

**REALNORTH OPPORTUNITIES FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**  
**DATED: NOVEMBER 29, 2019**

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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, 2019 should be read together with REALnorth Opportunities Fund's audited consolidated financial statements and notes thereto for the year ended December 31, 2018 and unaudited condensed interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2019. All financial information is reported in Canadian dollars and in accordance with International Financial Reporting Standards 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 three and nine months ended September 30, 2019.

**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, 2019 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 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 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 the Province 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 the Province 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 August 2, 2018, the Developments LP subscribed for 100 units of FSJ Northwest Limited Partnership (“FSJ Northwest LP”) at \$1 per unit for a total of \$100, which resulted in the Developments LP being the sole limited partner of FSJ Northwest LP. FSJ Northwest LP was established on August 2, 2018 pursuant to the laws of the Province of British Columbia for the purposes of acquiring real property, acquiring real property mortgages and other debt and developing and servicing real property for the purposes of leasing or selling.

On December 31, 2018, the Developments LP acquired control of Western Canadian Properties Group VII Limited Partnership (“WCPG VII LP”) (section 4). WCPG VII LP was established pursuant to the laws of the Province of British Columbia for the purposes of acquiring approximately 29 acres of residential property (“Garrison Landing”), other real property or shares, partnership units or other securities; and undertaking the subdivision, development and servicing of Garrison Landing with a view to selling individual lots at Garrison Landing or profiting from the property in any other manner permitted by law and deemed by the general partner to be beneficial for WCPG VII LP.

### **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, the general partner of the Developments LP owns an interest in the Developments LP, the general partner of FSJ Northwest LP owns an interest in FSJ Northwest LP and the general partner of WCPG VII LP owns an interest in WCPG VII LP, they represent the non-controlling interest of the Trust.

### **4. SELECTED HISTORICAL INFORMATION**

#### **Units issued and redeemed**

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.

During the year ended December 31, 2016, the Trust redeemed 100 limited partnership units of the Master LP for total redemption proceeds of \$100,000. During the year ended December 31, 2017, the Trust redeemed 110 limited partnership units of the Master LP for total redemption proceeds of \$110,000. During the year ended December 31, 2018, the Trust redeemed 163 units for total redemption proceeds of \$163,000.

As at September 30, 2019, the Trust owned 12,425 units of the Master LP, representing an ownership interest of approximately 87% (section 5).

#### **Direct property acquisition and disposition**

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 was for seven years, expiring in 2021, and the tenant had the option to renew for two terms of three years each at prevailing market rates. The Trust could recover property tax, insurance and management fees from the tenant. The management fee was 2.0% of the basic rent according to the lease agreement.

On August 30, 2018, the Trust, through the Investments LP, sold 22<sup>nd</sup> Avenue for a sale price of \$6,750,000 less standard closing costs and adjustments.

#### **Acquisition of equity-accounted investments and acquisition of control**

##### **(i) WCPG VII LP**

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.

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

##### **Acquisition of equity-accounted investments and acquisition of control (continued)**

###### **(i) WCPG VII LP (continued)**

On December 31, 2018, the Trust, through the Developments LP, entered into an agreement with Ground Floor Capital Management Ltd. (“Ground Floor”), which owned 500,000 LP units of WCPG VII LP, giving it an 11.1% interest in WCPG VII LP. As a result of the agreement, Ground Floor’s units were repurchased and cancelled and the Developments LP became the sole limited partner of WCPG VII LP.

On December 31, 2018, subsequent to the change in ownership, the limited partnership agreement for WCPG VII LP was amended and as a result, the Trust, through the Master LP and Developments LP, acquired control of WCPG VII LP. Therefore, the Trust now consolidates the assets, liabilities and financial results of WCPG VII LP.

On May 29, 2015, WCPG VII LP acquired 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 September 30, 2019, two phases comprising 55 subdivision lots were complete and 25 of those lots had been sold or transferred. During the nine months ended September 30, 2019, the WCPG VII LP commenced construction of a single-family home on one of the completed lots. Subsequent to period end, one additional lot was sold (section 19).

###### **(ii) FSJ Industrial Properties Limited Partnership**

On September 3, 2015, the Trust, through the Developments LP, subscribed for 10 Class B units of FSJ Industrial Properties Limited Partnership (“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.

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.

###### **(iii) FSJ Aurora Developments Properties Limited Partnership**

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”) at \$1 per unit for a total of \$2,300,000, thereby acquiring a 50% interest in FSJ Aurora. On October 23, 2015, FSJ Aurora 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. During the year ended December 31, 2016, the City of Fort St. John expanded its boundary, with the result that the Aurora Lands are now included within city boundaries. The Aurora Lands are currently in the Agricultural Land Reserve.

#### **5. PERFORMANCE SUMMARY**

As at September 30, 2019, the Trust’s assets totaled \$13,015,015, decreasing from \$13,848,253 as at December 31, 2018 primarily due to impairment recognized on property inventory and a decrease in cash. Liabilities totaled \$1,633,693 as at September 30, 2019, increasing from \$1,351,663 as at December 31, 2018 due to an increase in accounts payable and accrued liabilities resulting primarily from loans received from related parties (section 16).

## 5. PERFORMANCE SUMMARY (CONTINUED)

The Trust incurred a net sales loss of \$44,542 during the nine months ended September 30, 2019, compared to \$nil for the nine months ended September 30, 2018. The increase in net sales loss was due to consolidating property maintenance and property tax expenses for WCPG VII LP following acquisition of control on December 31, 2018 (section 4). The Trust earned income from discontinued operations of \$nil for the nine months ended September 30, 2019 compared to \$242,682 for the nine months ended September 30, 2018. The decrease was due to the sale of 22<sup>nd</sup> Avenue in August 2018.

The Trust incurred a net loss of \$1,024,860 after finance expense, other expenses and its share of the loss of equity-accounted investments for the nine months ended September 30, 2019, compared to a net loss of \$245,102 for the nine months ended September 30, 2018. The increase in net loss is primarily due to impairment recognized on property inventory, the decrease in income from discontinued operations following the sale of 22<sup>nd</sup> Avenue and a decrease in interest income. Interest income decreased due to the acquisition of control of WCPG VII LP and the subsequent elimination of interest on loans from the Developments LP to WCPG VII LP upon consolidation.

### Redemptions

During the nine months ended September 30, 2019, the Trust received redemption requests which were effective as of the date of receipt, as follows:

Redemption Date	Number of Units Redeemed	Total Redemption Price
January 7, 2019	19	\$ 16,840
March 12, 2019	10	8,864
March 22, 2019	10	8,864
April 10, 2019	1	886
April 16, 2019	10	8,864
August 2, 2019	40	35,454
September 24, 2019	12	10,636
	102	\$ 90,408

During the nine months ended September 30, 2018, the Trust received redemption requests which were effective as of the date of receipt, as follows:

Redemption Date	Number of Units Redeemed	Total Redemption Price
March 13, 2018	3	\$ 2,462
March 15, 2018	25	20,520
March 28, 2018	25	20,520
April 11, 2018	30	24,624
April 25, 2018	25	20,520
May 8, 2018	10	8,208
September 6, 2018	1	821
	119	\$ 97,675

As at September 30, 2019, redemptions totaling \$46,090 were outstanding and included in accounts payable and accrued liabilities (December 31, 2018 – \$11,491) (section 19) and there were 12,425 Trust units outstanding (December 31, 2018 – 12,527 Trust units).

## 6. RESULTS OF QUARTERLY OPERATIONS

The following summarizes the results of operations for the Trust for the three months ended September 30, 2019:

- Sales expenses totaled \$16,068 (three months ended September 30, 2018 – \$nil).
- Net income from discontinued operations totaled \$nil (three months ended September 30, 2018 – net loss of \$74,885).
- The Trust earned \$109 in interest from loans and bank deposits (three months ended September 30, 2018 – \$62,867).
- The Trust recorded a loss from its equity-accounted investments of \$15,528 (three months ended September 30, 2018 – loss of \$200,943).
- The Trust incurred a loss of \$707,744 attributable to unitholders after finance and administrative expenses (three months ended September 30, 2018 – net loss attributable to unitholders from continuing operations of \$174,387 and net loss attributable to unitholders from discontinued operations of \$64,880). The expenses consisted of:
  - a) impairment of \$716,851 (three months ended September 30, 2018 – \$nil);
  - b) mortgage interest of \$14,312 (three months ended September 30, 2018 – mortgage interest from continuing operations of \$nil);
  - c) debenture interest of \$142 (three months ended September 30, 2018 – \$24);
  - d) loan interest of \$nil (three months ended September 30, 2018 – \$10,249);
  - e) general and administrative expenses totaling \$22,542 (three months ended September 30, 2018 – \$22,996); and
  - f) asset management fees of \$32,771 (three months ended September 30, 2018 – \$29,931).

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

Quarter ended	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Total assets	\$ 13,015,015	\$ 13,759,246	\$ 13,791,392	\$ 13,848,253
Equity-accounted investments	5,519,737	5,535,265	5,497,149	5,509,845
Property inventory	7,339,688	8,034,611	8,034,611	8,034,611
Total liabilities	1,633,693	1,513,729	1,410,724	1,351,663
Mortgages payable	948,380	947,119	945,890	945,000
Unitholders' equity	10,010,877	10,764,711	10,883,049	10,988,053
Finance income (expense)	(731,196)	(13,663)	(13,126)	305,022
Share of loss of equity-accounted investments	(15,528)	(14,384)	(12,696)	(36,173)
Income (loss) attributable to the Trust unitholders	(707,744)	(108,588)	(70,436)	108,976
Income (loss) per unit	(56.85)	(8.70)	(5.63)	8.68

## 6. RESULTS OF QUARTERLY OPERATIONS (CONTINUED)

Quarter ended	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Total assets	\$ 12,621,105	\$ 17,095,386	\$ 17,118,542	\$ 17,186,723
Investment property	–	6,750,000	6,580,000	6,580,000
Equity-accounted investments	8,828,556	9,029,499	9,117,235	9,228,242
Total liabilities	218,350	4,415,659	4,469,659	4,441,201
Mortgage payable	–	4,195,265	4,223,152	4,251,115
Unitholders' equity	10,915,192	11,155,280	11,135,679	11,225,411
Rental income	114,154	175,707	174,818	173,260
Finance expense	6,104	(12,303)	(13,094)	(13,581)
Share of loss of equity-accounted investments	(200,943)	(135,861)	(111,006)	(76,332)
Income (loss) attributable to the Trust unitholders	(239,267)	72,953	(46,230)	(50,563)
Income (loss) per unit	(19.03)	5.80	(3.64)	(3.98)

During the period from June 30, 2019 to September 30, 2019, total assets and property inventory decreased significantly primarily due to impairment recognized on property inventory. Equity-accounted investments decreased due to net losses incurred by both FSJ Industrial and FSJ Aurora. Total liabilities increased primarily due to an increase in accounts payable and accrued liabilities resulting mainly from loans received from related parties, outstanding asset management fees and outstanding Trust unit redemptions (sections 5 and 16). Unitholders' equity decreased due to the net loss incurred during the quarter and Trust unit redemptions (section 5).

Rental income decreased from \$114,154 during the three months ended September 30, 2018 to \$nil during the three months ended September 30, 2019 due to the sale of 22<sup>nd</sup> Avenue in August 2018. The Trust's equity-accounted investments incurred a loss of \$15,528 during the three months ended September 30, 2019 compared to a loss of \$200,943 during the three months ended September 30, 2018. The decrease was primarily due to the acquisition of control of WCPG VII LP (section 4). The Trust incurred a loss attributable to the Trust unitholders of \$707,744 during the three months ended September 30, 2019 compared to a loss attributable to the Trust unitholders of \$239,267 during the three months ended September 30, 2018. The increase in loss attributable to the Trust unitholders was primarily due to impairment recognized on property inventory, a decrease in loan interest following the repayment of the loan payable and a decrease in interest income resulting from acquisition of control of WCPG VII LP and the subsequent elimination of interest on loans from the Developments LP to WCPG VII LP upon consolidation, offset in part by a decrease in net loss from discontinued operations.

## 7. MORTGAGES PAYABLE

On September 12, 2014, the Master LP, through the Investments LP, financed the acquisition of 22<sup>nd</sup> Avenue with cash and a term loan in the amount of \$4,650,000 bearing interest at 3.72% and maturing in 2019. The term loan was secured by a mortgage on the property. On August 31, 2018, following the sale of 22<sup>nd</sup> Avenue, the mortgage was repaid in full.

On December 31, 2018, the Trust, through the Developments LP, obtained control of WCPG VII LP (section 4). WCPG VII LP has financed Garrison Landing with a \$950,000 mortgage bearing interest at prime plus 1.50%. On December 31, 2018, the lender agreed to forbear from enforcing the mortgage until December 31, 2019. Subsequent to period end, the Trust, through WCPG VII LP, repaid \$50,000 of the mortgage (note 19).

The mortgage payable is recorded at amortized cost and bore a weighted effective interest rate of 5.99% as at September 30, 2019 (December 31, 2018 – 5.74%).

## **7. MORTGAGES PAYABLE (CONTINUED)**

The carrying amount of the mortgage payable on September 30, 2019 was \$948,380 (December 31, 2018 – \$945,000). Included in the mortgage payable were the related unamortized mortgage transaction costs of \$1,620 as at September 30, 2019 (December 31, 2018 – \$5,000), which are amortized over the term of the mortgage using the effective interest rate method.

## **8. DEBENTURES**

On July 31, 2018, the Master LP issued debentures totaling \$6,500 to settle outstanding Trust unit redemption requests in excess of its limit on cash payments for such redemptions (section 14). The debentures are subordinated, unsecured, will mature in July 2023 and pay interest monthly in arrears at an annual interest rate of 2.19%. The Master LP may repay the debentures at any time.

The debentures are recorded at amortized cost. The carrying value of the debentures on September 30, 2019 was \$4,354 (December 31, 2018 – \$4,047). Included in the debentures were the related unamortized debenture transaction costs of \$2,146 as at September 30, 2019 (December 31, 2018 – \$2,453), which are amortized over the term of the debentures using the effective interest rate method. The debentures bore an effective interest rate of 13.22% as at September 30, 2019 (December 31, 2018 – 13.22%).

## **9. LIQUIDITY**

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

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's capital needs primarily relate to any required maintenance to the properties and servicing mortgage principal payments as they become due. It is management's opinion that sales of property inventory and future related party loans will be sufficient to fund any future capital requirements.

## **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 quarterly 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 15% as at September 30, 2019 (December 31, 2018 – 15%). The Trust was in compliance with all restrictions during the nine months ended September 30, 2019 and September 30, 2018.

The Trust’s capital structure consisted of the following components at September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018	Change
Capital			
Mortgage payable	\$ 948,380	\$ 945,000	\$ 3,380
Unitholders’ equity	10,010,877	10,988,053	(977,176)
Total capital	\$ 10,959,257	\$ 11,933,053	\$ (973,796)

During the nine months ended September 30, 2019, the Trust’s total capital decreased due to the redemption of a total of 102 Trust units (section 5) and the net loss incurred during the period, offset in part by the amortization of mortgage transaction costs (section 7).

## 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, 2018 and unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2019.

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

### Cost of sales

The Trust and certain of the Trust’s equity-accounted investments hold property inventory and property under development for sale. Cost of sales is determined by management using the net yield method, which requires the use of estimates including costs to complete a project and selling prices of subdivided lots within a project. Management engages a cost consultant to review budgeted costs to complete and estimates selling prices based on market conditions existing at the reporting date.

### Valuation of property inventory

The net realizable value of property inventory is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the net realizable value of property inventory requires the use of estimates such as sales prices, development costs and selling costs. These estimates are based on existing and forecasted market conditions.

### 13. FINANCIAL INSTRUMENTS

Financial instrument assets include cash, cash held in trust, amounts receivable and amounts due from related parties, which are carried at amortized cost. Financial instrument liabilities include the mortgage payable, debentures and accounts payable and accrued liabilities, which are carried at amortized cost.

#### Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Financial instruments	Fair value hierarchy	September 30, 2019		December 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	Level 2	\$ 3,038	\$ 3,038	\$ 153,669	\$ 153,669
Cash held in trust	Level 2	–	–	18,506	18,506
Amounts receivable	Level 2	6	6	304	304
Due from related parties	Level 2	84,318	84,318	69,351	69,351
Accounts payable and accrued liabilities	Level 2	680,959	680,959	402,616	402,616
Mortgage payable	Level 2	948,380	950,052	945,000	949,995
Debentures	Level 2	4,354	7,034	4,047	7,137

The valuation techniques and inputs for the Trust's financial instruments are as follows:

#### (i) *Mortgage payable and debentures*

The fair value of amounts due for the mortgage payable and the debentures 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.

#### (ii) *Other financial assets and liabilities*

The carrying values of financial assets and financial liabilities not measured at fair value, including cash, cash held in trust, amounts receivable, due from related parties and accounts payable and accrued liabilities, approximate their fair values due to the immediate or short-term maturity of these financial instruments or because they are receivable or payable on demand.

### 14. RISKS AND UNCERTAINTIES

All real estate 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.

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.

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

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 counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Trust's receivables from related parties. The Trust's exposure to credit risk is influenced by the individual characteristics of parties to whom it lends funds. The Trust has mitigated the risk by having officers and directors in common with the parties to whom it has loaned funds as at September 30, 2019.

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

	2019	2020	2021	2022	2023	2024 and thereafter
Mortgages payable (principal and interest)	\$ 962,542	\$ –	\$ –	\$ –	\$ –	\$ –
Debentures (principal and interest)	36	142	142	142	6,583	–
Accounts payable and accrued liabilities	680,959	–	–	–	–	–
	\$ 1,643,537	\$ 142	\$ 142	\$ 142	\$ 6,583	\$ –

##### Currency risk

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

##### 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.

### 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. The Trust is exposed to interest rate risk on the variable rate mortgage on Garrison Landing.

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

	Face Value	
	September 30, 2019	December 31, 2018
<b>Fixed rate instruments</b>		
Debentures	\$ 6,500	\$ 6,500
<b>Variable rate instruments</b>		
Variable rate mortgage payable	950,000	950,000

### Environmental risk

The Trust, through the Investments LP, the Developments LP, WCPG VII LP and its equity-accounted investments, 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.

### 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.

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

During the nine months ended September 30, 2019, the Trust redeemed 102 units for total consideration of \$90,408 (nine months ended September 30, 2018 – 119 units for total consideration of \$97,675) (section 5). During the twelve month period ended September 30, 2019, the Trust redeemed 146 units for total consideration of \$126,523 which represented 1.01% of the aggregate subscription price of all Trust units that were issued and outstanding as at September 30, 2018 (twelve month period ended September 30, 2018 – 127 units for total consideration of \$104,895, which represented 0.83% of all Trust units issued and outstanding as at June 30, 2017). The total consideration paid for redemptions during the twelve months ended September 30, 2019 included the issuance of debentures by the Master LP totaling \$6,500 (twelve months ended September 30, 2018 – \$6,500) (section 8).

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

The Trust has no off-balance sheet arrangements.

#### **16. RELATED PARTY TRANSACTIONS**

##### **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 1.00% 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 and nine months ended September 30, 2019, the Trust accrued asset management fees of \$32,771 and \$98,712 respectively (three and nine months ended September 30, 2018 – \$29,931 and \$93,264 respectively). As at September 30, 2019, asset management fees of \$264,807 (December 31, 2018 – \$166,014) 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 provided property management services to the investment property and collected 2.00% of the basic annual rent as a property management fee. During the three and nine months ended September 30, 2019, Pure Commercial charged the Trust property management fees of \$nil (three and nine months ended September 30, 2018 – \$1,513 and \$6,204 respectively).

During the three and nine months ended September 30, 2019, Pure Commercial advanced \$nil and \$200,000 respectively to the Master LP and \$12,600 to the Developments LP (three and nine months ended September 30, 2018 – \$nil and \$21,000 respectively advanced to WCPG VII LP). As at September 30, 2019, \$233,600 was owing to Pure Commercial and included in accounts payable and accrued liabilities (December 31, 2018 – \$21,000).

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

Sui Generis Investments Ltd. (“Sui Generis”) is related to the Trust by virtue of having officers in common. The Master LP entered into an agreement whereby Sui Generis provided certain consulting and advisory services for a fee of \$15,000 per annum plus any applicable taxes, payable quarterly. During the three and nine months ended September 30, 2019, the Master LP recorded fees, inclusive of taxes, of \$nil and \$3,938 respectively to Sui Generis (three and nine months ended September 30, 2018 – \$3,938 and \$11,813 respectively). On May 16, 2019, Sui Generis terminated the agreement and waived the outstanding fees of \$31,500. As at September 30, 2019, \$nil was included in accounts payable and accrued liabilities (December 31, 2018 – \$27,563).

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

### **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. During the year ended December 31, 2015, the Trust paid a \$148 expense on behalf of the Master GP and the Master GP received interest on 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. During the three and nine months ended September 30, 2019, the Master LP paid an expense of \$1,101 on behalf of the Master GP. As at September 30, 2019, \$1,252 was still outstanding and included in due from related parties (December 31, 2018 – \$151).

### **Trustee Compensation**

Each trustee of the Trust, other than Stephen Evans, is entitled to an annual fee of \$12,500. During the three and nine months ended September 30, 2019, the Trust paid accrued trustee fees of \$nil (three and nine months ended September 30, 2018 – \$nil and \$25,000 respectively). As at September 30, 2019, trustee fees of \$nil were included in accounts payable and accrued liabilities (December 31, 2018 – \$nil).

### **Transactions with FSJ Aurora**

FSJ Aurora is related to the Trust by virtue of the fact that the Trust, through the Developments LP, holds a 50% interest in FSJ Aurora (section 4). The remaining 50% of FSJ Aurora is indirectly owned by officers and directors/trustees of the Trust and the Master GP. During prior years, the Trust, through the Developments LP, advanced funds to FSJ Aurora to cover working capital requirements. During the three and nine months ended September 30, 2019, the Trust, through the Developments LP, advanced a further \$11,486 to FSJ Aurora to cover working capital requirements (three and nine months ended September 30, 2018 – \$nil and \$2,759 respectively). During the three and nine months ended September 30, 2019, the Trust, through the Developments LP, also paid invoices totaling \$nil on FSJ Aurora's behalf (three and nine months ended September 30, 2018 – \$nil and \$205 respectively). As at September 30, 2019, \$47,486 was outstanding and included in due from related parties (December 31, 2018 – \$36,000).

### **Transactions with WCPG Garrison Landing Ltd.**

WCPG Garrison Landing Ltd. ("WCPG Garrison") is related to the Trust by virtue of being the general partner of WCPG VII LP. During the three and nine months ended September 30, 2019, the Trust, through WCPG VII LP, repaid loans and interest of \$nil and \$1,800 respectively on WCPG Garrison's behalf (three and nine months ended September 30, 2018 – \$nil). During the three and nine months ended September 30, 2019, the Trust, through WCPG VII LP, also paid expenses of \$1,101 on WCPG Garrison's behalf (three and nine months ended September 30, 2018 – \$nil). As at September 30, 2019, \$35,551 was outstanding and included in due from related parties (December 31, 2018 – \$32,650).

### **Transactions with In Re Capital Inc.**

In Re Capital Inc. is related to the Trust by having officers in common. During the three and nine months ended September 30, 2019, In Re Capital Inc. paid expenses of \$20,530 on behalf of WCPG VII LP (three and nine months ended September 30, 2018 – \$nil). As at September 30, 2019, \$20,530 was outstanding and included in accounts payable and accrued liabilities (December 31, 2018 – \$nil).

### **Transactions with Triple E Investments Ltd.**

Triple E Investments Ltd. is related to the trust by virtue of having directors/trustees in common. During the three and nine months ended September 30, 2019, Triple E Investments Ltd. advanced \$12,000 to the Master LP to cover operating costs (three and nine months ended September 30, 2018 – \$nil). As at September 30, 2019, \$12,000 was outstanding and included in accounts payable and accrued liabilities (December 31, 2018 – \$nil).

## 16. RELATED PARTY TRANSACTIONS (CONTINUED)

### Transactions with Triple E Ventures Inc.

On August 2, 2018, Triple E Ventures Inc., which is related to the Trust by virtue of having directors/trustees in common, loaned \$2,150,000 to FSJ Northwest LP. The loan was secured by a mortgage on 22<sup>nd</sup> Avenue, bore interest at 6.00% and was repayable upon demand. The mortgage was repaid on August 31, 2018, following the sale of 22<sup>nd</sup> Avenue. During the three and nine months ended September 30, 2019, the Trust paid interest of \$nil on the loan (three and nine months ended September 30, 2018 – \$10,312).

## 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, 2019, the Trust operated one development property and had interests in one additional development property and one investment property through its equity-accounted investments. As at September 30, 2018, the Trust had interests in one investment property and two development properties through its equity-accounted investments. Assets and liabilities are reviewed on a total basis by management and therefore are not included in the following segmented disclosure.

The following summarizes the results of operations for the Trust's segments for the three months ended September 30, 2019:

	<b>Development</b>	<b>Investment</b>	<b>Trust</b>	<b>Total</b>
Property maintenance	\$ (1,595)			\$ (1,595)
Property taxes	(14,473)	\$ –	\$ –	(14,473)
Interest income	86	6	17	109
Impairment	(716,851)	–	–	(716,851)
Mortgage interest	(14,312)	–	–	(14,312)
Debenture interest	–	–	(142)	(142)
General and administrative expenses	(13,180)	(1,484)	(7,878)	(22,542)
Asset management fees	–	–	(32,771)	(32,771)
Share of loss of equity-accounted investments	(12,642)	(2,886)	–	(15,528)
Loss and comprehensive loss	\$ (772,967)	\$ (4,364)	\$ (40,774)	\$ (818,105)

The following summarizes the results of operations for the Trust's segments for the three months ended September 30, 2018:

	<b>Development</b>	<b>Investment</b>	<b>Trust</b>	<b>Total</b>
Interest income	\$ 30,783	\$ 668	\$ 31,416	\$ 62,867
Debenture interest	–	–	(24)	(24)
Loan interest	–	–	(10,312)	(10,312)
General and administrative expenses	(1,492)	(1,058)	(20,446)	(22,996)
Asset management fees	–	–	(29,931)	(29,931)
Loss from discontinued operations	–	(74,822)	–	(74,822)
Share of loss of equity-accounted investments	(199,071)	(1,872)	–	(200,943)
Loss and comprehensive loss	\$ (169,780)	\$ (77,084)	\$ (29,297)	\$ (276,161)

## 17. SEGMENTED INFORMATION (CONTINUED)

During the three months ended September 30, 2019, the development segment incurred property maintenance of \$1,595, property taxes of \$14,473 and mortgage interest from continuing operations of \$14,312 (three months ended September 30, 2018 – \$nil, \$nil and \$nil respectively). The development segment's share of the loss of its equity-accounted investments was \$12,642 during the three months ended September 30, 2019 (three months ended September 30, 2018 – loss of \$199,071). The increase in property maintenance, property taxes and mortgage interest and the decrease in loss of equity-accounted investments is primarily due to consolidation of WCPG VII LP following the acquisition of control (section 4). During the three months ended September 30, 2019, the development segment recognized impairment on its property inventory of \$716,851 resulting from a decrease in expected sales prices for completed lots at Garrison Landing (three months ended September 30, 2018 – \$nil). During the three months ended September 30, 2019, the development segment incurred general and administrative expenses of \$13,180, increasing from \$1,492 during the three months ended September 30, 2018 primarily due to higher professional fees and the acquisition of control of WCPG VII LP, resulting in consolidation of general and administrative expenses for that entity. The development segment incurred a loss and comprehensive loss of \$772,967 for the three months ended September 30, 2019 (three months ended September 30, 2018 – loss and comprehensive loss of \$169,780).

During the three months ended September 30, 2019, the investment segment earned income from discontinued operations of \$nil (three months ended September 30, 2018 – loss of \$74,822). The investment segment's share of the loss from its equity-accounted investment, FSJ Aurora, was \$2,886 for the three months ended September 30, 2019, compared to a loss of \$1,872 for the three months ended September 30, 2018. After interest income and general and administrative expenses, the investment segment incurred loss and comprehensive loss of \$4,364 for the three months ended September 30, 2019 (three months ended September 30, 2018 – loss and comprehensive loss of \$77,084).

During the three months ended September 30, 2019, the Trust segment earned interest income of \$17 and incurred debenture interest of \$142 and loan interest of \$nil (three months ended September 30, 2018 – \$31,416; \$24 and \$10,312 respectively). General and administrative expenses decreased from \$20,446 for the three months ended September 30, 2018 to \$7,878 for the three months ended September 30, 2019 primarily due to lower professional fees (section 16). After general and administrative expenses and asset management fees, the Trust segment recognized loss and comprehensive loss of \$40,774 (three months ended September 30, 2018 – loss and comprehensive loss of \$29,297).

## 18. CURRENT ACCOUNTING POLICY CHANGES

### IFRS 16 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. IFRS 16 replaces 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.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas at the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Trust adopted IFRS 16 in its financial statements on January 1, 2019 and applied the requirements of the standard retrospectively. Adoption of the standard had no impact on the Trust's consolidated financial statements.

## 19. SUBSEQUENT EVENTS

On October 1, 2019, the Trust received a request to redeem 4 Trust units.

**19. SUBSEQUENT EVENTS (CONTINUED)**

On October 24, 2019, the Trust, through WCPG VII LP, sold a lot at Garrison Landing for \$99,500 less standard closing costs and adjustments and repaid \$50,000 of the mortgage on the property.

On October 30, 2019, the Trust paid the outstanding redemption amount of \$46,090 related to the August 2, 2019 and September 24, 2019 redemptions totalling 52 Trust units (section 5).