

**REALNORTH OPPORTUNITIES FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**PERIOD ENDED SEPTEMBER 30, 2016**  
**DATED: NOVEMBER 29, 2016**

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**1. BASIS OF PRESENTATION**

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations prepared on November 29, 2016 should be read together with the Trust's audited consolidated financial statements and notes thereto for the period ended December 31, 2015 and unaudited condensed interim consolidated financial statements and notes thereto for the period ended September 30, 2016. All financial information is reported in Canadian dollars and in accordance with IFRS unless otherwise noted.

REALnorth Opportunities Fund (the "Trust") uses International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), as its basis of financial reporting for the unaudited condensed consolidated financial statements for the period ended September 30, 2016.

**2. FORWARD-LOOKING DISCLAIMER**

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, without limitation, statements made or implied under the headings "Liquidity", "Capital Resources", "Risks and Uncertainties", "Performance Summary", "Selected Historical Information" and "Future Accounting Policy Changes" relating to the Trust's objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "outlook", "believe", "expect", "may", "anticipate", "should", "intend", "estimates" and similar expressions.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results. Those risks and uncertainties include, among other things, risks related to availability of cash for distributions, liquidity, credit risk, interest rate and other debt related risk, lease rollover risk, tax risk, ability to access capital markets, competition for real estate property investments, environmental matters, changes in legislation and indebtedness of the Trust.

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available; however, management can give no assurance that actual results will be consistent with these forward-looking statements. Factors and assumptions that were applied in drawing conclusions and which could cause actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, general economic conditions, competition for real estate property investments, the availability of new competitive supply of real estate, the Trust's ability to maintain occupancy, tenant defaults, changes in interest rates, changes in governmental regulations and taxation and the Trust's ability to obtain adequate insurance and financing. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Trust, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of November 29, 2016 and the Trust assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Additional information about REALnorth Opportunities Fund filed with Canadian securities regulators is available online at [www.sedar.com](http://www.sedar.com).

### 3. DESCRIPTION OF BUSINESS

The Trust is an unincorporated, open-ended investment trust formed pursuant to the Declaration of Trust dated August 27, 2014 under, and governed by, the laws of the Province of British Columbia and resident in Canada. The Trust's head office is located at 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2.

The Trust was established, among other things, for the purpose of:

- a) acquiring REALnorth Opportunities Master Limited Partnership (the “Master LP”) units;
- b) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of the Trust, paying amounts payable by the Trust in connection with the redemption of any Trust units and making distributions to Trust unitholders;
- c) investing its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable);
- d) acquiring, holding, maintaining, improving, leasing or managing of real property (or interests in real property) or any immovable (or real right in an immovable) that is capital property of the Trust; and
- e) in connection with the undertaking set out above, reinvesting income and gains of the Trust and taking other actions besides the mere protection and preservation of the Trust's property.

The Master LP is a limited partnership formed pursuant to and governed by the laws of the Province of British Columbia and created by the Master LP Agreement on July 31, 2014. The Master LP was established, among other things, to:

- a) issue Master LP units and acquire REALnorth Opportunities (Investments) Limited Partnership (the “Investments LP”) units and REALnorth Opportunities (Developments) Limited Partnership (the “Developments LP”) units; and
- b) temporarily hold cash and investments for the purposes of paying the expenses and liabilities of the Master LP and making distributions to the holders of the Master LP units.

The Investments LP was established on August 28, 2014 pursuant to the laws of British Columbia for the purposes of owning and operating a diversified portfolio of high quality, revenue-producing properties in northwestern Canada (or proportionate interests in such properties). The principal business of the Investments LP is to issue Investments LP units, to invest the proceeds from such issuance in the properties and to own and operate such properties.

The Developments LP was established on August 29, 2014 pursuant to the laws of British Columbia for the purposes of developing high quality real estate in northwestern Canada (or proportionate interests in such properties). The principal business of the Developments LP is to issue Developments LP units, to invest the proceeds from such issuance in the properties and to develop such properties.

On September 12, 2014, the Master LP issued 1,938 limited partnership units to the initial limited partners at \$930 per unit for \$1,802,340. The Master LP purchased 1,938 Investments LP units for \$1,802,340 on the same day.

On December 30, 2014, the Trust issued 10,623 trust units at \$1,000 per unit for gross proceeds of \$10,623,000, pursuant to the Trust's prospectus dated December 22, 2014 (the “Prospectus”), and incurred offering costs in the amount of \$849,840. That same day, the Trust purchased 10,623 Master LP units at \$1,000 per unit for \$10,623,000. On February 5, 2015, the Trust issued an additional 2,277 trust units at \$1,000 per unit for gross proceeds of \$2,277,000 and incurred offering costs in the amount of \$182,160. The Trust purchased an additional 2,277 Master LP units at \$1,000 per unit on the same day. Pursuant to a cost sharing and recovery agreement between the Trust and the Master LP, the Master LP assumed the costs and expenses in connection with the offering of the Trust units.

On February 9, 2016, the Trust redeemed 96 Master LP units for a total redemption price of \$96,000. The Trust currently owns 12,804 units of the Master LP, representing an ownership interest of approximately 87%.

### 3. DESCRIPTION OF BUSINESS (CONTINUED)

Since REALnorth Opportunities Inc. (the “Master GP”) is the general partner of the Master LP and owns an interest in the Master LP, the initial limited partners own 1,938 units of the Master LP, the general partner of the Investments LP owns an interest in the Investments LP and the general partner of the Developments LP owns an interest in the Developments LP, they represent the non-controlling interest of the Trust.

### 4. SELECTED HISTORICAL INFORMATION

#### Units subscribed for and issued

Date of Closing	Number of Units	Trust Unit Proceeds
December 30, 2014	10,623	\$ 10,623,000
February 5, 2015	2,277	2,277,000
<b>Gross proceeds</b>	<b>12,900</b>	<b>12,900,000</b>
Issuance costs	—	(1,032,000)
<b>Net proceeds</b>	<b>12,900</b>	<b>\$ 11,868,000</b>

On December 30, 2014, the Trust issued 10,623 units for gross proceeds of \$10,623,000 and used the proceeds to purchase 10,623 Master LP units. On February 5, 2015, the Trust issued an additional 2,277 units for gross proceeds of \$2,277,000 and used the proceeds to purchase an additional 2,277 Master LP units.

#### Direct property acquisitions

On September 12, 2014, the Master LP, through the Investments LP, completed the acquisition of 3851 22<sup>nd</sup> Avenue, Prince George, British Columbia (“22<sup>nd</sup> Avenue”), for a purchase price of \$6,200,000 plus standard closing costs and adjustments. 22<sup>nd</sup> Avenue is a single tenant, 39,494 square foot industrial facility with a site area of approximately 10.1 acres.

The Trust, through the Investments LP, entered into a lease agreement with the tenant of 22<sup>nd</sup> Avenue. The lease is for seven years, expiring in 2021, and the tenant has the option to renew for two terms of three years each at prevailing market rates. The Trust can recover property tax, insurance and management fees from the tenant. The management fee is 2.0% of the basic rent according to the lease agreement.

#### Acquisition of equity-accounted investments

On May 7, 2015, the Trust, through the Developments LP, subscribed for 262,500 units of WCPG VII LP at \$1 per unit for a total of \$262,500, which resulted in the Trust, through the Developments LP, owning 88.9% of WCPG VII LP. On May 27, 2015, the Trust, through the Developments LP, subscribed for a further 3,737,500 units of WCPG VII LP at \$1 per unit for a total of \$3,737,500 and maintained its ownership interest at 88.9% of WCPG VII LP.

On May 29, 2015, WCPG VII LP acquired approximately 29 acres of residential property (“Garrison Landing”) in Fort St. John, British Columbia, for a purchase price of \$6,200,000 plus standard closing costs and adjustments. Garrison Landing is expected to be developed in multiple phases, and to generate, in aggregate, approximately 153 single family lots which will be offered for sale after servicing is complete. As at December 31, 2015, two phases comprising 55 subdivision lots were substantially complete and 16 of those lots had been sold.

On September 3, 2015, the Trust, through the Developments LP, subscribed for 10 Class B units of FSJ Industrial at \$1 per unit for a total of \$10. On September 9, 2015, the Trust, through the Developments LP, subscribed for a further 3,076,362 Class B units for a total of \$3,076,362, which resulted in the Trust, through the Developments LP, owning 87.5% of FSJ Industrial. On September 24, 2015, the Trust, through the Developments LP, subscribed for a further 65,625 Class B units for a total of \$65,625 and maintained its ownership interest at 87.5% of FSJ Industrial. On December 21, 2015, the Trust, through the Developments LP, subscribed for an additional 131,250 Class B units for a total of \$131,250 and maintained its ownership interest at 87.5% of FSJ Industrial.

#### 4. SELECTED HISTORICAL INFORMATION (CONTINUED)

##### Acquisition of equity-accounted investments (continued)

On September 10, 2015, FSJ Industrial acquired approximately 17 acres of industrial property (the “BCR Lands”) in Fort St. John, British Columbia, for a purchase price of \$3,446,000 plus standard closing costs and adjustments. The BCR Lands comprise four lots which are accessible by rail and which may be sold in their current condition or further developed with either build-to-suit options or lay-down yards for industrial users depending upon market demands.

On October 20, 2015, the Trust, through the Developments LP, subscribed for 2,300,000 limited partnership units of FSJ Aurora Developments Limited Partnership (“FSJ Aurora LP”) at \$1 per unit for a total of \$2,300,000, thereby acquiring a 50% interest in FSJ Aurora LP. On October 23, 2015, FSJ Aurora LP completed the acquisition of approximately 144 acres of bare land (the “Aurora Lands”) for a purchase price of \$4,500,000 plus standard closing costs and adjustments. The Aurora Lands are located immediately outside of the current northeast boundary of the City of Fort St. John, which has confirmed that it intends to pursue the extension of the city’s boundary and that the Aurora Lands are part of the intended expansion. The Aurora Lands currently remain in the Agricultural Land Reserve.

##### Selected historical annual information

	For the year ended December 31, 2015	For period from formation on August 27, 2014 to December 31, 2014
Total assets	\$ 18,741,705	\$ 16,521,058
Total liabilities	4,953,108	5,188,040
Total non-current liabilities	4,344,231	4,449,218
Total rental revenue and recoveries	674,998	3,373
Income (loss) attributable to the Trust unitholders	510,209	(14,589)
Income (loss) per unit attributable to the Trust unitholders	40.23	(1.37)
Distribution per unit	15.50	—

#### 5. RESTATEMENT

As detailed in the Trust’s Management’s Discussion and Analysis for the period ended December 31, 2015, subsequent to the issuance of the unaudited condensed interim consolidated financial statements for the periods ended June 30, 2015 and September 30, 2015, the Trust changed its assessment of which party had control over Western Canadian Properties Group VII Limited Partnership (“WCPG VII LP”) and FSJ Industrial Properties Limited Partnership (“FSJ Industrial”). The Trust concluded that it has significant influence but not control over these entities. Therefore, the Trust is no longer consolidating these two entities; the Trust applies the equity accounting method instead. As a result, the financial results for the Trust for the periods ended June 30, 2015 and September 30, 2015 have been restated. The impact of the change in presentation to the equity accounting method in respect of WCPG VII LP and FSJ Industrial for the affected periods is reflected in the financial information included in this MD&A.

#### 6. PERFORMANCE SUMMARY

As at September 30, 2016, the Trust’s assets totaled \$18,048,129, decreasing slightly from \$18,741,705 as at December 31, 2015 primarily due to a decrease in cash, offset in part by an increase in amounts due from related parties. Liabilities totaled \$4,481,985 as at September 30, 2016, decreasing from \$4,953,108 as at December 31, 2015 due to mortgage principal payments and payment of distributions payable and accounts payable and accrued liabilities.

## **6. PERFORMANCE SUMMARY (CONTINUED)**

The Trust earned net rental income of \$352,273 for the nine months ended September 30, 2016 compared to \$352,173 (restated) for the nine months ended September 30, 2015. The Trust incurred a net loss of \$130,341 after finance expenses, other expenses and its share of loss of equity-accounted investments for the nine months ended September 30, 2016, compared to net income of \$95,170 (restated) for the nine months ended September 30, 2015. The change from net income to a net loss is primarily due to a change from profit to loss on its equity-accounted investments, which is largely driven by an increase in finance expenses for WCPG VII LP.

During the nine months ended September 30, 2016, WCPG VII LP sold two subdivision lots at Garrison Landing.

In June 2016, the Trust, through the Developments LP, contributed \$43,750 to FSJ Industrial to meet working capital requirements.

On February 9, 2016, the Trust received a redemption request. The redemption of 96 units was effective as of the same date for total consideration of \$92,112, which was paid in full during the nine months ended September 30, 2016 (nine months ended September 30, 2015 – \$nil). As at September 30, 2016, there were 12,804 trust units outstanding (December 31, 2015 – 12,900 trust units).

During the nine months ended September 30, 2016, the Trust accrued distributions of \$nil to the Trust unitholders (nine months ended September 30, 2015 – \$nil) and a distribution of \$nil to the non-controlling interest of the Master LP (nine months ended September 30, 2015 – \$nil).

## **7. RESULTS OF QUARTERLY OPERATIONS**

The following summarizes the results of operations for the Trust for the three months ended September 30, 2016:

- Rental revenues and recoveries totaling \$171,541 and operating expenses of \$54,065 produced net rental income of \$117,476 (three months ended September 30, 2015 – \$169,121; restated at \$51,687 and restated at \$117,434 respectively).
- The Trust earned \$29,051 in interest from bank deposits and loans (three months ended September 30, 2015 – restated at \$69,412).
- The Trust recorded a fair value loss on investment property of \$4,170 (three months ended September 30, 2015 – fair value loss of \$6,070).
- The Trust recorded a loss from its equity-accounted investments of \$98,760 (three months ended September 30, 2015 – restated net income of \$84,545).
- The Trust incurred a net loss of \$45,769 attributable to the unitholders after finance and administrative expenses (three months ended September 30, 2015 – restated net income of \$84,480). The expenses consisted of:
  - a) mortgage interest totaling \$45,350 (three months ended September 30, 2015 – \$46,414);
  - b) general and administrative expenses totaling \$17,067 (three months ended September 30, 2015 – restated at \$83,637); and
  - c) asset management fees of \$33,863 (three months ended September 30, 2015 – \$33,863).

## 7. RESULTS OF QUARTERLY OPERATIONS (CONTINUED)

The following tables summarize the quarterly results for the past eight periods:

Quarter ended	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Total assets	\$ 18,048,129	\$ 18,116,764	\$ 18,342,342	\$ 18,741,705
Investment property	6,450,000	6,450,000	6,450,000	6,450,000
Equity-accounted investments	9,755,321	9,854,081	9,877,528	9,877,289
Total liabilities	4,481,985	4,497,937	4,617,103	4,953,108
Mortgage payable	4,387,115	4,413,407	4,439,038	4,464,760
Unitholders' equity	11,958,263	12,004,032	12,096,505	12,163,620
Rental income	171,541	172,189	169,700	169,196
Finance income (expenses)	(16,299)	(31,786)	(31,826)	(8,017)
Share of profit (loss) of equity-accounted investments	(98,760)	(67,196)	239	290,723
Income (loss) attributable to the Trust unitholders	(45,769)	(92,473)	24,997	425,729
Earnings (loss) per unit	(3.57)	(7.22)	1.95	33.00

Quarter ended	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Total assets	\$ 18,119,105*	\$18,130,672*	\$18,247,871	\$16,521,058
Investment property	6,200,000	6,200,000	6,200,000	6,200,000
Equity-accounted investments	7,089,691*	3,928,774*	—	—
Total liabilities	4,596,087*	4,709,061*	4,783,060	5,188,040
Mortgage payable	4,490,642*	4,515,872*	4,540,441	4,565,395
Unitholders' equity	11,937,891*	11,847,989*	11,884,976	9,758,571
Rental income	169,121	173,178	163,503	3,373
Finance expenses	22,998*	(8,127)*	(17,586)	(479)
Share of loss of equity-accounted investments	84,545*	(71,226)*	—	—
Income (loss) attributable to the Trust unitholders	89,902*	(36,987)*	31,565	(14,589)
Earnings (loss) per unit	6.97*	(2.87)*	2.63	(1.37)

\* Restated (section 5).

During the three months ended September 30, 2016, total assets decreased slightly compared to the three months ended June 30, 2015 primarily due to decreases in cash and equity-accounted investments, offset in part by an increase in amounts due from related parties. Equity-accounted investments decreased slightly primarily due to losses incurred by WCPG VII LP and FSJ Industrial. The mortgage payable decreased slightly due to principal repayments during the period. Total liabilities decreased due to the decrease in the mortgage payable, payment of the distributions payable and payments of accounts payable and accrued liabilities. Unitholders' equity decreased slightly due to the net loss incurred during the period. The Trust's share of profit from its equity-accounted investments decreased primarily due to increased mortgage interest for WCPG VII LP. Finance expenses decreased slightly due to increased interest income.

## 8. MORTGAGE PAYABLE

The mortgage payable is recorded at amortized cost and bore a weighted effective interest rate of 3.76% as at September 30, 2016 (December 31, 2015 – 3.77%). The mortgage payable is secured by charges on the Trust's investment property.

The amount of the mortgage payable on September 30, 2016 was \$4,387,115 (December 31, 2015 – \$4,464,760). Included in the mortgage payable were the related unamortized mortgage transaction costs of \$48,960 as at September 30, 2016 (December 31, 2015 – \$61,058), which are amortized over the term of the mortgage using the effective interest rate method.

Principal repayments, as of September 30, 2016, based on scheduled repayments to be made on the mortgage payable over the next five years were as follows:

Remaining in 2016	\$	30,786
2017		125,168
2018		129,870
2019		4,150,251
2020 and thereafter		–
	\$	<b>4,436,075</b>

## 9. LIQUIDITY

The Trust has financed its acquisitions to date through the issuance of trust units and a mortgage payable on its investment property.

Each investment property acquired in the portfolio is purchased with the expectation that it will generate sufficient cash flows to finance its own operating costs. Each development property acquired in the portfolio is purchased with the expectation that it will generate a return in addition to what could be realized from underlying investment properties.

These statements have been prepared on a going concern basis, which assumes that the Trust will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

## 10. CAPITAL RESOURCES

The Trust may indirectly acquire additional properties. Accordingly, its capital needs primarily relate to any acquisitions, any required maintenance to the properties and servicing mortgage principal payments as they become due. It is management's opinion that the existing cash reserve and the operating cash flow from the property portfolio is sufficient to fund any future capital requirements. Management further expects that any maturing mortgages will be either refinanced or settled from the proceeds of the sale of all or part of the respective property.

## 11. CAPITAL MANAGEMENT

The Trust defines capital as the aggregate of unitholders' equity and the mortgage payable. The Trust's objectives in managing capital are to maintain a level of capital that complies with investment and debt restrictions pursuant to the Prospectus, complies with existing debt covenants, funds its business strategies and builds long-term unitholders' value. The Trust's capital structure is reviewed by the board of trustees of the Trust from time to time.

## 11. CAPITAL MANAGEMENT (CONTINUED)

The Trust monitors on a monthly basis the “loan-to-value ratio”, which is defined as overall mortgage loans divided by the purchase price of the properties plus the amount of any property improvement reserve account approved by the lenders as a whole and which serves as an indicator of the Trust’s financial leverage. The overall loan-to-value ratio is targeted at not more than 70%, as indicated in the Prospectus. However, if deemed appropriate by the Trust, having regard to all of the circumstances including the potential value of the properties identified for investment, the Trust may cause the overall loan-to-value ratio of the mortgage loans to exceed this threshold. The Trust’s loan-to-value ratio was 71% as at September 30, 2016 (December 31, 2015 – 72%). The Trust was in compliance with all restrictions during the periods ended September 30, 2016 and December 31, 2015.

The Trust's capital structure consisted of the following components at September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015	Change
Capital			
Mortgages payable	\$ 4,387,115	\$ 4,464,760	\$ (77,645)
Unitholders’ equity	11,958,263	12,163,620	(205,357)
Total capital	\$ 16,345,378	\$ 16,628,380	\$ (283,002)

During the nine months ended September 30, 2016, the mortgage payable decreased slightly due to principal repayments and unitholders’ equity decreased slightly due the redemption of 96 units (section 6) and the net loss incurred during the period.

## 12. CRITICAL ACCOUNTING ESTIMATES

The preparation of the Trust’s consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Trust’s significant accounting policies are described in note 3 to the audited consolidated financial statements for the year ended December 31, 2015 and unaudited condensed interim consolidated financial statements for the period ended September 30, 2016.

The policies that are most subject to estimation and judgement are outlined below.

### Valuation of investment properties

The fair value of investment property is determined by management, in conjunction with independent real estate valuation experts using recognized valuation techniques.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (including tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

Management reviews each appraisal and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches. Where an appraisal is not obtained at the reporting date, management uses similar valuation methods to evaluate each investment property and estimates the fair value.



## 12. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

### Valuation of investment properties (continued)

Fair value measurements recognized in the consolidated statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy of investment property measured at fair value on the consolidated statements of financial position was as follows:

	September 30, 2016			December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment property	\$ -	\$ -	\$6,450,000	\$ -	\$ -	\$6,450,000

### Lease contracts

The Trust has indirectly entered into a property lease on its investment property. The Trust makes judgments in determining whether certain leases, in particular those leases with long contractual terms, are operating or finance leases. The Trust must assess each lease separately against land and building. The Trust has determined that its current lease of land and building is an operating lease.

## 13. FINANCIAL INSTRUMENTS

Financial instrument assets include cash, cash held in trust, amounts receivable and due from related parties, which are designated as loans and receivables and measured at amortized cost. Financial instrument liabilities include distributions payable, accounts payable and accrued liabilities and the mortgage payable, which are designated as other liabilities and measured at amortized cost. There are no financial instruments classified as available-for-sale or held-to-maturity.

### Fair value of financial instruments

For certain of the Trust's financial instruments, including cash, amounts receivable, due from related parties and accounts payable and accrued liabilities, the carrying amounts approximate their fair values due to the immediate or short-term maturity of these financial instruments.

The fair values of amounts due for the mortgage payable are determined by discounting the future contractual cash flow under current financing arrangements at discount rates which represent borrowing rates presently available to the Trust for loans with similar terms and maturity and are measured under level 2 of the fair value hierarchy since the discount rates are either provided by the lenders or are observable on the open market.

The following table presents the carrying amounts and fair values of the Trust's financial instruments:

	Fair value hierarchy	September 30, 2016		December 31, 2015	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial instruments					
Mortgage payable	Level 2	\$ 4,387,115	\$ 4,436,075	\$ 4,464,760	\$ 4,525,818

## 14. RISKS AND UNCERTAINTIES

All income producing property investments are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances. An example of general market conditions would be the availability of long-term financing, whereas local conditions would relate to factors affecting specific properties in a particular geographic location, such as changes in market lease rates as a result of an over-supply of space or a reduction in demand for real estate. Management attempts to manage these risks through geographic diversification in the Trust's portfolio.

The board of trustees of the Trust has the overall responsibility for the establishment and oversight of the Trust's risk management framework. The Trust's risk management policies are established to identify and analyze the risks faced by the Trust, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Trust's activities.

In the normal course of business, the Trust, through the Master LP, is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, include the following:

### Credit risk

Credit risk is the risk of financial loss to the Trust if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables from tenants and investment securities.

The Trust's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The Trust is currently facing higher credit risk since it has only one tenant. The Trust will minimize the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process should the Trust acquire more investment properties.

### Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Trust's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Trust were required to liquidate a real estate property investment, the proceeds to the Trust might be significantly less than the aggregate carrying value of such property.

The Trust's approach to managing liquidity risk is to ensure that it will have sufficient cash available to meet its liabilities when due. The Trust intends to refinance any mortgages which mature within the next six months or settle the mortgages from the proceeds of the sale of all or part of the respective property.

The following table provides the future non-discounted scheduled payments of financial liabilities, including estimated interest payments:

	Remaining in 2016	2017	2018	2019	2020 and thereafter
Mortgage payable (principal and interest)	\$ 71,721	\$ 286,885	\$ 286,885	\$4,277,279	\$ -
Accounts payable and accrued liabilities	94,870	-	-	-	-
	\$ 166,591	\$ 286,885	\$ 286,885	\$4,277,279	\$ -

### Currency risk

The Trust is not exposed to currency risk since there are no foreign subsidiaries and the Trust does not enter into foreign currency transactions.

## 14. RISKS AND UNCERTAINTIES (CONTINUED)

### Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

The Trust manages its financial instruments and interest rate risks based on its cash flow needs and with a view to minimizing interest expense. Whenever possible, the Trust tries to obtain fixed rate mortgages to mitigate its interest rate risk. Since the Trust's current mortgage payable bears interest at a fixed rate, the Trust is not exposed to significant interest rate risk.

The interest rate profile of the Trust's interest-bearing financial instruments was:

	Face Value	
	September 30, 2016	December 31, 2015
<b>Fixed rate instruments</b>		
Fixed rate mortgage payable	\$ 4,436,075	\$ 4,525,818

### Redemption risk

The Trust unitholders are entitled to have their units redeemed at any time on demand. The aggregate redemption price payable by the Trust is subject to limitations. The Trust will not be required to pay the redemption price by way of a cash payment if the total amount payable by the Trust in any quarter will exceed \$100,000 or if the amount payable in any twelve month period ending at the end of that quarter will exceed 0.75% of the aggregate subscription price of all Trust units that were issued and outstanding at the start of such twelve month period. During the nine months ended September 30, 2016, the Trust redeemed 96 units for total consideration of \$92,112 (section 6), which represented 0.71% of the aggregate subscription price of all Trust units that were issued and outstanding as at September 30, 2015 (nine months ended September 30, 2015 – nil units redeemed for proceeds of \$nil).

### Environmental risk

The Trust is subject to various provincial and municipal laws relating to the environment. Prior to acquisition, the Trust conducts environmental inspections of its properties and appropriate testing by qualified environmental consultants when required to ensure compliance with all applicable environmental laws.

### Lease rollover risk

Lease rollover risk arises from the possibility that the Trust may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry. The Trust currently has only one lease with a seven year term expiring in 2021 and its sole investment property is fully occupied.

### Income tax risk

*Mutual Fund Trust* – If the Trust does not qualify or ceases to qualify as a “mutual fund trust” under the *Income Tax Act (Canada)* (the “Tax Act”), adverse consequences may arise including that: (i) the Trust may become liable to pay certain additional tax liabilities (with the result that the amount of cash available for distribution by the Trust would be reduced and Trust unitholders may otherwise be adversely affected), and (ii) the Trust units may not be or may cease to be qualified investments for RRSP or similar plans (with the result that a plan, its annuitant, beneficiary thereunder or its holder thereat will generally become subject to additional tax or penalties or may be otherwise adversely affected).

## **14. RISKS AND UNCERTAINTIES (CONTINUED)**

### **Income tax risk (continued)**

*SIFT Rules* – The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation (the “SIFT Rules”). The exposure of the Trust to tax imposed by the SIFT Rules depends in part on whether or not the Trust units, Master LP units or units of any other subsidiary partnerships are listed or traded on a stock exchange or other public market. Where the Trust units, the Master LP units or units of any other subsidiary partnerships are listed or traded on a stock exchange or public market, adverse consequences could arise including that the non-deductible distributions amount or the taxable non-portfolio earnings could be taxable to the Trust, to the Master LP or such subsidiary partnerships, as the case may be (with the result that the amount of cash available for distribution by the Trust would be reduced), and such amount would also, depending on the circumstances, be included in the income of Trust unitholders for purposes of the Tax Act as taxable dividends.

*Changing Tax Laws* – There can be no assurance that income tax laws (or the judicial interpretation thereof or the administrative and assessing practices of Canada Revenue Agency) and/or the treatment of “mutual fund trusts” or SIFTS will not be changed in a manner which would adversely affect the Trust unitholders, including on a retroactive basis.

## **15. OFF-BALANCE SHEET TRANSACTIONS**

The Trust has no off-balance sheet arrangements.

## **16. RELATED PARTY TRANSACTIONS**

### **Trustee Compensation**

Each trustee of the Trust, other than Stephen Evans, is entitled to an annual fee of \$12,500. During the three months ended September 30, 2016, the Trust paid trustee fees of \$nil (three months ended September 30, 2015 – \$nil).

### **Transactions with Pure Commercial Real Estate Advisors Inc.**

Pure Commercial Real Estate Advisors Inc. (“Pure Commercial”) is related to the Trust by virtue of having officers and directors/trustees in common. The Trust, through the Master LP, has entered into an asset management agreement with Pure Commercial, whereby Pure Commercial provides asset management, administrative and reporting services to the Trust. In consideration of these services, the Trust pays to Pure Commercial an annual asset management fee equal to 1.0% of net asset value plus any applicable taxes. Net asset value is equal to the greater of the total gross cash proceeds from all the Trust’s public offerings and the total purchase price of the properties including all fees, expenses and cash reserves, less outstanding mortgage debt. During the three months ended September 30, 2016, Pure Commercial charged the Trust asset management fees of \$33,863 (three months ended September 30, 2015 – \$33,863). As at September 30, 2016, asset management fees of \$56,438 (December 31, 2015 – \$11,288) were included in accounts payable and accrued liabilities.

The Trust, through the Investments LP, entered into a property management agreement with Pure Commercial, whereby Pure Commercial provides property management services to the investment property and collects 2.0% of the basic annual rent as a property management fee. During the three months ended September 30, 2016, Pure Commercial charged the Trust property management fees of \$2,264 (three months ended September 30, 2015 – \$2,226). Property management fees of \$3,166 were included in accounts payable and accrued liabilities as at September 30, 2016 (December 31, 2015 – \$nil).

## **16. RELATED PARTY TRANSACTIONS (CONTINUED)**

### **Transactions with Triple E Ventures Inc.**

Triple E Ventures Inc. (“Triple E”) is related to the Trust by virtue of having officers and directors/trustees in common. In September 2014, Triple E paid a deposit for the acquisition of 22<sup>nd</sup> Avenue and a commitment fee for the mortgage on 22<sup>nd</sup> Avenue in the aggregate amount of \$123,250. Triple E also advanced \$1,000 to the Trust to cover administration expenses. In September 2015, the Trust, through the Investments LP, repaid \$123,250 to Triple E. In December 2015, the Trust repaid \$1,000 to Triple E. As at September 30, 2016, \$nil was included in accounts payable and accrued liabilities (December 31, 2015 – \$nil).

### **Transactions with Sui Generis Investments Ltd.**

Sui Generis Investments Ltd. (“Sui Generis”) is related to the Trust by virtue of having officers and directors/trustees in common. The Master LP has agreed to pay Sui Generis a fee of \$15,000 per annum plus any applicable taxes, payable quarterly, for certain consulting and advisory services provided by Sui Generis. This amount does not represent a new fee but rather a reallocation of what was previously paid to another consultant. During the three months ended September 30, 2016, the Master LP accrued fees of \$3,938 to Sui Generis (three months ended September 30, 2015 – \$nil). As of September 30, 2016, \$3,938 was included in accounts payable and accrued liabilities (December 31, 2015 – \$nil).

### **Transactions with the Initial Limited Partners of the Master LP**

The initial limited partners of the Master LP are related to the Trust by virtue of the fact that three of the initial limited partners are trustees of the Trust. According to the Prospectus, the maximum expenses of the offering, inclusive of agents’ fees and expenses, are not to exceed 1.5% of the maximum offering or 2.0% of the minimum offering. Due to the size of the initial and second offerings, actual offering expenses exceeded the maximum amount. Certain of the initial limited partners of the Master LP agreed to pay the offering expenses above the maximum amount. The total of \$230,114 was received by the Master LP in October 2015. As at September 30, 2016, \$nil is included in due from related parties and still outstanding (December 31, 2015 – \$nil).

### **Transactions with the Master GP**

The Master GP is related to the Trust by virtue of having officers and directors/trustees in common. The Master GP held cash on behalf of the Master LP before the Master LP opened its bank account. The amount of \$137,985 was included in due from related parties as at December 31, 2014. The full amount was received by the Master LP in January 2015. In January 2015, the Trust paid a \$148 expense on behalf of the Master GP. In February 2015, the Master GP received interest on the funds held on the Master LP’s behalf in the amount of \$90. The Master LP received \$88 from the Master GP in April 2015. As at September 30, 2016, \$151 was still outstanding and included in due from related parties (December 31, 2015 – \$151).

### **Transactions with WCPG VII LP**

WCPG VII LP is related to the Trust by virtue of the fact that the Trust, through the Developments LP, subscribed for 262,500 units of WCPG VII LP at \$1 per unit for a total of \$262,500 on May 7, 2015 (section 4). During the year ended December 31, 2015, the Trust, through the Developments LP, loaned \$2,351,889 to WCPG VII LP to fund working capital requirements, secured by a loan on WCPG VII LP’s property under development for sale. The loan has a maximum amount of \$2,795,556 and bore interest at 10% per annum. In June 2016, the loan matured and was extended to June 2017, with an interest rate of 15% per annum, effective July 1, 2016. The mortgage is repayable from the release by the City of Fort St. John of any security deposits held as security for the subdivision work to be completed at WCPG VII LP’s development property, Garrison Landing, and from the proceeds from sales of subdivision lots at Garrison Landing, after repayment of mortgages ranking in priority to this mortgage. During the year ended December 31, 2015, WCPG VII LP repaid \$1,943,345. During the three months ended September 30, 2016, WCPG VII LP repaid \$nil and the Trust earned interest income of \$15,401 on the loan (three months ended September 30, 2015 – the Trust loaned \$623,000, \$nil was repaid and the Trust earned interest income of \$58,085). Principal and interest of \$548,382 was included in due from related parties as at September 30, 2016 (December 31, 2015 – \$512,670).

## 16. RELATED PARTY TRANSACTIONS (CONTINUED)

### Transactions with WCPG VII LP (continued)

In June 2016, the Trust, through the Developments LP, loaned WCPG VII LP a further \$304,000 to fund working capital requirements. The loan bears interest at 15% and matures in June 2017. During the three months ended September 30, 2016, WCPG VII LP repaid \$nil and the Trust earned interest income of \$11,462 on the loan (three months ended September 30, 2015 – \$nil and \$nil respectively). Principal and interest of \$315,711 was included in due from related parties as at September 30, 2016 (December 31, 2015 – \$nil).

### Transactions with FSJ Aurora LP

FSJ Aurora LP is related to the Trust by virtue of the fact that the Trust, through the Developments LP, subscribed for 2,300,000 limited partnership units of FSJ Aurora LP for a total of \$2,300,000 on October 20, 2015 (section 4). The remaining 50% of FSJ Aurora LP is indirectly owned by officers and trustees or directors of the Trust and the Master GP. During the year ended December 31, 2015, the Trust, through the Developments LP, advanced \$29,650 to FSJ Aurora LP to cover working capital requirements. During the nine months ended September 30, 2016, the Trust, through the Developments LP, advanced a further \$889 to FSJ Aurora LP to cover working capital requirements, including \$121 advanced during the three months ended September 30, 2016. The total loan of \$30,539 is non-interest bearing, repayable on demand and was included in due from related parties as at September 30, 2016 (December 31, 2015 – \$29,650).

## 17. SEGMENTED INFORMATION

The Trust operates in two business segments in a single geographic location, being the owner and operator of investment properties and the owner and developer of development properties in northwestern Canada. For each of the business segments, the Acting Chief Executive Officer reviews operations based on earnings from property operations and sales. As at September 30, 2016, the Trust operated one investment property and had interests in one additional investment property and two development properties through its equity-accounted investments (section 4). As at September 30, 2015, the Trust operated one investment property and had an interest in two development properties through its equity-accounted investments in WCPG VII LP and FSJ Industrial.

The following summarizes the results of operations for the Trust's segments for the three months ended September 30, 2016:

	Development	Investment	Trust	Total
Rental revenues	\$ –	\$ 171,541	\$ –	\$ 171,541
Operating expenses	–	54,065	–	54,065
Net rental income	–	117,476	–	117,476
Interest income	28,779	208	64	29,051
Mortgage interest	–	45,350	–	45,350
General and administrative expenses	1,648	1,075	14,344	17,067
Asset management fees	–	–	33,863	33,863
Fair value adjustment to investment property	–	(4,170)	–	(4,170)
Share of profit (loss) of equity-accounted investments	(97,872)	(888)	–	(98,760)
Income (loss) and comprehensive income (loss) for the period	(70,741)	66,201	(48,143)	(52,683)

## 17. SEGMENTED INFORMATION (CONTINUED)

The following summarizes the restated results of operations for the Trust's segments for the three months ended September 30, 2015 (section 5):

	Development	Investment	Trust	Total
Rental revenues	\$ –	\$ 169,121	\$ –	\$ 169,121
Operating expenses	–	51,687	–	51,687
Net rental income	–	117,434	–	117,434
Interest income	58,085	334	10,993	69,412
Mortgage interest	–	46,414	–	46,414
General and administrative expenses	63,825	536	19,276	83,637
Asset management fees	–	–	33,863	33,863
Fair value adjustment to investment property	–	(6,070)	–	(6,070)
Share of profit (loss) of equity-accounted investments	84,545	–	–	84,545
Income (loss) and comprehensive income (loss) for the period	78,805	64,748	(42,146)	101,407

The development segment's share of the loss of its equity-accounted investments was \$97,872 during the three months ended September 30, 2016 (three months ended September 30, 2015 – income of \$84,545). The change from a profit on equity-accounted investments during the three months ended September 30, 2015 to a loss on equity-accounted investments during the three months ended September 30, 2016 is primarily due to a decrease in sales income and increases in financing expenses and property tax expense for WCPG VII LP. FSJ Industrial also incurred a loss resulting from carrying costs during the three months ended September 30, 2016. After interest income and general and administrative expenses, the development segment incurred loss and comprehensive loss of \$70,741 for the three months ended September 30, 2016 (three months ended September 30, 2015 – income and comprehensive income of \$78,805).

During the three months ended September 30, 2016, the investment segment operated one investment property, producing rental revenues of \$171,541, operating expenses of \$54,065 and net rental income of \$117,476 (three months ended September 30, 2015 – \$169,121; \$51,687 and \$117,434 respectively). The investment segment's share of the loss from its equity-accounted investment, FSJ Aurora LP, was \$888 for the three months ended September 30, 2016, increasing from \$nil for the three months ended September 30, 2015 due to the acquisition of FSJ Aurora LP in October 2015. After interest income, mortgage interest, general and administrative expenses and the fair value adjustment to investment property, the investment segment earned income and comprehensive income of \$66,201 for the three months ended September 30, 2016 (three months ended September 30, 2015 – \$64,748).

During the three months ended September 30, 2016, the Trust segment earned interest income of \$64 and incurred general and administrative expenses of \$14,344 and asset management fees of \$33,863, resulting in a loss and comprehensive loss of \$48,143 (three months ended September 30, 2015 – \$10,993; \$19,276; \$33,863 and loss and comprehensive loss of \$42,146 respectively). The decrease in interest income for the three months ended September 30, 2016 compared to the three months ended September 30, 2015 is due to a decrease in cash as a result of the purchase of an additional equity-accounted investment. The decrease in general and administrative expense for the same periods is primarily due to a decrease in accounting and legal expense.

## **18. FUTURE ACCOUNTING POLICY CHANGES**

### **Financial instruments: classification and measurement**

On July 24, 2014, the IASB issued the complete IFRS 9, *Financial Instruments* (“IFRS 9”).

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new “expected credit loss” model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The Trust intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined; however, it is not expected to have a material impact on the Trust’s consolidated financial statements.

### **Revenue recognition**

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, *Construction Contracts*; IAS 18, *Revenue*; IFRIC 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreements for the Construction of Real Estate*; IFRIC 18, *Transfer of Assets from Customers*; and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Trust intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. The Trust does not expect the standard to have a material impact on its consolidated financial statements.

### **Leases**

On January 13, 2016, the IASB issued IFRS 16, *Leases* (“IFRS 16”). The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases* (“IAS 17”).

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.



## **18. FUTURE ACCOUNTING POLICY CHANGES (CONTINUED)**

### **Leases (continued)**

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Trust intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined; however, it is not expected to have a material impact on the Trust's consolidated financial statements.

## **19. SUBSEQUENT EVENTS**

There were no material subsequent events as of the date of this report.