

# Annual Report 2014

Dream Hard Asset Alternatives Trust

## Letter to Shareholders

I am very pleased to present the inaugural annual report of Dream Hard Asset Alternatives Trust (“Dream Alternatives” or the “Trust”).

On July 8, 2014, we successfully completed the reorganization of \$1.0 billion of assets that were previously held within four separate funds managed by ROI Capital to create Dream Alternatives.

### **The creation of the Trust formally established Dream’s alternative asset management business.**

The structure of the predecessor funds was subject to many regulatory requirements that prevented active management of the investments, which in our opinion represented a significant obstacle to realizing the full value of the portfolio. These barriers are no longer present in the Trust, as it has a flexible investment structure, but it will take time and expertise to achieve the projected returns and repatriate capital from the legacy assets.

In the time in which Dream has taken over responsibility for the assets and the administration of the Trust, we have met with all of our partners on numerous occasions and have made great progress in recovering the principal of the loan portfolio that we inherited. To date, we have recovered approximately \$118 million of loan assets within the Trust and we have committed to new investments for \$131 million of equity, which represents about 18% of the total assets of the Trust. In total, the weighted average yield of the \$131 million of investments is approximately 9.7%.

Since taking over management, we have entered into \$77 million of new mortgages, with all but two being first mortgages, at an average interest rate of 8.2%; agreed to acquire an office building for \$4.2 million in an up and coming neighbourhood in Toronto east which we think will be an excellent long term investment that will produce an average levered return of about 8.0%; and we have committed to invest \$50 million in renewable power at an average yield of approximately 12.0%. Almost all of the renewable power will be in production by the fall of 2015.

A year ago, when we were putting our plan together for the legacy assets during due diligence, we had concerns about our ability to recover the capital loaned to borrowers and the

value of some of the investments. We are pleased that in all areas, other than the retail developments, the assets are better than we thought. We have also recovered capital from the loan portfolio more quickly than we expected. We are also pleased that we have been able to find desirable assets that are high quality and produce attractive returns in an environment where interest rates are significantly lower than a year ago.

**Based on our experience so far, we believe that we will be able to outperform our original model prepared a year ago.**

We have stated before that we expect the current distribution level to be covered from the earnings on the assets by the summer of 2015. In fact, we generated higher than expected returns in each of the Trust's first two quarters and, in the fourth quarter of 2014, we were already almost generating sufficient cash flow to cover the distributions even though we have not invested all of the Trust's cash into new investments.

We continue to see attractive investment opportunities and we will invest more and more of the Trust's assets in new rewarding investments. We are finding ourselves most interested in renewable power opportunities that help generate attractive tax efficient returns for 20 years.

Despite all the positive news, the unit price has not responded as well as we would have liked. We believe that as our results become more visible to investors, and existing and prospective investors become more confident that we are making the progress that we are indeed making, the unit price will become a better reflection of the underlying value and results. Currently, the business is trading at a 32% discount to net asset value and is generating a tax efficient 6.1% yield. However, as we realize on former investments and invest the capital, we believe we will be able to increase the earnings of the Trust significantly. Several institutions have already

invested in Dream Alternatives and our shareholder base continues to evolve. The liquidity of the Trust has improved tremendously since we took over in July. To date, over 25 million Dream Alternatives units, or approximately one-third of the units outstanding, have traded on public exchanges.

We are very proud of what we have accomplished over the last nine months. We remain committed to delivering long term value to our unitholders, and thank you for your continued interest and support for our business.

Sincerely,



**Michael Cooper**

Portfolio Manager





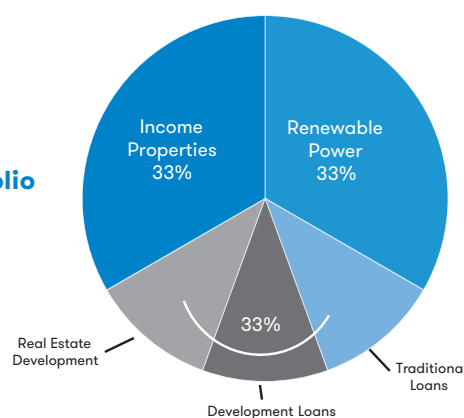
Dream successfully launched Dream Hard Asset Alternatives Trust (DAT) on July 8, 2014.

DAT provides an opportunity for investors to access diversified hard asset alternative investments, including real estate, real estate loans and infrastructure, including renewable power, managed by an experienced team with a successful track record in these areas.

### **DAT invests in:**

- Income properties – a portfolio of co-owned office and retail commercial real estate properties in Canada
- Lending portfolio – interest paying mortgages and corporate loans
- Development and investment holdings – participating mortgages receivable in residential, mixed use and retail development projects and indirect investments in income-producing properties
- Renewable power – solar and wind power projects

### **Potential Future Stabilized Portfolio**



**\$1**  
billion  
of  
gross assets

Tax Advantaged  
Distributions  
**85%**  
were return of  
capital in 2014

Low leverage  
Debt to  
Book Value  
of  
**25.1%**

Portfolio  
Turnover  
**18%**  
of the original  
portfolio has been  
reinvested\*

**\$131**  
million  
of equity  
committed to new  
investments at a  
weighted average  
yield of 9.7%\*

**\$50**  
million  
of equity committed  
to renewable  
power investments  
at an average  
yield of 12%\*

\*as at March 13, 2015



Renewable Power



Lending  
Portfolio



Development &  
Investment Holdings



Income  
Properties

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

(All dollar amounts are presented in thousands of Canadian dollars, except rental rates, Unit and per Unit amounts unless otherwise stated)

## SECTION I – OVERVIEW AND FINANCIAL HIGHLIGHTS

### OVERVIEW OF THE TRUST

Dream Hard Asset Alternatives Trust (“Dream Alternatives” or the “Trust”) is an open-ended trust focused on hard asset alternative investments comprising real estate, real estate lending, real estate development, and renewable power. In the Trust’s operating segment reporting, these investments are referred to as income properties, lending portfolio, development and investment holdings, and renewable power, respectively. The Trust is managed by Dream Asset Management Corporation (“DAM” or “Asset Manager”), one of Canada’s leading real estate companies with approximately \$14.6 billion of assets under management in North America and Europe. DAM has an established track record for being innovative and for its ability to source, structure and execute on compelling investment opportunities. The Trust is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DRA.UN”.

On June 16, 2014, the Unitholders of three publicly listed Return On Innovation (“ROI”) funds, ROI Canadian High Income Mortgage Fund (“CHIM”), ROI Canadian Mortgage Income Fund (“CMI”), and ROI Canadian Real Estate Fund (“CRE”), approved the reorganization to indirectly transfer all of their respective assets together with those of ROI Institutional Private Placement Fund (“RIPPF”, and together with CHIM, CMI and CRE, the “Distributing Funds”) to Dream Alternatives. The underlying assets of the Distributing Funds were subsequently acquired in exchange for the issuance of 72,617,739 Dream Alternatives Units, which were then listed on the TSX on July 8, 2014 (“Closing”). In connection with the reorganization on July 8, 2014, as described in Note 2 to the consolidated financial statements, Dream Alternatives completed an initial distribution of 1,000,000 Units in exchange for gross proceeds of \$10,000, and the ROI Distributing Funds completed a secondary distribution of 72,617,739 Units subsequently exchanged for the units of the ROI Distributing Funds.

The Trust’s operating segments currently consist of the following:

- **Income properties** – a portfolio of co-owned office and retail commercial real estate properties in Canada;
- **Lending portfolio** – interest paying mortgages and corporate loans;
- **Development and investment holdings** – participating mortgages receivable and indirect investments in income-producing properties;
- **Renewable power** – operational solar power projects, solar power projects under development, and a wind power project under development.

### OUR OBJECTIVES

Our objectives are to:

- provide an opportunity to invest in hard asset alternative investments, including real estate, real estate lending, real estate development, and infrastructure, including renewable power, managed by an experienced team with a successful track record in these areas;
- build and maintain a growth-oriented portfolio;
- provide predictable and sustainable cash distributions to Unitholders on a tax efficient basis; and
- grow and reposition the portfolio to increase the annualized adjusted funds available for distribution (“AFAD”) return on total investment and provide the opportunity to increase distributions to Unitholders over time.

## FINANCIAL OVERVIEW

The Trust's AFAD<sup>(1)</sup> for the six months from Closing to December 31, 2014 was \$12,870, and for the three months ended December 31, 2014 was \$6,290 (September 30, 2014 – \$6,580). Total comprehensive income for the six months ended December 31, 2014 was \$120,272 (nine months ended September 30, 2014 – \$122,857), including an acquisition gain of \$127,158 and reorganization related costs of \$12,013 relating to the reorganization as described in Note 2 to the consolidated financial statements. The acquisition gain is the result of the difference between the value of the Trust's Units issued in exchange for six of the seven ROI funds' underlying assets determined using the weighted average trading value of the Trust Units over the first 20 days of trading after the reorganization, and the fair value of the underlying assets of the six ROI funds acquired as required by the International Financial Reporting Standards ("IFRS"). The acquisition gain is therefore due to the Units trading at a discount compared to the fair value of the assets immediately after Closing. At December 31, 2014, the Trust has \$80,157 of cash and \$47,414 available for immediate investment, excluding the full balance of the \$50,000 revolving credit facility. Unfunded commitments for the lending portfolio and renewable power segments total \$46,250 at December 31, 2014.

The adjusted net asset value ("Adjusted NAV") per Unit<sup>(2)</sup> was \$9.75 at December 31, 2014. The slight decrease in Adjusted NAV per Unit from \$9.90 at September 30, 2014 is due mainly to fair value losses recognized on the income properties and development and investment holdings portfolio of \$9,073 (\$0.12 per Unit) as well as an increase in current income taxes payable of \$834 (\$0.01 per Unit). The fair value losses recognized on the income properties of \$3,780 is mainly due to an increase in expected lease-up costs and future non-recoverable capital expenditure. The fair value losses recognized on the development and investment holdings portfolio of \$5,293 is due mainly to higher expected construction costs and changes in expected development timelines.

### INCOME PROPERTIES

As at December 31, 2014, the Trust has equity interests in co-owned commercial real estate properties of \$246,071 (September 30, 2014 – \$241,252) with a gross asset value of \$499,264 (September 30, 2014 – \$499,089). The Trust's income properties segment consists of 16 office properties and three retail buildings, comprising over 3,842,067 sq.ft. of GLA, largely within the Greater Toronto Area ("GTA"), eastern Canada, and western Canada. The Trust owns varying non-managing interests in the assets, ranging from 50.1% to 65.0%, with its owned share of GLA aggregating to approximately 2,130,280 sq.ft. All of the income properties are held in co-ownership with Dream Office REIT, which provides property management services through a subsidiary, Dream Office Management Corp. ("DOMC"), for a fee of 3.0% to 3.5% of property revenue, which is in line with the current market terms.

The income properties segment AFAD for the three months ended December 31, 2014 was \$4,592, an increase from the three months ended September 30, 2014 AFAD of \$4,280, as a result of higher in-place occupancy and higher rental rates on lease renewals. In-place occupancy at December 31, 2014 was 90.1% (September 30, 2014 – 88.6%), which is above the in-place occupancy at Closing of 88.1%.

### LENDING PORTFOLIO

The Trust's lending portfolio segment consists of interest paying mortgages and corporate loans with fixed interest rates and terms. As at December 31, 2014, the lending portfolio consists of 28 mortgages and real property loans, and two corporate loans. This includes one portfolio-based first mortgage outstanding on five hotel properties, and a second mortgage on three hotel properties, having a combined outstanding principal of \$31,800. The eight hotel properties are located in British Columbia and Alberta. Outside of this hotel based portfolio and the corporate loans, the average contractual mortgage and loan investment size is approximately \$5,929. The lending portfolio also includes seven mortgages of development properties with a total outstanding principal of \$57,991.

The lending portfolio segment AFAD was \$4,234 for the three months ended December 31, 2014, which was higher than the September 30, 2014 AFAD of \$3,887, mainly because interest earned during the third quarter was based on a period that was eight days shorter than the fourth quarter due to the July 8, 2014 closing date, as well as higher lender fees received during the fourth quarter. The Trust received loan principal repayments of \$59,764 and advanced seven first mortgage investments of \$54,839 from Closing to December 31, 2014. At December 31, 2014, the weighted average term of new mortgage investments funded was 1.6 years with a weighted average effective interest rate of 8.8%, which compares to the weighted average term to maturity of the entire portfolio of 0.9 years and the weighted average effective interest rate of the portfolio of 8.4%. Commitments to fund additional loans total \$22,450 at December 31, 2014. These are expected to yield a weighted average effective interest rate of 7.6% and have a weighted average term of 1.65 years with the majority expected to be funded in the first half of 2015.

<sup>(1)</sup> For definition of AFAD, please refer to page 33 under the heading Non-IFRS Measures

<sup>(2)</sup> Adjusted NAV per Unit represents the net assets of the Trust adjusted for deferred income taxes payable, deferred units incentive plan payable, and the unamortized balance of net lending portfolio discounts and mortgages payable premiums. For more detail, please refer to page 32 under the heading Non-IFRS Measures. For a reconciliation of Adjusted NAV and Adjusted NAV per Unit for December 31, 2014 and September 30, 2014, please refer to pages 21 and 22, respectively



## **DEVELOPMENT AND INVESTMENT HOLDINGS**

The Trust's development and investment holdings segment consists of: (a) \$80,262 of participating loans in seven primarily retail projects, currently in various stages of development, co-owned and managed by Villarboit Development Corporation ("Villarboit"); (b) \$63,849 of participating loans in two separate residential projects in the GTA that are in pre-development, co-owned and managed by Empire Communities ("Empire"); (c) \$9,383 of participating loans in a mixed-use pre-development project in Toronto, co-owned and managed by Castlepoint Studio Partners ("Castlepoint"); and (d) \$15,222 of equity value in two separate limited partnerships which hold interests in an income-producing property portfolio consisting of three shopping centres and one office building (the Bayfield Limited Partnership ("LP") investments). The participating loans (a, b and c above) have rights to participate in the underlying cash flows of the assets in pre-development, subject to various terms in the respective agreements.

The retail development project manager is in active leasing discussions with respect to the retail development projects and has executed leases representing 39.8% of the developments' total projected gross leasable area ("GLA") of 1.2 million sq.ft., which is favourable to the percentage of executed leases of 35.6% at September 30, 2014 and 29.7% at Closing. The residential development project manager has sold 66.5% of the 1,944 total projected condominium and single family residential units at December 31, 2014, which is higher than the percentage of unit sales of 60.8% at September 30, 2014 and 59.0% at Closing. During the six months ended December 31, 2014, cash distributions of \$7,675 were received from the development and investment holdings portfolio mainly due to higher than anticipated financing proceeds from two of the projects. Significant future cash distributions are not expected to be received until closer to development completion dates. AFAD for the three months ended December 31, 2014 was \$1,341 (September 30, 2014 – \$1,234) and includes accrued interest receivable on the Empire residential development projects.

## **RENEWABLE POWER**

The Trust's renewable power segment consists of solar and wind power portfolios with net assets attributable to Unitholders of the Trust of \$19,860 at December 31, 2014 (September 30, 2014 – \$11,019). The solar power portfolio includes three operational rooftop projects in Ontario with an installed capacity of 0.7 MW and a portfolio of solar projects under development in Ontario. The wind power portfolio includes a 10.6 MW project located in Nova Scotia, expected to become operational in August 2015. All projects within the solar and wind power portfolio have a 20 year government or regulated utility power purchase agreement that allows the projects to sell the generated energy at a fixed contract rate, providing a stable and predictable cash flow to the Trust.

As at December 31, 2014, the Trust has funded \$19,271 of equity in both solar and wind power projects that are operational or under development. The projects under development are expected to have an operational capacity of 16.4 MW upon completion. The wind power project is expected to be operational in August 2015. The Trust has committed to equity investments in additional renewable power projects of \$23,800 at December 31, 2014 that have an average yield on equity of 12% over the life of the projects.

## **CASH AND OTHER TRUST CONSOLIDATED WORKING CAPITAL**

The Trust deploys cash as it becomes available should the investment opportunities meet the Trust's strategy requirements and target returns. The assets included in this segment consist of cash plus other working capital amounts related to Trust level activities.

## FINANCIAL HIGHLIGHTS OF THE TRUST

	Six months ended	Three months ended	
For the periods ended	December 31, 2014 <sup>(1)</sup>	December 31, 2014	September 30, 2014 <sup>(1)</sup>
<b>Results of operations</b>			
Total income	\$ 36,146	\$ 14,163	\$ 21,983
FAD <sup>(2)(3)</sup>	12,179	5,600	6,579
AFAD <sup>(2)(3)</sup>	12,870	6,290	6,580
Annualized AFAD return on net assets <sup>(3)(4)</sup>	3.61%	3.53%	3.64%
<b>Trust Unit information</b>			
Distributions paid per Unit	0.16	0.10	0.06
Distributions declared per Unit	0.19	0.10	0.09
FAD per Unit (basic and fully diluted) <sup>(3)</sup>	0.17	0.08	0.09
AFAD per Unit (basic and fully diluted) <sup>(3)</sup>	0.18	0.09	0.09
<b>Financial position</b>			
Cash	\$ 80,157	\$ 95,423	
Net assets attributable to Unitholders of the Trust <sup>(5)</sup>	712,207	721,930	
Adjusted net asset value per Unit <sup>(6)</sup>	9.75	9.90	
Total assets	997,260	1,002,871	
Total contractual debt	250,822	252,146	
Debt-to-gross book value <sup>(7)</sup>	25.15%	25.14%	
Closing price per Unit <sup>(8)</sup>	6.78	7.32	
Units outstanding – end of period	73,666,978	73,632,332	
Market capitalization <sup>(9)</sup>	499,462	538,989	

<sup>(1)</sup> Results prior to July 8, 2014 include those of the ROI Canadian High Income Mortgage Fund, and have been excluded from these financial highlights. Refer to pages 7 and 8, Basis of Presentation, for details

<sup>(2)</sup> FAD and AFAD – the reconciliation of these non-IFRS measures can be found on pages 23 to 25 under the heading Reconciliation of FAD and AFAD

<sup>(3)</sup> AFAD, annualized AFAD return on net assets, and AFAD per Unit for the three month period ended September 30, 2014 have been restated to include accrued interest on the contractual value of participating mortgages held on the Empire residential developments as discussed in Section II under the heading Development and Investment Holdings AFAD and Cash Receipts on page 17. The FAD, AFAD, FAD per Unit, AFAD per Unit and annualized AFAD return on net assets measures were impacted by average cash held by the Trust during the six months ending December 31, 2014 of \$93,110. The Asset Manager does not believe that these measures represent the cash flow generating ability of our assets once the cash is invested in accordance with the Trust's investment strategy

<sup>(4)</sup> Annualized AFAD return on net assets is AFAD for the applicable period divided by total net assets attributable to Unitholders of the Trust at the end of the period calculated on an annualized basis by prorating the AFAD for the period over 12 months (for example, the quarterly results are multiplied by four to derive the annualized AFAD). The measure is not adjusted to reflect the timing of when the AFAD was earned or for fluctuations in the balance of net assets attributable to Unitholders of the Trust over the period

<sup>(5)</sup> Net assets attributable to Unitholders of the Trust as at December 31, 2014 and September 30, 2014 represents total Unitholders' equity excluding non-controlling interests

<sup>(6)</sup> Adjusted net asset value ("Adjusted NAV") per Unit represents the net assets of the Trust adjusted to add back deferred income taxes payable, Deferred Unit Incentive Plan payable, and the unamortized balance of net lending portfolio discounts and mortgages payable premiums. For more detail, please refer to page 32 under the heading Non-IFRS Measures. Adjusted NAV per Unit is calculated as the total adjusted net assets of the Trust divided by the number of Units issued and outstanding as at the applicable reporting date. For a reconciliation of Adjusted NAV and Adjusted NAV per Unit for December 31, 2014 and September 30, 2014, please refer to pages 21 and 22

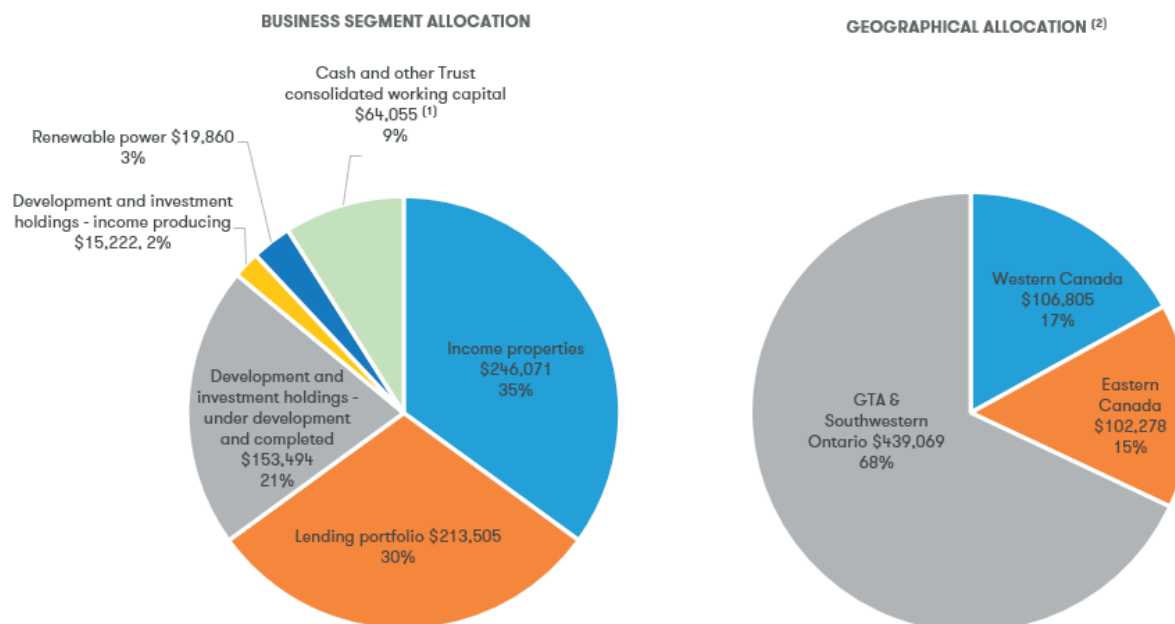
<sup>(7)</sup> Our debt-to-gross book value is calculated as the contractual balance of debt payable of \$250,822 divided by the gross asset value of the Trust of \$997,260

<sup>(8)</sup> Closing price of the Units on December 31, 2014 on the Toronto Stock Exchange

<sup>(9)</sup> Market capitalization is the total market value of the Units based on the number of the Units outstanding and the closing price on the Toronto Stock Exchange as at December 31, 2014

## HIGHLIGHTS BY BUSINESS SEGMENT

The charts below summarize the Trust's net assets attributable to Unitholders of the Trust as at December 31, 2014 by business segment and geographical allocation.



<sup>(1)</sup> Cash and other Trust consolidated working capital includes the Trust level cash and net working capital balances not attributable to the other business segments

<sup>(2)</sup> Geographical allocation excludes cash and other Trust consolidated working capital

## TOTAL ADJUSTED TRUST NET ASSET VALUE PER UNIT

As at	December 31, 2014 <sup>(1)</sup>	September 30, 2014 <sup>(1)</sup>
Income properties	\$ 3.40	\$ 3.34
Lending portfolio	2.91	2.94
Development and investment holdings	2.29	2.37
Renewable power	0.27	0.15
Cash and other Trust consolidated working capital	0.88	1.10
<b>Total adjusted Trust net asset value per Unit</b>	<b>\$ 9.75</b>	<b>\$ 9.90</b>

## ANNUALIZED AFAD RETURN ON TRUST NET ASSETS

For the periods ended	Six months ended	Three months ended	
	December 31, 2014 <sup>(3)</sup>	December 31, 2014	September 30, 2014 <sup>(3)</sup>
Income properties	2.49%	2.58%	2.37%
Lending portfolio	2.28%	2.38%	2.15%
Development and investment holdings	0.72%	0.75%	0.68%
Renewable power	0.04%	-0.01%	0.09%
Trust expenses, net <sup>(4)</sup>	-1.92%	-2.17%	-1.65%
<b>Annualized AFAD return on Trust net assets</b>	<b>3.61%</b>	<b>3.53%</b>	<b>3.64%</b>

<sup>(3)</sup> Results prior to July 8, 2014 include those of the ROI Canadian High Income Mortgage Fund, and have been excluded from these financial highlights. Refer to pages 7 and 8, Basis of Presentation, for details

<sup>(4)</sup> Trust expenses represent costs not allocated to the other business segments, such as asset management fees, general and administrative costs and income taxes, and is net of interest income earned on the Trust's cash balances

## BUSINESS UPDATE

Our focus continues to be on managing the investments of the original portfolio while repositioning the assets to obtain higher risk-adjusted returns. We are pleased with the performance of our mortgage portfolio to date. Many of the loans which had been considered higher risk by management have been repaid by the borrowers, and we have received repayment of approximately one-half of the original mortgage portfolio as at February 23, 2015. We have seen a variety of lending opportunities at attractive interest rates. We believe the flexible structure of our Trust and our investment strategy position us to take advantage of opportunities that are not in line with the investment mandates of other mortgage corporations and alternative investment managers. From Closing to February 23, 2015, we have committed \$77,289 in mortgages with a weighted average interest rate of 8.2% and a weighted average term of 1.7 years. Going forward we expect to be able to continue to find attractive lending opportunities to achieve higher risk-adjusted returns based on DAM's core competency of lending and investing directly in development of residential properties, renewable power projects, and commercial income-producing properties.

Our portfolio of real estate properties, which is co-owned with DOMC, continues to perform in line with our expectations. Increasing occupancy, retaining tenants, replacing vacancies, and investing in our properties is top of mind. In addition, we continue to focus on the property management teams and on-site building operators to continuously improve our customer service and the tenant experience in the buildings. At December 31, 2014, the portfolio had an in-place and committed occupancy of 91.2%, and during the fourth quarter of 2014, there was 34,695 sq.ft. of positive absorption of vacant space at the Trust's share. We anticipate that, subject to all necessary Board approvals, Dream Office REIT and the Trust will work in a co-operative fashion with respect to the portfolio of co-owned properties to meet shared objectives. With the ability to invest in all asset classes, we will continue to explore potential acquisitions of new real estate properties that we believe will complement and add value to the Trust.

As at December 31, 2014, the Trust has invested in development projects valued at \$153,494, consisting of seven retail, two multi-residential and one mixed-use development, and \$15,222 of indirect investments in income-producing properties. The multi-residential developments remain both on time and on budget. We are working closely with our partners on the retail projects and we look forward to the ongoing progress of these developments. We continue to be approached on many development opportunities and are exploring those that are in line with the Trust's strategy.

Investments in renewable power have been a key focus of the Trust. From Closing to February 23, 2015, we have committed to invest \$43,000 of equity with an average yield on equity of approximately 12% over the life of the projects. During 2014 the Ontario market continued to see a large amount of activity arising from the build-out of the original Feed-in Tariff ("FIT") contracts awarded in 2010 and 2011, as the majority of these projects had to be constructed by the end of 2014. Although the Ontario government has decided to move to a competitive procurement process for larger projects, they are continuing the FIT program for rooftop solar projects and other projects less than 500 kW in size, and plan to award an additional 150 MW per year, over the next three years. As both a landlord and a solar power investor, the Trust is well positioned in the Ontario rooftop solar space to develop new partnerships as well as develop solar projects on existing commercial properties. In other provinces, Quebec has an upcoming request for proposal for an additional 450 MW of wind power generation, which is expected to present new opportunities in 2015. In addition to new generation, the Canadian mergers and acquisitions market for existing renewable power generation (operational projects) continues to be active, but competitive. The Trust is active on both acquiring operational projects and generating new opportunities through existing partners.

Overall, we are pleased with the activities and our investments to date. As at February 23, 2015, we have repositioned approximately 17% of the original portfolio at Closing. With the Trust's flexible investment mandate, we are seeing a large number of new investment opportunities and feel confident we will be successful in repositioning the assets in new investments, increasing the AFAD return and providing an opportunity to increase distributions over time.

## BASIS OF PRESENTATION

Our management discussion and analysis (“MD&A”) of the financial position and operating results of Dream Alternatives should be read in conjunction with the consolidated financial statements of Dream Alternatives for the period ended December 31, 2014. The Trust’s basis of financial reporting is International Financial Reporting Standards (“IFRS”).

This MD&A is dated as at February 23, 2015.

Certain market information has been obtained from CBRE, *Canadian Market Statistics*, Fourth Quarter 2014, publication prepared by an independent, third-party commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

Market rents disclosed throughout the MD&A are the Asset Manager’s estimates and are based on current period leasing fundamentals. The current estimated market rents are at a point in time and are subject to change based on future market conditions.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation, including, but not limited to, statements regarding timing of funding of committed loans, projected gross leasable area of our retail development projects, timing of distributions from our development and investment holdings portfolio, projected units of residential development projects, expected commencement and completion dates of our retail and residential development projects, and expected completion dates of development stage power projects. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Trust’s control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. The assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein as well as assumptions relating to general and local economic and business conditions; the regulatory environment; the real estate market in general; the financial condition of tenants and borrowers; interest and mortgage rates; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions and renewable power projects; and the development and operation of our real estate and renewable power projects on anticipated terms.

All the forward-looking statements contained in this MD&A are based on what we believe are reasonable assumptions; there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; changes to the regulatory environment; environmental risks; local real estate conditions, including the development of properties in close proximity to the Trust’s properties and changes in real estate values; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants’ and borrowers’ financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; dependence on our partners in the development and operation of our real estate and renewable power projects; uncertainty surrounding the development of new projects and delays and cost overruns in the design, development and operation of projects; adverse weather conditions and variability in wind conditions and solar irradiation; our ability to execute strategic plans and meet financial obligations; interest and mortgage rates and regulations; inflation; availability of equity and debt financing; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of February 23, 2015. Dream Alternatives does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators. Certain filings are also available on our web site at [www.dreamalternatives.ca](http://www.dreamalternatives.ca).

When we refer to terms such as “we”, “us”, and “our”, we are referring to the Trust, Dream Alternatives Master LP and its subsidiaries.

The financial results for the first six months of 2014 (the “Comparative Results”) represent the results for ROI Canadian High Income Mortgage Fund (“CHIM” or “Acquiror Fund”), one of the seven funds previously managed by ROI whose assets were indirectly acquired in connection with the reorganization as described in Note 2 of the consolidated financial statements. IFRS requires the selection of one acquiror after considering the facts and circumstances of the transactions if the entity acquiring control of a group of entities does not meet the definition of a business. The Trust did not meet the definition of a business at the date of the reorganization because it did not have operating assets, it did not have any established business processes, and it did not create any outputs. CHIM was selected as the acquiror fund for accounting purposes because its unitholders, as a group, received the largest portion of voting rights in the combined entity (i.e., the Trust) after the reorganization, thus its financial results represent the historical financial results of the Trust for periods prior to the July 8, 2014 reorganization in the consolidated financial statements.

The Comparative Results are excluded from the MD&A as the historical results of the Acquiror Fund for the period to Closing are not comparable to the financial results and the business of the Trust subsequent to the reorganization, due to CHIM’s ownership of only a small proportion of the total combined investment value of all seven funds that were indirectly acquired by the Trust over this period. The Asset Manager also believes that the inclusion of CHIM’s historical results in the comparative figures would provide limited benefit to users due to the difference in the accounting presentation of CHIM as an investment entity from the accounting presentation of the Trust, which includes the consolidation of limited partnerships, as discussed in Note 2 of the consolidated financial statements. Furthermore, the majority of assets owned by CHIM prior to the reorganization consisted of a portfolio of publicly traded securities pledged as security against the forward contract, as disclosed in Note 32 of the consolidated financial statements, and are not comparable to the assets and segmented results and balances of the Trust. The presentation of CHIM’s management fees in the comparative results would provide limited comparability to the asset management fees of the Trust due to the execution of the new asset management agreement between DAM and the Trust upon the Trust’s indirect acquisition of the assets of the ROI Funds on July 8, 2014. Due to these limitations, comparative information for the Trust’s measures and results prior to July 8, 2014 have been excluded from the MD&A.

## DISTRIBUTION / RETURN OF CAPITAL

At December 31, 2014, our monthly distribution rate was \$0.033. Approximately 3.16% (September 30, 2014 – 2.41%) of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan (“DRIP”) as described in further detail in Note 17 of the consolidated financial statements.

As at December 31,		<b>2014</b>
Annualized distribution amount	\$	<b>0.400</b>
Monthly distribution amount	\$	<b>0.033</b>
Annualized distribution yield on quarter-end closing Unit price		<b>5.90%</b>
DRIP Units issued		<b>49,239</b>

## SECTION II – EXECUTING THE STRATEGY

### OUR OPERATIONS

#### INCOME PROPERTIES

Revenue from income properties includes base rents, recoveries of operating expenses including property taxes, percentage participation rents, lease termination fees, parking income, and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease, and is recorded for the difference between the rental revenue recognized and the contractual amount received. This is captured through a straight-line rent receivable, which is included in other non-current assets on the consolidated statements of financial position. Recoveries from tenants are recognized as revenues in the period the corresponding costs are incurred and collectability is reasonably assured. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. Other revenues are recorded as earned.

As at December 31, 2014, the income properties had an in-place occupancy of 90.1% (September 30, 2014 – 88.6%), a weighted average remaining lease term of 4.9 years (September 30, 2014 – 5.0 years) and an average tenant size of 12,536 sq.ft. (September 30, 2014 – 12,388 sq.ft.). At December 31, 2014, the average in-place net rent is \$14.49 per sq.ft. and the average market rate is \$15.39 per sq.ft.<sup>(1)</sup> (September 30, 2014 – \$15.20 per sq.ft.), representing an opportunity for the Trust to capture rent increases and corresponding income growth as leases are renewed or re-leased.

The income properties' in-place and committed occupancy rate of 91.2% (September 30, 2014 – 91.5%) compares favourably with the market specific industry average occupancy rate applicable to the Trust's portfolio of 86.6%<sup>(2)</sup> (September 30, 2014 – 86.7%). Our occupancy rates include lease commitments for space that are currently being readied for occupancy but for which rent is not yet being recognized. During the three months ended December 31, 2014, at the Trust's owned share, there was 34,695 sq.ft. (September 30, 2014 – 10,983 sq.ft.) of positive absorption, consisting of 116,058 sq.ft. (September 30, 2014 – 71,893 sq.ft.) of renewals and new leases and 81,363 sq.ft. (September 30, 2014 – 60,910 sq.ft.) of expiries and terminations. In addition to the leasing activity for the quarter, a future renewal was completed on approximately 144,000 sq.ft. of leased space at the Trust's share, which expires in 2018 for an average term of nine years, at a rate above the expiring rent.

Occupancy at December 31, 2014 and September 30, 2014 by geographical region is as follows:

As at	In-place and committed		CBRE Canadian Market Statistics <sup>(2)</sup>	
	December 31, 2014	September 30, 2014	December 31, 2014	September 30, 2014
GTA and Southwestern Ontario	91.4%	91.6%	86.4%	86.5%
Western Canada <sup>(3)</sup>	84.4%	84.9%	86.6%	86.2%
Eastern Canada	98.8%	99.0%	89.6%	89.6%
Weighted average occupancy	91.2%	91.5%	86.6%	86.7%

<sup>(1)</sup> Average estimated market rent represents the Asset Manager's best estimate of the net rental rate that would be achieved in the event of a unit becoming vacant in a non-arm's length lease after a reasonable marketing period with an inducement and lease term appropriate for the particular space. Market rent by property is determined on a quarterly basis by our Asset Manager's leasing and portfolio management teams. The basis of calculating market rents depends on leasing deals that are completed for similar space of comparable properties in the area. Market rents may differ by property or by units within the property, and are dependent upon a number of factors. Some of the factors considered include the condition of the space, the location within the building, the amount of office build-out for the units, appropriate lease term, and normal tenant inducements. On a quarterly basis, market rental rates are compared against the external appraisal information that is gathered for the Trust's properties and/or other comparable properties managed by the Asset Manager, as well as other external market data sources

<sup>(2)</sup> The market specific industry average occupancy rate applicable to the Trust's portfolio was calculated using CBRE's Canadian Market Statistics Fourth Quarter 2014 report ("the Report"). The weighted average is calculated by applying the Report's applicable downtown or suburban vacancy rate by city to the city in the closest proximity within the Trust's portfolio, weighted by the Trust's owned share of GLA by building

<sup>(3)</sup> The CBRE market specific industry average occupancy rates presented for the Western Canada region were based on the office occupancy rate in the Vancouver, British Columbia, suburban area. The income properties held by the Trust in Western Canada are located in Victoria and Kamloops, British Columbia

The following table details the key performance indicators (“KPIs”) related to the income properties.

As at	December 31, 2014 <sup>(1)</sup>	September 30, 2014 <sup>(1)</sup>
Number of properties	19	19
Owned GLA (in millions of sq.ft.)	2.1	2.1
Occupancy rate (period-end) – including committed	91.2%	91.5%
Occupancy rate (period-end) – in place	90.1%	88.6%
Market specific industry average occupancy rate	86.6%	86.7%
Average tenant size in sq.ft.	12,536	12,388
Average in-place base rent per sq.ft. (period-end)	\$ 14.49	\$ 14.36
Average market base rent	15.39	15.20
Market rent/in-place rent (%) <sup>(2)</sup>	6.2%	5.8%
Net assets attributable to Unitholders of the Trust	246,071	241,252
Income properties fair value	499,264	499,089
Adjusted net asset value per Unit	3.40	3.34
Weighted average remaining lease term	4.9 years	5.0 years

For the periods ended	Six months ended December 31, 2014 <sup>(1)</sup>	Three months ended December 31, 2014	September 30, 2014 <sup>(1)</sup>
<b>Operating Results</b>			
Income properties revenue	\$ 29,896	\$ 14,956	\$ 14,940
Segment net income <sup>(3)</sup>	7,306	1,893	5,413
NOI	15,347	7,787	7,560
FAD	11,164	5,722	5,442
AFAD	8,872	4,592	4,280
Annualized AFAD return on segment net assets	7.21%	7.46%	7.10%
Fair value changes to income properties	(3,780)	(3,780)	Nil
<b>Financing</b>			
Leverage ratio (LTV)		50.24%	50.50%
Fixed to floating interest rate ratio		55.41%/44.59%	55.50%/44.50%
Weighted average effective interest rate on debt (period-end)		3.31%	3.31%
Weighted average face interest rate on debt (period-end)		4.05%	4.05%
Weighted average remaining term to maturity of debt (period-end)		2.2 years	2.4 years

<sup>(1)</sup> Results prior to July 8, 2014 include those of the ROI Canadian High Income Mortgage Fund, and have been excluded from these financial highlights. Refer to pages 7 and 8, Basis of Presentation, for details

<sup>(2)</sup> Market rent/in-place rent (%) represents the differential of the market rental rate and the portfolio’s in-place rental rate as a percentage of the portfolio in-place rental rate

<sup>(3)</sup> See pages 26 to 28 under the heading Net Income by Segment for a reconciliation of net income by segment to the net income in the consolidated financial statements



The table below provides supplemental information on our income properties portfolio as at December 31, 2014.

Property	City	Trust's ownership	Total GLA (in sq.ft.)	Owned share of total GLA (in sq.ft.)	Year built	Year renovated	Average tenant size (in sq.ft.)
<b>GTA and Southwestern Ontario</b>							
London City Centre	London	60.0%	540,933	324,560	1974		24,444
Valhalla Executive Centre (300, 302 & 304 The East Mall)	Toronto	50.1%	326,389	163,521	1973		11,340
50 Sussex Centre	Mississauga	50.1%	350,997	175,850	1987		9,168
90 Sussex Centre	Mississauga	50.1%	304,750	152,679	1989		13,690
West Metro Corporate Centre (185 The West Mall)	Toronto	50.1%	297,292	148,944	1989	2006	12,772
West Metro Corporate Centre (191 The West Mall)	Toronto	50.1%	158,260	79,288	1985		18,467
West Metro Corporate Centre (195 The West Mall)	Toronto	50.1%	160,812	80,567	1984		160,812
Commerce West (401/405 The West Mall)	Toronto	60.0%	411,842	247,106	1985	2007	17,906
2810 Matheson Blvd.	Mississauga	50.1%	140,123	70,201	1989		14,312
80 Whitehall Dr.	Markham	60.0%	60,805	36,483	1990		30,403
6501-6523 Mississauga Rd.	Mississauga	60.0%	84,725	50,835	1982		3,172
6531-6559 Mississauga Rd.	Mississauga	60.0%	71,192	42,715	1978		2,866
2010 Winston Park Dr.	Oakville	60.0%	79,137	47,482	1990		6,621
10 Lower Spadina Ave.	Toronto	60.0%	60,255	36,153	1988		9,901
49 Ontario St.	Toronto	60.0%	87,105	52,263	1972		43,553
Tillsonburg Gateway (680 Broadway St.)	Tillsonburg	50.1%	47,016	23,555	2003		11,754
55 Norfolk St. S.	Simcoe	60.0%	12,887	7,732	1987	2000	12,887
<b>Western Canada</b>							
Lansdowne Village	Kamloops	60.0%	190,773	114,464	1970	2008	5,450
Gateway Business Centre	Victoria	60.0%	181,693	109,016	1999		21,542
<b>Eastern Canada</b>							
219 Laurier Ave. W.	Ottawa	60.0%	187,783	112,670	1965		37,557
460 Two Nations Crossing	Fredericton	60.0%	50,945	30,567	2008		50,945
Wedgewood Plaza	Halifax	65.0%	36,353	23,629	1994		2,555
			<b>3,842,067</b>	<b>2,130,280</b>			
							<b>12,536</b>

## NET OPERATING INCOME AND AFAD

We define net operating income ("NOI") as income properties revenues less income properties operating expenses. NOI is an important measure used by the Asset Manager in evaluating the property operations; however, it is not defined by IFRS, does not have a standard meaning, and may not be comparable with similar measures presented by other real estate investment trusts.

The table below compares the NOI for the quarter ended December 31, 2014 with the prior period NOI for properties directly and indirectly acquired by the Trust on July 8, 2014.

For the three months ended	December 31, 2014	September 30, 2014	Growth
<b>Comparative properties</b>	<b>\$ 7,518</b>	<b>\$ 7,338</b>	<b>\$ 180 2.5%</b>
Lease termination fees and other	235	125	110
Straight-line rent	83	126	(43)
Amortization of lease incentives	(49)	(29)	(20)
<b>NOI</b>	<b>\$ 7,787</b>	<b>\$ 7,560</b>	<b>\$ 227 3.0%</b>

Comparative properties NOI increased by \$180 or 2.5% and AFAD increased by \$312 or 7.3% in the quarter ending December 31, 2014, mainly due to an increase in the weighted average in-place occupancy of 1.5% and higher rental rates on lease renewals. NOI for the three month period ending September 30, 2014 was not adjusted for the eight days up to Closing on July 8, 2014, as the respective amounts related to this period were not significant to the Trust's operating results.

## TENANT BASE PROFILE

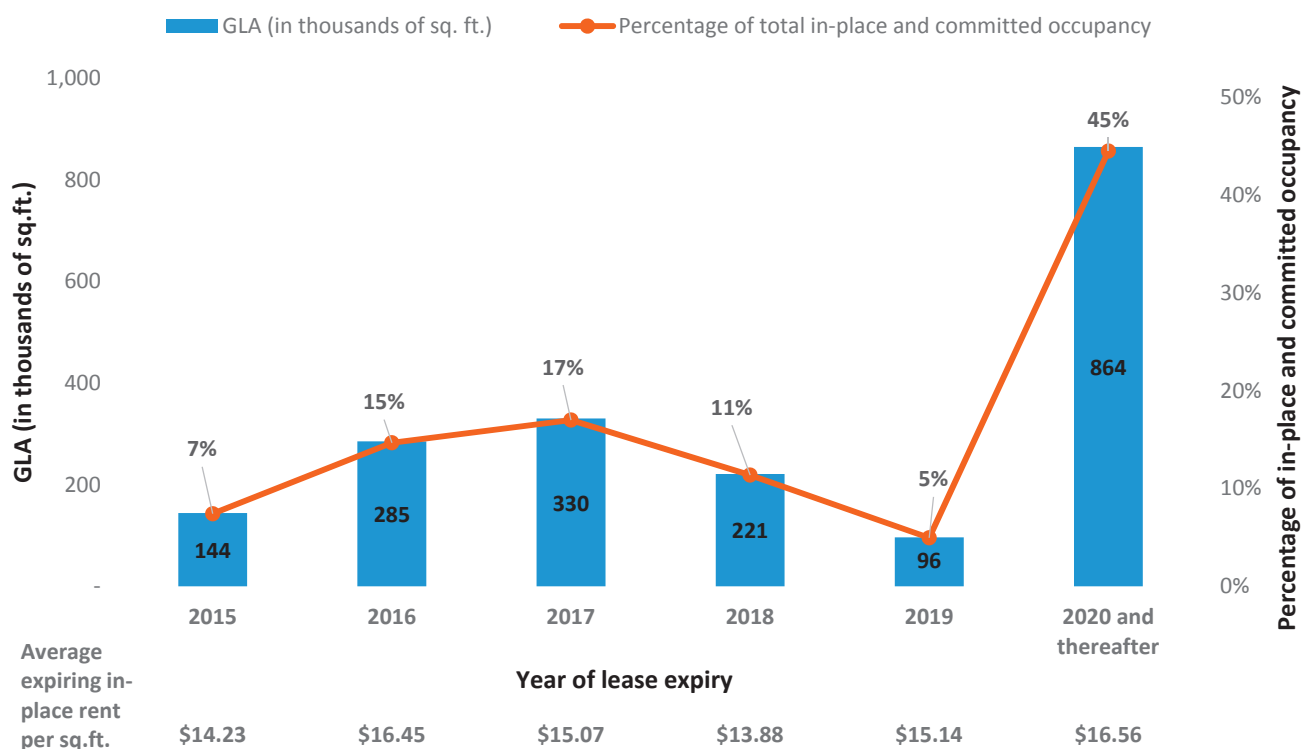
Our tenant base includes municipal, provincial and federal governments, as well as a wide range of high-quality large international corporations, including Canada's second-largest bank and various recognizable businesses operating across Canada. We have 279 tenants and an average tenant size of 12,536 sq.ft. (September 30, 2014 – 12,388 sq.ft.). The following table outlines our top 10 tenants based on the percentage of gross rental revenues they represent.

Tenant	Number of buildings	GLA	% of Total GLA	% of Total gross revenue	Remaining lease term (years)	Credit rating <sup>(1)</sup>
TD Canada Trust	2	256,609	12.0%	9.9%	7.7	AA-
SNC-Lavalin Inc.	4	180,885	8.5%	9.9%	5.9	BBB
Government of Canada	1	109,592	5.1%	5.8%	1.4	AAA
Technicolor Creative Services	1	50,262	2.4%	3.0%	3.0	B+
Government of British Columbia	2	65,628	3.1%	3.0%	1.7	AAA
Trader Corporation	1	48,318	2.3%	2.8%	2.4	N/A
Parmalat Canada Inc.	1	45,941	2.2%	2.7%	8.7	BBB+
Edward D. Jones & Co.	1	39,256	1.8%	2.7%	5.0	N/A
Livingston International Inc.	1	37,646	1.8%	2.3%	2.1	N/A
Community Door Network Service	2	30,828	1.4%	1.4%	6.8	N/A
<b>Total</b>		<b>864,965</b>	<b>40.6%</b>	<b>43.5%</b>	<b>5.1</b>	

<sup>(1)</sup> Credit ratings obtained from Standard & Poor's and Egan Jones and may reflect the parent's or a guarantor's credit rating

N/A – not applicable

The chart below summarizes lease expiries in our income properties segment in thousands of sq.ft. and as a percentage of in-place and committed occupancy.



### INCOME PROPERTIES FAIR VALUES

The Asset Manager estimates the fair value of each income property using valuation methodologies known as the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a capitalization rate ("cap rates") to stabilized NOI, which incorporates a market vacancy rate and adjustments to market rental rates. The resulting capitalized value is further adjusted for extraordinary costs such as average lease-up costs, non-recoverable capital expenditures, straight-line rents, the present value of above or below market rental rates over their respective terms, and other non-recurring items, where applicable. The cap rates used by the Trust represents the Asset Manager's estimate of the market determined cap rates, which is applied to stabilized NOI to determine a capitalized market value for the income properties that is subsequently adjusted as described above and cannot be compared to an implied cap rate determined from the Trust's financial statement results.

The Asset Manager's internal valuation team is headed by an experienced valuator. On a quarterly basis, the Asset Manager engages independent, professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the locations and categories of the income properties to complete valuations of selected properties. The Asset Manager's objective is to have each property valued by an independent valuator at least once every three years. For properties subject to an independent valuation report, the valuations team verifies all major inputs to the valuation and reviews the results with the independent valuers. Discussion of valuation processes, key inputs and results are held between the Trust and the valuations team at least once every quarter, in line with the Trust's quarterly reporting rules. All income properties were last valued by an external valuator pursuant to the reorganization of the Trust as at July 8, 2014.

Individual properties were valued using cap rates in the range of 6.25% to 7.75%. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and uses discount rates and terminal cap rates specific to each property. The weighted average cap rates of the Trust's income properties is 6.55% (September 30, 2014 – 6.57%). The fair value loss on income properties for the year ended December 31, 2014 of \$3,780 (September 30, 2014 – Nil) is primarily due to an increase in the expected future lease-up costs and non-recoverable capital costs required to lease future expected vacancies. The \$175 net increase in total fair value of the income properties to December 31, 2014 of \$499,264 from \$499,089 in September 30, 2014 is due to building improvements and leasing cost expenditures incurred, net of amortization, in the fourth quarter of \$3,955 (September 30, 2014 – \$2,993) offset by the fair value loss of \$3,780.

## LENDING PORTFOLIO

The large financial institutions in Canada are focused on mortgage loans that must comply with their restrictive lending criteria. As a result of the focus of large financial institutions on limited types of mortgage loans, opportunities exist in mortgage financing due to the lack of competition from the large financial institutions for certain loans.

We invest in mortgages secured by all types of residential and commercial real estate property. The types of properties that we finance include multi-family residential rental properties, stabilized income properties, and hotels. We also invest in higher-yielding developer and construction loans, bridge loans, and mezzanine loans.

The Trust sources its investments in traditional mortgages by working primarily with Canadian Mortgage Capital Corporation ("CMCC"), which provides both mortgage servicing and mortgage brokerage services. The Trust believes that CMCC's experience and information gathering capabilities will result in the origination of loans with attractive risk-adjusted returns.

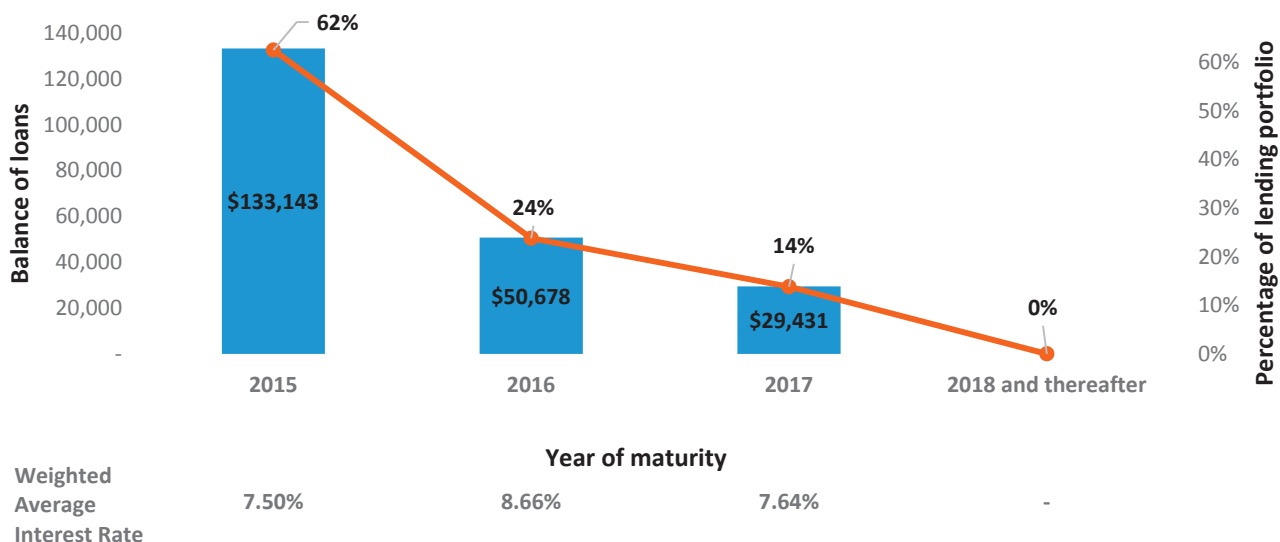
AFAD for the three months ended December 31, 2014 was \$4,234, which was \$347 higher than the third quarter AFAD of \$3,887. The fourth quarter of 2014 was eight days longer than the third quarter of 2014 due to the July 8, 2014 Closing date, resulting in more interest and AFAD earned for the three months ended December 31, 2014 than the three months ended September 30, 2014. The increase in AFAD was also due to higher lender fees received in the fourth quarter resulting from increased lending activity.

The Trust records the lending portfolio investments initially at fair value including up-front lender fees. Subsequent to initial recognition, the lending portfolio investments are measured at amortized cost using the effective interest rate method less any impairment losses. A lending portfolio investment is considered to be impaired if there has been a deterioration of credit quality subsequent to its initial recognition such that the Trust no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

From July 8, 2014 to December 31, 2014, the Trust invested \$54,839 in seven new first mortgages and loans with a weighted average effective interest rate of 8.75%, which compares favourably to the weighted average effective interest rate of the portfolio of 8.38% at December 31, 2014. The weighted average term remaining to maturity at December 31, 2014, for the new mortgages and loans was 1.59 years, which compares to the weighted average term to maturity of the entire portfolio of 0.93 years. The average contractual loan size is \$7,108.

For the quarter ended December 31, 2014, the Trust recognized \$4,454 (September 30, 2014 – \$4,112) of interest and lender fees. For the six months ended December 31, 2014, the Trust received \$1,482 of contractual principal repayments, \$9,649 of mortgages repaid on maturity, and \$48,633 early principal repayments from four borrowers who were not obligated to pay a prepayment penalty. At December 31, 2014, the Trust has \$1,220 of interest receivable. The Asset Manager has determined that none of the lending portfolio balance including interest receivable is impaired at December 31, 2014.

The chart below summarizes the maturity profile dates of the lending portfolio at face value:



The following table details the KPIs related to the lending portfolio.

As at	December 31, 2014	September 30, 2014
Number of loans outstanding	30	26
Lending portfolio loan balance at amortized cost <sup>(1)</sup>	\$ 213,572	\$ 215,866
Net assets attributable to Unitholders of the Trust	213,505	215,836
Adjusted net asset value per Unit	2.91	2.94
Security allocation (1st mortgages/other)	80.9%/19.1%	81.3%/18.7%
Expected contractual repayments within the next 12 months (maturities and principal payments)	\$ 133,143	\$ 72,084
Weighted average effective interest rate on debt receivable (period-end)	8.38%	8.02%
Weighted average face interest rate on debt receivable (period-end)	7.80%	7.69%
Weighted average remaining term to maturity of debt receivable (period-end)	0.93 years	0.95 years

	Six months ended December 31, 2014	Three months ended December 31, 2014	September 30, 2014
Lending portfolio interest and lender fees income	\$ 8,566	\$ 4,454	\$ 4,112
Segment net income <sup>(2)</sup>	8,383	4,359	4,024
AFAD	8,121	4,234	3,887
Annualized AFAD return on segment net assets <sup>(3)</sup>	7.61%	7.93%	7.20%

The following table illustrates the number and percentage of the lending portfolio by property type based on amortized cost.

As at December 31, 2014	No. of individual mortgages outstanding	% of total	Weighted average effective interest rate
<b>Property Type:</b>			
Hospitality	9	36.6%	6.75%
Corporate Loan/Other <sup>(4)</sup>	2	10.1%	10.00%
Industrial/Self Storage	3	8.2%	7.82%
Multi-Residential/Condominium	1	4.7%	9.00%
Retirement Home	2	9.6%	12.86%
Land	10	27.2%	8.68%
Retail	3	3.6%	6.67%
<b>Total</b>	<b>30</b>	<b>100.0%</b>	<b>8.38%</b>

As at July 8, 2014	No. of individual mortgages outstanding	% of total	Weighted average effective interest rate
<b>Property Type:</b>			
Hospitality	9	52.2%	6.94%
Corporate Loan/Other <sup>(4)</sup>	2	9.4%	10.01%
Industrial/Self Storage	2	0.4%	6.15%
Multi-Residential/Condominium	1	4.6%	9.00%
Retirement Home	2	9.3%	12.77%
Land	5	10.9%	7.86%
Retail	4	13.2%	5.08%
<b>Total</b>	<b>25</b>	<b>100.0%</b>	<b>7.72%</b>

<sup>(1)</sup> Lending portfolio loan balances at amortized cost includes interest income receivable and differs from the net assets attributable to Unitholders of the Trust because it excludes loan services fees payable

<sup>(2)</sup> See pages 26 to 28 under the heading Net Income by Segment for a reconciliation of net income by segment to the net income in the consolidated financial statements

<sup>(3)</sup> Annualized AFAD return on segment net assets is lower than the effective interest rate because it is not adjusted to reflect daily fluctuations in the lending portfolio asset balance over the applicable period

<sup>(4)</sup> Includes an unsecured corporate loan outstanding to MMS Enterprise Holdings Inc. with an amortized cost, as at December 31, 2014, of \$21,321. MMS Investments Inc. is the parent company of award-winning home builder Empire, which was established in 1993. The loan is guaranteed by Empire

## DEVELOPMENT AND INVESTMENT HOLDINGS

The following table details the KPIs related to the development and investment holdings segment.

For the periods ended	Six months ended	Three months ended	
	December 31, 2014	December 31, 2014	September 30, 2014
<b>Results of operations</b>			
AFAD – development assets	\$ 2,235	\$ 1,171	\$ 1,064
AFAD – income-producing properties	340	170	170
Total AFAD	2,575	1,341	1,234
Annualized AFAD return on segment net assets	3.05%	3.18%	2.83%
Net income	(2,542)	(5,293)	2,751
<b>Financial position</b>			
As at	December 31, 2014	September 30, 2014	
Net assets – under development and completed	\$ 153,494	\$ 158,930	
Net assets – income-producing assets	15,222	15,303	
Total net assets	168,716	174,233	
Adjusted net asset value per Unit	2.29	2.37	
<b>Development status</b>			
Total retail GLA projected on completion	1,190,150 sq.ft.	1,192,622 sq.ft.	
Total retail GLA completed	180,500 sq.ft.	116,000 sq.ft.	
Percentage of retail GLA leased/preleased	39.8%	35.6%	
Total number of projected residential units	1,944	1,944	
Percentage of projected residential units presold	66.50%	60.80%	

As at December 31, 2014, only Bayfield Limited Partnership (“LP”) investments were classified as income-producing properties.

The Trust’s ownership interest and key development measures for the development and investment holdings are detailed in the following table.

As at	Investment values		December 31, 2014			
	December 31, 2014	September 30, 2014	% of presold/preleased	Total % leased and occupied	Range of dates for expected closing/completion date	
Villarboit – assets under development <sup>(2)</sup>	\$ 75,600	\$ 85,836	30.6% <sup>(3)</sup>	N/A	Q3 2015–Q2 2017 <sup>(1)</sup>	
Villarboit – completed developments <sup>(2)</sup>	4,662	1,656	N/A	91.5% <sup>(3)</sup>	Q2 2015–Q4 2016 <sup>(4)</sup>	
Empire Brampton	22,308	21,548	50.0%	N/A	Q3 2017–Q3 2018	
Empire Lakeshore	41,541	40,579	75.5%	N/A	Q1 2019–Q2 2020	
Castlepoint	9,383	9,311	N/A	N/A	N/A	
Bayfield LP investments – income-producing	15,222	15,303	N/A	90.4%	N/A	
	\$ 168,716	\$ 174,233				

<sup>(1)</sup> The final completion dates are estimated by the Asset Manager based on information provided by the retail development project manager regarding the forecasted completion dates and development status at December 31, 2014 and are subject to change

<sup>(2)</sup> During the fourth quarter, one retail asset was reclassified from assets under development to completed developments upon substantial completion, which had a value of \$3,221

<sup>(3)</sup> Total current plus committed occupancy for the Villarboit retail assets under development and completed developments was 39.8%

<sup>(4)</sup> As at December 31, 2014, the completed developments comprised 180,500 sq.ft. and had a leased and occupied rate of 91.5%, which includes leasable area where tenants have occupied the space but are not yet paying rent. The dates presented represent the timing of when all tenants become rent-paying within their respective development project

## **DEVELOPMENT AND INVESTMENT HOLDINGS AFAD AND CASH RECEIPTS**

The development and investment holdings segment AFAD for the three months ended December 31, 2014 was \$1,341, an increase of 8.7% compared to the AFAD of \$1,234 at September 30, 2014. AFAD includes interest income earned and accrued on the contractual value of the two Empire residential participating mortgage investments that is based on the agreements' stated interest rates of 8.0% to 9.0%, which amount to \$1,171 and \$1,064 for the three months ended December 31, 2014 and September 30, 2014, respectively. The accrued interest represents a conservative measure of the expected future cash return from the development projects and more appropriately reflects that returns are being earned over time to the completion dates. These amounts included in AFAD represent only the interest portion of the return on these investments and do not include any estimate of the participation profit that the Trust expects to receive upon the completion of the projects pursuant to the participation agreements. Development and investment holdings AFAD for September 30, 2014 has been restated to include this measure. No other adjustments have been made with respect to the other development and investment holdings projects.

During the six months ended December 31, 2014, cash distributions of \$7,674 were received from the development and investment holdings segment consisting of \$5,364 interest income and \$1,423 of principal repayments from the participating loans on development assets, and \$887 from the two limited partnership interests, which hold interests in income-producing properties. The payments received from the development assets of \$6,787 were the result of higher than anticipated financing proceeds from two of the developments. The receipt of payments from the participating mortgages (as described in the sections with the headings Villarboit, Empire Communities and Castlepoint below) are subject to available cash balances in the development projects, and additional receipts may not be received until after the expected development completion dates and unit sale closing dates. The payments received from the income-producing properties interests of \$887 included the Trust's \$547 share of proceeds from the sale of a portion of an office building that was previously owned 100% by one of the limited partnerships. A percentage of the office building was sold to the existing co-owner of the retail asset in order to align the ownership percentage of the office building with the ownership percentage of the retail asset.

## **DEVELOPMENT AND INVESTMENT HOLDINGS FAIR VALUES**

The fair value of development and investment holdings at December 31, 2014 are determined by discounting the expected cash flows from each participating mortgage based on its projected future operating income or unit sales. The Empire residential development assets valuations are calculated by discounting the Trust's projected future share of proceeds from sales of units at rates between 13.0% and 15.0%. The Asset Manager approximates the fair value of future operating income of the Villarboit retail development assets by calculating the value of the asset at the date the project is expected to be operational using the direct capitalization rate method (cap rates used were in the range of 6.25% to 6.90%) and discounting this future value to the reporting date at rates from 13.0% to 15.0%, and adjusting for the Trust's percentage interest in accordance with the participating mortgage agreements. Investments in two of the retail development assets, due to the uncertainty of development timelines, have been valued primarily based on the land appraisals as determined by an external valuator at Closing, and represent approximately 52% of the total Villarboit retail development holdings fair value at December 31, 2014. In determining the discount rate, the Trust considers market conditions, time to completion of the development, the percentage of space leased, units sold, and other publicly available information. The discount rates used were higher than the underlying interest rates of the participating mortgages of 8.0% to 13.0%, and reflect a risk premium due to the uncertainty regarding the timing of payments and the longer term horizon of the developments.

The net fair value loss recognized during the six month period ended December 31, 2014 for the development and investment holdings portfolio was \$2,542. The loss is mainly due to a net fair value loss in development and investment holdings recognized for the three months ended December 31, 2014 of \$5,293, partially offset by a net fair value gain in development and investment holdings for the three months ended September 30, 2014 of \$2,751. The Trust recognized a net fair value loss of \$5,293 during the three month period ended December 31, 2014, attributable mainly to higher than expected construction costs, changes in expected development timelines and offset by fair value increases on the residential developments from being three months closer to completion. The fair value gain in development and investment holdings for the three months ended September 30, 2014 of \$2,751 was due mainly to the receipt of interest and principal amounts, which were the result of higher than anticipated financing proceeds received by two of the developments.

The fair value gain on the development and investment holdings available-for-sale ("AFS") of \$525 for the six month period ended December 31, 2014 includes a gain related to the partial sale of the office tower held in one of the limited partnerships as described above, and is net of \$80 of income taxes.

## DEVELOPMENT AND INVESTMENT HOLDINGS DETAILED INFORMATION

### Villarboit Development Corporation

Villarboit is a Toronto based developer of retail properties with a 25 year history of delivering properties for its clients and investors. The company is fully integrated, with in-house capabilities for all primary aspects of the development business, including acquisitions, site planning, construction and leasing, as well as property and asset management. It also provides construction services to select national retailers and other third-party developers.

The Villarboit investments are retail development projects commenced in 2012 or later and are in various stages of leasing and construction. The investments consist of six non-recourse participating loan investments with initial terms of ten years and one co-ownership interest. The Trust's security under the participating loans ranges from an approximately 65% to 89% interest in the properties and does not have recourse to Villarboit directly. Investments structured as participating mortgages have a stated interest return of up to 13% and the co-ownership investment is expected to generate a cash return once the development is complete. Projected completion dates for the developments range from the third quarter of 2015 to the end of 2017 (excluding projects fair valued based on land values). During the fourth quarter, one retail asset was reclassified from development assets to income-producing properties upon substantial completion, which had a value of \$3,221. At December 31, 2014, 39.8% (July 8, 2014 – 29.7%) of the total projected development GLA of 1.2 million sq.ft. has been committed or leased.

### Empire Communities

Empire has established a tradition of creating prestigious, award-winning new homes, new condominiums, and communities in the Greater Toronto, Hamilton, and Niagara regions while earning a reputation for outstanding attention to detail and customer service. The company received recognition as Ontario's 2013 Green Builder of the year. Past awards include The President's Award from the Ontario New Home Warranty Program for Outstanding Service and Achievement, the Ontario Community of the Year Award for its Wyndfield and Wyndance communities, and previous Green Builder of the Year Awards from the Hamilton-Halton Home Builders' Association and Building Industry and Land Development Association.

The participating mortgage investments are in a high-rise condominium development and a detached/semi-detached/townhouse development being constructed by Empire, each by way of a mortgage instrument and a participating agreement, which allow the Trust to participate in a percentage of the profits of the development in excess of the proceeds of the mortgages. Construction of the two tower condominium development is expected to commence in early 2015 with projected completion in 2020. At December 31, 2014, Empire had sold 75.5% (September 30, 2014 – 68.6%) across both towers of 1,258 total projected condominium units. The low-rise multi-phase residential development is actively selling residential homes with construction having commenced in October 2014. The first home closings are expected in the second quarter of 2015 with the final home closings projected in the third quarter of 2018. At December 31, 2014, Empire had sold 50.0% (September 30, 2014 – 46.5%) of 686 total projected single family residential units.

### Castlepoint

The participating mortgage investment in Castlepoint's mixed-use development project is through a mortgage instrument and a participating agreement. The project is currently in pre-construction and is located in Toronto's west end. The commercial site is being redeveloped by Castlepoint Studio Partners into a mixed-use development with both residential and commercial space. The project is substantially rezoned and in the final phases of obtaining all planning approvals.

### Bayfield Limited Partnership ("LP") Investments

The Bayfield LP investments (the "LP") consist of limited partnership interests of less than 20.0% in two separate LPs that own co-ownership interests in three shopping centres and one office tower. RioCan REIT owns the balance of these shopping centres, and a subsidiary of RioCan REIT is the property manager of each of the retail properties. Cash distributions received from the Bayfield LP investments during the quarter were consistent with the annual target distribution rate of the LP as communicated by the LP's asset manager, Bayfield Realty Advisors.



## RENEWABLE POWER

KPIs relating to the renewable power segment are as follows:

For the periods ended	Six months ended		Three months ended	
	December 31, 2014	December 31, 2014	September 30, 2014	
Renewable power revenue	\$ 226	\$ 46	\$ 180	
Segment net income <sup>(1)</sup>	105	(50)	155	
AFAD	146	(19)	165	
Annualized AFAD return on net assets	1.47%	-0.38%	5.13%	

As at	December 31, 2014	September 30, 2014
Net assets attributable to Unitholders of the Trust <sup>(2)</sup>	\$ 19,860	\$ 11,019
Total assets	31,747	14,355
Adjusted net asset value per Unit	0.27	0.15
Installed capacity (in development/construction) (MW)	16.4	14.4
Installed capacity (operational) (MW)	0.7	0.7

<sup>(1)</sup> See pages 26 to 28 under the heading Net Income by Segment for a reconciliation of net income by segment to the net income in the consolidated financial statements

<sup>(2)</sup> Net assets attributable to Unitholders of the Trust as at December 31, 2014 and September 30, 2014 represents total Unitholders' equity excluding non-controlling interests

For the six month period ended December 31, 2014, the Trust invested in both operational renewable power projects and renewable power projects that are under development. The operational portfolio consists of three rooftop solar projects in Ontario with an installed capacity of 0.7 MW. Projects under development include Ontario rooftop solar projects, Ontario ground-mount solar projects and a Nova Scotia wind project. The wind power project is currently under construction and is expected to become operational in late 2015. All projects within the renewable power portfolio have a 20 year government or regulated utility power purchase agreement, allowing the projects to sell the generated electricity at a fixed contract rate above the market rate, providing a stable and predictable cash flow to the Trust. The solar power portfolio generated \$146 of AFAD and \$105 of segment net income during the six months ended December 31, 2014. Due to the seasonal nature of the renewable power segment, solar electricity generated during the fall and winter periods from the three operational rooftop solar projects is comparatively lower than the electricity generated during the three months ended September 30, 2014.

## RELATED PARTY TRANSACTIONS

During the six months ended December 31, 2014, the Trust incurred base annual management fees of \$4,769 and acquisition fees of \$298 to DAM, pursuant to the terms of the management agreement. As at December 31, 2014, amounts payable and accrued liabilities included \$953 due to DAM for base annual management and acquisition fees, as well as \$3,883 of costs DAM incurred on behalf of the Trust due to the reorganization and acquisition of the ROI funds. During the period, the Trust purchased solar power facilities from DAM for \$2,414, at carrying value.

## UNITHOLDER ACTIVITY

As required by National Policy 41-201, “Income Trusts and Other Indirect Offerings”, the following table outlines the differences between cash generated from (utilized in) operating activities and cash distributions, as well as the differences between comprehensive income and cash distributions, in accordance with the guidelines. Cash generated from (utilized in) operating activities can fluctuate significantly from period to period because of timing of payments and receipts. Net income contains a number of non-cash items, the effects of which are shown in the table below.

For the periods ended	Six months ended December 31, 2014	Three months ended September 30, 2014
<b>Total comprehensive income</b>	<b>\$ 120,272</b>	<b>\$ 122,857</b>
Add (deduct):		
Gain on acquisition net of reorganization related costs	(115,145)	(115,438)
Deferred income tax expense	1,150	2,057
<b>Adjusted total comprehensive income</b>	<b>6,277</b>	<b>9,476</b>
<b>Cash generated from operating activities</b>	<b>641</b>	<b>1,739</b>
Add (deduct):		
Reorganization related costs	12,013	11,832
Investment in lease incentives and initial direct leasing costs	5,088	1,824
Change in non-cash working capital	(4,823)	(6,858)
<b>Adjusted cash generated from operating activities</b>	<b>12,919</b>	<b>8,537</b>
<b>Distributions paid and payable</b>	<b>14,221</b>	<b>6,848</b>
<b>(Shortfall) excess of adjusted total comprehensive income over distributions paid and payable</b>	<b>(7,944)</b>	<b>2,628</b>
<b>(Shortfall) excess of adjusted cash generated from operating activities over distributions paid and payable</b>	<b>(1,302)</b>	<b>1,689</b>
<b>Excess of total comprehensive income over distributions paid and payable</b>	<b>106,051</b>	<b>116,009</b>
<b>Shortfall of cash generated from operating activities over distributions paid and payable</b>	<b>\$ (13,580)</b>	<b>\$ (5,109)</b>

When establishing distribution payments, we do not take into consideration fluctuations in working capital or investments in development and investment holdings, but rather use a normalized amount as a proxy for leasing costs.

For the six months ended December 31, 2014, the Trust’s distributions paid and payable of \$14,221 exceeded cash generated from operating activities by \$13,580. Approximately \$12,278 of this shortfall was primarily driven by the change in non-cash working capital of \$4,823, investment in lease incentives and initial direct leasing costs of \$5,088 and reorganization related costs of \$12,013. Accordingly, the Trust believes these shortfalls were primarily a result of timing differences between the realization of working capital and the declaration of distributions during the six months ended December 31, 2014 and thus did not constitute an economic return of capital. The remaining shortfall of \$1,302, being the shortfall of adjusted cash generated from operating activities over distributions paid and payable, represent a return of capital, rather than a return of operating income, since it represents cash payments in excess of cash generated by the Trust’s continuing operations during the period. The full excess of \$1,302 was funded by the Trust’s opening cash balances acquired at Closing. Management believes that the current per Unit level of distributions is sustainable and does not anticipate that distributions will be suspended in the foreseeable future, given that the cash generated from operations is expected to increase as the Trust invests its cash balance of \$80,157 at December 31, 2014 in accordance with the Trust’s investment strategy and target returns. For the six months ended December 31, 2014, the average cash balance held within the Trust was \$93,110.

For the six months ended December 31, 2014, the Trust’s total comprehensive income exceeded distributions paid and payable of \$14,221 by \$106,051. Approximately \$113,995 of the total comprehensive income was driven by the net gain on the reorganization of \$115,145 and deferred taxes of \$1,150. Accordingly, the Trust believes this amount was primarily a result of one-time items and is not reflective of the Trust’s ability to make distributions. The remaining shortfall of \$7,944 of distributions paid and payable over adjusted total comprehensive income includes fair value losses in development and investment holdings, fair value losses in income properties, depreciation and amortization, which are non-cash in nature and are thus not reflective of the Trust’s ability to make distributions.

# RECONCILIATION OF ADJUSTED NET ASSET VALUE AS AT DECEMBER 31, 2014

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other <sup>(1)</sup>	Total
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Income properties	\$ 499,264	\$ -	\$ -	\$ -	\$ -	\$ 499,264
Lending portfolio	-	-	80,159	-	-	80,159
Development and investment holdings	-	-	-	168,716	-	168,716
Renewable power assets	-	25,881	-	-	-	25,881
Other non-current assets	658	2,082	-	-	-	2,740
	499,922	27,963	80,159	168,716	-	776,760
<b>CURRENT ASSETS</b>						
Lending portfolio - current portion	-	-	133,413	-	-	133,413
Amounts receivable	2,493	3,135	-	-	398	6,026
Prepaid expenses	878	12	-	-	14	904
Cash	6,518	637	-	-	73,002	80,157
<b>TOTAL ASSETS</b>	\$ 509,811	\$ 31,747	\$ 213,572	\$ 168,716	\$ 73,414	\$ 997,260
<b>LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Mortgage payable	\$ 176,851	\$ -	\$ -	\$ -	\$ -	\$ 176,851
Deferred income taxes	-	-	-	-	430	430
Deferred Unit incentive plan	-	-	-	-	147	147
<b>CURRENT LIABILITIES</b>						
Mortgage payable - current portion	78,233	-	-	-	-	78,233
Term loan payable	-	310	-	-	-	310
Amounts payable and accrued liabilities	8,656	9,622	67	-	5,425	23,770
Distributions payable	-	-	-	-	2,455	2,455
Income tax payable	-	-	-	-	902	902
<b>NON-CONTROLLING INTERESTS</b>	-	1,955	-	-	-	1,955
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE TRUST</b>	246,071	19,860	213,505	168,716	64,055	712,207
Unamortized balance of lending portfolio discount	-	-	778	-	-	778
Unamortized balance of premium on mortgages payable	4,263	-	-	-	-	4,263
Deferred income taxes payable	-	-	-	-	430	430
Deferred Unit incentive plan payable	-	-	-	-	147	147
<b>ADJUSTED NET ASSET VALUE</b>	\$ 250,334	\$ 19,860	\$ 214,283	\$ 168,716	\$ 64,632	\$ 717,825
<b>ADJUSTED NET ASSET VALUE PER UNIT</b>	\$ 3.40	\$ 0.27	\$ 2.91	\$ 2.29	\$ 0.88	\$ 9.75

<sup>(1)</sup> Includes other Trust amounts not specifically related to the segments

# RECONCILIATION OF ADJUSTED NET ASSET VALUE AS AT SEPTEMBER 30, 2014

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other <sup>(1)</sup>	Total
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Income properties	\$ 499,089	\$ -	\$ -	\$ -	\$ -	\$ 499,089
Lending portfolio	-	-	143,782	-	-	143,782
Development and investment holdings	-	-	-	174,233	-	174,233
Renewable power assets	-	12,167	-	-	-	12,167
Other non-current assets	577	1,944	-	-	-	2,521
	499,666	14,111	143,782	174,233	-	831,792
<b>CURRENT ASSETS</b>						
Lending portfolio – current portion	-	-	72,084	-	-	72,084
Amounts receivable	2,142	154	-	-	544	2,840
Prepaid expenses	699	19	-	-	14	732
Cash	5,089	71	-	-	90,263	95,423
<b>TOTAL ASSETS</b>	\$ 507,596	\$ 14,355	\$ 215,866	\$ 174,233	\$ 90,821	\$ 1,002,871
<b>LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Mortgage payable	\$ 230,135	\$ -	\$ -	\$ -	\$ -	\$ 230,135
Deferred income taxes	-	-	-	-	1,257	1,257
Deferred Unit incentive plan	-	-	-	-	65	65
<b>CURRENT LIABILITIES</b>						
Mortgage payable – current portion	26,700	-	-	-	-	26,700
Amounts payable and accrued liabilities	9,509	1,474	30	-	7,387	18,400
Distributions payable	-	-	-	-	2,454	2,454
Income tax payable	-	-	-	-	68	68
<b>NON-CONTROLLING INTERESTS<sup>(2)</sup></b>	-	1,862	-	-	-	1,862
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE TRUST</b>	241,252	11,019	215,836	174,233	79,590	721,930
Unamortized balance of lending portfolio discount	-	-	881	-	-	881
Unamortized balance of premium on mortgages payable	4,689	-	-	-	-	4,689
Deferred income taxes payable	-	-	-	-	1,257	1,257
Deferred Unit incentive plan payable	-	-	-	-	65	65
<b>ADJUSTED NET ASSET VALUE</b>	\$ 245,941	\$ 11,019	\$ 216,717	\$ 174,233	\$ 80,912	\$ 728,822
<b>ADJUSTED NET ASSET VALUE PER UNIT</b>	\$ 3.34	\$ 0.15	\$ 2.94	\$ 2.37	\$ 1.10	\$ 9.90

<sup>(1)</sup> Includes other Trust amounts not specifically related to the segments

<sup>(2)</sup> The non-controlling interests amount was reclassified to the renewable power segment during the fourth quarter of 2014

## RECONCILIATION OF FAD AND AFAD FOR THE SIX MONTHS ENDED DECEMBER 31, 2014

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other <sup>(1)</sup>	Total
<b>Net income</b>	\$ 7,306	\$ 105	\$ 8,383	\$ (2,542)	\$ 106,495	\$ <b>119,747</b>
<b>Add (Deduct)</b>						
Amortization of lease incentives	78	-	-	-	-	<b>78</b>
Depreciation and amortization	-	41	-	-	-	<b>41</b>
Amortization of lender fees received	-	-	(14)	-	-	<b>(14)</b>
Fair value losses in development and investment holdings	-	-	-	2,542	-	<b>2,542</b>
Fair value adjustments to income properties	3,780	-	-	-	-	<b>3,780</b>
Deferred income taxes expense	-	-	-	-	1,150	<b>1,150</b>
Gain on acquisition	-	-	-	-	(127,158)	<b>(127,158)</b>
Reorganization related costs	-	-	-	-	12,013	<b>12,013</b>
<b>FAD</b>	\$ 11,164	\$ 146	\$ 8,369	\$ -	\$ (7,500)	\$ <b>12,179</b>
<b>AFAD</b>						
<b>Add (Deduct)</b>						
Straight-line rent	(207)	-	-	-	-	<b>(207)</b>
Interest earned on residential development and investment holdings <sup>(2)</sup>	-	-	-	2,235	-	<b>2,235</b>
Distributions received from development and investment holdings AFS for the current period excluding proceeds from office sale	-	-	-	340	-	<b>340</b>
Amortization of discounts on assumed mortgages receivable	-	-	(370)	-	-	<b>(370)</b>
Amortization of premiums on assumed mortgages payable	(856)	-	-	-	-	<b>(856)</b>
Lender fees received during the quarter	-	-	122	-	-	<b>122</b>
Deferred Unit compensation expense	-	-	-	-	147	<b>147</b>
Acquisition fees and initial set-up costs <sup>(3)</sup>	-	-	-	-	509	<b>509</b>
Normalized initial direct leasing costs and lease incentives	(1,229)	-	-	-	-	<b>(1,229)</b>
<b>AFAD</b>	\$ 8,872	\$ 146	\$ 8,121	\$ 2,575	\$ (6,844)	\$ <b>12,870</b>

<sup>(1)</sup> Includes other Trust amounts not specifically related to the segments

<sup>(2)</sup> Interest earned on residential development and investment holdings includes accrued interest on the Empire residential developments as discussed in Section II under the heading Development and Investment Holdings AFAD and Cash Receipts on page 17

<sup>(3)</sup> Includes one-time acquisition fees and non-recurring G&A expenses

## RECONCILIATION OF FAD AND AFAD FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other <sup>(1)</sup>	Total
<b>Net income</b>	\$ 1,893	\$ (50)	\$ 4,359	\$ (5,293)	\$ (3,835)	<b>\$ (2,926)</b>
Add (Deduct)						
Amortization of lease incentives	49	-	-	-	-	<b>49</b>
Depreciation and amortization	-	31	-	-	-	<b>31</b>
Amortization of lender fees received	-	-	(13)	-	-	<b>(13)</b>
Fair value losses in development and investment holdings	-	-	-	5,293	-	<b>5,293</b>
Fair value adjustments to income properties	3,780	-	-	-	-	<b>3,780</b>
Deferred income taxes expense	-	-	-	-	(907)	<b>(907)</b>
Decrease in gain on acquisition	-	-	-	-	112	<b>112</b>
Acquisition related costs	-	-	-	-	181	<b>181</b>
<b>FAD</b>	<b>\$ 5,722</b>	<b>\$ (19)</b>	<b>\$ 4,346</b>	<b>\$ -</b>	<b>\$ (4,449)</b>	<b>\$ 5,600</b>
<b>AFAD</b>						
Add (Deduct)						
Straight-line rent	(81)	-	-	-	-	<b>(81)</b>
Interest earned on residential development and investment holdings <sup>(2)</sup>	-	-	-	1,171	-	<b>1,171</b>
Distributions received from development and investment holdings AFS for the current period excluding proceeds from office sale	-	-	-	170	-	<b>170</b>
Amortization of discounts on assumed mortgages receivable	-	-	(213)	-	-	<b>(213)</b>
Amortization of premiums on assumed mortgages payable	(426)	-	-	-	-	<b>(426)</b>
Lender fees received during the quarter	-	-	101	-	-	<b>101</b>
Deferred Unit compensation expense	-	-	-	-	82	<b>82</b>
Acquisition fees and initial set-up costs <sup>(3)</sup>	-	-	-	-	509	<b>509</b>
Normalized initial direct leasing costs and lease incentives	(623)	-	-	-	-	<b>(623)</b>
<b>AFAD</b>	<b>\$ 4,592</b>	<b>\$ (19)</b>	<b>\$ 4,234</b>	<b>\$ 1,341</b>	<b>\$ (3,858)</b>	<b>\$ 6,290</b>

<sup>(1)</sup> Includes other Trust amounts not specifically related to the segments

<sup>(2)</sup> Interest earned on residential development and investment holdings includes accrued interest on the Empire residential developments as discussed in Section II under the heading Development and Investment Holdings AFAD and Cash Receipts on page 17

<sup>(3)</sup> Includes one-time acquisition fees and non-recurring G&A expenses

# RECONCILIATION OF FAD AND AFAD FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other <sup>(1)</sup>	Total
<b>Net income</b>	\$ 5,413	\$ 155	\$ 4,024	\$ 2,751	\$ 110,330	\$ 122,673
Add (Deduct)						
Amortization of lease incentives	29	-	-	-	-	29
Depreciation and amortization	-	10	-	-	-	10
Amortization of lender fees received	-	-	(1)	-	-	(1)
Fair value loss in development and investment holdings	-	-	-	(2,751)	-	(2,751)
Deferred income taxes expense	-	-	-	-	2,057	2,057
Gain on acquisition	-	-	-	-	(127,270)	(127,270)
Acquisition related costs	-	-	-	-	11,832	11,832
<b>FAD</b>	\$ 5,442	\$ 165	\$ 4,023	\$ -	\$ (3,051)	\$ 6,579
<b>AFAD</b>						
Add (Deduct)						
Straight-line rent	(126)	-	-	-	-	(126)
Interest earned on residential development and investment holdings <sup>(2)</sup>	-	-	-	1,064	-	1,064
Distributions received from development and investment holdings AFS for the current period	-	-	-	170	-	170
Amortization of discounts on assumed mortgages receivable	-	-	(157)	-	-	(157)
Amortization of premiums on assumed mortgages payable	(430)	-	-	-	-	(430)
Lender fees received during the quarter	-	-	21	-	-	21
Deferred Unit compensation expense	-	-	-	-	65	65
Normalized initial direct leasing costs and lease incentives	(606)	-	-	-	-	(606)
<b>AFAD</b>	\$ 4,280	\$ 165	\$ 3,887	\$ 1,234	\$ (2,986)	\$ 6,580

<sup>(1)</sup> Includes other Trust amounts not specifically related to the segments

<sup>(2)</sup> Interest earned on residential development and investment holdings includes accrued interest on the Empire residential developments as discussed in Section II under the heading Development and Investment Holdings AFAD and Cash Receipts on page 17

## NET INCOME BY SEGMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 2014

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other <sup>(1)</sup>	Total
<b>INCOME</b>						
Income properties	\$ 29,896	\$ -	\$ -	\$ -	\$ -	\$ 29,896
Renewable power	-	226	-	-	-	226
Lending portfolio interest and other lender fees	-	-	8,566	-	-	8,566
Fair value loss, net, in development and investment holdings	-	-	-	(2,542)	-	(2,542)
<b>TOTAL INCOME</b>	<b>29,896</b>	<b>226</b>	<b>8,566</b>	<b>(2,542)</b>	<b>-</b>	<b>36,146</b>
<b>EXPENSES</b>						
Income properties operating	14,549	-	-	-	-	14,549
Renewable power operating	-	44	-	-	-	44
Depreciation of renewable power assets	-	41	-	-	-	41
Interest	4,261	-	-	-	97	4,358
Asset management fees	-	-	-	-	5,067	5,067
General and administrative	-	36	183	-	1,891	2,110
<b>TOTAL EXPENSES</b>	<b>18,810</b>	<b>121</b>	<b>183</b>	<b>-</b>	<b>7,055</b>	<b>26,169</b>
<b>OPERATING INCOME</b>	<b>11,086</b>	<b>105</b>	<b>8,383</b>	<b>(2,542)</b>	<b>(7,055)</b>	<b>9,977</b>
Other interest income	-	-	-	-	457	457
Fair value loss in income properties <sup>(2)</sup>	(3,780)	-	-	-	-	(3,780)
Gain on acquisition	-	-	-	-	127,158	127,158
Reorganization related costs	-	-	-	-	(12,013)	(12,013)
Increase in net assets attributable to holders of redeemable units	-	-	-	-	-	-
<b>EARNINGS BEFORE INCOME TAX EXPENSE</b>	<b>7,306</b>	<b>105</b>	<b>8,383</b>	<b>(2,542)</b>	<b>108,547</b>	<b>121,799</b>
<b>INCOME TAX EXPENSE</b>						
Current	-	-	-	-	902	902
Deferred	-	-	-	-	1,150	1,150
<b>TOTAL INCOME TAX EXPENSE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,052</b>	<b>2,052</b>
<b>NET INCOME</b>	<b>\$ 7,306</b>	<b>\$ 105</b>	<b>\$ 8,383</b>	<b>\$ (2,542)</b>	<b>\$ 106,495</b>	<b>\$ 119,747</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Fair value gain in development and investment holdings available-for-sale (net of tax of \$80 - reclassified to earnings on sale)	-	-	-	525	-	525
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>525</b>	<b>-</b>	<b>525</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 7,306</b>	<b>\$ 105</b>	<b>\$ 8,383</b>	<b>\$ (2,017)</b>	<b>\$ 106,495</b>	<b>\$ 120,272</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>						
Unitholders	7,306	111	8,383	(2,017)	106,495	120,278
Non-controlling interest	-	(6)	-	-	-	(6)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 7,306</b>	<b>\$ 105</b>	<b>\$ 8,383</b>	<b>\$ (2,017)</b>	<b>\$ 106,495</b>	<b>\$ 120,272</b>

<sup>(1)</sup> Includes other Trust amounts not specifically related to the segments

<sup>(2)</sup> Management does not evaluate operating income including fair value adjustments on income properties



## NET INCOME BY SEGMENT FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other <sup>(1)</sup>	Total
<b>INCOME</b>						
Income properties	\$ 14,956	\$ -	\$ -	\$ -	\$ -	\$ 14,956
Renewable power	-	46	-	-	-	46
Lending portfolio interest and other lender fees	-	-	4,454	-	-	4,454
Fair value loss, net, in development and investment holdings	-	-	-	(5,293)	-	(5,293)
<b>TOTAL INCOME</b>	<b>14,956</b>	<b>46</b>	<b>4,454</b>	<b>(5,293)</b>	<b>-</b>	<b>14,163</b>
<b>EXPENSES</b>						
Income properties operating	7,169	-	-	-	-	7,169
Renewable power operating	-	31	-	-	-	31
Depreciation of renewable power assets	-	31	-	-	-	31
Interest	2,114	-	-	-	49	2,163
Asset management fees	-	-	-	-	2,609	2,609
General and administrative	-	34	95	-	1,184	1,313
<b>TOTAL EXPENSES</b>	<b>9,283</b>	<b>96</b>	<b>95</b>	<b>-</b>	<b>3,842</b>	<b>13,316</b>
<b>OPERATING INCOME</b>	<b>5,673</b>	<b>(50)</b>	<b>4,359</b>	<b>(5,293)</b>	<b>(3,842)</b>	<b>847</b>
Other interest income	-	-	-	-	227	227
Fair value loss in income properties <sup>(2)</sup>	(3,780)	-	-	-	-	(3,780)
Gain on acquisition	-	-	-	-	(112)	(112)
Reorganization related costs	-	-	-	-	(181)	(181)
<b>EARNINGS BEFORE INCOME TAX EXPENSE</b>	<b>1,893</b>	<b>(50)</b>	<b>4,359</b>	<b>(5,293)</b>	<b>(3,908)</b>	<b>(2,999)</b>
<b>INCOME TAX EXPENSE</b>						
Current	-	-	-	-	834	834
Deferred	-	-	-	-	(907)	(907)
<b>TOTAL INCOME TAX EXPENSE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73)</b>	<b>(73)</b>
<b>NET INCOME</b>	<b>\$ 1,893</b>	<b>\$ (50)</b>	<b>\$ 4,359</b>	<b>\$ (5,293)</b>	<b>\$ (3,835)</b>	<b>\$ (2,926)</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Fair value gain in development and investment holdings available-for-sale (net of tax of \$80 - reclassified to earnings on sale)	-	-	-	341	-	341
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>341</b>	<b>-</b>	<b>341</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 1,893</b>	<b>\$ (50)</b>	<b>\$ 4,359</b>	<b>\$ (4,952)</b>	<b>\$ (3,835)</b>	<b>\$ (2,585)</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>						
Unitholders	1,893	(44)	4,359	(4,952)	(3,835)	(2,579)
Non-controlling interest	-	(6)	-	-	-	(6)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 1,893</b>	<b>\$ (50)</b>	<b>\$ 4,359</b>	<b>\$ (4,952)</b>	<b>\$ (3,835)</b>	<b>\$ (2,585)</b>

<sup>(1)</sup> Includes other Trust amounts not specifically related to the segments

<sup>(2)</sup> Management does not evaluate operating income including fair value adjustments on income properties

# NET INCOME BY SEGMENT FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other <sup>(1)</sup>	Total
<b>INCOME</b>						
Income properties	\$ 14,940	\$ -	\$ -	\$ -	\$ -	\$ 14,940
Renewable power	-	180	-	-	-	180
Lending portfolio interest and other lender fees	-	-	4,112	-	-	4,112
Fair value gains, net, in development and investment holdings	-	-	-	2,751	-	2,751
<b>TOTAL INCOME</b>	<b>14,940</b>	<b>180</b>	<b>4,112</b>	<b>2,751</b>	<b>-</b>	<b>21,983</b>
<b>EXPENSES</b>						
Income properties operating	7,380	-	-	-	-	7,380
Renewable power operating	-	13	-	-	-	13
Depreciation of renewable power assets	-	10	-	-	-	10
Interest	2,147	-	-	-	48	2,195
Asset management fees	-	-	-	-	2,458	2,458
General and administrative	-	2	88	-	707	797
<b>TOTAL EXPENSES</b>	<b>9,527</b>	<b>25</b>	<b>88</b>	<b>-</b>	<b>3,213</b>	<b>12,853</b>
<b>OPERATING INCOME</b>	<b>5,413</b>	<b>155</b>	<b>4,024</b>	<b>2,751</b>	<b>(3,213)</b>	<b>9,130</b>
Other interest income	-	-	-	-	230	230
Fair value loss in income properties <sup>(2)</sup>	-	-	-	-	-	-
Gain on acquisition	-	-	-	-	127,270	127,270
Reorganization related costs	-	-	-	-	(11,832)	(11,832)
<b>EARNINGS BEFORE INCOME TAX EXPENSE</b>	<b>5,413</b>	<b>155</b>	<b>4,024</b>	<b>2,751</b>	<b>112,455</b>	<b>124,798</b>
<b>INCOME TAX EXPENSE</b>						
Current	-	-	-	-	68	68
Deferred	-	-	-	-	2,057	2,057
<b>TOTAL INCOME TAX EXPENSE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,125</b>	<b>2,125</b>
<b>NET INCOME</b>	<b>\$ 5,413</b>	<b>\$ 155</b>	<b>\$ 4,024</b>	<b>\$ 2,751</b>	<b>\$ 110,330</b>	<b>\$ 122,673</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Fair value gain in development and investment holdings available-for-sale (net of tax of \$nil - reclassified to earnings on sale)	-	-	-	184	-	184
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>184</b>	<b>-</b>	<b>184</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 5,413</b>	<b>\$ 155</b>	<b>\$ 4,024</b>	<b>\$ 2,935</b>	<b>\$ 110,330</b>	<b>\$ 122,857</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>						
Unitholders	5,413	155	4,024	2,935	110,330	122,857
Non-controlling interest	-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 5,413</b>	<b>\$ 155</b>	<b>\$ 4,024</b>	<b>\$ 2,935</b>	<b>\$ 110,330</b>	<b>\$ 122,857</b>

<sup>(1)</sup> Includes other Trust amounts not specifically related to the segments

<sup>(2)</sup> Management does not evaluate operating income including fair value adjustments on income properties

## OUR CAPITAL

### LIQUIDITY AND CAPITAL RESOURCES

The Trust's primary sources of financing are cash generated from operating activities, lending activities, credit facilities, mortgage financing and refinancing. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt principal repayments, interest payments, property acquisitions, mortgage lending, and investments in infrastructure. It is the Trust's objective to meet all of our ongoing obligations with current cash, cash flows generated from operating activities, cash from maturing mortgage receivables, conventional mortgage refinancing and, as growth requires and when appropriate, new equity or debt issues.

We strive to maintain high levels of liquidity to ensure that we can meet distribution objectives and react quickly to potential investment opportunities.

Our discussion of financing activities is based on the mortgage payable balances secured against the income properties summarized below:

As at	December 31, 2014	September 30, 2014
Mortgages payable	\$ 250,822	\$ 252,146
Unamortized balance of premium	4,263	4,689
Mortgages payable (per consolidated financial statements)	\$ 255,085	\$ 256,835

### SUMMARY OF DEBT

The KPIs of our debt are as follows:

As at	December 31, 2014	September 30, 2014
Weighted average effective interest rate (period-end) <sup>(1)</sup>	3.31%	3.31%
Weighted average face rate of interest (period-end)	4.05%	4.05%
Total debt due over the next 12 months	\$ 76,597	\$ 26,700
Debt-to-gross book value <sup>(2)</sup>	25.15%	25.14%
Debt – average term to maturity	2.2 years	2.4 years

<sup>(1)</sup> Weighted average effective interest rate is calculated as the weighted average face rate of interest net of amortization of debt premiums and financing costs of all interest bearing debt

<sup>(2)</sup> Our debt-to-gross book value is calculated as the contractual balance of debt payable of \$250,822 divided by the gross asset value of the Trust of \$997,260

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 3.26 times, demonstrating our ability to more than adequately cover interest expense requirements.

At year end, our cash balance is \$80,157. After reserving for current payables, operating requirements and funds held in co-tenancy bank accounts, approximately \$47,414 is available for immediate investments, not including borrowings available from the \$50,000 revolving credit facility. The Trust is therefore well positioned to fund the future commitments for loan investments and renewable power projects at December 31, 2014 of \$46,250. Any shortfall, if applicable, would be covered by expected lending portfolio investment maturities and prepayments to be received prior to the funding dates of the new investments. Our debt-to-gross book value is 25.15%, which is a conservative position and may help the Trust grow using additional financing in the future.

## DEBT STRATEGY

Our strategy is to maintain a balanced debt profile, taking into account market conditions and the financial characteristics of each property. Our debt strategy is to obtain secured mortgage financing on a fixed rate basis, with a term to maturity that is appropriate in relation to the lease maturity profile of each property. Our preference is to have staggered debt maturities to mitigate interest rate risk and limit refinancing exposure in any particular period. We also intend to enter into long-term loans at fixed rates when borrowing conditions are favourable.

## DEBT MATURITIES

The existing mortgages payable are characterized by a staggered maturity profile and are non-recourse to the Trust. The following table sets out the principal instalments and maturity balances on the mortgages payable to be repaid each year.

Debt maturities	Outstanding balance at maturity	Scheduled principal repayments	Amount	%	Weighted average effective interest rate on balance outstanding	Weighted average face rate on balance outstanding
2015	\$ 71,365	\$ 5,232	\$ 76,597	30.5	3.49	3.49
2016	39,050	4,462	43,512	17.3	3.43	4.15
2017	68,836	3,264	72,100	28.8	3.13	4.80
2018	51,529	1,001	52,530	21.0	3.16	3.59
2019 and thereafter	3,223	2,860	6,083	2.4	4.13	5.15
Subtotal	234,003	16,819	250,822	100.0	3.03	4.05
Fair value adjustments	-	-	4,262			
<b>Total</b>	<b>\$ 234,003</b>	<b>\$ 16,819</b>	<b>\$ 255,084</b>			

## FINANCING ACTIVITIES

The Trust's financing activities for the period from Closing to December 31, 2014, per the consolidated statements of cash flows included in the Trust's consolidated financial statements, includes regular principal repayments, distributions paid and other items related to the reorganization. Subsequent to Closing the Trust entered into a revolving credit facility as described below.

## REVOLVING CREDIT FACILITY

A demand revolving credit facility is available up to a formula-based maximum not to exceed \$50,000, in the form of a rolling one-month Bankers' Acceptance ("BA") bearing interest at the BA rate plus 2% or at the bank's prime rate (3% as at December 31, 2014) plus 1%, and is effectively secured by a general security agreement over all assets of Dream Alternatives Lending Services LP and Dream Alternatives Master LP. As at December 31, 2014, no amounts were drawn on the facility.

## OUR EQUITY

As at December 31, 2014, the Trust had 73,666,978 Units outstanding and a Unitholders' equity balance of \$712,207.

### DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN ("DRIP")

We have a DRIP entitling Unitholders to reinvest all cash distributions made by us into additional Units. Participants electing to reinvest cash distributions in Units pursuant to the DRIP receive a further "bonus" distribution equal to 4% of the amount of each cash distribution that they reinvest, on which further distributions are also reinvested in Units. Participants may also purchase additional Units pursuant to the optional cash purchase feature of the DRIP, subject to a minimum investment amount of \$1 and a maximum investment amount of \$250 per calendar year. Participants in the DRIP will not receive a bonus distribution of Units in connection with any optional cash purchases. The Trust may amend, suspend or terminate the DRIP at any time.

### DISTRIBUTIONS

The distributable cash flow and amount of monthly distributions to Unitholders will be determined by the Trust Board based on distributions received from Dream Alternatives Master LP, net of general and administrative, operating and other expenses and taxes. DAM forecasts the distributable cash flow from the Trust's operating segments to help the Trust Board determine the targeted annual distribution amount.

The following table summarizes the changes in our outstanding equity:

	Units
Units issued upon the Trust formation on July 8, 2014	72,617,739
Units issued pursuant to initial distribution of Units	1,000,000
Units issued pursuant to the DRIP	49,239
<b>Total Units outstanding on December 31, 2014</b>	<b>73,666,978</b>
Units issued pursuant to the DRIP on January 15, 2015	12,649
Units issued pursuant to the DRIP on February 13, 2015	13,714
<b>Total Units outstanding on February 23, 2015</b>	<b>73,693,341</b>

### NORMAL COURSE ISSUER BID

On December 24, 2014, the Toronto Stock Exchange accepted the Trust's Notice of Intention to make a normal course issuer bid, which commenced on December 30, 2014 and will remain in effect until the earlier of December 29, 2015 or the date on which the Trust has purchased the maximum number of Units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 7,280,818 Units (representing 10% of the Trust's public float of 72,808,178 Units as at December 19, 2014). As at February 23, 2015, no purchases had been made under the bid.

## NON-IFRS MEASURES

We have presented certain non-IFRS measures because we believe these non-IFRS measures represent our ability to earn and pay cash distributions to Unitholders and to evaluate the Trust's performance. These non-IFRS measures do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of the Trust's performance and may not be comparable to similar measures presented by other income trusts.

Investors are cautioned not to view non-IFRS measures as alternatives to financial measures calculated in accordance with IFRS.

**"Net operating income ("NOI")** is defined by the Trust as the total income property revenue less income property operating expenses, including the share of rental income from investment in joint ventures and property management income, if any. This non-IFRS measurement is an important measurement used by the Trust in evaluating property operating performance. Since the Trust did not have any investments in joint ventures, NOI is calculated as the difference between income properties revenue and income properties operating expenses as presented in the consolidated statements of comprehensive income. The following table details the Trust's calculation of NOI:

For the periods ended	Six months ended		Three months ended	
	December 31, 2014	December 31, 2014	September 30, 2014	
Income properties revenue	\$ 29,896	\$ 14,956	\$ 14,940	
Income properties operating expenses	14,549	7,169	7,380	
<b>Net operating income</b>	<b>\$ 15,347</b>	<b>\$ 7,787</b>	<b>\$ 7,560</b>	

**"Stabilized NOI"** for an individual property is defined by the Trust as investment property revenues less property operating expenses adjusted for items such as average lease-up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. This non-IFRS measurement is an important measurement used by the Trust in determining the fair value of individual investment properties.

**"Net assets attributable to Unitholders of the Trust"** refers to the net difference between total assets and total liabilities less the amount of assets and liabilities attributable to non-controlling interests. This non-IFRS measurement is an important measurement in evaluating the Trust's and Asset Manager's performance. A reconciliation of net assets attributable to Unitholders of the Trust can be found on page 21 of this MD&A under the heading Reconciliation of Adjusted Net Asset Value as at December 31, 2014.

**"Adjusted net asset value ("Adjusted NAV")** represents the net assets attributable to Unitholders of the Trust including adjustments to remove deferred income taxes payable or receivable, Deferred Unit Incentive Plan payable, and the unamortized balance of the net lending portfolio discount and mortgages payable premiums that are included in net assets on the Trust's consolidated statements of financial position. The net lending portfolio discount and mortgages payable premiums represent the current unamortized balance of fair market value adjustments recorded for these instruments at Closing. Since the Trust intends on holding the lending portfolio investments and mortgages payable to maturity, this historical fair value adjustment is removed for the calculation of the adjusted net asset value. Adjusted NAV also includes fair value adjustments on renewable power projects, which are recognized at amortized cost on the financial statements. This non-IFRS measurement is an important measurement used by the Trust in evaluating the Trust's and Asset Manager's performance. A reconciliation of net asset value per Unit can be found on page 21 of this MD&A under the heading Reconciliation of Adjusted Net Asset Value as at December 31, 2014.

**"Adjusted Net asset value per Unit"** represents the adjusted net asset value attributable to Unitholders of the Trust divided by the number of Units outstanding at the end of the period. This non-IFRS measurement is an important measurement in evaluating the Trust's and Asset Manager's performance. A reconciliation of adjusted net asset value per Unit can be found on page 21 of this MD&A under the heading Reconciliation of Adjusted Net Asset Value as at December 31, 2014.

**"Debt to gross book value"** represents the contractual balance of debt payable divided by the gross asset value of the Trust as at the applicable reporting date. This non-IFRS measurement is an important measure used in the management of the Trust's debt levels.

**"Face interest rate"** is the contractual interest rate stated in the loan agreement and paid by the borrower.

**“Effective interest rate”** is a calculation of the interest rate using the contractual interest amounts received based on the value of the mortgage at the time it was acquired or originated, including upfront fees received or paid as well as the impact of compounding. The effective interest rate reflects the impact of any discount, premiums or lender fees recorded on acquisition or origination related to the mortgages.

**“Weighted average face (or effective) interest rate”** is the average face (or effective) rate of interest on a portfolio of mortgages payable or receivable, weighted by the size of the mortgages in that portfolio.

**“Interest coverage ratio”** Management believes this non-IFRS measurement is an important measure in determining our ability to cover interest expense based on our operating performance. Interest coverage ratio as shown below is calculated as FAD plus current income tax expense, interest expense and deferred unit compensation expense less straight-line rent and amortization of discount of mortgage receivable, all divided by interest expense on total debt excluding deferred financing and mark-to-market adjustments.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table below calculates the interest coverage ratio.

Amounts per consolidated financial statements	Six months ended	Three months ended
	December 31, 2014	September 30, 2014
FAD	\$ 12,179	\$ 6,579
Add (deduct):		
Current income tax expense	902	68
Interest expense	4,358	2,195
Deferred Unit compensation expense	147	65
Straight-line rent	(209)	(126)
Amortization of discount of mortgage receivable	(370)	(157)
	17,007	8,624
Interest expense incurred, at contractual rate	\$ 5,214	\$ 2,625
<b>Interest coverage ratio (times)</b>	<b>3.26</b>	<b>3.28</b>

**“Funds available for distribution (“FAD”)”** The Asset Manager believes FAD is an important measure of our operating performance. This non-IFRS measurement is a commonly used measure of performance of real estate operations; however, it does not represent net income or cash flow from operating activities, as defined by IFRS, and is not necessarily indicative of cash available to fund Dream Alternatives’ needs. FAD is calculated as the net income of the Trust adjusted to remove depreciation and amortization, fair value gains and losses, deferred income taxes, gain on acquisition and reorganization related costs.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, FAD has been reconciled to net income in this section under the heading Reconciliation of FAD and AFAD for the Period Ended December 31, 2014 on page 23 and 24.

**“Adjusted funds available for distribution (“AFAD”)”** The Asset Manager believes AFAD is an important measure of our economic performance. This non-IFRS measurement is commonly used for assessing real estate performance; however, it does not represent cash flow from operating activities, as defined by IFRS, and is not necessarily indicative of cash available to fund Dream Alternatives’ needs.

Our calculation of AFAD includes a deduction for an estimated amount of normalized initial direct leasing costs and lease incentives that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on the average of our expected leasing activity multiplied by the average cost per square foot that we incurred and committed to during the period, adjusted for properties that have been acquired or sold. Our calculation of AFAD includes interest income earned and accrued on the Empire residential participating mortgage investments based on the stated interest rates in the agreements. The interest accrual represents a conservative measure of the expected future cash return from the development projects and more appropriately reflects returns that are being earned over time to the completion dates. The amounts included in AFAD represent the interest only portion of the return on these investments and do not include the Trust’s estimate of the participation profit that it expects to receive upon completion of a project pursuant to the participation agreements. No other adjustments have been made with reference to the other development and investment holdings properties. AFAD also includes adjustments to remove the impact of one time or non-recurring expenses, including Trust start-up costs incurred during the quarter.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, AFAD has been reconciled to net income in this section under the heading Reconciliation of FAD and AFAD for the Period Ended December 31, 2014 on page 23 and 24.

**“Annualized AFAD return on net assets”** is AFAD for the applicable period divided by total net assets attributable to Unitholders of the Trust at the end of the period calculated on an annualized basis by prorating the AFAD for the period over 12 months (for example, the quarterly results are multiplied by four to derive the annualized AFAD). The measure is not adjusted to reflect the timing of when the AFAD was earned or for fluctuations in balance of net assets attributable to Unitholders of the Trust over the period. This non-IFRS measurement is an important measurement used by the Trust in evaluating the Trust’s operating performance.

**“Leverage ratio”** is a percentage calculated as total mortgages payable over the gross fair value of income properties as shown on the consolidated statements of financial position. This non-IFRS measurement is an important measure used by the Trust in assessing the operating performance of potential investments in the renewable power segment.

**“Yield”** refers to cash flow generated from renewable power operations, net of operating expenses and debt service costs, determined as a percentage of an equity investment in renewable power assets. This non-IFRS measurement is an important measure used by the Trust in the management of the Trust’s debt levels.



## SECTION III – DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Trust does not have a Chief Executive Officer or a Chief Financial Officer. The President and Chief Executive Officer, and Chief Financial Officer of DAM (the “Certifying Officers”) are responsible for the design of the Trust’s disclosure controls and procedures as defined in National Instrument 52-109, “Certification of Disclosure in Issuers’ Annual and Interim Filings” (“NI 52-109”) and the Trust’s internal control over financial reporting (as defined by NI 52-109).

At December 31, 2014, financial year-end, the Certifying Officers, together with the Asset Manager, have evaluated the design and operational effectiveness of the Trust’s disclosure controls and procedures. Based on that evaluation, the Certifying Officers have concluded that the disclosure controls and procedures are adequate and effective as at December 31, 2014.

The Trust’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Using the framework established in “Risk Management and Governance: Guidance on Control (COCO Framework)”, published by The Canadian Institute of Chartered Accountants, the Certifying Officers, together with the Asset Manager, have evaluated the design and operation of the Trust’s internal control over financial reporting. Based on that evaluation, the Certifying Officers have concluded that the Trust’s internal control over financial reporting was effective as at December 31, 2014.

There were no changes in the Trust’s internal control over financial reporting during the financial year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Trust’s internal control over financial reporting.

In accordance with section 3.3(1)(b) of NI 52-109, the Certifying Officers have limited the scope of the design of the Trust’s disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures related to the acquisition of initial assets on July 8, 2014, as they form the business that we acquired less than 365 days before our financial year-end. The results of the acquired businesses, which collectively form our entire business, are included in our consolidated financial statements for the period ended December 31, 2014.

## SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

Investing in Units involves a moderate degree of risk. In addition to the other information contained in the consolidated financial statements, you should carefully consider the following risk factors. The occurrence of any of the following risks could materially and adversely affect our investments, future prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders. Although we believe that the risk factors described below are the most material risks that we will face, they are not the only risks. Additional risk factors not presently known to us or that we currently believe are immaterial could also materially adversely affect our investments, future prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders and thereby adversely affect the value of our Units. . A more detailed discussion of the risk factors we face is included in our Management's Discussion and Analysis of the financial position and operating results of the Trust for the nine-month period ended September 30, 2014, which is available on SEDAR ([www.sedar.com](http://www.sedar.com)) and on our web site at [www.dreamalternatives.ca](http://www.dreamalternatives.ca).

### RISKS INHERENT IN THE REAL ESTATE INDUSTRY MAY ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE

Returns on real estate and real estate related assets and investments are generally subject to a number of factors and risks, including changes in general economic conditions (which could affect the availability, terms and cost of mortgage financings and other types of credit), changes in local economic conditions (such as an oversupply of properties or a reduction in demand for real estate in a particular area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

These factors and risks could cause fluctuations in the value of the real estate and real estate related assets and investments owned by us or in the value of the real estate securing mortgages and other loans we issue. These fluctuations could materially adversely affect us.

The income-producing properties in our investment portfolio generate income through rent payments made by our tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than those of the existing lease. The Trust's income and funds available for distribution to its Unitholders would be adversely affected if we were unable to lease a significant amount of the available space in the particular property on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to us, which may adversely affect us.

### RISKS INHERENT IN CERTAIN OF OUR INVESTMENTS MAY ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE

Our investments include direct and indirect investments in real estate, mortgages and other loans, renewable power projects, and securities of private companies, each of which can be relatively illiquid. While investments in illiquid assets have the potential to produce above-average growth opportunities, they may be difficult to value or sell at the time and price preferred by the owner. Accordingly, there is a risk that we would be unable to dispose of our illiquid assets in a timely way in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain of our assets, including certain types of real estate. The costs of holding certain of our assets, including real estate, are considerable and during an economic recession we may be faced with ongoing expenditures with a declining prospect of rental income. In such circumstances, it may be necessary for us to dispose of properties, or interests in properties, at discounted prices in order to generate sufficient cash for operations and making distributions. Where we are unable to dispose of illiquid assets, or we are forced to sell such assets at a discounted price, our ability to make cash distributions, our financial results and the value of our Units may be adversely affected.

The illiquidity of certain of our investments may also delay or prevent the repositioning of our portfolio as we currently intend, and such delays or inability to implement these plans could materially adversely affect our financial results and the value of our Units.

## **INVESTMENTS IN CERTAIN ASSETS CARRY CREDIT RISK AND COUNTER PARTY RISK**

There is a risk that the issuer of an investment security will not make a payment on debt securities or that an originating lender will not make its payment on a loan participation interest purchased by us or that an issuer or an investment security or an originating lender retaining the original loan in which it grants participations may suffer adverse changes in financial condition, lowering the credit quality of its security or participation and increasing the volatility of the security or participation price. Such changes in the credit quality of a security or participation can affect its liquidity and make it more difficult to sell if we wish to do so. In addition, with respect to loans made or held by us, a change in the financial condition of a borrower could have a negative financial impact on us.

Our renewable power operations are highly dependent upon parties to certain agreements fulfilling their contractual obligations, including counterparties to PPAs, construction, operating and maintenance agreements and other key suppliers. An inability or failure of any such party to meet its contractual commitments or a failure or refusal to accept delivery of power by counterparties to our PPAs or FIT contracts may have a material adverse effect on our renewable power business as it may not be possible to replace the agreement with an agreement on equivalent terms and conditions. In addition, should one or more of our key suppliers or contractors be unable to meet their contractual obligations, we could experience construction delays, increases in construction costs and losses of revenue. Failure of any key supplier or contractor to meet its contractual obligations may lead to potential defaults under our PPAs.

## **RISKS RELATED TO MORTGAGE PORTFOLIO**

If a borrower under a mortgage loan defaults under any terms of the loan, we may have the ability to exercise our mortgage enforcement remedies in respect of the mortgage loan. Exercising mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact our cash flow. In addition, as a result of potential declines in real estate values, there is no assurance that we will be able to recover all or substantially all of the outstanding principal and interest owed to us in respect of such mortgages by exercising our mortgage enforcement remedies. Our inability to recover all or substantially all of the principal and interest owed to us in respect of such mortgage loans could materially adversely affect us.

There can be no assurance that any of the mortgages comprising our mortgage portfolio can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. The mortgagor, the mortgagee or both may elect to not renew any mortgage. If mortgages are renewed, the principal balance, the interest rates and the other terms and conditions will be subject to negotiation between the mortgagors and the mortgagees at the time of renewal.

In addition, The composition of our mortgage portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in it being less diversified at some times than at other times. A lack of diversification may result in us being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of securities, industries or geographies.

## **THE NATURE OF OUR INVESTMENTS MAY EXPOSE US TO SECTOR, CONCENTRATION AND OTHER SIMILAR RISKS**

While our intention is to diversify our investments, our current investments are relatively concentrated in a limited number of market sectors or asset types or in a limited number of issuers. An investment in the Trust may therefore involve greater risk and volatility than an investment in an issuer with a broader portfolio of assets since the performance of one particular industry, market or issuer could significantly and adversely affect the overall performance of the Trust.

## **COMPETITION FOR INVESTMENT OPPORTUNITIES MAY ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE**

Our performance depends on our ability to source or acquire assets including mortgage and corporate loans, real estate, renewable power projects and other investment opportunities at favourable yields or potential rates of return. We will compete with other investors, managers, corporations, institutions, developers, and owners of real estate for investment opportunities in the financing and/or acquisition of assets, including real estate and real estate and other lending. Certain competitors may have a higher risk tolerance, greater financial and other resources, and greater operating flexibility than us, allowing these competitors to more aggressively pursue investment opportunities. Accordingly, we may be unable to acquire sufficient real property, real property lending assets, renewable power projects, or other assets or investment opportunities at favourable yields or terms or at all.

## **WE MAY NOT BE ABLE TO SOURCE SUITABLE INVESTMENTS**

Our strategy involves investing and reinvesting in suitable investment opportunities, pursuing such opportunities, consummating investments and, in the case of real estate assets and renewable power projects, effectively operating and leasing such properties. There can be no assurance as to the pace of growth through investments and/or acquisitions or that we will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future.

## **ENVIRONMENTAL RISKS**

As an owner of real estate, we are subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous substances or ground contamination. The presence of such substances, if any, could materially adversely affect our ability, or our property or asset manager's ability, to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against us. In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental site assessment to be conducted. Although such an assessment provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we, acting on the recommendations of DAM, may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We have formal policies and procedures which cause DAM to review and monitor environmental exposure. These policies include the requirement to conduct a Phase I environmental site assessment, or review a current Phase I, before we acquire real properties or originate any real estate lending.

## **WE MAY INCUR SIGNIFICANT CAPITAL EXPENDITURES AND OTHER FIXED COSTS**

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long term, the condition of the properties in which we have an interest must be maintained or, in some cases, improved to meet market demand. Maintaining or upgrading a rental property in accordance with market standards can entail significant costs, which we may not be able to pass on to our tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization.

If the actual costs of maintaining or upgrading a property in which we have an interest exceed our estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if we are not permitted to raise rents due to legal constraints, we will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of our properties is located or similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced.

Any failure to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that we earn from such properties; for example, such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing leases. Any such event could have a material adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on Units.

## **FINANCING RISKS, LEVERAGE AND RESTRICTIVE COVENANTS MAY LIMIT OUR ABILITY FOR GROWTH**

Ownership of certain of our assets and the industries in which we operate are capital intensive. We will require access to capital to maintain the real estate and other assets in which we have an interest, as well as to fund our growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms. Our access to third-party financing will be subject to a number of factors, including general market conditions; the market's perception of our growth potential; our current and expected future earnings; our cash flow and cash distributions, and cash interest payments; and the market price of our Units. Our failure to access required capital could materially adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the Units and our ability to implement our growth strategy.

A significant portion of our financing is debt. Accordingly, we are subject to the risks associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest, and that, on maturities of such debt, we may not be able to refinance the outstanding principal under such debt or that the terms of such refinancing will be more onerous than those of the existing debt. If we are unable to refinance debt at maturity on terms acceptable to us or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses and could alter our debt-to-equity ratio or be dilutive to unitholders. Such losses could have a material adverse effect on our financial position or cash flows.

The degree to which we are leveraged could have important consequences to our operations. A high level of debt will reduce the amount of funds available for the payment of distributions to unitholders and interest payments on our debentures; limit our flexibility in planning for and reacting to changes in the economy and in the industry, and increase our vulnerability to general adverse economic and industry conditions; limit our ability to borrow additional funds, dispose of assets, encumber our assets and make potential investments; place us at a competitive disadvantage compared to other owners of similar assets that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of then outstanding borrowings; and impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

## **SENSITIVITY TO INTEREST RATES**

When concluding financing agreements or extending such agreements, we will depend on our ability to agree on terms, including in respect of interest payments and amortization that do not restrict our ability to pay distributions. In addition, we may enter into future financing agreements with variable interest rates if the current historical low level of interest rates continues. Given the historically low interest rates, there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by us to service debt, resulting in a decrease in distributions to Unitholders, and could materially adversely affect the trading price of the Units. In addition, increasing interest rates may put competitive pressure on the levels of funds available for distributions paid by us to Unitholders, increasing the level of competition for capital faced by us, which could have a material adverse effect on the trading price of the Units.

We may implement hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders should current variable interest rates increase. However, to the extent that we fail to adequately manage these risks, our financial results, and our ability to pay distributions to Unitholders and interest payments under future financings may be adversely affected. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by financial institutions, could have a material adverse effect on our ability to sell any of our investments.

In addition, the market price for our Units and the value of our mortgage portfolio at any given time may be affected by the level of interest rates prevailing at such time. Our income includes interest payments on the mortgages comprising our lending portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of our mortgages are based), we may find it difficult to make additional mortgages bearing rates sufficient to achieve our investment objectives and to support our rate of distributions. A decline in interest rates could depress the housing market, which may affect our investment holding mortgage investments in condominium and home development. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect our ability to maintain our distributions at a consistent level. As well, if interest rates increase, the value of our lending portfolio may be negatively impacted.

## GOVERNMENT AND REGULATORY RISKS

We are subject to laws and regulations governing the development, ownership, operation and leasing of certain of our assets, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting us (including with retroactive effect). Any changes in the laws to which we are subject could materially adversely affect the distributions received by the Trust from Dream Alternatives Master LP or by Unitholders from the Trust. It is not possible to predict whether there will be any further changes in any regulatory regime to which we are subject or the effect of any such change on our investments.

The development and operation of renewable power projects is subject to extensive regulation by various government agencies at the municipal, provincial and federal level. As legal requirements frequently change and are subject to interpretation and discretion, we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Any new law or regulation could require additional expenditures to achieve or maintain compliance or could adversely affect our ability to generate and deliver power. If we fail to meet regulatory requirements, we may become subject to enforcement action and the operation of our facilities could be adversely affected or be subject to fines, penalties or additional costs, or revocation of our permits or licenses.

The profitability of any wind or solar project will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations, future growth and development of the independent power industry. Government regulations and incentives currently have a favourable impact on the building of wind and solar power facilities. Should the current governmental regulations or incentive programs be modified, our renewable power business may be materially adversely affected.

## AN INVESTMENT IN THE TRUST IS SUBJECT TO CERTAIN CANADIAN TAX RISKS

There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of “mutual fund trusts” will not be changed in a manner that adversely affects Unitholders. If we cease to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations applicable to us would be materially and adversely different in certain respects, including that Units may cease to be qualified investments for Plans.

Although we are of the view that all expenses to be claimed by us will be reasonable and deductible and that the cost amount and capital cost allowance claims of entities indirectly owned by us will have been correctly determined, there can be no assurance that the Tax Act, or the interpretation of the Tax Act, will not change, or that the CRA will agree with our determinations. If the CRA successfully challenges the deductibility of such expenses, our taxable income will increase or change.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to which entities indirectly owned by us are able to deduct depreciation, interest and loan expenses relating to our investments for purposes of the Tax Act.

We will endeavour to ensure that Units continue to be qualified investments for Plans; however, there can be no assurance that this will occur. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

## JOINT VENTURE RISKS

Many of our investments, including certain renewable power projects, mortgage loans, property developments and our income properties, are made as joint ventures or partnerships with third parties. These structures involve certain additional risks, including the possibility that the co-venturers/partners may, at any time, have economic or business interests inconsistent with ours, the risk that such co-venturers/partners could experience financial difficulties which could result in additional financial demands on us to maintain and operate such properties or repay debt in respect of such properties, and the need to obtain the co-venturers'/partners' consents with respect to certain major decisions in respect of such properties. We attempt to mitigate these risks by performing due diligence procedures on potential partners and contractual arrangements, and by closely monitoring and supervising the joint ventures or partnerships.

## **INSURANCE RISKS**

We carry, or cause to be carried, general liability, umbrella liability and excess liability insurance with limits which are typically obtained for similar operations in Canada and otherwise acceptable to the Trust Board on the recommendation of DAM. For the property risks we cause “All Risks” property insurance including, but not limited to, flood, earthquake and loss of rental income insurance (with at least a 24 month indemnity period) to be carried. We also cause boiler and machinery insurance, covering all boilers, pressure vessels, HVAC systems and equipment breakdown, to be carried. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We may carry, or may cause to be carried, title insurance on certain of our real estate assets but will not necessarily insure all titles. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

## **RELIANCE ON DAM FOR MANAGEMENT SERVICES**

We rely on DAM with respect to the asset management of our investments. Consequently, our ability to achieve our investment objectives depends in large part on DAM and its ability to properly advise us. Although the management agreement we have entered into with DAM (the “management agreement”) does not have a fixed term, DAM has the right to terminate the management agreement with 180 days’ prior written notice if Dream Alternatives Master LP and/or the Trust defaults in the performance or observance of any material term, condition or agreement of the management agreement in a manner that results in material harm and such default continues unremedied for a period of 60 days. The management agreement may also be terminated in other circumstances, such as upon the occurrence of an event of default or insolvency of DAM within the meaning of such agreement. Accordingly, there can be no assurance that DAM will continue to be our Asset Manager. If DAM should cease for any reason to be our Asset Manager, our ability to meet our objectives and execute our strategy may be adversely affected. We may be unable to duplicate the quality and depth of management available to DAM by becoming a self-managed Trust or by hiring another asset manager. In addition, the cost of obtaining substitute services may be greater than the fees we will pay DAM under the management agreement.

We depend on the management and administration services provided by DAM under the management agreement. DAM personnel and support staff that provide services to us under the management agreement are not required to have as their primary responsibility the management and administration of the Trust or Dream Alternatives Master LP or to act exclusively for either of us, and the management agreement does not require that the services we receive be provided to us by any specific individuals employed by DAM. Any failure to effectively manage our operations or to implement our strategy could materially adversely affect us.

## **RELIANCE ON DREAM ALTERNATIVES MASTER LP TO PROVIDE US WITH THE FUNDS NECESSARY TO PAY DISTRIBUTIONS AND MEET OUR FINANCIAL OBLIGATIONS**

The Trust’s sole material asset is its limited partnership interest in Dream Alternatives Master LP. The cash distributions to Unitholders are dependent on the ability of Dream Alternatives Master LP to pay distributions in respect of its LP A Units. The ability of Dream Alternatives Master LP to pay distributions or make other payments or advances to us may be subject to contractual restrictions contained in any instruments governing the indebtedness of Dream Alternatives Master LP or investments held by it. The ability of Dream Alternatives Master LP to pay distributions or make other payments or advances is also dependent on the ability of Dream Alternatives Master LP’s subsidiaries to pay distributions or make other payments or advances to Dream Alternatives Master LP. The Trust depends on distributions and other payments from Dream Alternatives Master LP and, indirectly, its subsidiaries and investments, to provide the Trust with the funds necessary to pay distributions to its Unitholders and to meet its financial obligations.

## **SECTION V – SIGNIFICANT ACCOUNTING POLICIES**

### **CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but that are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Dream Alternatives' critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 5 to the consolidated financial statements.

### **FUTURE POLICY CHANGES**

Dream Alternatives' future accounting policy changes are described in Note 6 to the consolidated financial statements.

### **ADDITIONAL INFORMATION**

Additional information relating to Dream Hard Asset Alternatives Trust is available on SEDAR at [www.sedar.com](http://www.sedar.com). The Trust's voting units trade on the Toronto Stock Exchange under the symbol "DRA.UN".



## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Asset Manager of Dream Hard Asset Alternatives Trust is responsible for the preparation of the Annual Report, which includes the consolidated financial statements, the notes thereto and management's discussion and analysis. These financial statements have been prepared in accordance with International Financial Reporting Standards, using the Asset Manager's best estimates and judgments when appropriate.

The Board of Trustees is responsible for ensuring that the Asset Manager fulfills its responsibility for financial reporting and internal control. The audit committee, which comprises trustees, meets with the Asset Manager as well as the external auditors to satisfy itself that the Asset Manager is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditors. The audit committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditors, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditors have full and unrestricted access to the audit committee, with or without the Asset Manager present.



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**Michael J. Cooper**  
Portfolio Manager



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**Pauline Alimchandani**  
Chief Financial Officer

Toronto, Ontario, February 23, 2015

# INDEPENDENT AUDITOR'S REPORT

## To the Unitholders of Dream Hard Asset Alternatives Trust

We have audited the accompanying consolidated financial statements of Dream Hard Asset Alternatives Trust and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

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

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dream Hard Asset Alternatives Trust and its subsidiaries as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario  
February 23, 2015

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(in thousands of Canadian dollars)</i>		Note	December 31, 2014	(Note 2) December 31, 2013
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Income properties	7	\$	499,264	\$ -
Lending portfolio	8		80,159	-
Development and investment holdings	9, 32		168,716	326,691
Renewable power assets	10		25,881	-
Other non-current assets	11		2,740	-
			<b>776,760</b>	<b>326,691</b>
<b>CURRENT ASSETS</b>				
Lending portfolio – current portion	8		133,413	-
Amounts receivable	12		6,026	558
Prepaid expenses			904	-
Cash			80,157	2,378
Unrealized gain on forward contract	32		-	29,429
<b>TOTAL ASSETS</b>		<b>\$</b>	<b>997,260</b>	<b>\$ 359,056</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Mortgages payable	13	\$	176,851	\$ -
Deferred income taxes	22		430	-
Deferred unit incentive plan	14		147	-
Net assets attributable to holders of redeemable units	32		-	303,049
			<b>177,428</b>	<b>303,049</b>
<b>CURRENT LIABILITIES</b>				
Mortgages payable – current portion	13		78,233	-
Note payable	13		310	-
Amounts payable and accrued liabilities	15		23,770	663
Distributions payable	16		2,455	1,865
Income tax payable	22		902	-
Net assets attributable to holders of redeemable units – current portion	32		-	53,479
<b>TOTAL LIABILITIES</b>			<b>283,098</b>	<b>359,056</b>
<b>UNITHOLDERS' EQUITY</b>				
Unitholders' equity	17		606,150	-
Retained earnings			105,532	-
Accumulated other comprehensive income	9		525	-
<b>TOTAL UNITHOLDERS' EQUITY</b>			<b>712,207</b>	<b>-</b>
Non-controlling interests	10		1,955	-
<b>TOTAL EQUITY</b>			<b>714,162</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$</b>	<b>997,260</b>	<b>\$ 359,056</b>

See the accompanying notes to the consolidated financial statements

Commitments and contingencies Note 26

Please refer to Note 2 for information regarding financial results for the period prior to the Reorganization on July 8, 2014

On behalf of the Board of Trustees of Dream Hard Asset Alternatives Trust:



David Kaufman  
Chair



James Eaton  
Trustee

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31,  
(in thousands of Canadian dollars)

	Note	2014	(Note 2) 2013
<b>INCOME</b>			
Income properties revenue		\$ 29,896	\$ -
Renewable power revenue		226	-
Lending portfolio interest income and lender fees		8,566	-
Fair value gains, net, in development and investment holdings	9	963	13,692
<b>TOTAL INCOME</b>		<b>39,651</b>	<b>13,692</b>
<b>EXPENSES</b>			
Income properties, operating	18	14,549	-
Renewable power, operating	19	44	-
Depreciation of renewable power assets	10	41	-
Interest	21	4,358	-
Asset management fees	24, 32	6,950	4,878
General and administrative	20	2,795	571
<b>TOTAL EXPENSES</b>		<b>28,737</b>	<b>5,449</b>
Fair value loss in income properties	7	(3,780)	-
<b>OPERATING INCOME</b>		<b>7,134</b>	<b>8,243</b>
Other interest income		457	-
Gain on acquisition	2	127,158	-
Reorganization-related costs	2	(12,441)	-
Increase in net assets attributable to holders of redeemable units	32	(509)	(8,243)
<b>EARNINGS BEFORE INCOME TAX EXPENSE</b>		<b>121,799</b>	<b>-</b>
<b>INCOME TAX EXPENSE</b>			
Current	22	902	-
Deferred	22	1,150	-
<b>TOTAL INCOME TAX EXPENSE</b>		<b>2,052</b>	<b>-</b>
<b>NET INCOME</b>		<b>119,747</b>	<b>-</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Fair value gains, net, in development and investment holdings available-for-sale (net of tax of \$80 and reclassified to earnings on sale)	9	525	-
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>525</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>\$ 120,272</b>	<b>\$ -</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>			
Unitholders		120,278	-
Non-controlling interests		(6)	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>\$ 120,272</b>	<b>\$ -</b>

See the accompanying notes to the consolidated financial statements

Please refer to Note 2 for information regarding financial results for the period prior to the Reorganization on July 8, 2014

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<b>For the year ended December 31, 2014</b> <i>(in thousands of Canadian dollars, except for number of Units)</i>									
	Note	Number of Units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income	Non- controlling interests	Total		
<b>Balance at July 8, 2014</b>	2	29,986,752	\$ 301,082	\$ -	\$ -	\$ -	\$ 301,082		
Units issued in business combination	2	42,630,987	295,006	-	-	-	295,006		
Public offering of Trust Units	2	1,000,000	10,000	-	-	-	10,000		
Net income for the period		-	-	119,753	-	(6)	119,747		
Other comprehensive income		-	-	-	525	-	525		
Distributions paid	16	-	-	(11,766)	-	-	(11,766)		
Distributions payable	16	-	-	(2,455)	-	-	(2,455)		
Distribution Reinvestment Plan	17	49,239	333	-	-	-	333		
Issue costs, net of deferred tax		-	(271)	-	-	-	(271)		
Contribution by non-controlling interests		-	-	-	-	1,961	1,961		
<b>Balance at December 31, 2014</b>		<b>73,666,978</b>	<b>\$ 606,150</b>	<b>\$ 105,532</b>	<b>\$ 525</b>	<b>\$ 1,955</b>	<b>\$ 714,162</b>		

See the accompanying notes to the consolidated financial statements

Please refer to Note 2 for information regarding financial results for the period prior to the Reorganization on July 8, 2014

Please refer to Note 32 under the heading "Net assets attributable to holders of redeemable units" for details of balances prior to July 8, 2014

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,  
(in thousands of Canadian dollars)

	Note	2014	(Note 2) 2013
<b>Generated from operating activities</b>			
Net income for the year		\$ 119,747	\$ -
Non-cash items			
Amortization of leasing incentives	7	78	-
Straight-line rent adjustment	11	(207)	-
Fair value gains, net, in development and investment holdings		(963)	(13,692)
Fair value loss in income properties		3,780	-
Amortization of lending portfolio discount	8	(370)	-
Interest added to lending portfolio balance	8	(1,387)	-
Depreciation of renewable power assets	10	41	-
Amortization of mortgages payable premium	13	(856)	-
Deferred unit compensation expense	14	147	-
Gain on acquisition	2	(127,158)	-
Deferred income taxes	22	1,150	-
Increase in net assets attributable to holders of redeemable units	32	509	8,243
Interest and dividend income received included in fair value gains, net, in development and investment holdings	9	168	2,231
Change in non-cash working capital	25	4,823	145
Investment in lease incentives and initial direct leasing costs	7	(5,088)	-
Investment in development and investment holdings post-Closing	9	(1,447)	(407)
Receipts from development and investment holdings post-Closing	9	6,787	-
Distributions received from development and investment holdings available-for-sale	9	887	-
Proceeds from the sale of marketable securities, net		-	40,885
		<b>641</b>	<b>37,405</b>
<b>Generated from investing activities</b>			
Investment in building improvements	7	(1,868)	-
Proceeds from sale of development and investment holdings prior to Closing		57,521	43,803
Investment in renewable power assets	10	(19,271)	-
Lending portfolio additions, net of lender fees	8	(54,607)	-
Principal repayments received from lending portfolio	8	59,764	-
Cash recognized on consolidation of limited partnerships	2	25,127	-
Cash acquired from business combination	2	62,434	-
		<b>129,100</b>	<b>43,803</b>
<b>Utilized in financing activities</b>			
Repayments of mortgages payable	13	(2,195)	-
Additions to notes payable	13	310	-
Units issued for cash	2	10,000	-
Unit issue costs		(369)	-
Distributions paid on Units	16	(11,433)	(26,116)
Redemptions and distributions paid on Acquiror Fund units		(48,275)	(91,454)
		<b>(51,962)</b>	<b>(117,570)</b>
<b>Increase (decrease) in cash</b>		<b>77,779</b>	<b>(36,362)</b>
<b>Cash, beginning of year</b>		<b>2,378</b>	<b>38,740</b>
<b>Cash, end of year</b>		<b>\$ 80,157</b>	<b>\$ 2,378</b>

See the accompanying notes to the consolidated financial statements

Please refer to Note 2 for information regarding financial results for the period prior to the Reorganization on July 8, 2014

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All dollar amounts are presented in thousands of Canadian dollars, except for Unit and per Unit amounts, unless otherwise stated)

## 1. ORGANIZATION

Dream Hard Asset Alternatives Trust (“Dream Alternatives” or the “Trust”) is an open-ended trust established under the laws of the Province of Ontario by a Declaration of Trust dated April 28, 2014, amended and restated on July 8, 2014. The consolidated financial statements of Dream Alternatives include the accounts of Dream Alternatives and its consolidated subsidiaries. The Trust was formed by and is managed by Dream Asset Management Corporation (“DAM” or the “Asset Manager”).

The Trust’s registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada, M5C 3H1. The Trust is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DRA.UN”. Dream Alternatives’ consolidated financial statements for the year ended December 31, 2014 were authorized for issuance by the Board of Trustees on February 23, 2015, after which date they may only be amended with the Board of Trustees’ approval.

The equity of the Trust is described in Note 17; however, for simplicity, throughout the Notes, reference is made to the following:

“Units” meaning Trust voting units, and

“Unitholders” meaning holders of Trust voting units.

## 2. FORMATION OF THE TRUST AND ACQUISITION OF INITIAL ASSETS

In connection with DAM’s formation of the Trust, DAM contributed \$10.00 in cash to the Trust for one Unit. On July 4, 2014, the Trust filed a prospectus to qualify Units for distribution in connection with the reorganization and other transactions (the “Reorganization”) contemplated by the amended and restated purchase agreement between Return On Innovation Advisors Ltd. (“ROI Capital”), other entities related to ROI Capital, and DAM as of July 4, 2014 (the “Purchase Agreement”). On July 8, 2014 (“Closing”), pursuant to the Reorganization, 72,617,739 Units were distributed through a series of transactions to unitholders of each of ROI Canadian High Income Mortgage Fund, ROI Canadian Mortgage Income Fund, ROI Canadian Real Estate Fund and ROI Institutional Private Placement Fund (collectively, the “Distributing ROI Funds”), which were managed by ROI Capital. In connection with the Reorganization, the Trust indirectly acquired the assets of the Distributing ROI Funds together with the assets of the associated ROI Private Trust, ROI Private Capital Trust and ROI Strategic Capital Trust (the “Initial Assets”) and assumed the related property-specific debt in consideration for the issuance of Units on July 8, 2014 to the Distributing ROI Funds. On Closing, the Trust also assumed all of the outstanding liabilities of the Distributing ROI Funds relating to the Initial Assets acquired. Also on Closing, in accordance with the Purchase Agreement, \$10,000 was used by ROI Capital to purchase 1,000,000 Units at an agreed upon price of \$10.00 per Unit (“Primary Distribution”). Additionally, the one Unit issued to DAM on April 28, 2014 was redeemed for \$10.00. Concurrent with completion of the Reorganization, the Trust, along with Dream Alternatives Master LP (“DAMLP”), a subsidiary of the Trust, and its subsidiaries entered into a management agreement with DAM, replacing the existing management agreement with ROI Capital.

Pursuant to the transactions outlined above, including the Reorganization, the Trust directly or indirectly acquired various real estate related assets from the ROI Funds. Under IFRS 3, “Business Combinations,” (“IFRS 3”), the ROI Funds each met the definition of a business. However, the Trust itself did not meet the definition of a business prior to Closing and, accordingly, could not be the acquiror for accounting purposes in this transaction. Under IFRS 3, the entity that obtains control of the acquirees is required to be identified as the acquiror. Where there is no clear acquiror, IFRS 3 requires selection of one acquiror after considering the facts and circumstances of the transactions. The Trust considered which of the Distributing ROI Funds’ owners, as a group, received the largest portion of the voting rights in the combined entity at Closing. Accordingly, the Trust identified ROI Canadian High Income Mortgage Fund as the acquiror fund (“CHIM” or “Acquiror Fund”), for accounting purposes, to acquire the assets of ROI Canadian Mortgage Income Fund, ROI Canadian Real Estate Fund and ROI Institutional Private Placement Fund (the “Acquiree Funds”). In these financial statements of the Trust, the Acquiror Fund is considered the predecessor business and its financial results have formed the history of the Trust for periods prior to Closing.

The accounting policies used in the preparation of the financial results of the Acquiror Fund prior to Closing include those required for investment entities as defined under International Financial Reporting Standards (“IFRS”). As an investment entity, interests in all investments, including controlled subsidiaries, joint arrangements and associates, were recorded at fair value, rather than on a consolidated basis or an equity-accounted-for basis. The Acquiror Fund held certain real estate investments through limited partnerships that were carried at fair value, with changes in fair value recorded in net income. As the Trust is not considered to be an investment entity, these limited partnerships have been consolidated in the financial statements of the Trust from Closing and, accordingly, the real estate assets held by these limited partnerships are reflected as income properties along with the associated assets and liabilities, and revenues and expenses. The financial results of the Acquiror Fund relating to periods prior to July 8, 2014, which represent the history of the Trust, were prepared in accordance with the significant accounting policies as disclosed in Note 31. Accordingly, users of the consolidated financial statements are cautioned that the historical results of the Acquiror Fund in the comparative figures and for the period prior to Closing are not representative of the presentation of the financial results and the business of the Trust subsequent to the Reorganization due to: (1) the difference in the accounting presentation of the Acquiror Fund as an investment entity compared to the accounting presentation of the Trust subsequent to the Reorganization, which includes the consolidation of limited partnerships, as discussed above; and (2) the results presented are only those of the Acquiror Fund, one of the seven funds acquired in the Reorganization, which owned a significantly lower proportion of the Initial Assets than the combined Initial Assets of all seven funds that are reflected in the financial results subsequent to the Reorganization.

On Closing, 29,986,752 Units of the Trust were distributed to unitholders of the Acquiror Fund. As a result, the residual interest in the Acquiror Fund, which was presented on the statement of financial position as “Net assets attributable to holders of redeemable units”, was transferred to Unitholders’ equity of the Trust. The Units issued were measured at \$301,082 (Note 32), the carrying value of the net assets of the Acquiror Fund on July 8, 2014, which was determined as the carrying value of the identifiable net assets of the Acquiror of \$310,631 (Note 32), less the Acquiror Fund’s existing interest in ROI Canadian Real Estate Fund (“CRE Fund”) of \$9,549, which was eliminated on the Reorganization. The assets and liabilities of the limited partnerships have been recognized based upon the carrying value of the Acquiror Fund’s investment in the limited partnerships prior to the reorganization. Upon the Reorganization on July 8, 2014, the Trust became a taxable SIFT Trust and, accordingly, recognized a deferred tax asset of \$737 on the consolidated statements of financial position and a deferred tax recovery on the consolidated statements of comprehensive income in respect of differences between the tax and accounting bases related to the Acquiror Fund’s assets and liabilities.

Pursuant to the Reorganization, the Acquiror Fund settled a forward purchase and sale contract (“Forward Contract”) with a Canadian chartered bank (the “Counterparty”) on July 7, 2014. Upon termination of the Forward Contract, the Acquiror Fund tendered a portfolio of publicly traded common shares in exchange for the series A units of the ROI Private Trust held by the Counterparty. The following table details the impact, by balance sheet account, of the Trust’s settlement of the Forward Contract resulting in the acquisition of the ROI Private Trust units and the accounting impact of consolidation of the limited partnership interests of the ROI Private Trust upon determining that the Trust does not qualify as an investment entity under IFRS 10, “Consolidated Financial Statements” (“IFRS 10”) on July 8, 2014:

	Acquiror Fund balance at Closing	Settlement of Forward Contract	Total Acquiror Fund net assets (investment entity accounting)	Consolidation of limited partnerships	Total Acquiror Fund net assets (consolidated basis)
Income properties	\$ -	\$ -	\$ -	\$ 272,603	\$ 272,603
Lending portfolio	-	-	-	40,485	40,485
Development and investment holdings	292,389	(261,344)	31,045	58,003	89,048
Development and investment holdings available-for-sale	-	-	-	7,651	7,651
Investment in CRE Fund	9,549	-	9,549	-	9,549
ROI Private Trust units	-	261,344	261,344	(261,344)	-
Amounts receivable	377	-	377	1,612	1,989
Prepaid expenses	-	-	-	519	519
Cash	8,503	-	8,503	25,127	33,630
Income properties debt assumed	-	-	-	(140,514)	(140,514)
Accounts payable and accrued liabilities assumed	(187)	-	(187)	(4,142)	(4,329)
Total carrying value of identifiable net assets	\$ 310,631	\$ -	\$ 310,631	\$ -	\$ 310,631
Less: Investment in CRE Fund					(9,549)
Carrying value of Units issued					\$ 301,082



The Acquiror Fund is assumed, for accounting purposes, to have completed a business combination and acquired the Acquiree Funds. The identifiable assets and liabilities of the Acquiree Funds have been recognized initially at fair value. On Closing, 42,630,987 Units of the Trust were distributed to unitholders of the Acquiree Funds. The Units issued were measured at the fair value of \$6.92 per Unit, based on the weighted average trading price of the Trust's Units from July 8, 2014 to August 6, 2014 (the "Trading Value"). The excess of the fair value of the net identifiable assets and liabilities of the Acquiree Funds acquired over the fair value of the Units issued was reflected in the consolidated statements of comprehensive income as a "gain on acquisition" of \$127,158. The gain on acquisition is due to the weighted average Trading Value of \$6.92 being less than the per Unit net asset value ("NAV") of the Distributing ROI Funds and Initial Assets of \$10.00 per Unit at Closing. Pursuant to the acquisition of the Acquiree Funds, a deferred tax asset of \$702 was recognized, in respect of differences between the tax and accounting bases related to the Acquiree Fund's assets and liabilities, as part of the identifiable net assets and liabilities of the Acquiree Funds acquired on July 8, 2014 in exchange for Units of the Trust.

The following are the recognized amounts of identifiable assets acquired and liabilities assumed of the Acquiree Funds:

<b>As at July 8, 2014</b>	<b>Acquiree Funds</b>	<b>Fair value of previously held interest in the CRE Fund</b>	<b>Acquiree Funds including previously held interest in the CRE Fund</b>
Income properties	\$ 216,468	\$ 7,025	\$ 223,493
Lending portfolio	174,233	1,034	175,267
Development and investment holdings	69,591	1,297	70,888
Development and investment holdings available-for-sale	9,100	193	9,293
Deferred tax assets	702	-	702
Amounts receivable	832	-	832
Prepaid expenses	408	-	408
Cash	62,434	-	62,434
Income properties debt assumed	(117,621)	-	(117,621)
Accounts payable and accrued liabilities assumed	(3,532)	-	(3,532)
<b>Total identifiable net assets and liabilities</b>	<b>\$ 412,615</b>	<b>\$ 9,549</b>	<b>422,164</b>
Fair value of Units issued			(295,006)
<b>Gain on acquisition of Acquiree Funds</b>			<b>\$ 127,158</b>

Acquisition-related costs relating to the Reorganization comprise transaction costs of \$12,441 and were recorded as an expense in the consolidated statements of comprehensive income.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated (see Notes 2 and 31).

#### BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and are in accordance with International Accounting Standard ("IAS") 34, "Financial Reporting".

#### BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Trust and its subsidiaries. All intercompany transactions have been eliminated in these consolidated financial statements.

Subsidiaries are those entities that the Trust controls by having the power to govern the financial and operating policies of the entity and has exposure, or rights, to variable returns from its involvement with the entity. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Trust controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Trust and are subsequently deconsolidated from consolidated financial statements on the date that control ceases.

Amendments to IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), and IAS 27, "Separate financial statements – Investment entities" ("IAS 27"), define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These investments require an investment entity to measure those subsidiaries at fair value through profit or loss ("FVTPL"), in accordance with IFRS 9, "Financial Instruments", in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. The Trust adopted these amendments effective January 1, 2013 and is not considered to be an investment entity effective from the date of Closing (see Notes 2 and 31).

## NON-CONTROLLING INTERESTS

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Net income and comprehensive income of subsidiaries is recognized directly in equity attributable to non-controlling interests and owners of the Trust within equity. Changes in the Trust's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

## JOINT ARRANGEMENTS

The Trust may enter into joint arrangements via joint operations and joint ventures. A joint arrangement with a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the relevant activities of the joint arrangement require the unanimous consent of the parties sharing control, is referred to as joint operations. A joint venture is a joint arrangement that involves the establishment of a separate entity in which each venture has rights to the net assets of the arrangement. In its co-ownership arrangements, the Trust owns jointly one or more income properties with another party and has direct rights to the income property, and obligations for the liabilities relating to the co-ownership.

Interests in joint ventures are accounted for using the equity method of accounting. The Trust does not have any interests in joint ventures at this time. The Trust's equity-accounted investments are carried on the consolidated statement of financial position at cost, adjusted for the Trust's proportionate share of post-acquisition profits and losses and for post-acquisition changes in excess of the Trust's carrying amount of its investments over the net assets of the equity-accounted investments, less any identified impairment loss. The Trust's share of profits and losses is recognized in its share of net earnings from equity-accounted investments in the consolidated statements of comprehensive income. Dilution gains and losses arising from changes in the Trust's interest in equity-accounted investments are recognized in earnings. If the Trust's investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Trust has incurred legal or constructive obligations, or made payments on behalf of the equity-accounted investment. The Trust reports its interests in co-ownerships as joint operations by accounting for its share of the assets, liabilities, revenues and expenses. Under this method, the Trust's consolidated financial statements reflect only the Trust's proportionate share of the assets, its share of any liabilities incurred jointly with the other venturers as well as any liabilities incurred directly, and its share of any revenues earned or expenses incurred by the joint venture and any expenses incurred directly.

## SEGMENT REPORTING

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) that is subject to risks and rewards that are different from those of other reportable segments. The Trust's primary format for segment reporting is based on business segments. The business segments: income properties, renewable power, lending portfolio, and development and investment holdings, are based on the Trust's management and internal reporting structure. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Portfolio Manager of Dream Alternatives. The operating segments derive their revenue primarily from rental income, lessees, power sales, interest income and loan fees. Segmented reporting for the comparative periods ending in 2013 is not included in the notes to the consolidated financial statements as the majority of the Acquiror Fund's assets were not similar to the Trust's assets and their performance was not evaluated based on these segments.

## 4. ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

### INCOME PROPERTIES

Income properties are initially recorded at cost, including related transaction costs in connection with asset acquisitions, and include office and retail properties held to earn rental income and/or for capital appreciation. Income properties are measured at fair value, determined based on available market evidence at the consolidated statement of financial position dates, as determined by the property manager, Dream Office Management Corp. (“DOMC”), and are reviewed and approved by the Asset Manager. Related fair value gains and losses are recorded in comprehensive income in the period in which they arise. The fair value of each income property is based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the consolidated balance sheet dates, less future estimated cash outflows in respect of such properties. To determine fair value, the Trust first considers whether it can use current prices in an active market for a similar property in the same location and condition that is subject to similar leases and other contracts. The Trust has concluded that there is insufficient market evidence on which to base income property valuation using this approach; therefore, it has determined that using the income approach is more appropriate. The income approach is one in which the fair value is estimated by capitalizing the net rental income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method, whereby the net operating income is capitalized at the requisite overall capitalization rate, and/or the discounted cash flow method, in which the income and expenses are projected over the anticipated term of the investment; plus a terminal value discounted using an appropriate discount rate.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of income properties. Lease incentives, which include costs incurred to make leasehold improvements to tenants’ space and cash allowances provided to tenants, are added to the carrying amount of income properties and are amortized on a straight-line basis over the term of the lease as a reduction of income properties’ revenue.

### LENDING PORTFOLIO

The lending portfolio is comprised of fixed interest rate amortizing and interest only mortgage and loan investments that the Trust intends on holding until maturity, which are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, the lending portfolio investments are measured at amortized cost using the effective interest rate method, less any impairment losses. The lending portfolio investments are assessed on each reporting date to determine whether there is objective evidence of impairment. A lending portfolio investment is considered to be impaired if there has been a deterioration of credit quality subsequent to its initial recognition such that the Trust no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

An impairment loss in respect of a specific lending portfolio investment is calculated as the difference between its carrying amount including accrued interest and the present value of the estimated future cash flows discounted at the investment’s original effective interest rate. Losses are recognized in net income and reflected in an allowance account against the lending portfolio investment. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through net income.

The Trust recognizes interest, lender fees and other income from the lending portfolio in the consolidated statements of comprehensive income using the effective interest rate method. Interest and other income includes the Trust’s share of any fees received, as well as the effect of any premium or discount received on the mortgage. The effective interest rate method discounts the future cash payments and receipts through the expected life of the lending portfolio mortgage or loan to its carrying amount.

The Trust assesses each lending portfolio investment for objective evidence of impairment. A provision for lending portfolio losses represents the Asset Manager’s best estimate of impaired lending portfolio investments at each reporting date. Judgment is required as to the timing of designating a lending portfolio as impaired and the amount of any provision required.

## DEVELOPMENT AND INVESTMENT HOLDINGS

Development and investment holdings consist of mortgages receivable secured against retail and residential development properties and include participation rights in the profits of the underlying developments. The participation rights represent an embedded derivative. The Trust has elected to designate each of the entire combined contracts as financial assets at fair value through profit or loss, and, accordingly, development and investment holdings are initially recorded at the cost of acquisition and are subsequently carried at fair value. Transaction costs are expensed as incurred. These participating mortgages are classified as development and investment holdings on the consolidated statements of financial position. Income earned and the changes in fair value are recorded in the consolidated statements of comprehensive income as fair value changes in development and investment holdings.

## DEVELOPMENT AND INVESTMENT HOLDINGS AVAILABLE-FOR-SALE

Development and investment holdings available-for-sale ("AFS Investments") consist of two limited partnership interests and one co-ownership interest. The Trust's ownership interest in the two limited partnerships is less than 20%. The limited partnerships own interests in three shopping centers and one office tower. The co-ownership interest is a less than 20% interest in a commercial retail development. These AFS Investments are not subject to control, joint control or significant influence and are non-derivative financial instruments and have been classified as AFS Investments because they do not qualify for classification in any other financial instrument category. The Trust does not intend to sell these investments at the present time. AFS Investments are financial assets that do not earn contractual cash flows nor qualify as FVTPL. AFS Investments are initially recognized at the cost of acquisition, including directly attributable transaction costs, and are subsequently carried at their fair value. They are classified as development and investment holdings on the consolidated statements of financial position and fair value adjustments are reflected in other comprehensive income ("OCI") on the consolidated statement of comprehensive income as fair value changes on development and investment holdings available-for-sale. Realized gains on sale are recognized in net income on the consolidated statements of comprehensive income.

## RENEWABLE POWER ASSETS

Renewable power assets consist of tools and equipment related to the Trust's investments in renewable power assets. Tools and equipment are measured at cost less accumulated depreciation and impairment charges. Cost includes expenditures that are directly attributable to the acquisition and development of the asset including interest expense paid or accrued during development. Annual depreciation rates estimated by the Trust are listed in the table below. The depreciation methods, residual values, and estimates of the useful lives of its renewable power assets are reviewed by the Asset Manager at least annually.

Asset class	Depreciation method
<b>Solar power equipment</b>	
Solar modules, inverters and racking	4%, straight line

On sale or retirement, renewable power assets and their related accumulated depreciation are removed from the consolidated financial statements, and any related gain or loss is reflected in net income.

The cost of replacing a component of an item of renewable power assets is recognized in the carrying amount of the item if it is probable that the Trust will receive future economic benefits from the replacement components, and if the cost of the components can be measured reliably. The carrying amount of the replaced component is derecognized.

## **INTANGIBLE ASSETS**

Intangible assets are related to provincial government contracts to supply wind power at rates above fixed price contracts and are recorded at initial cost. The carrying value includes the cost of the contracts, less accumulated amortization and any impairment charges. Amortization takes place over the term of the contracts.

## **IMPAIRMENTS OF RENEWABLE POWER ASSETS AND INTANGIBLE ASSETS**

Renewable power assets and intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds their fair value.

For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows. The amount of the loss is recognized in the consolidated statements of comprehensive income within operating expenses. The carrying amount is reduced by the impairment loss directly. If, in a subsequent year, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in net income and comprehensive income.

## **LONG-TERM PROVISIONS**

The Trust is subject to certain legal and constructive obligations associated with the retirement of renewable power assets which are recorded as liabilities when those obligations have occurred and are measured as the present value of the expected costs to settle the liability, discounted at the current pretax rate specific to the liability. The liability is accreted up to the date the liability will be incurred, with a corresponding charge to interest expense. The carrying amount of long-term provisions is reviewed quarterly, with changes in the estimates of timing or amount of cash flows added to or deducted from the cost of the related asset.

## **REVENUE RECOGNITION**

Revenue from income properties and renewable power assets is recognized to the extent that it is probable that the economic benefits will flow to the Trust and that the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable.

## **INCOME PROPERTIES**

The Trust accounts for tenant leases as operating leases given that it has retained substantially all of the risks and benefits of ownership of its income properties. Revenues from income properties include base rents, recoveries of operating expenses including property taxes, percentage participation rents, lease termination fees, parking income, and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred and collectability reasonably assured. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. Other revenues are recorded as earned.

## **RENEWABLE POWER ASSETS**

Revenue from power sales is determined based on the amount of energy produced at the contract rates and is recognized on an accrual basis when the energy produced is received by the client.

## **BUSINESS COMBINATIONS**

The purchase method of accounting is used for acquisitions meeting the definition of a business. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquiror, the liabilities incurred by the acquiror to former owners of the acquiree, and the equity interests issued by the acquiror.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Trust's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Trust's share of the net assets acquired, the difference is recognized directly in profit or loss for the year as a gain on acquisition. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

## **DISTRIBUTIONS**

Distributions to Unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction to retained earnings.

## **INCOME TAXES**

The Trust follows the balance sheet liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused tax losses and unused tax credits, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods (carry forward period assumptions), it is reasonably possible that actual results could differ from the estimates used in the Trust's historical analysis. If the Trust's results of operations are less than projected and there is insufficient objectively verifiable evidence to support the likely realization of its deferred tax assets, adjustments would be required to reduce or eliminate its deferred tax assets.

## **UNIT-BASED COMPENSATION PLAN**

As described in Note 14, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the granting of deferred trust units and income deferred trust units to trustees, officers, employees and affiliates and their service providers (including the Asset Manager). Unvested deferred trust units are recorded as a liability, and compensation expense is recognized over the vesting period at amortized cost based on the fair value of the Units. Once vested, the liability is re-measured at each reporting date at amortized cost, based on the fair value of the corresponding Units, with changes in fair value recognized in comprehensive income as a fair value adjustment to financial instruments.

## **CASH**

Cash excludes cash subject to restrictions that prevent its use for current purposes. Excluded from cash are amounts held for repayment of tenant security deposits, as required by various lending agreements. These security deposits are included in other non-current assets. Cash includes cash of \$6,518 held in co-tenancy bank accounts that require both the Trust's and co-owner's approval prior to distribution.

## FINANCIAL INSTRUMENTS

### DESIGNATION OF FINANCIAL INSTRUMENTS

The following summarizes the Trust's classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
<b>Financial assets</b>		
Lending portfolio	Loans and receivables	Amortized cost
Development and investment holdings	Fair value through profit and loss	Fair value
Development and investment holdings available-for-sale	Available for sale	Fair value
Deposits	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Mortgages payable	Other liabilities	Amortized cost
Note payable	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost

The accounting policies for the lending portfolio, development and investment holdings, and development and investment holdings available-for-sale have been discussed previously.

### FINANCIAL ASSETS

The Trust classifies its non-derivative financial assets with fixed or determinable payments that are not quoted in an active market as loans and receivables. Loans and receivables are initially measured at fair value, less any related transaction costs, and are subsequently measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include payment delinquency and significant financial difficulty of the tenant. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of comprehensive income within income properties operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against income properties' operating expenses in the consolidated statements of comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence collection is not possible. If in a subsequent period, when the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Trust transfers substantially all risks and rewards of ownership.

### FINANCIAL LIABILITIES

The Trust classifies its financial liabilities on initial recognition as other liabilities measured at amortized cost. Financial liabilities are initially recognized at fair value less related transaction costs. Financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in comprehensive income over the expected life of the debt.

## INTEREST EXPENSE

Interest expense includes interest on mortgages payable secured by income properties, amortization of ancillary costs incurred in connection with the arrangement of borrowing interest on the revolving loan facility and amortization of fair value adjustments on assumed mortgages payable.

## EQUITY

The Trust presents Units as equity, notwithstanding the fact that the Trust's Units meet the definition of a financial liability. Under IAS 32, the Units are considered a puttable financial instrument because of the holder's option to redeem Units, generally at any time, subject to certain restrictions, at a redemption price per Unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date or 100% of the closing market price on the redemption date. The total amount payable by Dream Alternatives in any calendar month will not exceed \$50 unless waived by Dream Alternatives' Board of Trustees at their sole discretion. The Trust has determined that the Units can be presented as equity and not financial liabilities because the Units have all of the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- Units entitle the holder to a pro rata share of the Trust's net assets in the event of its liquidation. Net assets are those assets that remain after deducting all other claims on the assets.
- Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments.
- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the Trust to redeem the Units for cash or another financial asset, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments.
- The total expected cash flows attributable to the Units over their lives are based substantially on the net income and the changes in the recognized net assets and unrecognized net assets of the Trust over the life of the Units.

Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issuance of Units are recognized directly in Unitholders' equity as a reduction of the proceeds received.

## PROVISIONS

Provisions for legal claims are recognized when the Trust has a present legal or constructive obligation as a result of past events; it is probable an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

## ACCOUNTING FOR LEVIES IMPOSED BY GOVERNMENTS

IFRIC 21, "Levies" ("IFRIC 21"), provides guidance on accounting for levies in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Trust adopted this new interpretation effective January 1, 2014. There were no material impacts from the adoption of this IFRIC.



## 5. THE CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the consolidated financial statements requires the Asset Manager to make judgments, estimates and assumptions that affect the amounts reported. The Asset Manager bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the results of which form the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

### CRITICAL ACCOUNTING JUDGMENTS

The following are the critical accounting judgments used in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

#### FINANCIAL STATEMENT PRESENTATION

An investment entity, as defined under IFRS 10, is an entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services; commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and measures and evaluates the performance of substantially all of its investments on a fair value basis. Following the Reorganization, the Trust determined that it does not qualify as an investment entity under IFRS 10 because it will act as an active partner in its investments to enhance returns by holding and developing its investment properties, real estate lending investments and other investments over the long term. In addition, the Trust does not have an exit strategy for substantially all of its investments, specifically its income properties and renewable power assets and does not evaluate the performance of substantially all of its investments on a fair value basis, both of which are key elements of an investment entity. As the Trust is not considered to be an investment entity, the real estate assets owned through interests in limited partnerships have been consolidated in the financial statements of the Trust and, accordingly, are reflected as income properties along with the associated assets and liabilities and revenues and expenses.

#### JOINT ARRANGEMENTS AND SUBSIDIARIES

The Trust holds investments in various assets, and its ownership interest in these investments is established through diverse structures. Significant judgment is applied in assessing whether the investment structure results in control, joint control or significant influence over the operations of the investment, or whether the Trust's investment is passive in nature. For joint arrangements, judgement is applied in determining whether the Trust has an interest in the net assets of the arrangement or a direct interest in the underlying assets and a direct obligation for the underlying liabilities of the arrangement. The Trust considers the contractual rights and obligations of the arrangement, and other relevant factors, in determining the appropriate accounting treatment for its investments.

In determining if an entity is a subsidiary of the Trust, the Trust makes significant judgments about whether it has control over such an entity. In addition to voting rights, the Trust considers the contractual rights and obligations arising from other arrangements and other relevant factors relating to an entity in determining if the Trust has power and variable returns. The contractual rights and obligations considered by the Trust include, among others, the approvals and decision-making process over significant operating, financing and investing activities, the responsibilities and scope of decision-making power of the Trust, the termination provisions of agreements, the types and determination of fees paid to the Trust and the significance of any investment by the Trust (if any). The Trust reviews its prior conclusions when facts and circumstances change.

## **INCOME PROPERTIES AND AFS INVESTMENTS**

Critical judgments are made in respect of the fair values of income properties and AFS Investments. The fair values of these investments are reviewed regularly by the Asset Manager with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuers are experienced, nationally recognized and qualified in the professional valuation of office and retail buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of income properties, determined on a rotational basis, will be valued by qualified valuation professionals. For income properties not subject to independent appraisals, internal appraisals are prepared by DOMC and reviewed during each reporting period.

For income properties, DOMC makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to income properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of income properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the income property.

## **DEVELOPMENT AND INVESTMENT HOLDINGS**

Critical judgments are made in determining the fair value of development and investment holdings. The fair value of these investments is reviewed by the Asset Manager regularly with reference to the applicable local market conditions and in discussion with the development's construction management company. The Trust makes judgments with respect to the completion dates of the developments, the leasing and management cost assumptions for the buildings and/or unit sales in order to determine the Trust's interest and participating income. Development and investment holdings are valued using a discounted cash flow model calculated based on future interest and participating profit payments as determined by the Asset Manager and project managers' estimates of unit sales proceeds and/or net operating income of the development properties. Investments in participating mortgages on commercial real-estate developments are valued using the direct capitalization rate method, where this future value is then discounted back to the reporting date.

## **CAPITALIZATION OF BORROWING COSTS**

The Trust capitalizes borrowing costs that are directly attributable to qualifying assets by determining whether the borrowings are general or specific to a project. Interest is capitalized during periods of active development and construction, starting from the commencement of development until the date all activities necessary to prepare the asset for its intended use are complete. Interest on general borrowings that are directly attributable to an asset is capitalized based upon a weighted average cost of borrowing. Judgment is involved in this determination. Borrowing costs are capitalized to qualifying renewable power assets that necessarily take a substantial period of time to prepare for their intended use or sale. The Trust considers a substantial period of time to be a period longer than six months to complete.

## **DEPRECIATION OF RENEWABLE POWER ASSETS**

The Trust makes estimates and assumptions when determining the annual depreciation rates, residual values, and the useful lives of its depreciable assets. The details of the assets' depreciation rates are detailed in Note 4.

## BUSINESS COMBINATIONS

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits to investors. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgment is used by the Asset Manager in determining whether an acquisition qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether an acquisition is a business combination or an asset acquisition, the Trust applies judgment when considering the following:

- whether the acquisition is capable of producing outputs
- whether the market participant could produce outputs if missing elements exist

In particular, the Trust considers the following:

- whether employees were assumed in the acquisition
- whether an operating platform has been acquired

## IMPAIRMENT

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, lending portfolio and renewable power assets. Such estimates and assumptions primarily relate to the timing and amount of future cash flows.

IAS 39, “Financial instruments: Recognition and measurement” (“IAS 39”), requires management to use judgment in determining if the Trust’s financial assets are impaired. In making this judgment, the Trust evaluates, among other factors, the duration and extent to which the fair value of the investment is less than its carrying amount, and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

IAS 36, “Impairment of assets” (“IAS 36”), requires management to use judgment in determining the recoverable amount of assets tested for impairment. Judgment is involved in estimating the fair value, less the cost to sell or value-in-use of the cash-generating units (“CGUs”) to which goodwill has been allocated, including estimates of growth rates, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

## ESTIMATES AND ASSUMPTIONS

The Trust makes estimates and assumptions that affect the carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements relate to the following:

## VALUATION OF INCOME PROPERTIES, DEVELOPMENT AND INVESTMENT HOLDINGS AND AFS INVESTMENTS

Critical assumptions relating to the estimates of fair values of income properties, development and investment holdings and AFS Investments include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of income properties, development and investment holdings and AFS Investments may change materially.

## VALUATION OF FINANCIAL INSTRUMENTS

The Trust makes estimates and assumptions relating to the fair value measurement and disclosure of the development and investment holdings, AFS Investments, lending portfolio and mortgages payable. The fair values of mortgages payable are determined based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The critical assumptions underlying the fair value measurements and disclosures include the market interest rates for mortgages, discount rates for development and investment holdings and stabilized NOI for AFS Investments.

For certain financial instruments, including cash, amounts receivable, amounts payable and accrued liabilities, deposits, and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of development and investment holdings are determined based on discounted cash flows and the direct capitalization rate method using discount rates and cap rates that reflect current market conditions for instruments with similar terms and risks. The fair values of AFS Investments are determined by applying cap rates, which reflect current market conditions for properties with similar terms and risks, to the Asset Manager's assessment of stabilized NOI.

## 6. FUTURE ACCOUNTING POLICY CHANGES

### REVENUE RECOGNITION

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

### FINANCIAL INSTRUMENTS

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new, single-principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit risk changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. The Trust has yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

## 7. INCOME PROPERTIES

The Trust's income properties consist of interests in co-owned commercial real estate properties and are accounted for as joint operations. Changes in the Trust's proportionate share of the income properties during the year ended December 31, 2014 were as follows:

For the period ended December 31,	Note	2014
<b>Balance as at July 8, 2014</b>	2	<b>\$ 272,603</b>
Additions:		
Property acquisitions pursuant to business combination	2	<b>223,493</b>
Building improvements		<b>2,000</b>
Lease incentives and initial direct leasing costs		<b>5,026</b>
Gains and losses included in net income:		
Amortization of lease incentives		<b>(78)</b>
Fair value loss		<b>(3,780)</b>
<b>Balance as at December 31, 2014</b>		<b>\$ 499,264</b>

The key valuation metrics used to determine the fair value of income properties include cap rates of 6.25% to 7.75% and a discount rate of 7.0% to 8.75%. The Asset Manager's assessment of the fair value of income properties resulted in a fair value loss of \$3,780 for the year ended December 31, 2014. Pursuant to the business combination at July 8, 2014, the fair value of all income properties were assessed by an external valuator. No income properties were valued by an external valuator at December 31, 2014.

Generally, an increase in stabilized NOI will result in an increase in fair value of an investment property. An increase in the cap rate will result in a decrease to the fair value of an investment property. The cap rate magnifies the effect of a change in stabilized NOI, with a lower rate resulting in a greater impact to the fair value of an investment property than a higher rate. Under the discounted cash flow method, an increase in cash flows will result in an increase in the fair value of an investment property. An increase in the discount rate will result in a decrease in the fair value of an investment property. The discount rate magnifies the effect of a change in cash flows, with a lower discount rate resulting in a greater impact on the fair value of an investment property.

If the cap rate were to increase by 25 basis points ("bps"), the value of income properties would decrease by \$16,451. If the cap rate were to decrease by 25 bps, the value of income properties would increase by \$17,706.

## 8. LENDING PORTFOLIO

For the period ended December 31,	Note		2014
<b>Balance at July 8, 2014</b>	2	\$	<b>40,485</b>
Additions:			
Lending portfolio additions pursuant to business combination	2		<b>175,267</b>
Lending portfolio additions during the period			<b>54,839</b>
Discount on lending portfolio additions			<b>(110)</b>
Accrued interest			<b>1,220</b>
Interest added to lending portfolio balance			<b>1,387</b>
Amortization of lending portfolio discount			<b>370</b>
Lender fees received net of amortization			<b>(122)</b>
Principal repayments			<b>(59,764)</b>
<b>Balance at December 31, 2014</b>			<b>213,572</b>
Less: Current portion			<b>133,413</b>
Non-current portion of lending portfolio		\$	<b>80,159</b>

Lending portfolio investments are secured by real property or have recourse to a corporate borrower, bear interest at fixed rates with a weighted average effective interest rate of 8.38% and mature between 2015 and 2017. At December 31, 2014, the unamortized balance of the lending portfolio discount was \$778. At December 31, 2014, \$64,837 of lending portfolio investments contained a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without a prepayment penalty.

Principal repayments, based on contractual maturity dates, are as follows:

2015 <sup>(1)</sup>	\$	133,143
2016		50,678
2017		29,431
2018 and thereafter		-
<b>Total</b>	<b>\$</b>	<b>213,252</b>

<sup>(1)</sup> The 2015 maturity amount of \$133,143 represents the principal repayments only, which is different from the current portion of the lending portfolio balance of \$133,413 in the table above. The balance of \$133,413 includes the contractual amounts, lender fees, accrued interest, discount on lending portfolio, amortization of the discount on lending portfolio, and capitalized interest

One loan, with a balance of \$8,252 was in default as at December 31, 2014. An impairment loss has not been recorded as the Asset Manager currently expects to recover the full amount of principal and interest in a timely manner based upon an assessment of the underlying security and guarantees. As at December 31, 2014, the asset manager estimated that the loan-to-value of the underlying asset was 67%.

## 9. DEVELOPMENT AND INVESTMENT HOLDINGS

The table below provides a continuity of development and investment holdings for the period ending December 31, 2014:

For the period ended December 31, 2014	Note	Development and investment holdings		AFS Investments		Development and investment holdings total
<b>Balance as at July 8, 2014</b>	2	\$	89,048	\$	7,651	\$ 96,699
Acquisitions	2		70,888		9,293	80,181
Advances			1,447		-	1,447
Repayments received			(6,787)		(887)	(7,674)
Fair value (loss) gains, net			(2,542)		605	(1,937)
<b>Balance as at December 31, 2014</b>		\$	<b>152,054</b>	\$	<b>16,662</b>	\$ <b>168,716</b>

Development and investment holdings consist of nine long-term development loans secured by real property, with interest rates of between 8.0% and 13.0% and remaining terms of seven to eight years, as determined by the underlying cash flows of the developments. The Trust has entered into agreements to allow the Trust to participate in the remaining profits of the developments after the payment of interest and an equal return to the equity partners is paid.

The Trust's AFS Investments include two limited partnerships and one co-ownership with interest of less than 20%.

Fair value gains in development and investment holdings for the year ended December 31, 2014 of \$963 include fair value gains of \$3,505 recognized by the Acquiror Fund up to July 8, 2014, and a fair value loss of \$2,542 for the subsequent period. Fair value gains in development and investment holdings AFS for the year ended December 31, 2014 of \$525 include fair value gains of \$605, net of deferred income taxes of \$80.

### DEVELOPMENT AND INVESTMENT HOLDINGS VALUATIONS

The discount rates used in determining the fair value of development and investment holdings were between 13.0% and 15.0%, and the cap rates were between 6.25% and 6.90%. Generally, an increase in expected interest and participating profit will result in an increase to the fair value of development and investment holdings. An increase in the discount rate will result in a decrease to the fair value of the development and investment holdings. Under the discounted cash flow method, an increase in cash flows will result in an increase to the fair value of development and investment holdings. The discount rate magnifies the effect of a change in cash flows, with a lower discount rate resulting in a greater impact on the fair value of investments. An increase in the cap rate will result in a decrease in the fair value of a development and investment holding participating loan. The cap rate magnified the effect of a change in stabilized NOI, with a lower rate resulting in a greater impact on the fair value of a development and investment holding participating loan than a higher rate.

If the discount rates were to increase by 25 bps, the value of development investments holdings would decrease by \$802. If the discount rates were to decrease by 25 bps, the value of development and investment holdings would increase by \$810. If the cap rates were to increase 25 bps, the value of development and investment holdings would decrease by \$4,064. If the cap rates were to decrease 25 bps, the value of development and investment holdings would increase by \$4,133.

### AFS INVESTMENT VALUATIONS

The fair value assessment of AFS Investments is determined by assessing the fair value of the income properties held within the limited partnerships and co-ownership using the direct cap rate method with cap rates of 6.35% to 7.50%.

Generally, an increase in stabilized NOI will result in an increase in the fair value of an AFS Investment. An increase in the cap rate will result in a decrease in the fair value of an AFS Investment. The cap rate magnifies the effect of a change in stabilized NOI, with a lower rate resulting in a greater impact on the fair value of an AFS Investment than a higher rate. Under the discounted cash flow method, an increase in cash flows will result in an increase in the fair value of an AFS Investment. An increase in the discount rate will result in a decrease in the fair value of an AFS Investment. The discount rate magnifies the effect of a change in cash flows, with a lower discount rate resulting in a greater impact on the fair value of an AFS Investment.

If the cap rate were to increase by 25 bps, the value of AFS Investments would decrease by \$786. If the cap rate were to decrease by 25 bps, the value of AFS Investments would increase by \$847.

## 10. RENEWABLE POWER ASSETS

Renewable power assets consist of tools and equipment related to the Trust's investments in renewable power projects. The balance for renewable power assets as at December 31, 2014 is \$25,881 as summarized below:

For the period ended December 31, 2014	Equipment		Total
	Solar power	Wind power	
<b>Balance as at July 8, 2014</b>	\$ -	\$ -	\$ -
Additions and acquired renewable power assets during the period	11,318	14,604	25,922
Depreciation of renewable power assets	(41)	-	(41)
<b>Balance as at December 31, 2014</b>	<b>\$ 11,277</b>	<b>\$ 14,604</b>	<b>\$ 25,881</b>

### SOLAR POWER PROJECTS

During the period ended December 31, 2014, the Trust acquired a portfolio of three operational rooftop solar power projects from DAM and accounted for the transaction as an asset acquisition. The portfolio was acquired at DAM's carrying value. This transaction is further discussed in Note 24.

### WIND POWER PROJECT AND NON-CONTROLLING INTEREST

During the period ended December 31, 2014, the Trust invested in an approximately 13.2 MW wind power project in the Province of Nova Scotia. The Trust, indirectly through a subsidiary, has an 80% economic interest in the wind power project and also has control over the project's General Partner. The non-controlling partner's 20% economic interest is owned by an unrelated party and was reflected as a non-controlling interest on the consolidated statements of financial position. The assets and liabilities of the limited partnership have been consolidated in the Trust's consolidated statements of financial position. At December 31, 2014, the limited partnership was finalizing terms of land leases relating to the wind power project. The wind power project is in the development stage; therefore, no operating activity is reported in the consolidated statements of comprehensive income for the period ended December 31, 2014.

## 11. OTHER NON-CURRENT ASSETS

As at December 31,	2014
Deposits and other	\$ 589
Intangible assets - wind power contract	1,944
Straight-line rent receivable	207
<b>Total</b>	<b>\$ 2,740</b>

Deposits largely represent amounts provided by the Trust in connection with utility deposits.

As at December 31, 2014, no amortization had been expensed related to the intangible asset as the wind power project is under development.



## 12. AMOUNTS RECEIVABLE

As at December 31,	2014	2013
Trade receivables	\$ 3,048	\$ 558
Less: Provision for impairment of trade receivables	(335)	-
Other amounts receivable	3,313	-
<b>Total</b>	<b>\$ 6,026</b>	<b>\$ 558</b>

Amounts receivable are net of credit adjustment aggregating \$889.

The movement in the provision for impairment of trade receivables during the year ended December 31 was as follows:

For the year ended December 31,	2014
<b>Balance, December 31, 2013</b>	\$ -
Provision for impairment of trade receivables assumed on Reorganization	509
Recovery of impaired trade receivables	(23)
Receivables written off during the period as uncollectible	(151)
<b>Balance, December 31, 2014</b>	<b>\$ 335</b>

The carrying value of amounts receivable approximates fair value due to their current nature. As at December 31, 2014, trade receivables of approximately \$915 were past due but not considered impaired as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of expected default.

The Trust leases office properties to tenants under operatory leases. Minimum rental commitments including non-cancellable tenant operating leases over their remaining terms are as follows:

As at December 31,	2014
No more than 1 year	\$ 18,691
1-5 years	49,637
5+ years	26,291
<b>Total</b>	<b>\$ 94,619</b>

## 13. DEBT

As at December 31,		<b>2014</b>
Mortgages payable	\$	<b>250,822</b>
Unamortized balance of premium		<b>4,262</b>
Total		<b>255,084</b>
Less: Current portion		<b>78,233</b>
Total non-current debt	\$	<b>176,851</b>

### MORTGAGES PAYABLE

Mortgages payable are secured by charges on specific income properties, bear interest at a weighted average face rate of 4.05% and mature between 2015 and 2028. The weighted average effective interest rate of mortgages payable is 3.03% as at December 31, 2014.

The scheduled principal repayments and debt maturities for mortgages payable are as follows:

Debt maturities		<b>Outstanding balance</b>
2015	\$	<b>76,597</b>
2016		<b>43,512</b>
2017		<b>72,100</b>
2018		<b>52,530</b>
2019 and thereafter		<b>6,083</b>
Total	\$	<b>250,822</b>

### NOTE PAYABLE

The note payable consists of a promissory note with a principal balance of \$310. This note bears interest at 12% per annum, can be repaid at any time, and is due December 31, 2015. Interest is payable quarterly.

### REVOLVING LOAN FACILITY

A revolving loan facility is available up to a formula-based maximum not to exceed \$50 million, in the form of rolling one-month banker acceptances ("BA") bearing interest at the BA rates plus 2%, or at the bank's prime rate (3% as at December 31, 2014), plus 1%, and is effectively secured by a general security agreement over all assets of the Trust through its subsidiaries, Dream Alternatives Lending Services LP and Dream Alternatives Master LP. As at December 31, 2014, no amounts were drawn on the facility. The guarantor, Dream Alternatives Master LP, was in compliance with all covenants at December 31, 2014.

## 14. DEFERRED UNIT INCENTIVE PLAN

The Deferred Unit Incentive Plan (“DUIP”) provides for the grant of deferred trust units (“DTUs”) to trustees, officers and employees as well as affiliates and their service providers, including the Asset Manager. DTUs are granted at the discretion of the trustees and receive distributions in the form of income deferred trust units as they are declared and paid by the Trust. Once granted, each DTU and the related distribution of income deferred trust units from such DTUs vest evenly over a three- or five-year period on the anniversary date of the grant, and such Units will be issued immediately on vesting. As at December 31, 2014, up to a maximum of 3.0 million DTUs were issuable under the DUIP.

The movement in the DUIP balance was as follows:

For the year ended December 31,		2014
Compensation expense	\$	153
Re-measurements of carrying value of deferred trust units		(6)
Total	\$	147

During the year ended December 31, 2014, \$153 of compensation expense was recorded related to the DTUs and included in general and administrative expenses. For the same period, a fair value loss of \$4 was recognized and included in general and administrative expenses, representing the re-measurement of the DUIP liability during the period. During the year ended December 31, 2014, 95,797 DTUs were granted and no DTUs vested under the DUIP. Details of the DTUs granted are detailed below:

On July 28, 2014, 21,797 DTUs were granted to trustees who elected to receive their 2014 annual retainer in the form of DTUs rather than cash. The grant date value of these DTUs was \$7.09 per Unit granted.

On July 28, 2014, 74,000 DTUs were granted to trustees, officers and employees as well as affiliates and their service providers including the Asset Manager. Of the DTUs granted, 54,000 related to key management personnel. The grant date value of these DTUs units was \$7.09 per Unit granted.

## 15. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31,	2014	2013
Accrued liabilities and other payables	\$ 20,275	\$ 663
Accrued interest	851	-
Deferred revenue	2,644	-
Total	\$ 23,770	\$ 663

## 16. DISTRIBUTIONS

Dream Alternatives' declaration of trust endeavors to maintain monthly distribution payments to Unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is determined by the trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. The trustees may declare distributions out of the income, net realized capital gains and capital of the Trust, to the extent such amounts have not already been paid, allocated or distributed.

The following table breaks down distribution payments for the year ended December 31, 2014:

For the year ended December 31,	2014
Paid in cash	\$ 11,433
Paid by way of reinvestment in Units	333
Add: Payable at December 31, 2014	2,455
Total	\$ 14,221

On December 17, 2014, the Trust announced a cash distribution of \$0.033 per Unit for the month of December 2014. The December 2014 distribution was satisfied on January 15, 2015 by \$2,374 in cash and \$81 in connection with the issuance of 12,649 Units.

On January 20, 2015, the Trust announced a cash distribution of \$0.033 per Unit for the month of January 2015. The January 2015 distribution was satisfied on February 13, 2015 by \$2,372 in cash and \$83 in connection with the issuance of 13,714 Units.

## 17. UNITHOLDERS' EQUITY

### DREAM ALTERNATIVES UNITS

Dream Alternatives is authorized to issue an unlimited number of Units and an unlimited number of special trust units ("STUs"). The STUs may only be issued to holders of exchangeable securities and entitle the holder to exchange the exchangeable securities for Units. The STUs have a nominal redemption value, entitle the holder to votes at the Trust level and do not receive distributions. At December 31, 2014, there were no STUs issued and outstanding. Each Unit represents an undivided beneficial interest in the Trust. Each Unit is transferable and entitles the holder thereof to:

- an equal participation in distributions of the Trust;
- rights of redemption; and
- one vote at meetings of Unitholders.

On July 8, 2014, 72,617,739 Units were issued to the unitholders of the Distributing ROI Funds to indirectly acquire the Initial Assets and assume all of the debt and outstanding liabilities relating to the Initial Assets acquired. Also on July 8, 2014, in accordance with the Purchase Agreement, the Trust issued 1,000,000 Units to ROI Capital at an agreed upon price of \$10.00 per Unit for gross proceeds of \$10 million. (See Note 2 for further discussion of the Reorganization and related transactions.)

### DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The Distribution Reinvestment and Unit Purchase Plan ("DRIP") allows holders of Units other than Unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dream Alternatives reinvested in additional Units. Unitholders who participate in the DRIP receive an additional distribution of Units equal to 4% of each cash distribution that was reinvested. The price per Unit is calculated by reference to a five-day weighted average closing price of the Units on the Toronto Stock Exchange ("TSX") preceding the relevant distribution date, which typically is on or about the 15<sup>th</sup> day of the month following the declaration. For the period ended December 31, 2014, 49,239 Units were issued under the DRIP for \$333.

### NORMAL COURSE ISSUER BID

The Trust received acceptance of its Notice of Intention to make a normal course issuer bid from the Toronto Stock Exchange on December 24, 2014. The bid commenced on December 30, 2014 and will remain in effect until the earlier of December 29, 2015 or the date on which the Trust has purchased the maximum number of Units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 7,280,818 Units (representing 10% of the Trust's public float of 72,808,178 Units at the time of entering the bid through the facilities of the TSX). At December 31, 2014, no Units had been purchased under the bid.

## 18. INCOME PROPERTIES OPERATING EXPENSES

For the years ended December 31,	2014	2013
Income properties operating costs	\$ 9,588	\$ -
Realty tax expense	4,400	-
Salary and other compensation	561	-
Total	\$ 14,549	\$ -

## 19. RENEWABLE POWER OPERATING EXPENSES

For the years ended December 31,	2014	2013
Renewable power operating costs	\$ 36	\$ -
General office and other	8	-
Total	\$ 44	\$ -

## 20. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31,	2014	2013
Salary and other compensation	\$ 818	\$ -
Corporate, service and professional fees	1,562	103
General office and other	415	468
Total	\$ 2,795	\$ 571

## 21. INTEREST EXPENSE

Interest on debt incurred and charged to comprehensive income is recorded as follows:

For the years ended December 31,	2014	2013
Interest expense incurred, at contractual rate of debt	\$ 5,116	\$ -
Amortization of fair value adjustments on assumed debt	(856)	-
Other bank charges	98	-
Total	\$ 4,358	\$ -

Fair value adjustments on assumed debt are amortized to interest expense over the expected life of the debt using the effective interest rate method.

## 22. INCOME TAXES

During the year ended December 31, 2014, the Trust recognized an income tax expense amount of \$2,052, the major components of which include the following items:

For the year ended December 31,	<b>2014</b>
Current income taxes:	
Current income taxes with respect to profits in the year	\$ <b>902</b>
Deferred income tax expense:	
Origination and reversal of temporary differences	<b>1,150</b>
Income tax expense	\$ <b>2,052</b>

For the year ended December 31,	<b>2014</b>
Earnings before tax at statutory rate of 26.5%	\$ <b>32,276</b>
Effect on taxes of:	
Non-deductible expenses	<b>433</b>
Non-taxable revenue - gain on acquisition	<b>(33,708)</b>
Rate differences	<b>250</b>
Conversion of mezzanine debt receivables to partnership interests	<b>3,525</b>
Other items	<b>(724)</b>
Income tax expense	\$ <b>2,052</b>

The movement in the deferred income tax assets and liabilities during the period ended December 31, 2014 and the net components of the Trust's net deferred income tax liabilities are illustrated in the following table:

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other	Total
<b>Balance as at July 8, 2014</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(Charged) credited to:						
Deferred tax asset assumed on acquisition of Acquiree Funds	606	-	96	-	-	<b>702</b>
Earnings for the period	(4,331)	(176)	(113)	1,261	2,209	<b>(1,150)</b>
Other comprehensive income (loss)	-	-	-	(80)	-	<b>(80)</b>
Retained earnings - Issuance costs	-	-	-	-	98	<b>98</b>
<b>Balance, December 31, 2014</b>	\$ <b>(3,725)</b>	\$ <b>(176)</b>	\$ <b>(17)</b>	<b>1,181</b>	\$ <b>2,307</b>	\$ <b>(430)</b>

## 23. SEGMENTED INFORMATION

The Trust has identified the operating segments as income properties, renewable power, lending portfolio and development and investment holdings based on how the chief operating decision-maker views the financial results of the business.

For the period ended December 31, 2014, asset management fees, other interest income, tax expense, and the majority of general and administrative expenses were not allocated to the segment expenses as these costs are not specifically related to the segments.

## SEGMENTED RESULTS OF OPERATIONS

For the year ended December 31, 2014	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other <sup>(1)</sup>	Total
<b>INCOME</b>						
Income properties' revenue	\$ 29,896	\$ -	\$ -	\$ -	\$ -	\$ 29,896
Renewable power revenue	-	226	-	-	-	226
Lending portfolio interest and lender fee	-	-	8,566	-	-	8,566
Fair value gain, net, in development and investment holdings	-	-	-	(2,542)	3,505	963
<b>TOTAL INCOME</b>	<b>29,896</b>	<b>226</b>	<b>8,566</b>	<b>(2,542)</b>	<b>3,505</b>	<b>39,651</b>
<b>EXPENSES</b>						
Income properties, operating	14,549	-	-	-	-	14,549
Renewable power, operating	-	44	-	-	-	44
Depreciation of renewable power assets	-	41	-	-	-	41
Interest	4,261	-	-	-	97	4,358
Asset management fees	-	-	-	-	6,950	6,950
General and administrative	-	36	183	-	2,576	2,795
<b>TOTAL EXPENSES</b>	<b>18,810</b>	<b>121</b>	<b>183</b>	<b>-</b>	<b>9,623</b>	<b>28,737</b>
<b>OPERATING INCOME</b>	<b>11,086</b>	<b>105</b>	<b>8,383</b>	<b>(2,542)</b>	<b>(6,118)</b>	<b>10,914</b>
Other interest income	-	-	-	-	457	457
Fair value loss in income properties <sup>(2)</sup>	(3,780)	-	-	-	-	(3,780)
Gain on acquisition	-	-	-	-	127,158	127,158
Reorganization-related costs	-	-	-	-	(12,441)	(12,441)
Increase in net assets attributable to holders of redeemable units	-	-	-	-	(509)	(509)
<b>EARNINGS BEFORE INCOME TAX EXPENSE</b>	<b>7,306</b>	<b>105</b>	<b>8,383</b>	<b>(2,542)</b>	<b>108,547</b>	<b>121,799</b>
<b>INCOME TAX EXPENSE</b>						
Current	-	-	-	-	902	902
Deferred	-	-	-	-	1,150	1,150
<b>TOTAL INCOME TAX EXPENSE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,052</b>	<b>2,052</b>
<b>NET INCOME</b>	<b>7,306</b>	<b>105</b>	<b>8,383</b>	<b>(2,542)</b>	<b>106,495</b>	<b>119,747</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Fair value gains, net, in development and investment holdings available-for-sale (net of tax of \$80 – reclassified to earnings on sale)	-	-	-	525	-	525
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>525</b>	<b>-</b>	<b>525</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 7,306</b>	<b>\$ 105</b>	<b>\$ 8,383</b>	<b>\$ (2,017)</b>	<b>\$ 106,495</b>	<b>\$ 120,272</b>

<sup>(1)</sup> Includes other Trust amounts not specifically related to the segments and results of the Acquiror Fund prior to the Reorganization

<sup>(2)</sup> Management does not evaluate operating income including fair value adjustments on income properties

## SEGMENTED ASSETS AND LIABILITIES

As at December 31, 2014	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other <sup>(1)</sup>	Total
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Income properties	\$ 499,264	\$ -	\$ -	\$ -	\$ -	\$ 499,264
Lending portfolio	-	-	80,159	-	-	80,159
Development and investment holdings	-	-	-	168,716	-	168,716
Renewable power assets	-	25,881	-	-	-	25,881
Other non-current assets	658	2,082	-	-	-	2,740
	499,922	27,963	80,159	168,716	-	776,760
<b>CURRENT ASSETS</b>						
Lending portfolio - current portion	-	-	133,413	-	-	133,413
Amounts receivable	2,493	3,135	-	-	398	6,026
Prepaid expenses	878	12	-	-	14	904
Cash	6,518	637	-	-	73,002	80,157
<b>TOTAL ASSETS</b>	<b>\$ 509,811</b>	<b>\$ 31,747</b>	<b>\$ 213,572</b>	<b>\$ 168,716</b>	<b>\$ 73,414</b>	<b>\$ 997,260</b>
<b>LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Mortgages payable	\$ 176,851	\$ -	\$ -	\$ -	\$ -	\$ 176,851
Deferred income taxes	-	-	-	-	430	430
Deferred unit incentive plan	-	-	-	-	147	147
	176,851	-	-	-	577	177,428
<b>CURRENT LIABILITIES</b>						
Mortgages payable - current portion	78,233	-	-	-	-	78,233
Note payable	-	310	-	-	-	310
Amounts payable and accrued liabilities	8,656	9,622	67	-	5,425	23,770
Distributions payable	-	-	-	-	2,455	2,455
Income tax payable	-	-	-	-	902	902
<b>TOTAL LIABILITIES</b>	<b>\$ 263,740</b>	<b>\$ 9,932</b>	<b>\$ 67</b>	<b>\$ -</b>	<b>\$ 9,359</b>	<b>\$ 283,098</b>

<sup>(1)</sup> Includes other Trust amounts not specifically related to the segments



## 24. RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time the Trust and its subsidiaries enter into transactions with related parties that are contracted under commercial terms. DAM, which is a subsidiary of Dream Unlimited Corporation, is the Trust's Asset Manager and is a related party on the basis that it provides key management personnel services to the Trust.

### ASSET MANAGEMENT AGREEMENT

On July 8, 2014, the Trust entered into a management agreement (the "Management Agreement") with DAM, pursuant to which DAM provides a broad range of asset management services to the Trust for the following fees:

- Base annual management fee calculated and payable on a monthly basis, equal to 1.00% of the gross value of the initial assets at Closing, plus the gross cost of any asset acquired on the date of such acquisition, plus the gross amount invested in any assets following acquisition, less the gross amount previously included in the calculation of this amount in respect of any asset disposed of or repaid;
- Acquisition/origination fee equal to:
  - (a) 0.40% of the principal amount of any loan originated by the Trust or a subsidiary having an expected term of less than five years;
  - (b) 1.00% of the principal amount of any loan originated by the Trust or a subsidiary having an expected term of five years or more; and
  - (c) 1.00% of the gross cost of any asset acquired or originated by the Trust or a subsidiary represented by all other investments, assets or projects; and
- Disposition fee equal to 0.25% of the gross sale proceeds of any asset (including all indebtedness) sold by the Trust or any subsidiary represented by loans, investments, assets or projects disposed of during the fiscal year, including any part of the initial assets, except for the disposition of individual loans having a term to maturity of 12 months or less and excluding the regular and scheduled repayment of loans.

In addition, the Trust will reimburse DAM for reasonable out-of-pocket costs and expenses incurred in connection with the performance of the management services described in the Management Agreement and the costs and expenses incurred in providing such other services which the Trust and DAM agree to in writing that are to be provided from time to time by DAM.

Pursuant to the Management Agreement, the Trust incurred fees to DAM as follows:

For the year ended December 31,	2014
Fees paid by the Trust under the Management Agreement:	
Base annual management fee	\$ 4,769
Acquisition/origination fee	298
Total fees paid under the Management Agreement	\$ 5,067

Asset management fees for the year ending December 31, 2014 of \$6,950 consist of fees paid to DAM of \$5,067 up to December 31, 2014 and fees paid to ROI Capital by the Acquiror Fund of \$1,883 up to July 8, 2014, as described in Note 32.

### TRANSACTION WITH DAM

During the period ended December 31, 2014, the Trust acquired a portfolio of rooftop solar power projects from DAM. The assets were purchased at DAM's carrying value of \$2,414, which was determined to represent a fair transaction value to the Trust by an independent valuator.

### AMOUNTS DUE TO RELATED PARTIES

Amounts payable and accrued liabilities at December 31, 2014 included \$953 related to the Management Agreement.

## 25. SUPPLEMENTARY CASH FLOW INFORMATION

Significant components of changes in non-cash working capital include:

For the year ended December 31,		2014
Increase in lending portfolio interest accrual	\$	(1,220)
Increase in other non-current assets		(589)
Increase in amounts receivable		(3,025)
Decrease in prepaid expenses		23
Increase in amounts payable and accrued liabilities		8,732
Increase in income tax payable		902
Total	\$	4,823

For the year ended December 31, 2014, cash interest paid was \$4,279. For the period from Closing to December 31, 2014, non-cash investments in building improvements were \$132 and renewable power assets were \$6,651, and cash investments in lease incentives and initial direct leasing costs include the settlement of \$62 in leasing costs payable assumed on the Reorganization.

## 26. COMMITMENTS AND CONTINGENCIES

Dream Alternatives and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of the Asset Manager, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of Dream Alternatives.

### PROPERTY MANAGEMENT AGREEMENT

The Trust assumed the 19 property management agreements with DOMC in connection with the Reorganization. Pursuant to the agreements, DOMC will perform property management services including tenant administration, leasing services, accounting, etc., for a fee of 3.0% to 3.5% of income property revenues. The property management agreement can be terminated upon an unremedied default by the property manager, DOMC, or if there is a change in the ownership of the property.

During the period from July 8, 2014 to December 31, 2014, the Trust paid \$992 to DOMC pursuant to the property management agreement. Amounts payable and accrued liabilities as at December 31, 2014 included \$24 related to this agreement.

### SERVICES AGREEMENT

The Trust entered into a services agreement (the "Service Agreement") with DOMC on July 8, 2014. DOMC is owned by Dream Office REIT, the co-owner of the Trust's income properties. The agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the agreement is terminated in accordance with its terms or by mutual agreement of the parties. Pursuant to the agreement, DOMC provides administrative and support services including the use of office space, office equipment, communication services and computer systems and the provision of personnel in connection with accounts payable, human resources, taxation and internal controls. DOMC receives a monthly fee sufficient to reimburse it for all the expenses incurred in providing these services.

During the period from July 8, 2014 to December 31, 2014, the Trust paid \$211 to DOMC pursuant to the Service Agreement. Amounts payable and accrued liabilities as at December 31, 2014 included \$50 related to this agreement.

## COMMERCIAL MORTGAGE SERVICING AGREEMENT

On July 8, 2014, Dream Alternatives Lending Services LP (“Lending Services LP”), a subsidiary of the Trust, entered into a commercial mortgage servicing agreement (“Mortgage Servicing Agreement”) with Canadian Mortgage Servicing Corporation (“CMSC”) to manage and service the loan portfolio and select other debt investments for the following fees:

- A monthly fee of 1.25 bps (15 bps annually), calculated on the principal amount of each mortgage in the loan portfolio outstanding at the beginning of each month; and
- Origination fees paid by a borrower of up to 1% of the principal amount of each new mortgage investment originated by CMSC and up to 50% of the origination fee paid by a borrower in excess of 1%.

In addition, Lending Services LP reimburses CMSC for all reasonable third-party disbursements and expenses made or incurred in connection with the performance of the services described in the Mortgage Servicing Agreement. The agreement can be terminated upon 90 days written notice.

## OTHER COMMITMENTS

The Trust has committed to invest \$22,450 in four lending portfolio investments as at December 31, 2014, of which, \$2,190 has been settled as of February 23, 2015. The Trust has committed to invest \$41,220 in renewable power assets, which will be funded with a combination of debt and equity.

The Trust has entered into an agreement to purchase power generation equipment and related services for US\$16,600. As at December 31, 2014, 50% of the contract price (US\$8,300) has been accrued in accordance with the payment terms. The agreement contains termination clauses that would require the Trust to remit additional punitive payments, based on a percentage of the original contract price at various dates. As at December 31, 2014, if the contract had been terminated by the Trust, a termination payment of approximately US\$3,635 would be required.

The Trust has entered into power purchase agreements for renewable energy with Nova Scotia Power Incorporated, dated December 23, 2014, to supply 60,720 MWh a year for 20 years at a fixed rate of \$0.131/MWh.

The Trust has entered into various land rights agreements with different parties, which provide the Trust with road access and land use rights to operate turbines on lands the Trust does not own for periods ranging from four to 25 years at a cost of \$72/year, with optional renewal terms for additional periods totaling 50 years. The cost will escalate every five years based on the Nova Scotia CPI. The Trust also entered into perpetual grants of easement with various parties, as well as an easement for a period of 20 years, which allow transmission lines of the Trust to cross over part of the grantor’s properties at a cost of \$6/year, to be adjusted every five years based on the Nova Scotia CPI.

Rooftop lease agreements are agreements which the Trust has entered with two buildings owners. These agreements provide the Trust with rooftop access, as well as the rights to operate solar panels on rooftops which the Trust does not own. These agreements are typically 20-year contracts with renewal options available. The Trust’s commitments are outlined in the table below:

For the years ended December 31,		Rooftop lease agreements	Land right and easement	Total
2015	\$	58	\$ 78	\$ 136
2016		58	78	136
2017		58	78	136
2018		58	78	136
2019		58	78	136
2020 and thereafter		852	3,342	4,194
	\$	1,142	\$ 3,732	\$ 4,874

## 27. CAPITAL MANAGEMENT

The primary objectives of the Trust's capital management are to ensure it remains within its quantitative banking covenants and to establish a credit rating.

The Trust's capital consists of debt, including mortgage payables, revolving credit facilities, and Unitholders' equity. The Trust's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable Unitholder distributions, to fund leasing costs and capital expenditure requirements, and to provide for resources needed to acquire new properties, originate new real estate lending, acquire development properties and acquire renewable power assets.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross carrying value. Other significant indicators include the weighted average interest rate, average term to maturity of debt and variable debt as a proportion of total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for Unitholder distributions and capital expenditures, and for evaluating the need to raise funds for further expansion. Various mortgages and the revolving credit facility have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These covenants include loan-to-value ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited partnership level, and all have been complied with.

The Trust's equity consists of Units in which the carrying value is impacted by earnings and Unitholder distributions. The Trust endeavors to make annual distributions to Unitholders. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures, other investments as the Trust sees fit, and working capital requirements. The Asset Manager monitors distributions through various ratios to ensure adequate resources are available. These ratios include the proportion of distributions paid in cash, DRIP participation ratio, and total distributions as a percent of funds available for distribution.

During the period ended December 31, 2014, the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

## 28. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

IFRS 7, “Presentation of Financial Statements” (“IFRS 7”), places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risks.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has exposure to interest rate risk primarily as a result of its variable rate debt payable included in mortgages payable. There are no variable rate mortgages or loans within the lending portfolio. In addition, there is interest rate risk associated with the Trust’s fixed rate debt payable due to the expected requirement to refinance such debts in the year of maturity. The Trust is exposed to the variability in market interest rates on maturing debt payable and lending portfolio investments to be renewed. Variable rate debt payable at December 31, 2014 was 45% of the Trust’s total debt payable. In order to manage exposure to interest rate risk, the Trust endeavors to maintain an appropriate mix of fixed and variable rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on fixed rate assets and liabilities maturing within one year and variable rate financial assets and liabilities held at the consolidated statements of financial position date. A 1% change is considered a reasonable level of fluctuation on variable rate financial assets and liabilities.

	Interest rate risk					
	-1%			1%		
	Amounts	Income	Equity	Amounts	Income	Equity
<b>Financial assets</b>						
Cash <sup>(1)</sup>	\$ 80,157	\$ (802)	\$ -	\$ -	\$ 802	\$ -
Fixed rate debt receivable due to mature in the next 12 months	133,143	(1,331)	-	-	1,331	-
<b>Financial liabilities</b>						
Fixed rate debt payable due to mature in the next 12 months (\$Nil) and total variable debt	111,726	1,117	-	-	(1,117)	-

<sup>(1)</sup>At December 31, 2014, interest was received on cash balances at a rate of 1.18%. Cash is short term in nature and the current balance may not be representative of the balance for the rest of the year

Foreign exchange risk is the risk that an investment’s value will fluctuate due to changes in currency exchange rates. The Trust’s exposure to foreign exchange risk at December 31, 2014 is isolated to an equipment purchase and service agreement commitment for one of the renewable power projects as described in detail in Note 26. This commitment will be settled during 2015 and is considered a short-term obligation. In order to mitigate the foreign exchange risk, the Trust enters into foreign exchange forward contracts for future contractual obligations that are long-term in nature and represent significant cash outflows to the Trust.

Credit risk related to income properties and AFS Investments arises from the possibility that tenants in income properties may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Credit risk related to the lending portfolio and development and investment holdings arises from the possibility that a borrower may not be able to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Trust. The Trust mitigates risk by actively monitoring the mortgage and loan investments and initiating recovery procedure, in a timely manner, when required.

The maximum exposure to credit risk at December 31, 2014 was the fair value of development and investment holdings and the contractual value of its lending portfolio, including interest receivable, which totalled \$383,190. The Trust has recourse under these investments in the event of default by the borrower, in which case, the Trust would have a claim against the underlying collateral. Cash, deposits and restricted cash carry minimal credit risk as all funds are maintained with highly reputable lenders.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations as they become due. The Trust manages lending portfolio advances, maturities of mortgages payable, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations as they become due.

## 29. FAIR VALUE MEASUREMENTS

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the period.

The following tables summarize fair value measurements recognized in the consolidated financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements.

As at December 31, 2014	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Recurring measurements:				
Income properties	\$ 499,264	\$ -	\$ -	\$ 499,264
Development and investment holdings	168,716	-	-	168,716
	<b>\$ 667,980</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 667,980</b>

As at December 31, 2013	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Recurring measurements:				
Marketable securities	\$ 268,032	\$ 268,032	\$ -	\$ -
Other securities	11,653	-	11,653	-
Cash	2,378	2,378	-	-
Private investments	47,006	-	-	47,006
Unrealized gain on forward contract	29,429	-	-	29,429
	<b>\$ 358,498</b>	<b>\$ 270,410</b>	<b>\$ 11,653</b>	<b>\$ 76,435</b>

Financial instruments carried at amortized cost where the carrying value does not approximate fair value are noted below:

As at December 31, 2014	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Fair values disclosed:				
Lending portfolio	\$ 213,572	\$ -	\$ -	\$ 212,653
Mortgages payable	255,084	-	-	256,451
	<b>\$ 468,656</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 469,104</b>

At December 31, 2013, there were no financial instruments carried at amortized cost.

At December 31, 2014, amounts receivable, cash, deposits, DUIP payable, notes payable, amounts payable and accrued liabilities, and distributions payable were carried at amortized cost, which approximates fair value due to their short-term nature.

## INCOME PROPERTIES AND AFS INVESTMENTS

The Trust's accounting policy as indicated in Note 4 is to measure income properties and AFS Investments at fair value using the income approach which is derived from two methods: overall capitalization rate method and discounted cash flow method, resulting in these measurements being classified as Level 3 in the fair value hierarchy. Valuations of income properties are most sensitive to changes in discount rates and capitalization rates. In applying the overall capitalization rate method, the stabilized net operating income ("stabilized NOI") of each property is divided by an appropriate capitalization rate ("cap rate").

The key assumptions in the valuation of income properties are as follows:

- Cap rate – based on actual location, size and quality of the properties and taking into account any available market data at the valuation date.
- Stabilized NOI – revenues less property operating expenses adjusted for items such as market rental rates, average lease-up costs, long-term vacancy rates, non-recoverable capital expenditures, straight-line rents and other non-recurring items.
- Discount rate – reflecting current market assessments of the uncertainty in the amount and timing of cash flows.
- Terminal rate – taking into account assumptions regarding vacancy rates and market rents.
- Cash flows – based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

Income properties are valued on a highest and best use basis. For all of the Trust's income properties, the current use is considered the highest and best use.

### INCOME PROPERTIES VALUATION PROCESS

The Trust is responsible for determining the fair value measurements included in the consolidated financial statements. DAM, in its capacity as Asset Manager for the Trust, provides the Trust with a valuation of each income property every quarter, as calculated by the property manager DOMC. The valuations team is headed by an experienced valuator. On a quarterly basis, DAM engages independent professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the locations and categories of the income properties to complete valuations of selected properties. DAM's objective is to have each property valued by an independent valuator at least once every three years. For properties subject to an independent valuation report, the valuations team verifies all major inputs to the valuations and reviews the results with the independent valuers. Discussion of valuation processes, key inputs and results are held between the Trust and the valuations team at least once every quarter, in line with the Trust's quarterly reporting rules. Changes in Level 3 fair values are analyzed at each reporting date during the quarterly valuation discussions between the Trust and the valuations team.

## LENDING PORTFOLIO

There are no quoted prices in an active market for the lending portfolio investments. The Trust determines fair value based on its assessment of the current lending market for lending portfolio investments of same or similar terms in consultation with CMSC, the manager and servicer of the lending portfolio, and other publicly available information.

## MORTGAGES PAYABLE

The fair value of mortgages payable as at December 31, 2014 was determined by discounting the expected cash flows of each mortgage payable using an assessment of the market interest rate ranging from 2.65% to 3.83%. The market interest rates were determined using the Government of Canada benchmark bond yield for instruments with corresponding maturity dates plus a credit spread in accordance with the Trust's assessment of credit risk. In determining the adjustment for credit risk, the Trust considered market conditions, the value of the properties that the mortgage is secured by and other indicators of the Trust's creditworthiness.

## DEVELOPMENT AND INVESTMENT HOLDINGS

The fair value of residential development and investment holdings at December 31, 2014 was determined by discounting the expected cash flows of each participating mortgage's unit sales discounted at rates between 13.0% and 15.0%. The fair value of commercial real estate (retail) development and investment holdings was determined using the direct capitalization method, using rates of between 6.25% and 6.90%, and this future value was then discounted to December 31, 2014 at rates between 13.0% and 15.0%. In determining the discount rate and cap rate, the Trust considered market conditions, time to completion of the development, the market cap rate, the percentage of space leased on units sold, and other publicly available information.

## 30. SUBSEQUENT EVENTS

Subsequent to December 31, 2014, the Trust invested \$2,190 in two lending portfolio investments, as disclosed in Note 26, Commitments and Contingencies.

## 31. ACQUIROR FUND – POLICIES FOR FINANCIAL RESULTS PRIOR TO REORGANIZATION

Certain of the financial statement balances of the Acquiror Fund have been reclassified to conform to the Trust's financial statement presentation. The significant accounting policies followed by the Acquiror Fund as presented in the comparative results as at December 31, 2013 and for the year ended December 31, 2013 and for the period prior to July 8, 2014 were as follows:

### INVESTMENT AND FINANCIAL INSTRUMENTS

The Acquiror Fund's financial instruments consisted primarily of short-term investments, marketable securities, private investments, interest and dividends receivable, receivable for investment sold, distributions payable, redemptions payable, payable for investments purchased, accrued expenses and unrealized gain on the Forward Contract. The Acquiror Fund recognized financial instruments at fair value upon initial recognition.

ROI Capital determined that the Acquiror Fund met the definition of an "investment entity" and, as a result, it measured subsidiaries, other than those which provided services to the Acquiror Fund, at fair value through profit or loss ("FVTPL"). Subsidiaries which provided services to the Acquiror Fund were consolidated. An investment entity is an entity that obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. The most significant judgment that the Acquiror Fund made in determining that it met this definition was that its objective and business purpose were to invest in loans or participating interests in real estate assets solely for the purpose of generating investment income and that fair value was the primary measurement attribute to measure and evaluate the performance of substantially all of its investments.

The Acquiror Fund's financial instruments, including private investments, marketable securities, associates, joint ventures and short-term investments, were designated at FVTPL. The Forward Contract was a derivative asset and therefore was classified as a "held for trading" financial asset measured at FVTPL. On cash settlement, the fair value of the Forward Contract equaled the difference between the fair value of the Acquiror Fund's common share portfolio and the net asset value ("NAV") of ROI Private Trust (the "Reference Fund"), as specified in the Forward Contract.

Amounts receivable represented loans and receivables, and were initially recognized at fair value and subsequently measured at amortized cost, which approximated fair value due to their short-term nature.

The Acquiror Fund's units contained multiple contractual obligations in addition to the ongoing redemption obligation and, therefore, were classified as financial liabilities presented at the value of the net assets to which unitholders were entitled, which also represented the annual redemption amount. In the Trust's financial statements, the Acquiror Fund's units have been described in the consolidated statements of financial position as "Net assets attributable to holders of redeemable units".

Amounts payable and accrued liabilities and distributions payable were designated as other financial liabilities and were measured at amortized cost, which approximated fair value due to their short-term nature.

The Acquiror Fund's accounting policies for measuring the fair value of its investments and derivatives were identical to those used in measuring its NAV for transactions with unitholders of the Acquiror Fund, except for marketable securities, which were recorded at fair value, established as the last bid price for the security on the recognized exchange on which it was principally traded for financial reporting but used closing prices for transactional NAV.

Financial assets and liabilities were offset and the net amount reported in the statement of financial position when there was a legally enforceable right to offset the recognized amounts and there was an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.



## FAIR VALUE MEASUREMENT

Cash represented overnight cash deposits, and its fair value approximated amortized cost due to its short-term nature.

Marketable securities held in the common share portfolio were recorded at fair value, established as the last bid price for the security on the recognized exchange on which they were principally traded. Where securities were not traded on that date, a valuation adjustment could have been applied by the Asset Manager of the Acquiror Fund acting in good faith.

Investments that were not publicly traded or other assets for which no public market existed were valued at estimated fair value. The fair values of investments were determined using an appropriate valuation methodology after considering: the history and nature of the business; operating results and financial conditions; independent valuations of the business; contractual rights relating to the investment; public market comparable transactions and recent multiples, where applicable; current market yields; macroeconomic conditions and other pertinent considerations. The process of valuing private investments for which no published market or market observable factors existed was subject to inherent uncertainties and the resulting values may differ from values that would have been used had a readily available market existed for those investments. These differences could be material to the fair value of the investments.

Securities and other assets for which market quotations were, in the opinion of the Asset Manager, inaccurate, unreliable, not reflective of all available material information or not readily available were valued at their fair value, as determined by the Asset Manager. Fair value represents the price that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The valuation procedures relating to private trust investments included preparation by management (ROI Capital), on at least a quarterly basis, of a comprehensive report that included a recommendation for the carrying value of the private investments.

## INVESTMENT TRANSACTIONS, INCOME RECOGNITION AND TRANSACTION COSTS

Investment transactions were accounted for on the trade date.

Interest received by the Acquiror Fund was accounted for on an accrual basis. Dividend income was recognized on the ex-dividend date. Realized gains and losses from the sale of investments and unrealized appreciation (depreciation) in the value of investments were calculated with reference to the average cost of the related investments, which excluded brokerage commissions, other trading expenses and any premiums paid or discounts received on the purchase of fixed income securities.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Acquiror Fund were recognized in the statements of comprehensive income as they arose.

## INCOME TAXES

The Acquiror Fund was a mutual fund trust and a specified investment flow-through trust ("SIFT") pursuant to the Income Tax Act (Canada) and became subject to SIFT tax commencing in fiscal 2013. All of the Acquiror Fund's net income for tax purposes and sufficient net capital gains realized in any period were required to be distributed to unitholders such that no income tax was payable by the Acquiror Fund. As a result, the Acquiror Fund did not record income taxes.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements required management of the Acquiror Fund (ROI Capital) to make estimates and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the amounts of income and expense during the reporting period. Actual results could differ from those estimates and those differences could be significant. The most significant estimates were made on the valuation of private investments.

The most significant judgments made in preparing the Acquiror Fund's financial statements related to the determination that the Acquiror Fund was an investment entity, such that its objective and business purpose was to invest in loans or participating interests in real estate assets solely for the purpose of generating investment income and that fair value was the primary measurement attribute to measure and evaluate the performance of substantially all of its investments. Similarly, the Acquiror Fund was required to make significant judgments about whether or not the business of the Acquiror Fund was to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39.

## 32. ACQUIROR FUND – SIGNIFICANT TRANSACTIONS AND OTHER INFORMATION PRIOR TO REORGANIZATION

### DEVELOPMENT AND INVESTMENT HOLDINGS

Development and investment holdings consist of a portfolio of publicly traded common shares as well as interests in a portion of the income properties and lending portfolio investments that were shared with the other Distributing ROI Funds. The portion of the income properties and lending portfolio investments not previously owned were acquired by the Acquiror Fund in the Reorganization, as described in Note 2. Details of investments at fair value at December 31, 2013 are as follows:

As at December 31,	2013
Marketable securities	\$ 268,032
Interest in CRE Fund	11,653
Income properties	21,951
Lending portfolio	25,055
Total	\$ 326,691

### FORWARD CONTRACT

Prior to the Reorganization, the Acquiror Fund participated in a forward purchase and sale contract with a Canadian chartered bank (the “Counterparty”). The Acquiror Fund purchased and pledged to the Counterparty the publicly traded common share portfolio. Under the terms of the Forward Contract, the Counterparty agreed to pay the Acquiror Fund an amount equal to the redemption proceeds of the number of units of ROI Private Trust (the “Reference Fund”) specified in the Forward Contract, in exchange of the Fund’s common share portfolio at fair market value. As at December 31, 2013, the NAV of the Reference Fund was \$297,463. The common share portfolios subject to the Forward Contract were agreed to between the Fund and the Counterparty and were pledged to the Counterparty as security for the Fund’s obligations under the Forward Contract. In order to permit the Fund to pay monthly distributions, redemptions of units, operating expenses or other liabilities of the Fund, the terms of the Forward Contract provided that the Forward Contract may be settled in whole or in part at any time prior to the settlement date by the Fund, either in cash or by tendering to the Counterparty securities in the common share portfolio at the Fund’s discretion.

On July 7, 2014, the Acquiror Fund settled the forward purchase and sale contract with the Counterparty. Upon termination of the Forward Contract, the Acquiror Fund tendered the portfolio of publicly traded common shares in exchange for the Series A units of the ROI Private Trust held by the Counterparty. The value of the ROI Private Trust units recognized on settlement of the Forward Contract was \$261,344 and was determined using the Asset Manager’s assessment of fair value of the ROI Private Trust’s investments on July 8, 2014.

### MANAGEMENT AND PERFORMANCE FEES

ROI Capital was responsible for the day-to-day management of the Acquiror Fund for the period prior to Closing. In consideration, ROI Capital received a management fee from the Acquiror Fund equal to the aggregate of (i) 0.35% per annum of the average daily NAV of the Acquiror Fund, (ii) 1.00% per annum of the average daily Direct Assets (“Direct Assets” – NAV excluding the value of the Forward Contract that provided exposure for the Acquiror Fund to the Reference Fund and the value of any Canadian securities portfolio of the Acquiror Fund that were sold forward by the Acquiror Fund pursuant to any forward agreement that provided exposure for the Acquiror Fund to the Reference Fund) NAV of the Acquiror Fund and (iii) 0.50% per annum of the average daily NAV of the Acquiror Fund, which reflects the amount of the service fee payable (as defined as below) by ROI Capital. ROI Capital was entitled to a performance fee from the Acquiror Fund on a per outstanding unit basis equal to 20% of the amount by which the sum of (i) any increase in the Direct Assets net asset value per unit (without taking into account the performance fee) and (ii) the distributions paid on such units during the previous 12 months, exceeded the benchmark (expressed as a dollar amount per unit) for the year, calculated and accrued daily and payable annually in arrears.

During the period ended July 8, 2014, the Acquiror Fund incurred \$1,883 (year ended December 30, 2013 – \$4,878) in management fees, with nil in outstanding fees payable for the period ended July 8, 2014 (December 31, 2013 – \$328).

### SERVICE FEES

ROI Capital paid each registered dealer whose clients held units a service fee equal to 0.50% per annum of the average daily NAV of the Acquiror Fund for each unit held by the clients of such registered dealer at the end of a given month, in each case accrued daily and paid monthly up to Closing.

## NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

Changes in the Acquiror Fund's net assets attributable to holders of redeemable units balance during the period are as follows:

For the period ended July 8, 2014 and the year ended December 31, 2013	2014	2013
Net assets attributable to holders of redeemable units - January 1	\$ 356,528	\$ 463,500
Increase in net assets attributable to holders of redeemable units	509	8,243
<b>Distributions to unitholders</b>		
From return of capital	(89,490)	(25,995)
<b>Redeemable unit transactions</b>		
Units issued on reinvestment of distributions	43,084	356
Units redeemed	-	(89,576)
<b>Net assets attributable to holders of redeemable units - July 8, 2014 and December 31, 2013</b>	<b>\$ 310,631</b>	<b>\$ 356,528</b>



## Trustees

### **James Eaton**<sup>Ind.,1</sup>

Toronto, Ontario, Canada  
President, Weatons Holdings Ltd.

### **David Kaufman**<sup>Ind.,1,4</sup>

Toronto, Ontario, Canada  
President & Chief Executive Officer,  
Westcourt Capital Corporation

### **Andrew Lapham**<sup>Ind.,1</sup>

Toronto, Ontario, Canada  
Managing Partner,  
Northern Private Capital

## Directors

### **Pauline Alimchandani**

Toronto, Ontario, Canada  
Chief Financial Officer,  
Dream Hard Asset Alternatives Trust

### **Michael Cooper**

Toronto, Ontario, Canada  
Portfolio Manager,  
Dream Hard Asset Alternatives Trust

### **James Eaton**<sup>Ind.,2,3</sup>

Toronto, Ontario, Canada  
President, Weatons Holdings Ltd.

### **Joanne Ferstman**<sup>Ind.2</sup>

Toronto, Ontario, Canada  
Corporate Director

### **P. Jane Gavan**

Park City, Utah, United States of America  
President, Asset Management,  
Dream Unlimited Corp.

### **David Kaufman**<sup>Ind.,2,3,4</sup>

Toronto, Ontario, Canada  
President & Chief Executive Officer,  
Westcourt Capital Corporation

### **Andrew Lapham**<sup>Ind.,2,3</sup>

Toronto, Ontario, Canada  
Managing Partner,  
Northern Private Capital

Ind. Independent

- 1 Member of the Audit Committee of the Trust Board
- 2 Member of Audit Committee of the GP Board
- 3 Member of the Governance, Compensation and Environmental Committee of the GP Board
- 4 Chair of the Board

## Corporate Information

### **Head Office**

DREAM HARD ASSET ALTERNATIVES TRUST  
State Street Financial Centre  
30 Adelaide Street East, Suite 1600  
Toronto, Ontario M5C 3H1  
Phone: (416) 365-3535  
Fax: (416) 365-6565

### **Transfer Agent**

(for change of address, registration  
or other Unitholder enquiries)

COMPUTERSHARE TRUST  
COMPANY OF CANADA  
100 University Avenue, 9th Floor  
Toronto, Ontario M5J 2Y1  
Phone: (514) 982-7555 or  
1 800 564-6253  
Fax: (416) 263-9394 or  
1 888 453-0330  
E-mail: [service@computershare.com](mailto:service@computershare.com)

### **Auditors**

PRICEWATERHOUSECOOPERS LLP  
PwC Tower, 18 York Street, Suite 2600  
Toronto, Ontario M5J 0B2

### **Corporate Counsel**

OSLER, HOSKIN & HARCOURT LLP  
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Toronto, Ontario M5X 1B8

### **Investor Relations**

Phone: (416) 365-6339  
Toll free: 1 877 365-3535  
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Website: [www.dreamalternatives.ca](http://www.dreamalternatives.ca)

### **Stock Exchange Listing**

THE TORONTO STOCK EXCHANGE  
Listing symbol: DRA.UN

### **Taxation of Distributions**

Distributions paid to unitholders  
in respect of the tax year ending  
December 31, 2014, are taxed as follows:  
Return of Capital 85.03%  
Eligible Dividends 14.97%

### **Annual Meeting of Shareholders**

Tuesday, May 12, 2015 at 4:00 pm (EST)  
Corporate Office of Dream  
State Street Financial Centre  
30 Adelaide Street East, 3rd Floor  
Toronto, Ontario, Canada

For more information please visit  
**[www.dreamalternatives.ca](http://www.dreamalternatives.ca)**

### **Distribution Reinvestment and Unit Purchase Plan**

The purpose of our Distribution Reinvestment and Unit Purchase Plan ("DRIP") is to provide Unitholders with a convenient way of investing in additional units without incurring transaction costs such as commissions, service charges or brokerage fees. By participating in the Plan, you may invest in additional units in two ways:  
Distribution reinvestment: Unitholders will have cash distributions from Dream Alternatives Trust reinvested in additional units as and when cash distributions are made. If you register in the DRIP, you will also receive a "bonus" distribution of units equal to 4% of the amount of your cash distribution reinvested pursuant to the Plan. In other words, for every \$1.00 of cash distributions reinvested by you under the Plan, \$1.04 worth of units will be purchased.  
Cash purchase: Unitholders may invest in additional units by making cash purchases. To enrol, contact:

COMPUTERSHARE TRUST COMPANY OF CANADA  
100 University Avenue, 9th Floor  
Toronto, Ontario M5J 2Y1  
Attention: Dividend Reinvestment Services  
Or call their Customer Contact Centre at  
1 800 564-6253 (toll free)  
or (514) 982-7555



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