Report to Shareholders

Q3 2017

Sienna Senior Living Inc.

Sienna SENIOR LIVING

Management's Discussion and Analysis

(in thousands of Canadian Dollars)

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Basis of Presentation

The following Management's Discussion and Analysis ("**MD&A**") for Sienna Senior Living Inc. (formerly Leisureworld Senior Care Corporation) (the "**Company**" or "**Sienna**") provides a summary of the financial results for the three and nine months ended September 30, 2017. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements ("**interim consolidated financial statements**") for the three and nine months ended September 30, 2017. This material is available on the Company's website at www.siennaliving.ca. Additional information about the Company, including its Annual Information Form ("**AIF**") for the year ended December 31, 2016 can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com. In accessing the Company's information, readers are reminded of the Company's predecessor name, Leisureworld Senior Care Corporation, and that the information of Leisureworld Senior Care Corporation is the information of the Company.

All references to "**we**", "**our**", "**us**" or the "**Company**", unless otherwise indicated or the context otherwise requires, refer to Sienna Senior Living Inc. and its direct and indirect subsidiaries. For ease of reference, the "Company" is used in reference to the ownership and operation of seniors' living residences and the third party management business of the Company. The direct ownership of such residences, and operation of such business, are conducted by subsidiaries of the Company.

Financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). In this document, "**Q1**" refers to the three-month period ended March 31; "**Q2**" refers to the three-month period ended June 30; "**Q3**" refers to the three-month period ended September 30; and "**Q4**" refers to the three-month period ended December 31.

Unless otherwise stated, all dollar amounts referred to in this document, including tabular amounts, are expressed in thousands of Canadian dollars.

This document contains forward-looking information based on management's expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Sienna and the seniors' living industry as of the date of this MD&A. Please refer to the "Forward-looking Statements" section and the "Risk Factors" section of this MD&A for more information.

Additional Information

Additional information relating to the Company can be found on the Company's website at www.siennaliving.ca, by accessing the Company's public filings on SEDAR, or by contacting Nitin Jain, the Company's Chief Financial Officer and Chief Investment Officer, at 905-489-0787 or nitin.jain@siennaliving.ca.

Review and Approval by the Board of Directors

This MD&A is dated as of November 14, 2017, the date on which this report was approved by the Board of Directors of the Company, and is based on information available to management as of that date.

Company Profile

The Company and its predecessors have been operating since 1972. The Company is one of Canada's leading seniors' living providers serving the continuum of independent living ("**IL**"), independent supportive living, assisted living ("**AL**"), memory care ("**MC**") and long-term care/ residential care ("**LTC**", "**Long-term Care**", "**RC**") through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. The Company owns and operates a total of 58 seniors' living residences: 15 retirement residences ("**RR**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL and AL and funded LTC/ RC (including the Company's partial ownership in two newly built residences in British Columbia) ("**Baltic Properties**").

Under its management services division, including the Company's 50% interest in its management platform in British Columbia ("**PSM**"), the Company provides management services to seniors' living residences in the Provinces of British Columbia and Ontario.

The Company was incorporated under the Business Corporations Act (Ontario) as "Leisureworld Senior Care Corporation" on February 10, 2010, and was subsequently continued under the Business Corporations Act (British Columbia) on March 18, 2010. The Company closed the initial public offering of its common shares on March 23, 2010. In connection with a Company-wide rebranding initiative that took effect on May 1, 2015, the Company changed its name from Leisureworld Senior Care Corporation to Sienna Senior Living Inc., pursuant to the filing of a Notice of Alteration with the British Columbia Registry Services on April 23, 2015. In connection with the name change to Sienna Senior Living Inc., the Company's common shares commenced trading under the symbol "**SIA**".

The Company's business is carried on through a number of wholly owned limited partnerships formed under the laws of the Province of Ontario, except for two properties (referred to as the Option Properties and defined elsewhere in this MD&A), which are owned through a partnership between the Company and WVJ II General Partnership (an affiliate of Pacific Seniors Management Investments Ltd.).

As of November 14, 2017, the Company had outstanding 52,999,933 common shares and $44,564 in aggregate principal amount of convertible unsecured subordinated debentures, which, in the aggregate, are convertible into 2,661,731 common shares (the "**Convertible Debentures**"). The Convertible Debentures have a maturity date of June 30, 2018.

The table below presents the properties owned and operated by the Company:

NAME OF COMMUNITY	LOCATION	FUNDED	PRIVATE	TOTAL BEDS/ SUITES
Retirement				
Astoria Retirement Residence	Port Coquitlam, BC	—	135	135
Cedarvale Lodge Retirement & Care Community	Keswick, ON	—	130	130
Island Park Retirement Residence	Campbellford, ON	—	85	85
Kawartha Lakes Retirement Residence	Bobcaygeon, ON	—	93	93
Lincoln Park Retirement Residence	Grimsby, ON	—	70	70
Mayfair Terrace Retirement Residence	Port Coquitlam, BC	—	88	88
Midland Gardens Seniors Apartments	Scarborough, ON	—	53	53
Pacifica Retirement Residence	Surrey, BC	—	131	131
Peninsula Retirement Residence	Surrey, BC	—	127	127
Red Oak Retirement Residence	Kanata, ON	—	158	158
Rideau Retirement Residence	Burnaby, BC	—	138	138
Rosewood Retirement Residence	Kingston, ON	—	68	68
Royale Place Retirement Residence	Kingston, ON	—	136	136
Traditions of Durham Retirement Residence	Oshawa, ON	—	141	141
Trillium Retirement and Care Community	Kingston, ON	—	41	41
Total Retirement		**—**	**1,594**	**1,594**
Baltic Properties				
Brookside Lodge	Surrey, BC	102	14	116
Lake Country Lodge	Lake Country, BC	45	45	90
Lakeview Lodge	West Kelowna, BC	100	14	114
Mariposa Gardens	Osoyoos, BC	114	31	145
Nicola Lodge (1)	Port Coquitlam, BC	238	18	256
Glenmore Lodge (1)	Kelowna, BC	100	18	118
Ridgeview Lodge	Kamloops, BC	106	23	129
The Cascades	Chilliwack, BC	140	27	167
Total Baltic Properties		**945**	**190**	**1,135**
Long-term Care				
Altamont Care Community	West Hill, ON	159	—	159
Barnswallow Place Care Community	Elmira, ON	96	—	96
Bloomington Cove Care Community	Stouffville, ON	112	—	112
Bradford Valley Care Community	Bradford, ON	246	—	246
Camilla Care Community	Mississauga, ON	237	—	237
Case Manor Care Community	Bobcaygeon, ON	96	—	96
Cedarvale Lodge Retirement & Care Community	Keswick, ON	60	—	60
Cheltenham Care Community	Toronto, ON	170	—	170
Creedan Valley Care Community	Creemore, ON	95	—	95
Deerwood Creek Care Community	Etobicoke, ON	160	—	160
Fieldstone Commons Care Community	Scarborough, ON	224	—	224
Fountain View Care Community	Toronto, ON	158	—	158
Fox Ridge Care Community	Brantford, ON	122	—	122
Granite Ridge Care Community	Stittsville, ON	224	—	224
Harmony Hills Care Community	Toronto, ON	160	—	160
Hawthorn Woods Care Community	Brampton, ON	160	—	160
Langstaff Square Care Community	Richmond Hill, ON	160	—	160
Madonna Care Community	Orleans, ON	160	—	160
Maple Grove Care Community	Brampton, ON	160	—	160

NAME OF COMMUNITY	LOCATION	FUNDED	PRIVATE	TOTAL BEDS/
Midland Gardens Care Community	Scarborough, ON	299	—	299
Muskoka Shores Care Community	Gravenhurst, ON	206	—	206
Norfinch Care Community	North York, ON	160	—	160
Orillia (2)	Orillia, ON	160	—	160
Owen Hill Care Community	Barrie, ON	57	—	57
Rockcliffe Care Community	Scarborough, ON	204	—	204
Secord Trails Care Community	Ingersoll, ON	80	—	80
Silverthorn Care Community	Mississauga, ON	160	—	160
St. George Care Community	Toronto, ON	238	—	238
Streetsville Care Community	Mississauga, ON	118	—	118
Trillium Retirement and Care Community	Kingston, ON	190	—	190
Tullamore Care Community	Brampton, ON	159	—	159
Waters Edge Care Community	North Bay, ON	148	—	148
Weston Terrace Care Community	Toronto, ON	224	—	224
Woodbridge Vista Care Community	Woodbridge, ON	224	—	224
Woodhall Park Care Community	Brampton, ON	147	—	147
Total Long-term Care		**5,733**	**—**	**5,733**
Total Retirement, Baltic Properties and Long-term Care		**6,678**	**1,784**	**8,462**

Notes:

1. Nicola Lodge and Glenmore Lodge are referred to collectively as the "**Option Properties**", of which the Company currently owns 40% of Nicola Lodge (acquired in Q3 2016) and 61% of Glenmore Lodge (acquired in Q1 2017). The Company has the option to acquire up to a 100% interest in each of these properties.

2. Spencer House Inc., a non-profit organization, holds the licence from the Ministry of Health and Long-term Care ("**MOHLTC**") to operate the LTC beds at Orillia, and is the counterparty to the services agreement with the applicable Local Health Integration Network. The Company is the appointed manager of Orillia, and is the owner of the land, buildings, furniture, fixtures and equipment used to operate and manage Orillia (which land, buildings, furniture, fixtures and equipment are leased to Spencer House Inc.).

Company Strategy & Objectives

Our Vision

To awaken our communities to the positive possibilities of life’s next chapters.

Our Mission

To help you live fully, every day.

Our Values

Respect

We value each other. From our clients and residents to our co-workers, we take the time to appreciate each person’s story, understand their perspective, and recognize their contribution.

Passion

This job isn’t for everybody. We love working with older people. We feel it’s a privilege to have them in our lives, and there’s nothing more important to us than their safety and well-being.

Teamwork

To honour someone’s voice and advocate for their choice, it’s up to every one of us to communicate, collaborate, and support one another. We’re in this together - coworkers, volunteers, physicians and healthcare providers, suppliers, communities, families, clients, and residents.

Responsibility

Holding ourselves to the highest standards of safety and quality is only the beginning. If we see a problem or an opportunity, we own it. If we say we’ll do something, we do it. "Not my job" is not in our vocabulary.

Growth

We are always pushing ourselves - to learn, to develop, to find a better way and we strive to help our clients, residents and staff grow, encouraging them to stretch and do more than they might have thought possible.

We are dedicated to helping seniors live fully, every day. Our aim is to consistently improve the resident experience and to develop a high-performing team and workplace culture built on shared values and a commitment to innovation and quality, while focusing on priorities that translate into long-term accretive growth for our shareholders.

Sienna’s strategic objectives and progress are summarized as follows:

Operating Platform:

- Providing a consistent and high-quality resident experience; continuously enhancing our services and program offerings
- Building a culture of high-performing and engaged teams
- Advancing Sienna's brand in every community served

Progress:

- Implemented programs to improve the culinary and leisure experience in RRs
- As of June 2017, continued to outperform the provincial average on quality and compliance indicators
- Investing in technology to support quality of care and services
- Enhancements to social media and digital marketing strategy
- Advanced the People Strategy around talent management
- Launched 'Sienna for Seniors', a charitable giving program designed to generate funds for seniors in need

Strong Balance Sheet and Liquidity:

- Creating a 10-year debt ladder to reduce refinancing risk and enhance ability to refinance at favourable rates
- Optimizing leverage (measured as Debt to Gross Book Value)
- Increasing liquidity (measured as available funds from existing credit facilities plus available cash on hand) to deliver on Sienna's growth objectives
- Maintaining an A (low) rating on the 3.474% Series B Senior Secured Debentures, with an aggregate principal amount of $322,000 and a maturity date of February 3, 2021 ("**Series B Debentures**")

Progress:

- Successfully financed/refinanced approximately $72,300 of property-level mortgages year-to-date October 2017
- In January 2017, merged two floating-rate credit facilities backed by three RRs to increase the Company's combined credit facility from $79,500 to $105,000 ("**Royale Credit Facility**"), providing liquidity to drive growth through acquisitions, development and redevelopment
- In March 2017, Dominion Bond Rating Service ("**DBRS**") confirmed the A (low) rating for the Series B Debentures
- Raised $115,007 in a public offering of common shares, the proceeds of which were used for the Acquisition (as defined in the "Significant Events" section below) and for general company purposes
- Decreased year-over-year Debt to Adjusted EBITDA from continuing operations ratio by 1.4x to 7.0x

Growing the Company:

Our growth plan is based on three key components:

Organic Growth:

- Leveraging Sienna's platform for organic growth through higher occupancy rates, disciplined cost management and expanding specialized programs across the continuum of seniors' living
- Maintaining existing assets with preventative maintenance and ongoing capital improvements

Development:

- Leveraging the redevelopment of older LTC homes in key Ontario markets to create seniors' living campuses providing IL, AL, MC and LTC
- Expanding seniors' living capacity in existing Sienna residences with excess land

Acquisitions:

- Identifying opportunities to acquire high-quality seniors' living residences in key markets in Canada; expanding our presence in private-pay, funded care and specialized programs

Progress:

- Planning for development of additional capacity on excess land and redevelopment of 2,200 class C LTC beds, subject to regulatory approvals and financial feasibility
- Proceeding with the retrofit of one older class C LTC seniors' living community, expected to be completed in 2017
- Acquired Rosewood Retirement Residence ("**Rosewood**"), a 68-suite IL and AL residence located in Kingston, Ontario in June 2017
- Acquired Kawartha Lakes Retirement Residence ("**Kawartha Lakes**"), a 93-suite IL and AL residence located in Bobcaygeon, Ontario in July 2017
- Entered into an agreement on October 16, 2017 to acquire two high-quality RR residences, The Waterford Retirement Residence Barrie located in Barrie, and The Waterford Retirement Residence Kingston located in Kingston which together, consists of 384 IL, AL, and MC suites (see the "Significant Events" section below)
- Strong year-over-year results in Retirement, an increase of 10.7% in same property net operating income
- Overall same property net operating income increased by 3.6% year-over-year

Industry Overview

Please refer to the Company's MD&A for the year ended December 31, 2016, as well as the AIF, for a discussion of the Industry Overview.

Business of the Company

Please refer to the Company's AIF, for a discussion of the Business Overview.

2017 Outlook

Please refer to the Company's MD&A for the year ended December 31, 2016 for a discussion of the 2017 Outlook. Please also refer to the "Significant Events" section below for recent developments.

Significant Events

Acquisition of Two Luxury Retirement Residences in Ontario and $115 Million Bought Deal Public Offering of Common Shares

On October 16, 2017, the Company entered into an agreement to acquire two retirement residences located in Barrie, Ontario and Kingston, Ontario (the "**Acquisition**"). Waterford Retirement Residence Barrie, a 202-suite independent living, assisted living and memory care community, is centrally located in Barrie, Ontario and Waterford Retirement Residence Kingston, a 182-suite independent living, assisted living and memory care community, is located in Kingston, Ontario. The aggregate purchase price for the acquisition is approximately $164,000, subject to customary adjustments. The Company intends to finance the acquisition and related transaction costs through a combination of: (i) the assumption of approximately $62,000 in existing mortgages, at a weighted average interest rate of 3.6% and a weighted average term to maturity of 4.3 years; (ii) net proceeds of the Offering (as defined below); and the remainder through (iii) up-financing of the existing debt or draws on the Company's existing credit facilities.

As one of the properties is currently in the final stage of lease-up, the aggregate purchase price includes a revenue guarantee of $1,000 for a two-year term to be held in escrow. This Acquisition is expected to be completed during the fourth quarter of 2017.

On November 3, 2017, the Company completed an offering of common shares at a price of $17.45 per common share, on a bought deal basis. The syndicate of underwriters elected to exercise its over-allotment option in full, resulting in the issuance of 6,590,650 common shares for total gross proceeds of $115,007 (the "**Offering**").

Acquisition of Kawartha Lakes Retirement Residence

On July 5, 2017, the Company completed the acquisition of Retirement Suites of Kawartha Lakes (now rebranded as Kawartha Lakes Retirement Residence), a 93-suite IL and AL residence located in Bobcaygeon, Ontario. The purchase price of $21,000, subject to customary closing adjustments, was financed using available cash and drawdowns from the Company's credit facilities.

Non-IFRS Performance Measures

In this document, we use certain supplemental measures of key performance that are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. These performance measures are net operating income ("**NOI**"), funds from operations ("**FFO**"), operating funds from operations ("**OFFO**"), adjusted funds from operations ("**AFFO**") and earnings before interest, taxes, depreciation and amortization ("**EBITDA**"). The IFRS measurement most directly related to these measures is cash flow from operations. Please refer to the "Business Performance" section of this MD&A for a reconciliation of cash flow from operations to AFFO.

"**NOI**" is defined as property revenue net of property operating expenses.

"**FFO**" is defined as mainly NOI less certain finance charges, current income taxes and non-controlling interest. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and/or operate income-producing properties. The Company presents FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds From Operations for IFRS (Source: White Paper on Funds From Operations for IFRS - February 2017). The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results.

"**OFFO**" is FFO adjusted for non-recurring items, and presents finance charges on a cash interest basis. Management is of the view that OFFO presents a better measure of the operating performance of the Company.

"**AFFO**" is defined as OFFO plus the principal portion of construction funding received, amounts received for revenue guarantees and non-cash deferred share unit compensation expenses less actual maintenance capital expenditures ("**maintenance capex**"). Management believes AFFO is useful in the assessment of the Company's operating performance for valuation purposes, and is also a relevant measure of the ability of the Company to earn cash and pay dividends to shareholders.

"**Adjusted EBITDA**" is defined as earnings before interest, taxes, depreciation and amortization, construction funding proceeds and non-recurring items.

The above measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's method of calculating these measures may differ from other issuers' methods and accordingly, these measures may not be comparable to measures presented by other publicly traded entities.

Key Performance Indicators

Management uses the following key performance indicators (the "**Key Performance Indicators**") to assess the overall performance of the Company's operations:

- **Occupancy**: Occupancy is a key driver of the Company's revenues.
- **NOI**: This value represents the underlying performance of the operating business segments. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **OFFO and OFFO per Share**: Management uses OFFO as an operating and financial performance measure. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **AFFO and AFFO per Share**: These indicators are used by management to help measure the Company's ability to pay dividends. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **Payout Ratio**: Management monitors the ratio of dividends per share to basic AFFO per share to ensure the Company adheres to its dividend policy, in line with the Company's objectives.
- **Debt Service Coverage Ratio**: This ratio is useful for management to ensure it is in compliance with its financial covenants.
- **Debt to Gross Book Value**: In conjunction with the debt service coverage ratio, management monitors this to ensure compliance with certain financial covenants.
- **Weighted Average Cost of Debt**: This is a point in time calculation which is useful in comparing interest rates, either period over period, or to the then current market parameters.
- **Debt to Adjusted EBITDA Ratio**: This ratio measures the number of years required for current cash flows to repay all indebtedness.
- **Interest Coverage Ratio**: Interest coverage ratio is a common measure used by debt rating agencies to assess an entity's ability to service its debt obligations.
- **Weighted Average Term to Maturity**: This indicator is used by management to monitor its debt maturities.
- **Same Property Percent Change in NOI**: This measure is similar to "same-store sales" measures used in the retail business and is intended to measure the period over period performance of the same asset base, excluding assets undergoing new development, redevelopment or demolition.

The above key performance indicators used by management to assess the overall financial performance of the Company's operations should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's use of these measures and its method of calculation may differ from other issuers' use and methods and accordingly, may not be comparable to the key performance indicators of other publicly traded entities.

The following table represents the key performance indicators for the three and nine months ended September 30, 2017:

Thousands of dollars, except occupancy, share and ratio data	Three Months Ended			Nine Months Ended		
	2017	2016	Change	**2017**	2016	Change
OCCUPANCY						
LTC - Average total occupancy	**98.9%**	99.0%	(0.1%)	**98.6%**	98.8%	(0.2)%
LTC - Average private occupancy	**99.3%**	99.9%	(0.6%)	**99.2%**	99.9%	(0.7)%
Retirement - Average occupancy	**94.1%**	93.9%	0.2%	**94.1%**	92.6%	1.5 %
Retirement - As at occupancy	**94.1%**	95.0%	(0.9%)	**94.1%**	95.0%	(0.9)%
Baltic - Total occupancy	**96.9%**	98.1 %	(1.2)%	**96.7%**	98.1%	(1.4)%
FINANCIAL						
Net income (loss) from continuing operations	**6,214**	(364)	6,578	**17,619**	(1,107)	18,726
EBITDA	**25,686**	21,995	3,691	**72,334**	56,660	15,674
NOI [(1)]	**30,758**	26,406	4,352	**87,629**	70,413	17,216
OFFO [(1)]	**16,565**	15,474	1,091	**46,509**	37,674	8,835
AFFO [(1)]	**18,537**	17,220	1,317	**52,860**	43,875	8,985
PER SHARE INFORMATION						
OFFO per share, basic	**0.357**	0.362	(0.005)	**1.006**	0.975	0.031
OFFO per share, diluted	**0.346**	0.349	(0.003)	**0.975**	0.942	0.033
AFFO per share, basic	**0.400**	0.403	(0.003)	**1.143**	1.136	0.007
AFFO per share, diluted	**0.386**	0.387	(0.001)	**1.104**	1.092	0.012
Dividends per share	**0.225**	0.225	—	**0.675**	0.675	—
Payout ratio (basic AFFO)	**56.3%**	55.8%	0.5 %	**59.1%**	59.4%	(0.3)%
FINANCIAL RATIOS						
Debt service coverage ratio	**2.0**	2.1	(0.1)	**1.9**	2.0	(0.1)
Debt to gross book value as at period end	**51.8%**	52.2%	(0.4)%	**51.8%**	52.2%	(0.4)%
Debt, excluding Convertible Debentures, to gross book value as at period end	**48.8%**	49.1%	(0.3)%	**48.8%**	49.1%	(0.3)%
Weighted average cost of debt as at period end	**3.8%**	3.9%	(0.1%)	**3.8%**	3.8%	— %
Debt to Adjusted EBITDA from continuing operations ratio as at period end	**7.0**	8.4	(1.4)	**7.0**	8.4	(1.4)
Interest coverage ratio	**3.9**	3.7	0.2	**3.7**	3.5	0.2
Weighted average term to maturity as at period end	**4.6**	4.7	(0.1)	**4.6**	4.7	(0.1)
SAME PROPERTY PERCENT CHANGE IN NOI						
Long-term Care			1.5%			1.0%
Retirement			11.7%			10.7%
Baltic [(2)]			0.7%			0.7%
Total			4.0%			3.6%

Notes:

1. These amounts include the Q3 2017 net operating loss of $nil (2016 - $18) from Preferred Health Care Services ("**PHCS**"), the ancillary home care ("**Home Care**") business of the Company, which was sold and discontinued in April 2016.
2. The Baltic Properties and PSM are referred to collectively as "**Baltic**", and comprise the Baltic segment.

Quarterly Financial Information

Thousands of dollars, except occupancy and per share data	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4
Revenue from continuing operations [1]	139,867	137,527	133,966	138,011	130,418	115,226	114,232	118,380
Income from continuing operations before net finance charges, transaction costs and provision for (recovery of) income taxes [1]	15,659	15,464	13,392	13,136	10,861	9,056	6,719	8,920
Net income (loss) from continuing operations [1]	6,214	6,726	4,679	4,044	(364)	(642)	(101)	1,873
Per share basic and diluted [1]	0.131	0.144	0.099	0.102	(0.009)	(0.017)	(0.003)	0.051
Net income (loss) from discontinued operations [2]	—	—	—	—	(7)	(10)	305	541
Per share basic and diluted [2]	—	—	—	—	—	—	0.010	0.015
OFFO	16,565	15,754	14,190	15,106	15,474	11,385	10,815	11,453
Per share basic	0.357	0.341	0.308	0.328	0.362	0.311	0.296	0.310
Per share diluted	0.346	0.330	0.299	0.318	0.349	0.300	0.288	0.300
AFFO	18,537	17,657	16,666	15,241	17,220	13,466	13,189	12,180
Per share basic	0.400	0.382	0.361	0.331	0.403	0.368	0.361	0.330
Per share diluted	0.386	0.369	0.349	0.321	0.387	0.353	0.348	0.320
Dividends declared	10,430	10,429	10,364	10,367	9,652	8,232	8,217	8,205
Per share	0.225	0.225	0.225	0.225	0.225	0.225	0.225	0.225
Occupancy								
LTC - Average total occupancy	98.9 %	98.8 %	98.1 %	98.7 %	99.0 %	98.8 %	98.6 %	98.8 %
LTC - Average private occupancy	99.3 %	99.3 %	98.9 %	98.7 %	99.9 %	99.9 %	99.7 %	99.9 %
Retirement - Average occupancy	94.1 %	94.2 %	94.3 %	95.2 %	93.9 %	92.3 %	92.0 %	93.4 %
Retirement - As at occupancy	94.1 %	94.7 %	93.8 %	94.5 %	95.0 %	93.5 %	91.5 %	93.6 %
Baltic - Total occupancy	96.9 %	96.7 %	96.2 %	97.9 %	98.3 %	n/a	n/a	n/a
Total assets	1,221,813	1,210,433	1,213,132	1,204,218	1,212,546	1,066,969	939,477	951,469
Total debt [3]	762,044	746,583	756,902	734,459	746,570	605,344	623,513	629,068

Notes:

1. These amounts exclude the results of PHCS (discontinued operations).
2. Net loss for Q2 2016 excludes the gain on sale of PHCS of $7,719, net of taxes of $2,142, and a non-recurring tax recovery of $539 in Q4 2016.
3. Total debt includes the Convertible Debentures and is net of amounts paid into the principal reserve fund on the Series B Debentures.

The Company's quarterly financial results are impacted by various factors including, but not limited to, the timing of acquisitions, seasonality of utility expenses, timing of resident co-payment charges, government funding rate increases and the timing of revenue recognition to match spending within the flow-through envelopes, and capital market and financing activities.

A discussion of the operating results for the three and nine months ended September 30, 2017 compared to the same period in the prior year is provided below under the section "Operating Results".

Operating Results

The following table represents the operating results for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2017**	2016	Change	**2017**	2016	Change
Revenue	**139,867**	130,418	9,449	**411,360**	359,876	51,484
Expenses						
Operating	**109,109**	103,994	5,115	**323,731**	289,845	33,886
Depreciation and amortization	**10,027**	11,134	(1,107)	**27,819**	30,024	(2,205)
Administrative	**5,072**	4,429	643	**15,295**	13,371	1,924
	124,208	119,557	4,651	**366,845**	333,240	33,605
Income from continuing operations before net finance charges, transaction costs and provision for (recovery of) income taxes	**15,659**	10,861	4,798	**44,515**	26,636	17,879
Net finance charges	**6,528**	7,121	(593)	**18,766**	19,571	(805)
Transaction costs	**756**	4,172	(3,416)	**1,969**	7,373	(5,404)
Total other expenses	**7,284**	11,293	(4,009)	**20,735**	26,944	(6,209)
Income (loss) from continuing operations before provision for (recovery of) income taxes	**8,375**	(432)	8,807	**23,780**	(308)	24,088
Provision for (recovery of) income taxes from continuing operations						
Current	**2,449**	624	1,825	**6,154**	2,507	3,647
Deferred	**(288)**	(692)	404	**7**	(1,708)	1,715
	2,161	(68)	2,229	**6,161**	799	5,362
Net income (loss) from continuing operations	**6,214**	(364)	6,578	**17,619**	(1,107)	18,726
Net income (loss) from discontinued operations, net of taxes	**—**	(7)	7	**—**	7,999	(7,999)
Net income (loss)	**6,214**	(371)	6,585	**17,619**	6,892	10,727
Net income (loss) attributable to:						
Shareholders of the Company	**6,080**	(445)	6,525	**17,297**	6,818	10,479
Non-controlling interest	**134**	74	60	**322**	74	248
	6,214	(371)	6,585	**17,619**	6,892	10,727
Total assets	**1,221,813**	1,212,546	9,267	**1,221,813**	1,212,546	9,267
Total debt (net of principal reserve fund)	**762,044**	746,570	15,474	**762,044**	746,570	15,474

Revenue Breakdown

The following table represents the revenue breakdown for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2017**	2016	Change	**2017**	2016	Change
Long-term Care						
Same property	**105,037**	106,570	(1,533)	**312,730**	310,207	2,523
Total Long-term Care Revenue	**105,037**	106,570	(1,533)	**312,730**	310,207	2,523
Retirement						
Same property [(1)]	**15,993**	15,031	962	**43,954**	41,133	2,821
Transactions [(1)]	**2,366**	—	2,366	**7,068**	—	7,068
Total Retirement Revenue	**18,359**	15,031	3,328	**51,022**	41,133	9,889
Baltic						
Same property [(2)]	**9,082**	8,816	266	**9,082**	8,816	266
Transactions [(2)]	**7,389**	—	7,389	**38,526**	—	38,526
Total Baltic Revenue	**16,471**	8,816	7,655	**47,608**	8,816	38,792
Total Revenue						
Same property from continuing operations	**130,112**	130,417	(305)	**365,766**	360,156	5,610
Home Care discontinued operations	—	—	—	—	5,278	(5,278)
Transactions	**9,755**	—	9,755	**45,594**	—	45,594
MOHLTC reconciliation adjustments	—	—	—	—	(277)	277
Intersegment eliminations	—	1	(1)	—	(3)	3
Total Revenue	**139,867**	130,418	9,449	**411,360**	365,154	46,206

Notes:

1. Beginning January 1, 2017, the results of Traditions of Durham, which was acquired on December 31, 2015, have been re-classified from Transactions to Same property. Beginning August 2, 2017, the results of Mayfair Terrace Retirement Residence ("**Mayfair**") and Rideau Retirement Residence ("**Rideau**"), which were acquired on August 2, 2016, have been re-classified from Transactions to Same property. The results of Rosewood, which was acquired on June 1, 2017, and Kawartha Lakes, which was acquired on July 5, 2017 (together with Mayfair and Rideau, collectively referred to as the "**RR Properties**"), are included in Transactions for the applicable periods.

2. Beginning August 2 2017, the results of the Baltic Properties (excluding Nicola Lodge and Glenmore Lodge), which were acquired on August 2, 2016, have been re-classified from Transactions to Same property. Beginning September 15, 2017, the results of Nicola Lodge, which was acquired on September 15, 2016, have been re-classified from Transactions to Same property.

Operating Expense Breakdown

The following table represents the operating expense breakdown for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2017**	2016	Change	**2017**	2016	Change
Long-term Care						
Same property	**87,991**	89,768	(1,777)	**263,601**	261,582	2,019
Total Long-term Care Expenses	**87,991**	89,768	(1,777)	**263,601**	261,582	2,019
Retirement						
Same property (1)	**8,342**	8,180	162	**23,020**	22,221	799
Transactions (1)	**1,442**	—	1,442	**4,235**	—	4,235
Total Retirement Expenses	**9,784**	8,180	1,604	**27,255**	22,221	5,034
Baltic						
Same property (2)	**6,291**	6,045	246	**6,291**	6,045	246
Transactions (2)	**5,043**	—	5,043	**26,584**	—	26,584
Total Baltic Expenses	**11,334**	6,045	5,289	**32,875**	6,045	26,830
Total Operating Expenses						
Same property from continuing operations	**102,624**	103,993	(1,369)	**292,912**	289,848	3,064
Home Care discontinued operations	**—**	18	(18)	**—**	4,896	(4,896)
Transactions	**6,485**	—	6,485	**30,819**	—	30,819
Intersegment eliminations	—	1	(1)	**—**	(3)	3
Total Operating Expenses	**109,109**	104,012	5,097	**323,731**	294,741	28,990

Notes:

1. Beginning January 1, 2017, the results of Traditions of Durham, which was acquired on December 31, 2015, have been re-classified from Transactions to Same property. Beginning August 2, 2017, the results of Mayfair and Rideau which were acquired on August 2, 2016, have been re-classified from Transactions to Same property. The results of the RR Properties are included in Transactions for the applicable periods.

2. Beginning August 2 2017, the results of the Baltic Properties (excluding Nicola Lodge and Glenmore Lodge), which were acquired on August 2, 2016, have been re-classified from Transactions to Same property. Beginning September 15, 2017, the results of Nicola Lodge, which was acquired on September 15, 2016, have been re-classified from Transactions to Same property.

Net Operating Income Breakdown

The following table represents the net operating income breakdown for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2017**	2016	Change	**2017**	2016	Change
Long-term Care						
Same property	**17,046**	16,802	244	**49,129**	48,625	504
Total Long-term Care NOI	**17,046**	16,802	244	**49,129**	48,625	504
Retirement						
Same property (1)	**7,651**	6,851	800	**20,934**	18,912	2,022
Transactions (1)	**924**	—	924	**2,833**	—	2,833
Total Retirement NOI	**8,575**	6,851	1,724	**23,767**	18,912	4,855
Baltic						
Same property (2)	**2,791**	2,771	20	**2,791**	2,771	20
Transactions (2)	**2,346**	—	2,346	**11,942**	—	11,942
Total Baltic NOI	**5,137**	2,771	2,366	**14,733**	2,771	11,962
Total NOI						
Same property from continuing operations	**27,488**	26,424	1,064	**72,854**	70,308	2,546
Home Care discontinued operations	—	(18)	18	—	382	(382)
Transactions	**3,270**	—	3,270	**14,775**	—	14,775
MOHLTC reconciliation adjustments	—	—	—	—	(277)	277
Total NOI	**30,758**	26,406	4,352	**87,629**	70,413	17,216

Notes:

1. Beginning January 1, 2017, the results of Traditions of Durham, which was acquired on December 31, 2015, have been re-classified from Transactions to Same property. Beginning August 2, 2017, the results of Mayfair and Rideau which were acquired on August 2, 2016, have been re-classified from Transactions to Same property. The results of the RR Properties are included in Transactions for the applicable periods.

2. Beginning August 2 2017, the results of the Baltic Properties (excluding Nicola Lodge and Glenmore Lodge), which were acquired on August 2, 2016, have been re-classified from Transactions to Same property. Beginning September 15, 2017, the results of Nicola Lodge, which was acquired on September 15, 2016, have been re-classified from Transactions to Same property.

For the Quarter

Revenue

Same property revenues from continuing operations for Q3 2017 decreased by $305 to $130,112, compared to Q3 2016. Long-term Care revenues for Q3 2017 decreased by $1,533 to $105,037, compared to Q3 2016, primarily attributable to timing of revenues. Retirement's same property revenues for Q3 2017 increased by $962 to $15,993, compared to Q3 2016, primarily attributable to increases in occupancy and year-over-year rent increases. Baltic's same property revenues for Q3 2017 increased by $266 to $9,082, compared to Q3 2016.

Retirement's transactions contributed to incremental revenues of $2,366 for Q3 2017 (2016 - $nil). Baltic's transactions contributed $7,389 of revenues for Q3 2017 (2016 - $nil).

Operating Expenses

Same property operating expenses from continuing operations for Q3 2017 decreased by $1,369 to $102,624, compared to Q3 2016. Long-term Care operating expenses for Q3 2017 decreased by $1,777 to $87,991, compared to Q3 2016, due to lower utility costs and timing of expenses. Retirement's same property operating expenses for Q3 2017 increased by $162 to $8,342, compared to Q3 2016, primarily attributable to higher variable expenses resulting from increased occupancy. Baltic's same property operating expenses for Q3 2017 increased by $246 to $6,291, compared to Q3 2016.

Retirement's transactions recorded $1,442 of operating expenses for Q3 2017 (2016 - $nil). Baltic's transactions recorded $5,043 of operating expenses for Q3 2017 (2016 - $nil).

NOI

Same property NOI from continuing operations for Q3 2017 increased by $1,064 to $27,488, compared to Q3 2016. Long-term Care's same property NOI for Q3 2017 remained relatively stable at $17,046 compared to Q3 2016. Retirement's same property NOI for Q3 2017 increased by $800 to $7,651, compared to Q3 2016, primarily attributable to increases in occupancy. Baltic's same property NOI for Q3 2017 remained relatively stable at $2,791, compared to Q3 2016.

Retirement's transactions contributed to incremental NOI of $924 for Q3 2017 (2016 - $nil). Baltic's transactions contributed $2,346 of NOI for Q3 2017 (2016 - $nil).

Due to the seasonality of certain operating expenses and occupancy activities, trends which may appear in operating margins may be merely coincidental, and readers should not rely on net operating margin calculations herein.

Depreciation and Amortization

Depreciation and amortization for Q3 2017 decreased by $1,107 to $10,027, compared to Q3 2016, due to certain intangible assets being fully depreciated at the end of 2016, partially offset by incremental depreciation and amortization from the Baltic Properties and the RR Properties acquired in 2016 and 2017.

Administrative Expenses

Administrative expenses for Q3 2017 increased by $643 to $5,072, compared to Q3 2016, primarily attributable to increased costs to support the Company's growth.

Net Finance Charges

Net finance charges from continuing operations for Q3 2017 decreased by $593 to $6,528, compared to Q3 2016, primarily attributable to the Q3 2016 dividend equivalents paid on the Subscription Receipts, and a fair value gain on interest rate swap contracts in Q3 2017, partially offset by higher fees on the revolving credit facility compared to Q3 2016.

Transaction Costs

Transaction costs for Q3 2017 decreased by $3,416 to $756 compared to Q3 2016, primarily attributable to higher transactional activity in the comparable prior year period related to the Baltic Properties and the RR Properties acquired in 2016.

Income Taxes

Income tax expense from continuing operations for Q3 2017 increased by $2,229 to $2,161, compared to Q3 2016. The current income tax expense from continuing operations for Q3 2017 increased by $1,825 to $2,449 compared to Q3 2016, primarily attributable to an increase in NOI and a decrease in transaction costs. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.46% (2016 - 26.46%). The deferred income tax recovery for continuing operations of $288 in Q3 2017 represents an increase in deferred income tax expense of $404 over the comparable prior year period.

For the Year to Date

Revenue

Same property revenues from continuing operations for the nine months ended September 30, 2017 increased by $5,610 to $365,766 over the comparable prior year period. Long-term Care revenues for the nine months ended September 30, 2017 increased by $2,523 to $312,730 primarily attributable to funding changes in the flow-through envelopes, along with higher preferred accommodation rates and other accommodation revenues. Retirement same property revenues for the nine months ended September 30, 2017 increased by $2,821 to $43,954, primarily attributable to increases in occupancy and year-over-year rent increases. Baltic's same property revenues for the nine months ended September 30, 2017 increased by $266 to $9,082 over the comparable prior year period.

Retirement's transactions contributed to incremental revenues of $7,068 for the nine months ended September 30, 2017 (2016 - $nil). Baltic's transactions contributed $38,526 of revenues for the nine months ended September 30, 2017 (2016 - $nil).

Operating Expenses

Same property operating expenses from continuing operations for the nine months ended September 30, 2017 increased by $3,064 to $292,912, over the comparable prior year period. Long-term Care operating expenses for the nine months ended September 30, 2017 increased by $2,019 to $263,601, primarily attributable to higher flow-through envelope expenses. Retirement same property operating expenses for the nine months ended September 30, 2017 increased by $799 to $23,020, primarily attributable to higher variable expenses resulting from increase in occupancy. Baltic's same property operating expenses for the nine months ended September 30, 2017 increased by $246 to $6,291 over the comparable prior year period.

Retirement's transactions recorded $4,235 of operating expenses for the nine months ended September 30, 2017 (2016 - $nil). Baltic's transactions recorded $26,584 of operating expenses for the nine months ended September 30, 2017 (2016 - $nil).

NOI

Same property NOI from continuing operations for the nine months ended September 30, 2017 increased by $2,546 to $72,854 over the comparable prior year period. Long-term Care's NOI for the nine months ended September 30, 2017 increased by $504 to $49,129 for the nine months ended September 30, 2017, primarily attributable to increased preferred accommodation rates and disciplined cost management. Retirement's same property NOI increased by $2,022 to $20,934, primarily due to increases in occupancy and year-over year rent increases. Baltic's same property NOI for the nine months ended September 30, 2017 remained relatively stable at $2,791 over the comparable prior year period.

Retirement's transactions contributed incremental NOI of $2,833 for the nine months ended September 30, 2017 (2016 - $nil). Baltic's transactions contributed $11,942 of NOI for the nine months ended September 30, 2017 (2016 - $nil).

Due to the seasonality of certain operating expenses and occupancy activities, trends which may appear in operating margins may be merely coincidental, and readers should not rely on net operating margin calculations herein.

Depreciation and Amortization

Depreciation and amortization for the nine months ended September 30, 2017 decreased by $2,205 to $27,819 over the comparable prior year period, due to certain intangible assets being fully depreciated at the end of 2016, partially offset by incremental depreciation and amortization from the Baltic Properties and the RR Properties acquired in 2016 and 2017.

Administrative Expenses

Administrative expenses for the nine months ended September 30, 2017 increased by $1,924 to $15,295 over the comparable prior year period, primarily attributable to increased costs to support the Company's growth.

Net Finance Charges

Net finance charges from continuing operations for the nine months ended September 30, 2017 decreased by $805 to $18,766 over the comparable prior year period, primarily attributable to the 2016 dividend equivalents paid on the Subscription Receipts, and a fair value gain on the interest rate swap contracts in the nine months ended September 30, 2017, partially offset by incremental mortgage interest expense from the Baltic Properties and the RR Properties acquired in 2016 and 2017, and higher fees on the revolving credit facility compared to Q3 2016.

Transaction Costs

Transaction costs for the nine months ended September 30, 2017 decreased by $5,404 to $1,969 over the comparable prior year period, primarily attributable to higher transactional activity in the comparable prior year period related to the Baltic Properties and the RR Properties acquired in 2016.

Income Taxes

The income tax expense from continuing operations for the nine months ended September 30, 2017 increased by $5,362 to $6,161 over the comparable prior year period. The current income tax expense from continuing operations increased by $3,647 over the comparable prior year period to $6,154, primarily attributable to an increase in NOI, and a decrease in transaction costs, net of the interest expense and tax depreciation associated with the RR Properties acquired in 2017. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.46% (2016 - 26.46%). The deferred income tax expense from continuing operations of $7 represents an increase in deferred income tax expense of $1,715 over the comparable prior year period, primarily as a result of realizing the benefit of deferred tax items set up in prior years.

Business Performance

The following table represents the reconciliation of net income from continuing operations to FFO, OFFO and AFFO for the periods ended September 30:

Thousands of dollars, except share and per share data	Three Months Ended 2017	Three Months Ended 2016	Three Months Ended Change	Nine Months Ended 2017	Nine Months Ended 2016	Nine Months Ended Change
Net income (loss) from continuing operations	**6,214**	(364)	6,578	**17,619**	(1,107)	18,726
Deferred income tax (recovery) expense	**(288)**	(692)	404	**7**	(1,708)	1,715
Depreciation and amortization	**9,666**	10,790	(1,124)	**26,689**	29,343	(2,654)
Transaction costs	**756**	4,172	(3,416)	**1,969**	7,373	(5,404)
Fair value (gain) loss on interest rate swap contracts	**(193)**	569	(762)	**(914)**	1,052	(1,966)
Net income (loss) from discontinued operations(1)	**—**	(14)	14	**—**	288	(288)
Gain on Glenmore Lodge option (net of taxes)	**—**	(188)	188	**(62)**	(188)	126
Non-controlling interest	**(134)**	(74)	(60)	**(322)**	(74)	(248)
Funds from operations (FFO)	**16,021**	14,199	1,822	**44,986**	34,979	10,007
Depreciation and amortization - corporate	**361**	344	17	**1,130**	681	449
Amortization of financing charges and fair value adjustments on acquired debt	**107**	161	(54)	**467**	414	53
Amortization of loss on bond forward contract	**224**	215	9	**659**	635	24
Dividend equivalents on the Subscription Receipts	**—**	655	(655)	**—**	1,964	(1,964)
Interest income on the Subscription Receipts funds	**—**	(43)	43	**—**	(155)	155
Net settlement payment on interest rate swap contracts	**(148)**	(57)	(91)	**(733)**	(187)	(546)
Tax benefit from capital loss carryforwards	**—**	—	—	**—**	(861)	861
MOHLTC reconciliation adjustment, net of taxes	**—**	—	—	**—**	204	(204)
Operating funds from operations (OFFO)	**16,565**	15,474	1,091	**46,509**	37,674	8,835
Deferred share unit compensation earned	**320**	383	(63)	**1,322**	964	358
Income support	**—**	59	(59)	**—**	198	(198)
Construction funding principal	**2,548**	2,371	177	**7,587**	7,223	364
Maintenance capex	**(896)**	(1,067)	171	**(2,558)**	(2,184)	(374)
Adjusted funds from operations (AFFO)	**18,537**	17,220	1,317	**52,860**	43,875	8,985
Adjusted funds from operations (AFFO)	**18,537**	17,220	1,317	**52,860**	43,875	8,985
Dividends declared	**(10,430)**	(9,652)	(778)	**(31,223)**	(26,101)	(5,122)
AFFO retained	**8,107**	7,568	539	**21,637**	17,774	3,863
Basic FFO per share	**0.346**	0.332	0.014	**0.973**	0.906	0.067
Basic OFFO per share	**0.357**	0.362	(0.005)	**1.006**	0.975	0.031
Basic AFFO per share	**0.400**	0.403	(0.003)	**1.143**	1.136	0.007
Weighted average common shares outstanding - Basic	**46,346,054**	42,755,089		**46,242,420**	38,628,264	
Diluted FFO per share	**0.337**	0.321	0.016	**0.949**	0.877	0.072
Diluted OFFO per share	**0.346**	0.349	(0.003)	**0.975**	0.942	0.033
Diluted AFFO per share	**0.386**	0.387	(0.001)	**1.104**	1.092	0.012
Weighted average common shares outstanding - Diluted	**49,007,478**	45,495,827		**48,922,700**	41,357,082	

Note 1: Three months ended September 30, 2017 - $nil current income tax recovery (2016 - $4).
Nine months ended September 30, 2017 - $nil current income tax expense (2016 - $97).

Reconciliation of diluted FFO, OFFO and AFFO

	Three Months Ended			Nine Months Ended		
Thousands of Dollars	**2017**	2016	Change	**2017**	2016	Change
FFO, Basic	**16,021**	14,199	1,822	**44,986**	34,979	10,007
Net financing charges on convertible debt	**647**	551	96	**1,928**	1,756	172
Current income tax expense adjustment	**(171)**	(146)	(25)	**(510)**	(465)	(45)
FFO, Diluted	**16,497**	14,604	1,893	**46,404**	36,270	10,134
OFFO, Basic	**16,565**	15,474	1,091	**46,509**	37,674	8,835
Interest expense on convertible debentures	**543**	551	(8)	**1,623**	1,656	(33)
Current income tax expense adjustment	**(144)**	(146)	2	**(429)**	(365)	(64)
OFFO, Diluted	**16,964**	15,879	1,085	**47,703**	38,965	8,738
AFFO, Basic	**18,537**	17,220	1,317	**52,860**	43,875	8,985
Interest expense on convertible debentures	**543**	551	(8)	**1,623**	1,656	(33)
Current income tax expense adjustment	**(144)**	(146)	2	**(429)**	(365)	(64)
AFFO, Diluted	**18,936**	17,625	1,311	**54,054**	45,166	8,888

For the Quarter

FFO increased by $1,822 to $16,021, compared to Q3 2016. The increase was primarily attributable to improved NOI contribution from same properties, the Baltic Properties and RR Properties acquired in 2016 and 2017, and the Q3 2016 dividend equivalents paid on the Subscription Receipts, partially offset by an increase in current income taxes.

OFFO increased by $1,091 to $16,565, compared to Q3 2016. The increase was primarily attributable to the increase in FFO noted above, excluding the Q3 2016 dividend equivalents paid on the Subscription Receipts.

AFFO increased by $1,317 to $18,537, compared to Q3 2016. The increase in AFFO was principally related to the increase in OFFO noted above and timing of maintenance capex.

For the Year to Date

FFO for the nine months ended September 30, 2017 increased by $10,007 to $44,986 over the comparable prior year period. The increase was primarily attributable to improved NOI contribution from same properties, the Baltic Properties and RR Properties acquired in 2016 and 2017, and the 2016 dividend equivalents paid on the Subscription Receipts. These increases were partially offset by incremental mortgage interest expense from the acquired properties, increased current income taxes and increased administrative expenses.

OFFO for the nine months ended September 30, 2017 increased by $8,835 to $46,509 over the comparable prior year period. The increase was primarily attributable to the increase in FFO noted above, excluding the 2016 dividend equivalents paid on the Subscription Receipts and the 2016 tax benefit from capital loss carryforwards.

AFFO for the nine months ended September 30, 2017 increased by $8,985 to $52,860 over the comparable prior year period. The increase was primarily attributable to the increase in OFFO as noted above, partially offset by an increase in maintenance capital expenditures.

Reconciliation of Cash from Operations to Adjusted Funds from Operations

The following table represents the reconciliation of cash provided by operating activities to AFFO for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2017**	2016	Change	**2017**	2016	Change
Cash provided by operating activities	**12,271**	5,348	6,923	**36,471**	27,380	9,091
Gain on Glenmore Lodge option (net of taxes)	**—**	(188)	188	**(62)**	(188)	126
Non-controlling interest	**(134)**	(74)	(60)	**(322)**	(74)	(248)
Construction funding principal	**2,548**	2,371	177	**7,587**	7,223	364
Transaction costs	**756**	4,172	(3,416)	**1,969**	7,373	(5,404)
MOHLTC reconciliation adjustment, net of taxes	**—**	—	—	**—**	204	(204)
Maintenance capex	**(896)**	(1,067)	171	**(2,558)**	(2,184)	(374)
Net change in working capital, interest and taxes	**4,056**	6,717	(2,661)	**10,034**	4,365	5,669
Restricted share units and long-term incentive plan	**(64)**	(59)	(5)	**(259)**	(224)	(35)
Adjusted funds from operations (AFFO)	**18,537**	17,220	1,317	**52,860**	43,875	8,985
Adjusted funds from operations (AFFO)	**18,537**	17,220	1,317	**52,860**	43,875	8,985
Dividends declared	**(10,430)**	(9,652)	(778)	**(31,223)**	(26,101)	(5,122)
AFFO retained	**8,107**	7,568	539	**21,637**	17,774	3,863
Dividend reinvestment	**1,338**	673	665	**3,916**	2,025	1,891
AFFO retained after dividend reinvestment	**9,445**	8,241	1,204	**25,553**	19,799	5,754

AFFO retained is equal to AFFO less dividends declared. AFFO retained for the three and nine months ended September 30, 2017 was $8,107 (2016 - $7,568) and $21,637 (2016 - $17,774), respectively.

The Board of Directors of the Company determines the appropriate dividend levels based on its assessment of cash provided by operations normalized for unusual items, expected working capital requirements and actual and projected capital expenditures.

Liquidity and Capital Resources

Financial Position Analysis

The following table represents the summary of cash flows for the periods ended September 30:

	Three Months Ended			Nine Months Ended		
Thousands of dollars	**2017**	2016	Change	**2017**	2016	Change
Cash provided by (used in):						
Operating activities	**12,271**	5,348	6,923	**36,471**	27,380	9,091
Investing activities	**(21,047)**	(112,391)	91,344	**(27,308)**	(98,254)	70,946
Financing activities	**6,175**	112,694	(106,519)	**(21,294)**	73,239	(94,533)
(Decrease) increase in cash during the period	**(2,601)**	5,651	(8,252)	**(12,131)**	2,365	(14,496)
Cash, end of period	**15,069**	28,710	(13,641)	**15,069**	28,710	(13,641)

For the Quarter

Operating Activities

Operating activities for Q3 2017 provided $12,271 of cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes of $25,314.
- Decrease in prepaid expenses and deposits provided $927.
- Increase in net government funding payables of $2,956.
- Partially offset by a decrease in accounts payable and accrued liabilities of $3,668, increase in accounts receivable and other assets of $1,478, interest paid on long-term debt of $9,428 and income taxes paid of $2,205.

For Q3 2016, operating activities provided $5,348 of cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes of $18,258.
- Decrease in prepaid expenses and deposits provided $4,104.
- Partially offset by interest paid on long-term debt of $8,732, decrease in accounts payable and accrued liabilities of $5,389, increase in accounts receivable and other assets of $388, decrease in net government funding payables of $1,496 and income taxes paid of $1,000.

Investing Activities

Investing activities for Q3 2017 used $21,047 in cash, which was primarily attributable to the following:

- Acquisition of Kawartha Lakes for $20,896.
- Purchase of property and equipment of $2,829 and intangible assets of $666.
- Partially offset by the construction funding received in the amount of $3,269.

For Q3 2016, investing activities used $112,391 of cash, which was primarily attributable to the following:

- Cash used in the BC Acquisition of $103,634 and the acquisition of Nicola Lodge of $9,496.
- Purchase of equipment of $1,320 and intangible assets of $513.
- Partially offset by construction funding received in the amount of $3,270.

Financing Activities

Financing activities in Q3 2017 provided $6,175 in cash, which was primarily attributable to the following:

- Proceeds from long-term debt of $56,407.
- Partially offset by repayment of long-term debt of $38,623 relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities, dividends paid in the quarter of $9,087 and contributions to the Series B Debentures principal reserve fund of $1,758.

For Q3 2016, financing activities provided $112,694 in cash, which was primarily attributable to the following:

- Proceeds from issuance of common shares and Subscription Receipts of $137,942.
- Partially offset by repayment of long-term debt of $13,559, relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities, contributions to the Series B Debentures principal reserve fund of $1,659, dividend equivalent payments on Subscription Receipts of $1,309 and dividends paid in the quarter of $8,273.

For the Year to Date

Operating Activities

For the nine months ended September 30, 2017, operating activities provided $36,471 of cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes of $71,946.
- Increase in net government funding payables provided $5,908.
- Partially offset by interest paid on long-term debt of $23,498, decrease in accounts payable and accrued liabilities of $7,172, increase in prepaid expenses and deposits of $2,267, and income taxes paid of $8,510.

For the nine months ended September 30, 2016, operating activities provided $27,380 of cash, which was primarily attributable to the following:

- Cash from operating activities before non-cash changes in working capital, interest and taxes of $58,474.
- Increase in net government funding payables provided $2,793.
- Decrease in prepaid expenses and deposits provided $2,684.
- Partially offset by decrease in accounts payable and accrued liabilities of $4,001, interest paid on long-term debt of $21,892, use of cash in discontinued operations of $8,182 and income taxes paid of $4,400.

Investing Activities

For the nine months ended September 30, 2017, investing activities used $27,308 in cash, which was primarily attributable to the following:

- Acquisition of Kawartha Lakes for $20,896, Glenmore Lodge for $5,699 and Rosewood for $2,038.
- Purchase of property and equipment of $6,802 and intangible assets of $1,402.
- Partially offset by construction funding received in the amount of $9,809.

For the nine months ended September 30, 2016, investing activities used $98,254 of cash, which was primarily attributable to the following:

- Cash used in the BC Acquisition of $110,007 and in the acquisition of Nicola Lodge of $9,496.
- Cash used in purchase of equipment of $2,587 and intangible assets of $1,675.
- Partially offset by construction funding received in the amount of $9,810 and cash provided by discontinued operations of $16,409.

Financing Activities

For the nine months ended September 30, 2017, financing activities used $21,294 in cash, which was primarily attributable to the following:

- Repayment of long-term debt of $60,656 relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities.
- Contributions to the Series B Debentures' principal reserve fund of $5,103.
- Dividends paid of $27,286.
- Partially offset by proceeds from long-term debt of $73,507.

For the nine months ended September 30, 2016, financing activities provided $73,239 in cash, which was primarily attributable to the following:

- Proceeds from issuance of common shares and Subscription Receipts of $137,483.
- Partially offset by repayment of long-term debt of $33,756 relating to mortgage principal payments and voluntary repayments on the Company's revolving credit facilities, contributions to the Series B Debentures principal reserve fund of $4,795, dividends paid of $23,359, and dividend equivalent payments on Subscriptions Receipts of $1,964.

Capital Resources

The Company’s total debt as at September 30, 2017 was $762,044 (December 31, 2016 - $734,459), net of the Series B Debentures' principal reserve fund of $22,219 (December 31, 2016 - $17,116). The increase of $27,585 was primarily related to the Company's net drawdown of the Royale Credit Facility and the mortgages assumed on the acquisitions of Glenmore Lodge and Rosewood, partially offset by monthly payments to the Series B Debentures' principal reserve fund and payments toward mortgage liabilities. The Company has credit facilities of $128,500, and as at September 30, 2017, had drawn $57,000 from these facilities.

As at September 30, 2017, the Company had a working capital deficiency (current liabilities less current assets) of $108,186, primarily attributable to the Convertible Debentures of $44,199 and the current portion of long-term debt of $33,507 relating to the portion of mortgage liabilities that are due within a twelve-month period. To support the Company's working capital deficiency, the Company plans to use its operating cash flows, additional proceeds from the exercise of the over-allotment option from the Offering, refinance its debt, other than the Convertible Debentures that will mature in June 2018, and, if necessary, use its undrawn credit facilities, which management believes will be sufficient to address this capital deficiency.

Liquidity and Capital Commitments

Liquidity

The Company’s primary source of liquidity is cash flow generated from operating activities. The Company expects to meet its operating cash requirements through fiscal 2017, including required working capital, capital expenditures, and currently scheduled interest payments on debt, from cash on hand, cash flow from operations and its committed, but unutilized borrowing capacity.

Capital Commitments

The Company monitors all of its properties for capital requirements. As part of the monitoring process, items are assessed and prioritized based on the urgency and necessity of the expenditure.

Debt Strategy

The Company's objectives are to access and maintain the lowest cost of debt with the most flexible terms available. The Company’s debt strategy involves secured debentures, conventional property-specific secured mortgages, bank credit facilities and the Convertible Debentures.

The Company's goal is to continue to optimize its debt maturity schedule over a 10-year period in order to manage interest rate and financial risks. In fiscal 2017 and beyond, the Company plans to capitalize on external growth opportunities and refinance mortgages to build the 10-year debt maturity ladder around the Series B Debentures so as to reduce risk when these debentures mature. In March 2017, DBRS confirmed the A (low) rating for the Series B Debentures.

The Company has adopted interest coverage guidelines which are consistent with the coverage covenants contained in its bank credit facility agreements. Interest coverage ratios provide an indication of the ability to service or pay interest charges relating to the underlying debt. The interest coverage ratio calculations may be defined differently depending on the lender.

Interest Coverage Ratio

The Interest Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. In general, higher ratios indicate a lower risk of default. The interest coverage ratio is calculated as follows for the periods ended September 30:

	Three Months Ended		Nine Months Ended	
Thousands of dollars, except ratio	**2017**	2016	**2017**	2016
Net finance charges from continuing operations	**6,528**	7,121	**18,766**	19,571
Add (deduct):				
Amortization of financing charges and fair value adjustments on acquired debt	**(107)**	(161)	**(467)**	(414)
Amortization of loss on bond forward contract	**(224)**	(215)	**(659)**	(635)
Dividend equivalents on the Subscription Receipts	**—**	(655)	**—**	(1,964)
Interest income on construction funding receivable	**671**	899	**2,222**	2,586
Interest income on the Subscription Receipts funds held in escrow	—	43	—	155
Other interest income	**230**	319	**464**	451
Gain (loss) on interest rate swap contracts	**341**	(512)	**1,647**	(865)
Net finance charges, adjusted	**7,439**	6,839	**21,973**	18,885
Adjusted EBITDA from continuing operations	**28,955**	25,265	**82,143**	66,747
Interest coverage ratio	**3.9**	3.7	**3.7**	3.5

The following table represents the reconciliation of net income to Adjusted EBITDA from continuing operations for the periods ended September 30:

	Three Months Ended		Nine Months Ended	
Thousands of dollars	**2017**	2016	**2017**	2016
Net income (loss) from continuing operations	**6,214**	(364)	**17,619**	(1,107)
Net finance charges	**6,528**	7,121	**18,766**	19,571
Provision for (recovery of) income taxes from continuing operations	**2,161**	(68)	**6,161**	799
Depreciation and amortization	**10,027**	11,134	**27,819**	30,024
Transaction costs	**756**	4,172	**1,969**	7,373
MOHLTC reconciliation adjustments	**—**	—	**—**	277
Proceeds from construction funding	**3,269**	3,270	**9,809**	9,810
Adjusted EBITDA from continuing operations	**28,955**	25,265	**82,143**	66,747

Debt Service Coverage Ratio

The Debt Service Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. Maintaining the debt service coverage ratio forms part of the Company's debt covenant requirements. In general, higher ratios indicate a lower risk of default. The following calculation includes the payments to the Series B Debentures' principal reserve fund as part of the debt service costs. Adjusted EBITDA from continuing operations, as referenced below, is presented in accordance with defined terms in certain covenant calculations. The following is the calculation for the periods ended September 30:

	Three Months Ended		Nine Months Ended	
Thousands of dollars, except ratio	**2017**	2016	**2017**	2016
Net finance charges from continuing operations	**6,528**	7,121	**18,766**	19,571
Add (deduct):				
Amortization of financing charges and fair value adjustments on acquired debt	**(107)**	(161)	**(467)**	(414)
Amortization of loss on bond forward contract	**(224)**	(215)	**(659)**	(635)
Dividend equivalents on the Subscription Receipts	**—**	(655)	**—**	(1,964)
Interest income on construction funding receivable	**671**	899	**2,222**	2,586
Interest income on the Subscription Receipts funds held in escrow	**—**	43	**—**	155
Other interest income	**230**	319	**464**	451
Gain (loss) on interest rate swap contracts	**341**	(512)	**1,647**	(865)
Net finance charges, adjusted	**7,439**	6,839	**21,973**	18,885
Principal repayments [1]	**3,851**	2,559	**10,884**	6,756
Principal reserve fund	**1,758**	1,590	**5,103**	4,726
Total debt service	**13,048**	10,988	**37,960**	30,367
Adjusted EBITDA from continuing operations	**28,955**	25,265	**82,143**	66,747
Deduct:				
Maintenance capex	**(896)**	(1,067)	**(2,558)**	(2,184)
Cash income taxes	**(2,205)**	(1,000)	**(8,510)**	(4,400)
Adjusted EBITDA from continuing operations (for covenant calculations)	**25,854**	23,198	**71,075**	60,163
Debt service coverage ratio	**2.0**	2.1	**1.9**	2.0

Note:

1. During each of the three and nine months ended September 30, 2017, the Company made voluntary payments of $15,000 and $30,000, respectively (2016 - $11,000 and $27,000, respectively) towards the Royale Credit Facility, which have been excluded from the debt service coverage ratio calculation. Debt repayments on maturity have also been excluded from the debt service coverage ratio calculation.

Debt to Adjusted EBITDA Ratio

The Debt to Adjusted EBITDA ratio is an indicator of the approximate number of years required for current cash flows to repay all indebtedness.

Thousands of dollars, except ratio	September 30, **2017**	2016
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(22,219)**	(15,521)
Credit facilities	**57,000**	42,500
Mortgages	**361,364**	352,440
Convertible Debentures	**44,564**	45,083
	762,709	746,502
Adjusted EBITDA from continuing operations [1]	**109,524**	88,996
Debt to Adjusted EBITDA from continuing operations	**7.0**	8.4

Note:
1. Adjusted EBITDA from continuing operations has been annualized based on the Adjusted EBITDA from continuing operations for the nine months ended September 30, 2017 of $82,143 (2016 - $66,747).

Debt Profile

The debt profile is presented to depict the weighted average interest rates based on the nature of the underlying debt split between fixed and floating rate instruments.

	Weighted Average Debt							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017	**Rate (%)**	2016	Rate (%)	**2017**	**Rate (%)**	2016	Rate (%)
Fixed Rate								
Debentures	**322,000**	**3.47%**	322,000	3.47%	**322,000**	**3.47%**	322,000	3.47%
Mortgages [1]	**356,084**	**4.03%**	352,971	4.26%	**409,232**	**4.02%**	355,299	4.26%
Convertible Debentures	**44,564**	**4.65%**	45,279	4.65%	**44,564**	**4.65%**	45,708	4.65%
Total Fixed	**722,648**	**3.83%**	720,250	3.94%	**775,796**	**3.81%**	723,007	3.89%
Floating Rate								
Credit facilities	**62,815**	**2.93%**	46,804	2.68%	**48,744**	**2.70%**	57,887	2.68%
Mortgages	**7,011**	**3.29%**	128	4.00%	**5,875**	**3.30%**	128	4.00%
Total Floating	**69,826**	**2.97%**	46,932	2.68%	**54,619**	**2.76%**	58,015	2.68%
Total Debt	**792,474**	**3.75%**	767,182	3.86%	**830,415**	**3.77%**	781,022	3.84%

Note:
1. For the three and nine months ended September 30, 2017, includes floating rate mortgages of $60,329 and $130,142 (2016 - $50,695 and $50,813) respectively, that have been fixed through interest rate swaps.

Debt to Gross Book Value

Debt to gross book value indicates the leverage applied against the total gross book value (original costs) of the entity.

Thousands of dollars, except ratio	September 30, 2017	2016
Total indebtedness		
Series B Debentures	**322,000**	322,000
Series B Debentures - Principal reserve fund	**(22,219)**	(15,521)
Credit facilities	**57,000**	42,500
Mortgages	**361,364**	352,440
Convertible Debentures	**44,564**	45,083
	762,709	746,502
Total assets	**1,221,813**	1,212,546
Accumulated depreciation on property and equipment	**169,327**	139,161
Accumulated amortization on intangible assets	**80,370**	77,935
Gross book value	**1,471,510**	1,429,642
Debt to gross book value	**51.8%**	52.2%
Debt, excluding Convertible Debentures, to gross book value	**48.8%**	49.1%

Capital Disclosure

The Company defines its capital as the total of its long-term debt and shareholders' equity less cash and cash equivalents.

The Company's objectives when managing capital are to:

(i) maintain a capital structure that provides options to the Company for accessing capital, on commercially reasonable terms, without exceeding its debt capacity, or the limitations in its credit facilities, or taking on undue risks;

(ii) maintain financial flexibility in order to meet financial obligations, including debt service payments and regular dividend payments; and

(iii) deploy capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue additional shares, issue additional long-term debt, issue long-term debt to replace existing long-term debt with similar or different characteristics, or adjust the amount of dividends paid to the Company's shareholders. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on factors such as the Company's financial needs and the market and economic conditions at the time of the transaction.

The Board of Directors of the Company reviews and approves monthly dividends in advance on a quarterly basis.

The Company has property-level mortgages that are secured by each of the underlying properties' assets, guaranteed by the Company and are subject to certain customary financial and non-financial covenants. The Company is in compliance with all financial covenants on its borrowings. However, there can be no assurance that covenant requirements will be met at all times. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be affected.

There were no changes in the Company’s approach to capital management during the period.

Contractual Obligations and Other Commitments

Long-term Debt

The following table summarizes the Company's long-term debt commitments by maturity date.

				Amortizing Debt				
Year	Series B Debentures	Floating Rate Debt	Convertible Debentures	Regular Principal Payments	Principal Due at Maturity	**Total**	% of Total	Weighted Average Interest on Maturing Debt
2017	—	—	—	3,932	9,977	**13,909**	1.8%	3.0%
2018	—	—	44,564	15,094	29,914	**89,572**	11.4%	4.9%
2019	—	—	—	13,440	65,142	**78,582**	9.9%	4.5%
2020	—	57,000	—	9,923	19,992	**86,915**	11.1%	2.8%
2021	322,000	—	—	9,662	1,500	**333,162**	42.5%	3.5%
2022	—	—	—	8,590	12,091	**20,681**	2.6%	3.2%
2023	—	—	—	7,203	51,152	**58,355**	7.4%	3.1%
2024	—	—	—	5,860	20,617	**26,477**	3.4%	4.2%
2025	—	—	—	4,551	—	**4,551**	0.6%	—%
2026	—	—	—	4,725	—	**4,725**	0.6%	—%
Thereafter	—	—	—	19,502	48,497	**67,999**	8.7%	4.0%
	322,000	**57,000**	**44,564**	**102,482**	**258,882**	**784,928**	100.0%	
Mark-to-market adjustment arising from acquisitions						**4,304**		
Less: Deferred financing costs						**(4,604)**		
Less: Deferred financing costs on convertible debentures						**(300)**		
Less: Equity component of convertible debentures						**(65)**		
						784,263		

Convertible Debentures

The Company has Convertible Debentures outstanding with an aggregate principal amount of $44,564, convertible into common shares at $16.75 per common share. The Convertible Debentures have a maturity date of June 30, 2018 and bear interest at 4.65% per annum, which is payable semi-annually in June and December.

Operating Leases

The Company has a 10-year operating lease with respect to its Markham, Ontario office, which expires on October 31, 2024. The lease includes the assignment of the Company's obligation under its office lease in Vaughan, Ontario which expires in August 2019. As well, there are various operating leases for office and other equipment that expire over the next five years and thereafter.

Related Party Transactions

As at September 30, 2017, the Company had amounts outstanding from certain key management of $1,186 (December 31, 2016 - $1,026) in relation to the long-term incentive plan issuances and share purchase loans, which have been recorded as a reduction to shareholders' equity. The incentive plan terms provide for the loans to bear interest at the prime rate prevailing at the Company's bank at the time of grant, and are due on demand. The underlying common shares have been pledged as security against the respective loans.

Critical Accounting Estimates and Accounting Policies

The critical accounting estimates used by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2016. Please refer to those statements for further detail.

In preparing the interim consolidated financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2016, which are available on SEDAR or may be accessed on the Company's website.

Significant Judgments and Estimates

The critical accounting estimates used by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2016, which are available on SEDAR or the Company's website. Please refer to those consolidated financial statements for further detail.

Risk Factors

Please refer to the Company's AIF, for a discussion of the Risk Factors applicable to the Company.

The Government of Ontario recently introduced legislation to amend employment and labour laws in the Province of Ontario. It is anticipated that these proposed amendments, if effected, will increase the labour costs of employers in the Province of Ontario, including Sienna. The Company is assessing the potential operational and financial impact of these proposed changes. There can be no assurance at this time as to whether some or any of the legislative proposals will be enacted by the Government of Ontario, and the Company continues to actively monitor the legislative developments in this regard.

Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company, inclusive of its subsidiaries, is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is necessarily required to use judgment in evaluating controls and procedures.

There were no material changes in the Company's disclosure controls and procedures and internal controls over financial reporting since year-end that have a material effect, or are reasonably likely to have a material effect, on the Company's control environment.

Forward-Looking Statements

This document contains forward-looking information based on management's current expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for the Company as of the date of this MD&A. Forward-looking statements involve significant known and unknown risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. Such known and unknown risks, uncertainties and other factors may cause the actual results to be materially different from any future results expressed or implied by such forward-looking statements. When used in this MD&A, such statements use words such as "may", "might", "will", "expect", "believe", "plan", "budget", "should", "could", "would", "anticipate", "estimate", "forecast", "intend", "continue", "project", "schedule" and other similar terminology. The forward-looking statements contained in this MD&A are based on information currently available to management and that management currently believes are based on reasonable assumptions. However, neither the Company nor management can ensure actual results will be consistent with these forward-looking statements. These forward-looking statements are as of the date of this MD&A, and the Company and its management assume no obligation to update or revise them to reflect new events or circumstances except as required by securities laws. Readers are cautioned not to place undue reliance on any forward-looking statements.

Consolidated Financial Statements

(in thousands of Canadian Dollars)

Q3 2017

Sienna Senior Living Inc.

Sienna
SENIOR LIVING

Condensed Interim Consolidated Financial Statements

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

Thousands of dollars

	Notes	September 30, 2017	December 31, 2016
ASSETS			
Current assets			
Cash		**15,069**	27,200
Accounts receivable and other assets	16	**7,226**	8,380
Prepaid expenses and deposits		**3,814**	1,693
Government funding receivable		**3,006**	3,221
Construction funding receivable		**10,479**	10,138
		39,594	50,632
Government funding receivable		**189**	1,030
Interest rate swap contract	6	**1,148**	1,172
Restricted cash	7	**26,140**	20,375
Construction funding receivable		**56,709**	64,637
Property and equipment		**783,468**	756,986
Intangible assets		**206,312**	202,160
Goodwill		**108,253**	107,226
Total assets		**1,221,813**	1,204,218
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**64,817**	73,752
Government funding payable		**3,826**	1,917
Current portion of long-term debt	8	**33,507**	93,196
Convertible debentures	9	**44,199**	—
Income taxes payable		**1,045**	3,400
Interest rate swap contracts	6	**386**	810
		147,780	173,075
Long-term debt	8	**706,557**	614,027
Convertible debentures	9	**—**	44,352
Deferred income taxes	11	**61,146**	60,856
Government funding payable		**4,759**	1,816
Share-based compensation liability	14	**6,777**	5,078
Obligation to purchase interest in PSM	20	**2,100**	2,100
Interest rate swap contracts	6	**1,461**	2,707
Total liabilities		**930,580**	904,011
EQUITY			
Shareholders' equity		**291,155**	300,176
Non-controlling interest		**78**	31
Total equity		**291,233**	300,207
Total liabilities and equity		**1,221,813**	1,204,218

See accompanying notes.

Approved by the Board of Directors of Sienna Senior Living Inc.

"Dino Chiesa"	*"Janet Graham"*
Dino Chiesa Chairman and Director	Janet Graham Director

Thousands of dollars

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total Shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2017		**522,766**	**515**	**121**	**(220,401)**	**(2,825)**	**300,176**	**31**	**300,207**
Issuance of shares	12	**4,332**	**—**	**—**	**—**	**—**	**4,332**	**—**	**4,332**
Net income	20	**—**	**—**	**—**	**17,297**	**—**	**17,297**	**322**	**17,619**
Other comprehensive income		**—**	**—**	**—**	**—**	**484**	**484**	**—**	**484**
Long-term incentive plan	12, 14	**36**	**—**	**36**	**—**	**—**	**72**	**—**	**72**
Share purchase loan	12	**17**	**—**	**—**	**—**	**—**	**17**	**—**	**17**
Dividends	13	**—**	**—**	**—**	**(31,223)**	**—**	**(31,223)**	**—**	**(31,223)**
Distributions		**—**	**—**	**—**	**—**	**—**	**—**	**(275)**	**(275)**
Balance, September 30, 2017		**527,151**	**515**	**157**	**(234,327)**	**(2,341)**	**291,155**	**78**	**291,233**

	Notes	Share capital	Equity portion of convertible debentures	Contributed surplus	Shareholders' deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2016		374,967	515	89	(195,240)	(3,452)	176,879	—	176,879
Issuance of shares	12	146,819	—	—	—	—	146,819	—	146,819
Net income	20	—	—	—	6,818	—	6,818	74	6,892
Other comprehensive income		—	—	—	—	467	467	—	467
Long-term incentive plan	12, 14	30	—	32	—	—	62	—	62
Share purchase loan	12	17	—	—	—	—	17	—	17
Dividends	13	—	—	—	(26,101)	—	(26,101)	—	(26,101)
Distributions		—	—	—	—	—	—	(58)	(58)
Balance, September 30, 2016		521,833	515	121	(214,523)	(2,985)	304,961	16	304,977

See accompanying notes.

Condensed Interim Consolidated Statements of Operations
(Unaudited)
Thousands of dollars, except share and per share data

	Notes	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenue	17	**139,867**	130,418	**411,360**	359,876
Expenses					
Operating		**109,109**	103,994	**323,731**	289,845
Depreciation and amortization		**10,027**	11,134	**27,819**	30,024
Administrative		**5,072**	4,429	**15,295**	13,371
	18	**124,208**	119,557	**366,845**	333,240
Income from continuing operations before net finance charges, transaction costs and provision for (recovery of) income taxes		**15,659**	10,861	**44,515**	26,636
Net finance charges	10	**6,528**	7,121	**18,766**	19,571
Transaction costs		**756**	4,172	**1,969**	7,373
Total other expenses		**7,284**	11,293	**20,735**	26,944
Income (loss) from continuing operations before provision for (recovery of) income taxes		**8,375**	(432)	**23,780**	(308)
Provision for (recovery of) income taxes from continuing operations					
Current		**2,449**	624	**6,154**	2,507
Deferred		**(288)**	(692)	**7**	(1,708)
	11	**2,161**	(68)	**6,161**	799
Net income (loss) from continuing operations		**6,214**	(364)	**17,619**	(1,107)
Net income (loss) from discontinued operations, net of taxes	5	**—**	(7)	**—**	7,999
Net income (loss)		**6,214**	(371)	**17,619**	6,892
Net income (loss) attributable to:					
Shareholders of the Company		**6,080**	(445)	**17,297**	6,818
Non-controlling interest	20	**134**	74	**322**	74
		6,214	(371)	**17,619**	6,892
Net income (loss) attributable to shareholders of the Company					
Basic and diluted net income (loss) from continuing operations per share	12	**$0.13**	($0.01)	**$0.37**	($0.03)
Basic net income from discontinued operations per share	12	**$0.00**	$0.00	**$0.00**	$0.21
Diluted net income from discontinued operations per share	12	**$0.00**	$0.00	**$0.00**	$0.19
Weighted average number of common shares outstanding - basic	12	**46,346,054**	42,755,089	**46,242,420**	38,628,264
Weighted average number of common shares outstanding - diluted	12	**49,007,478**	45,495,827	**48,922,700**	41,357,082

See accompanying notes.

Thousands of dollars, except share and per share data

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2017**	2016	**2017**	2016
Net income (loss)		**6,214**	(371)	**17,619**	6,892
Other comprehensive income					
Items that may be subsequently reclassified to the consolidated statements of operations:					
Loss on bond forward contracts, net of tax	11	164	158	484	467
Total comprehensive income (loss)		**6,378**	(213)	**18,103**	7,359

See accompanying notes.

Thousands of dollars

	Notes	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
OPERATING ACTIVITIES					
Net income (loss)		**6,214**	(371)	**17,619**	6,892
Add (deduct) items not affecting cash					
Depreciation of property and equipment		**8,151**	7,840	**22,981**	20,812
Amortization of intangible assets		**1,876**	3,294	**4,838**	9,212
Current income taxes		**2,449**	624	**6,154**	2,507
Deferred income taxes		**(288)**	(692)	**7**	(1,708)
Share-based compensation	14	**384**	442	**1,581**	1,188
Net finance charges	10	**6,528**	7,121	**18,766**	19,571
		25,314	18,258	**71,946**	58,474
Non-cash changes in working capital					
Accounts receivable and other assets		**(1,478)**	(388)	**796**	1,893
Prepaid expenses and deposits		**927**	4,104	**(2,267)**	2,684
Accounts payable and accrued liabilities		**(3,668)**	(5,389)	**(7,172)**	(4,001)
Income support		**—**	59	**—**	198
Government funding, net		**2,956**	(1,496)	**5,908**	2,793
		(1,263)	(3,110)	**(2,735)**	3,567
Interest paid on long-term debt and convertible debentures		**(9,428)**	(8,732)	**(23,498)**	(21,892)
Net settlement payment on interest rate swap contracts		**(147)**	(57)	**(732)**	(187)
Income taxes paid		**(2,205)**	(1,000)	**(8,510)**	(4,400)
Cash used in operating activities of discontinued operations	5	**—**	(11)	**—**	(8,182)
Cash provided by operating activities		**12,271**	5,348	**36,471**	27,380
INVESTING ACTIVITIES					
Purchase of property and equipment		**(2,829)**	(1,320)	**(6,802)**	(2,587)
Purchase of intangible assets		**(666)**	(513)	**(1,402)**	(1,675)
Amounts received from construction funding		**3,269**	3,270	**9,809**	9,810
Interest received from cash		**230**	63	**382**	192
Cash provided by discontinued operations	5	**—**	—	**—**	16,409
Deposit on acquisition of the BC Portfolio		**—**	(103,634)	**—**	(110,007)
Acquisition of Nicola Lodge		**—**	(9,496)	**—**	(9,496)
Acquisition of Glenmore Lodge	4	**—**	—	**(5,699)**	—
Acquisition of Rosewood Retirement Residence	4	**—**	—	**(2,038)**	—
Acquisition of Kawartha Lakes Retirement Residence	4	**(20,896)**	—	**(20,896)**	—
Change in restricted cash	7	**(155)**	(761)	**(662)**	(900)
Cash used in investing activities		**(21,047)**	(112,391)	**(27,308)**	(98,254)
FINANCING ACTIVITIES					
Repayment of long-term debt		**(38,623)**	(13,559)	**(60,656)**	(33,756)
Proceeds from long-term debt		**56,407**	—	**73,507**	—
Deferred financing costs		**(672)**	(433)	**(1,481)**	(446)
Change in Series B Debentures principal reserve fund	7	**(1,758)**	(1,659)	**(5,103)**	(4,795)
Distributions to non-controlling interest		**(92)**	(58)	**(275)**	(58)
Dividends paid	13	**(9,087)**	(8,273)	**(27,286)**	(23,359)
Net proceeds from issuance of subscription receipts		**—**	137,942	**—**	137,483
Dividend equivalents paid on subscription receipts		**—**	(1,309)	**—**	(1,964)
Interest received from subscription receipts funds held in escrow		**—**	43	**—**	155
Share issuance costs		**—**	—	**—**	(21)
Cash provided by (used in) financing activities		**6,175**	112,694	**(21,294)**	73,239
(Decrease) increase in cash during the period		**(2,601)**	5,651	**(12,131)**	2,365
Cash, beginning of period		**17,670**	23,059	**27,200**	26,345
Cash, end of period		**15,069**	28,710	**15,069**	28,710

See accompanying notes.

1 Organization

Sienna Senior Living Inc. (the "**Company**") and its predecessors have been operating since 1972. The Company is one of Canada's leading seniors' living providers serving the continuum of independent living ("**IL**"), independent supportive living, assisted living ("**AL**"), memory care and long-term care/ residential care ("**LTC**", "**Long-term Care**", "**RC**") through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. As at September 30, 2017, the Company owns and operates a total of 58 seniors' living residences: 15 retirement residences ("**RR**" or "**Retirement Residences**"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL and AL and funded LTC/ RC (including the Company's partial ownership in two newly built residences in British Columbia) ("**Baltic Properties**"). Subsequent to September 30, 2017, the Company acquired two additional RR (Note 23).

Under its management services division, including the Company's 50% interest in its management platform in British Columbia ("**PSM**"), the Company provides management services to seniors' living residences in the Provinces of British Columbia and Ontario.

The Company was incorporated under the Business Corporations Act (Ontario) as "Leisureworld Senior Care Corporation" on February 10, 2010, and was subsequently continued under the Business Corporations Act (British Columbia) on March 18, 2010. The Company closed the initial public offering of its common shares on March 23, 2010. In connection with a Company-wide rebranding initiative that took effect on May 1, 2015, the Company changed its name from Leisureworld Senior Care Corporation to Sienna Senior Living Inc., pursuant to the filing of a Notice of Alteration with the British Columbia Registry Services on April 23, 2015. In connection with the name change to Sienna Senior Living Inc., the Company commenced trading under the symbol "**SIA**".

The Company's business is carried on through a number of wholly owned limited partnerships formed under the laws of the Province of Ontario, except for two properties (referred to as the Option Properties and defined in Note 21), which are owned through a partnership between the Company and WVJ II General Partnership (an affiliate of Pacific Seniors Management Investments Ltd.).

As at September 30, 2017, the Company had outstanding 46,383,962 common shares and $44,564 in aggregate principal amount of convertible unsecured subordinated debentures (TSX symbol: **SIA.DB**) (formerly LW.DB) which, in aggregate, are convertible into 2,660,539 common shares.

The head office of the Company is located at 302 Town Centre Blvd., Suite 300, Markham, Ontario, L3R 0E8. The registered office of the Company is located at 1900 - 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

2 Basis of preparation

These unaudited condensed interim consolidated financial statements ("**interim consolidated financial statements**") have been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board. The interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards.

The interim consolidated financial statements were approved by the Board of Directors for issuance on November 14, 2017.

3 Summary of significant accounting policies, judgments and estimation uncertainty

In preparing these interim consolidated financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2016.

Accounting standards issued but not yet applied

IFRS 9, Financial Instruments
IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of International Accounting Standard ("**IAS**") 39, Financial Instruments: Recognition and Measurement, that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at the time of initial recognition. The classification depends on the Company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main difference is that, in cases where the fair value option is chosen for financial liabilities, the portion of fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than net income, unless this creates an accounting mismatch. In July 2014, IFRS 9 was amended to establish a mandatory effective date of January 1, 2018 with early adoption permitted. The Company has not yet adopted this standard, and is currently in the process of assessing the potential impact of this new standard. The Company is expecting the principal area impacted by the adoption will be the new impairment model for receivables. The Company will provide an update in the fourth quarter of 2017.

IFRS 15, Revenue from Contracts with Customers
In May 2014, the IASB issued the new revenue standard that requires an entity to recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. In September 2015, the IASB deferred the effective date for the new standard for annual periods beginning on January 1, 2018 with early adoption permitted. The Company has not yet adopted this standard, and is currently in the process of assessing the extent of the impact. The Company is expecting the adoption will require a disclosure change in the notes to the consolidated financial statements whereby revenue earned under IFRS 15 will be separately disclosed from revenue earned under IAS 17, Leases. The Company will provide an update in the fourth quarter of 2017.

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

4 Acquisitions

Kawartha Lakes Retirement Residence

On July 5, 2017, the Company completed the acquisition of Retirement Suites of Kawartha Lakes (now rebranded as Kawartha Lakes Retirement Residence), a 93-suite independent and assisted living retirement residence located in Bobcaygeon, Ontario (**"Kawartha Lakes"**).

The total net purchase price of $20,896 was allocated to the assets and liabilities on a preliminary basis as follows:

Assets	
Accounts receivable and other assets	18
Prepaid expenses	39
Property and equipment	17,622
Intangible assets	2,975
Goodwill	401
Total assets	21,055
Liabilities	
Accounts payable and accrued liabilities	159
Total liabilities	159
Net assets acquired	20,896

Transaction costs expensed related to the Kawartha Lakes acquisition for the nine months ended September 30, 2017 were $671.

If the acquisition of Kawartha Lakes had taken place on January 1, 2017, it is estimated that the consolidated revenue from continuing operations and consolidated net income from continuing operations for the Company for the nine months ended September 30, 2017 would have been approximately $413,254 and $17,771 respectively.

The net assets were acquired with cash consideration of $20,896.

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

Rosewood Retirement Residence

On June 1, 2017, the Company completed the acquisition of a formerly managed independent and assisted living seniors residence containing 68 beds in Kingston, Ontario ("**Rosewood**").

The total net purchase price of $5,038 was allocated to the assets and liabilities on a preliminary basis as follows:

Assets	
Accounts receivable and other assets	25
Prepaid expenses	29
Property and equipment	8,449
Intangible assets	1,333
Goodwill	66
Total assets	9,902
Liabilities	
Accounts payable and accrued liabilities	206
Long-term debt	4,658
Total liabilities	4,864
Net assets acquired	5,038

Transaction costs expensed related to the Rosewood acquisition for the nine months ended September 30, 2017 were $398.

If the acquisition of Rosewood had taken place on January 1, 2017, it is estimated that the consolidated revenue from continuing operations and consolidated net income from continuing operations for the Company for the nine months ended September 30, 2017 would have been approximately $412,531 and $17,613 respectively.

As part of the Rosewood acquisition, the Company assumed an existing mortgage in the amount of $4,611 with a fair value of $4,658, bearing interest at a rate of 3.77% and maturing January 1, 2018. The mortgage is secured by a first charge on all Rosewood assets owned by the Company and located at the property, and is subject to certain customary financial and non-financial covenants.

The net assets were acquired with cash consideration of $2,038. In addition, the Company entered into a vendor-take-back mortgage of $3,000, bearing interest at a rate of 3.00% and maturing June 15, 2021. The vendor-take-back mortgage is secured by the Rosewood assets owned by the Company and located at the property, and is subject to certain customary financial covenants.

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

Glenmore Lodge

On March 15, 2017, the Company completed the acquisition of a 61% interest in a seniors living residence containing 118 beds in British Columbia ("**Glenmore Lodge**"). The Company has classified its investment in Glenmore Lodge as a joint operation since it has rights to the assets and obligations for the liabilities related to Glenmore Lodge.

The total net purchase price of $6,927 was allocated to the assets and liabilities on a preliminary basis as follows:

Assets	
Cash	428
Accounts receivable and other assets	3
Prepaid expenses	36
Property and equipment	16,590
Intangible assets	3,280
Goodwill	560
Deferred income taxes	136
Total assets	21,033
Liabilities	
Accounts payable and accrued liabilities	456
Long-term debt	13,650
Total liabilities	14,106
Net assets acquired	6,927

Transaction costs expensed related to the Glenmore Lodge acquisition for the nine months ended September 30, 2017 were $226.

The net assets were acquired at a discount to fair market value due to the partial exercise of an option acquired in 2016 with cash consideration of $6,377, which included a deposit of $250 made in 2016.

If the acquisition of the 61% interest in Glenmore Lodge had taken place on January 1, 2017, it is estimated that the consolidated revenue from continuing operations and consolidated net income from continuing operations for the Company for the nine months ended September 30, 2017 would have been approximately $412,497 and $17,767 respectively.

As part of the Glenmore Lodge acquisition, the Company assumed 61% of Glenmore Lodge's existing mortgage in the amount of $13,223 with a fair value of $13,650, bearing interest at a rate of 4.68% and maturing June 1, 2032. The mortgage is secured by a first charge on all Glenmore Lodge assets owned by the Company and located at the property, and is subject to certain customary financial and non-financial covenants.

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

5 Discontinued operations

On April 28, 2016, the Company completed the sale of Preferred Health Care Services ("**PHCS**"), the ancillary home care ("**Home Care**") business of the Company, for cash proceeds of $16,409, and discontinued its Home Care business. The Company recorded a gain on sale of $7,719, net of taxes of $2,142 for the nine months ended September 30, 2016.

The following table summarizes the net income from discontinued operations:

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	2016
Revenue	—	—	—	5,278
Expenses	—	18	—	4,896
(Loss) income before net finance income and provision for income taxes	—	(18)	—	382
Net finance income	—	—	—	(3)
Gain on sale	—	—	—	(9,861)
Total other income	—	—	—	(9,864)
(Loss) income before (recovery of) provision for income taxes	—	(18)	—	10,246
(Recovery of) provision for income taxes				
Current	—	(11)	—	2,232
Deferred	—		—	15
	—	(11)	—	2,247
Net (loss) income from discontinued operations	—	(7)	—	7,999

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

6 Financial instruments

Fair value of financial instruments

The Company's use of unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs that are observable for the assets or liabilities either directly or indirectly (Level 2) and inputs for assets or liabilities that are not based on observable market data (Level 3) in the valuation of financial instruments are as follows as at September 30, 2017 and December 31, 2016:

	As at September 30, 2017			
		Fair value		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Construction funding receivable	**67,188**	**—**	**—**	**69,449**
Interest rate swap contract	**1,148**	**—**	**1,148**	**—**
Financial Liabilities				
Long-term debt	**740,064**	**—**	**734,506**	**—**
Convertible debentures	**44,199**	**47,951**	**—**	**—**
Interest rate swap contracts	**1,847**	**—**	**1,847**	**—**

	As at December 31, 2016			
		Fair value		
	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Construction funding receivable	74,775	—	—	80,006
Interest rate swap contracts	1,172	—	1,172	—
Financial Liabilities				
Long-term debt	707,223	—	717,175	—
Convertible debentures	44,352	46,886	—	—
Interest rate swap contracts	3,517	—	3,517	—

Liquidity risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company has credit agreements in place related to the long-term debt. These credit agreements contain a number of standard financial and other covenants. The Company was in compliance with all covenants on its borrowings as at September 30, 2017. A failure by the Company to comply with the obligations in these credit agreements could result in a default, which, if not rectified or waived, could permit acceleration of the relevant indebtedness.

As at September 30, 2017, the Company had negative working capital (current liabilities less current assets) of $108,186 (December 31, 2016 - $122,443). To support the Company's working capital deficiency, the Company has available cash generated from its operations, additional proceeds from the exercise of the over-allotment option from the Offering (see Note 23), debt refinancing, excluding the Convertible Debentures (see Note 9) that will mature in June 2018, and, if necessary, undrawn credit facilities.

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

7 Restricted cash

Restricted cash comprises the Series B Debentures principal reserve fund, capital maintenance reserve funds required for certain mortgages and an employee benefits reserve.

	September 30, 2017	December 31, 2016
Series B Debentures principal reserve fund	**22,219**	17,116
Capital maintenance reserve	**3,336**	2,675
Benefits reserve	**585**	584
Restricted cash	**26,140**	20,375

8 Long-term debt

	Interest rate	**Maturity date**	**September 30, 2017**	December 31, 2016
Series B Debentures	3.474%	February 3, 2021	**322,000**	322,000
Credit facilities	Floating	January 18, 2020	**57,000**	35,500
Mortgages at fixed rates	2.31% - 7.11%	2017-2041	**301,888**	288,301
Mortgages at variable rates	Floating	2023-2029	**59,476**	60,879
			740,364	706,680
Mark-to-market adjustments on acquisitions			**4,304**	4,506
Financing costs			**(4,604)**	(3,963)
Total debt			**740,064**	707,223
Less: current portion			**33,507**	93,196
			706,557	614,027

9 Convertible debentures

The Company has convertible unsecured subordinated debentures outstanding with an aggregate principal amount of $44,564 (**"Convertible Debentures"**). These debentures are convertible into common shares of the Company at $16.75 per common share. The Convertible Debentures have a maturity date of June 30, 2018, and bear interest at 4.65% per annum, which is payable semi-annually in June and December.

On issuance, the debt and equity components of the Convertible Debentures were bifurcated with $45,593 classified as a liability and $515 classified as equity attributable to the conversion option. The equity component included a deferred tax asset of $108. The liability portion of the Convertible Debentures was initially recorded at fair value and is subsequently carried at amortized cost. The Company incurred financing costs of $2,111 related to the Convertible Debentures, which are amortized over their term using the effective interest method and are recognized as part of net finance charges. During the three and nine months ended September 30, 2017, $20 and $519 of convertible debentures were converted into 1,194 and 30,984 common shares, respectively. As at September 30, 2017, $300 (December 31, 2016 - $605) of financing costs remain to be amortized and $65 (December 31, 2016 - $127) of fair value adjustment remains to be accreted.

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

10 Net finance charges

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Finance costs				
Interest expense on long-term debt	**6,046**	6,014	**18,473**	16,700
Interest expense on convertible debentures	**543**	551	**1,623**	1,656
Fees on revolving credit facility	**702**	217	**1,144**	342
Amortization of financing charges and fair value adjustments on acquired debt	**107**	161	**467**	414
Amortization of loss on bond forward contract	**224**	215	**659**	635
Dividend equivalents on subscription receipts	**—**	655	**—**	1,964
Fair value (gain) loss on interest rate swap contracts	**(193)**	569	**(914)**	1,052
	7,429	8,382	**21,452**	22,763
Finance income				
Interest income on construction funding receivable	**671**	899	**2,222**	2,586
Other interest income	**230**	319	**464**	451
Interest income on subscription receipts funds held in escrow	**—**	43	**—**	155
	901	1,261	**2,686**	3,192
Net finance charges from continuing operations	**6,528**	7,121	**18,766**	19,571

11 Income taxes

Total income tax expense for the period can be reconciled to the interim consolidated statements of operations as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Income (loss) from continuing operations before provision for (recovery of) income taxes	**8,375**	(432)	**23,780**	(308)
Canadian combined income tax rate	**26.46%**	26.46%	**26.46%**	26.46%
Income tax expense (recovery)	**2,216**	(114)	**6,292**	(81)
Adjustments to income tax provision:				
Non-deductible items	**39**	353	**132**	802
Book to filing adjustment	**1**	(10)	**7**	322
Other items	**(95)**	(297)	**(270)**	(244)
Provision for (recovery of) income taxes from continuing operations	**2,161**	(68)	**6,161**	799

The effective tax rate for discontinued operations for the three and nine months ended September 30, 2016 was 59.06% and 21.92%, respectively. The provision for income taxes for discontinued operations is disclosed in Note 5.

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

The following are the major deferred tax assets (liabilities) recognized by the Company and movements thereon during the period:

	Accelerated tax depreciation	Intangible assets	Share issuance	Construction funding interest	Other	Total
As at January 1, 2016	(59,774)	(6,104)	539	4,714	652	(59,973)
Due to acquisitions during the year	(4,162)	(995)	—	—	1,119	(4,038)
Credit (charge) to net income	2,079	1,500	(660)	(875)	24	2,068
Book to filing adjustment	(46)	(236)	(5)	—	(34)	(321)
Charge to other comprehensive income	—	—	—	—	(225)	(225)
Credit to equity	—	—	1,633	—	—	1,633
As at December 31, 2016	(61,903)	(5,835)	1,507	3,839	1,536	(60,856)
Credit (charge) to net income	2,447	(1,893)	(139)	(588)	29	(144)
Due to acquisitions in the period	(45)	73	—	—	91	119
Book to filing adjustment	(487)	87	(51)	—	606	155
Charge to other comprehensive income	—	—	—	—	(175)	(175)
Charge to equity	—	—	(245)	—	—	(245)
As at September 30, 2017	**(59,988)**	**(7,568)**	**1,072**	**3,251**	**2,087**	**(61,146)**

The loss on bond forward contracts on the interim consolidated statements of comprehensive income is net of tax for the three and nine months ended September 30, 2017 of $60 and $175, respectively (2016 - $57 and $168, respectively).

12 Share capital

Authorized

Unlimited number of common shares, without nominal or par value
Unlimited number of preferred shares, without nominal or par value

Issued and outstanding

Common shares

	Common shares	Amount
Balance, January 1, 2016	36,478,871	374,967
Long-term incentive plan, net of loans receivable	13,288	37
Share-based compensation	—	22
Dividend reinvestment plan	185,416	2,960
Issued common shares, net of issuance costs	64,767	1,075
Common shares issued in exchange for Subscription Receipts, net of share issuance costs	8,728,500	132,777
Common shares issued to partial seller of BC Acquisition	630,915	10,928
Balance, December 31, 2016	46,101,757	522,766
Long-term incentive plan, net of loans receivable (Note 14)	12,026	36
Share-based compensation (Note 14)	—	17
Dividend reinvestment plan	231,156	3,916
Issued common shares, net of share issuance costs (Note 14)	39,023	416
Balance, September 30, 2017	**46,383,962**	**527,151**

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

Dividend reinvestment plan

The Company has established a dividend reinvestment plan for eligible holders of the Company's common shares, which allows participants to reinvest their cash dividends paid in respect of their common shares in additional common shares at a 3% discount.

Earnings per share

Basic net income per share is calculated using the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated by assuming all convertible securities have been converted at the time of issuance. Any charges or returns on the convertible securities, on an after-tax basis, are removed from net income from continuing operations.

The following table reconciles the numerator and denominator of the basic and diluted income per share calculation:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Reconciliation of net income (loss) used as the numerator				
Net income (loss) from continuing operations	**6,214**	(364)	**17,619**	(1,107)
Less: Net income attributable to non-controlling interest	**134**	74	**322**	74
Net income (loss) used in calculating basic income from continuing operations per share	**6,080**	(438)	**17,297**	(1,181)
Net finance charges on convertible debentures	**647**	654	**1,928**	1,980
Current income tax adjustment	**(171)**	(174)	**(510)**	(525)
Net income used in calculating diluted income from continuing operations per share	**6,556**	42	**18,715**	274
Weighted average number of common shares used as the denominator				
Weighted average number of common shares - basic	**46,346,054**	42,755,089	**46,242,420**	38,628,264
Shares issued if all convertible debentures were converted	**2,661,424**	2,740,738	**2,680,280**	2,728,818
Weighted average number of common shares - diluted	**49,007,478**	45,495,827	**48,922,700**	41,357,082

13 Dividends

The Company paid dividends at $0.075 per month per common share totaling $9,087 for the three months ended and $27,286 for the nine months ended September 30, 2017 (2016 - $8,273 and $23,359, respectively). Dividends payable of $3,479 are included in accounts payable and accrued liabilities as at September 30, 2017 (December 31, 2016 - $3,458). Subsequent to September 30, 2017, the Board of Directors declared dividends of $0.075 per common share for October 2017 totaling $3,481. These dividends have not been recorded in these interim consolidated financial statements.

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

14 Share-based compensation

The Company has share-based compensation plans, which are described below:

*Long-term incentive plan ("**LTIP**")*

On February 15, 2017, incentive award amounts entitling eligible senior executives (**"Participants"**) to acquire 12,026 common shares were granted pursuant to the LTIP. On the grant date, the Company provided a loan to the Participants for the LTIP shares granted and the Participants paid $11 towards the acquisition of common shares. This payment was recorded as an increase to share capital. Related to the LTIP in the nine months ended September 30, 2017, the Company recorded an increase of $36 to share capital (2016 - $30) and $36 to contributed surplus (2016 - $32). As at September 30, 2017, the outstanding loan balance was $780 (December 31, 2016 - $603). Total expense related to the LTIP for the three and nine months ended September 30, 2017 was $nil and $36, respectively (2016 - $nil and $32, respectively).

The fair value of LTIP awards granted was determined by using the Cox-Ross-Rubinstein binomial tree model. The following table summarizes the market based rates and assumptions as well as projections of certain inputs used in determining the fair values used in this model:

Valuation date	February 15, 2017	February 24, 2016
Fair value at grant date	$17.75	$15.68
Volatility	16.55%	16.67%
Monthly discrete dividend	$0.075	$0.075
Risk-free rate	2.00%	1.37%
Annual interest rate on Participant's loan	2.70%	2.70%
Forfeiture rate	0.00%	0.00%

*Restricted share units plan ("**RSUP**")*

During the nine months ended September 30, 2017, 2,382 restricted share units (**"RSUs"**) (2016 - 16,706) were granted pursuant to the RSUP. Total expenses related to the RSUP for the three and nine months ended September 30, 2017 were $64 and $223, respectively (2016 - $59 and $192, respectively), net of forfeitures. During the nine months ended September 30, 2017, 8,075 RSUs vested and were settled in cash and shares, resulting in a decrease of $142 to the share-based compensation liability. The total liability recorded as part of the share-based compensation liability as at September 30, 2017 was $445 (December 31, 2016 - $364).

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

A summary of the movement of the RSUs granted is as follows:

	Number of RSUs
Outstanding, January 1, 2016	33,564
Granted	16,706
Dividends reinvested	2,160
Settled in cash	(962)
Settled in shares	(10,023)
Outstanding, December 31, 2016	41,445
Granted	2,382
Dividends reinvested	1,518
Settled in shares	(8,075)
Outstanding, September 30, 2017	37,270

*Deferred share units plan ("**DSUP**")*

Total expenses related to the DSUP for the three and nine months ended September 30, 2017 were $208 and $936, respectively (2016 - $121 and $586, respectively), which was recognized in administrative expenses. The total liability recorded related to the DSUP as a part of the share-based compensation liability as at September 30, 2017 was $4,703 (December 31, 2016 - $3,767). The value of each deferred share unit is measured at each reporting date and is equivalent to the fair value of a common share of the Company at the reporting date.

*Executive deferred share units plan ("**EDSUP**")*

During the nine months ended September 30, 2017, 45,499 (2016 - 35,543) executive deferred share units were granted. Total expenses related to the EDSUP for the three and nine months ended September 30, 2017 were $112 and $386, respectively (2016 - $262 and $378, respectively), which was recognized in administrative expenses. The total liability recorded related to the EDSUP as a part of the share-based compensation liability as at September 30, 2017 was $1,629 (December 31, 2016 - $947).

15 Key management compensation

The remuneration of key management is set out in aggregate for each of the categories below:

	Three months ended September 30,		**Nine months ended September 30,**	
	2017	2016	**2017**	2016
Salaries and short-term employee benefits	**865**	771	**2,489**	2,186
Share-based compensation	**384**	442	**1,581**	1,188
	1,249	1,213	**4,070**	3,374

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

16 Related party transactions

As at September 30, 2017, the Company had amounts outstanding from certain key management of $1,186 (December 31, 2016 - $1,026) in relation to the LTIP issuance and share purchase loans, which have been recorded as a reduction to shareholders' equity. The incentive plan terms provide for the loans to bear interest at the prime rate prevailing at the Company's bank at the time of grant, and are due on demand. The underlying common shares have been pledged as security against the respective loans.

17 Economic dependence

The Company holds licences related to each of its LTC/ RC homes and receives funding from the funding authorities related to those licences. During the three and nine months ended September 30, 2017, the Company received approximately $87,687 and $256,365, respectively (2016 - $72,618 and $220,546, respectively) in respect of these licences.

18 Expenses by nature

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Salaries, benefits and other people costs	**85,887**	80,344	**253,953**	225,433
Depreciation and amortization	**10,027**	11,134	**27,819**	30,024
Food	**6,139**	5,747	**17,814**	15,499
Purchased services and non-medical supplies	**4,608**	4,406	**13,546**	12,371
Property taxes	**2,803**	3,393	**9,309**	9,929
Utilities	**3,229**	3,749	**10,978**	10,720
Other	**11,515**	10,784	**33,426**	29,264
Total expenses from continuing operations	**124,208**	119,557	**366,845**	333,240

19 Segmented information

Segmented information is presented in respect of the Company's business segments. The primary format, business segments, is based on the Company's management and internal reporting structure. The Company operates solely within Canada, hence no geographical segment disclosures are presented. Inter-segment pricing is determined on an arm's length basis. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company is comprised of the following main business segments:

- LTC - The Company's LTC segment consists of 35 LTC residences in the Province of Ontario and the LTC management services business.
- Retirement - The Company's Retirement segment consists of 15 Retirement Residences, five of which are located in the Province of British Columbia and ten of which are located in the Province of Ontario, and the RR management services business.
- Baltic - The Baltic segment consists of the eight Baltic Properties, which are located in the Province of British Columbia, and a 50% interest in PSM.
- Corporate, Eliminations and Other - This segment represents the results of head office, intercompany eliminations and other items that are not allocable to the segments; and
- Discontinued operations - The Company's Home Care segment, operating as PHCS, was sold on April 28, 2016 (Note 5).

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

	Three months ended September 30, 2017						
	Long-Term Care	**Retirement**	**Baltic**	**Corporate, Eliminations and Other**	**Total From Continuing Operations**	**Home Care - Discontinued Operations**	**Total**
Gross revenue	**108,189**	**18,359**	**17,015**	**11,360**	**154,923**	**—**	**154,923**
Less: Internal revenue	**3,152**	**—**	**544**	**11,360**	**15,056**	**—**	**15,056**
Net revenue	**105,037**	**18,359**	**16,471**	**—**	**139,867**	**—**	**139,867**
Income (loss) before net finance charges, transaction costs and the provision for income taxes	**12,890**	**5,100**	**3,339**	**(5,670)**	**15,659**	**—**	**15,659**
Finance costs	**4,589**	**980**	**1,214**	**646**	**7,429**	**—**	**7,429**
Finance income	**(800)**	**—**	**(2)**	**(99)**	**(901)**	**—**	**(901)**
Transaction costs	**—**	**—**	**—**	**756**	**756**	**—**	**756**
Income tax expense	**—**	**—**	**—**	**2,161**	**2,161**	**—**	**2,161**
Net income (loss)	**9,101**	**4,120**	**2,127**	**(9,134)**	**6,214**	**—**	**6,214**
Purchase of property and equipment	**1,924**	**17,891**	**185**	**451**	**20,451**	**—**	**20,451**
Purchase of intangible assets	**4**	**2,979**	**—**	**658**	**3,641**	**—**	**3,641**

	Three months ended September 30, 2016						
	Long-Term Care	Retirement	Baltic	Corporate, Eliminations and Other	Total From Continuing Operations	Home Care - Discontinued Operations	Total
Gross revenue	108,894	15,031	9,056	9,712	142,693	—	142,693
Less: Internal revenue	2,324	—	240	9,711	12,275	—	12,275
Net revenue	106,570	15,031	8,816	1	130,418	—	130,418
Income (loss) before net finance charges, transaction costs and the provision for income taxes	11,826	2,026	1,783	(4,774)	10,861	(18)	10,843
Finance costs	4,821	1,384	869	1,308	8,382	—	8,382
Finance income	(931)	(1)	—	(329)	(1,261)	—	(1,261)
Transaction costs	—	—	—	4,172	4,172	—	4,172
Income tax expense	—	—	—	(68)	(68)	(11)	(79)
Net income (loss)	7,936	643	914	(9,857)	(364)	(7)	(371)
Purchase of property and equipment	613	329	269	109	1,320	—	1,320
Purchase of intangible assets	5	1	—	507	513	—	513

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

	Nine months ended September 30, 2017						
	Long-term Care	**Retirement**	**Baltic**	**Corporate, Eliminations and Other**	**Total From Continuing Operations**	**Home Care - Discontinued Operations**	**Total**
Gross revenue	**322,114**	**51,022**	**49,194**	**32,613**	**454,943**	**—**	**454,943**
Less: Internal revenue	**9,384**	**—**	**1,586**	**32,613**	**43,583**	**—**	**43,583**
Net revenue	**312,730**	**51,022**	**47,608**	**—**	**411,360**	**—**	**411,360**
Income (loss) before net finance charges, transaction costs and the provision for income taxes	**37,661**	**14,564**	**9,427**	**(17,137)**	**44,515**	**—**	**44,515**
Finance costs	**12,470**	**3,506**	**3,548**	**1,928**	**21,452**	**—**	**21,452**
Finance income	**(2,586)**	**—**	**(88)**	**(12)**	**(2,686)**	**—**	**(2,686)**
Transaction costs	**—**	**—**	**—**	**1,969**	**1,969**	**—**	**1,969**
Income tax expense	**—**	**—**	**—**	**6,161**	**6,161**	**—**	**6,161**
Net income (loss)	**27,777**	**11,058**	**5,967**	**(27,183)**	**17,619**	**—**	**17,619**
Purchase of property and equipment	**4,414**	**27,325**	**17,080**	**644**	**49,463**	**—**	**49,463**
Purchase of intangible assets	**6**	**4,312**	**3,281**	**1,391**	**8,990**	**—**	**8,990**

	Nine months ended September 30, 2016						
	Long-term Care	Retirement	Baltic	Corporate, Eliminations and Other	Total From Continuing Operations	Home Care - Discontinued Operations	Total
Gross revenue	316,112	41,133	9,056	26,161	392,462	5,278	397,740
Less: Internal revenue	6,182	—	240	26,164	32,586	—	32,586
Net revenue	309,930	41,133	8,816	(3)	359,876	5,278	365,154
Income (loss) before net finance charges, transaction costs and the provision for income taxes	32,438	6,468	1,783	(14,053)	26,636	382	27,018
Finance costs	13,630	4,341	869	3,923	22,763	—	22,763
Finance income	(2,720)	(5)	—	(467)	(3,192)	(3)	(3,195)
Transaction costs	—	—	—	7,373	7,373	—	7,373
Gain on sale	—	—	—	—	—	(9,861)	(9,861)
Income tax expense	—	—	—	799	799	2,247	3,046
Net income (loss)	21,528	2,132	914	(25,681)	(1,107)	7,999	6,892
Purchase of property and equipment	1,266	676	269	376	2,587	(346)	2,241
Purchase of intangible assets	8	(15)	—	1,682	1,675	(49)	1,626

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

	As at September 30, 2017						
	Long-term Care	**Retirement**	**Baltic**	**Corporate, Eliminations and Other**	**Total From Continuing Operations**	**Home Care - Discontinued Operations**	**Total**
Total assets	**621,887**	**309,115**	**280,768**	**10,043**	**1,221,813**	**—**	**1,221,813**
Goodwill	**90,175**	**2,575**	**15,503**	**—**	**108,253**	**—**	**108,253**
Intangible assets	**107,039**	**7,908**	**85,780**	**5,585**	**206,312**	**—**	**206,312**

	As at December 31, 2016						
	Long-term Care	Retirement	Baltic	Corporate, Eliminations and Other	Total From Continuing Operations	Home Care - Discontinued Operations	Total
Total assets	651,244	284,261	262,754	5,959	1,204,218	—	1,204,218
Goodwill	89,772	2,511	14,943	—	107,226	—	107,226
Intangible assets	107,304	6,352	83,479	5,025	202,160	—	202,160

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

20 Non-controlling interest

Non-controlling interest represents the 50% interest in PSM that is not held by the Company. The movement in non-controlling interest is shown in the interim consolidated statement of changes in equity.

The calculation of net income and total comprehensive income attributable to non-controlling interest is set out below:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Net income and total comprehensive income from PSM	**268**	148	**644**	148
Non-controlling interest share of ownership	**50%**	50%	**50%**	50%
Net income and total comprehensive income attributable to non-controlling interest	**134**	74	**322**	74

Subject to certain conditions, the Company will be required to purchase the remaining 50% interest in PSM by June 2019 for a specified cash purchase price of approximately $2,100, subject to certain adjustments.

21 Joint arrangements

The following tables outline the net assets and net income for Nicola Lodge and Glenmore Lodge (referred to collectively as the "**Option Properties**"), and the Company's share of Nicola Lodge and Glenmore Lodge that has been recognized in the interim consolidated financial statements.

Nicola Lodge and Glenmore Lodge

	September 30, 2017	December 31, 2016
Current assets	**4,000**	4,179
Long-term assets	**106,570**	68,197
Total assets	**110,570**	72,376
Current liabilities	**3,812**	3,309
Long-term liabilities	**67,910**	44,089
Total liabilities	**71,722**	47,398
Net assets	**38,848**	24,978
Share of net assets	**17,845**	9,991

The prior year comparatives have been revised to increase the Company's share of net assets by $9,822 to eliminate intercompany amounts.

As at September 30, 2017, the Company's share of net assets in Nicola Lodge and Glenmore Lodge were $11,136 and $6,709 (December 31, 2016 - $9,991 and $nil), respectively.

All amounts are in thousands of dollars, except share and per share data, or unless otherwise noted

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	**2016**
Revenue	**7,047**	766	**19,078**	**766**
Expenses	**5,614**	510	**15,015**	**510**
Income before other expenses	**1,433**	256	**4,063**	**256**
Other expenses	**801**	71	**2,267**	**71**
Net income	**632**	185	**1,796**	**185**
Share of net income	**303**	74	**844**	74

For the three months ended September 30, 2017, the Company's share of net income in Nicola Lodge and Glenmore Lodge were $158 and $145 (2016 - $nil and $nil), respectively.

For the nine months ended September 30, 2017, the Company's share of net income in Nicola Lodge and Glenmore Lodge were $479 and $365 (2016 - $nil and $nil), respectively.

22 Comparative figures

Certain comparative figures have been reclassified from the consolidated financial statements previously presented to conform to the presentation adopted in the current year.

23 Subsequent events

On October 16, 2017, the Company entered into an agreement to acquire two retirement residences located in Barrie, Ontario and Kingston, Ontario. Waterford Retirement Residence Barrie, a 202-suite independent living, assisted living and memory care community, is located in Barrie, Ontario and Waterford Retirement Residence Kingston, a 182-suite independent living, assisted living and memory care community, is located in Kingston, Ontario. The aggregate purchase price for the acquisition is approximately $164,000, subject to customary adjustments. The Company intends to finance the acquisition and related transaction costs through a combination of: (i) the assumption of approximately $62,000 in existing mortgages; (ii) net proceeds of the Offering (as defined below); and the remainder through (iii) up-financing of the existing debt or draws on the Company's existing credit facilities. This acquisition is expected to be completed during the fourth quarter of 2017.

On November 3, 2017, the Company completed its offering of common shares at a price of $17.45 per common share, on a bought deal basis. The syndicate of underwriters elected to exercise its over-allotment option in full, resulting in the issuance of 6,590,650 common shares for total gross proceeds of $115,007 (the **"Offering"**).