October 7, 2015, to December 31, 2015. This information should be read in conjunction with MHI Holdco's audited consolidated financial statements as at and for the period ended December 31, 2015, and the auditor's report thereon, attached to this Circular as Appendix G.

Overview

MHI Holdco was formed on October 7, 2015 as a Cayman Islands exempted company. MHI Holdco was formed primarily to own income-producing seniors housing and care properties throughout the United States and Canada. Specifically, MHI Holdco will look to acquire properties which offer predominately skilled nursing, long term care, and AL and IL programs, including short-term rehabilitation and memory care special care units. As of December 31, 2015, MHI Holdco owns a portfolio of 10 properties comprised of nine SNFs and one AL facility. Under the Symphony Purchase Agreement, MHI Holdco has also indirectly committed to acquire the Hanover Park Property on or before March 31, 2016, with an option to extend until April 30, 2016.

On December 2, 2015, Kingsway agreed to acquire all of the MHI Holdco Shares held by Mainstreet, representing approximately 75% of the issued and outstanding MHI Holdco Shares, in consideration for the issuance of 81,160,000 Kingsway Shares and 307,659,850 Kingsway Non-Voting Shares. Upon completion of the acquisition, Mainstreet will own approximately 95% of the outstanding Resulting Issuer Shares and an 80% voting interest (with the balance of their equity interest being held in the form of Resulting Issuer Non-Voting Shares). As a result of this and other qualitative considerations, MHI Holdco has been identified as the accounting acquirer and the acquisition will be recorded as a reverse-takeover transaction in accordance with IFRS 2, Share-based Payment.

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

MHI Holdco's functional and reporting currency is the US dollar. The audited financial statements for the period ended December 31, 2015 were prepared under IFRS.

The objective of this discussion is to provide a prospective purchaser of MHI Holdco Shares with an analysis of the assets, liabilities, revenues and operating expenses of MHI Holdco since its formation. Less emphasis has been

placed on analyzing the historical capital structure of MHI Holdco as the future capital structure is anticipated to be significantly different.

Selected Financial Information
(amounts in thousands of U.S. dollars)

	Period Ended December 31, 2015
Total Revenue.....	US\$ 5,107
Net Loss.....	US\$ (5,755)
Total Assets.....	US\$ 279,053
Total Liabilities.....	US\$ 264,074

Financial Position

Total assets of US\$279.1 million is primarily comprised of US\$268.4 million of investment properties, which represents the fair market value of the 10 Properties acquired on October 30, 2015. Cash on hand at December 31, 2015 was US\$7.2 million, and restricted cash of US\$2.5 million relates to a deposit held in escrow for the acquisition of the Hanover Park Property (funded by the Second Mainstreet Loan).

Total liabilities of US\$264.1 million includes current liabilities of US\$8.7 million and non-current liabilities of US\$255.4 million. The current liabilities include US\$4.5 million of real estate taxes payable, of which US\$3.7 million relates to the period prior to ownership of the 10 Properties acquired on October 30, 2015 and for which cash consideration was provided at closing. The Second Mainstreet Loan was made to fund the deposit on the future acquisition of the Hanover Park Property. Non-current liabilities include the balance outstanding on the Facility of US\$144.7 million net of loan fees, and the Convertible Debentures. Also included in non-current liabilities is unearned revenue of US\$1.8 million, which represents prepaid rent.

Results of Operations – period from October 7, 2015 (date of formation) to December 31, 2015
(unless otherwise stated, amounts are in thousands of dollars)

<u>Revenue</u>	Period Ended December 31, 2015
Cash rentals received.....	\$ 3,697
Straight-line rent adjustments.....	567
Property tax recovery.....	843
	\$ 5,107

Cash rentals received and straight-line rent adjustments relate to the Master Lease. The Master Lease is triple-net, and property tax recovery represents the revenue recognized for the portion of the real estate tax bill subsequent to acquisition of the initial 10 Properties in the Symphony Portfolio, for which the Symphony Master Tenant is responsible to pay.

Operating expenses

Operating expenses of US\$1.3 million include US\$1.1 million in professional fees incurred related to the formation of MHI Holdco and other professional services and US\$0.1 million in management fees paid to MAMI, which is considered a related party of MHI Holdco.

Finance cost

Finance cost consists of the following (in thousands of dollars):

	2015
--	------

<i>Interest expense on line of credit</i>	\$	813
Amortization expense		92
Interest expense on notes payable		44
Interest expense on convertible debentures		1,859
	\$	2,808

Change in value of investment properties

The change in value of investment properties for the period was a decrease of US\$5.9 million. Of this amount, US\$5.3 million was due to the write off of costs incurred in the acquisition of the initial 10 Properties in the Symphony Portfolio for which the fair value of the Properties did not support. The other US\$0.6 million was to offset the impact of straight-line rent on the initial 10 Properties in the Symphony Portfolio.

In addition, the US\$0.8 million adjustment to the value of investment properties represents the reversal of the liability related to real estate taxes recorded on the acquisition of the Properties under IFRIC 21, Levies.

Income Tax Expense

MHI Holdco has certain subsidiaries in the United States that are subject to tax on their taxable income. There was no taxable income for the period ended December 31, 2015. As of December 31, 2015, MHI Holdco's effective income tax rate applicable to taxable income is expected to be 40.5%, however, MHI Holdco does not anticipate having net taxable income in the next fiscal year.

Cash provided by operating activities

Cash provided by operating activities for the period was US\$3.9 million. This was primarily due to cash received for rent and prepaid rent, partially offset by cash paid for interest and operating expenses.

Cash provided by financing activities

Cash provided by financing activities for the period was US\$275.8 million. This was primarily due to proceeds from the Facility of US\$144.6 million net of loan fees, proceeds from the Convertible Debentures of approximately US\$108 million, proceeds from the Second Mainstreet Loan of US\$2.5 million and proceeds from the issuance of equity in MHI Holdco of US\$20.7 million.

Cash used in investing activities

Cash used in investing activities for the period was US\$272.5 million. This was due to the purchase of the Symphony Portfolio and the related deposit on the Hanover Park Property.

Summary of Quarterly Results

Quarterly information has not been presented as MHI Holdco's date of formation was October 7, 2015, and there are no prior quarters to report on.

Liquidity and Capital Resources

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

Contractual Commitments

A summary of future debt obligations, in thousands of US dollars, based on principal debt maturities as of December 31, 2015, is as follows, including expected interest payments:

	Total (US\$)	2016 (US\$)	2017 (US\$)	2018 (US\$)	2019 (US\$)	2020 (US\$)	Thereafter (US\$)
Facility.....	171,163	6,253	6,323	6,323	152,264	-	-
Convertible Debentures	159,405	5,401	4,935	5,149	5,371	138,549	-
Second Mainstreet Loan	2,606	2,606	-	-	-	-	-
Purchase commitment.....	34,075	34,075	-	-	-	-	-
Accounts payable and accrued liabilities .	6,201	6,201	-	-	-	-	-

The Facility is comprised of the Term Loan with capacity of US\$150.0 million and the optional Revolver with capacity of US\$50.0 million. The Revolver includes an accordion feature that would extend the capacity of the Revolver to US\$150.0 million, bringing the total capacity of the Facility to US\$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 December 31, 2015, the Facility was secured by the 10 Properties currently owned by MHI Holdco. 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.

The Convertible Debentures were issued on October 29, 2015 in an aggregate principal amount of approximately \$108 million, with a maturity date of October 29, 2020. The Convertible Debentures bear interest at the following rates: (i) 10% per annum for the period commencing on October 29, 2015 and ending on and including October 28, 2016; and (ii) 8.5% per annum for the annual period commencing on October 29, 2016 and each year thereafter; in each case payable on a quarterly basis commencing on December 31, 2015, 50.0% in cash and 50.0% by capitalizing the interest accrued and payable as an increase to the principal amount. All or any portion of the Convertible Debentures are convertible into shares of MHI Holdco at any time based on a conversion formula outlined in the Convertible Debentures. At any time commencing on May 1, 2016, MHI Holdco may prepay the Convertible Debentures without penalty.

The purchase commitment relates to MHI Holdco's commitment as part of the Symphony Portfolio acquisition to acquire the Hanover Park Property. The commitment is to complete the acquisition on or before March 31, 2016, with an option to extend an additional 30 days, for a total purchase price of US\$34.1 million. As of December 31, 2015, MHI Holdco had paid a US\$2.5 million deposit using the funds received under the Second Mainstreet Loan (on February 26, 2016, the Second Mainstreet Loan was increased by US\$1.0 million to fund an additional deposit on the Hanover Park Property). The acquisition is expected to be completed with additional borrowings on the credit facility and additional loans.

Accounts payable relate primarily to accrued realty taxes, interest and professional fees.

Financial Instruments and Other Instruments

To manage interest rate risk, MHI Holdco entered into the Swap Agreement. In the Swap Agreement, MHI Holdco agreed to exchange the difference between fixed and variable rate interest on a principal amount of US\$147.0 million, the full amount borrowed on the Facility as of that date. The Swap Agreement effectively fixes interest at a rate of 4.2% through its maturity on October 30, 2019. The interest rate swap under the Swap Agreement will not be designated as a hedge and will be 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 December 31, 2015.

Transactions Between Related Parties

During the period ended December 31, 2015, the following related party transactions occurred.

MHI Holdco paid an asset management fee to MAMI, which is owned by the chairman of the Corporation. The fee is payable pursuant to an asset management agreement dated October 29, 2015, and calls for an asset management fee equal to 3.0% of gross rentals received. For the period ended December 31, 2015, asset management fees paid to MAMI were US\$0.1 million. The asset management agreement is for a term of ten years, commencing on October 29, 2015, and will be renewed for a further five-year term, without any action of notice, unless the agreement is terminated.

On October 30, 2015, MHI Holdco obtained the First Mainstreet Loan. The First Mainstreet Loan was issued on October 30, 2015, and bore interest at a rate of 8.0% annually. The First Mainstreet Loan had an initial maturity date of October 30, 2020, but was repaid in full on December 18, 2015. Total interest paid with respect to the First Mainstreet Loan was US\$0.02 million.

On October 30, 2015, MHI US obtained the Second Mainstreet Loan. The Second Mainstreet Loan matures on October 30, 2016 and bears interest at a rate of 5.0% per annum. Total interest accrued on the Second Mainstreet Loan for the period ended December 31, 2015 was US\$0.02 million. On February 26, 2016, the Second Mainstreet Loan was increased to US\$3.5 million.

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 attached to this Circular at Appendix G.

Outstanding Shares

As of December 31, 2015, 207,338.75 MHI Holdco Shares were issued and outstanding.

Financial Measures

FFO and AFFO are supplemental measures used by management to track MHI Holdco'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 MHI Holdco. Reconciliation to net profit/loss, as defined under IFRS, for FFO and AFFO are presented below.

Funds From Operations

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 MHI Holdco. 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.

MHI Holdco's FFO is calculated as follows (in thousands of US dollars excluding shares and per share amounts):

	<u>Period ended December 31, 2015</u>	
Loss for the period	US\$	(5,755)
Add/(Deduct):		
Fair market value adjustments of investment properties		5,945
		<hr/>
Funds from operations	US\$	190

Adjusted Funds From Operations

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

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.

MHI Holdco's AFFO is calculated as follows (in thousands of US dollars, excluding shares and per share amounts):

	Period ended December 31, 2015	
FFO	US\$	190
Add/(Deduct):		
Straight-line rent adjustments		(567)
Interest expense on convertible debentures		1,859
Amortization of financing costs		92
		92
Adjusted funds from operations	US\$	1,574

The above AFFO is for the period from the date of MHI Holdco's formation, October 7, 2015, to December 31, 2015, and therefore, inherently does not reflect normalized results on a go forward basis. All of the revenue of MHI Holdco was earned subsequent to the commencement of the Master Lease, or October 30, 2015. MHI Holdco also incurred approximately US\$1.1 million in professional fees that have not been added back for the purposes of the above AFFO calculation, but which we do not expect to be recurring items of a similar magnitude in future periods.

Trends

Other than as disclosed in this Circular, MHI Holdco is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon its business, financial condition or results of operation.

Issuance of MHI Holdco Shares and Convertible Debentures

On October 29, 2015, MHI Holdco issued 155,527.94 MHI Holdco Shares to Mainstreet and 51,809.81 MHI Holdco Shares to the Funds at a price of US\$100 in cash per MHI Holdco Share. See "Appendix A: *Information Concerning the Corporation and MHI Holdco – Description of MHI Holdco Securities*" in this Circular for further information regarding the terms of the MHI Holdco Shares.

On October 29, 2015, MHI Holdco issued the Convertible Debentures to the Funds. See "Appendix A: *Information Concerning the Corporation and MHI Holdco – Description of MHI Holdco Securities*" in this Circular for further information regarding the material terms of the Convertible Debentures.

Dividends

The ability of MHI Holdco to declare cash dividends, and the actual amount paid, will be entirely dependent on the operations and assets of MHI Holdco and will be subject to various factors including financial performance, obligations under applicable credit facilities and restrictions on payment of dividends thereunder on the occurrence of an event of default, fluctuations in working capital, the sustainability of income derived from the operators of the MHI Holdco's properties and any capital expenditure requirements.

MHI Holdco has not declared or distributed a dividend on any of its securities during its most recently completed financial year and in its current year. MHI Holdco currently does not have a dividend policy. The directors of MHI Holdco have full discretion respecting the timing and amounts of dividends including the adoption, amendment or revocation of any dividend policy.

Pro Forma Consolidated Capitalization

The following table sets forth the share and loan capital of MHI Holdco as at the dates below. The table should be read in conjunction with and is qualified in its entirety by MHI Holdco's financial statements for the year ended December 31, 2015.

	<u>Amount authorized or to be authorized</u>	<u>Outstanding as at December 31, 2015</u>	<u>Outstanding as at the date of this Circular</u>
Indebtedness			
Convertible Debentures		108,890,882	110,252,018
Facility		147,015,000	147,015,000
Related party loans.....		2,500,000	3,500,000
Shareholder equity			
MHI Holdco Shares	5,000,000	207,337.75	207,337.75

Financing

On October 29, 2015, MHI Holdco raised US\$20,733,775 through the issuance of MHI Holdco Shares and approximately US\$108 million through the issuance of the Convertible Debentures as described under “*Information Concerning MHI Holdco – General Development of the Business – Issuance of MHI Holdco Shares and Convertible Debentures*” in this Circular. The principal amount of the Convertible Debentures has subsequently increased to approximately US\$110 million as of March 31, 2016 by capitalizing a portion of the interest accrued and payable on the Convertible Debentures in accordance with their terms.

MHI Partnership and the MHI Symphony Property Owners have entered into the Facility, which is comprised of the Term Loan and the Revolver. The acquisition of the initial 10 Properties in the Symphony Portfolio was financed, in part, by the Term Loan. The Hanover Park Property will also be financed, in part, by the Term Loan and the Revolver.

The Term Loan had an outstanding principal balance of US\$147.0 million as of December 31, 2015, which relates entirely to the acquisition of the Symphony Portfolio, and is secured by a first mortgage on each of the Properties except the Hanover Property.

The Facility is interest-only, with a variable rate interest rate calculated at either (i) the United States 30-day LIBOR plus a margin of 300 basis points; or (ii) an alternate base rate equal to the greater of (a) the prime interest rate; and (b) the federal funds rate plus one half of one percent, plus 200 basis points. The Term Loan matures four years from October 30, 2015 and the Revolver matures three years from October 30, 2015. The Revolver can be extended an additional year, subject to certain conditions being met. Proceeds of the Facility may be used: (i) to finance acquisitions, (ii) to bridge longer term refinancing, (iii) to repay existing debt and (iv) for other general corporate purposes.

The Revolver contains an accordion feature whereby it can be increased by US\$100,000,000, for a total Facility capacity of US\$300,000,000, at any time during the term of the Facility, subject to approval by the participating financial institutions. The Facility contains usual and customary financial and other covenants for facilities of this type.

To manage interest rate risk, MHI Holdco entered into the Swap Agreement. In the Swap Agreement, MHI Holdco agreed to exchange the difference between fixed and variable rate interest on a principal amount of US\$147.0 million, the full amount borrowed on the Facility as of that date. The Swap Agreement effectively fixes interest at a rate of 4.2% through its maturity on October 30, 2019.

In addition, MHI US obtained the First Mainstreet Loan (which has been repaid in full) and the Second Mainstreet Loan. The Second Mainstreet Loan bears interest at a rate of 5% per annum and matures on October 30, 2016. The Second Mainstreet Loan was used to fund the deposit for the acquisition of the Hanover Park Property. It is intended that the Second Mainstreet Loan be repaid on completion of the acquisition of the Hanover Park Property.

Directors and Executive Officers of MHI Holdco

The following table sets forth the name, municipality of residence, positions held with MHI Holdco and principal occupation in the last five years of the Directors and executive officers of MHI Holdco:

<u>Name and Municipality of Residence</u>	<u>Position with MHI Holdco</u>	<u>Principal Occupation in the Past Five Years</u>
Adlai Chester Indiana, United States	Director and Chief Executive Officer	Chief Financial Officer of Mainstreet LLC
Scott White New Jersey, United States	Director and President	Executive Vice President of Investments of Mainstreet LLC
Scott Higgs Indiana, United States	Director and Chief Financial Officer	Senior Vice President – Finance of Mainstreet LLC

Additional biographical information regarding the Directors and officers of MHI Holdco is set out below:

Adlai Chester – Director and Chief Executive Officer Adlai Chester joined the Mainstreet LLC team in April 2009 and is the chief executive officer of MHI Holdco, overseeing investment policy and strategy for MHI Holdco. Mr. Chester was previously the chief financial officer of HealthLease. Mr. Chester began his career in public accounting, working as an auditor with PricewaterhouseCoopers and Whiting & Company, LLC. He then left public accounting and served as the chief financial officer for a telecommunications company where he was instrumental in the sale of one of its most profitable divisions to Comcast. During his time as chief financial officer, he played a significant role in business development, cost and cash management, and oversaw the accounting and human resource departments. Mr. Chester was a faculty member in the accounting department at Ball State University for several years. His main focus was managerial accounting and financial statement analysis. He has received several awards. Most recently, the Indianapolis Business Journal named Mr. Chester to its 2015 “Forty Under 40” class. In 2014, the Indianapolis Business Journal named Mr. Chester Chief Financial Officer of the Year for private companies under \$100 million in revenue. Mr. Chester obtained bachelor’s and master’s degrees in accounting from Ball State University.

Scott White – Director and President Scott White serves as President of MHI Holdco, responsible for the day-to-day operations and overall strategy of MHI Holdco. Mr. White joined the Mainstreet LLC team in 2013 and was previously an executive vice president with HealthLease. Prior to joining Mainstreet LLC, Mr. White spent over 15 years on Wall Street. Most recently, Mr. White served as a senior vice president in the private funds group of Brookfield Asset Management, where he was responsible for raising capital for various alternative asset vehicles across real estate, private equity and infrastructure. His career experience also includes a tenure as director and head of deal management at Citigroup’s alternatives distribution group. At Citigroup, he advised clients on alternative capital raising activities in private equity, real estate, hedge and infrastructure funds. Mr. White was responsible for executing 25 capital raising assignments at over \$30 billion. Before focusing his career on alternative assets, he was part of the healthcare group at Citi’s Investment Bank, working with clients in the healthcare sector on M&A and capital raising assignments. He began his career in public accounting as an auditor for PricewaterhouseCoopers. Mr. White earned a bachelor’s degree with highest honors in political science and journalism from Rutgers University. He received his master’s in business administration from Rutgers Graduate School of Management and his law degree from the University of Pennsylvania Law School. He is a certified public accountant, is admitted to the bars of New York and New Jersey, and holds securities industry FINRA licenses Series 7, 24 and 63.

Scott Higgs – Director and Chief Financial Officer Scott Higgs joined the Mainstreet LLC team in 2013 and is the chief financial officer of MHI Holdco, responsible for the financial oversight and accounting policies of MHI Holdco. Since starting with Mainstreet, Mr. Higgs has arranged almost \$1 billion of debt financing, and has assisted in raising significant equity and mezzanine financing. Prior to joining Mainstreet LLC, Mr. Higgs was a senior manager in the audit practice at KPMG LLP, where he served a variety of industries, including real estate, software and manufacturing. He has significant experience working with public companies and has assisted in multiple initial public offerings. Mr. Higgs graduated summa cum laude with his bachelor’s degree in accounting from Butler University. He is a certified public accountant and a member of the American Institute of CPAs. He is the chairman of the board of directors of Play Ball Indiana and is a committee member for the Alzheimer’s Association of Indiana.

Corporate Cease Trade Orders and Bankruptcies

Other than as set out below, none of the Directors or executive officers of MHI Holdco, and to the best of MHI Holdco's knowledge, no shareholder holding a sufficient number of MHI Holdco's securities to affect materially the control of MHI Holdco, is, as at the date of this circular, or has been within the ten years prior to the date of this circular, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the Director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued after the Director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Dan Amadori was a director and the chief financial officer of Xgen from August 1999 through September 30, 2009. On January 30, 2009, the TSXV issued a cease trade order on the shares of Xgen pending the completion of its review of Xgen's disclosure. This review was completed and Xgen's shares resumed trading on May 15, 2009.

Penalties or Sanctions

None of the Directors or executive officers of MHI Holdco, and to the best of MHI Holdco's knowledge, no Shareholder holding a sufficient number of MHI Holdco's securities to affect materially the control of MHI Holdco, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of the Directors or executive officers of MHI Holdco, and to the best of MHI Holdco's knowledge, no Shareholder holding a sufficient number of MHI Holdco's securities to affect materially the control of MHI Holdco, has, within the ten years prior to the date of this circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Director Compensation

No fees shall be payable to any of the directors of MHI Holdco. Directors of MHI Holdco shall be reimbursed for reasonable costs and expenses incurred in the performance of such directors' duties, including for out-of-pocket costs and expenses (including travel-related expenses) incurred in connection with the performance of their duties as directors and attendance at meetings of the board of directors and any committees, as the case may be.

Executive Compensation

Introduction

The Corporation's (and MHI Holdco's) senior management team consists of individuals employed by MAMI. MAMI is the asset manager of the Corporation's properties pursuant to the Asset Management Agreement, for which the Corporation is required to pay certain fees. See "*Appendix A: Information Concerning the Corporation and MHI Holdco – Arrangements with Mainstreet – Development Agreements*".

The Corporation does not have any employment agreements with members of senior management and the Corporation does not pay any cash compensation to any individuals serving as the Corporation's officers, directly or indirectly.

The Corporation's three officers (referred to herein as the "named executive officers") are employees of MAMI and are compensated by MAMI. A portion of the compensation paid to the named executive officers is attributable to time spent on the Corporation's activities. Other than the grant of Deferred Shares under the Deferred Share Incentive Plan, MAMI has sole responsibility for determining the compensation of the named executive officers. As a private entity, MAMI is not required to disclose the basis for determining the compensation of its employees.

In 2015, MAMI earned US\$110,900 acting as the asset manager of MHI Holdco and its subsidiaries. The named executive officers earned a nominal amount in connection with MAMI acting in such capacity.

Compensation Discussion and Analysis

As the Corporation's senior management team is employed by MAMI, the Corporation is only obligated to pay a fixed amount to MAMI pursuant to the Asset Management Agreement. Any variability in cash compensation to be paid by MAMI to the named executive officers will not impact the Corporation's financial obligations.

The following discussion is intended to describe the portion of the compensation of the named executive officers that is attributable to time spent on the Corporation's activities.

Principal Elements of Compensation

The compensation of the named executive officers includes three major elements: (a) base salary, (b) an annual cash bonus, and (c) long-term equity incentives, consisting of Deferred Shares granted under the Deferred Share Incentive Plan. MAMI's process for determining executive compensation is relatively straightforward, involving evaluation by executive officers. There is no specific formula for determining the amount of each element, nor is there a formal approach applied by MAMI for determining how one element of compensation fits into the overall compensation objectives in respect of the Corporation's activities. Objectives and performance measures may vary from year to year as determined to be appropriate by the executive officers of the Corporation.

The named executive officers do not benefit from medium term incentives or pension plan participation. Perquisites and personal benefits are not a significant element of compensation of the named executive officers. The three principal elements of compensation are described below:

Base salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries are determined on an individual basis, taking into consideration, among other things, the past, current and potential contribution to the Corporation's success, the position and responsibilities of the named executive officers and competitive industry pay practices for other corporations of comparable size. MAMI does not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable real estate businesses. Increases in base salary will be at the sole discretion of MAMI.

Annual cash bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses are awarded based on qualitative and quantitative performance standards. The determination of cash bonuses may take into account, among other things, the Corporation's performance, including measures such as share price performance, the meeting of financial targets against budget (such as adjusted funds from operations), the meeting of acquisition objectives and balance sheet performance. The determination of cash bonuses may also take into account individual performance, including completion of specific projects or transactions and the execution of day to day management responsibilities.

Deferred Shares. Deferred Shares may be granted as a means to, among other things, focus the named executive officers on medium-term and long-term Shareholder returns. The Deferred Share Incentive Plan is administered by the Board and the Compensation, Governance and Nominating Committee. In administering the Deferred Share Incentive Plan, the Board and/or the Compensation, Governance and Nominating Committee may determine, among other things, the officers to whom Deferred Shares are granted and the amounts, terms and provisions of such Deferred Shares.

Deferred Share Incentive Plan

See “*Matters to be Acted Upon at the Meeting – DSI Plan Amendment – Deferred Share Incentive Plan*” for information about the Deferred Share Incentive Plan.

Description of Securities of MHI Holdco

Authorized Capital

Subject to, among other things, the applicable provisions of the Companies Law, the amended and restated memorandum and articles of association of MHI Holdco adopted on October 29, 2015 and the MHI Holdco Shareholders Agreement, which, subject to the approval of the Magnetar Exchange Resolution, will be terminated upon completion of the Magnetar Exchange, the directors of MHI Holdco may allot, issue, grant options over or otherwise deal with or dispose of MHI Holdco Shares with or without preferred, deferred, or other rights or restrictions, whether as regards to dividends, voting, return of capital or otherwise.

The directors of MHI Holdco may issue MHI Holdco Shares in different classes. Subject to the Companies Law, all or any of the rights attached to a class of MHI Holdco Shares may be varied in such manner as those rights provided or, if no such provision is made, either:

- by the directors of MHI Holdco, provided that such variation is not materially adverse to the rights of the holders of such MHI Holdco Shares (as determined by the directors of MHI Holdco);
- with the consent in writing of the holders of two-thirds of the issued MHI Holdco Shares of that class; or
- with the sanction of a resolution passed at a separate meeting of the holders of the MHI Holdco Shares of that class by a two-thirds majority of the holders of the MHI Holdco Shares of that class present and voting at such meeting (whether in person or by proxy).

MHI Holdco Preferred Shares

The amended and restated memorandum and articles of association of MHI Holdco adopted on October 29, 2015 will be amended to create the MHI Holdco Preferred Shares. The MHI Holdco Preferred Shares will be non-voting shares. Holders of MHI Holdco Preferred Shares will be entitled to a fixed cash dividend per share at a rate of 8.5% per year, which dividend will increase to an annual rate of 10.5% per share if the MHI Holdco Preferred Shares are not redeemed within three months of issuance. MHI Holdco will be permitted to redeem the MHI Holdco Preferred Shares at any time and will be required to redeem the MHI Holdco Preferred Shares upon the earlier to occur of (i) completion of the Offering; and (ii) October 29, 2020.

Following completion of the Offering, the Magnetar Exchange and the redemption of the MHI Holdco Preferred Shares to be issued to the Funds, it is expected that MHI Holdco will be wound-up and the shares of MHI US will be directly held by the Corporation (or a Canadian subsidiary thereof).

Convertible Debentures

MHI Holdco has also issued Convertible Debentures. Convertible Debentures in the aggregate principal amount of approximately US\$108.0 million were issued to the Funds on October 29, 2015, which amount has subsequently increased to approximately US\$110.3 million as of March 31, 2016 as a result of capitalizing a portion of the interest accrued and payable on the Convertible Debentures in accordance with their terms. The Convertible Debentures mature on October 29, 2020. The Convertible Debentures bear interest at the following rates: (i) 10% per annum for the period commencing on October 29, 2015 and ending on and including October 28, 2016; and (ii) 8.5% per annum for the annual period commencing on October 29, 2016 and each year thereafter; in each case payable on a quarterly basis commencing on December 31, 2015, 50% in cash and 50% by capitalizing the interest accrued and payable on any interest payment date as an increase to the principal amount. At any time commencing on May 1, 2016, MHI Holdco may prepay the Convertible Debentures without penalty.

The Convertible Debentures contain a number of positive and negative covenants of MHI Holdco. Such covenants include obligations to maintain its corporate existence and obtain the consent of the holders of the Convertible

Debentures in respect of the following actions (other than any actions that are necessary and appropriate in connection with the raising of capital with the primary purpose of repaying in full the principal amounts of the Convertible Debentures and accrued but unpaid interest thereon):

- any amendment or change to the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of the Convertible Debenture;
- any action that authorizes, creates or leads to the issuance of shares of any class having preferences over or being at par with any MHI Holdco Shares issued upon conversion of the Convertible Debentures, or preferences or priority as to dividends or assets to or at par with any such MHI Holdco Shares;
- any amendment of MHI Holdco's articles of incorporation or by-laws, or other fundamental corporate change;
- the liquidation or dissolution of MHI Holdco;
- the merger or consolidation of MHI Holdco or any direct or indirect subsidiary thereof with any other person (other than an internal reorganization);
- the declaration or payment of any dividends unless certain conditions, as set out in the Convertible Debentures, are satisfied;
- the redemption or repurchase of MHI Holdco Shares or grant of options to purchase MHI Holdco Shares;
- the issuance of indebtedness or the granting of any security or encumbrance by MHI Holdco or any of its subsidiaries ranking senior to the Convertible Debentures (other than in connection with the Symphony Acquisition Financing), other than indebtedness permitted to be incurred under the documents evidencing the Symphony Acquisition Financing;
- the guarantee or indemnification by MHI Holdco of, or the grant of security by MHI Holdco for, the debts or obligations of any corporation, partnership, joint venture, firm or person (other than in connection with the Symphony Acquisition Financing);
- the sale or disposition of any material assets or other transaction outside of the ordinary course of business;
- any acquisition or establishment of a new business undertaking;
- any capital expenditures in excess of \$100,000 in the aggregate in any fiscal year, in addition to those provided for in MHI Holdco's annual strategic and operational plan for that year as approved by the holders of the Convertible Debentures;
- any transaction with any party not dealing at arm's length with MHI Holdco; or
- any substantial change in the business of MHI Holdco or in its strategic and operational plan and budget.

Notwithstanding the above consent rights, the Convertible Debentures further provide that MHI Holdco has the right to effect any transaction that MHI Holdco, any of its shareholders or any of its subsidiaries desires to enter into with the Corporation or a similar public issuer that involves the exchange of MHI Holdco Shares by one or more shareholders of MHI Holdco for shares of the Corporation or such public issuer and to take any of the above actions in connection therewith; provided, however, that a holder of a Convertible Debenture has the right to approve any term of such transaction that such holder determines, in its reasonable discretion, would, if implemented, have or would likely have a material adverse effect upon the holder and its investment in the Convertible Debenture.

The Convertible Debentures conversion right entitle the Funds to convert all or any portion of a Convertible Debenture at any time into that number of MHI Holdco Shares equal to (a) the aggregate outstanding principal amount of the Convertible Debenture (plus any accrued and unpaid interest thereon), divided by the sum of (i) the then outstanding principal amount of the Convertible Debenture minus the amount added to such principal amount as a result of the capitalization of accrued interest pursuant to the Convertible Debenture plus (ii) the aggregate

amount paid by MHI Holdco Shareholders at the date of issuance of the Convertible Debenture for the purchase of MHI Holdco Shares plus (iii) retained earnings of MHI Holdco as of the end of the last calendar month prior to the date on which the Convertible Debenture is being converted, as shown on MHI Holdco's unaudited balance sheet (as such amount is reviewed and approved by the holder of the Convertible Debenture in its commercially reasonable, good faith discretion) and (b) multiplying the percentage determined in clause (a) by the aggregate number of MHI Holdco Shares required to be outstanding immediately following the conversion so that the holder of the Convertible Debenture owns that percentage of MHI Holdco Shares represented by the percentage in clause (a).

Prior to the closing of the Offering, the Funds have agreed to convert the Convertible Debentures into MHI Holdco Shares and, concurrently with closing of the Offering, the Funds have agreed to exchange their MHI Holdco Shares for Shares. See "*Particulars of Matters to be Acted Upon at the Meeting – Magnetar Exchange*".

Shareholders Agreement

The MHI Holdco Shares are currently subject to the MHI Holdco Shareholders Agreement. The following is a summary of certain provisions of the MHI Holdco Shareholders Agreement, but is not intended to be complete.

Board of Directors

The board of directors of MHI Holdco consists of three directors. Under the MHI Holdco Shareholders Agreement, the Corporation has the right to appoint all three directors. The current directors of MHI Holdco are Scott White, Adlai Chester and Scott Higgs.

Shareholder Reserved Matters

Unanimous approval of MHI Holdco Shareholders is required in respect of the following actions taken by MHI Holdco or its subsidiaries, other than those actions that are (i) taken in connection with the raising of capital with the primary purpose of repaying the Convertible Debentures; or (ii) necessary or desirable in connection with the Acquisition:

- any issuance of equity securities of MHI Holdco, including preferred, ordinary or voting shares or securities or instruments convertible into or exercisable for preferred, ordinary or voting shares;
- material changes to the nature of MHI Holdco's business or entry into a new line of business;
- amendments to, or waivers of any provisions of, MHI Holdco's articles of association or by-laws, or other fundamental corporate change;
- any merger or other business combination, sale of all or substantially all of the property of MHI Holdco and its subsidiaries, consolidation, reorganization, liquidation, petition for bankruptcy, winding-up, dissolution, split-up or other similar transaction;
- the merger or consolidation of MHI Holdco or any direct or indirect subsidiary thereof with any other person (other than an internal reorganization);
- the declaration or payment of any dividends unless certain conditions, as set out in the MHI Holdco Shareholders Agreement, are satisfied;
- the redemption or repurchase of MHI Holdco Shares or grant of options to purchase MHI Holdco Shares;
- the issuance of any indebtedness or the granting of any security or encumbrance by MHI Holdco or any of its subsidiaries ranking senior to the Convertible Debentures (other than in connection with the Symphony Acquisition Financing), other than indebtedness permitted to be incurred under the documents evidencing the Symphony Acquisition Financing;

- the guarantee or indemnification by MHI Holdco of, or the grant of security by MHI Holdco for, the debts or obligations of any corporation, partnership, joint venture, firm or person (other than in connection with the Symphony Acquisition Financing);
- the sale or disposition or any material assets of MHI Holdco or other transaction outside of the ordinary course of business;
- any acquisition or establishment of a new business undertaking;
- any capital expenditures in excess of \$100,000 in the aggregate in any fiscal year, in addition to those provided for in MHI Holdco's annual strategic and operational plan for that year approved by the Funds;
- any transaction with any party not dealing at arm's length with MHI Holdco;
- any substantial change in the business or the strategic and operational plan and budget of MHI Holdco; or
- any actions taken by any direct or indirect subsidiary of MHI Holdco directed or caused to be directed by the board of directors of MHI Holdco.

Limitation on Transfers

Under the MHI Holdco Shareholders Agreement, MHI Holdco Shareholders are not permitted to, directly or indirectly, Transfer (as defined in the MHI Holdco Shareholders Agreement) any MHI Holdco Shares except as provided for under the MHI Holdco Shareholders Agreement. Prior to October 29, 2016, no sale of MHI Holdco Shares is permitted without the unanimous consent of all MHI Holdco Shareholders, except to Permitted Transferees (as defined in the MHI Holdco Shareholders Agreement) or in connection with the Acquisition. From October 29, 2016, an MHI Holdco Shareholder may sell his, her or its MHI Holdco Shares to an unrelated third party (a "**Third Party**"), subject to the rights of first refusal and co-sale described in greater detail below.

Right of First Refusal

Notwithstanding the above restriction on Transfers (as defined in the MHI Holdco Shareholders Agreement), if at any time after October 29, 2016, a Selling Shareholder receives a Third Party Offer to purchase any MHI Holdco Shares held by the Selling Shareholder, the Selling Shareholder may conditionally accept the offer. Upon conditional acceptance of the Third Party Offer, the Selling Shareholder shall deliver a Notice of Sale to the Other Shareholders irrevocably offering to sell them the such MHI Holdco Shares at the same price and in all other material respects on the same terms and conditions as provided in the Third Party Offer. During the Acceptance Period, the Other Shareholders shall have the right to purchase all, but not less than all, of the MHI Holdco Shares subject to the Third Party Offer on a *pro rata* basis based on the number of MHI Holdco Shares held by each of them. If the Selling Shareholder does not receive notice from the Other Shareholders within the Acceptance Period confirming their agreement to purchase all of the MHI Holdco Shares subject to the Third Party Offer, the Selling Shareholder may sell such MHI Holdco Shares to the Third Party for a period of 90 days following the Acceptance Period.

Right of Co-Sale

If the MHI Holdco Shares subject to a Third Party Offer are to be sold to a Third Party, each Other Shareholder may elect to exercise its right to participate in the Third Party Offer on a *pro rata basis* on the same terms and conditions specified in the Notice of Sale.

Pre-Emptive Rights

Except as provided for in the MHI Holdco Shareholders Agreement, no Additional Securities shall be issued by MHI Holdco unless: (i) such issuance has been approved by the unanimous consent of each MHI Shareholder; and (ii) MHI Holdco first offers such Additional Securities to the MHI Holdco Shareholders. Each MHI Holdco Shareholder shall have the right to purchase the Additional Securities *pro rata* based upon the number of MHI Holdco Shares beneficially owned by such MHI Holdco Shareholder as a percentage of all MHI Holdco Shares held by MHI Holdco Shareholders at the date notice is given of such offer. If any MHI Holdco Shareholder does not accept its *pro rata* entitlement, such unaccepted Additional Securities shall be deemed to have been offered to the Shareholders who

indicated they would accept greater than their *pro rata* entitlement. Any Additional Securities not taken up by the MHI Holdco Shareholders may be issued within six months of such Additional Securities having been first offered to the MHI Holdco Shareholders, at the price and on the terms offered to the MHI Holdco Shareholders.

Capitalization

The Corporation owns 155,528.94 MHI Holdco Shares, representing approximately 75% of the issued and outstanding MHI Holdco Shares and the Funds beneficially own 51,809.81 of the issued and outstanding MHI Holdco Shares, representing approximately 25% of the outstanding MHI Holdco Shares.

The Funds own all of the issued and outstanding Convertible Debentures.

The acquisition of the Symphony Portfolio was partially funded by the Facility and the First Mainstreet Loan and the deposit for the acquisition of the Hanover Park Property was funded by the Second Mainstreet Loan. For further details, see “Appendix A: *Information Concerning the Corporation and MHI Holdco – Business of the Corporation*” in this Circular.

Prior Sales

In order to fund the acquisition of the Symphony Portfolio, on October 29, 2015, MHI Holdco issued (i) 155,527.94 MHI Holdco Shares to Mainstreet and 51,809.81 MHI Holdco Shares to the Funds at a price of US\$100 in cash per MHI Holdco Share and (ii) the Convertible Debentures to the Funds. For additional information regarding the terms of the Convertible Debentures, please see “Appendix A: *Information Concerning the Corporation and MHI Holdco – Description of MHI Holdco Securities – Convertible Debentures*” in this Circular.

Market for Securities

The MHI Holdco Shares are not listed or traded on any exchange or quotation service.

Principal Securityholders

The below table sets out information for each principal securityholder of MHI Holdco:

Shareholder	Number and percentage of securities owned (of record and beneficially) as of the date of this Circular
The Funds	Approximately 51,809.81 Common Shares, representing approximately 25% of the issued and outstanding Common Shares
The Corporation	Approximately 155,527.94 Common Shares, representing approximately 75% of the issued and outstanding Common Shares

Legal Proceedings

Management knows of no legal proceedings, contemplated or actual, involving MHI Holdco or a subsidiary of MHI Holdco, which could materially affect MHI Holdco.

Material Contracts

MHI Holdco entered into the MHI Holdco Asset Management Agreement pursuant to which MHI Holdco, MHI US and MHI Partnership retained MAMI to provide asset management services in respect of properties acquired by MHI Holdco and its affiliates. Under the MHI Holdco Asset Management Agreement, MAMI was entitled to an annual fee equal to 3.0% of the gross rentals received under the leases in respect of the properties. The MHI Holdco Asset Management Agreement terminated on April 4, 2016 upon completion of the transactions contemplated in the Share Purchase Agreement.

Other than the Share Purchase Agreement, the Convertible Debentures, and the MHI Holdco Shareholders Agreement, MHI Holdco has not entered into any other material contracts within the last two years.

APPENDIX B
RELATED PARTY TRANSACTIONS RESOLUTION

IT IS RESOLVED THAT:

1. the Related Party Transactions, as defined and more particularly described in the Circular, are hereby authorized and approved.
2. notwithstanding that this resolution has been duly passed by the Disinterested Shareholders, the Directors are hereby authorized and empowered, without further notice to, or approval of, the Shareholders, not to proceed with any of the aforementioned transactions and revoke this resolution before it is acted on in whole or in part;
3. any one director or officer of the Corporation is authorized and directed for and on behalf of the Corporation to execute and deliver the Related Party Transaction agreements and all other documents, instruments and agreements and take such other action as such director or officer may determine to be necessary or desirable to implement this resolution or otherwise in connection with the matters authorized or contemplated hereby, such determination to be conclusively evidenced by the execution and delivery of any such action; and
4. capitalized terms used in this resolution but not defined in this resolution have the meanings ascribed to them in the Circular.

APPENDIX C
MAGNETAR EXCHANGE RESOLUTION

IT IS RESOLVED THAT:

1. the Magnetar Exchange, and the issuance of Shares to the Funds pursuant to the terms and conditions of the Magnetar Exchange Agreement, as defined and more particularly described in the Circular, be and is hereby authorized and approved and such Shares shall be issued and outstanding as fully-paid and non-assessable Shares of the Corporation;
2. notwithstanding that this resolution has been duly passed by the Shareholders, the Directors are hereby authorized and empowered, without further notice to, or approval of, the Shareholders, not to proceed with any of the aforementioned transactions and revoke this resolution before it is acted on in whole or in part;
3. any one director or officer of the Corporation is authorized and directed for and on behalf of the Corporation to execute and deliver all documents, instruments and agreements and take such other action as such director or officer may determine to be necessary or desirable to implement this resolution or otherwise in connection with the matters authorized or contemplated hereby, such determination to be conclusively evidenced by the execution and delivery of any such action; and
4. capitalized terms used in this resolution but not defined in this resolution have the meanings ascribed to them in the Circular.

APPENDIX D
DSI PLAN RESERVATION RESOLUTION

IT IS RESOLVED THAT:

1. the reservation for issuance of up to 1,200,000 post-consolidation Shares under the Deferred Share Incentive Plan, as defined and more particularly described in the Circular, be and is hereby authorized and approved and such Shares, when issued, shall be outstanding as fully-paid and non-assessable Shares of the Corporation;
2. notwithstanding that this resolution has been duly passed by the Disinterested Shareholders, this resolution will only be effective on the completion of the Offering, and the Directors are hereby authorized and empowered, without further notice to, or approval of, the Shareholders, not to proceed with any of the aforementioned transactions and revoke this resolution before it is acted on in whole or in part;
3. any one director or officer of the Corporation is authorized and directed for and on behalf of the Corporation to execute and deliver all documents, instruments and agreements and take such other action as such director or officer may determine to be necessary or desirable to implement this resolution or otherwise in connection with the matters authorized or contemplated hereby, such determination to be conclusively evidenced by the execution and delivery of any such action; and
4. capitalized terms used in this resolution but not defined in this resolution have the meanings ascribed to them in the Circular.

APPENDIX E
ASSET MANAGEMENT AGREEMENT AMENDMENT RESOLUTION

IT IS RESOLVED THAT:

1. an amendment to the Asset Management Agreement, as defined in the Circular, fixing the maximum number of post-consolidation Shares issuable thereunder at 800,000 Shares, as more particularly described in the Circular, be and is hereby authorized and approved and such Shares, when issued, shall be outstanding as fully-paid and non-assessable Shares of the Corporation;
2. notwithstanding that this resolution has been duly passed by the Disinterested Shareholders this resolution will only be effective on the completion of the Offering (as defined in the Circular), and the Directors are hereby authorized and empowered, without further notice to, or approval of, the Shareholders, not to proceed with any of the aforementioned transactions and revoke this resolution before it is acted on in whole or in part;
3. any one director or officer of the Corporation is authorized and directed for and on behalf of the Corporation to execute and deliver all documents, instruments and agreements and take such other action as such director or officer may determine to be necessary or desirable to implement this resolution or otherwise in connection with the matters authorized or contemplated hereby, such determination to be conclusively evidenced by the execution and delivery of any such action; and
4. capitalized terms used in this resolution but not defined in this resolution have the meanings ascribed to them in the Circular.

APPENDIX F
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE SCRANTON PORTFOLIO

SCRANTON 7 HOLDINGS, LLC

Consolidated Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)



KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Members
Scranton 7 Holdings, LLC:

We have audited the accompanying consolidated financial statements of Scranton 7 Holdings, LLC and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income, changes in members' equity, and cash flows for the year ended December 31, 2015 and the period from March 4, 2014 (date of formation) to December 31, 2014, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Scranton 7 Holdings, LLC and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the year ending December 31, 2015 and for the period from March 4, 2014 (date of formation) to December 31, 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) KPMG LLP

Chicago, Illinois
April 21, 2016

SCRANTON 7 HOLDINGS, LLC
 Consolidated Statements of Financial Position
 (Expressed in thousands of U.S. dollars, except per share amounts)

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$ 514	223
Investment properties (note 4)	28,020	23,750
Total assets	<u>\$ 28,534</u>	<u>23,973</u>
Liabilities:		
Accounts payable – related party (note 10)	\$ 25	67
Accrued interest	59	59
Derivative financial instrument (note 6)	43	101
Mortgage payable (note 5)	19,337	19,469
	<u>19,464</u>	<u>19,696</u>
Members' equity (note 7)	<u>9,070</u>	<u>4,277</u>
Total liabilities and Members' equity	<u>\$ 28,534</u>	<u>23,973</u>

See accompanying notes to consolidated financial statements.

SCRANTON 7 HOLDINGS, LLCConsolidated Statements of Operations and Comprehensive Income
(Expressed in thousands of U.S. dollars, except per share amounts)Year ended December 31, 2015 and period from
March 4, 2014 (date of formation) to December 31, 2014

	<u>2015</u>	<u>2014</u>
Rental revenue (note 8)	\$ 2,583	1,290
Operating expense (note 10)	47	22
Real estate tax expense	284	-
Change in fair value of investment properties – IFRIC 21	-	140
Increase in fair value of investment properties (note 4)	(4,092)	(2,023)
	<u>(3,761)</u>	<u>(1,861)</u>
Operating profit	6,344	3,151
Finance cost (notes 6, 9)	736	500
Net profit and comprehensive income	<u>\$ 5,608</u>	<u>2,651</u>
Net profit per share (note 7):		
Basic and diluted	\$ 56,084	26,502

See accompanying notes to consolidated financial statements.

SCRANTON 7 HOLDINGS, LLC

Consolidated Statements of Changes in Members' Equity
(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from
March 4, 2014 (date of formation) to December 31, 2014

Balance, March 4, 2014	\$	-
Contributions from Members (note 7)		2,196
Net profit and comprehensive income		2,651
Distributions to Members (note 7)		<u>(570)</u>
Balance, December 31, 2014	\$	4,277
Net profit and comprehensive income		5,608
Distributions to Members (note 7)		<u>(815)</u>
Balance, December 31, 2015	\$	<u><u>9,070</u></u>

See accompanying notes to consolidated financial statements.

SCRANTON 7 HOLDINGS, LLC

Consolidated Statement of Cash Flows

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from
March 4, 2014 (date of formation) to December 31, 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net profit and comprehensive income	\$ 5,608	2,651
Items not involving cash:		
Fair value of investment properties (note 4)	(4,092)	(2,023)
Straight-line rent (note 8)	(178)	(99)
Finance costs (notes 6, 9)	736	500
Interest paid	(721)	(303)
Changes in:		
Accounts payable – related party (note 10)	(42)	67
Net cash provided by operating activities	<u>1,311</u>	<u>793</u>
Cash flows from investing activities:		
Purchases of investment properties (note 4)	-	(21,628)
Net cash used in investing activities	<u>-</u>	<u>(21,628)</u>
Cash flows from financing activities:		
Payments for loan fees (note 5)	-	(368)
Proceeds from mortgage payable (note 5)	-	19,800
Payments of mortgage payable (note 5)	(205)	-
Member contributions (note 7)	-	2,196
Member distributions (note 7)	(815)	(570)
Net cash provided by (used in) financing activities	<u>(1,020)</u>	<u>21,058</u>
Increase in cash and cash equivalents	291	223
Cash and cash equivalents, beginning of period	<u>223</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 514</u>	<u>223</u>
Supplemental disclosure relating to non-cash financing activities:		
Accrued member distribution	-	55

See accompanying notes to consolidated financial statements.

SCRANTON 7 HOLDINGS, LLC

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from
March 4, 2014 (date of formation) to December 31, 2014

(1) Reporting Entity

Scranton 7 Holdings, LLC (the “Company”) is an Indiana limited liability company created pursuant to Articles of Organization dated March 4, 2014. The registered office of the Company is 14390 Clay Terrace Boulevard, Suite 205, Carmel, IN 46032. The Company is the sole member of and consolidates seven limited liability companies formed in April 2014.

The Company has been formed to own and lease income-producing seniors housing and care properties in the United States. In connection with the completion of the Acquisition (as defined in note 4 below), the Company acquired a portfolio of seven properties comprised of five assisted living facilities and two skilled nursing facilities. Management monitors the operating results of the business as a whole, and thus, there is considered to be one reporting segment.

(2) Basis of Preparation

(a) *Statement of Compliance*

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These are the Group’s first consolidated financial statements prepared in accordance with IFRSs and IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied.

These consolidated financial statements were approved by the Board of Managers of the Company and authorized for issuance on April 21, 2016.

(b) *Principles of Consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2015. All intercompany transactions and balances are eliminated on consolidation.

(c) *Basis of Measurement*

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and the derivative financial instrument, which are measured at fair value.

(d) *Functional Currency*

The consolidated financial statements are presented in U.S. dollars, which is the functional currency of the Company.

(e) *Measurement Uncertainty*

The preparation of 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 dates of the consolidated financial statements and the reported amounts of revenue and expenses throughout the periods. 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.

SCRANTON 7 HOLDINGS, LLC

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from

March 4, 2014 (date of formation) to December 31, 2014

Investment 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. Investment properties are valued using a direct capitalization approach.

(f) Significant Judgments and Estimates

- i. The Company uses judgment regarding the present value of lease payments and the fair value of assets in assessing the classification of its leases with operators as operating leases, in particular with long-term leases in single operator properties. The Company has determined that its sole lease is an operating lease.
- ii. Management must assess whether the acquisition of a property or entity should be accounted for as an asset purchase or business combination and whether or not it has obtained control. This assessment impacts the accounting treatment of transaction costs, the allocation of costs associated with the acquisition, and whether or not goodwill is recognized.

(3) Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand and highly liquid marketable investments with an original maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value. As at December 31, 2015 and 2014 there were no cash equivalents.

(b) Investment Properties

Investment properties are held to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business. All of the Company's properties are investment properties. On acquisition, investment properties are initially recorded at cost, including transaction costs. Subsequent to initial recognition, the Company uses the fair value model to account for investment properties under International Accounting Standard ("IAS") 40, Investment Property. Related unrealized fair value gains and losses are recorded in the consolidated statements of operations and comprehensive income in the periods in which they arise.

Under the fair value model, investment properties are recorded at fair value, which is determined based on available market evidence at each reporting date, in accordance with IFRS 13, Fair Value Measurement. Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements

(c) Revenue Recognition

The Company accounts for its lease as an operating lease given that it has retained substantially all of the risks and benefits of ownership of investment properties.

SCRANTON 7 HOLDINGS, LLC

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from

March 4, 2014 (date of formation) to December 31, 2014

Revenue includes rent earned from the tenant under a triple-net lease agreement, in which the tenant operator assumes all operational risk and operating expenses associated with the investment property, as well as realty tax recoveries on investment properties where the Company is the primary obligor. Lease-related revenue is recognized on a straight-line basis over the term of the underlying leases.

(d) Finance Costs

Finance costs comprise interest expense on borrowings. Finance costs associated with financial liabilities are accounted for at amortized cost and are recognized in net profit using the effective interest method. International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement does not specify how to calculate the effective interest rate for floating rate financial instruments, however there are two approaches applied in practice. The Company has selected approach one which is based on the actual benchmark interest rate that was set for the period, as opposed to approach two which takes in account expectations of future interest rates and changes in these expectations.

(e) Derivative Financial Instruments

The Company uses derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

(f) Income Taxes

For federal and state income tax purposes, the Company is treated as a pass-through entity and the allocated share of income or loss for the year is included in the income tax returns of the Members. Accordingly, no accounting for income taxes is required in the accompanying consolidated financial statements.

The Company takes into account the impact of uncertain tax positions. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. As of December 31, 2015 and 2014, the Company recorded no liability for uncertain tax positions.

(g) Levies

In accordance with IFRS Interpretations Committee (“IFRIC”) 21, Levies, the Company recognizes the full amount of annual property tax liabilities at the point in time when the property tax obligation is imposed. Levies are outflows from an entity imposed by a government in accordance with its legislation. The Company has assessed property taxes as being within the scope of IFRIC 21 given that property taxes are non-reciprocal charges imposed by the government, in accordance with legislation, based on property value with recognition of a liability only when the triggering event in the legislation occurs. The Company has determined that based on the jurisdictions of the investment properties owned by the Company, the liability to pay property taxes should be on January 1.

In the year of acquisition, the property tax obligation is borne by the vendor as they held the property at the start of the fiscal year. As a result, property taxes have been recognized as a fair value adjustment of the investment properties in the year of acquisition.

SCRANTON 7 HOLDINGS, LLC

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from

March 4, 2014 (date of formation) to December 31, 2014

(h) *Future Accounting Changes*

- i. In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and offers a number of methods for adoption. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.
- ii. In July 2014, the IASB issued IFRS 9, Financial Instruments, replacing IAS 39, Financial Instruments – Recognition and Measurement. The project had three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.
- iii. In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2016, but does not expect the amendments to have a material impact on its consolidated financial statements.
- iv. In January 2016, the IASB issued IFRS 16, Leases. The new standard will replace existing lease guidance in IFRS and related interpretations. The financial reporting impact of adopting IFRS 16 is being assessed. The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption will be permitted only if the Company has adopted IFRS 15, Revenue from Contracts with Customers.

(4) **Acquisition of Investment Properties**

On July 1, 2014, the Company acquired a portfolio (the “Scranton Portfolio”) of five assisted living facilities and two skilled nursing facilities located in the United States for a total purchase price of \$21,500, as adjusted pursuant to the terms of the purchase agreement, and incurred \$128 of expenses (the “Acquisition”). The purchase of the Scranton Portfolio was accounted for as an asset acquisition as the Company did not acquire an integrated set of processes as part of the acquisition transaction. The identifiable net assets acquired are as follows:

Investment properties	\$	<u>21,628</u>
Net assets acquired for cash	\$	<u>21,628</u>
Investment properties	\$	<u>21,628</u>
Net assets acquired for cash	\$	<u>21,628</u>

SCRANTON 7 HOLDINGS, LLC

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from
March 4, 2014 (date of formation) to December 31, 2014

	<u>Number of Properties</u>	<u>Amount</u>
Balance, March 4, 2014	-	\$ -
Acquisitions of investment properties	7	21,628
Straight-line rent amortization	-	99
Change in fair value	-	2,023
Balance, December 31, 2014	7	\$ 23,750
Straight-line rent amortization	-	178
Change in fair value	-	4,092
Balance, December 31, 2015	-	\$ 28,020

Investment properties are carried at fair value. The fair value of each investment property is determined using an income approach based on the capitalized net operating income of each underlying property. The stabilized net operating income for the year is divided by an overall capitalization rate. The capitalization rates are derived from a combination of third-party appraisals and industry market data (Level 3 inputs – see note 12).

The key valuation assumptions used in determining fair value of investment properties are set out in the following table:

	<u>2015</u>	<u>2014</u>
Capitalization rate	8.57%	9.26%

The fair values of investment properties are most sensitive to changes in capitalization rates. At December 31, 2015, a 25 basis point increase in the weighted average capitalization rate would decrease the fair value of the investment properties by \$795. At December 31, 2014, a 25 basis point decrease in the weighted average capitalization rate would increase the fair value of the investment properties by \$842.

(5) Mortgage Payable

On July 1, 2014, the Company entered into a Loan and Security Agreement (the “Mortgage”) with an initial principal balance of \$19,800. Total costs incurred related to the Mortgage were \$368. The Mortgage has an initial maturity date of July 1, 2019. The Mortgage is secured by the Scranton Portfolio properties. The Mortgage incurs interest at a borrowing rate of 1-month LIBOR plus 2.75%, with payments of interest only through July 2015 and principal and interest thereafter until maturity. Unamortized financing costs related to the Mortgage of \$258 and \$331 at December 31, 2015 and December 31, 2014 respectively are included in the consolidated statements of financial position in mortgage payable, net of finance costs. The company has hedged against interest rate movements on this mortgage. Refer to note 6 on the Company’s interest rate swap.

SCRANTON 7 HOLDINGS, LLC

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from
March 4, 2014 (date of formation) to December 31, 2014

At December 31, 2015, total borrowings outstanding under the Facility were \$19,595, and the borrowing rate was 2.99%. Future principal repayments are as follows:

	<u>Aggregate principal payments</u>
2016	\$ 505
2017	524
2018	543
2019	18,023
Thereafter	<u>0</u>
	<u>\$ 19,595</u>

(6) Derivative Financial Instrument

The Company entered into an interest rate swap agreement to eliminate the variability of probable cash flows due to fluctuations in the benchmark interest rate (1-month LIBOR) on an initial \$19,800 mortgage for the period beginning July 1, 2014 and ending July 1, 2016. The interest rate swap agreement requires the Company to pay a 3.60% fixed rate per annum while the Company receives a 1-month LIBOR plus 2.75% variable rate per annum. The strategy of the interest rate swap agreement is to convert variable interest cash outflows of the mortgage payable into known fixed interest cash outflows.

The interest rate swap agreement is marked to fair value at each reporting period using market inputs, which are considered Level 2 fair value measurements, and the change is included in finance cost in the consolidated statements of operations and comprehensive income (see note 9). The fair value of the interest rate swap consisted of a liability of \$43 at December 31, 2015 and \$101 at December 31, 2014.

(7) Members' Equity

On March 4, 2014, upon formation of the Company, 100 shares were issued to the Members. No additional shares have been issued. There is one class of equity and Members share the same rights. Ownership is based on the capital amounts contributed by each owner as a percentage of the total capital amounts contributed.

Income, loss, contributions, and distributions are allocated to the Members in accordance with the Limited Liability Company Agreement. Voting rights, allocation of income or losses, contributions from Members, and distributions to Members are made in proportion to each Member's ownership. The Members are entitled to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution. The Members have no pre-emptive or other subscription rights and there are no redemption or sinking fund provisions.

Basic and diluted net profit per share are calculated by dividing net profit and comprehensive income by the weighted average number of shares during the year ended December 31, 2015 and the period from March 4, 2014 to December 31, 2014.

SCRANTON 7 HOLDINGS, LLC

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from
March 4, 2014 (date of formation) to December 31, 2014

		<u>2015</u>	<u>2014</u>
Numerator for net profit per share:			
Net profit and comprehensive income	\$	5,608	2,651
Denominator for net profit per share:			
Weighted average number of units (basic and diluted)		<u>100</u>	<u>100</u>
Net profit per share - basic and diluted	\$	<u>56,084</u>	<u>26,502</u>

(8) Rental Revenue

The Company leases its investment properties under a master operating lease with a lease term of 10 years and options to extend up to an additional 10 years. The tenant under the master operating lease is a related party of one of the Members. The Company's revenue is 100% derived from the master operating lease with the related party.

Rental revenue consists of the following:

		<u>2015</u>	<u>2014</u>
Cash rentals received	\$	2,121	1,051
Straight-line rent adjustments		178	99
Property tax recovery		<u>284</u>	<u>140</u>
	\$	<u>2,583</u>	<u>1,290</u>

The lease is triple net and includes renewal options and a rent escalation clause. The lease includes a reset of rent based on a defined profitability metric of the tenant.

Future minimum rentals to be received as of December 31, 2015 are as follows:

Less than 1 year	\$	2,163
Between 1 and 5 years		9,095
More than 5 years		<u>8,565</u>
	\$	<u>19,823</u>

SCRANTON 7 HOLDINGS, LLC

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from
March 4, 2014 (date of formation) to December 31, 2014

(9) Finance Cost

Finance cost consists of the following:

	<u>2015</u>	<u>2014</u>
Interest expense on mortgage payable	\$ 795	399
(Gain) loss on interest rate swap	(59)	101
	<u>\$ 736</u>	<u>500</u>

(10) Related Party Transactions

Except as disclosed in note 8, related party transactions for the year ended December 31, 2015 and 2014 included the following:

On July 1, 2014, the Company entered into a Financial Services Agreement with a management company (the "Manager"), which is 100% owned by an officer of the Company. A management fee is incurred equal to 1.0% of gross rents. Management fees for the year ended December 31, 2015 and the period from March 4, 2014 to December 31, 2014 were \$21 and \$11, respectively, are included in operating expense in the consolidated statements of operations and comprehensive income. Management fees remain payable of \$16 at December 31, 2015 and \$7 at December 31, 2014 and are included in accounts payable – related party in the consolidated statements of financial position. The Financial Services Agreement renews indefinitely unless the agreement is terminated by the Company or the Manager, or until 90 days after the sale of the Scranton Portfolio.

(11) Financial Instrument Risks and Risk Management

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(a) *Interest rate risk:*

The Company is exposed to interest rate risk on the line of credit, which bears interest based on the 1-month LIBOR rate. As at December 31, 2015, a 25 basis-point increase or decrease in interest rates would result in a \$49 increase or decrease in the Company's interest expense, exclusive of the effect of the Company's interest rate swap (note 6).

(b) *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge their obligations. The Company is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the consolidated statements of financial position. The Company actively manages its affairs to minimize its credit risk through careful selection and assessment of its credit parties and collateral based on knowledge obtained through means such as due diligence carried out in respect of leasing transactions to new operators. The Company also manages credit risk related to its cash balances by selection of reputable banking institutions.

SCRANTON 7 HOLDINGS, LLC

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from
March 4, 2014 (date of formation) to December 31, 2014

(c) *Liquidity risk:*

The Company is subject to the liquidity risk that it will not be able to meet its financial obligations as they come due. Although a portion of the cash flow generated by the investment properties is devoted to servicing outstanding debt, there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If the Company is unable to meet principal or interest repayment obligations, it could be required to renegotiate such payments, issue additional equity or debt, or obtain other financing. The failure to make or renegotiate interest or principal payments, issue additional equity or debt, or obtain other financing could have a material adverse effect on the Company's financial condition and results of operations. The Company manages its liquidity risk through cash and debt management. The Company plans to address scheduled interest payments through operating cash flows and significant principal maturities through a combination of debt and equity financing.

The following are the contractual maturities of financial liabilities as at December 31, 2015, including expected interest payments:

	<u>2016</u>	<u>2017-2020</u>	<u>Thereafter</u>	<u>Total</u>
Accounts payable	\$ 25	-	-	25
Accrued interest	59	-	-	59
Derivative instrument (note 6)	43	-	-	43
Mortgage payable (note 5)	1,094	20,439	-	21,533
	<u>\$ 1,221</u>	<u>20,439</u>	<u>-</u>	<u>21,660</u>

The following are the contractual maturities of financial liabilities as at December 31, 2014, including expected interest payments:

	<u>2015</u>	<u>2016-2020</u>	<u>Thereafter</u>	<u>Total</u>
Accounts payable	\$ 67	-	-	67
Accrued interest	59	-	-	59
Derivative instrument (note 6)	101	-	-	101
Mortgage payable (note 5)	926	21,533	-	22,459
	<u>\$ 1,153</u>	<u>21,533</u>	<u>-</u>	<u>22,686</u>

(12) **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses various methods in estimating the fair values of assets and liabilities that are measured at fair value on recurring or non-recurring basis in the consolidated statements of financial position. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 – fair value is based on unadjusted quoted prices trades in active markets for identical instruments;

SCRANTON 7 HOLDINGS, LLC

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from
March 4, 2014 (date of formation) to December 31, 2014

- Level 2 – fair value is based on models using significant market-observable inputs other than quoted prices for the instruments; and
- Level 3 – fair value is based on models using significant inputs that are not based on observable market data.

In addition to those financial instruments carried at fair value, the fair values of the Company's financial assets and financial liabilities, together with their contractual carrying amounts shown in the consolidated statement of financial position at December 31, 2015, are as follows:

	<u>Fair Value</u>	<u>Carrying Amount</u>
Mortgage payable – December 31, 2015	\$ 19,595	19,337
Mortgage payable – December 31, 2014	\$ 19,800	19,469

- (a) The Company determined the fair value of the derivative instrument to be a liability of \$43 and \$101 at December 31, 2015 and 2014, respectively, using a valuation technique with market-observable inputs (Level 2) using interest rate curves and present value calculations.
- (b) The Company determined the fair value of its mortgage payable to be \$19,595 and \$19,800 at December 31, 2015 and 2014, respectively, based on borrowing rates currently available to the Company for a debt instrument with similar terms and maturity. The determination was made using Level 2 inputs.
- (c) The carrying values of the Company's financial assets, which includes cash, as well as financial liabilities, which include accounts payable – related party-, accrued interest, and derivative instrument liability, approximate their recorded fair values due to their short-term nature.

(13) Capital Management

The Company's objectives when managing capital are to ensure sufficient liquidity and to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations and mortgage covenant requirements.

The capital structure of the Company consists of cash, debt, and Members' equity. In managing its capital structure, the Company monitors performance throughout the year to ensure working capital requirements are funded from operations, available cash on deposit, available financing, and proceeds from Member contributions. The Company may make changes to its capital structure in order to support the broader corporate strategy or in light of 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 real estate. The Company actively monitors debt maturities and available debt financing options.

(14) Subsequent Events

The Company has evaluated subsequent events from the reporting date through April 21, 2016 the date at which the consolidated financial statements were available to be issued. The following subsequent event

SCRANTON 7 HOLDINGS, LLC

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Year ended December 31, 2015 and period from

March 4, 2014 (date of formation) to December 31, 2014

was noted. On April 21, 2016 the Company entered into an agreement to sell all of its investment property to MHI Partnership for a total price of \$29,091, excluding transaction cost.

APPENDIX G
AUDITED FINANCIAL STATEMENTS FOR MAINSTREET HEALTH HOLDINGS INC.



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Mainstreet Health Holdings Inc.

We have audited the accompanying consolidated financial statements of Mainstreet Health Holdings Inc., which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from October 7, 2015 (date of formation) to December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mainstreet Health Holdings Inc. as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the period from October 7, 2015 (date of formation) to December 31, 2015 in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

February 26, 2016
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

MAINSTREET HEALTH HOLDINGS INC.

Consolidated Statement of Financial Position

(Expressed in thousands of U.S. dollars, except per share amounts)

December 31, 2015

Assets	
Current assets:	
Cash	\$ 7,189
Restricted cash	2,500
Other	939
	<hr/>
	10,628
Investment properties (note 4)	268,425
	<hr/>
	\$ 279,053

Liabilities and Shareholders' Equity	
Current liabilities:	
Accounts payable	\$309
Accrued real estate taxes	4,531
Accrued interest expense	431
Accrued convertible debenture interest	930
Note payable to related party (note 6)	2,500
	<hr/>
	8,701
Credit facility (note 5)	144,692
Convertible debentures (note 7)	108,891
Unearned revenue	1,790
	<hr/>
	255,373
Total liabilities	264,074
Shareholders' equity (note 8)	14,979
Subsequent event (note 5)	
Commitment (note 3)	
	<hr/>
	\$ 279,053

See accompanying notes to consolidated financial statements.

MAINSTREET HEALTH HOLDINGS INC.

Consolidated Statement of Loss and Comprehensive Loss
(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

Revenue		
Rental (note 10)	\$	5,107
Expenses:		
Operating (note 12)		1,266
Finance costs (note 11)		2,808
Change in value of investment property – IFRIC 21		843
Change in value of investment properties (note 4)		5,945
		<hr/> 10,862
Loss before income taxes		(5,755)
Income taxes (note 13)		-
		<hr/>
Loss for the period and comprehensive loss	\$	(5,755)
		<hr/>
Loss per share (note 9):		
Basic and diluted	\$	(27.76)

See accompanying notes to consolidated financial statements.

MAINSTREET HEALTH HOLDINGS INC.

Consolidated Statement of Changes in Shareholders' Equity
(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

	Common shares	Cumulative deficit	Total
Shareholders' equity, October 7, 2015	\$-	\$-	\$-
Common shares issued (note 8)	20,734	-	20,734
Loss for the period	-	(5,755)	(5,755)
Shareholders' equity, December 31, 2015	\$20,734	\$(5,755)	\$14,979

See accompanying notes to consolidated financial statements.

MAINSTREET HEALTH HOLDINGS INC.

Consolidated Statement of Cash Flows

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

Cash flows from operating activities:		
Loss for the period	\$	(5,755)
Items not involving cash:		
Fair value adjustment of income properties		5,945
Straight-line rent		(567)
Finance costs		2,808
Interest paid		(425)
Change in non-cash operating working capital:		
Accounts payable and accrued liabilities		150
Unearned revenue		1,790
Other assets		(939)
Real estate taxes payable		843
Net cash provided by operating activities		3,850
Cash flows from financing activities:		
Proceeds from credit facility		147,015
Financing costs paid		(2,415)
Proceeds from note payable		4,500
Proceeds from convertible debentures		107,961
Payments of notes payable		(2,000)
Net proceeds from issuance of shares		20,734
Net cash provided by financing activities		275,795
Cash flows from investing activities:		
Additions to investment property		(269,956)
Deposit paid for future acquisition		(2,500)
Net cash used in investing activities		(272,456)
Increase in cash and cash equivalents		7,189
Cash and cash equivalents, beginning of period		-
Cash and cash equivalents, end of period	\$	7,189

See accompanying notes to consolidated financial statements.

MAINSTREET HEALTH HOLDINGS INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

Mainstreet Health Holdings Inc. (the “Company”) is a Cayman Islands corporation created pursuant to Articles of Association dated October 7, 2015. The registered office of the Company is P.O. Box 10008 Willow House, Cricket Square, Grand Cayman, KY1-1001.

The Company has been 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 skilled nursing, long-term care and assisted living programs, including short-term rehabilitation and memory care special care units. In connection with the completion of the Acquisition (as defined below), the Company acquired a portfolio of 10 properties comprising nine skilled nursing facilities (“SNFs”) and one assisted living facility (“ALF”).

On December 2, 2015, Kingsway Arms Retirement Residences Inc. (“Kingsway”) agreed to acquire all of the shares of the Company held by Mainstreet Investment Company, LLC, representing approximately 75% of the issued and outstanding common shares of the Company, in consideration for the issuance of 81,160,000 common shares and 307,659,850 non-voting shares of Kingsway having substantially similar terms to the common shares of Kingsway, other than the right to vote at meetings of shareholders. Upon completion of the acquisition, Mainstreet Investment Company, LLC or an affiliate will own approximately 95% of the outstanding shares of Kingsway and an 80% voting interest (with the balance of their equity interest being held in the form of non-voting shares of Kingsway). As a result of this and other qualitative considerations, the Company has been identified as the accounting acquirer and the acquisition will be recorded as a reverse-takeover transaction in accordance with IFRS 2, Share-based Payment.

1. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved by the Board of Directors of the Company and authorized for issuance on February 26, 2016.

(b) Principles of consolidation:

The consolidated financial statements comprise the financial statements of the Company and its 100% owned subsidiaries as of December 31, 2015, including Mainstreet Health US Holdings Inc., Mainstreet Health Holdings, LP and project specific limited partnerships. All intercompany transactions and balances are eliminated on consolidation.

(c) Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and convertible debentures, which are measured at fair value.

(d) Functional currency:

The consolidated financial statements are presented in U.S. dollars, which is the functional and presentational currency of the Company.

(e) Measurement uncertainty:

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

MAINSTREET HEALTH HOLDINGS INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

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 4 for further information on estimates and assumptions made in determination of the fair value of investment properties.

(ii) Change in fair value of convertible debentures:

Convertible debentures are carried on the statement of financial position from the date of their issuance at fair value. The valuations are based on a number of assumptions including the interest rate used to discount expected cash flows.

(f) Critical judgments:

(i) The Company uses judgment regarding the present value of lease payments and the fair value of assets in assessing the classification of its leases as operating leases, in particular with long-term leases in single operator properties. The Company has determined that its sole lease is an operating lease.

(ii) Management must assess whether the acquisition of a property or entity should be accounted for as an asset purchase or business combination and whether or not it has obtained control. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition, and whether or not goodwill is recognized. The Company's acquisitions are generally determined to be asset purchases as the Company does not acquire an integrated set of processes as part of the acquisition transaction.

2. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand and highly liquid marketable investments with an original maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value. As at December 31, 2015, there were no cash equivalents.

(b) Restricted cash:

The Company's restricted cash represents a deposit account required by a purchase agreement. The deposit held in restricted cash will be released upon completion of the purchase transaction.

MAINSTREET HEALTH HOLDINGS INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

(c) Investment properties:

Investment properties are held to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business. All of the Company's income properties are investment properties. On acquisition, investment properties are initially recorded at cost, including transaction costs. Subsequent to initial recognition, the Company uses the fair value model to account for investment properties under International Accounting

Standard ("IAS") 40, Investment Property. Under the fair value model, investment properties are recorded at fair value, which is determined based on available market evidence, at the statement of financial position date. Related fair value gains and losses are recorded in loss for the period in the period in which they arise.

(d) Convertible debentures:

A financial liability is classified at fair value through net earnings if it is classified as held-for-trading or is designated as such upon initial recognition. Pursuant to the terms of the underlying agreements, the convertible debentures allow the holders to convert for a variable number of shares and are hybrid instruments comprising a host liability related to the principal and interest amounts due plus an embedded derivative instrument related to the conversion option. Management has determined that the hybrid instruments qualify for measurement as one instrument at fair value through net earnings. Any gains or losses arising on remeasurement are recognized in net earnings.

(e) Other financial assets and liabilities:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies financial instruments as either held-to-maturity, loans and receivables, available-for-sale, fair value through profit or loss ("FVTPL") or other financial liabilities. Financial assets held to maturity and loans and amounts receivable and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value unless they are unlisted with no active market and fair value cannot be reliably measured and, in that case, they are measured at cost. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of comprehensive loss.

The Company has designated its cash and restricted cash as FVTPL. Amounts receivable are classified as loans and amounts receivable and are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties balances are classified as other financial liabilities and are measured at amortized cost. The credit facility is measured at amortized cost. For FVTPL assets and liabilities, transaction costs are expensed when incurred. For all other financial instruments, transaction costs are included in the carrying amount of the instrument and amortized using the effective interest method.

(f) Revenue recognition:

The Company accounts for its lease with operators as an operating lease given that it has retained substantially all of the risks and benefits of ownership of investment properties.

Revenue includes rent earned from tenants under triple-net lease agreements, in which the tenant operators assume all operational risk and operating expenses associated with the investment properties, realty tax recoveries on certain investment properties where the Company is the primary, obligor and other incidental income. Lease-related revenue is recognized as revenue over the term of the underlying leases. Other revenue is recognized at the time the service is provided.

The Company applies the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease.

MAINSTREET HEALTH HOLDINGS INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

(g) Income taxes:

Income taxes comprise current and deferred taxes. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and (ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. 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 dates.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(h) Future accounting changes:

- (i) In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.
- (ii) In July 2014, the IASB issued IFRS 9, Financial Instruments, replacing IAS 39, Financial Instruments - Recognition and Measurement. The project had three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.
- (iii) In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2016, but does not expect the amendments to have a material impact on its consolidated financial statements.
- (iv) IFRS 16, Leases, was issued on January 13, 2016. The new standard will replace existing lease guidance in IFRS and related interpretations. The financial reporting impact of adopting IFRS 16 is being assessed. The new standard is effective for years beginning on or after January 1, 2019. Early adoption will be permitted only if the Company has adopted IFRS 15, Revenue from Contracts with Customers.

3. Acquisitions:

On October 30, 2015, the Company indirectly acquired a portfolio (the “Symphony Portfolio”) of nine SNFs and one ALF located in the United States for a total purchase price of approximately \$268,425, as adjusted pursuant to the terms of the purchase agreement and incurred \$5,378 of transaction costs (the “Acquisition”). Upon completion of the Acquisition, the existing leases and operating agreements were terminated and the properties were leased to Symcare ML, LLC pursuant to a master lease agreement.

MAINSTREET HEALTH HOLDINGS INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

The purchase of the Symphony Portfolio has been accounted for as an asset acquisition. The identifiable net assets acquired, based on preliminary allocations, are as follows:

Investment properties ⁽¹⁾	\$	273,803
Accrued payables		(3,847)
Net assets acquired for cash		\$269,956

Under the terms of the purchase agreement, the Company has committed to acquire one additional SNF, The Claremont of Hanover Park, on or before March 31, 2016, with an option to extend for an additional 30 days, for a total additional purchase price of \$34,075 for which the Company has paid a \$2,500 deposit as of December 31, 2015. In connection with the extension, the Company deposited an additional \$1,000 on February 29, 2016, which was financed through a note payable entered into with an entity that is owned 100% by a key executive of the Company.

In connection with the Acquisition, the seller of the Symphony Portfolio deposited: (i) \$6.0 million of the purchase price proceeds into a holdback escrow account for purposes of satisfying the sellers indemnification obligations, a portion of which will be released to the sellers on the first anniversary of the closing; (ii) \$9.0 million of the purchase price proceeds into the escrow account which will serve as a security deposit for the sellers obligations under the lease agreement; and (iii) \$7.0 million of the purchase price proceeds into an escrow account to protect against cash flow deficiencies through the end of calendar year 2018, one third of which will be returned to the seller at the end of calendar years 2016, 2017 and 2018 if applicable lease coverage ratios or cash collection hurdles are met.

4. Investment properties:

	Number of properties	Amount
Balance, beginning of period	-	\$ -
Acquisition of income properties	10	273,803
Increase in straight-line rents	-	567
Fair value adjustment	-	(5,945)
Balance, end of period	10	\$ 268,425

Investment properties consist of income properties and are carried at fair value. The fair value of each investment property is determined using the capitalized net operating income approach. The stabilized net operating income for the period is divided by an overall capitalization rate. The capitalization rates are derived from a combination of third-party appraisals and industry market data (Level 3 inputs - note 15).

The key valuation assumptions used in determining fair value of investment properties are set out in the following table:

Capitalization rate – range	8.0%
Capitalization rate – weighted average	8.0%

MAINSTREET HEALTH HOLDINGS INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

The fair value of investment properties is most sensitive to changes in capitalization rates. At December 31, 2015, a 25 basis point increase or decrease in the weighted average capitalization rate would decrease the fair value of the investment properties by \$8,134 or increase the fair value of the investment properties by \$8,658.

5. Credit facility:

On October 30, 2015, the Company entered into a credit facility agreement (the "Facility"). The Facility includes a term loan with capacity of \$150,000, as well as an option to provide a revolving line of credit with capacity of \$50,000. The line of credit includes an accordion feature that would extend the capacity of the revolving line of credit to \$150,000, bringing the total capacity of the Facility to \$300,000. As of December 31, 2015, the Company has received commitments from banks to fulfill \$150,000 of the term loan capacity and \$47,500 of the revolving line of credit capacity... Total costs incurred related to the term loan were \$2,039 and total costs incurred related to the revolving line of credit were \$376. The term loan has an initial maturity date of October 30, 2019. The revolving line of credit has an initial maturity date of October 30, 2018, and has a one year extension option. At December 31, 2015, the Facility is secured by the 10 Symphony Portfolio properties. As of December 31, 2015, the security provided the Company with a borrowing base of \$147,015. The Facility provides for interest-only payments during the term and a borrowing rate of LIBOR plus 300 basis points. Unamortized financing costs of \$2,323 related to the line of credit are included in the consolidated statement of financial position at December 31, 2015.

At December 31, 2015, total borrowings outstanding under the Facility were \$147,015, and the borrowing rate was 3.24%. Future principal repayments are as follows:

	Aggregate principal payments
2019	\$ 147,015

To manage interest rate risk, management of the Company entered into an interest rate swap agreement effective January 29, 2016 (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 \$147,015, the full amount borrowed on the credit facility as of that date. The Swap Agreement effectively fixes interest at a rate of 4.2% through its maturity on October 30, 2019. The interest rate swap will not be designated as a hedge and will be marked to fair value each reporting period through finance cost in the consolidated statements of profit and other comprehensive income.

6. Note payable to related party:

On October 30, 2015, the Company entered into a \$2,500 note payable with an entity that is owned 100% by a key executive of the Company. The note payable matures on October 30, 2016 and bears interest at a rate of 5.0% per annum. Total interest accrued on the note payable for the period ended December 31, 2015 was \$22.

On October 30, 2015, the Company received \$2,000 in the form of a note payable to an entity which is owned 100% by a key executive of the Company. The note payable was issued on October 30, 2015, and bore interest at a rate of 8.0% annually. The note payable had an initial maturity date of October 30, 2020, but was repaid in full on December 18, 2015. Total interest paid with respect to the note payable was \$22.

7. Convertible debentures:

On October 29, 2015, the Company issued convertible subordinated debentures ("Convertible Debentures") in the aggregate principal amount of \$107,961, maturing October 29, 2020. The Convertible Debentures bear

MAINSTREET HEALTH HOLDINGS INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

interest at the following rates: (i) 10% per annum for the period commencing on October 29, 2015 and ending on and including October 28, 2016; and (ii) 8.5% per annum for the annual period commencing on October 29, 2016 and each year thereafter; in each case payable on a quarterly basis commencing on December 31, 2015, fifty percent (50.0%) in cash and fifty percent (50.0%) by capitalizing the interest accrued and payable as an increase to the principal amount. All or any portion of the Convertible Debentures are convertible into shares of the Company at any time based on the conversion formula outlined in the Convertible Debentures agreement. At any time commencing on May 1, 2016, the Company may prepay the Convertible Debentures without penalty.

Convertible Debentures principal activity during the period ended December 31, 2015 is as follows:

	Convertible Debentures balance
Convertible Debentures issued, October 30, 2015	\$ 107,961
Interest capitalized as principal	930
	<u>\$ 108,891</u>

Interest expense on the Convertible Debentures for the period ended December 31, 2015 of \$1,859 is included in finance cost (note 11) in the consolidated statement of loss and comprehensive loss.

The rights of the holders of the Convertible Debentures are subordinated to the principal and, premium, if any and accrued and unpaid interest on secured indebtedness of the Company, guarantees by the Company of any secured indebtedness or any obligations of the Company under an agreement to lease real or personal property.

The Convertible Debentures are carried at fair value. The valuation is determined based on a number of assumptions which underlie the overall value of the Company, such as the value of the Company's investment properties and changes in the actual and expected net cash flows of the Company, which are considered Level 3 fair value measurements. Fair value changes are reflected in the consolidated statement of loss and comprehensive loss. No fair market value gain or loss was recognized during the period ended December 31, 2015.

8. Common shares:

The Company is authorized to issue up to 5,000,000 common shares. During the period ended December 31, 2015, the Company issued 207,338.75 common shares for cash proceeds of \$20,734.

9. Loss per share:

Basic and diluted loss per share are calculated by dividing net loss and comprehensive loss by the weighted average number of common shares during the period from October 7, 2015 (date of formation) to December 31, 2015.

Numerator for loss per share:	
Net loss and comprehensive loss	\$ (5,755)
Denominator for loss per share:	
Weighted average number of common shares (basic and diluted)	207,338.75
Loss per share – basic and diluted	<u>\$ (27.76)</u>

MAINSTREET HEALTH HOLDINGS INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

10. Rental revenue:

The Company leases its income properties under an operating lease with a lease term of 15 years, and options to extend up to an additional 15 years.

Cash rentals received	\$	3,697
Straight-line rent adjustments		567
Property tax recovery		843
	\$	5,107

The Company is scheduled to receive rental income from an operator under the provisions of a long-term non-cancellable operating lease. The lease is triple net and includes renewal options and a rent escalation clause. Future minimum rentals to be received as of December 31, 2015 are as follows:

Less than 1 year	\$	21,510
Between 1 and 5 years		89,536
More than 5 years		256,730
	\$	367,776

11. Finance cost:

Finance cost consists of the following:

Interest expense on line of credit	\$	813
Amortization expense		92
Interest expense on notes payable		44
Interest expense on convertible debentures		1,859
	\$	2,808

12. Related party transactions:

Except as disclosed elsewhere in the consolidated financial statements, related party transactions for the period ended December 31, 2015 included the following:

The Company paid an asset management fee to an asset management company (the "Asset Manager"), which is owned 100% by a key executive of the Company. The fee is payable pursuant to an asset management agreement (the "Asset Management Agreement") dated October 29, 2015, and calls for an asset management fee equal to 3.0% of gross rentals received. For the period ended December 31, 2015, asset management fees paid to the Asset Manager were \$111. The Asset Management Agreement is for a term of 10 years, commencing on October 29, 2015, and will be renewed for a further five-year term, without any action of notice, unless the agreement is terminated. Included in accounts payable at December 31, 2015 is \$3 payable to the Asset Manager.

13. Income taxes:

The Company has certain subsidiaries in the United States that are subject to tax on their taxable income. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below. Deferred tax assets have not been recognized in respect of the following items,

MAINSTREET HEALTH HOLDINGS INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

Deferred tax assets		
Net operating losses	\$	211
Investment properties		1,289
Other		78
Deferred tax assets	\$	1,578

At December 31, 2015, U.S. subsidiaries had accumulated net operating losses available for carryforward for U.S. income tax purposes of \$522.

The federal net operating losses will expire in 2035. The state net operating losses will expire in 2027.

14. Financial instrument risks and risk management:

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(a) Interest rate risk:

The Company is exposed to interest rate risk on the line of credit, which bears interest based on the 30-day LIBOR rate. As at December 31, 2015, a 25 basis point increase or decrease in interest rates would result in a \$368 increase or decrease in the Company's annual interest expense.

(b) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. The Company is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the consolidated statement of financial position. The Company actively manages its affairs to minimize its credit risk through careful selection and assessment of its credit parties and collateral based on knowledge obtained through means such as due diligence carried out in respect of leasing transactions to new operators. The Company also manages credit risk related to its cash balances by selection of reputable banking institutions.

(c) Liquidity risk:

The Company is subject to the liquidity risk that it will not be able to meet its financial obligations as they come due. Although a portion of the cash flow generated by the investment properties is devoted to servicing outstanding debt and the Convertible Debentures, there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If the Company is unable to meet principal or interest repayment obligations, it could be required to renegotiate such payments, issue additional equity or debt, or obtain other financing. The failure to make or renegotiate interest or principal payments, issue additional equity or debt, or obtain other financing could have a material adverse effect on the Company's financial condition and results of operations. The Company manages its liquidity risk through cash and debt management. The Company plans to address scheduled interest payments through operating cash flows and significant principal maturities through a combination of debt and equity financing.

The following are the contractual maturities of financial liabilities as at December 31, 2015, including expected interest payments:

MAINSTREET HEALTH HOLDINGS INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

	2016	2017-2020	Total
Credit facility (note 5)	\$ 6,253	\$ 164,910	\$ 171,163
Convertible Debentures (note 7)	5,401	154,004	159,405
Note payable (note 6)	2,606	-	2,606
Accounts payable and accrued liabilities	6,201	-	6,201
	\$ 20,461	\$ 318,914	\$ 339,375

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect the Company's financial instruments. The valuation of the Convertible Debentures were computed using market inputs (note 15). At December 31, 2015, a 1% increase or decrease in interest rates would result in a fair value gain of approximately \$4,431 and a fair value loss of approximately \$4,655, respectively.

15. Fair value measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses various methods in estimating the fair values of assets and liabilities that are measured at fair value on recurring or non-recurring basis in the consolidated statement of financial position. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - fair value is based on unadjusted quoted prices trades in active markets for identical instruments;
- Level 2 - fair value is based on models using significant market-observable inputs other than quoted prices for the instruments; and
- Level 3 - fair value is based on models using significant inputs that are not based on observable market data.

In addition to those financial instruments carried at fair value, the fair values of the Company's financial assets and financial liabilities, together with their contractual carrying amounts shown in the consolidated statement of financial position at December 31, 2015, are as follows:

	Fair value	Carrying amount
Credit facility	\$ 147,015	\$ 144,692

- (a) The Company determined the fair value of the Convertible Debentures to be \$108,891 using a number of assumptions which reflect the overall value of the Company, such as the value of the Company's investment properties and changes in the actual and expected net cash flows of the Company, which are considered Level 3 fair value measurements.
- (b) The Company determined the fair value of its credit facility to be \$147,015 at December 31, 2015 based on borrowing rates currently available to the Company for a credit facility with similar terms and maturity. The determination was made using Level 2 inputs.

MAINSTREET HEALTH HOLDINGS INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars, except per share amounts)

Period from October 7, 2015 (date of formation) to December 31, 2015

- (c) The carrying values of the Company's financial assets, which include cash and restricted cash, as well as other financial liabilities, which include note payable to related party, accounts payable and accrued liabilities, approximate their recorded fair values due to their short-term nature.

16. Capital management:

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 risk and preserves the ability to meet financial obligations.

The capital structure of the Company consists of cash, debt, and shareholders' equity. 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, available financing, and proceeds from shareholder contributions. The Company may make changes to its capital structure in order to support the broader corporate strategy or in light of 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.

APPENDIX H
PRO FORMA FINANCIAL STATEMENTS OF THE CORPORATION

Pro Forma Consolidated Financial Statements
(In U.S. dollars)

**MAINSTREET HEALTH
INVESTMENTS INC.**

December 31, 2015
(Unaudited)

MAINSTREET HEALTH INVESTMENTS INC.

Pro Forma Consolidated Statement of Financial Position

(In thousands of U.S. dollars unless otherwise noted)

December 31, 2015

(Unaudited)

	Kingsway Arms Retirement Residences Inc.	Mainstreet Health Holdings Inc.	Scranton Seven Portfolio	Notes	Pro forma adjustments	Total
	\$	\$	\$	\$	\$	\$
ASSETS						
Current:						
Cash and cash equivalents	304	7,189	514	3(a) 3(b) 3(d) 3(f) 3(f) 3(f) 3(f) 3(f) 3(h) 3(j) 3(k)	(600) 85,310 (110,360) 34,771 (317) 12,800 (16,300) (1,785) (5,070) (3,110) (930)	2,416
Topeka lease receivable	-	-	-	3(d)	268	268
Deposits and other assets	-	3,439	-	3(d) 3(f)	(3,500) 1,000	939
	<u>304</u>	<u>10,628</u>	<u>514</u>		<u>(7,823)</u>	<u>3,623</u>
Non-current:						
Investment properties	-	268,425	28,020	3(d) 3(d) 3(j)	148,132 (1,084) 3,110	446,603
Investment in Mainstreet Health Holdings Inc.	-	-	-	3(a) 3(c)	11,009 (11,009)	-
Mezzanine loans receivable	-	-	-	3(h)	5,070	5,070
Total assets	<u>304</u>	<u>279,053</u>	<u>28,534</u>		<u>147,405</u>	<u>455,296</u>
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current:						
Accounts payable and accrued liabilities	97	6,201	127	3(d) 3(k)	1,873 (930)	7,368
Notes payable to related party	-	2,500	-	3(f) 3(f)	1,000 (3,500)	-
	<u>97</u>	<u>8,701</u>	<u>127</u>		<u>(1,557)</u>	<u>7,368</u>
Non-current:						
Credit facility	-	144,692	-	3(f)	46,140	190,832
Mortgages payable	-	-	19,337	3(d) 3(f) 3(d)	28,583 (317) 13,154	47,603
Construction loan payable	-	-	-	3(f)	(13,154)	-
Convertible debentures	-	108,891	-	3(c)	(108,891)	-
Unearned revenue	-	1,790	-		-	1,790
	<u>-</u>	<u>255,373</u>	<u>19,337</u>		<u>(34,485)</u>	<u>240,225</u>
Total liabilities	<u>97</u>	<u>264,074</u>	<u>19,464</u>		<u>(36,042)</u>	<u>247,593</u>
Shareholders' equity:						
Share capital	-	20,734	-	3(a) 3(a) 3(b) 3(c) 3(c) 3(c) 3(d)	11,009 557 85,310 503 (11,009) 207 111,171	218,482
Contributed surplus	194	-	-	3(c)	(194)	-
Retained earnings (deficit)	13	(5,755)	-	3(c) 3(a) 3(a) 3(c) 3(c) 3(d) 3(c)	(13) (557) (600) (503) (2,280) (1,084) (9,070)	(10,779)
Members' equity	-	-	9,070	3(c)	(9,070)	-
Total shareholders' equity	<u>207</u>	<u>14,979</u>	<u>9,070</u>		<u>183,447</u>	<u>207,703</u>
Total liabilities and shareholders' equity	<u>304</u>	<u>279,053</u>	<u>28,534</u>		<u>147,405</u>	<u>455,296</u>

See accompanying notes to pro forma consolidated financial statements.

MAINSTREET HEALTH INVESTMENTS INC.

Pro Forma Consolidated Statement of Net Income and Comprehensive Income
(In thousands of U.S. dollars unless otherwise noted)
(Unaudited)

	Year ended December 31, 2015	Paid from October 7, 2015 to December 31, 2015	Year ended December 31, 2015		Pro forma adjustments	Total
	Kingsway Arms Retirement Residences Inc.	Mainstreet Health Holdings Inc.	Scranton Seven Portfolio	Notes		
	\$	\$	\$	\$	\$	\$
Revenue:						
Rental	948	5,107	2,583	3(j)	60	8,698
Interest income	-	-	-	3(h)	735	735
	948	5,107	2,583		795	9,433
Expenses:						
Operating	857	1,155	263		-	2,275
Management fees	-	111	21	3(m)	92	224
Finance costs	150	2,808	736	3(k)	(181)	1,653
				3(k)	(1,860)	1,653
	1,007	4,074	1,020		(1,949)	4,152
Income from operations	(59)	1,033	1,563		2,744	5,281
Gain on disposal of properties	1,805	-	-		-	1,805
Fair value gain (loss) on investment properties	-	(6,788)	4,092	3(p)	(4,281)	(6,977)
General and administrative	(455)	-	(47)	3(a)	(1,157)	-
				3(c)	(503)	-
				3(l)	(1,620)	(3,782)
Net income (loss) and comprehensive income (loss)	1,291	(5,755)	5,608		(4,817)	(3,673)
Net income (loss) per share: Basic and diluted (note 3(p))						

See accompanying notes to pro forma consolidated financial statements.

MAINSTREET HEALTH INVESTMENTS INC.

Pro Forma Consolidated Statement of Net Income and Comprehensive Income

(In thousands of U.S. dollars unless otherwise noted)

December 31, 2015

(Unaudited)

1. Basis of presentation:

Mainstreet Health Investments Inc. (formerly Kingsway Arms Retirement Residences Inc.) (the "Corporation") was incorporated on May 31, 2007 under the Business Corporations Act (Ontario) and commenced trading on the TSX Venture Exchange ("TSX-V") under the trading symbol KWA at the opening of trading on August 5, 2008. Effective April 4, 2016, the Corporation changed the name to Mainstreet Health Investments Inc. and elected to continue under the Business Corporations Act of British Columbia. The Corporation's registered office is 2500 - 700 W Georgia Street, Vancouver, British Columbia V7Y 1B3.

On April 4, 2016, the Corporation acquired Mainstreet Investment Company, LLC's interest in a joint venture, Mainstreet Health Holdings Inc. ("MHI Holdco"), for consideration consisting of the issuance of 81,160,000 common shares and 307,659,850 non-voting shares of the Corporation. On April 21, 2016, the Corporation agreed to acquire the remaining shares of MHI Holdco (the "Magnetar Exchange").

These unaudited pro forma consolidated financial statements have been prepared by management of Mainstreet Asset Management Inc. ("MAMI") for inclusion in the preliminary prospectus (the "Prospectus"), dated April 21, 2016, relating to the issuance of 9,500,000 common shares of the Corporation. These unaudited pro forma consolidated financial statements reflect the acquisition of shares of MHI Holdco by the Corporation, the acquisition of the "New Properties" as defined in note 3(d), certain other transactions related to the use of proceeds from the issuance of common shares, and the Magnetar Exchange, which is a reverse takeover transaction which has been accounted for as an asset acquisition in which MHI Holdco has been identified as the acquirer of the Corporation. As the former shareholder of MHI Holdco will own a controlling interest in the Corporation, management has determined that the financial statements of MHI Holdco form the basis of the ongoing operations of the combined entity.

These pro forma consolidated financial statements have been prepared from:

- (i) the audited statement of financial position of Kingsway Arms Retirement Residences Inc. as at December 31, 2015 (translated into U.S. dollars using the closing exchange rate on December 31, 2015) and the audited statement of income and comprehensive income of Kingsway Arms Retirement Residences Inc. for the year then ended (translated into U.S. dollars using the average exchange rate for the year ended December 31, 2015 or the exchange rate on the day of the relevant transaction) are as follows:

	<u>Canadian dollars</u>	<u>Exchange rate</u>	<u>U.S. dollars</u>
	\$		\$
Cash and cash equivalents	421	1.384	304
Accounts payable and accrued liabilities	(135)	1.384	(97)
Share capital	-	-	-
Contributed surplus	(268)	1.384	(194)
Retained earnings	(18)	1.384	(13)
Revenue	1,212	1.279	948
Operating expenses	(1,096)	1.279	(857)
General and administrative	(582)	1.279	(455)
Finance Costs	(192)	1.279	(150)
Gain on disposal of properties	2,375	1.316	1,805

MAINSTREET HEALTH INVESTMENTS INC.

Pro Forma Consolidated Statement of Net Income and Comprehensive Income

(In thousands of U.S. dollars unless otherwise noted)

December 31, 2015

(Unaudited)

- (ii) the audited statement of financial position as at December 31, 2015 and the audited statement of income and comprehensive income for the period from October 7, 2015 to December 31, 2015 of MHI Holdco; and
- (iii) the audited statement of financial position as at December 31, 2015 and the audited statement of income and comprehensive income for the year then ended of the Scranton Seven Portfolio.

The pro forma consolidated statement of financial position gives effect to the transactions in note 3 as if they had occurred on December 31, 2015. The pro forma consolidated statement of net income and comprehensive income gives the effect to the transactions in note 3 as if they had occurred on January 1, 2015 and reflect the fact that only the properties owned by MHI Holdco and the Scranton Seven Portfolio were operational or operating under a lease agreement during the year ended December 31, 2015.

The pro forma consolidated financial statements are not necessarily indicative of the financial position and results of operations of the Corporation that would have actually occurred had the transactions been consummated at the dates indicated.

2. Significant accounting policies:

- (a) Basis of presentation:

These pro forma consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and incorporate the principal accounting policies expected to be used to prepare the Corporation’s financial statements.

- (b) Basis of consolidation:

These pro forma consolidated financial statements comprise the operating results of the Corporation and its 100% owned subsidiaries including MHI Holdco, Mainstreet Health U.S. Holdings Inc. and Mainstreet Health Holdings, LP. Subsidiaries are entities controlled by the Corporation. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

- (c) Basis of measurement:

These pro forma consolidated financial statements have been prepared on a historical cost basis, except for investment properties, interest rate swaps and deferred shares, which are measured at fair value.

- (d) Foreign currency translation:

These pro forma consolidated financial statements are presented in U.S. dollars, which is the functional and presentational currency of the Corporation and its subsidiaries.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the consolidated balance sheet date. Foreign exchange gains and losses resulting on translation of monetary items are recognized in net income except for certain intercompany loans to or from a foreign operation for which settlement is neither planned nor

MAINSTREET HEALTH INVESTMENTS INC.

Pro Forma Consolidated Statement of Net Income and Comprehensive Income

(In thousands of U.S. dollars unless otherwise noted)

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(Unaudited)

likely to occur in the foreseeable future, which are included in other comprehensive income. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in net income.

(e) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and highly liquid marketable investments with an original maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value.

(f) Investment properties:

Investment properties are held to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business. All of the Corporation's income properties are investment properties. On acquisition, investment properties are initially recorded at cost, including transaction costs. Subsequent to initial recognition, the Corporation uses the fair value model to account for investment properties under International Accounting Standard ("IAS") 40, Investment Property. Under the fair value model, investment properties are recorded at fair value, which is determined based on available market evidence, at the statement of financial position date. Related fair value gains and losses are recorded in pro forma consolidated statement of net income and comprehensive income for the period in which they arise.

Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(g) Financial instruments:

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. The Corporation classifies financial instruments as either held-to-maturity, loans and receivables, available-for-sale, fair value through profit or loss ("FVTPL"), or other financial liabilities. Financial assets held to maturity and loans and amounts receivable and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value unless they are unlisted with no active market and fair value cannot be reliably measured and, in that case, they are measured at cost. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the pro forma consolidated statement of net income and comprehensive income.

The Corporation has designated its interest rate swaps, cash and cash equivalents as FVTPL. Amounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties balances are classified as other financial liabilities and are measured at amortized cost. The credit facility is measured at amortized cost. For FVTPL assets and liabilities, transaction costs are expensed when incurred. For all other financial instruments, transactions costs are included in the carrying amount of the instrument.

MAINSTREET HEALTH INVESTMENTS INC.

Pro Forma Consolidated Statement of Net Income and Comprehensive Income

(In thousands of U.S. dollars unless otherwise noted)

December 31, 2015

(Unaudited)

(h) Revenue recognition:

The Corporation accounts for its leases with operators as operating leases given that it has retained substantially all of the risks and benefits of ownership of investment properties.

Rental revenue includes rent earned from tenants under triple-net lease agreements, in which the tenant operators assume all the operational risk and operating expenses, associated with the investment properties, realty taxes recoveries on certain properties where the Corporation is the primary obligor and other incidental income. Lease related revenue is recognized as revenue over the term of the underlying leases. The Corporation applies the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease.

Interest income earned on mezzanine loans is accounted for using the effective interest rate method. Other revenue is recognized at the time the service is provided.

(i) Income taxes:

Income taxes comprise current and deferred taxes. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and (ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. 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 dates.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(j) Levies:

In accordance with IFRS Interpretations Committee (“IFRIC”) 21, Levies, (“IFRIC 21”), the Corporation recognizes the full amount of annual property tax liabilities at the point in time when the property tax obligation is imposed. Levies are outflows from an entity imposed by a government in accordance with legislation. The Corporation has assessed property taxes as being within the scope of IFRIC 21 given that property taxes are non-reciprocal charges imposed by the government, in accordance with legislation, based on property value with recognition of a liability only when the triggering event in the legislation occurs. The Corporation has determined that based on the jurisdictions of the investment properties owned by the Corporation, the liability to pay property taxes should be on January 1.

In the year of acquisition, the property tax obligation is borne by the vendor as they held the property at the start of the fiscal year. As a result, property taxes have been recognized as a fair value adjustment of the investment properties.

MAINSTREET HEALTH INVESTMENTS INC.

Pro Forma Consolidated Statement of Net Income and Comprehensive Income

(In thousands of U.S. dollars unless otherwise noted)

December 31, 2015

(Unaudited)

(k) Measurement uncertainty:

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 are carried on the pro forma 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 capitalization 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 Corporation.

(ii) Financial instruments:

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

(l) Critical judgments:

(i) Accounting for acquisitions:

Management must assess whether the acquisition of a property or entity should be accounted for as an asset purchase or business combination and whether or not it has obtained control. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition, whether or not goodwill is recognized, and in the case of a reverse takeover transaction, which financial statements represent the ongoing operations of the combined entity. The Corporation's acquisitions are generally determined to be asset purchases as the Corporation does not acquire an integrated set of processes as part of the acquisition transaction.

(ii) Leases:

The Corporation uses judgment regarding the present value of lease payments and the fair value of assets in assessing the classification of leases with operators as operating leases, in particular with long-term leases in single operator properties. The Corporation has determined that all of its interests in leases are operating leases.

MAINSTREET HEALTH INVESTMENTS INC.

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(In thousands of U.S. dollars unless otherwise noted)

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(Unaudited)

(m) Future accounting changes:

- (i) In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Corporation is currently assessing the impact of the new standard on its consolidated financial statements.
- (ii) In July 2014, the IASB issued IFRS 9, Financial Instruments replacing IAS 39, Financial Instruments - Recognition and Measurement. The project had three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Corporation is currently assessing the impact of the new standard on its consolidated financial statements.
- (iii) In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Corporation intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2016, but does not expect the amendments to have a material impact on its consolidated financial statements.
- (iv) In January 2016, the IASB issued IFRS 16, Leases (“IFRS 16”). The new standard will replace existing lease guidance in IFRS and related interpretations. The financial reporting impact of adopting IFRS 16 is being assessed. The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption will be permitted only if the Corporation has adopted IFRS 15, Revenue from Contracts with Customers.

3. Pro forma assumptions and financial statement adjustments:

The pro forma adjustments to the unaudited pro forma consolidated statement of financial position and unaudited pro forma consolidated statement of net income and comprehensive income have been prepared to account for the reverse takeover of MHI Holdco, the Magnetar Exchange and other transactions described below, in accordance with the Prospectus filed by the Corporation on April 21, 2016.

(a) Initial acquisition:

The pro forma consolidated financial statements have been adjusted to reflect the Corporation’s acquisition of the shares of MHI Holdco held by Mainstreet Investment Company, LLC, together with its affiliates, representing approximately 75% of the issued and outstanding shares of MHI Holdco, in consideration for the issuance of 81,160,000 common shares and 307,659,850 non-voting shares of the Corporation which closed on April 4, 2016 prior to the Corporation’s 250 to 1 consolidation of shares. Subsequent to December 31, 2015, management estimates that MHI Holdco and the Corporation have incurred costs of \$600 related to this acquisition.

MAINSTREET HEALTH INVESTMENTS INC.

Pro Forma Consolidated Statement of Net Income and Comprehensive Income

(In thousands of U.S. dollars unless otherwise noted)

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(Unaudited)

At the closing of the acquisition, the Corporation did not meet the definition of a business and therefore the acquisition of the Corporation is not a business combination. The acquisition of the Corporation has been accounted for in accordance with IFRS 2, Share-based Payment, reported as the issuance of shares with a value estimated at \$11,009 and an additional \$557 listing expense.

(b) Issuance of shares:

The pro forma consolidated financial statements assume that on closing (the “Closing”), the Corporation will raise gross proceeds of \$95,000 (excluding any over-allotment option) (the “Offering”) through the issuance of 9,500,000 common shares at \$10 per share. Costs relating to the Offering, including underwriters’ fees, are estimated to be \$9,690 and are recorded as a reduction of proceeds from the Offering.

(c) Magnetar Exchange:

The pro forma consolidated financial statements assume the Corporation acquires all of the outstanding shares of MHI Holdco not currently owned by the Corporation, subsequent to the accrual of \$2,280 of interest on the convertible debentures and the conversion of the convertible debentures issued by MHI Holdco into shares of MHI Holdco. The shareholders of MHI Holdco will receive 518,095 shares of the Corporation and the convertible debenture holders will receive 11,117,010 shares of the Corporation, both on a post-consolidation basis. Upon completion of the transaction, the former shareholders of MHI Holdco will own approximately 87.7% of the total issued and outstanding shares of the combined entity (51.1% after taking into account the issuance of shares pursuant to the Offering, excluding any common shares issued pursuant to the over-allotment option). As a result of this and other qualitative considerations, the Corporation has been identified as the accounting acquiree rather than the accounting acquiror and the transaction is considered to be a reverse-takeover. As the former shareholders of MHI Holdco will own a controlling interest in the Corporation, the financial statements of the Corporation will reflect the historical results of MHI Holdco and the acquisition of the net assets of the Corporation at their fair value on the date of closing.

At the Closing of the transaction, the Corporation is not expected to meet the definition of a business and, therefore, the acquisition of the Corporation will not be a business combination. The acquisition of the Corporation will be accounted for in accordance with IFRS 2, Share-Based Payment, reported as the issuance of common shares and an expense of \$503, which is measured by calculating the difference between: (i) the fair value of the number of shares that MHI Holdco would have to issue in order to provide the same percentage ownership of the combined entity to the shareholders of the Corporation as they would have in the combined entity as a result of the reverse-takeover estimated at \$14,277; and (ii) the fair value of the identifiable net assets of the Corporation on the Closing date estimated at \$13,774.

(d) Subsequent transactions:

It is assumed that the Corporation will indirectly acquire fourteen properties for a gross purchase price of \$175,182 and anticipated closing costs of \$970. The Corporation will assume mortgages and a construction loan payable with an aggregate fair value of \$61,074, including a mark-to-market adjustment of \$1,333. The acquisition includes: (i) on Closing, a portfolio of seven properties which is 50% owned by an entity that is 100% owned by the chairman of the Corporation, which entity is also an affiliate of MAMI (the “Scranton Seven Portfolio”), (ii) on Closing, three properties that are 100% owned by an entity that is majority owned by the chairman of the Corporation, which entity is also an affiliate of MAMI (Chesterton, Mooresville and Topeka properties - the Topeka property is currently under construction); (iii) on April 29, 2016, one

MAINSTREET HEALTH INVESTMENTS INC.

Pro Forma Consolidated Statement of Net Income and Comprehensive Income

(In thousands of U.S. dollars unless otherwise noted)

December 31, 2015

(Unaudited)

Property in respect of which the Corporation had previously entered into a purchase agreement which is the eleventh property of the Symphony Portfolio acquired by MHI Holdco on October 30, 2015 (the Hanover Park Property); (iv) on Closing, one property owned by a third party (part of the Hearth Portfolio); and (v) two properties owned by a third party for which approval to assume the existing mortgages is expected to be obtained on July 1, 2016 at which time the acquisition will be completed by the Corporation (part of the Hearth Portfolio) (collectively, the "New Properties").

The vendor of the property under construction has agreed to pay \$134 per month, commencing from the date of Closing to the date the primary tenant of the property commence paying rent, Management expects the primary tenant to commence paying rent two months after the date of acquisition and as a result, \$268 in respect of such vendor payments has been recorded as a receivable and a reduction of purchase consideration for this property.

Under the terms of the agreements in respect of the Scranton Seven Portfolio and one additional property, the vendor is entitled to additional payments should the lease payments be adjusted as a result of the underlying operating results of the facility operation achieving certain threshold amounts. The pro forma consolidated financial statements assume that no such adjustments are made during the forecast period.

The pro forma financial statements also reflect the sale of the Aurora Property previously owned by Kingsway Arms Retirement Residences Inc. on August 28, 2015 to a third party resulting in a gain on sale of \$1,805.

The fair value of the net assets of the New Properties indirectly acquired by the Corporation using the purchase method of accounting is as follows:

	Fair value of net assets acquired	Book value of Scranton Seven Portfolio	Pro Forma adjustment
	\$	\$	\$
Investment properties:			
Income-producing properties	176,152	28,020	148,132
Cash and cash equivalents	-	514	(514)
Mortgage payable (including a mark-to-market adjustment of \$1,333)	(47,920)	(19,337)	(28,583)
Construction loan payable	(13,154)	-	(13,154)
Accounts payable and accrued liabilities	(2,000)	(127)	(1,873)
Net assets acquired	<u>113,078</u>	<u>9,070</u>	<u>104,008</u>
Cash and cash equivalents	109,846		
Topeka lease receivable	(268)		
Reduction in acquisition deposits	3,500		
Total consideration	<u><u>113,078</u></u>		

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The actual calculation and allocation of the purchase price for the investment properties outlined above will be based on the assets purchased and liabilities assumed on the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the above amounts and the variation may be material.

The pro forma balance sheet reflects a \$1,084 reduction in the fair value of investment properties to appraised value.

(e) Assumed mortgages:

On Closing, the Corporation will assume mortgages on five of the New Properties with a fair value of \$47,920 (including a mark-to-market adjustment of \$1,333) and one construction loan payable with an outstanding principal balance of \$13,154, with a weighted average interest rate on such debt of 4.5%. The mortgages are secured by first mortgages on six of the New Properties.

Included in the assumed mortgages are three mortgages on the Hearth properties, for which the Corporation assumes it will be successful in obtaining the necessary lender approvals to assume the mortgages (one mortgage with a contractual outstanding balance of \$13,170 by June 1, 2016 and two mortgages with a total contractual outstanding balance of \$9,824 by July 1, 2016) for which such approvals have not been obtained as of April 21, 2016. Should approvals to assume the debt not be obtained, the Corporation would be required to pay \$2,000 of prepayment penalties in order to complete the acquisition of the properties.

The Corporation assumes that it will incur \$317 of financing costs related to debt on the New Properties.

(f) Credit facility:

MHI Holdco has entered into a secured credit facility (the "Credit Facility") which includes a term loan of \$150,000, as well as a revolving line of credit of \$50,000. The line of credit includes an accordion feature that would extend the capacity of the revolving line of credit to \$150,000 bringing the total capacity of the Credit Facility to \$300,000. The term loan has an initial maturity date of October 30, 2019. The revolving line of credit has an initial maturity date of October 30, 2018, and has a one-year extension option. The facility provides for interest-only payments during its term and a borrowing rate of LIBOR plus 300-basis points. As of December 31, 2015, the Corporation has drawn \$147,015 on the Credit Facility to fund the acquisition of ten of the properties of the Symphony Portfolio. No repayment of principal under the Credit Facility is required.

In order to fund the acquisition of the Hanover Park Property and related financing charges it is assumed that the Corporation will borrow \$1,000 to fund an additional deposit with the vendor, will draw \$19,360 on the Credit Facility and that MHI Holdco will issue \$11,800 of non-voting preferred shares which entitle the holder to a fixed cash dividend per share at a rate of 8.5% per year, which dividend will increase to an annual rate of 10.5% per share if the preferred shares are not redeemed within three months of issuance. MHI Holdco will be required to redeem the preferred shares upon the earlier of the completion of the Offering and October 20, 2020. It is assumed that at Closing, proceeds of the Offering will be used to repay the preferred shares as well as \$3,500 in related party loans used to finance the deposit on the acquisition.

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The Corporation is expected to draw an additional \$15,411 on the Credit Facility to fund the acquisition of the Scranton Seven Portfolio. It is assumed that on August 1, 2016 the Corporation will draw \$11,369 on the Credit Facility and pay \$1,785 in cash to repay the construction loan on the Topeka property.

(g) Interest rate swaps:

To manage interest rate risk, the Corporation has entered into an interest rate swap agreement effective January 29, 2016 (the "Swap Agreement"). In the Swap Agreement, the Corporation agreed to exchange the difference between fixed and variable rate interest on a principal amount of \$147,015, the full amount borrowed on the Credit Facility as of that date. The Swap Agreement effectively fixes interest at a rate of 4.2% through the Credit Facility's maturity on October 30, 2019. The Swap Agreement will not be designated as a hedge and will be marked to fair value each reporting period through finance cost in the consolidated statement of net income and comprehensive income.

(h) Mezzanine loans:

The Corporation has entered into conditional agreements to provide mezzanine financing in respect of two proposed development projects to Mainstreet Property Group LLC, an affiliate of MAMI. Under the terms of the agreements, the mezzanine loans totalling \$5,070 will bear interest at 10.5% payable cash. Additional interest, which may at the option of the borrower be paid in cash or capitalized shall accrue on the principal balance of a mezzanine loans at the rate of (i) 4% per annum if such loan is not secured by a mortgage and (ii) 3% per annum if such loan is secured by a mortgage, payable in cash in connection with any prepayment or repayment of the outstanding principal balance of a mezzanine loan. The pro forma consolidated statement of net income and comprehensive income assumes that the funding conditions will be met and reflects \$735 of interest income.

(i) Sources and uses of cash:

The Corporation's sources and uses of cash after the completion of the transactions contemplated in the Offering are as follows:

	\$
Sources:	
Proceeds from the Offering	95,000
Credit Facility	34,771
Proceeds from the issuance of MHI Holdco preferred shares	11,800
Related party loan – Hanover Park	1,000
	<u>142,571</u>

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Uses:	
Purchase of New Properties	(109,846)
Payment of interest on convertible debentures	(930)
Payment of deposit – Hanover Park	(1,000)
Repayment of related party loans	(3,500)
Repayment of MHI Holdco preferred shares	(11,800)
Repayment of construction loan	(1,785)
Capital expenditures	(3,110)
Issuance of mezzanine financing	(5,070)
Offering costs and expenses	(9,690)
Transaction costs	(600)
Financing costs	(317)
	<u>(147,648)</u>
Net use of cash on hand	<u>(5,077)</u>

(j) Rental revenue:

On Closing, the Corporation will be acquiring fourteen senior care assets of which the Scranton Seven Portfolio was operational for the entire year ended December 31, 2015 and ten properties from the Symphony Portfolio generated revenue only from the date of their acquisition on October 30, 2015. The remaining properties did not generate rental revenue during the year ended December 31, 2015.

The pro forma consolidated statement of net income and comprehensive income has been adjusted to reflect an \$11 increase in straight-line rents in respect of the Scranton Seven Portfolio as a result of the acquisition of the properties. The straight-line calculation will be recalculated at the Closing for the purchase of the Scranton Seven Portfolio.

Under the terms of the leases with the tenants of the Symphony Portfolio and the Scranton Seven Portfolio, rental rates may be increased to the extent the Corporation funds capital improvements to the respective properties. The Corporation assumes it will incur \$5,563 in capital expenditures on two properties (\$3,110 paid from proceeds of the Offering) and has included \$49 of expected additional rental revenue associated with these capital expenditures.

(k) Finance costs:

Finance costs have been reduced by \$121 for the year ended December 31, 2015 to reflect the impact of Credit Facility interest on the Scranton Seven Portfolio. For the same period, finance costs have been reduced for amortization of deferred financing costs by \$60.

Finance costs have also been reduced by \$1,860 to remove the impact of interest on convertible debentures, including \$930 in accounts payable at December 31, 2015.

(l) General and administrative expenses:

General and administrative expenses include legal fees, audit fees, director fees, annual report costs, transfer agent fees, insurance and other miscellaneous costs.

General and administrative expenses have been increased by \$1,620 for the year ended December 31, 2015 to reflect management's best estimates for the Corporation.

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(m) Operating costs and management fee:

The Corporation's operating costs include realty taxes and asset management fees for the year ended December 31, 2015, pursuant to a management agreement between the Corporation and MAMI. Under the April 4, 2016 agreement, management fees are payable at a rate of 0.3% of the estimated gross book value of the Corporation up to a gross book value of \$1,000,000, plus 0.1% of the gross book value of the Corporation in excess of \$1,000,000. The pro forma consolidated statement of net income has been adjusted to reflect \$92 of additional management fees based on the Scranton Seven and Symphony Portfolios for the relevant periods.

(n) Deferred share plan:

The Corporation has adopted a deferred share plan (the "Deferred Share"). Under the terms of the Deferred Share Plan, directors may elect to receive up to 100% of their elected amount in deferred shares which vest upon grant, with 100% matching of deferred shares that vest one third each year over three anniversary dates from the date of grant. Additionally, management is eligible for deferred shares as part of their annual compensation subject to vesting on the second anniversary date from the date of grant. Vested deferred shares may be redeemed in whole or in part for shares of the Corporation issued from treasury or subject to the approval of the Corporation, cash, as elected by the participant. Whenever cash dividends are paid to shareholders, additional deferred shares are credited to the participants' account based on the 5-day volume weighted average price on the dividend payment date. These additional shares vest on the same schedule as their corresponding deferred shares.

The Corporation intends to allow for the settlement of deferred shares in cash and, as a result, the fair value of the amount payable in respect of the deferred shares are remeasured at each statement of financial position date, and a compensation expense is recognized in general and administrative expenses over the vesting period with a corresponding change in the liability.

On Closing, it is assumed the Corporation will grant 40,000 deferred shares to executives of the Corporation which will vest on the second anniversary date from the date of grant. The pro forma consolidated statement of net income has been adjusted to reflect an increase in compensation expense of \$210 for these deferred shares based upon an estimated fair value of the deferred shares on the grant date, which is included in general and administrative expenses. The expense is included in general and administrative expenses.

(o) Income taxes:

It is assumed the Corporation will apply available deductions to eliminate its current taxes payable and that deferred tax assets resulting from the tax effects of temporary differences will not qualify for recognition.

(p) Fair value adjustment on investment properties:

For purposes of the pro forma consolidated statement of net income and comprehensive income, the acquisition of the Scranton Seven Portfolio was assumed to occur on January 1, 2015. Accordingly, the change in fair value of investment properties of \$4,092 that was recognized during 2015 has been reversed. The pro forma condensed consolidated statement of net income and comprehensive income also reflects a decrease of \$189 for the reversal of the capitalization of straight-line rents.

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- (q) Net loss per share:

For purposes of calculating the net loss per share for the year ended, the Corporation has used the number of shares subsequent to their 250 to 1 consolidation.

4. Related party transactions:

MAMI is owned by the chairman of the Corporation.

The pro forma consolidated financial statements include the following related party transactions with MAMI:

- (a) Initial transactions:

The New Properties include three properties fully owned and seven properties 50% owned by entities which are wholly owned or majority owned, respectively, by the chairman of the Corporation. As a result, \$74,366 of the purchase price of the New Properties relates to acquisitions from entities which are affiliates of MAMI.

- (b) Management fees:

The pro forma consolidated statement of net income assumes that management fees of \$224 will be paid to MAMI pursuant to the management agreement dated April 4, 2016.

- (c) Loan interest:

The pro forma condensed consolidated statement of net income includes \$735 of mezzanine loan interest from Mainstreet Property Group LLC, an affiliate of MAMI.

5. Commitments:

In connection with the Offering, the Corporation has agreed to indemnify the underwriters against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the underwriters may be required to make in respect of those liabilities. The Corporation has agreed to indemnify, in certain circumstances, the Directors and the officers of the Corporation.