







Zibi  
Ottawa ON/Gatineau QC





## **dream** alternatives

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Dream Hard Asset Alternatives Trust (“DAT”) is a mutual fund trust focused on hard asset alternative investments comprising real estate development, real estate lending, and real estate.

# Letter to Unitholders

We are pleased with the Trust's financial results in 2018 which represented our first year operating substantially with our new portfolio. In 2018, we were successful in acquiring additional highly valuable real estate development opportunities in Toronto, as well as continuing to invest in our current projects. We are excited with the steady progress on our projects, alongside our high calibre partners with exceptional track records. All of these achievements within our development portfolio are key steps towards achieving increased value for our unitholders.

In 2018, we invested approximately \$93.1 million of capital into development investments, including several successful acquisitions and funding towards our existing projects. We entered into some exceptional development and re-development opportunities including: a 10% interest Hard Rock Hotel / Virgin Hotel in Las Vegas and a 25% interest in the West Don Lands purpose-built rental development, which is adjacent to the Canary and Distillery Districts in downtown Toronto. We also made significant contributions into our existing investments, which continue to experience a steady progression towards significant development milestones and/or completion.

Our 34-acre mixed-use development located in Ottawa and Gatineau, the Zibi development, achieved a significant milestone through the commencement of occupancy at the project's first condominium building, O. The occupancy of the O condominium is the initial phase towards a revitalized vibrant riverfront city. Land servicing on both the Ontario and Quebec lands are well underway, and construction has started on the project's next residential building, Kanaal, along with 105,000 square feet of commercial space.

Our Axis Condominiums development, located in downtown Toronto, has been "topped off", signifying that it has reached its ultimate height but is still under

construction. First occupancy is scheduled for the fall of 2019, accelerated from an initial timing of 2020 and includes completion of the lobby and amenities. The project is 100% sold with an expected IRR of more than 50% of the Trust's initial investment.

Our investment in the Hard Rock Hotel & Casino in Las Vegas recently signed a franchise agreement with Hilton, a leading global hospitality company, to join the Curio Collection following the redevelopment of the property to the Virgin Hotel Las Vegas in 2020.

To date, we've received cash distributions of \$30.3 million from our Empire Brampton project of which \$11.4 million represented profit to the Trust. The Empire Lakeshore project continues to progress, and anticipated completion is expected in phases between late 2019 and mid-2020. While the Empire Lakeshore high-rise condominium development project updated its cost assumptions we expect the project to start contributing to income upon its anticipated completion.

With a revitalized portfolio we look to the future with an operational focus in order to obtain both the highest returns and value growth for each of our existing assets. We will leverage from our experienced internal teams and partners to assist in unlocking each of the growth potential in our development investments.

## **Announcement of Strategic Plan in 2019:**

Marking our progress since taking over management of the Trust's legacy assets in 2014, we have successfully repatriated equity capital from the original portfolio in the amount of approximately \$450 million. We have re-invested this capital into irreplaceable, world-class development assets alongside exceptional partners such as Westdale, Kilmer, Great Gulf, Fengate, Tricon Capital



“Since 2014, we have transformed the Trust’s portfolio to substantially increase the quality of the assets and the underlying value of the business. We remain committed to continuing to improve the value of the Trust’s business for the benefit of unitholders.”

Michael J. Cooper, Portfolio Manager

Group, FRAM + Slokker, Diamond Corp, Fieldgate and CentreCourt, among others.

We have also re-invested capital into higher returning income producing assets such as real estate, real estate loans and renewable power. These assets have supported our cash flow objectives, including maintaining our distribution since going public in 2014. Our new investments in developments, real estate and renewable power assets have also contributed to increases in net asset value (“NAV”) per unit, partially mitigating \$119 million of losses (16% of the Trust’s original equity) on the Trust’s non-core legacy assets, which were incurred since we acquired the assets in July 2014 and largely sold by the end of 2017. Successfully disposing of the legacy assets was a key turning point for the Trust as these assets were not in line with our target portfolio quality or long-term strategy. Following the sale of substantially all of these non-core legacy assets, we successfully repatriated the capital to higher quality, core assets that offer stronger future long-term growth and opportunity to both increase our cash flow and NAV per unit.

Despite the above noted successes, the market has not recognized the value that has been created and we believe that the Trust’s assets and business are undervalued. Our strategic plan announced with our year- end financial results release is intended to narrow the gap between our unit trading price and our net asset value. We plan to reduce the number of units outstanding while continuing to develop and maximize the value of the Trust’s development assets and recycling capital through the disposition of certain assets, specifically our renewable power assets. We believe it is an opportune time to explore a sale as there are limited opportunities to grow our current portfolio in Canada due to recent changes in the regulatory environment and government policy, but at the same time there is good demand from many institutions and investors to acquire long duration renewable power


assets with predictable, contracted cash flows that are fully operational. We intend to use the proceeds from asset dispositions to repurchase approximately \$100 million of units over the next three years. In addition, we have suspended the distribution reinvestment and unit purchase plan to reduce the issuance of units at the current market price. Lastly, we intend to review the distribution policy of the Trust over time as we execute on our strategic plan to increase NAV, which includes the sale of yield assets and a focus on longer-term development assets, to ensure the distribution policy is reflective of the Trust’s business and asset profile.

Our strategic goal over the next three years is to achieve a balance between reducing the number of units outstanding and maintaining a strong balance sheet to meet and exceed our covenants supporting our ongoing capital requirements for development activities. Since 2014, we have transformed the Trust’s portfolio to substantially increase the quality of the assets and the underlying value of the business. We remain committed to continuing to improve the value of the Trust’s business for the benefit of unitholders.

We look forward to sharing the progress in our investments and the achievement of next major milestones in the year ahead.

Thank you for your continued interest and support for our business.

Sincerely,



Michael J. Cooper  
Portfolio Manager

February 20, 2019



Dream Alternatives Trust

# At-a-glance

## ~\$813 Million\*

IN TOTAL ASSETS

## 66%

OF ASSETS ARE IN TORONTO  
AND THE GTA

MANAGED BY

**dream** 

AN EXPERIENCED ASSET MANAGER WITH  
A SUCCESSFUL TRACK RECORD

## Exceptional

DEVELOPMENT ASSETS IN TORONTO,  
THE GTA AND OTTAWA

\*As at December 31, 2018





411 Church Street  
Toronto, ON



## Our Values

Integrity

Teamwork

Dealing with stakeholders

Social responsibility

Opportunities

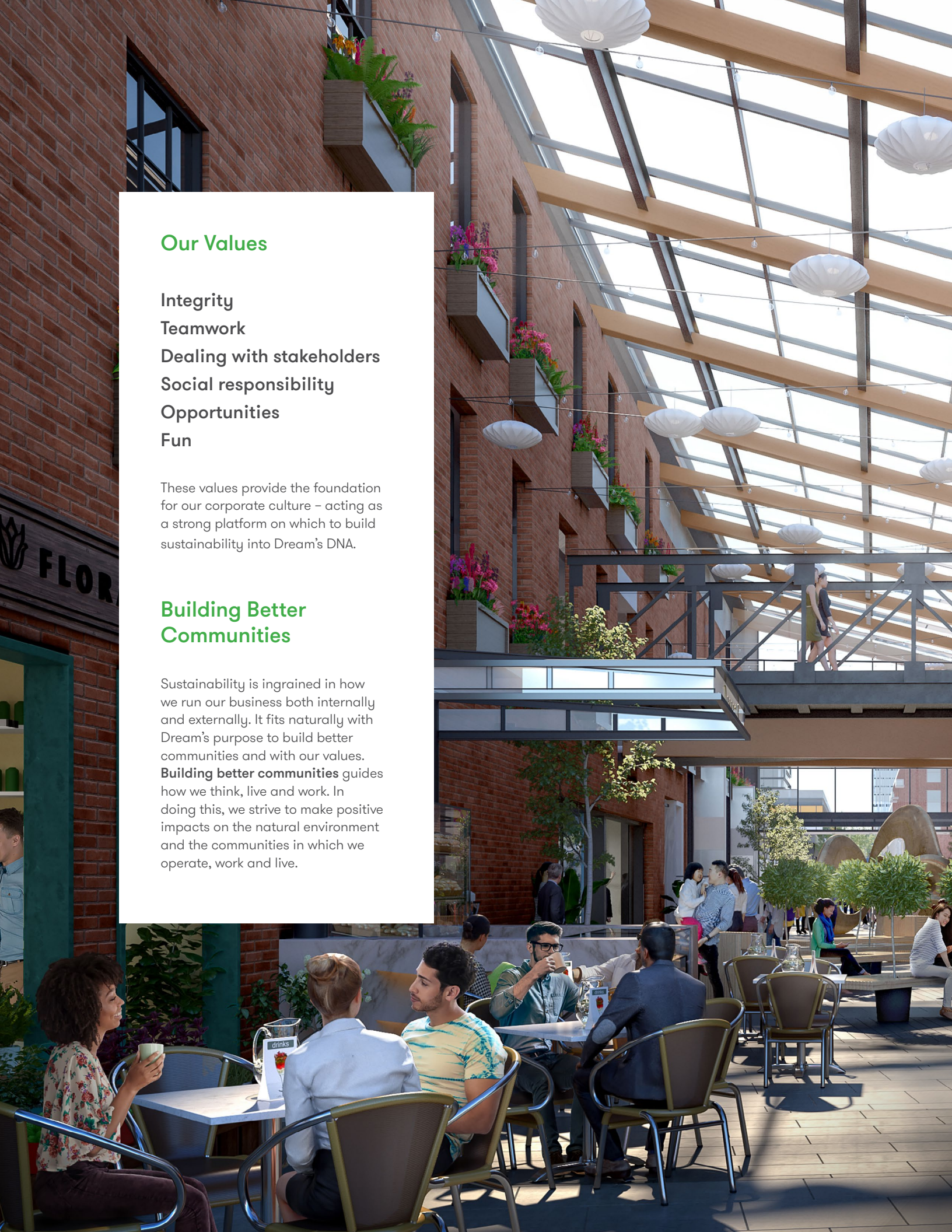
Fun

These values provide the foundation for our corporate culture – acting as a strong platform on which to build sustainability into Dream's DNA.

## Building Better Communities

Sustainability is ingrained in how we run our business both internally and externally. It fits naturally with Dream's purpose to build better communities and with our values.

**Building better communities** guides how we think, live and work. In doing this, we strive to make positive impacts on the natural environment and the communities in which we operate, work and live.







Zibi  
Ottawa, ON/Gatineau, QC

# Sustainability

## Our sustainability strategy

Our sustainability strategy guides us in how we run our business and how we manage our environmental and social obligations. We strive to integrate sustainability at both the corporate and portfolio investment levels, focusing on internal and external initiatives to benefit all stakeholders. We believe that a long-term sustainable approach is imperative to create value.

As property owners and investors we are well positioned to implement sustainability as a core pillar of our investment philosophy. This can be demonstrated through our reputation for building or investing in communities that are leaders in sustainable design as well as our investment in renewable power.

Zibi in Ottawa/Gatineau, Port Credit West Village in Mississauga and West Don Lands in Toronto are all examples of communities in our portfolio that have integrated

sustainability into every aspect of their design. For example, Zibi, in Ottawa and Gatineau, is being built to be one of the most sustainable communities in the country.

As a group, the Dream entities support the communities in which we live and work through our charitable partnerships and commitments. In 2018, Dream donated close to \$1 million to charities. In addition, our employees prepared and donated over 1,800 shoeboxes to The Shoebox Project for Women's Shelters and over 400 gifts through our Tree of Dreams.

Whether evaluating new investments or interacting with stakeholders and communities, our aim is to promote the highest standards of sustainability throughout our organization and portfolio.

We have highlighted some of our sustainability initiatives over the next few pages.



## Leader in building sustainable communities

### Zibi

Zibi, located in Ottawa and Gatineau, is envisioned as one of the most environmentally conscious and sustainability-focused development projects in Canada's history. Under the guidance of the One Planet Action Plan, a holistic ten-principle sustainability framework, Zibi will make it easy for residents, visitors and workers to lead low impact and healthy lifestyles all while living in comfort and style on the waterfront in the heart of the National Capital Region.

This past year was a momentous year at Zibi; we completed construction on our first phase of infrastructure including the decontamination of soil, and the installation of all civil services. We completed our first residential building "O" and welcomed residents into their new homes in time for the holidays. This provided the first opportunity for our One Planet Ambassador, an individual who is responsible for promoting and inspiring sustainable lifestyles within the community, to begin rolling out programming. We are also building the first phase of our District Energy system, which is a vital step toward zero-carbon heating and cooling at Zibi.

Sustainability is also engrained in our construction practices. This past year, we've had the opportunity to meet with many of our trade partners to educate them on the One Planet Action Plan.


Momentum is only increasing as we prepare to welcome more residents and commercial tenants to our community. O will submit for LEED Platinum later this spring as a further third-party verification of Zibi's green building commitments. We will also continue to strengthen our construction practices, setting the bar high for corporate responsibility in the region. Finally, we will continue to work with our Algonquin Anishinabe partners who are providing invaluable direction on the design of our public realms and green spaces which will allow Zibi to continue to be a leader in social sustainability in the region.











## West Don Lands - affordable housing built to LEED Gold standards

Dream and Dream Alternatives' West Don Lands development located in Toronto's east end will be a vibrant, community that will offer purpose-built rental apartments that include a 30% affordable housing component in support of the Province's Fair Housing Plan. We believe that communities are better when they work for everyone, inclusive of all income types.

With a vacancy rate of less than 1% and some of the highest rental rates in the country, we believe Toronto is in need of affordable options. The development will feature 1,500 units, in a family friendly community that incorporates sustainability into its design principles. It will be built to achieve Leadership in Energy and Environmental Design (LEED) Gold certification.

West Don Lands will be a complete community where residents can raise families, live, work, play, and shop. In addition, residents can take advantage of the many strong neighbourhood amenities in the adjacent Canary and Distillery Districts, notably the 82,000 square foot Cooper Koo YMCA and 18-acre Corktown Common park.

We look forward to completing the West Don Lands development to meet the growing rental needs of our city while meeting the return objectives of the Trust.

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West Don Lands  
Toronto, ON



# Sustainability Highlights

## Environmental



**Zibi is 1 of 10 endorsed** One Planet communities in the world based on 10 sustainable principles



**Sussex Centre** is certified LEED Gold and will also be FITWEL certified



Dream Alternatives' head office at 30 Adelaide Street East in Toronto received BOMA's Race2Reduce CREST award for **Energy Management Leadership** in the 250,000–500,000 square feet category



Dream and Dream Alternatives' **West Don Lands** community will offer purpose-built rentals that include affordable options



**239 MW\*** of renewable capacity (enough to power 50,000 Canadian homes for a year) has been installed by Dream and its joint venture partners, including Dream Alternatives

## Governance



**43%** of Dream Alternatives' Board members are women



**71%** of Dream Alternatives' Board members are independent



Embedded elements of sustainability in Board mandates

## Social\*



**~1,800+ shoeboxes** were donated to The Shoebox Project for Women's Shelters by Dream



**Close to \$1 million** was donated to charities and communities



**~\$325,000** in tuition and professional development fees was reimbursed to employees



**420 gifts** were donated to seniors through the Tree of Dreams



**National sponsor** of The Shoebox Project for Womens Shelters and partner with Women's College Hospital

Highlights are as at December 31, 2018

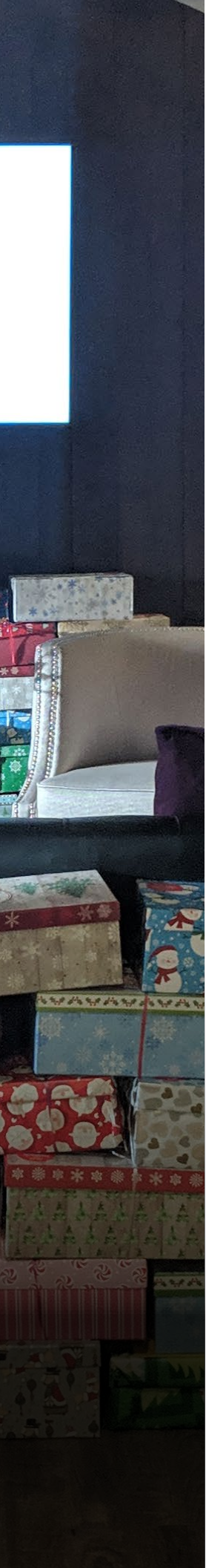
\*Social highlights are based on all Dream entities combined





Since Dream became the National Sponsor for The Shoebox Project for Women in 2014, Dream and our employees have donated over **5,000 shoeboxes** to women in shelters.





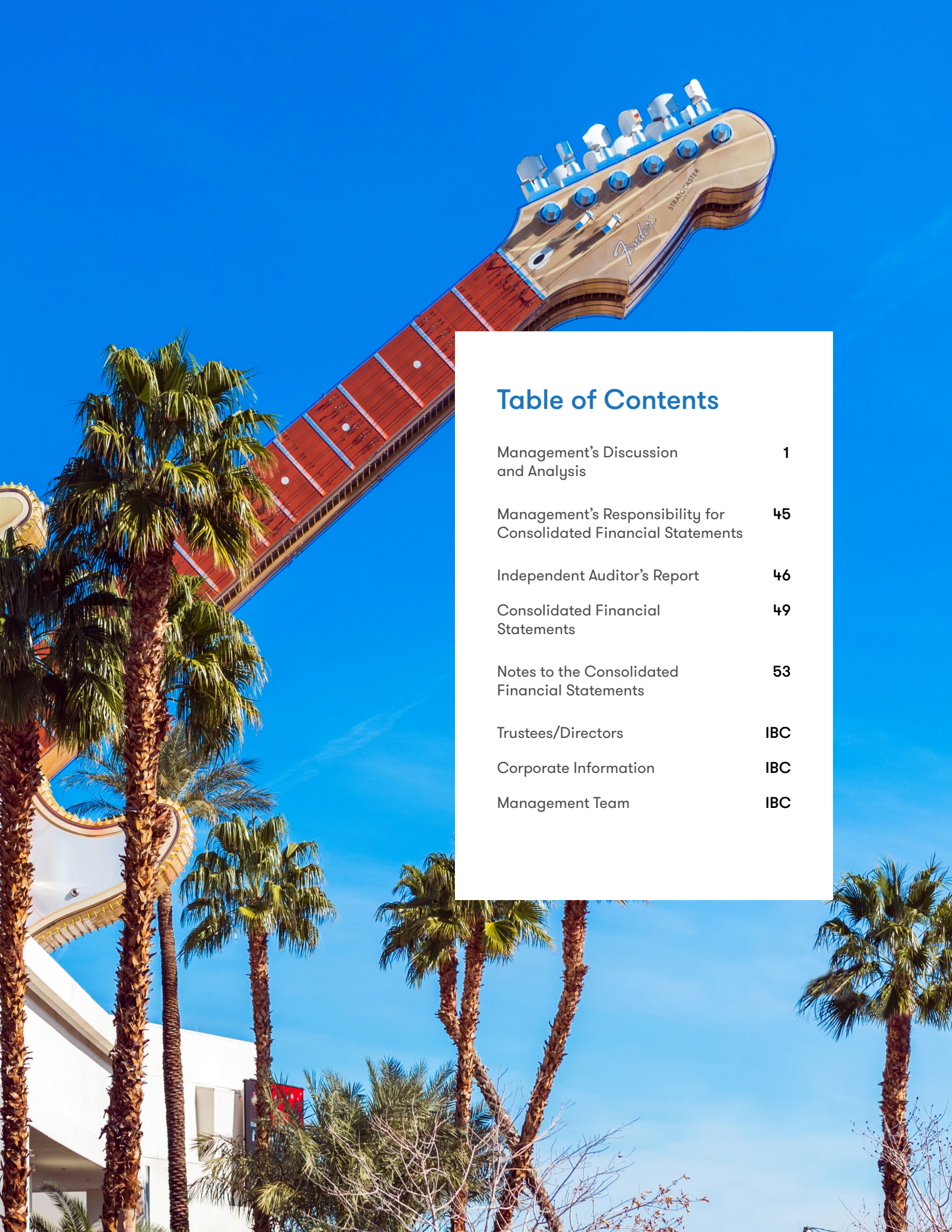
The Shoebox Project for Women, supported by Dream, collects and distributes gift-filled shoeboxes for women impacted by homelessness in communities across Canada and the U.S. Each thoughtfully created and decorated shoebox is filled with items that can enhance self-esteem and reduce feelings of isolation for women in need.





Hard Rock Hotel  
Las Vegas, Nevada





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# MANAGEMENT'S DISCUSSION AND ANALYSIS

(All dollar amounts in our tables are presented in thousands of Canadian dollars, except rental rates, unit, per unit and megawatt ("MW") amounts, unless otherwise stated)

## 1. OVERVIEW AND OVERALL FINANCIAL PERFORMANCE

### 1.1 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 development, real estate lending, real estate, and renewable power. In the Trust's reportable operating segments, these investments are referred to as development and investment holdings, lending portfolio, income properties, and renewable power, respectively. The Trust is managed by Dream Asset Management Corporation ("DAM") or the ("Asset Manager"), a subsidiary of Dream Unlimited Corp. ("Dream"), (TSX: DRM) which is one of Canada's leading real estate companies, with approximately \$15 billion of assets under management in North America and Europe. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "DRA.UN". On January 1, 2018, Dream acquired control of the Trust, based on Dream's increased exposure to variable returns resulting from increased ownership through units held in the Trust and from new real estate joint venture agreements. Dream is the ultimate parent company of the Trust.

This Management's Discussion and Analysis ("MD&A") is dated as of, and reflects all material events up to February 20, 2019, the date on which this MD&A was approved by the Board of Trustees. This MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2018 along with the 2017 comparative figures, respectively, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain comparative results have been reclassified to conform to the presentation adopted in the current period.<sup>(1)</sup>

The Basis of Presentation section of this MD&A includes important information concerning certain information found in this MD&A that contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities laws. Readers are encouraged to read the Basis of Presentation and Risks and Risk Management sections of this MD&A for a discussion of the risks and uncertainties regarding this forward-looking information as there are a number of factors that could cause actual results to differ materially from those disclosed or implied by such forward-looking information.

Our operating segments consist of the following:

- **Development and investment holdings** — participating mortgages receivable and indirect investments in developments and income-producing properties and direct investments in development projects;
- **Lending portfolio** — interest-paying mortgages, mezzanine and corporate loans;
- **Income properties** — a portfolio of office, industrial and commercial real estate properties in Canada; and
- **Renewable power** — solar and wind power projects in Canada and the United Kingdom ("U.K.").

### 1.2 OUR OBJECTIVES

Our objectives are to:

- provide an opportunity to invest in hard asset alternative investments, including real estate development, real estate lending, real estate, and renewable power, managed by an experienced team with a successful track record in these areas;
- build and maintain a growth-oriented portfolio;
- provide predictable cash distributions to unitholders on a tax efficient basis; and
- grow and reposition the portfolio to increase cash flow, unitholders' equity and net asset value ("NAV") per unit<sup>(2)</sup> over time.

<sup>(1)</sup> The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements

<sup>(2)</sup> For the Trust's definition of the following non-IFRS measures: NAV, NAV per unit, and a reconciliation to total unitholders' equity, please refer to the Non-IFRS Measures and Other Disclosures section of the MD&A



## 1.3 PORTFOLIO SUMMARY

The table below provides a summary of the Trust's portfolio as at December 31, 2018, including NAV and date of last appraisal. With the Trust's focus on development investments that will generate higher growth and cash flow over a period of time, growth in NAV per unit is considered to be a useful metric of value creation and unitholders return. The determination of NAV incorporates a market value<sup>(4)</sup> adjustment to equity accounted investments and the renewable power portfolio to take into consideration the change in risk profile as a result of various factors including progression to completion or becoming operational. For additional details on NAV per unit, a non-IFS measure, and a reconciliation to total unitholders' equity, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

	Location	Accounting Treatment <sup>(1)</sup>	Economic Interest <sup>(2)</sup> %	Assets	Debt	Total Unitholders' Equity <sup>(3)</sup>	NAV <sup>(4)</sup>	NAV per unit	Year acquired/ Last External Appraisal
<b>Development and Investment Holdings, including Equity accounted investments</b>									
Empire Lakeshore <sup>(5)</sup>	Toronto & GTA	Fair value	80.0%	\$ 61,335	N/A	\$ 65,002	\$ 65,002	\$ 0.90	N/A
Hard Rock/Virgin Hotels Las Vegas	United States	Fair value	10.0%	39,965	N/A	39,965	39,965	0.55	Acquired 2018
Zibi development	Other Ontario	Equity accounted	40.0%	38,398	N/A	38,398	38,398	0.53	2017
Port Credit development	Toronto & GTA	Equity accounted	23.3%	32,828	N/A	32,828	37,104	0.51	Q4 2018
Frank Gehry development	Toronto & GTA	Equity accounted	18.8%	22,130	N/A	22,130	22,130	0.30	Q4 2018
Bayfield LP	Other Western Canada	Fair value	11.9% - 13.2%	13,879	N/A	13,879	13,879	0.19	Q4 2018/Q4 2017
Lakeshore East development	Toronto & GTA	Equity accounted	37.5%	12,871	N/A	12,871	33,702	0.46	Q4 2018
Plaza Bathurst and Plaza Imperial development	Toronto & GTA	Equity accounted	40.0%	8,338	N/A	8,338	8,338	0.11	Q4 2018
Empire Brampton	Toronto & GTA	Fair value	78.8%	3,430	N/A	3,430	3,430	0.05	N/A
100 Steeles	Toronto & GTA	Equity accounted	25.0%	6,119	N/A	6,119	6,119	0.08	Acquired 2018
Seaton development <sup>(6)</sup>	Toronto & GTA	Equity accounted	7.0%	4,176	N/A	4,176	4,176	0.06	Acquired 2018
IVY Condominiums	Toronto & GTA	Equity accounted	50.0%	2,418	N/A	2,418	4,307	0.06	Q1 2018
Axis Condominiums	Toronto & GTA	Equity accounted	28.0%	2,012	N/A	2,012	14,886	0.21	N/A
West Don Lands	Toronto & GTA	Equity accounted	25.0%	1,946	N/A	1,946	1,946	0.03	Acquired 2018
Queen & Mutual	Toronto & GTA	Equity accounted	9.0%	1,292	N/A	1,292	1,292	0.02	Acquired 2018
				<b>\$ 251,137</b>		<b>\$ 254,804</b>	<b>\$ 294,674</b>	<b>\$ 4.06</b>	
<b>Lending Portfolio</b>									
Toronto development <sup>(8)</sup>	Toronto & GTA	Amortized cost <sup>(7)</sup>	N/A	\$ 88,489	N/A	\$ 86,614	\$ 86,614	\$ 1.20	N/A
Vancouver development	British Columbia	Amortized cost	N/A	41,006	N/A	41,006	41,006	0.56	N/A
Other	Saskatchewan	Amortized cost	N/A	14,600	N/A	14,600	14,600	0.20	N/A
				<b>\$ 144,095</b>		<b>\$ 142,220</b>	<b>\$ 142,220</b>	<b>\$ 1.96</b>	
<b>Income Properties</b>									
Toronto and GTA	Toronto & GTA	Fair value	50.1% - 100%	\$ 173,977	\$ 89,761	\$ 84,455	\$ 84,455	\$ 1.16	Q4 2018
Other	Other Ontario	Fair value	60.0%	42,058	26,925	14,530	14,530	0.20	Q4 2018
Industrial Portfolio	Saskatchewan	Fair value	50.0%	8,275	5,528	2,977	2,977	0.04	Q4 2018
				<b>\$ 224,310</b>	<b>\$ 122,214</b>	<b>\$ 101,962</b>	<b>\$ 101,962</b>	<b>\$ 1.40</b>	
<b>Renewable Power</b>									
Canadian Solar	Toronto & GTA	Amortized cost	100.0%	\$ 80,163	\$ 47,932	\$ 36,371	\$ 41,139	\$ 0.57	Q4 2018
Canadian Wind	Eastern Canada	Amortized cost	80.0%	30,727	25,346	8,005	9,488	0.13	Q4 2018
United Kingdom Wind	United Kingdom	Amortized cost	100.0%	19,725	—	19,808	24,084	0.33	Q4 2018
				<b>\$ 130,615</b>	<b>\$ 73,278</b>	<b>\$ 64,184</b>	<b>\$ 74,711</b>	<b>\$ 1.03</b>	
<b>Other<sup>(9)</sup></b>									
Cash and consolidated working capital						\$ 27,088	\$ 27,088	\$ 0.37	
Deferred income tax adjustment <sup>(10)</sup>							(6,005)	(0.08)	
						<b>\$ 27,088</b>	<b>\$ 21,083</b>	<b>\$ 0.29</b>	
<b>Total Unitholders' Equity / NAV</b>						<b>\$ 590,258</b>	<b>\$ 634,650</b>		
<b>Total Unitholders' Equity per unit<sup>(4)</sup> / NAV per unit</b>						<b>\$ 8.13</b>	<b>\$ 8.74</b>		

<sup>(1)</sup> Equity accounted investments are recognized initially at cost and subsequently adjusted for the Trust's share of the profit or loss

<sup>(2)</sup> Represents the Trust's debt and equity interests in the underlying projects

<sup>(3)</sup> Total unitholders' equity includes working capital for each respective segment. This working capital is excluded from the Assets and Debt balances disclosed for each investment, as applicable

<sup>(4)</sup> For the Trust's definition of the non-IFRS measures Market value and Total Unitholders' equity per unit, please refer to the Non-IFRS measure and Other Disclosures

<sup>(5)</sup> Total Unitholders' Equity and NAV for Empire Lakeshore includes a financial guarantee provided to the project that is recorded in the consolidated statements of financial position

<sup>(6)</sup> The Seaton development total initial investment was \$9.1 million, split between loan investments and equity accounted investment under IFRS

<sup>(7)</sup> As at December 31, 2018, includes a loan of \$16.6 million (December 31, 2017 - \$10.0 million) classified as fair value through profit and loss ("FVTPL")

<sup>(8)</sup> The Toronto development includes a deferred interest income balance that is recorded in the consolidated statements of financial position

<sup>(9)</sup> Includes the Trust and other segment level cash and net working capital balances

<sup>(10)</sup> The deferred income tax adjustment is related to the equity accounted investments and renewable power market value adjustments



## SUMMARY OF DEVELOPMENT AND INVESTMENT HOLDINGS PARTNERS

We continue to leverage our relationships and expertise to attract world-class partners and investment opportunities. As a result of our partners and relationships, the Trust has access to unparalleled investment opportunities across North America. The table below provides an overview of some of the Trust's key partners within its development/re-development investments:

Project	Partners	Partner Since
Empire Lakeshore & Brampton	Empire Communities	2014
Axis Condominiums	CentreCourt Developments	2016
Lakeshore East development	Dream Unlimited, Great Gulf Residential	2016
Port Credit development	Dream Unlimited, Kilmer Van Nostrand Co. Ltd, Diamond Corp., FRAM + Slokker	2017
Zibi development	Dream Unlimited, Theia Partners <sup>(1)</sup>	2017
Frank Gehry development	Dream Unlimited, Great Gulf Residential, Westdale Construction Co Ltd	2017
Seaton development	Fieldgate Homes, Mattamy Homes, Paradise Developments, TACC Construction Ltd	2018
Hard Rock/Virgin Hotels Las Vegas	Juniper Capital Partners, Fengate Real Asset Investments, Virgin Hotels	2018
100 Steeles	Dream Unlimited, Westdale Construction Co. Ltd	2018
West Don Lands	Dream Unlimited, Kilmer van Nostrand Co. Ltd, Tricon Capital Group	2018

<sup>(1)</sup> Formerly known as Windmill Development

## 1.4 FINANCIAL OVERVIEW - FOURTH QUARTER AND YEAR ENDED 2018

### DREAM ALTERNATIVES REPORTS FOURTH QUARTER AND YEAR END RESULTS AND ANNOUNCES STRATEGIC PLAN TO ENHANCE UNITHOLDER VALUE

The completion of 2018 marked a successful year of operations for the Trust, as we continued to advance capital towards significant development investments in Toronto. For the year ended December 31, 2018, the Trust reported net income of \$13.9 million compared with a net loss of \$9.5 million in the prior year. The year over year financial results benefited from the transformational growth the Trust has achieved, with the prior year impacted by losses associated with the disposal of approximately \$338.5 million of the Trust's non-core legacy assets throughout 2017.

### ANNOUNCEMENT OF STRATEGIC PLAN

Since taking over management of the Trust's legacy assets in 2014, we have successfully repatriated equity capital from the original portfolio in the amount of approximately \$450 million. We have re-invested this capital into irreplaceable, world-class development assets alongside exceptional partners such as Westdale, Kilmer, Great Gulf, Fengate, Tricon Capital Group, FRAM + Slokker, Diamond Corp, Fieldgate and CentreCourt, among others. Some of these developments include:

- a 5.3 acre Lakeshore East site in downtown Toronto located adjacent to a planned investment by Sidewalk Labs, a sister company of Google;
- a 72 acre waterfront property in Port Credit planned to be developed into a large master planned residential/mixed use community;
- 34 acres of lands located in Ottawa and Gatineau planned to be developed into a mixed-use master-planned community, with over 3 million square feet of density comprising over 2,000 residential units and over one million square feet of commercial space;
- 10 Lower Spadina Avenue and 49 Ontario Street, both located in downtown Toronto, with considerable redevelopment potential;
- the West Don Lands rental apartment community in downtown Toronto, which will be built in stages and is expected to include approximately 1,500 residential units as well as retail and office space; and
- the iconic Frank Gehry designed Mirvish-King West development, located at the intersection of King Street West and Duncan Street in downtown Toronto, which is slated to be re-developed to include two landmark residential towers, each in excess of 80 storeys.

We have also re-invested capital into higher returning income producing assets such as real estate, real estate loans and renewable power. These assets have supported the cash flow objectives of the Trust, including maintaining our distribution since going public in 2014. Our new investments in developments, real estate and renewable power assets have also contributed to increases in NAV per unit, partially mitigating \$119 million of losses (16% of the Trust's original equity) on the Trust's non-core legacy assets, which were incurred since we acquired the assets in July 2014 and largely sold by the end of 2017. Successfully disposing of the legacy assets was a key turning point for the Trust as these assets were not in line with our target portfolio quality or long-term strategy. To maximize the value of the legacy assets, the Trust strategically sold certain office assets as part of larger portfolio



transactions with our co-owner Dream Office REIT (TSX: D.UN) to achieve the highest possible price and worked with borrowers and development partners to unwind certain legacy investments at good value to the Trust, notwithstanding the inferior rights within inherited agreements. Following the sale of substantially all of these non-core legacy assets, we successfully repatriated the capital to higher quality, core assets that offer stronger future long-term growth and opportunity to both increase our cash flow and NAV per unit.

Notwithstanding the successes achieved, management believes that the Trust's unit price performance has not reflected the value creation within the business and that the public markets continue to value the Trust's assets and business below NAV. During the course of 2018 and early 2019, management and the Board of Trustees (the "Board") reviewed a number of potential strategic alternatives to narrow the gap between the trading price of the Trust's units and NAV, while continuing to build the underlying value of the business. To achieve these goals, the Board has approved a strategic plan that includes continuing the recycling of capital from the disposition of select non-core assets into the Trust's real estate developments. In addition, given current market conditions, management and the Board believe the units of the Trust are an attractive investment opportunity and are prepared to deploy up to \$100 million towards our unit buyback program (representing approximately 21% of current market capitalization) over the next three years. The actual number of units that may be purchased and the timing of such purchases will be determined by the Trust. Decisions regarding purchases will be based on market conditions, unit prices, expected proceeds from capital recycling and best use of available cash and other factors.

The Trust is currently in the process of marketing certain renewable power assets and intends to investigate the potential sale of our entire renewable power segment at full value. We believe it is an opportune time to explore a sale as there are limited opportunities to grow our current portfolio in Canada due to recent changes in the regulatory environment and government policy, but at the same time there is good demand from many institutions and investors to acquire long duration renewable power assets with predictable, contracted cash flows that are fully operational. The Trust currently funds its normal course issuer bid ("NCIB") primarily using cash on hand. The Trust expects that it will require proceeds from asset sales and/or future loan repayments for larger repurchases, in line with its strategic plan, which may be effected through one or more substantial issuer bids. The Trust also announced today the suspension of its distribution reinvestment and unit purchase plan (the "DRIP") (currently at 35.5% participation ratio) until further notice, in order to eliminate dilution and to preserve value. The Board intends to review the distribution policy of the Trust over time as management executes on the strategic plan to increase NAV of the Trust, which includes the sale of yield assets and a focus on longer-term development assets, to ensure the distribution policy is reflective of the Trust's business and asset profile.

## RESULTS HIGHLIGHTS

For the three months ended December 31, 2018, the Trust reported net income of \$7.0 million down from \$16.4 million in the same period in the prior year. The year over year variance was primarily due to the Trust recording net fair value gains in income properties of \$0.5 million during the fourth quarter of 2018 compared with \$11.0 million in the same period in the prior year. As well, there were no fair value gains related to marketable securities recorded in the fourth quarter of 2018 compared with \$2.8 million in the same period in the prior year due to the disposal of the Trust's investment in the publicly traded units of Dream Office REIT (TSX: D.UN) earlier in 2018. During the year ended December 31, 2018, the Trust recorded a fair value gain of \$3.7 million related to this investment. Including distributions received, the Trust generated a total return of \$8.8 million or 16.8% on its gross investment of the Dream Office REIT units.

During the year ended December 31, 2018, the Trust invested approximately \$93.1 million of capital, including transaction costs, into its development investments either through successful acquisitions or funding towards its existing projects. Over the course of the year the development projects have progressed steadily towards various milestones and/or completion. In addition to investing into its existing development portfolios, the Trust entered into significant development and re-development opportunities including acquiring a 10% interest in the 1,500 room Hard Rock Hotel / Virgin Hotel Las Vegas ("Hard Rock") and a 25% interest in the West Don Lands purpose-built rental development, comprising of 1,500 units, which is adjacent to the Canary and Distillery Districts in downtown Toronto.

In the three months ended December 31, 2018, Zibi, the 34-acre mixed-use development located in Ottawa and Gatineau, progressed with the commencement of occupancy at the project's first condominium building, "O", comprising of 70 units which are 83% sold. In addition to O, land servicing on both the Ontario and Quebec lands is well underway, and construction has started on the project's next residential building, Kanaal, comprising of 71 units along with 105,000 square feet of commercial space.

As at December 31, 2018, the Axis Condominiums project had been 'topped off', signifying it has reached its ultimate height but is still under construction. The project remains on schedule with first occupancy slated for the fall of 2019, accelerated from an initial timing of 2020, and includes completion of the lobby and amenities. The project is 100% sold. Upon completion the internal



rate of return ("IRR"<sup>(1)</sup>) on Axis Condominiums is expected to be well in excess of 50% on the Trust's initial investment of \$5.4 million, including transaction costs.

Subsequent to December 31, 2018, the Hard Rock signed a franchise agreement with Hilton Hotels & Resorts ("Hilton") to join the Curio Collection following the redevelopment/conversion of the property to the Virgin Hotel Las Vegas in 2020, as well as participate in Hilton's award-winning guest loyalty program, Hilton Honors. Curio Collection by Hilton is an upper upscale, global portfolio of more than 65 one-of-a-kind hotels and resorts across the world. As a result of the agreement, the property will be on the Hilton booking system upon its re-opening as a Virgin Hotel and will have access to a large distribution channel through the Hilton platform, where there has historically been significant unmet room demand - estimated to be 900,000 unmet Las Vegas rooms per year.

Over the upcoming year, in line with the current projections for the progression of the Trust's various development projects, management expects to invest a further \$45 to \$55 million towards funding existing development projects in Toronto and Ottawa. The Trust expects to fund its current development portfolio capital requirements from existing cash on hand, cash generated from operations, future loan repayments and to the extent needed, its credit facility. The funds are expected to be used towards pre-development costs, development costs and other planned future payments. This aggregate capital call forecasted for the next year includes assumptions related to the following: timing and amount of expected loan financings, deposit commitments, timing of sales and/or construction commencement, revenue and cost estimates and leasing activity, all of which are based on current information and are subject to change. As at December 31, 2018, the Trust had a cash balance of \$46.7 million and funds available under its revolving credit facility of \$38.0 million (net of \$1.4 million of letters of credit).

#### **DEVELOPMENT AND INVESTMENT HOLDINGS**

For the three months ended December 31, 2018, development and investment holdings net income increased to \$3.8 million from \$1.0 million in the same period in the prior year. The increase was primarily due to the Trust's share of income from its equity accounted investments recognized in the current period, primarily driven by occupancy at Zibi's O condominium. For the year ended December 31, 2018, development and investment holdings recorded net income of \$0.9 million, compared with a net loss of \$1.6 million in the prior year. The net loss in the prior year was primarily due to the sale of the Trust's non-core legacy assets within its development and investment holdings segment. During the year ended December 31, 2018, the Trust recorded fair value gains of \$3.3 million related to its hospitality assets and \$0.8 million of the Trust's share of income from its equity accounted investments primarily due to the occupancy at the O condominium. Offsetting the aforementioned fair value gains was \$4.5 million of fair value losses recognized during the year on the Empire Lakeshore high-rise condominium development project based on updated information regarding changes in cost assumptions as the project is closer to completion.

#### **LENDING PORTFOLIO**

For the three months ended December 31, 2018, the lending portfolio generated net income of \$3.6 million an increase from \$1.3 million when compared with the same quarter in the prior year. During the three months ended December 31, 2018, no provision for the lending portfolio was recorded compared to a loan provision of \$2.5 million recorded in the same period in the prior year. The lending portfolio recorded net income of \$15.6 million for the year ended December 31, 2018 an increase from \$8.6 million when compared with the prior year. During the year ended December 31, 2018, no provision for the lending portfolio was recorded compared to a loan provision of \$4.8 million recorded in the prior year. In addition, the year over year increase was attributable to a higher weighted average effective interest rate on the loan portfolio when compared to the prior year. During the year ended December 31, 2018, the Trust advanced total gross proceeds of \$35.0 million at a weighted average effective interest rate of 10.7% compared to \$90.1 million at a weighted average effective interest rate of 10.1% in the prior year.

#### **INCOME PROPERTIES**

For the three months ended December 31, 2018, income properties generated net income of \$2.1 million compared with \$17.3 million in the same period in the prior year. The decrease was due to a net fair value gain of \$0.5 million, recorded in the three months ended December 31, 2018, compared with a net fair value gain of \$11.0 million recorded in the same period in the prior year. In addition, during the three months ended December 31, 2018, no fair value gains were recorded on the publicly traded units of Dream Office REIT compared with \$2.8 million recorded in the same period in the prior year as the Trust's investment in Dream Office REIT units were disposed during the second quarter of 2018. For the year ended December 31, 2018, the income properties generated net income of \$9.3 million compared with a net loss of \$10.0 million in the prior year. The year over year change was primarily due to \$22.9 million of net fair value losses recorded in the prior period related to the disposal of the Trust's non-core income properties.

<sup>(1)</sup> For the Trust's definition of IRR, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A



## RENEWABLE POWER

For the three months and year ended December 31, 2018, the renewable power portfolio recorded a net loss of \$0.3 million and net income of \$4.1 million, respectively, compared with net income of \$0.4 million and \$4.5 million in the same period in the prior year. The variance was primarily attributable to weather conditions which impacted solar production and an increase in maintenance related expenses during the current periods.

## OTHER<sup>(1)</sup>

The Other segment realized a net loss of \$2.2 million for the three months ended December 31, 2018 compared with a net loss of \$3.6 million in the same period in the prior year. This was primarily the result of the Trust recording a deferred tax recovery of \$1.3 million compared with \$0.7 million in the same period in the prior year. The Other segment realized a net loss of \$15.9 million for the year ended December 31, 2018 compared with a net loss of \$11.1 million in the prior year. This was primarily the result of the Trust recording an income tax expense of \$0.7 million compared with an income tax recovery of \$5.1 million in the same period in the prior year.

## NET ASSET VALUE ("NAV")

NAV per unit of \$8.74 as at December 31, 2018 increased by 0.6% compared with \$8.69 as at September 30, 2018. The increase was as a result of the following: the redemption of the Trust's investment in Hotel Pur thereby receiving total distributions of \$4.9 million which included return of capital plus a 9% preferred return; a \$2.0 million fair value gain on its investment in Hard Rock related to foreign exchange; and market value gains of \$7.1 million related to both its Axis Condominiums and Lakeshore East developments. The market value gain on the Axis Condominiums development was attributed to the project being closer to completion. The market value gain on the Lakeshore East development was a result of continued favorable market trends and comparable market transactions, as supported by independent third-party appraisals. Fair value adjustments are reflected in the Trust's consolidated financial statements. Market value adjustments are reflected only in NAV, which is a non-IFRS measure. For details on NAV and reconciliation to total unitholders' equity, please refer to Non-IFRS Measures and Other Disclosures section of this MD&A.

## UNITHOLDERS' EQUITY

As at December 31, 2018, total unitholders' equity of \$8.13 per unit has remained relatively consistent compared with \$8.14 per unit as at September 30, 2018.

## CASH GENERATED FROM OPERATING ACTIVITIES

Cash generated from operating activities for the three months ended December 31, 2018 was \$1.7 million compared with \$7.3 million in the same period in the prior year. During the three months ended December 31, 2018, cash distributions, which represented profit to the Trust, of \$1.2 million related to the Trust's investment in Hotel Pur were received compared with \$2.4 million related to Empire Brampton in the same period in the prior year. Cash generated from operating activities for the year ended December 31, 2018 was \$17.3 million compared with \$11.4 million for the prior year. The increase in cash generated from operating activities was primarily due to lower investment towards lease incentives and initial direct leasing costs due to the sale of the non-core income properties in the prior year, as well as changes in non-cash working capital.

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



## FINANCIAL HIGHLIGHTS OF THE TRUST

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Consolidated results of operations</b>				
Net income (loss)	\$ 6,995	\$ 16,377	\$ 13,902	\$ (9,472)
Net income (loss) before depreciation <sup>(1)</sup>	8,528	17,906	20,005	(3,614)
Cash generated from (utilized in) operating activities	1,669	7,285	17,251	11,350
Net income (loss) per unit <sup>(1)</sup>	0.10	0.23	0.19	(0.13)
Net income (loss) per unit before depreciation <sup>(1)</sup>	0.12	0.25	0.28	(0.05)
<b>Trust unit information</b>				
Distributions declared and paid per unit	\$ 0.10	\$ 0.10	\$ 0.40	\$ 0.40
Units outstanding – end of period	72,592,822	72,417,786	72,592,822	72,417,786
Units outstanding – weighted average	72,437,648	72,583,347	72,361,187	72,434,391

<sup>(1)</sup> For the Trust's definition of the following non-IFRS measures: net income (loss) before depreciation, net income (loss) per unit, net income (loss) per unit before depreciation, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

As at	December 31, 2018	September 30, 2018	December 31, 2017 <sup>(2)</sup>
<b>Consolidated financial position</b>			
Total Unitholders' Equity	\$ 590,258	\$ 588,711	\$ 604,706
Total Unitholders' Equity per unit	8.13	8.14	8.35
NAV	634,650	628,591	641,427
NAV per unit	8.74	8.69	8.86
Total contractual debt payable <sup>(1)</sup>	198,654	200,495	203,318
Total assets	813,307	821,102	852,432
Cash	46,730	46,589	60,927
Debt-to-gross asset value <sup>(1)</sup>	24.4%	24.4%	23.9%

<sup>(1)</sup> For the Trust's definition of the following non-IFRS measures: debt-to-gross asset value, gross asset value and total contractual debt payable, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

<sup>(2)</sup> The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements

## NET INCOME BY OPERATING SEGMENTS

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Development and investment holdings	\$ 3,801	\$ 1,003	\$ 903	\$ (1,579)
Lending portfolio	3,607	1,318	15,550	8,578
Income properties	2,098	17,254	9,315	(9,950)
Renewable power	(340)	398	4,056	4,538
Other <sup>(1)</sup>	(2,171)	(3,596)	(15,922)	(11,059)
<b>Total</b>	<b>\$ 6,995</b>	<b>\$ 16,377</b>	<b>\$ 13,902</b>	<b>\$ (9,472)</b>

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



The closest IFRS measure to NAV is total unitholders' equity. The table below provides the reconciliation of NAV to total unitholders' equity

As at December 31, 2018	Development and investment holdings <sup>(2)</sup>	Lending portfolio	Income properties	Renewable power <sup>(3)</sup>	Other <sup>(1)</sup>	Total
<b>TOTAL UNITHOLDERS' EQUITY</b>	\$ 254,804	\$ 142,220	\$ 101,962	\$ 64,184	\$ 27,088	\$ 590,258
Market value adjustment to equity accounted investments	39,870	—	—	—	—	39,870
Market value adjustment to renewable power assets	—	—	—	10,527	—	10,527
Deferred income taxes adjustment	—	—	—	—	(6,005)	(6,005)
<b>NAV</b>	<b>\$ 294,674</b>	<b>\$ 142,220</b>	<b>\$ 101,962</b>	<b>\$ 74,711</b>	<b>\$ 21,083</b>	<b>\$ 634,650</b>
<b>NAV PER UNIT</b>	<b>\$ 4.06</b>	<b>\$ 1.96</b>	<b>\$ 1.40</b>	<b>\$ 1.03</b>	<b>\$ 0.29</b>	<b>\$ 8.74</b>

<sup>(1)</sup> Other includes Trust and other segment level cash and net working capital balances

<sup>(2)</sup> For additional details on the Trust's market value adjustment to equity accounted investments, please refer to Equity Investments Market Value Adjustments Included in NAV - Methodology within section 2.2 of the MD&A

<sup>(3)</sup> For additional details on the Trust's market value adjustment to renewable power assets, please refer to Renewable Power Market Value Adjustment Included in NAV - Methodology with section 2.5 of the MD&A

As at December 31, 2017 <sup>(4)</sup>	Development and investment holdings <sup>(2)</sup>	Lending portfolio	Income properties	Renewable power <sup>(3)</sup>	Other <sup>(1)</sup>	Total
<b>TOTAL UNITHOLDERS' EQUITY</b>	\$ 198,839	\$ 158,758	\$ 156,462	\$ 67,061	\$ 23,586	\$ 604,706
Market value adjustment to equity accounted investments	29,201	—	—	—	—	29,201
Market value adjustment renewable power assets	—	—	—	11,773	—	11,773
Deferred income taxes adjustment	—	—	—	—	(4,253)	(4,253)
<b>NAV</b>	<b>\$ 228,040</b>	<b>\$ 158,758</b>	<b>\$ 156,462</b>	<b>\$ 78,834</b>	<b>\$ 19,333</b>	<b>\$ 641,427</b>
<b>NAV PER UNIT</b>	<b>\$ 3.15</b>	<b>\$ 2.19</b>	<b>\$ 2.16</b>	<b>\$ 1.09</b>	<b>\$ 0.27</b>	<b>\$ 8.86</b>

<sup>(1)</sup> Other includes Trust and other segment level cash and net working capital balances

<sup>(2)</sup> For additional details on the Trust's equity accounted investments market value adjustment, please refer to Equity Investments Market Value Adjustments included in NAV - Methodology within section 2.2 of the MD&A

<sup>(3)</sup> For additional details on the Trust's renewable power assets market value adjustment, please refer to Renewable Power Market Value Adjustment Included in NAV - Methodology with section 2.5 of the MD&A

<sup>(4)</sup> The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements

## 1.5 NORMAL COURSE ISSUER BID ("NCIB") AND INSIDER ACTIVITY

From the inception of the Trust's NCIB program in December 2014 to February 20, 2019, the Trust purchased for cancellation 4.0 million units for a total cost of \$24.5 million, which included 1.3 million units purchased during and subsequent to the year ended December 31, 2018.

The Trust received acceptance of its Notice of Intention to renew its prior normal course issuer bid from the TSX on January 11, 2019. The bid commenced on January 15, 2019, and will remain in effect until the earlier of January 14, 2020 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 6,066,081 units (representing 10% of the Trust's public float of 60,660,817 units at the time of entering the bid through the facilities of the TSX).

Subsequent to the year ended December 31, 2018, the Trust entered into an automatic securities repurchase plan (the "Plan") in order to facilitate purchases of its units under the NCIB. The Plan allows for purchases by Dream Alternatives of units at any time including, without limitation, times when the Trust would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Trust based upon the parameters prescribed by the TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the Units may also be purchased in accordance with management's discretion. The Plan will terminate on January 14, 2020.

Since 2014 to February 20, 2019, the Trust's asset manager, DAM, purchased to date an aggregate of 12.3 million of the Trust's units, which included 1.3 million units issued under the Distribution Reinvestment and Unit Purchase Plan and the rest in the open market for its own account, representing approximately 16.8% of the total units outstanding.



## 2. REPORTABLE OPERATING SEGMENTS RESULTS OF OPERATIONS

### 2.1 HIGHLIGHTS BY REPORTABLE OPERATING SEGMENTS

The tables below summarize our consolidated net assets attributable to unitholders of the Trust<sup>(1)</sup> as at December 31, 2018 by operating segment and geographic allocation, excluding cash, marketable securities and other Trust consolidated working capital, including tax.

#### OPERATING SEGMENT ALLOCATION

As at	December 31, 2018	December 31, 2017
Development and investment holdings <sup>(2)</sup>	45.2%	34.7%
Lending portfolio	25.3%	27.1%
Income properties	18.1%	26.8%
Renewable power	11.4%	11.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>(1)</sup> For the Trust's definition of net assets attributable to unitholders of the Trust, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

<sup>(2)</sup> As at December 31, 2018, this segment includes under development and completed investments of 32.8% (December 31, 2017 - 31.5%) and income-producing investments of 12.4% (December 31, 2017 - 3.2%)

#### GEOGRAPHIC ALLOCATION

As at	December 31, 2018	December 31, 2017
Toronto & GTA	65.7%	70.5%
British Columbia	7.3%	10.6%
Eastern Canada	1.4%	2.2%
Other Ontario	9.4%	6.2%
United States	7.1%	—%
Saskatchewan	3.1%	3.5%
United Kingdom	3.5%	4.1%
Other Western Canada <sup>(1)</sup>	2.5%	2.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>(1)</sup> The Trust's investment in assets located in Alberta as at December 31, 2018 was less than 1% of consolidated assets

## 2.2 DEVELOPMENT AND INVESTMENT HOLDINGS, INCLUDING EQUITY ACCOUNTED INVESTMENTS

As at December 31, 2018, our development and investment holdings, including equity accounted investments consisted of approximately \$251.1 million of assets including:

						Asset Value		At 100% project-level	
Investment	Sector	Accounting Treatment	Status	Economic Interest <sup>(6)</sup> %	Expected Completion <sup>(1)</sup>	December 31, 2018	December 31, 2017 <sup>(7)</sup>	% Sold or Leased / Occupied	Units (#) or sq. ft. (000s)
Investment holdings									
Bayfield	Retail	Fair Value <sup>(5)</sup>	Income Producing	11.9% - 13.2%	N/A	\$ 13,879	\$ 14,799	82.3%	1,126 sq.ft.
Hotel Pur <sup>(8)</sup>	Hospitality	Fair Value	Income Producing	50.0%	N/A	—	3,652	N/A	N/A
Hard Rock/Virgin Hotels Las Vegas <sup>(2)</sup>	Hospitality	Fair Value	Income Producing	10.0%	2020	39,965	—	88.3%	1,504 keys
Total investment holdings						\$ 53,844	\$ 18,451		
Development holdings									
Empire Brampton	Residential	Fair Value	Substantially Completed	78.8%	Q3 2017 <sup>(4)</sup>	\$ 3,430	\$ 6,305	100.0%	685 units
Empire Lakeshore	Residential	Fair Value	Construction	80.0%	Q2 2019 - Q1 2020	61,335	65,850	99.1%	1,280 units
Total development holdings						\$ 64,765	\$ 72,155		
Total development and investment holdings						\$ 118,609	\$ 90,606		
Equity accounted investments - Development holdings									
Axis Condominiums	Residential	Equity Accounted	Construction	28.0%	Q3 2019	\$ 2,012	\$ 3,834	100.0%	572 units
IVY Condominiums	Residential	Equity Accounted	Pre-construction	50.0%	2021	2,418	2,425	100.0%	253 units
Lakeshore East	Residential	Equity Accounted	Pre-construction	37.5%	N/A	12,871	12,438	N/A	N/A
Port Credit	Residential	Equity Accounted	Pre-construction	23.3%	N/A	32,828	30,913	N/A	N/A
Plaza Bathurst	Other	Equity Accounted	Income Producing	40.0%	N/A	3,506	3,507	N/A	N/A
Plaza Imperial	Other	Equity Accounted	Income Producing	40.0%	N/A	4,832	4,902	N/A	N/A
Zibi development	Residential	Equity Accounted	Construction/Pre-construction	40.0%	N/A	38,398	33,445	N/A	N/A
Frank Gehry development	Residential	Equity Accounted	Pre-construction	18.8%	N/A	22,130	14,453	N/A	N/A
Seaton development	Residential	Equity Accounted	Pre-construction	7.0%	N/A	4,176	—	N/A	N/A
West Don Lands	Residential	Equity Accounted	Pre-construction	25.0%	N/A	1,946	—	N/A	N/A
100 Steeles	Other	Equity Accounted	Income Producing	25.0%	N/A	6,119	—	N/A	N/A
Queen & Mutual <sup>(9)</sup>	Other	Equity Accounted	Income Producing	9.0%	N/A	1,292	—	N/A	N/A
Total equity accounted investments - development holdings						\$ 132,528	\$ 105,917		
Total development and investment holdings, including equity accounted investments						\$ 251,137	\$ 196,523		
Market value adjustments to equity accounted investments included in NAV <sup>(3)</sup>						\$ 39,870	\$ 29,201		
NAV per unit						\$ 4.06	\$ 3.15		

<sup>(1)</sup> The final completion dates are estimated by the Asset Manager based on information provided by the development project manager regarding the expected completion dates and development status as at December 31, 2018 and are subject to change

<sup>(2)</sup> % occupied based on a year to date average for the year ended December 31, 2018

<sup>(3)</sup> For additional details on the Trust's market value adjustments to equity accounted investments, please refer to Equity Investments Market Value Adjustments Included in NAV - Methodology within section 2.2 of the MD&A

<sup>(4)</sup> The Empire Brampton low-rise project was considered substantially completed during the third quarter of 2017. The amount outstanding represents customary cash hold backs expected to be released over the next two years

<sup>(5)</sup> Upon the adoption of IFRS 9 this financial instrument previously recorded as available-for-sale ("AFS") is now classified as FVTPL

<sup>(6)</sup> Represents debt and equity interests in the underlying projects

<sup>(7)</sup> The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements

<sup>(8)</sup> During the fourth quarter of 2018, the Trust redeemed its investment in Hotel Pur

<sup>(9)</sup> During the fourth quarter of 2018, the Trust invested \$1.3 million, including transactions costs, for a 9% investment into the Queen & Mutual partnership



A summary of the development and investment holdings segment results follows:

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net income-development holdings and equity accounted investments	\$ 1,325	\$ 1,003	\$ (2,164)	\$ (381)
Net income-investment holdings	2,476	—	3,067	(1,198)
<b>Total net income</b>	<b>\$ 3,801</b>	<b>\$ 1,003</b>	<b>\$ 903</b>	<b>\$ (1,579)</b>

For the three months ended December 31, 2018, development and investment holdings net income increased to \$3.8 million from \$1.0 million in the same period in the prior year. The increase was primarily due to the Trust recording its share of net income of \$1.3 million from its equity accounted investments primarily attributed to the occupancy of Zibi's O condominium.

For the year ended December 31, 2018, development and investment holdings recorded net income of \$0.9 million, compared with a net loss of \$1.6 million in the prior year. The net loss in the prior year was primarily due to the sale of the Trust's non-core legacy assets within its development and investment holdings segment. During the year ended December 31, 2018, the Trust recorded fair value gains of \$3.3 million related to its hospitality assets and \$0.8 million of the Trust's share of income from its equity accounted investments primarily due to the occupancy at the O condominium. Offsetting the aforementioned fair value gains was \$4.5 million of fair value losses recognized during the year on the Empire Lakeshore high-rise condominium development project based on updated information regarding changes in cost assumptions as the project is closer to completion.

## DEVELOPMENT HOLDINGS, INCLUDING EQUITY ACCOUNTED INVESTMENTS

The tables below provide a continuity of the development holdings, including equity accounted investments, balance for the periods indicated:

For the three months ended December 31, 2018	Empire Brampton	Empire Lakeshore	Subtotal	Equity accounted investments	Total
Balance as at September 30, 2018	\$ 3,304	\$ 61,724	\$ 65,028	\$ 124,322	\$ 189,350
Advances/Investments/Share of Income (loss)	—	—	—	8,206	8,206
Fair value adjustments	126	(389)	(263)	—	(263)
<b>Balance as at December 31, 2018</b>	<b>\$ 3,430</b>	<b>\$ 61,335</b>	<b>\$ 64,765</b>	<b>\$ 132,528</b>	<b>\$ 197,293</b>

For the year ended December 31, 2018	Empire Brampton	Empire Lakeshore	Subtotal	Equity accounted investments	Total
Balance as at December 31, 2017 <sup>(1)</sup>	\$ 6,305	\$ 65,850	\$ 72,155	\$ 105,917	\$ 178,072
Advances/Investments/Share of Income (loss)	—	—	—	28,571	28,571
Fair value adjustments	185	(4,515)	(4,330)	—	(4,330)
Distribution/capital repayment	(3,060)	—	(3,060)	(1,960)	(5,020)
<b>Balance as at December 31, 2018</b>	<b>\$ 3,430</b>	<b>\$ 61,335</b>	<b>\$ 64,765</b>	<b>\$ 132,528</b>	<b>\$ 197,293</b>

<sup>(1)</sup> The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements

## DEVELOPMENT HOLDINGS - RESIDENTIAL

The Empire Lakeshore condominium development is comprised of two towers, the Water Tower and Sky Tower. The Empire Lakeshore project has continued to progress with formwork construction completed on the Water Tower and nearing completion on the Sky Tower. The Water Tower and Sky Tower are 49 storey's and 66 storey's respectively. With 99% of the 1,280 total projected condominium units sold, the project is expected to be completed and occupied in phases from the second quarter of 2019 to the first quarter of 2020.

As at December 31, 2018, the Empire Brampton low-rise project was substantially completed with 99% of the units closed. During the year ended December 31, 2018, the Trust received \$3.1 million of cash proceeds from the Empire Brampton project, which was considered profit to the Trust in excess of its initial contribution. Subsequent to the year ended December 31, 2018, the Trust received an additional \$1.2 million in cash distributions. The timing of the remaining \$2.8 million in cash distributions on the Empire Brampton project is expected to be released over the next two years. As at February 20, 2019, the Trust has received \$30.3 million from the Empire Brampton project, of which \$11.4 million represented profit to the Trust in excess of its initial contribution.

As at December 31, 2018, approximately \$83.0 million of the Trust's total assets were advanced to Empire-related development projects or debt representing approximately 10.2% of the Trust's total assets, excluding the Trust's financial guarantee associated with Empire Lakeshore that is discussed in Note 29 of the consolidated financial statements.

### **EQUITY ACCOUNTED INVESTMENTS**

The Trust participates in various partnerships with other parties for the purpose of investing in residential and mixed-used development projects which are accounted for using the equity investment method. As at December 31, 2018, the carrying value of these arrangements was \$132.5 million (December 31, 2017 - \$105.9 million).

During the three months and year ended December 31, 2018, the Trust entered into new equity accounted investments contributing \$1.3 million and \$17.0 million, respectively, including transactions costs. These investments included: a 33.3% leasehold interest in a retail shopping centre and residential mixed use development investment opportunity located at 100 Steeles Ave. West in Toronto, Ontario ("100 Steeles"); a 25% interest in a partnership to develop a new residential rental apartment community in Toronto's West Don Lands region ("West Don Lands") and a 7% investment in a partnership invested in a fully-zoned 395-acre land and housing development located in Seaton, in the City of Pickering, Ontario ("Seaton development"). Lastly, during the fourth quarter of 2018, the Trust invested \$1.3 million, including transactions costs, for a 9% investment into a partnership to develop a mixed-use condominium development located in downtown Toronto ("Queen & Mutual").

During the three months and year ended December 31, 2018, the Trust contributed \$10.2 million and \$36.8 million, respectively, into existing equity accounted investments. These additional contributions represent amounts in excess of its initial investment which primarily included the Frank Gehry development, Port Credit development and the Zibi developments, of which \$5.2 million and \$22.4 million, respectively, was a settlement of payables. During the year ended December 31, 2018, \$2.0 million was distributed from the Axis Condominiums project to the Trust. To date, \$3.4 million of capital has been distributed back to the Trust, representing a return of capital, with \$2.0 million remaining in the Axis Condominiums development.

Development projects are key drivers of future growth for the Trust and are expected to generate attractive returns and future cash flows as milestones are achieved. The Trust expects its development projects will provide attractive profits to the Trust upon their respective completion dates and will contribute to increased value for unitholders. The Trust generally targets a pre-tax IRR of at least 15-20% on new equity investments in residential and mixed-use development projects.

### **EQUITY INVESTMENTS MARKET VALUE ADJUSTMENT INCLUDED IN NAV - METHODOLOGY**

As part of its NAV calculation, a non-IFRS measure, the Trust recognized cumulative market value gains of \$39.9 million related to equity accounted investments as at December 31, 2018 (December 31, 2017 - \$29.2 million), an important element that the Trust has included in its NAV calculation to address the change in risk profile taking into consideration various factors including the progression of each project toward completion and/or reflecting information from recent market transactions that indicate a change in the investment value. Under IFRS and in the Trust's consolidated financial statements these development investments are equity accounted, which are initially recognized at cost and subsequently include the Trust's share of profit or loss and other comprehensive income (loss). The Trust believes that incorporating a market value adjustment is a more useful measure to value these development assets that would not ordinarily be captured within IFRS and the Trust's consolidated financial statements. In calculating the market value adjustment on the equity accounted development investments the Trust intends to obtain independent third party appraisals annually or as significant development milestones are achieved. For those projects in active development or construction, the Trust intends to use the discounted cash flow methodology in determining the market value adjustment on a quarterly basis. The discounted cash flow model utilizes various assumptions including, but not limited to, the following: the risk and timing of expected cash flows; and the successful completion of the projects on time and on budget. The overall projects, are expected to continue to generate market value increases on a quarterly basis, as they continue to advance closer to their completion dates.

For the three months and year ended December 31, 2018, a market value gain of \$7.1 million and \$10.7 million, respectively contributed to NAV within the development and investment holdings portfolio. This market value gain was primarily related to the Axis Condominium and Lakeshore East developments. For the year ended December 31, 2018, market value gains of \$4.3 million were recognized on Axis Condominiums, resulting in a cumulative \$12.9 million market value gain to NAV as at December 31, 2018. For the year ended December 31, 2018, market value gains of \$6.4 million was recognized on the Lakeshore East developments, resulting in a cumulative \$20.8 million market value gain to NAV as at December 31, 2018. The market value gain on the Lakeshore East development was a result of continued favorable market trends and comparative market transactions, as supported by independent third party appraisals. The market value gain on the Axis Condominiums development represented its steady progress to completion which is now slated for the third quarter of 2019 from an initial expected completion timing of 2020.



## INVESTMENT HOLDINGS

The tables below provide a continuity of the investment holdings balance for the periods indicated:

For the three months ended December 31, 2018	Bayfield Retail and Mill Wood	Hotel Pur	Hard Rock/ Virgin Hotels Las Vegas	Total
Balance as at September 30, 2018	\$ 14,799	\$ 3,452	\$ 37,969	\$ 56,220
Fair value adjustments	(920)	1,234	1,996	2,310
Distribution/capital repayment	—	(4,686)	—	(4,686)
<b>Balance as at December 31, 2018</b>	<b>\$ 13,879</b>	<b>\$ —</b>	<b>\$ 39,965</b>	<b>\$ 53,844</b>

For the year ended December 31, 2018	Bayfield Retail and Mill Wood	Hotel Pur	Hard Rock/ Virgin Hotels Las Vegas	Total
Balance as at December 31, 2017	\$ 14,799	\$ 3,652	\$ —	\$ 18,451
Advances/investments	—	—	37,926	37,926
Fair value adjustments	(920)	1,234	2,039	2,353
Distribution/capital repayment	—	(4,886)	—	(4,886)
<b>Balance as at December 31, 2018</b>	<b>\$ 13,879</b>	<b>\$ —</b>	<b>\$ 39,965</b>	<b>\$ 53,844</b>

During the year ended December 31, 2018, the Trust completed the acquisition of the Hard Rock Hotel & Casino in Las Vegas, Nevada with a consortium of partners, led by Juniper Capital Partners ("Juniper") and Fengate Real Asset Investments ("Fengate"). On the closing of the transaction, the Trust contributed US \$29.0 million (CAD \$37.9 million) for an approximate 10% equity investment, including transaction costs, in the partnership. The partnership plans to open a re-conceptualized and revitalized property, the Virgin Hotels Las Vegas. Virgin Hotels, the lifestyle brand established by Virgin Group founder Sir Richard Branson, is also part of the consortium of investing partners, alongside other private investors. As at December 31, 2018, the cash consideration approximates fair value, adjusted for \$2.0 million of foreign currency gains.

During the year ended December 31, 2018, the Trust redeemed its investment in Hotel Pur, its hospitality asset located in Quebec City. In accordance with the terms of the agreement, the Trust received total distributions of \$4.9 million which included the Trust' capital investment of \$3.7 million plus profit.

## 2.3 LENDING PORTFOLIO

The Trust invests in mortgages and loans secured by all types of residential and commercial real estate property that represent an acceptable underwriting risk. Working within these risk parameters, the Trust also invests in higher-yielding development and construction loans, bridge loans and mezzanine loans, where we are comfortable with the underlying security, guarantees and covenants of the borrower.

A summary of the lending portfolio segment results follows:

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net income	\$ 3,607	\$ 1,318	\$ 15,550	\$ 8,578
As at	December 31, 2018	December 31, 2017		
Number of loans outstanding	10	11		
Lending portfolio balance at amortized cost <sup>(1)</sup>	\$ 144,095	\$ 161,432		
NAV	142,220	158,758		
NAV per unit	1.96	2.19		
Security allocation (1st mortgages/other)	69.8% / 30.2%	70.9% / 29.1%		
Weighted average effective interest rate (period-end)	9.6%	9.0%		
Weighted average face interest rate (period-end)	8.8%	8.7%		
Weighted average remaining term to maturity (period-end) (years)	1.28	1.22		

<sup>(1)</sup> Lending portfolio balance included a loan of \$16.6 million (December 31, 2017 - \$10.0 million) that is classified as FVTPL

Net income of \$3.6 million for the three months ended December 31, 2018 increased from \$1.3 million when compared with the same period in the prior year. During the three months ended December 31, 2018, no loan provision was recorded compared to a provision of \$2.5 million recorded in the same period in the prior year.

Net income of \$15.6 million for the year ended December 31, 2018 increased from \$8.6 million when compared with the prior year. During the year ended December 31, 2018, no provision for the lending portfolio was recorded compared to a loan provision of \$4.8 million recorded in the prior year. In addition, the year over year increase was attributable to a higher weighted average effective interest rate on the loan portfolio when compared to the prior year.

As at December 31, 2018, the lending portfolio consisted of 10 mortgages, real property loans and a corporate loan, aggregating to a total outstanding lending portfolio balance of \$144.1 million.

The table below provides a continuity of the lending portfolio balance at amortized cost for the periods indicated:

For the periods ended December 31, 2018	For the three months ended <sup>(1)</sup>	For the year-ended <sup>(1)</sup>
<b>Balance, beginning of period</b>	<b>\$ 158,007</b>	<b>\$ 161,432</b>
<b>Add (deduct):</b>		
Lending portfolio advances	5,531	35,042
Changes in accrued interest receivable	(562)	(776)
Interest capitalized to lending portfolio balance	1,662	6,113
Discount on lending portfolio, net of amortization	173	(3,546)
Lender fees and extension fees received, net of amortization	113	318
Principal repayments at maturity and contractual repayments and prepayments	(20,829)	(54,488)
<b>Balance, end of period</b>	<b>\$ 144,095</b>	<b>\$ 144,095</b>

<sup>(1)</sup> Lending portfolio balance includes a loan of \$16.6 million that is classified as FVTPL

During the year ended December 31, 2018, the Trust advanced \$35.0 million at a weighted average effective interest rate of 10.7%, compared to a weighted average effective interest rate of 8.5% on \$54.5 million of principal repayments and contractual repayments and prepayments. The overall loan portfolio continues to be very liquid with a weighted average term to maturity of 1.3 years at December 31, 2018.

We continue to leverage our relationships and expertise to identify opportunities with attractive yields to balance the returns within the lending portfolio and our future expected capital requirements on our development projects. The Asset Manager actively manages the lending portfolio and may decide to renew and extend loans, including those with a maturity date of 12 months from the balance sheet date, in the normal course of business.

The following table illustrates the number and proportion of the lending portfolio investments by property type:

	December 31, 2018			December 31, 2017		
	No. of individual mortgages outstanding	% of Total	Weighted average effective interest rate	No. of individual mortgages outstanding	% of Total	Weighted average effective interest rate
<b>Loans secured by development assets:</b>						
Residential development	6	44.9%	9.5%	5	43.1%	8.9%
Corporate loan/other	1	11.3%	17.5%	1	6.2%	17.8%
Land	1	31.3%	10.0%	3	39.4%	9.7%
<b>Loans secured by income-producing assets:</b>						
Industrial	1	10.1%	—%	1	9.1%	—%
Office	1	2.4%	9.5%	1	2.2%	9.5%
<b>Total</b>	<b>10</b>	<b>100.0%</b>	<b>9.6%</b>	<b>11</b>	<b>100.0%</b>	<b>9.0%</b>

Since the Trust's inception, the strategic focus of the Asset Manager has been to diversify and reduce the risk profile of the Trust's original portfolio. Development loans have historically provided very attractive returns. We believe that we benefit from the Asset Manager's position as an active developer, such that our risk associated with originating development loans is reduced to a certain extent. As a result, the Trust's exposure to residential development and land loans located within the Vancouver area and the Greater Toronto Area ("GTA") has increased since inception. We believe that real estate lending continues to be valuable by providing a base return while also supporting the overall liquidity objectives of the Trust.



## 2.4 INCOME PROPERTIES AND INVESTMENTS

Revenue from income properties includes base rents, operating expenses and property tax recoveries, lease termination fees, parking income and ancillary 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 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 that the corresponding costs are incurred and collectability is reasonably assured. Other revenues are recorded as earned.

As at December 31, 2018, the Trust's total income properties are comprised of two office properties co-owned with Dream Office REIT, three wholly-owned properties and six industrial real estate properties co-owned with Dream Industrial REIT (TSX: DIR.UN). Michael Cooper, the Portfolio Manager of the Trust, who is also an officer and director of Dream Alternatives Master GP Inc., is a director of and is the Chief Responsible Officer of DAM, our Asset Manager. He is also a Trustee of and the Chair and CEO of Dream Office REIT, and is a Trustee of Dream Industrial REIT. DAM also acts as the asset manager for Dream Industrial REIT and provides management services to Dream Office REIT.

A summary of income properties and investments is included in the table below:

As at	December 31, 2018	December 31, 2017
NAV	\$ 101,962	\$ 156,462
NAV per unit	1.40	2.16
Income properties at IFRS fair value	224,310	219,656
Investment in Dream Office REIT units	—	55,846
Amortized balance of mortgages payable	122,214	123,056
Debt-to-gross asset value <sup>(1)(2)</sup> (income properties)	52.2%	53.4%

<sup>(1)</sup> For the Trust's definition of the non-IFRS measure of Debt-to-gross asset value, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

<sup>(2)</sup> Gross asset value excludes investment in Dream Office REIT units of \$55.8 million as at December 31, 2017

### INCOME PROPERTIES

The following is a summary of income properties as at December 31, 2018:

Property	Classification <sup>(1)</sup>	Property type	City	Trust's ownership	Total GLA (in sq.ft.)	Owned share of total GLA (in sq.ft.)	Average tenant size (in sq.ft.)	Asset value
<b>GTA and Southwestern Ontario</b>								
London City Centre	Non-core	Office	London	60.0%	540,901	324,541	20,906	
Sussex Centre	Core	Office	Mississauga	50.1%	651,562	326,433	9,863	
10 Lower Spadina Ave.	Core	Office	Toronto	100.0%	60,652	60,652	5,040	
49 Ontario St.	Core	Office	Toronto	100.0%	87,805	87,805	26,788	
349 Carlaw Ave.	Core	Office	Toronto	100.0%	33,894	33,894	4,488	
<b>Total GTA and Southwestern Ontario</b>					<b>1,374,814</b>	<b>833,325</b>	<b>11,788</b>	<b>\$ 216,035</b>
<b>Western Canada</b>								
1802 Stock Rd.	Core	Industrial	Regina	50.0%	46,157	23,079	46,157	
1105 Pettigrew Ave.	Core	Industrial	Regina	50.0%	12,234	6,117	12,234	
363 Maxwell Cres.	Core	Industrial	Regina	50.0%	23,415	11,708	23,415	
1640 Broder St.	Core	Industrial	Regina	50.0%	11,169	5,585	11,169	
2190 Industrial Dr.	Core	Industrial	Regina	50.0%	11,677	5,839	—	
125 McDonald St.	Core	Industrial	Regina	50.0%	14,080	7,040	5,062	
<b>Total Western Canada</b>					<b>118,732</b>	<b>59,368</b>	<b>17,169</b>	<b>\$ 8,275</b>
<b>Total income properties</b>					<b>1,493,546</b>	<b>892,693</b>	<b>8,793</b>	<b>\$ 224,310</b>

<sup>(1)</sup> Core income properties are those that the Trust plans to hold for the long term and non-core income properties are considered non-strategic to management's long-term business plan

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Total income	\$ 6,316	\$ 6,101	\$ 24,071	\$ 38,993
NOI	3,002	2,940	11,536	17,851
Net income (loss) <sup>(1)</sup>	2,098	13,642	4,549	(13,995)
<b>Core Income properties</b>				
Total income	\$ 4,553	\$ 4,342	\$ 17,098	\$ 17,320
NOI	2,362	2,264	8,623	9,229
Net income (loss)	2,258	20,195	4,559	25,282

<sup>(1)</sup> Net income (loss) for the year ended December 31, 2018 excludes fair value adjustment to investment in Dream Office REIT units of \$3.7 million and dividend income of \$1.1 million. For the three months and year ended December 31, 2017, net income (loss) excludes fair value adjustment to investment in Dream Office REIT units of \$2.8 million and \$3.3 million and dividend income of \$0.7 million and \$0.8 million, respectively

For the three months ended December 31, 2018, the Trust recorded net income of \$2.1 million compared with net income of \$13.6 million in the same period in the prior year. The decrease was due to a net fair value gain of \$0.5 million, recorded in the three months ended December 31, 2018, compared with a net fair value gain of \$11.0 million recorded in the same period in the prior year.

For the year ended December 31, 2018, the Trust recorded net income of \$4.5 million compared with a net loss of \$14.0 million in the prior year. The year over year change was primarily due to \$22.9 million of net fair value losses recorded in the prior period related to the Trust's non-core income properties that were disposed in the prior year.

During the three months and year ended December 31, 2018, net income from core income properties was \$2.3 million and \$4.6 million, respectively, compared to \$20.2 million and \$25.3 million within the same periods in the prior year. During the three months ended December 31, 2018, the Trust recorded fair value gains of \$0.8 million on its core income properties compared with \$18.7 million in the same period in the prior year, specifically related to 10 Lower Spadina Avenue and 49 Ontario street.

Operating statistics for core income properties portfolio are as follows:

As at	December 31, 2018 <sup>(1)</sup>	September 30, 2018 <sup>(1)</sup>	December 31, 2017 <sup>(1)</sup>
<b>Total core income properties portfolio</b>			
Number of properties	10	10	10
Owned GLA (in millions of sq.ft.)	0.6	0.6	0.6
Occupancy rate (period-end) — including committed	88.9%	91.6%	92.2%
Occupancy rate (period-end) — in-place	88.0%	88.4%	87.8%
Average tenant size (in sq.ft.)	9,865	9,574	9,841
Average in-place and committed base rent per sq.ft. (period-end)	16.98	16.91	16.57
Weighted average remaining lease term (years)	5.2	5.2	5.0

<sup>(1)</sup> Excludes non-core income properties, including non-core income properties disposed during the year ended December 31, 2017

The committed occupancy rate for the core income properties, which included committed leases, was 88.9% as at December 31, 2018 compared with 92.2% as at December 31, 2017. The decrease in the occupancy rate is as a result of expected lease term expiries during the year. The weighted average remaining lease term increased to 5.2 years at December 31, 2018, compared with 5.0 years at December 31, 2017. The increase in the weighted average remaining lease term was due to the Trust renegotiating longer lease terms.

## LEASING ACTIVITY AND INITIAL DIRECT LEASING COST AND LEASE INCENTIVES

Initial direct leasing costs include leasing fees and related costs and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces and cash allowances paid to tenants. Initial direct leasing costs and lease incentives incurred by the Trust are influenced by asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases, and leasing costs associated with office space are generally higher than costs associated with industrial and retail spaces. Due to the nature of these costs, actuals will vary from quarter to quarter depending on the above noted factors.

During the year ended December 31, 2018, initial direct leasing costs and lease incentives incurred were \$6.9 million, compared with \$9.5 million in the prior year. The initial direct leasing costs and lease incentives for the year ended December 31, 2018 included \$1.3 million of cost relating to assets that are considered non-core income properties. Recorded in the same period in the prior year was \$8.0 million of initial direct leasing costs and lease incentives related to assets that have since been sold and/or considered non-core income properties.



The following are expiries net of committed renewals of the Trust's core income properties, in thousands of sq. ft. and as a percentage of total in-place and committed occupancy as at December 31, 2018:

(GLA in sq.ft.)	2019	2020	2021	2022	2023	2024+	Total
Expiries <sup>(1)</sup>	(48,166)	(48,216)	(68,423)	(19,639)	(59,160)	(275,839)	(519,443)
Expiries committed for occupancy <sup>(1)(2)</sup>	6,877	—	7,441	—	—	—	14,318
<b>Expiries, net of committed renewals</b>	<b>(41,289)</b>	<b>(48,216)</b>	<b>(60,982)</b>	<b>(19,639)</b>	<b>(59,160)</b>	<b>(275,839)</b>	<b>(505,125)</b>
Vacancies committed for new leases	—	—	—	—	—	6,706	6,706
<b>Expiries, net of committed occupancy</b>	<b>(41,289)</b>	<b>(48,216)</b>	<b>(60,982)</b>	<b>(19,639)</b>	<b>(59,160)</b>	<b>(269,133)</b>	<b>(498,419)</b>
<b>Percentage of total in-place and committed occupancy</b>	<b>8.0%</b>	<b>10.0%</b>	<b>12.0%</b>	<b>4.0%</b>	<b>12.0%</b>	<b>54.0%</b>	<b>100.0%</b>

<sup>(1)</sup> Expiries include current in-place expiries and future expiries committed for renewals

<sup>(2)</sup> Expiries committed for occupancy include renewals and relocation of tenants

## INCOME PROPERTIES FAIR VALUES AND CONTINUITY

The table below provides a continuity of the income properties balance for the years indicated:

For the year ended	December 31, 2018	December 31, 2017
<b>Balance, beginning of year</b>	<b>\$ 219,656</b>	<b>\$ 479,401</b>
Add (deduct):		
Acquisition of properties	—	18,147
Disposition of properties	—	(1,620)
Building improvements – recoverable	1,204	3,305
Building improvements – non-recoverable	46	96
Lease incentives and initial direct leasing costs	6,859	8,869
Amortization of lease incentives	(1,260)	(1,074)
Fair value adjustments to income properties	(2,195)	(24,841)
Reclassified to assets held-for-sale	—	(262,627)
<b>Balance, end of year</b>	<b>\$ 224,310</b>	<b>\$ 219,656</b>

During the year ended December 31, 2018, the Trust recorded a fair value loss of \$2.2 million primarily as a result of changes in leasing assumptions in certain income properties. Income properties are measured at fair value using the income approach, which is derived from the overall capitalization rate method or discounted cash flow method. If applicable, the Trust determines the fair value of income properties classified as assets held-for-sale by considering the current contracted sale prices, as management has committed to a plan of sale of the underlying properties and the sale of these properties is considered highly probable. The fair values of income properties were determined by using capitalization rates ("cap rates") of 4.3% to 7.5% (December 31, 2017 – 4.3% to 8.0%), resulting in a weighted average cap rate of 5.9% (December 31, 2017 – 6.1%) and discount rates of 5.8% to 8.8% (December 31, 2017 – 5.8% to 9.3%).

As at December 31, 2018, income properties with a fair value of \$224.3 million were pledged as security for related mortgages (December 31, 2017 – \$219.7 million). During the year ended December 31, 2018, income properties with a total fair value of \$224.3 million were valued by an external third party independent appraiser.

## TENANT BASE PROFILE

Our core portfolio tenant base included a wide range of high-quality large international corporations and various recognizable businesses operating across Canada. As at December 31, 2018, the Trust's core portfolio had 85 tenants and an average tenant size at the Trust's share of 9,865 sq.ft. (December 31, 2017 - 9,841 sq.ft.).

The following table outlines the top five tenants, within the core income properties, based on the percentage of total core GLA sq. ft. they represent:

Top five tenants	Number of buildings	GLA (in sq.ft.) <sup>(1)</sup>	% of Total core GLA	% of Total core income properties revenue <sup>(2)</sup>	Remaining lease term (years)
Technicolor Creative Services	1	69,528	12.2%	16.6%	5.3
Edward D. Jones & Co.	1	39,256	6.9%	8.2%	11.0
Community Door Network Service	2	27,485	4.8%	5.0%	2.8
Rexel Canada Electrical Inc.	1	23,079	4.1%	1.9%	4.4
MNP LLP	1	17,694	3.1%	3.4%	8.3
<b>Total</b>		<b>177,042</b>	<b>31.1%</b>	<b>35.1%</b>	

<sup>(1)</sup> GLA is stated at the Trust's owned share

<sup>(2)</sup> Annualized based on billing rates as of December 31, 2018

## INVESTMENTS IN MARKETABLE SECURITIES

During the year ended December 31, 2018, the Trust disposed of its 2,520,147 Dream Office REIT units for a total consideration of \$59.5 million. Including distributions received, the Trust generated a total return of \$8.8 million or 16.8% on its gross investment. During the year ended December 31, 2018, the Trust recorded a fair value gain of \$3.7 million related to this investment (December 31, 2017 - \$3.3 million).

## 2.5 RENEWABLE POWER

Our renewable power segment includes a solar rooftop portfolio, a solar ground-mount portfolio and two wind power portfolios. All projects within these portfolios have an initial 20-year term with the government or regulated utility power purchase agreements ("PPA"), allowing the sale of generated electricity at a fixed contract rate above the market rate, resulting in stable and predictable rates for all electricity generated. The operating results of the renewable power segment are subject to seasonal variations. Wind production typically is best in the winter months while solar production tends to generate higher output in the summer months. While weather and seasonal related quarter to quarter fluctuations may occur from time to time, these renewable power investments were undertaken with a long term view, as such they are expected to achieve annual production in line with expected long term averages.

A summary of the renewable power segment results is as follows:

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Total income	\$ 3,264	\$ 3,849	\$ 17,874	\$ 17,522
Net income	(340)	398	4,056	4,538

As at	December 31, 2018	December 31, 2017
Renewable power assets	\$ 130,615	\$ 135,514
NAV	74,711	78,834
NAV per unit	1.03	1.09
Installed capacity (operational) (MW) <sup>(1)(2)</sup>	22.4	22.4

<sup>(1)</sup> Installed capacity (MW) is the maximum amount of electrical power in megawatts that the renewable power projects held by the Trust are capable of generating once operational

<sup>(2)</sup> Prorated based on the Trust's ownership percentage or economic interest

For the three months and year ended December 31, 2018, the renewable power portfolio recorded a net loss of \$0.3 million and net income of \$4.1 million, respectively, compared with net income of \$0.4 million and \$4.5 million in the same periods in the prior year. The variance was primarily attributable to weather conditions which impacted solar production and an increase in maintenance related expenses during the current periods.

The tables below provide a continuity of the renewable power asset balance for the periods indicated:

For the three months ended December 31, 2018	Solar power	Wind power	Total
Balance as at September 30, 2018	\$ 81,092	\$ 50,469	\$ 131,561
Disposal	(34)	—	(34)
Depreciation	(895)	(614)	(1,509)
Foreign currency gain (loss)	—	597	597
Balance as at December 31, 2018	\$ 80,163	\$ 50,452	\$ 130,615

For the year-ended December 31, 2018	Solar power	Wind power	Total
Balance as at December 31, 2017	\$ 83,381	\$ 52,133	\$ 135,514
Acquisitions/Additions	312	277	589
Depreciation	(3,530)	(2,476)	(6,006)
Foreign currency gain (loss)	—	518	518
Balance as at December 31, 2018	\$ 80,163	\$ 50,452	\$ 130,615



## RENEWABLE POWER MARKET VALUE ADJUSTMENT INCLUDED IN NAV - METHODOLOGY

The Trust records its renewable power wind and solar assets at cost less accumulated depreciation and impairment charges, if any, within its consolidated financial statements. In determining NAV, a non IFRS measure, the Trust reflects a market value adjustment, which takes into consideration any reduction in the risk profile of the renewable power projects developed by the Trust once they become operational and long-term financing is arranged. The market value adjustment also reflects recent market information that would indicate a change in the renewable power portfolio market value (subject to appraisals). The Trust believes that incorporating a market value adjustment is a more useful measure to value the renewable power portfolio that would not ordinarily be captured within IFRS and the Trust's consolidated financial statements.

The Trust intends to obtain independent third party appraisals annually or as significant events impacting the renewable portfolio have occurred or been achieved. Internal revaluations are made on a quarterly basis to reflect up to date inputs and the remaining PPA term. The market value for each operational renewable power project is determined using a discounted cash flow model. The model incorporates assumptions, which include future cash flows from in-place PPAs, estimates of anticipated long-term average electricity generation, and estimated operating and capital expenditures.

For the three months and year ended December 31, 2018, a market value loss of \$0.8 million and \$1.2 million, respectively, were recognized to the renewable power portfolio NAV. The market loss is as a result of the reduction in the weighted average remaining term with the government or regulated utility PPA. As at December 31, 2018, the Trust recorded a total cumulative \$10.5 million market value gain to the renewable power portfolio (December 31, 2017 - \$11.8 million). The cumulative market value gain, as at December 31, 2018, was primarily attributable to yield compression with respect to both the Ontario Rooftop Solar portfolio and the U.K. wind portfolio. In addition, a decline in the risk profile of both the Ontario Ground Mount Solar portfolio and the Nova Scotia Wind project due to the shift from pre-development/construction to operating phase contributed to the positive market value adjustment. Based on comparable assets and trading valuation of public wind and solar companies, management believes the implied valuation is within a reasonable range, with consideration to a discount for the size of our projects.

## RENEWABLE POWER PROJECTS

Below is a summary of our renewable power projects:

	Number of projects	Economic interest	Installed capacity (MW) <sup>(1)</sup>	Weighted average remaining PPA (years)	Commercial operational date <sup>(2)</sup>	Carrying value <sup>(3)</sup>	Market value adjustments included in NAV	Debt, net of unamortized financing fees
<b>Operational projects</b>								
Ontario Rooftop Solar	10	100%	3.2	16.0	Q2 2014 – Q3 2015	\$ 12,801	\$ 2,400	\$ —
United Kingdom Wind	46	100%	3.8	15.8	Q2 2013 – Q3 2016	19,724	4,276	—
Nova Scotia Wind	3	80%	10.6	16.8	Q4 2015	30,727	1,482	25,346
Ontario Ground Mount Solar	10	100%	4.8	17.6	Q4 2015 - Q4 2016	67,363	2,369	47,932
<b>Total as at December 31, 2018</b>			22.4	16.6		\$ 130,615	\$ 10,527	\$ 73,278
<b>Total as at December 31, 2017</b>			22.4	17.7		\$ 135,514	\$ 11,773	\$ 76,720

<sup>(1)</sup> Prorated based on the Trust's ownership percentage or economic interest

<sup>(2)</sup> Commercial operational date is based on the commencement of the PPA agreement

<sup>(3)</sup> Carrying value represents the renewable power assets as reflected on the consolidated statements of financial position and therefore is presented, including the non controlling interest, net of accumulated amortization where applicable

## 2.6 CONSOLIDATED TRUST REVIEW OF TOTAL COMPREHENSIVE INCOME (LOSS)

The table below presents a summarized consolidated statements of comprehensive income (loss) for the periods indicated:

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>TOTAL INCOME</b>	\$ 16,717	\$ 14,471	\$ 57,149	\$ 67,524
<b>TOTAL EXPENSES</b>	(11,927)	(13,842)	(46,672)	(62,320)
Fair value adjustments to income properties	505	10,956	(2,195)	(22,867)
<b>OPERATING INCOME (LOSS)</b>	5,295	11,585	8,282	(17,663)
Interest and other income	610	1,300	3,313	2,647
Transaction costs	(227)	(45)	(375)	(2,817)
Fair value adjustments to marketable securities	—	2,844	3,366	3,277
<b>EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE</b>	5,678	15,684	14,586	(14,556)
<b>INCOME TAX (EXPENSE) RECOVERY</b>				
Current	15	15	9	7
Deferred	1,302	678	(693)	5,077
<b>TOTAL INCOME TAX (EXPENSE) RECOVERY</b>	1,317	693	(684)	5,084
<b>NET INCOME (LOSS)</b>	6,995	16,377	13,902	(9,472)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	575	370	566	900
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	\$ 7,570	\$ 16,747	\$ 14,468	\$ (8,572)

### TOTAL INCOME

Total income for the three months ended December 31, 2018 of \$16.7 million increased by \$2.2 million when compared with the same period in the prior year. The increase was primarily due to the Trust's share of income from equity accounted investments recognized in the current period of \$1.3 million, compared to a loss position of \$1.3 million in the prior period.

Total income for the year ended December 31, 2018 of \$57.1 million decreased by \$10.4 million when compared to the prior year. The year over year results are not comparable primarily due to the sale of the non-core co-owned income properties which closed in 2017. This was partially offset by an increase in lending portfolio interest income attributable to a higher weighted average effective interest rate on the loan portfolio when compared to the prior year.

### TOTAL EXPENSES

During the three months ended December 31, 2018 total expenses of \$11.9 million decreased by \$1.9 million compared with the same period in the prior year. This was primarily the result of no loan provision recorded during the three months ended December 31, 2018 compared with a loan provision balance of \$2.5 million recorded in the same period in the prior year. During the year ended December 31, 2018 total expenses of \$46.7 million decreased by \$15.6 million compared with the same periods in the prior year. The decrease was primarily due to lower income property operating expenses and lower interest expense from mortgages payable resulting from the sale of the non-core co-owned income properties as discussed above.

The change in total expenses can be further explained by the change in the various components as follows:

#### INTEREST EXPENSE

Interest expense for the three months ended December 31, 2018 of \$2.2 million was comparable with the same period in the prior year. Interest expense for the year ended December 31, 2018 of \$9.0 million decreased by \$2.6 million compared with the same period in the prior year. The decrease was primarily a result of the discharge or assumption of mortgages payable with the sale of the non-core co-owned income properties.

#### PROVISION FOR LENDING PORTFOLIO LOSSES

During the three months and year ended December 31, 2018, no provision for lending portfolio losses was recorded, compared with \$2.5 million and \$4.8 million recorded within the same periods in the prior year.

#### GENERAL AND ADMINISTRATIVE EXPENSES

For the three months and year ended December 31, 2018, general and administrative expenses of \$3.7 million and \$15.0 million were comparable to the same periods in the prior period.



## FAIR VALUE ADJUSTMENTS TO INCOME PROPERTIES

For the three months ended December 31, 2018, the Trust recorded net fair value losses of \$0.5 million compared with net fair value gains of \$11.0 million recorded in the same period in the prior year. For the year ended December 31, 2018, the Trust recorded net fair value losses of \$2.2 million compared with a net fair value loss of \$22.9 million for the same periods in the prior year. For additional details, refer to the Reportable Operating Segments Results of Operations - Income Properties and Investments section of this MD&A.

## TRANSACTION COSTS

Transaction costs incurred during the three months ended December 31, 2018 were \$0.2 million comparable with a nominal amount in the same period in the prior year. Transaction costs during the year ended December 31, 2018 were \$0.4 million compared with \$2.8 million in the same periods in the prior year. This variance was as a result of transaction costs incurred as part of the sale of certain non core co-owned income properties during the prior year.

## INCOME TAX EXPENSE (RECOVERY)

For the three months ended December 31, 2018, the income tax recovery was \$1.3 million compared with \$0.7 million for the same period in the prior year. For the year ended December 31, 2018, the income tax expense was \$0.7 million compared with an income tax recovery of \$5.1 million for the prior year. The year over year change was primarily due to the Trust reflecting a taxable loss position compared with a taxable income position in the current periods as well as an increase in unrecognized deferred tax assets.

Due to the Trust's diversified asset mix and active asset management strategy, we expect some degree of variability in current and deferred income tax expense recognized each quarter through the consolidated statement of comprehensive income (loss) resulting in an income tax expense (recovery) position. The Trust intends to actively manage the portfolio in a tax efficient manner.

We are subject to income taxes both federally and provincially in Canada, the U.K. and the United States. Significant judgments and estimates are required in the determination of the Trust's tax balances. Our income tax expense/recovery and deferred tax liabilities/assets reflect management's best estimate of current and future taxes to be paid/recovered. The Trust is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the interpretation and application of tax laws taken by the Trust in its tax filings.

## TAX ATTRIBUTES

### INCOME PROPERTIES

We deduct mortgage interest and available tax depreciation on our buildings from our Canadian income properties that generate taxable net operating income. These deductions contribute to the overall tax efficiency of our structure and, in particular, the tax depreciation helps provide the Trust with tax-sheltered cash flow. Any change in the fair value of income properties is not recognized in the determination of current taxes until the sale of the asset.

### RENEWABLE POWER

The *Income Tax Act* (Canada) makes available "green" energy tax incentives to the renewable energy sector. Certain pre-development and soft costs that are not normally deductible, known as Canadian renewable and conservation expenses ("CRCE"), are deductible against other sources of income in the year they are incurred. Non-CRCE project costs that are not otherwise currently deductible are included in the cost of the depreciable property and are eligible for maximum tax depreciation rates of between 30% and 50%, which can be used to help offset income for approximately eight to 12 years once the project becomes operational.

## TOTAL OTHER COMPREHENSIVE INCOME (LOSS)

During the three months ended December 31, 2018, total other comprehensive income of \$0.6 million was comparable to the same period in the prior year. During the year ended December 31, 2018, total other comprehensive income was \$0.6 million, compared with \$0.9 million in the prior year. The year over year variance was primarily due to the recognition of \$0.6 million of realized fair value losses, net of tax, from other comprehensive income (loss) into net income (loss) resulting from the sale of the Trust's non-core legacy assets within its development and investment holdings segment.

## 2.7 RELATED PARTY TRANSACTIONS

The Trust and its subsidiaries enter into transactions with related parties that are disclosed in Note 27 to the consolidated financial statements.

## 2.8 SELECTED ANNUAL INFORMATION

The Trust's consolidated financial statements have been prepared in accordance with IFRS and are presented in Canadian dollars.

For the years ended December 31,	2018	2017 <sup>(2)</sup>	2016 <sup>(2)</sup>
<b>TOTAL INCOME</b>	\$ <b>57,149</b>	\$ 67,524	\$ 98,955
<b>NET INCOME (LOSS)</b>	<b>13,902</b>	(9,472)	(13,364)
<b>TOTAL NET INCOME ATTRIBUTABLE TO</b>			
Unitholders	\$ <b>13,160</b>	\$ (10,319)	\$ (13,694)
Non-controlling interest	<b>742</b>	847	330
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$ 13,902</b>	<b>\$ (9,472)</b>	<b>\$ (13,364)</b>
<b>TOTAL NET INCOME (LOSS) before depreciation</b>	<b>\$ 20,005</b>	<b>\$ (3,614)</b>	<b>\$ (9,321)</b>
<b>For the years ended December 31,</b>	<b>2018</b>	<b>2017<sup>(2)</sup></b>	<b>2016<sup>(1)(2)</sup></b>
Total assets	\$ <b>813,307</b>	\$ 852,432	\$ 989,026
Total non-current liabilities	<b>165,012</b>	196,618	223,034
Total Unitholders' equity	<b>590,258</b>	604,706	643,166
NAV	<b>634,650</b>	641,427	650,276
Annualized distributions per unit	<b>0.40</b>	0.40	0.40
Cash generated from (utilized in) operating activities per unit	<b>0.24</b>	0.16	0.19
Net income (loss) per unit	<b>0.19</b>	(0.13)	(0.18)
Net income (loss) per unit before depreciation	<b>0.28</b>	(0.05)	(0.13)
Total Unitholders' equity per unit	<b>8.13</b>	8.35	8.89
NAV per unit	<b>8.74</b>	8.86	8.99

<sup>(1)</sup> NAV and NAV per unit have been restated in the comparative periods to conform to current period presentation. Please refer to the Non-IFRS Measures and Other Disclosure section of the MD&A

<sup>(2)</sup> The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements



### 3. DISTRIBUTION MEASURES

In any given period, the Trust anticipates that actual distributions paid and payable may differ from cash generated from operating activities. This difference is driven by a number of factors including the impact of leasing incentives and initial direct leasing costs which can fluctuate with lease maturities, renewal terms and the type of asset being leased; changes in non-cash working capital; cash flow from certain development holdings; and the longer term nature and investment return profile of development holdings. Because of this variability, the Trust evaluates its distribution policy considering these factors, among others.

As we continue to implement our longer term strategy, which includes expanding the development and investment holdings segment of our portfolio, the Trust expects that for the foreseeable future cash generated from operating activities will fluctuate from period to period and may differ from distributions paid and payable. Because of the long term nature of the projects in the development and investment holdings segment, cash generated from operating activities from this segment generally does not occur until later in the operating life cycle of the development holdings. However, these cash flows are relevant in the determination of distributions, as cash flows relating to the project will ultimately be fully received at project completion. The Trust considers these factors in evaluating its distribution policy as well as its assessment of cash generated from operating activities over the longer term.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following tables outline the differences between cash generated from operating activities and distributions paid and payable in accordance with the guidelines:

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cash generated from (utilized in) operating activities	\$ 1,669	\$ 7,285	\$ 17,251	\$ 11,350
Distributions paid and payable	7,343	7,918	29,300	29,155
Excess (shortfall) of cash generated from (utilized in) operating activities over distributions paid and payable	(5,674)	(633)	(12,049)	(17,805)

For the three months ended December 31, 2018, distributions paid and payable exceeded cash generated from operating activities by \$5.7 million (three months ended December 31, 2017 – \$0.6 million). For the year ended December 31, 2018, distributions paid and payable exceeded cash generated from operating activities by \$12.0 million (year ended December 31, 2017 - \$17.8 million).

The following table summarizes net income (loss) and total distributions paid and payable for the periods indicated:

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net Income (loss)	\$ 6,995	\$ 16,377	\$ 13,902	\$ (9,472)
Net income (loss) before depreciation	8,528	17,906	20,005	(3,614)
Distributions paid and payable	7,343	7,918	29,300	29,155
Excess (shortfall) of net income (loss) over distributions paid and payable	(348)	8,459	(15,398)	(38,627)
Excess (shortfall) of net income (loss) before depreciation over distributions paid and payable	1,185	9,988	(9,295)	(32,769)

For the three months ended December 31, 2018, distributions paid and payable exceeded the Trust's net income by \$0.3 million (three months ended December 31, 2017 – net income exceeded distributions paid and payable by \$8.5 million). For the three months ended December 31, 2018, the Trust's net income before depreciation exceeded distributions paid and payable by \$1.2 million (three months ended December 31, 2017 - \$10.0 million). For the year ended December 31, 2018, distributions paid and payable exceeded the Trust's net income by \$15.4 million (year ended December 31, 2017 – \$38.6 million). For the year ended December 31, 2018, distributions paid and payable exceeded the Trust's net income before depreciation by \$9.3 million (year ended December 31, 2017 - \$32.8 million).

Certain assets and liabilities are recognized at fair value in the consolidated financial statements. Unrealized fair value adjustments and other non-cash items are included in net income (loss) and can fluctuate from period to period. As a result, the Trust anticipates that distributions declared will, in the foreseeable future, continue to vary from net income (loss). The total unrealized fair value adjustments and other non-cash items included in net income (loss) in the consolidated financial statements for the periods indicated are summarized in the table below:

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Total adjustments to fair values and other non-cash items included in net income (loss)</b>	<b>\$ (5,169)</b>	<b>\$ (9,688)</b>	<b>\$ 4,052</b>	<b>\$ 25,790</b>

The total adjustments to fair values and other non-cash items included in net income (loss) are comprised of: deferred income tax expense/recovery, fair value adjustments on income properties, provision for lending portfolio losses, fair value adjustments in development and investment holdings, share of income (loss) from equity accounted investments, and other non-cash items.

The Trust funds its working capital needs and investment in lease incentives and initial direct leasing costs with cash on hand and its existing revolving credit facility. As at December 31, 2018, the Trust had cash on hand of \$46.7 million and \$38.0 million of undrawn credit capacity on its revolving credit facility. To the extent that there are shortfalls in cash flow relative to distributions paid and payable, the Trust may use the existing revolving credit facility as a source of funding. The use of the Trust's revolving credit facility may involve risks as compared to using cash on hand as a source of funding, such as the risk that interest rates may rise in the future which may make it more expensive for the Trust to borrow under its revolving credit facility, and the risk associated with increasing the overall indebtedness of the Trust. The Trust will review its distribution policy over time as the Trust executes on the strategic plan to increase NAV, including the sale of yield assets and our focus on longer-term development assets, to ensure the distribution policy is reflective of the Trust's business and asset profile. Accordingly, distributions are considered an economic return of capital until cash distributions from completed development projects are received in future years. The Asset Manager reviews the estimated annual distributable cash flow with the Board of Trustees to assist the Board in determining the targeted distribution amount, taking into consideration the duration of the current assets within the Trust's portfolio and the future investment strategy.

Our Distribution Reinvestment and Unit Purchase Plan ("DRIP") entitles unitholders to reinvest all cash distributions into additional units. Of the distributions paid and payable, for the three months and year ended December 31, 2018, \$2.5 million and \$9.2 million, respectively, was reinvested into the DRIP. Over time, reinvestments pursuant to the DRIP will increase the number of units outstanding, which may result in an increase in the total amount of cash distributions. Our Declaration of Trust provides our Trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust, which allows for any unforeseen expenditures and the variability in cash distributions as a result of additional units issued pursuant to the Trust's DRIP. On February 20, 2019, the Trust announced the suspension of its DRIP until further notice effective for the February 2019 distribution.

## 4. CAPITAL RESOURCES AND LIQUIDITY

Our financial position is summarized below:

As at	December 31, 2018	December 31, 2017 <sup>(2)</sup>
<b>Consolidated financial position</b>		
Total Unitholders' Equity	\$ 590,258	\$ 604,706
Total Unitholders' Equity per unit	8.13	8.35
NAV	634,650	641,427
NAV per unit	8.74	8.86
Total contractual debt payable <sup>(1)</sup>	198,654	203,318
Total assets	813,307	852,432
Cash	46,730	60,927

<sup>(1)</sup> Includes a revolving credit facility that matures July 31, 2019. As at December 31, 2018, there were no funds drawn on the facility.

<sup>(2)</sup> The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements

The Trust's primary sources of financing are cash generated from operating activities, lending activities, debt financing and refinancing, and project financing. Our primary uses of capital include: investments in development and investment holdings, equity accounted investments and renewable power assets, debt principal repayments, interest payments, mortgage lending, distributions, costs of attracting and retaining tenants, recurring property maintenance and major property improvements. 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 lending portfolio investments, cash from financing and refinancing activities. The Trust's revolving credit facility provides additional liquidity and flexibility in support of operations.



## SUMMARY OF DEBT

As at December 31, 2018 and December 31, 2017, total debt was comprised of the following:

As at	December 31, 2018	December 31, 2017
Mortgages payable	\$ 122,684	\$ 123,750
Term loans	75,970	79,568
Total contractual debt payable	\$ 198,654	\$ 203,318
Unamortized balance of deferred financing costs	(3,162)	(3,541)
<b>Total debt</b>	<b>\$ 195,492</b>	<b>\$ 199,777</b>

As at December 31, 2018, total debt decreased by \$4.3 million from \$199.8 million as at December 31, 2017 as a result of regular principal repayments.

We use the following cash flow performance and debt level indicators to assess our ability to meet or refinance our debt obligations:

As at	December 31, 2018	December 31, 2017 <sup>(4)</sup>
Weighted average effective interest rate (period-end) <sup>(1)</sup>	3.8%	3.8%
Weighted average face rate of interest (period-end)	3.8%	3.6%
Debt due within one year	\$ 32,646	\$ 4,683
Interest coverage ratio <sup>(2)</sup> (times)	3.07	3.05
Debt-to-gross asset value <sup>(2)</sup>	24.4%	23.9%
Debt – average term to maturity (years) <sup>(3)</sup>	8.06	9.50

<sup>(1)</sup> Weighted average effective interest rate is calculated as the weighted average face rate of interest, net of financing costs of interest bearing debt, weighted by the size of the respective interest bearing debt instruments in the portfolio

<sup>(2)</sup> For the Trust's definition and reconciliation of the non-IFRS measure of interest coverage ratio and debt-to-gross asset value, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

<sup>(3)</sup> The average term to maturity calculation does not include the revolving credit facility, which matures on July 31, 2019

<sup>(4)</sup> The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements

The Trust expects to refinance the debt due within one year, if any, in the normal course as the underlying mortgages and the credit facility mature. The debt-to-gross asset value as at December 31, 2018 of 24.4% is comparable to December 31, 2017. Management believes this is a conservative position.

Principal repayments and maturity balances on total debt to be repaid each year are as follows:

Debt maturities	Outstanding balance due at maturity	Scheduled principal repayments	Total maturity balance and principal repayments	% of Total debt maturities and principal repayments	Weighted average effective interest rate on balance due at maturity	Weighted average face rate on balance due at maturity
Mortgages payable and term loans						
2019	\$ 27,000	\$ 5,646	\$ 32,646	16.4%	3.6%	3.6%
2022	5,043	6,592	11,635	5.9%	3.3%	3.3%
2021	10,329	6,183	16,512	8.3%	3.1%	3.1%
2022	71,993	5,005	76,998	38.8%	3.5%	3.5%
2023	—	3,995	3,995	2.0%	—%	—%
2024 and thereafter	—	56,868	56,868	28.6%	4.4%	4.4%
Subtotal before undernoted	\$ 114,365	\$ 84,289	\$ 198,654	100.0%	3.8%	3.8%
Unamortized balance of deferred financing costs (net)	(3,162)		(3,162)			
<b>Total debt</b>	<b>\$ 111,203</b>	<b>\$ 84,289</b>	<b>\$ 195,492</b>			

During the year ended December 31, 2018, \$35.0 million was drawn and repaid on the revolving credit facility. As at December 31, 2018, no funds were drawn on the revolving credit facility (December 31, 2017 – \$nil) and funds available under this facility were \$38.0 million (December 31, 2017 – \$43.3 million), as determined by the formula-based maximum calculation, net of \$1.4 million (December 31, 2017 – \$1.7 million) of letters of credit issued against the facility.

For the three months and year ended December 31, 2018, regular repayments of mortgages payable and term loans totaled \$1.8 million and \$4.7 million. During the three months and year ended December 31, 2018, there were no lump sum repayments of mortgages payable.

## TOTAL EQUITY

As at December 31, 2018, the Trust had 72,592,822 units outstanding and a unitholders' equity balance of \$590.3 million. The number of units outstanding increased from December 31, 2017 as a result additional units issued under the Distribution Reinvestment and Unit Purchase Plan ("DRIP"), offset by the cancellation of Trust's units.

As at	December 31, 2018		December 31, 2017 <sup>(1)</sup>	
	Number of units	Amount	Number of units	Amount
Unitholders' equity	72,592,822	\$ 591,094	72,417,786	\$ 592,269
Retained earnings		3,143		16,687
Accumulated other comprehensive income (loss)		(3,979)		(4,250)
Total Unitholders' equity	72,592,822	\$ 590,258	72,417,786	\$ 604,706
Non-controlling interests		1,669		1,948
<b>Total equity</b>		<b>\$ 591,927</b>		<b>\$ 606,654</b>

<sup>(1)</sup> The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements

The following table summarizes the changes in the outstanding units:

	Units
<b>Total units outstanding on December 31, 2017</b>	72,417,786
Units issued pursuant to the DRIP	1,400,255
Deferred units exchanged for Trust units	47,890
Cancellation of Trust's units	(1,273,109)
<b>Total units outstanding on December 31, 2018</b>	<b>72,592,822</b>

As at February 20, 2019, 72,833,433 Trust units were outstanding.

The Deferred Unit Incentive Plan ("DUIP") provides for the grant of deferred trust units ("DTUs") to trustees of the Trust, officers and employees as well as affiliates, including the Asset Manager. DTUs are granted at the discretion of the trustees of the Trust and receive distributions in the form of income deferred trust units as they are declared and paid by the Trust. As at December 31, 2018, up to a maximum of 3.0 million DTUs were issuable under the DUIP. Distributions on the unvested DTUs are paid in the form of units converted at the market price on the date of distribution. As at December 31, 2018, there were 457,488 deferred trust units and income deferred trust units outstanding (December 31, 2017 – 347,308 units). As at February 20, 2019, 462,141 deferred trust units and income deferred trust units were outstanding.

## DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The DRIP entitles unitholders to reinvest all cash distributions into additional units. Participants electing to reinvest cash distributions in units pursuant to the DRIP will receive a further "bonus" distribution equal to 4% of the amount of each cash distribution 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 one thousand dollars and a maximum investment amount of two hundred and fifty thousand dollars 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.

On February 20, 2019, the Trust announced the suspension of its DRIP until further notice effective for the February 2019 distribution.

## DISTRIBUTIONS

The distributable cash flow and amount of monthly distributions to unitholders are determined by the Board of Trustees of the Trust based on distributions received from Dream Alternatives Master LP, net of general and administrative expenses, operating and other expenses and income tax expenses. The Asset Manager forecasts the annual distributable cash flow from the Trust's operating segments to assist the Board of Trustees in determining the targeted distribution amount.

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust, which allows for any unforeseen expenditures. As at December 31, 2018, our monthly distribution rate was \$0.033 per unit. Approximately 33.7% (December 31, 2017 - 16.0%) of total units were enrolled in the DRIP. Total DRIP units issued during the three months ended December 31, 2018 was 383,952, an increase of 21,259 compared to the three months ended September 30, 2018. The change is a result of an increased number of unitholders electing to have their cash distributions reinvested in additional units.



As at	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Annualized distribution amount	\$ 0.400	\$ 0.400	\$ 0.400	\$ 0.400	\$ 0.400	\$ 0.400	\$ 0.400	\$ 0.400
Monthly distribution amount	0.033	0.033	0.033	0.033	0.033	0.033	0.033	0.033
Annualized distribution rate of return <sup>(1)</sup>	6.4%	5.9%	5.8%	6.4%	6.3%	6.6%	6.7%	6.3%
DRIP units issued during the quarter	383,952	362,693	360,287	293,323	238,554	223,251	179,219	132,708

<sup>(1)</sup> Annualized distribution rate of return is calculated as the annualized distribution amount divided by the closing price per unit on the TSX at the date specified

## NORMAL COURSE ISSUER BID

Under the Trust's NCIB program, from January 1, 2018 to February 20, 2019, 1,304,049 units were purchased at a cost of \$8.6 million inclusive of transaction costs.

The following table summarizes the Trust's activity under its NCIB program for the periods ended as indicated:

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Units repurchased (number of units)	140,331	433,030	1,273,109	800,230
Total cash consideration	\$ 918	\$ 2,682	\$ 8,350	\$ 4,964

The Trust received acceptance of its Notice of Intention to renew its prior normal course issuer bid from the TSX on January 11, 2019. The bid commenced on January 15, 2019, and will remain in effect until the earlier of January 14, 2020 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 6,066,081 units (representing 10% of the Trust's public float of 60,660,817 units at the time of entering the bid through the facilities of the TSX).

As at February 20, 2019, 3,968,325 units have been purchased under the prior and current bids at a total cost of \$24.5 million.

## LIQUIDITY

The following table summarizes the Trust's consolidated statements of cash flow:

For the periods ended	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cash generated from (utilized in) operating activities	\$ 1,669	\$ 7,285	\$ 17,251	\$ 11,350
Cash generated from (utilized in) investing activities	6,199	(32,938)	2,797	50,252
Cash generated from (utilized in) financing activities	(7,753)	(10,416)	(34,246)	(12,428)

Cash generated from operating activities for the three months ended December 31, 2018 was \$1.7 million compared with \$7.3 million in the same period in the prior year. During the three months ended December 31, 2018, cash distributions, which represented profit to the Trust, of \$1.2 million related to the Trust's investment in Hotel Pur were received compared with \$2.4 million related to Empire Brampton in the same period in the prior year.

Cash generated from operating activities for the year ended December 31, 2018 was \$17.3 million compared with \$11.4 million for the prior year. The increase in cash generated from operating activities was primarily due to lower investment towards lease incentives and initial direct leasing costs due to the sale of the non-core income properties in the prior year, as well as changes in non-cash working capital.

Cash generated from investing activities for the three months ended December 31, 2018 was \$6.2 million compared with cash utilized of \$32.9 million in the same period in the prior year. The year over year change was due to higher investing activity in the prior period compared to the current period.

Cash generated from investing activities for the year ended December 31, 2018 was \$2.8 million compared with cash generated of \$50.3 million in the same period in the prior year. The year over year change was primarily due to the cash generated from the sale of certain non-core income properties in the prior year, offset by the higher investing activities.

Cash utilized in financing activities for the three months ended December 31, 2018 was \$7.8 million compared to \$10.4 million in the same period in the prior year. The year over year decrease was primarily due to lower net borrowings in the current period.

Cash utilized in financing activities for the year ended December 31, 2018 was \$34.2 million compared to \$12.4 million in the same period in the prior year. The year over year change was as a result of the Trust closing financing on term loans on the renewable power projects as well as refinancing a mortgage payable during the same period. This was offset by cash utilized in the discharge or repayment of mortgages payable associated with the sale of certain non-core co-owned income properties.

## **COMMITMENTS AND CONTINGENCIES**

During the year ended December 31, 2018, the Trust, through a subsidiary, continued to provide a guarantee for up to \$45.0 million pursuant to the requirements of a senior construction loan associated with the Empire Lakeshore residential project. The guarantee will be in place for the term of the construction loan and will proportionately scale down as the construction loan is repaid as unit closings begin to occur. Guarantees of the other underlying development project loan amounts of third parties are \$7.5 million. As at December 31, 2018, the Trust is contingently liable under guarantees that are issued on certain debt assumed by purchasers of income properties up to an amount of \$44.2 million.

The Trust is contingently liable for letters of credit in the amount of \$1.4 million that have been provided to support third party performance.

The Trust may also be contingently liable for certain obligations of joint venture partners. However, the Trust would have available to it the other joint venture partners' share of assets to satisfy any obligations that may arise.

## **FINANCIAL COVENANTS**

The revolving credit facility, the financial guarantees, certain mortgages on income properties and the renewable power term debt contain financial covenants that require the Trust to meet certain financial ratios and financial condition tests. A failure to meet these tests could result in default and, if not cured or waived, could result in an acceleration of the repayment in the underlying financing. For the three months and year ended December 31, 2018, the Trust was in compliance with these financial covenants.



## 5. QUARTERLY FINANCIAL INFORMATION

	2018				2017 <sup>(2)</sup>			
	Q4	Q3	Q2	Q1 <sup>(2)</sup>	Q4	Q3	Q2	Q1
<b>TOTAL INCOME</b>	\$ 16,717	\$ 14,617	\$ 10,196	\$ 15,619	\$ 14,471	\$ 16,056	\$ 14,424	\$ 22,573
<b>TOTAL EXPENSES</b>	(11,927)	(11,447)	(11,848)	(11,450)	(13,842)	(13,169)	(18,349)	(16,960)
Fair value adjustments to income properties	505	(476)	(114)	(2,110)	10,956	(814)	(4,921)	(28,088)
<b>OPERATING INCOME (LOSS)</b>	5,295	2,694	(1,766)	2,059	11,585	2,073	(8,846)	(22,475)
Other interest income	610	612	857	1,235	1,300	536	424	387
Transaction costs	(227)	(12)	(60)	(77)	(45)	(855)	(1,917)	—
Fair value adjustments to marketable securities	—	—	615	2,751	2,844	433	—	—
<b>EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE</b>	5,678	3,294	(354)	5,968	15,684	2,187	(10,339)	(22,088)
<b>INCOME TAX (EXPENSE) RECOVERY</b>								
Current	15	(2)	(4)	—	15	(4)	(4)	—
Deferred	1,302	(2,284)	473	(184)	678	(2,219)	3,102	3,516
<b>TOTAL INCOME TAX (EXPENSE) RECOVERY</b>	1,317	(2,286)	469	(184)	693	(2,223)	3,098	3,516
<b>NET INCOME (LOSS)</b>	\$ 6,995	\$ 1,008	\$ 115	\$ 5,784	\$ 16,377	\$ (36)	\$ (7,241)	\$ (18,572)
<b>NET INCOME (LOSS) BEFORE DEPRECIATION<sup>(1)</sup></b>	\$ 8,528	\$ 2,552	\$ 1,629	\$ 7,296	\$ 17,906	\$ 1,467	\$ (5,776)	\$ (17,211)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	575	(478)	(770)	1,239	370	483	9	38
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	\$ 7,570	\$ 530	\$ (655)	\$ 7,023	\$ 16,747	\$ 447	\$ (7,232)	\$ (18,534)
<b>NET INCOME (LOSS) PER UNIT</b>	\$ 0.10	\$ 0.01	\$ —	\$ 0.08	\$ 0.23	\$ —	\$ (0.10)	\$ (0.26)
<b>NET INCOME (LOSS) PER UNIT BEFORE DEPRECIATION<sup>(1)</sup></b>	\$ 0.12	\$ 0.04	\$ 0.02	\$ 0.10	\$ 0.25	\$ 0.02	\$ (0.08)	\$ (0.24)
<b>TOTAL UNITHOLDERS' EQUITY PER UNIT</b>	\$ 8.13	\$ 8.14	\$ 8.23	\$ 8.34	\$ 8.35	\$ 8.23	\$ 8.33	\$ 8.53
<b>TOTAL NAV PER UNIT</b>	\$ 8.74	\$ 8.69	\$ 8.77	\$ 8.86	\$ 8.86	\$ 8.67	\$ 8.76	\$ 8.63

<sup>(1)</sup> For the Trust's definition of the following non-IFRS measures; Net income (loss) per unit, Net income (loss) before depreciation, Net income (loss) per unit before depreciation, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

<sup>(2)</sup> The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements

As a result of the Trust's implementation of its long term strategy to expand the development and investment holdings segment, the Trust expects that the quarterly/yearly results of operation will fluctuate from period to period. This is due to the long term nature of the projects in the development and investment holdings segment.

## 6. NON-IFRS MEASURES AND OTHER DISCLOSURES

We have presented certain Non-IFRS Measures because we believe these non-IFRS measures are important in evaluating the Trust's underlying operating performance, debt management and our ability to earn and pay cash distributions to unitholders. These non-IFRS measures do not have standardized meanings prescribed by IFRS and may not be comparable with similar measures presented by other issuers. Investors are cautioned not to view Non-IFRS Measures as alternatives to financial measures calculated in accordance with IFRS.

**"Debt-to-gross asset value"** represents the total contractual debt payable for the Trust or operating segment divided by gross asset value, excluding assets held-for-sale, of the Trust or operating segment as at the applicable reporting date. This non-IFRS measure is an important measure in evaluating the amount of debt leverage; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A calculation of debt-to-gross asset value can be found in the Capital Resources and Liquidity section of this MD&A under the heading "Summary of Debt".

**"Gross asset value"** is total assets per the consolidated financial statements less assets held-for-sale. This non-IFRS measure is an important measure as it includes total assets on a basis consistent with that of total contractual debt payable which also excludes debt related to assets held-for sale when calculating debt-to-gross asset value; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

**"Interest coverage ratio"** is a non-IFRS measure the Trust believes to be an important measure in determining our ability to cover interest expense based on our operating performance; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. Interest coverage ratio is calculated on a rolling four fiscal quarter basis as net operating income less general and administrative expenses; all divided by interest expense excluding unamortized balance of mortgages payable premiums. As at December 31, 2017, the interest coverage ratio calculation was updated to remove the impact of gains on dispositions of development and investment holdings, where applicable. Effective in the third quarter of 2018, the basis of the Trust's calculating interest coverage ratio was amended from previous periods to more closely align with the interest coverage calculation as required under the revolving credit facility covenant. A reconciliation of net income (loss) to NOI can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Income (Loss) to Net Operating Income". The table below calculates the interest coverage ratio for the periods indicated.

	December 31, 2018	December 31, 2017
Net operating income	\$ 42,557	\$ 44,763
General administration expenses	(15,036)	(15,316)
Total	\$ 27,521	\$ 29,447
Interest expense incurred, at contractual rate	8,964	9,668
<b>Interest coverage ratio (times)<sup>(1)</sup></b>	<b>3.07</b>	<b>3.05</b>

<sup>(1)</sup>calculated for the rolling four fiscal quarter basis as at December 31, 2018 and December 31, 2017

**"Internal rate of return ("IRR")"** for residential development projects is calculated based on the estimated net pre-tax cash flow expected to be generated from each project considering real estate development revenues, expenditures, construction time-line and sale dates; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. This non-IFRS measure is an important measure used by the Trust in evaluating the performance of its investments.

**"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 measure is an important measure in evaluating the Trust's and Asset Manager's performance. It is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

**"Market value"** represents the carrying value as per the consolidated statements of financial position adjusted for external appraisal values or a discounted cash flow methodology, incorporating expected future cash flows, discount rates, other applicable market information and the reduction in the risk profile of the renewable power projects and equity accounted investments as they are developed or achieve completion milestones by the Trust. The Trust believes that incorporating this adjustment in determining the market value of the asset is a more useful measure to value the renewable power portfolio and equity investments that would not ordinarily be captured within IFRS and the Trust's consolidated financial statements. This non-IFRS measure is an important measure used by the Trust in evaluating the Trust's and Asset Manager's performance as it is an indicator of the intrinsic value of the Trust; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.



**"Net asset value ("NAV") per unit"** represents the 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 measure is an important measure used by the Trust in evaluating the Trust's performance as it is an indicator of the intrinsic value of the Trust; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A reconciliation of net asset value per unit can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Asset Value to Total Unitholders' Equity".

**"Net asset value ("NAV")"** a non IFRS measure, represents total unitholders' equity per the consolidated financial statements, adjusted for market value adjustments for both renewable power projects and equity accounted investments (including applicable deferred income tax adjustment) and the unamortized balance of the mortgages payable premiums. The mortgages payable premiums represent current unamortized balance of fair value adjustments recorded for these instruments at the Trust's listing date. Since the Trust intends to repay the mortgages at maturity, this historical fair value adjustment is removed for the calculation of the NAV. A market value adjustment for renewable power projects developed by the Trust is reflected once they become operational and long term financing is arranged as well as reflecting recent market information that would indicate a change in the renewable power portfolio market value (subject to appraisals). A market value adjustment for equity accounted investments is included to address the reduction in risk profile as each project progresses toward completion and/or reflect information from recent market transactions that indicate a change in the equity investment market value (subject to appraisals). The Trust believes that incorporating a market value adjustment is a more useful measure to value the renewable power portfolio and equity accounted investments that would not ordinarily be captured within IFRS and the Trust's consolidated financial statements. The market value adjustments account for the applicable deferred income taxes considering the timing of their realization and, if appropriate, will be incorporated into the determination of the NAV. Excluded from the NAV calculation are any market value adjustment with respect to liabilities as well as commitments/contracts that are not otherwise recorded as liabilities on the Trust's balance sheet. The Trust has not appraised the lending portfolio, as the Trust intends to hold the investments in the lending portfolio until maturity and its term to maturity is within one year, as such this portfolio is considered fairly liquid and fair value approximates amortized cost. This non-IFRS measure is an important measure used by the Trust in evaluating the Trust's and Asset Manager's performance as it is an indicator of the intrinsic value of the Trust; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A reconciliation of net asset value can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Asset Value to Total Unitholders' Equity".

**"Net income (loss) per unit"** represents net income (loss) of the Trust divided by the number of units outstanding at the end of the period.

**"Net income (loss) before depreciation"** represents net income (loss) excluding depreciation on renewable power assets and amortization of intangible assets. This non-IFRS measure is an important measure used by the Trust in evaluating the performance of its investments; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

**"Net income (loss) per unit before depreciation"** represents net income (loss) excluding depreciation on renewable power assets and amortization of intangible assets divided by the number of units outstanding at the end of the period. This non-IFRS measure is an important measure used by the Trust in evaluating the performance of its investments; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

**"Net operating income ("NOI")"** is defined by the Trust as net income (loss) per the consolidated financial statements adjusted for: income tax expense (recovery), interest expense net of other interest income, depreciation and amortization, transaction costs, debt settlement costs, provision for lending portfolio losses, general and administrative expenses, fair value adjustments to income properties, development and investment holdings and marketable securities. This non-IFRS measure is an important measure used by the Trust in evaluating operating performance; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. Reconciliations of NOI to net income (loss) can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Income (Loss) to Net Operating Income".

**"Total contractual debt payable"** represents total debt per the consolidated statements of financial position less note payable, unamortized balance of mortgages payable premiums and unamortized balance of deferred financing costs. This non-IFRS measure is an important measure used in the management of our debt levels as an indicator of principal amounts outstanding; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A reconciliation of total contractual debt payable to debt per the consolidated financial statements can be found in the Capital Resources and Liquidity section of this MD&A under the heading "Summary of Debt".

"Total Unitholders' equity per unit" represents the Total Unitholders equity of the Trust divided by the number of units outstanding at the end of the period.

## RECONCILIATION OF NET INCOME (LOSS) TO NET OPERATING INCOME

For the three months ended December 31, 2018	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other <sup>(1)</sup>	Total
<b>NET INCOME (LOSS)</b>	\$ 3,801	\$ 3,607	\$ 2,098	\$ (340)	\$ (2,171)	\$ 6,995
Add (Deduct):						
Income tax expense (recovery)	—	—	—	7	(1,324)	(1,317)
Interest expense net of other interest income	(278)	—	1,189	909	(240)	1,580
Fair value adjustments to income properties	—	—	(505)	—	—	(505)
Depreciation and Amortization	—	—	—	1,533	—	1,533
Transaction costs	—	7	220	—	—	227
General and administrative expenses	—	—	—	—	3,735	3,735
Fair value adjustments to development and investment holdings	(2,047)	—	—	—	—	(2,047)
<b>NET OPERATING INCOME</b>	<b>\$ 1,476</b>	<b>\$ 3,614</b>	<b>\$ 3,002</b>	<b>\$ 2,109</b>	<b>\$ —</b>	<b>\$ 10,201</b>

For the year ended December 31, 2018	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other <sup>(1)</sup>	Total
<b>NET INCOME (LOSS)</b>	\$ 903	\$ 15,550	\$ 9,315	\$ 4,056	\$ (15,922)	\$ 13,902
Add (Deduct):						
Income tax expense (recovery)	—	—	—	9	675	684
Interest expense net of other interest income	(1,350)	—	3,409	3,672	(80)	5,651
Fair value adjustment to income properties	—	—	2,195	—	—	2,195
Depreciation and Amortization	—	—	—	6,103	—	6,103
Transaction costs	—	101	274	—	—	375
Fair value adjustments to marketable securities	—	—	(3,657)	—	291	(3,366)
General and administrative expenses	—	—	—	—	15,036	15,036
Fair value adjustments to development and investment holdings	1,977	—	—	—	—	1,977
<b>NET OPERATING INCOME</b>	<b>\$ 1,530</b>	<b>\$ 15,651</b>	<b>\$ 11,536</b>	<b>\$ 13,840</b>	<b>\$ —</b>	<b>\$ 42,557</b>

For the three months ended December 31, 2017	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other <sup>(1)</sup>	Total
<b>NET INCOME (LOSS)</b>	\$ 1,003	\$ 1,318	\$ 17,254	\$ 398	\$ (3,596)	\$ 16,377
Add (Deduct):						
Income tax expense (recovery)	—	—	—	—	(693)	(693)
Interest expense net of other interest income	(337)	—	(544)	931	849	899
Fair value adjustments to income properties	—	—	(10,956)	—	—	(10,956)
Depreciation and Amortization	—	—	—	1,529	—	1,529
Transaction costs	—	15	30	—	—	45
Fair value adjustments to marketable securities	—	—	(2,844)	—	—	(2,844)
Provision for lending portfolio losses	—	2,522	—	—	—	2,522
General and administrative expenses	—	—	—	—	3,440	3,440
Fair value adjustments to development and investment holdings	(1,751)	—	—	—	—	(1,751)
<b>NET OPERATING INCOME</b>	<b>\$ (1,085)</b>	<b>\$ 3,855</b>	<b>\$ 2,940</b>	<b>\$ 2,858</b>	<b>\$ —</b>	<b>\$ 8,568</b>

<sup>(1)</sup> Other includes Trust and segment level cash and net working capital balances

For the year ended December 31, 2017	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other <sup>(1)</sup>	Total
<b>NET INCOME (LOSS)</b>	\$ (1,579)	\$ 8,578	\$ (9,950)	\$ 4,538	\$ (11,059)	\$ (9,472)
Add (Deduct):						
Income tax expense (recovery)	—	—	—	—	(5,084)	(5,084)
Interest expense net of other interest income	(1,350)	—	5,659	3,527	1,080	8,916
Fair value adjustments to income properties	—	—	22,867	—	—	22,867
Depreciation and Amortization	—	—	—	5,858	—	5,858
Transaction costs	492	26	2,552	—	(253)	2,817
Fair value adjustments to marketable securities	—	—	(3,277)	—	—	(3,277)
Provision for lending portfolio losses	—	4,842	—	—	—	4,842
General and administrative expenses	—	—	—	—	15,316	15,316
Fair value adjustments to development and investment holdings	1,980	—	—	—	—	1,980
<b>NET OPERATING INCOME</b>	<b>\$ (457)</b>	<b>\$ 13,446</b>	<b>\$ 17,851</b>	<b>\$ 13,923</b>	<b>\$ —</b>	<b>\$ 44,763</b>

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

## RECONCILIATION OF NET ASSET VALUE TO TOTAL UNITHOLDERS' EQUITY

As at December 31, 2018	Development and investment holdings <sup>(2)</sup>	Lending portfolio	Income properties	Renewable power <sup>(3)</sup>	Other <sup>(1)</sup>	Total
<b>TOTAL UNITHOLDERS' EQUITY</b>	\$ 254,804	\$ 142,220	\$ 101,962	\$ 64,184	\$ 27,088	\$ 590,258
Market value adjustment to equity accounted investments	39,870	—	—	—	—	39,870
Market value adjustment to renewable power assets	—	—	—	10,527	—	10,527
Deferred income taxes adjustment	—	—	—	—	(6,005)	(6,005)
<b>NAV</b>	<b>\$ 294,674</b>	<b>\$ 142,220</b>	<b>\$ 101,962</b>	<b>\$ 74,711</b>	<b>\$ 21,083</b>	<b>\$ 634,650</b>
<b>NAV PER UNIT</b>	<b>\$ 4.06</b>	<b>\$ 1.96</b>	<b>\$ 1.40</b>	<b>\$ 1.03</b>	<b>\$ 0.29</b>	<b>\$ 8.74</b>

<sup>(1)</sup> Other includes Trust and segment level cash and net working capital balances

<sup>(2)</sup> For additional details on the Trust's equity accounted investments market value adjustment, please refer to Equity Investments Market Value Adjustments Included in NAV - Methodology within section 2.2 of the MD&A

<sup>(3)</sup> For additional details on the Trust's renewable power assets market value adjustment, please refer to Renewable Power Market Value Adjustment Included in NAV - Methodology with section 2.5 of the MD&A

As at December 31, 2017 <sup>(4)</sup>	Development and investment holdings <sup>(2)</sup>	Lending portfolio	Income properties	Renewable power <sup>(3)</sup>	Other <sup>(1)</sup>	Total
<b>TOTAL UNITHOLDERS' EQUITY</b>	\$ 198,839	\$ 158,758	\$ 156,462	\$ 67,061	\$ 23,586	\$ 604,706
Market value adjustment to equity accounted investments	29,201	—	—	—	—	29,201
Market value adjustment renewable power assets	—	—	—	11,773	—	11,773
Deferred income taxes adjustment	—	—	—	—	(4,253)	(4,253)
<b>NAV</b>	<b>\$ 228,040</b>	<b>\$ 158,758</b>	<b>\$ 156,462</b>	<b>\$ 78,834</b>	<b>\$ 19,333</b>	<b>\$ 641,427</b>
<b>NAV PER UNIT</b>	<b>\$ 3.15</b>	<b>\$ 2.19</b>	<b>\$ 2.16</b>	<b>\$ 1.09</b>	<b>\$ 0.27</b>	<b>\$ 8.86</b>

<sup>(1)</sup> Other includes Trust and segment level cash and net working capital balances

<sup>(2)</sup> For additional details on the Trust's equity accounted investments market value adjustment, please refer to Equity Investments Market Value Adjustments Included in NAV - Methodology within section 2.2 of the MD&A

<sup>(3)</sup> For additional details on the Trust's renewable power assets market value adjustment, please refer to Renewable Power Market Value Adjustment Included in NAV - Methodology with section 2.5 of the MD&A

<sup>(4)</sup> The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements



## 7. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Trust does not have a Chief Executive Officer or a Chief Financial Officer. At December 31, 2018, the President and Chief Responsible Officer and Chief Financial Officer of DAM (the "Certifying Officers"), are responsible for and, along with the assistance of senior management of the Asset Manager, have designed or caused to be designed under the Certifying Officer's supervision, disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" to provide reasonable assurance that material information relating to the Trust is made known to the Certifying Officers in a timely manner and information required to be disclosed by the Trust is recorded, processed, summarized and reported within the time periods specified in securities legislation, and have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS.

As at December 31, 2018, the Certifying Officers, together with other members of management, have evaluated the design and effectiveness of the Trust's DC&P. Based on that evaluation, the Certifying Officers have concluded that, as at December 31, 2018, the DC&P are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management to allow timely decisions of required disclosures by the Trust and its consolidated subsidiary entities within the required time periods.

The Trust's ICFR 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 "2013 Committee of Sponsoring Organizations (COSO) Internal Control Framework", published by the Committee of Sponsoring Organizations of the Treadway Commission, the Certifying Officers, together with other members of management, have evaluated the design and operation of the Trust's ICFR. Based on that evaluation, the Certifying Officers have concluded that the Trust's ICFR was effective as at December 31, 2018.

During the year ended December 31, 2018, there have not been any changes that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

## 8. RISKS AND RISK MANAGEMENT

Dream Alternatives is exposed to various risks and uncertainties, many of which are beyond our control. The following is a review of material factors that may impact our business operations. Additional risks and uncertainties are described in our most recent Annual Report and our current Annual Information Form, which are posted on our website at [www.dreamalternatives.ca](http://www.dreamalternatives.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com). The occurrence of any of such 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 and in our Annual Information Form 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.

### GENERAL INVESTMENTS RISK

Our investments include direct and indirect investments in real estate, mortgages and other loans, renewable power projects, and development and investment holdings, 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 Trust may undertake strategic property dispositions from time to time in order to recycle its capital and maintain an optimal portfolio composition but may experience significant delays in the repositioning of our portfolio as a result of the certain illiquid assets. The Trust may also be subject to unexpected costs or liabilities related to such dispositions, which could adversely affect the Trust's financial position and results of operations and its ability to meet its obligations.

## **DEVELOPMENT RISK**

The Trust is involved in several residential and mixed-use condominium development projects, often set up as joint ventures or partnerships. These developments are often carried out with an experienced developer or co-developers as the Trust's co-ventures/partners. The Trust expects to be increasingly involved in investments that develop residential and mixed-use developments.

Before a development project generates any revenues, material expenditures are incurred. This includes, but is not limited to, expenditures to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model suites and sales facilities. It generally takes several fiscal periods for a development to achieve cumulative positive cash flow. If the development projects in which we participate are not developed and marketed successfully or costs of development exceed original estimates and do not generate positive cash flows in a timely manner, this may have a material adverse effect on our business and results of operations.

There are also several factors that impact development risk, including, but not limited to, rising construction costs and development charges, shortage of experienced labour in certain construction related trades, and structure for municipal zoning approvals due to its unclear mandate at an early stage of development. These factors could impact our development profit margin or development yield potential. As a result, there can be no assurance that all of our proposed residential projects as described herein will be undertaken, and if so, with what mix of residential and commercial development, at what costs, and generating what profit margin or development yield. There could also be changes to the mix of condominium versus residential rental units or air rights sales for certain projects. As well, any change in the revenue or costing estimates or development timeline could have a significant impact on the value of the development and investment holdings.

In addition, purchaser demand with regards to residential condominiums is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for home buyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand. As well, an oversupply of homes or residential condominium units in the market, such as resale properties, including properties held for sale by investors and speculators, foreclosed homes and rental properties, may reduce the Trust's ability to sell residential development units and may depress prices and reduce margins from the sale of residential development units.

The Trust is also subject to the risk that purchasers of such properties may become unable or unwilling to meet their obligations or that the Trust may not be able to close the sale of a significant number of units in a development project on economically favourable terms. To mitigate these risks, the Trust monitors the market trends and development risks to adapt to any changes to market conditions.

## **JOINT VENTURE RISK**

Several investments, including the Trust's mortgage loan portfolio, property developments and income properties, are often made or developed as joint ventures or partnerships with third parties. These structures involve certain additional risks, including, but not limited to, co-venturers/partners that might experience financial difficulties or fail to fund their share of required capital contributions or suffer reputational damage that could have an adverse impact on the Trust.

In addition, our co-venturers/partners may, at any time, have economic or business interests inconsistent with ours and we may be required to take actions that are in the interest of the partners collectively, but not in Trust's sole best interests. Accordingly, we may not be able to favourably resolve issues with respect to such decisions or we could become engaged in a dispute with any of them that might affect our ability to develop or operate the business or assets in question efficiently. Any failure of the Trust or our co-venturers and partners to meet their obligations, or disagreements with respect to strategic decision making, could have an adverse effect on the joint ventures or partnerships, which may have an adverse effect on the Trust.

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.

## GENERAL REAL ESTATE RISK

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.

## LEASE RENEWALS AND RENTAL RATES RISK

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 that the tenant will be replaced. Furthermore, the terms of any subsequent lease may be less favourable than those of the existing lease. The Trust's income and cash flows would be adversely affected if we were unable to lease a significant amount of the available space in any particular property on economically favourable lease terms or on a timely basis.

## TENANT DEFAULT RISK

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.

## CREDIT RISK

There is a risk that a borrower or issuer of an investment security will not make a payment on debt 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.

While we intend to diversify our investments to ensure that we do not have excessive concentration in any single borrower/counterparty or related group of borrowers/counterparties, the Trust currently holds various lending instruments and investments with the same counterparty or related counterparties within its lending portfolio and development and investment holdings portfolio - see Note 31 to the consolidated financial statements. A change in the financial condition of a any single borrower/counterparty or related group of borrowers/counterparties to which the Trust has concentrated exposure could significantly and adversely affect the overall performance of the Trust.

## COUNTER PARTY RISK

Our renewable power operations are highly dependent upon parties to certain agreements fulfilling their contractual obligations, including counterparties to PPAs, 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 feed-in-tariff contracts may have a material adverse effect on our renewable power business as it may not be possible to replace the agreement with another 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 losses of revenue. Failure of any key supplier or contractor to meet its contractual obligations may lead to potential defaults under our PPAs.

## LENDING PORTFOLIO DEFAULT RISK

If a borrower under a loan defaults under any terms of the loan, we may have the ability to exercise our enforcement remedies in respect of the loan. Exercising 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 loans by exercising our enforcement remedies. Our inability to recover the amounts owed to us in respect of such loans could materially adversely affect us.



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

In addition, the composition of our lending 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 during certain periods. A lack of diversification may result in exposure to economic downturns or other events that have an adverse and disproportionate effect on particular types of securities, industries or geographies.

### **CONCENTRATION RISKS 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 AND ABILITY TO SOURCE SUITABLE INVESTMENTS**

Our performance depends on our ability to source or acquire assets including mortgage and other 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.

Our strategy involves investing and reinvesting in suitable investment opportunities, pursuing such opportunities, consummating investments and, in the case of real estate property and renewable power projects, effectively leasing and operating such properties and assets. 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, which could adversely impact our financial performance.

### **ENVIRONMENTAL RISKS**

As an owner of real estate property, we are subject to various federal, provincial, municipal and state laws relating to environmental matters. Such laws provide that we could be liable for the costs of removal and remediation of certain hazardous, toxic substances released on or in our properties or disposed of at other locations, as well as potentially significant penalties. We have insurance and other policies and procedures in place to review and monitor environmental exposure, which we believe mitigates these risks to an acceptable level. Some of the properties in which we have an interest currently have or have had occupants that use hazardous substances or create waste. Such uses can potentially create environmental liabilities. A few issues have been identified through site assessments, including the need to remediate or otherwise address certain contaminations. These issues are being carefully managed with the involvement of professional consultants. Where circumstances warrant, designated substance surveys and/or environmental assessments are conducted. Although environmental assessments provide some assurance, we may become liable for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk.

The Trust has 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.

### **FOREIGN EXCHANGE RISKS**

The Trust is exposed to foreign exchange risks, particularly with respect to fluctuations of the British pound and US dollar against the Canadian dollar, in respect of our investment in the United Kingdom Wind portfolio and our investment in the Hard Rock Hotel & Casino in Las Vegas, Nevada. The Trust's results are reported in Canadian dollars; therefore, fluctuations in the value of the British pound and US dollar impacts the fair value or future cash flows on these investments. The Trust does not hedge either of these exposures.

## **UNEXPECTED 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.

## **UNEXPECTED COSTS OR LIABILITIES RELATED TO ACQUISITIONS**

Our external growth prospects depend in part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions, including direct or indirect acquisitions of real estate. Notwithstanding pre-acquisition due diligence, it is not possible to fully understand a property before it is owned and operated for an extended period of time and there may be undisclosed or unknown liabilities concerning the acquired properties, and the Trust may not be indemnified for some or all of these liabilities. To mitigate this risk, our Asset Manager conducts an appropriate level of due diligence and investigation in connection with its acquisition of properties and seeks through, contractual arrangements, to ensure that risks lie with the appropriate party.

## **SOLAR OR WIND RESOURCE AND ASSOCIATED SOLAR OR WIND ENERGY**

The strength and consistency of the solar or wind resource at any project site may vary from the anticipated solar or wind resource. Weather patterns could change or the historical data could prove to be an inaccurate reflection of the strength and consistency of the solar or wind resource in the future. The conclusions of solar or wind resource studies and energy production estimates in relation to any solar or wind energy facility are based on a particular methodology and a set of assumptions about the existence of certain conditions and the assumption that these conditions will continue in the future. The assumptions and factors are inherently uncertain and may result in actual energy production being different from estimates. A decline in solar or wind conditions at any of our solar or wind energy facility could materially adversely affect revenues and cash flows from such facility.

## **CLIMATE CHANGE RISK**

Revenues generated by our renewable power portfolio are correlated to the amount of electricity generated, which in turn is dependent upon weather patterns. Weather patterns from period to period may change permanently because of climate change or other factors. A sustained unfavorable weather pattern could materially and adversely affect revenues and cash flow from our renewable power portfolio.

## **FINANCING RISKS, LEVERAGE AND RESTRICTIVE COVENANTS**

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; 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.

### **INTEREST RATE RISK**

When negotiating financing agreements or extending such agreements, we will depend on our ability to agree on terms, including in respect of interest payments and amortization. In addition, we may enter into financing agreements with variable interest rates. An increase in interest rates could result in a significant increase in the amount paid by us to service debt, that could materially adversely affect our cash flows.

We may implement hedging programs in order to offset the risk of revenue losses and to provide more certainty on our cash flows 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 make 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 value of our lending portfolio at any given time may be affected by the level of interest rates prevailing at such time. The income we earn on our lending portfolio is primarily from interest payments. 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. This could have a materially adverse impact to the Trust's cash flows. A decline in interest rates could depress the housing market, which may affect our investment holding mortgage investments in condominium and home development and have a materially adverse impact on our cash flows. 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, municipal, state, 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 real estate development process is subject to a variety of laws and regulations. In particular, governmental authorities regulate such matters as zoning and permitted land uses, levels of density and building standards. We will have to continue to obtain approvals from various governmental authorities and comply with local, provincial and federal laws, including laws and regulations concerning the protection of the environment in connection with such development projects. Obtaining such approvals and complying with such laws and regulations may result in delays which may cause us to incur additional costs which impact the profitability of a development project, or may restrict development activity altogether with respect to a particular project.

The operation of renewable power projects is subject to extensive regulation by various government agencies at the municipal, provincial and federal levels. 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 power 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.

## **INCOME TAX RISK**

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 endeavor 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.

We are subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the interpretation and application of tax laws taken by the Trust, which could lead to reassessments. These reassessments could have a material impact on the Trust in future periods.

## **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**

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.

## **CYBER SECURITY RISK**

Cyber security has become an increasing area of focus for issuers and businesses in Canada and globally, as reliance on digital technologies to conduct business operations has grown significantly. Cyber attacks against organizations are increasing in sophistication and can include but are not limited to intrusions into operating systems, theft of personal or other sensitive data and/or cause disruptions to business operations. Such cyber attacks could compromise the Trust's confidential information as well as that of the Trust's employees, customers and third parties with whom the Trust interacts and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage.

# **9. SIGNIFICANT ACCOUNTING POLICIES**

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

The preparation of 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 which 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 4 to the consolidated financial statements.

## **9.2 FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES**

Standards issued but not yet effective up to the date of issuance of the Trust's consolidated financial statements that are likely to have an impact on the Trust are listed below. This listing is of standards and interpretations issued that the Trust reasonably expects to be applicable at a future date. The Trust intends to adopt those standards when they become effective.

### **LEASES**

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

During the year ended December 31, 2018, the Trust performed an in-depth assessment of IFRS 16 and the impact to the Trust's consolidated financial statements. As part of the assessment the Trust reviewed its various segments and contracts to identify lease arrangements impacted by IFRS 16. In accordance with the standard, the Trust has elected to not apply the guidance to short term leases (less than one year) or leases with an underlying asset of low value (\$5,000 or less) and will recognize the lease

payments associated with those leases directly under operating expenses within the statements of comprehensive income (loss) over the lease term. The Trust identified the renewable power portfolio as a key area and reviewed the lease arrangements in order to assess the overall impact upon the implementation of this new standard. The Trust has elected to apply the cumulative catch up method which will result in the calculation of the lease liability by discounting the remaining rental payments at the lessee's incremental borrowing rate at the date of transition. The impact to the consolidated statement of financial position on January 1, 2019 will result in the recognition of a 'right of use asset' and a corresponding lease liability for approximately \$13,000.

#### **INCOME TAXES**

IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"), clarifies the application of the recognition and measurement requirements in IAS 12, "Income Taxes" ("IAS 12") for situations where there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers income tax treatments separately; assumptions that an entity makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. This amendment will not have an impact to the Trust's 2019 consolidated financial statements.

### **9.3 ADOPTION OF ACCOUNTING STANDARDS**

#### **CURRENT ACCOUNTING POLICY CHANGES**

The Trust has adopted the following revised standards, along with any consequential amendments, effective January 1, 2018. This change was made in accordance with the applicable transitional provisions.

#### **REVENUE RECOGNITION**

Effective January 1, 2018, the Trust has applied IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. The Trust exercised judgment in determining which of its revenue streams that arise from lease agreements are in scope of IFRS 15 and which were not. Specifically, the Trust considered whether a revenue stream related to a lease agreement is for the lease of an asset or is for the provision of a distinct service. Revenues of the latter type are determined to be in scope of IFRS 15, while the former are excluded. In accordance with this new standard, the Trust adopted IFRS 15 using the modified retrospective method. In applying IFRS 15, the Trust used the practical expedient that permits contracts which were completed prior to the transition date to not be assessed. As a result of adopting IFRS 15, there were no adjustments to the balance sheet as at January 1, 2018.

#### **FINANCIAL INSTRUMENTS**

The Trust adopted IFRS 9, "Financial Instruments" ("IFRS 9"), effective January 1, 2018, retrospectively, but without restatement of comparatives. The adoption of IFRS 9 has resulted in the Trust continuing to carry its financial assets as previously classified except for those financial assets classified as Available For Sale ("AFS"). Those financial assets previously classified as AFS have been classified as FVTPL under IFRS 9, as they are investments in listed equity instruments. The impact to the Trust's consolidated financial statements on January 1, 2018 was \$295, net of tax, of unrealized fair value adjustments previously reflected in Other Comprehensive Income ("OCI") which was recorded as an opening retained earnings adjustment. The Trust assessed its financial assets classified as amortized cost under 'expected loss' impairment model known as the Expected Credit Loss ("ECL") model. There was no change to the loss provision recorded by the Trust for the lending portfolio or amounts receivable as a result.

#### **INVESTMENT PROPERTIES**

IAS 40, "Investment Properties" ("IAS 40"), was amended to clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The revised standard states that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. This amendment did not have an impact on the Trust's consolidated financial statements.



## 10. BASIS OF PRESENTATION

This MD&A is a discussion of the operating results, cash flows and financial position of Dream Alternatives and should be read in conjunction with the consolidated financial statements of Dream Alternatives for the year ended December 31, 2018, prepared in accordance with IFRS.

When we refer to terms such as "we", "us", and "our", we are referring to the Trust, Dream Alternatives Master LP and its subsidiaries. When we refer to the term "units" we are referring to the units of the Trust. When we refer to "unitholders" we are referring to holders of the units of the Trust.

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 relating to the Trust's objectives and strategies to achieve those objectives; the Trust's strategies with respect of our legacy assets and income properties; the Trusts' beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth and drivers thereof, results of operations, performance, business prospects and opportunities, market conditions, acquisitions or divestitures, leasing transactions, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, litigation and the real estate, lending and renewable power industries in general, in each case, that are not historical facts as well as statements regarding our plans and proposals for future retail, residential and development and investment holdings projects, including projected sizes, density and uses and expected manner of funding thereof; anticipated costs of our retail, residential, and development and investment holdings and renewable power projects; timing of achieving milestones in our retail, residential, renewable power and development and investment holdings projects; development time lines on current and future retail, residential, renewable power and development and investment holdings projects, including expected commencement and completion dates; our estimated normalized initial direct leasing costs and lease incentives with respect to our income properties and the estimated normalized capital expenditures on operational renewable power assets; our pipeline of potential development opportunities; expected sources, amounts, and timing of financings for our projects; our anticipated ownership levels of proposed investments; expected cash flows, economic returns and funded equity of projects in future periods; expected renewals, occupancies and leasing activity in our income properties portfolio and in the retail component of our development and investment holdings portfolio; anticipated demand for our retail, residential and development and investment holdings projects; the redevelopment potential of our development and investment properties; anticipated expected fair value gains on the carrying value of investment and development holdings and renewable power projects; expected market value gains on our projects; proposed methodologies for valuing investments and timing of appraisals; timing of distributions or future cash return from our development and investment holdings portfolio; targeted return on equity (levered and unlevered), income and cash flow growth, NAV growth and targeted pre-tax IRR; expected loss; expected debt financing; anticipated cumulative equity; expected yield; expected IRR; expected level of repatriation of equity from our income properties; stabilized equity; anticipated equity requirements for our development projects; anticipated returns from our renewable power and development and investment holdings projects as well as the future contributions to NAV; the sustainability of cash distributions; and the variability in the Trust's income tax expense. Forward-looking statements generally can be identified by words such as "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "could", "likely", "plan", "project", "continue" or similar expressions suggesting future outcomes or events. 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; timing and amount of future loan financings and deposit commitments; 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, construction 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 or risks 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, construction and operation of our real estate and renewable power projects; uncertainty surrounding the development and construction of new projects and delays and cost overruns in the design, development, construction 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; foreign exchange fluctuations; 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 20, 2019. 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).

During the year ended December 31, 2018, the Trust determined that the fair value model for one of its development holdings, within its development and investment holdings portfolio, included an overstatement of certain income streams. The Trust assessed the impact of the error and concluded that it was not material to any of the Trust's previously issued consolidated financial statements. The Trust has accordingly revised its comparative consolidated financial statements. As a result, development and investment holdings at December 31, 2017 decreased by \$3,513, the deferred income tax asset at December 31, 2017 increased by \$941, with a corresponding decrease in opening retained earnings at January 1, 2017 of \$2,572 on the consolidated statement of financial position. There was no material effect of this adjustment on the comparative consolidated statement of comprehensive income (loss) and no effect on the comparative consolidated statement of cash flows.

Certain prior year comparative results have been reclassified to conform to the current year's consolidated financial statement presentation.

Certain market information has been obtained from Standard & Poor's, publications prepared by independent, third party commercial firms that provide 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.

Average market rent disclosed in the MD&A is 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 suite 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 required for the suites, 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 our properties and/or other comparable properties managed by the Asset Manager, as well as other external market data sources. The current estimated market rents are at a point in time and are subject to change based on future market conditions.

In addition, certain disclosures incorporated by reference into this report including, but not limited to, information regarding our largest tenants and development and investment holdings' development partners were obtained from publicly available information. We have not independently verified any such information.

## 11. ADDITIONAL INFORMATION

Additional information relating to Dream Hard Asset Alternatives Trust, including the Trust's Annual Information Form and audited consolidated financial statements and accompanying notes, are available on SEDAR at [www.sedar.com](http://www.sedar.com). The Trust's voting units trade on the TSX under the symbol "DRA.UN".

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Asset Manager of Dream Hard Asset Alternatives Trust prepares the Annual Report, which includes the consolidated financial statements, the notes thereto and management's discussion and analysis. These consolidated 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 auditor 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 auditor. The audit committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

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

*"Michael J. Cooper"*

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**Michael J. Cooper**  
Portfolio Manager

*"Pauline Alimchandani"*

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**Pauline Alimchandani**  
Chief Financial Officer

Toronto, Ontario, February 20, 2019





## *Independent auditor's report*

To the Unitholders of Dream Hard Assets Alternatives Trust

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### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dream Hard Assets Alternatives Trust and its subsidiaries, (together, the Trust) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### **What we have audited**

The Trust's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

#### **Independence**

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Other information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

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PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

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### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Popert.

**(Signed) "PricewaterhouseCoopers LLP"**

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario  
February 20, 2019



# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(in thousands of Canadian dollars)</i>	Note	December 31, 2018	December 31, 2017
			(Note 2)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Development and investment holdings	6	\$ 118,609	\$ 90,606
Lending portfolio	7	47,127	62,041
Income properties	8	224,310	219,656
Renewable power assets	9	130,615	135,514
Deferred income taxes	25	323	1,052
Other non-current assets	10	6,493	61,039
Equity accounted investments	11	132,528	105,917
<b>TOTAL NON-CURRENT ASSETS</b>		<b>660,005</b>	<b>675,825</b>
<b>CURRENT ASSETS</b>			
Lending portfolio - current portion	7	96,968	99,391
Amounts receivable	12	3,463	5,226
Income tax receivable		1,707	2,158
Prepaid expenses and other current assets		4,434	8,905
Cash		46,730	60,927
<b>TOTAL CURRENT ASSETS</b>		<b>153,302</b>	<b>176,607</b>
<b>TOTAL ASSETS</b>		<b>\$ 813,307</b>	<b>\$ 852,432</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Debt	13	\$ 162,846	\$ 195,094
Deferred units incentive plan	14	2,166	1,524
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>165,012</b>	<b>196,618</b>
<b>CURRENT LIABILITIES</b>			
Debt - current portion	13	32,646	4,683
Amounts payable and accrued liabilities	16	23,722	44,477
<b>TOTAL CURRENT LIABILITIES</b>		<b>56,368</b>	<b>49,160</b>
<b>TOTAL LIABILITIES</b>		<b>221,380</b>	<b>245,778</b>
<b>UNITHOLDERS' EQUITY</b>			
Unitholders' equity		591,094	592,269
Retained earnings		3,143	16,687
Accumulated other comprehensive loss	18	(3,979)	(4,250)
<b>TOTAL UNITHOLDERS' EQUITY</b>		<b>590,258</b>	<b>604,706</b>
Non-controlling interests	9	1,669	1,948
<b>TOTAL EQUITY</b>		<b>591,927</b>	<b>606,654</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 813,307</b>	<b>\$ 852,432</b>

See the accompanying notes to the consolidated financial statements  
Commitments and contingencies (Note 29)

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

**"Amar Bhalla"**

Amar Bhalla  
Chair

**"Karine MacIndoe"**

Karine MacIndoe  
Trustee

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars)

	Note	2018	2017
<b>INCOME</b>			
Fair value adjustments and operating cash distributions in development and investment holdings		\$ (1,260)	\$ (252)
Lending portfolio interest income and lender fees		15,651	13,446
Income properties revenue	20	24,071	38,993
Renewable power revenue		17,874	17,522
Share of income (loss) from equity accounted investments	11	813	(1,555)
Realized fair value loss from available-for-sale investments	6	—	(630)
<b>TOTAL INCOME</b>		<b>57,149</b>	<b>67,524</b>
<b>EXPENSES</b>			
Income properties, operating	21	(12,535)	(21,142)
Renewable power, operating	22	(10,137)	(9,457)
Interest expense	23	(8,964)	(11,563)
Provision for lending portfolio losses	7	—	(4,842)
General and administrative	24	(15,036)	(15,316)
<b>TOTAL EXPENSES</b>		<b>(46,672)</b>	<b>(62,320)</b>
Fair value adjustments to income properties	8, 19	(2,195)	(22,867)
<b>OPERATING INCOME (LOSS)</b>		<b>8,282</b>	<b>(17,663)</b>
Interest and other income		3,313	2,647
Transaction costs		(375)	(2,817)
Fair value adjustments to marketable securities	10	3,366	3,277
<b>EARNINGS (LOSS) BEFORE INCOME TAX RECOVERY (EXPENSE)</b>		<b>14,586</b>	<b>(14,556)</b>
<b>INCOME TAX RECOVERY (EXPENSE)</b>			
Current income tax recovery (expense)	25	9	7
Deferred income tax recovery (expense)	25	(693)	5,077
<b>TOTAL INCOME TAX RECOVERY (EXPENSE)</b>		<b>(684)</b>	<b>5,084</b>
<b>NET INCOME (LOSS)</b>		<b>13,902</b>	<b>(9,472)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Items that will be reclassified subsequently to net income (loss):			
Fair value adjustments to derivative financial liabilities hedges, net of tax	15	—	(196)
Realized fair value loss from derivative financial liabilities hedges, net of tax	15	99	90
Fair value adjustments to available-for-sale investments, net of tax		—	80
Realized fair value loss from available-for-sale investments, net of tax		—	557
Unrealized foreign currency translation gain (loss)		467	369
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>566</b>	<b>900</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>\$ 14,468</b>	<b>\$ (8,572)</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO</b>			
Unitholders		\$ 13,160	\$ (10,319)
Non-controlling interests		742	847
<b>NET INCOME (LOSS)</b>		<b>\$ 13,902</b>	<b>\$ (9,472)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO</b>			
Unitholders		\$ 13,726	\$ (9,419)
Non-controlling interests		742	847
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>\$ 14,468</b>	<b>\$ (8,572)</b>

See the accompanying notes to the consolidated financial statements

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2018

<i>(in thousands of Canadian dollars, except for number of units)</i>	Note	Number of units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests	Total
<b>Balance as at January 1, 2018</b>		<b>72,417,786</b>	<b>\$ 592,269</b>	<b>\$ 16,687</b>	<b>\$ (4,250)</b>	<b>\$ 1,948</b>	<b>\$ 606,654</b>
IFRS 9 adoption adjustment	5	—	—	295	(295)	—	—
<b>Restated balance as at January 1, 2018</b>		<b>72,417,786</b>	<b>\$ 592,269</b>	<b>\$ 16,982</b>	<b>\$ (4,545)</b>	<b>\$ 1,948</b>	<b>\$ 606,654</b>
Net income (loss) for the year		—	—	13,160	—	742	13,902
Other comprehensive income (loss)		—	—	—	566	—	566
Distributions paid and payable	17	—	—	(29,300)	—	—	(29,300)
Distribution Reinvestment Plan	17	1,400,255	9,167	—	—	—	9,167
Deferred units exchanged for Trust units	14	47,890	309	—	—	—	309
Cancellation of Trust units	17	(1,273,109)	(10,651)	2,301	—	—	(8,350)
Distributions to non-controlling interests		—	—	—	—	(1,021)	(1,021)
<b>Balance as at December 31, 2018</b>		<b>72,592,822</b>	<b>\$ 591,094</b>	<b>\$ 3,143</b>	<b>\$ (3,979)</b>	<b>\$ 1,669</b>	<b>\$ 591,927</b>

For the year ended December 31, 2017

<i>(in thousands of Canadian dollars, except for number of units)</i>	Note	Number of units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests	Total
<b>Balance as at January 1, 2017 (Note 2)</b>		<b>72,351,722</b>	<b>\$ 593,911</b>	<b>\$ 54,405</b>	<b>\$ (5,150)</b>	<b>\$ 1,588</b>	<b>\$ 644,754</b>
Net income (loss) for the year		—	—	(10,319)	—	847	(9,472)
Other comprehensive income (loss)		—	—	—	900	—	900
Distributions paid and payable	17	—	—	(29,155)	—	—	(29,155)
Distribution Reinvestment Plan	17	773,732	4,679	—	—	—	4,679
Deferred units exchanged for Trust units	14	92,562	556	—	—	—	556
Cancellation of Trust units	17	(800,230)	(6,720)	1,756	—	—	(4,964)
Acquisition of non-controlling interest		—	(157)	—	—	157	—
Distributions to non-controlling interests		—	—	—	—	(644)	(644)
<b>Balance as at December 31, 2017</b>		<b>72,417,786</b>	<b>\$ 592,269</b>	<b>\$ 16,687</b>	<b>\$ (4,250)</b>	<b>\$ 1,948</b>	<b>\$ 606,654</b>

See the accompanying notes to the consolidated financial statements



## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands of Canadian dollars)</i>	Note	2018	2017
<b>Generated from (utilized in) operating activities</b>			
Net income (loss)		\$ 13,902	\$ (9,472)
Non-cash and other items:			
Amortization and depreciation	28	6,721	6,430
Other adjustments	28	(5,110)	25,447
Change in non-cash working capital	28	629	(8,836)
Investment in lease incentives and initial direct leasing costs		(3,185)	(9,387)
Cash distributions from development and investment holdings	6	4,294	7,168
<b>Generated from (utilized in) operating activities</b>		<b>\$ 17,251</b>	<b>\$ 11,350</b>
<b>Generated from (utilized in) investing activities</b>			
Investments in building improvements		(1,993)	(3,024)
Acquisition of income properties, including transaction costs		—	(11,657)
Cash distributions from development and investment holdings	6	3,652	19,781
Cash advances to development and investment holdings	6	—	(2,766)
Net proceeds from disposal of development and investment holdings, net of transaction costs		—	67,132
Net proceeds from disposal of income properties, net of transaction costs		—	126,165
Additions to renewable power assets		(573)	(12,373)
Lending portfolio additions, net of lender fees	7	(30,658)	(89,870)
Principal repayments received from lending portfolio	7	54,488	70,612
Acquisition of investment holdings		(37,926)	—
Proceeds from sale (acquisition) of marketable securities		64,003	(52,569)
Distributions from equity accounted investments		1,960	1,408
Investments in equity accounted investments		(50,156)	(62,587)
<b>Generated from (utilized in) investing activities</b>		<b>\$ 2,797</b>	<b>\$ 50,252</b>
<b>Generated from (utilized in) financing activities</b>			
Changes in restricted cash balance		(84)	(1,751)
Long-term debt borrowings, net		—	66,655
Debt settlement costs		—	(1,286)
Lump sum repayments of mortgage payable	13	—	(22,968)
Mortgages and term loan repayments	13	(4,664)	(6,813)
Settlement of derivative financial liabilities	15	—	(1,109)
Contributions (distributions) to non-controlling interests		(1,021)	(644)
Advance (repayment) on revolving credit facility, net		—	(15,075)
Distributions paid on units	17	(20,127)	(24,473)
Trust units repurchased and cancelled	17	(8,350)	(4,964)
<b>Generated from (utilized in) financing activities</b>		<b>\$ (34,246)</b>	<b>\$ (12,428)</b>
<b>Foreign exchange on cash held in foreign currency</b>		<b>1</b>	<b>(4)</b>
<b>Increase (decrease) in cash</b>		<b>(14,197)</b>	<b>49,170</b>
<b>Cash, beginning of the year</b>		<b>60,927</b>	<b>11,757</b>
<b>Cash, end of the year</b>		<b>\$ 46,730</b>	<b>\$ 60,927</b>

See the accompanying notes to the consolidated financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All dollar amounts are presented in thousands of Canadian dollars, except for unit, per unit, and MW 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"), a wholly owned subsidiary of Dream Unlimited Corp. ("Dream"). On January 1, 2018, Dream acquired control of the Trust, based on Dream's increased exposure to variable returns resulting from increased ownership through units held in the Trust and from new real estate joint venture agreements. Dream is the ultimate parent company of the Trust.

The Trust is focused on hard asset alternative investments comprising real estate development, real estate lending, income properties, and renewable power.

The Trust's registered office is 30 Adelaide Street East, Suite 301, 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, 2018 were authorized for issuance by the Board of Trustees on February 20, 2019.

For simplicity, throughout the notes, reference is made to the units of the Trust as follows:

- "units" meaning Trust voting units, and
- "unitholders" meaning holders of Trust voting units.

## 2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"). The Trust's consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The consolidated financial statements are prepared on a historical cost basis, except for income properties and certain development and investment holdings and financial instruments that are measured at fair value. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements unless otherwise indicated.

During the year ended December 31, 2018, the Trust determined that the fair value model for one of its development holdings, within its development and investment holdings portfolio, included an overstatement of certain income streams. The Trust assessed the impact of the error and concluded that it was not material to any of the Trust's previously issued consolidated financial statements. The Trust has accordingly revised its comparative consolidated financial statements. As a result, development and investment holdings at December 31, 2017 decreased by \$3,513, the deferred income tax asset at December 31, 2017 increased by \$941, with a corresponding decrease in opening retained earnings at January 1, 2017 of \$2,572 on the consolidated statement of financial position. There was no material effect of this adjustment on the comparative consolidated statement of comprehensive income (loss) and no effect on the comparative consolidated statement of cash flows.

Certain prior year comparative results have been reclassified to conform to the current year's consolidated financial statement presentation.

### 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 and the ability to use its power over the investee to affect the amount of the investor's return. 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 the consolidated financial statements on the date that control ceases.

## 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 through joint operations and joint ventures. Joint arrangements are contractual arrangements that give two or more parties joint control of the arrangement. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement, whereas a joint venture is a joint arrangement whereby the parties that have joint control only have rights to the net assets of the arrangement.

The Trust, through its subsidiaries, is a co-owner in several properties that are subject to joint control and has direct rights to the income property, and obligations for the liabilities relating to the co-ownership. Therefore these joint arrangements are considered to be joint operations. For these properties, the Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the consolidated financial statements.

Interests in joint ventures are accounted for using the equity method. The Trust's equity accounted investments are initially recognized at cost. The cost of a joint venture at initial recognition comprises its purchase price and any directly attributable expenditures necessary to obtain it. Any goodwill arising on the acquisition of a joint venture is not separately recognised but is included in the carrying value of the joint venture. The consolidated financial statements include the Trust's share of the profit or loss and other comprehensive income (loss), after adjustments to align the accounting policies with those of the Trust, from the date that joint control commences until the date that joint control ceases. When the Trust's share of losses, if any, exceeds the carrying amount of the joint venture, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Trust has a legal or constructive obligation or has made a payment on behalf of the joint venture.

## INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for using the equity method. Investments in associates are those entities in which the Trust has significant influence, but no control or joint control, over the financial and operating policies. Investments in associates are recognized initially at cost. The cost of an investment in an associate at initial recognition comprises its purchase price and any directly attributable expenditures necessary to obtain it. Any goodwill arising on the acquisition of an associate is not separately recognized but is included in the carrying value of the associate. The consolidated financial statements include the Trust's share of the profit or loss and other comprehensive income (loss), after adjustments to align the accounting policies with those of the Trust, from the date that significant influence commences until the date that significant influence ceases. When the Trust's share of losses, if any, exceeds the carrying amount of the associate, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Trust has a legal or constructive obligation or has made a payment on behalf of the associate.

## 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: development and investment holdings, lending portfolio, income properties and renewable power 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.



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

The principal accounting policies applied in the preparation of these consolidated financial statements are described below.

#### DEVELOPMENT AND INVESTMENT HOLDINGS

Development and investment holdings include limited partnership interests, a hospitality asset and mortgage receivables secured against residential development properties and include participation rights in the profits of the underlying development. At initial recognition, the Trust initially measures a financial asset at its fair value, plus any related transaction costs. Subsequent measurement depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The development and investment holdings are classified as Fair Value Through Profit and Loss ("FVTPL") as their contractual cash flows do not represent solely payments of principal and interest. Income earned and the changes in fair value are recorded in the consolidated statements of comprehensive income (loss) as fair value adjustments and operating cash distributions in development and investment holdings. Cash flows related to capital components of development and investment holdings are classified as investing activities on the consolidated statement of cash flows when it represents a return of capital and operating activities when it represents profit to the Trust.

#### LENDING PORTFOLIO

The lending portfolio is primarily comprised of fixed-interest-rate and interest-only mortgage and loan investments that the Trust intends on holding until maturity. They are recognized initially at fair value, plus any directly attributable transaction costs. The Trust classifies all loan investments that give rise to specified payments of principal and interest as amortized cost. All other loan investments are classified as FVTPL. For those loan investments classified as amortized cost, subsequent to initial recognition, the lending portfolio investments are measured at amortized cost using the effective interest rate method, less any provision for impairment, if applicable. A provision for impairment on the lending portfolio is established based on the general approach Expected Credit Loss ("ECL") model. Under the general approach ECL model, the Trust estimates possible default scenarios for the next 12 months on its lending portfolio investments. The Trust established a provision matrix that considers various factors including the borrower's credit risk, term to maturity, status of the underlying project and market risk. The results of the general approach ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the consolidated statements of comprehensive income (loss). If a significant increase in credit risk occurs on a loan investment, an estimate of default is considered over the entire remaining life of the assets. In circumstances when an entity acquires a loan investment that is credit impaired at the date of initial recognition the credit adjusted approach ECL model will be applied. The credit adjusted approach ECL model results in expected credit losses calculated considering an estimate of default over the life of the asset.

The Trust recognizes interest, lender fees and other income from the lending portfolio in the consolidated statements of comprehensive income (loss) using the effective interest rate method for the general or simplified approach ECL model regardless if evidence of impairment exists. If the credit adjusted approach ECL model is used then a credit adjusted effective interest rate is used in calculating the applicable interest, lender fees and other income. Lending portfolio interest income and lenders fees 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 before any allowance for expected credit losses. Under the general and simplified approach, if no evidence of impairment exists interest income is calculated on the carrying amount at the beginning of the period before any allowance for expected credit loss otherwise interest income is calculated after an allowance for expected credit loss.

#### INCOME PROPERTIES

Income properties are initially recorded at cost, including related transaction costs in connection with asset acquisitions, and include office and industrial properties held to earn rental income and/or for capital appreciation. After initial recognition, income properties are carried at fair value. At the end of each reporting period, the Trust determines the fair value of income properties by either considering current contracted prices for certain income properties, including those available for sale, by obtaining appraisals from qualified external professionals or using internally prepared valuations applying the income approach. Internally prepared valuations are performed by the Asset Manager, who estimates the fair value of each income property using the most appropriate valuation methodology determined for each property on a highest and best use basis, which may include the overall capitalization method, the discounted cash flow method or, in certain limited circumstances, land values. Related fair value gains and losses are recorded in net income (loss) in the consolidated statements of comprehensive income (loss).

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 statement of financial position 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 uses the income approach for its income properties. 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. Each property is subject to an appraisal by an independent valuator at least once every three years, if not earlier.

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.

## RENEWABLE POWER ASSETS

Renewable power assets are measured at cost less accumulated depreciation and impairment charges, if any. Cost includes expenditures that are directly attributable to the acquisition and construction of the asset including interest costs paid or accrued during construction. 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 management at least annually.

Asset class	Depreciation method and period
<b>Solar power equipment</b>	
Solar modules, inverters and racking	4%, straight-line
<b>Wind power equipment</b>	
Wind generation equipment, electrical system, foundations and roads	4% to 5%, straight-line

On sale or retirement, renewable power assets and their related accumulated depreciation are removed from the consolidated statement of financial position, and any related gain or loss is reflected in net income in the consolidated statements of comprehensive income (loss). 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 cost less accumulated amortization and impairment charges, if any. Amortization takes place over the contractual term of the agreements related to the assets, which are 20 years on a straight-line basis. These intangible assets are classified as other non-current assets on the consolidated statements of financial position.

## IMPAIRMENT 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 the greater of the value-in-use or fair value less costs to sell. 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 (loss) 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 in the consolidated statements of comprehensive income (loss).

## IMPAIRMENT OF EQUITY ACCOUNTED INVESTMENTS AND INVESTMENTS IN ASSOCIATES

The Trust assesses, at each reporting date, whether there is objective evidence that its interest in equity accounted investments and investments in associates are impaired. If impaired, the carrying value of the Trust's equity accounted investment balance is written down to its estimated recoverable amount, which is the greater of its value-in-use or fair value less costs to sell, with any differences charged to net income in the consolidated statements of comprehensive income (loss).

## **LENDING PORTFOLIO INTEREST AND FEES INCOME**

Mortgage interest and fees revenues are recognized in the consolidated statements of comprehensive income (loss) using the effective interest method. Mortgage interest and fees revenues include the discount or premium incurred by the Trust at the time the mortgages were acquired, if any. The effective interest method derives the interest rate that discounts the estimated future cash payments and receipts over the expected life of the mortgages to its carrying amount. When calculating the effective interest rate, future cash flows are estimated considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and transaction costs paid or received, including the incremental revenues and costs that are directly attributable to the acquisition or issuance of the mortgage.

## **INCOME PROPERTIES REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Trust has obligations to provide ongoing services related to its leases. These services include common area maintenance services, utilities and other services at its properties (collectively "CAM services"). The Trust's performance obligations on CAM services are satisfied over time as services are provided during the period over which tenants occupy the premises. When providing CAM services, the Trust is entitled to fees from tenants to the extent costs are incurred to provide the services. Tenants are billed monthly based on estimates and the Trust recognizes revenue to the extent that actual costs are incurred. To the extent that costs exceed billings, an amounts receivable is recognized; if the billings exceed costs, an amounts payable is recognized. These current assets or liabilities are settled with tenants annually.

The Trust provides parking services to its properties' tenants and visitors. Tenant parking revenue is recognized evenly over the terms of the related leases. Transient parking revenue is recognized based on actual usage.

The consideration received from tenants under the lease arrangements is allocated between the lease and service revenue (CAM services and parking services, if applicable) based on relative stand-alone selling prices.

For all revenue streams from contracts with customers, revenue is measured at the best estimate of the amount the Trust expects to receive for performing the services. Revenue is recognized only to the extent that it is highly probable that a significant amount of the cumulative revenue recognized for a contract will not reverse. The Trust is obligated to continue to provide CAM services over the remaining term of each lease contract. The Trust will recognize revenue on these remaining performance obligations based on the actual cost incurred to fulfill the CAM services in the period.

## **INCOME PROPERTIES RENTAL INCOME**

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. Rental revenue includes base rents, property tax recoveries, percentage participation rents, lease termination fees, and other rental revenue including recoveries for landlord work and tenant improvement allowances. 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. Property tax recoveries are recognized as revenues in the period in which 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.

## **RENEWABLE POWER ASSETS REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue from renewable power assets is recognized based on the amount of energy generated at the contracted rates and is recognized when the energy produced is received by the client and the performance obligation is satisfied. Several power-generating sites are eligible for additional payments under government programs designed to provide additional fees based on the supply of renewable energy. These amounts are related to energy generated and are based on the megawatt hours ("MWh") of electricity supplied. These amounts are recorded as revenue in the period in which the energy produced is received by the client. Amounts are determined based on a spot amount or fixed amount per MWh generated, depending on the location of where the energy is produced.

The unsatisfied performance obligation resulting from contracted rates has a variable consideration that is constrained by the MWh of energy produced.



## 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.

## CASH

Cash excludes restricted cash subject to restrictions that prevent its use for current purposes. Restricted cash is included in prepaid expenses and other current assets. Excluded from cash are amounts held for repayment of tenant security deposits, as required by various lending agreements. These security deposits are included in accounts payable and accrued liabilities. As at December 31, 2018, cash included an amount of \$5,296 (December 31, 2017 – \$6,286) held in bank accounts that require both the Trust's and third parties' approval prior to distribution.

## LEASES

Leases that substantially transfer all the benefits and risks of ownership of property and equipment to the Trust, or otherwise meet the criteria for capitalizing a lease under IFRS, are accounted for as finance leases. An asset is recognized at the time a finance lease is entered into together with its related long-term obligation. Property and equipment recognized under finance leases are amortized on the same basis under income properties or renewable power assets. Payments on operating leases are expensed on a straight-line basis.

## 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 years (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 remeasured at each reporting date at amortized cost, based on the fair value of the corresponding units, with changes in fair value recognized in net income in the statements of comprehensive income.

## FINANCIAL INSTRUMENTS

### DESIGNATION OF FINANCIAL INSTRUMENTS

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

	Classification
<b>Financial assets</b>	
Development and investment holdings	Fair value through profit or loss
Lending portfolio	Amortized cost/Fair value through profit or loss
Amounts receivable	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Investment in marketable securities	Fair value through profit or loss
<b>Financial liabilities</b>	
Debt	Amortized cost
Amounts payable and accrued liabilities	Amortized cost

The accounting policies for the lending portfolio, development and investment holdings, and marketable securities have been discussed previously.

### FINANCIAL ASSETS

The Trust classifies its financial assets that give rise to specified payments of principal and interest as amortized cost, unless the Trust plans to sell the financial asset, which is then classified as fair value through other comprehensive income ("FVOCI"). All other financial assets are classified as FVTPL.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment, if applicable. A provision for impairment on accounts receivable is established based on the simplified ECL model. Under the simplified approach ECL model, the Trust estimates lifetime expected losses for its amounts receivables at each balance sheet date based on available information. To measure the expected losses, amounts receivable are grouped based on the days past due. The results of the simplified approach ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the consolidated statements of comprehensive income (loss) within 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 operating expenses in the consolidated statements of comprehensive income (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 either FVTPL or as amortized cost. Financial liabilities are initially recognized at fair value less related transaction costs. Financial liabilities classified as amortized cost are measured 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 net income in the consolidated statements of comprehensive income (loss) over the expected life of the debt. Modifications of financial liabilities carried at amortized cost that do not result in derecognition give rise to a revaluation gain or loss equal to the change in discounted contractual cash flows using the effective interest rate method. This revaluation gain or loss is recognized in the statement of comprehensive income (loss). The Trust's financial liabilities that are classified as FVTPL are initially recognized at fair value and are subsequently remeasured at fair value each reporting period, with changes in the fair value recognized in the consolidated statements of comprehensive income (loss).

## FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Trust's foreign operations are measured using the currency of the primary economic environment in which the foreign operations are conducted ("the functional currency"). The functional currency of the Trust's foreign operations located in the United Kingdom ("U.K.") is the British pound. The functional currency of the Trust and Canadian operations is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars, which is the Trust's presentation currency.

## FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the Trust's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the exchange rates effective at the financial statement reporting date for monetary assets and liabilities denominated in foreign currencies, if any, are recognized in the consolidated statements of comprehensive income (loss).

## FOREIGN OPERATIONS

The results and financial position of the foreign operations are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rate at the date of that consolidated statement of financial position;
- (ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognized in other comprehensive income (loss) in the consolidated statements of comprehensive income (loss).

## ASSET RETIREMENT OBLIGATIONS

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 pre-tax 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.

## INTEREST EXPENSE

Interest expense includes interest on mortgages payable secured by income properties, interest on term loans, amortization of ancillary costs incurred in connection with the arrangement of borrowing, and interest on the revolving credit facility.

## 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. Borrowing costs are capitalized to qualifying 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.

## 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 that 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 that 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.

## ASSETS HELD-FOR-SALE

Assets and associated liabilities (or disposal groups) are classified as held-for-sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Income properties designated as held-for-sale are recorded at fair value until disposal and the remainder of the disposal group is stated at the lower of the carrying amount and fair value less costs to sell.

## ACCOUNTING FOR LEVIES IMPOSED BY GOVERNMENT

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.

## ACCOUNTING POLICIES APPLICABLE UP TO DECEMBER 31, 2017

The following accounting policies were applied in the preparation of the consolidated financial statements up to December 31, 2017:

### DEVELOPMENT AND INVESTMENT HOLDINGS

Development and investment holdings include mortgages receivable secured against 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 FVTPL, 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 (loss) as fair value adjustments and operating cash distributions 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. The Trust's ownership interest in the two limited partnerships is less than 20%. The limited partnerships own interests in three shopping centres and one office tower. These AFS investments are not subject to control, joint control or significant influence and are non-derivative financial instruments that have been classified as AFS investments because they do not qualify for classification in any other financial instrument category. 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 statements of comprehensive income (loss). Realized gains (losses) on sale are recognized in net income in the consolidated statements of comprehensive income (loss).

## LENDING PORTFOLIO

The lending portfolio is primarily comprised of fixed-interest-rate and interest-only mortgage and loan investments that the Trust intends on holding until maturity, which are recognized initially recognized 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.

Each lending portfolio investment is reviewed to assess if any features of the agreement are considered embedded derivatives. Embedded derivatives are required to be separated from the host contract and accounted for as a derivative financial instrument in accordance with the criterion in IAS 39. If the embedded derivative is required to be separated from the host contract and the fair value of the embedded derivative cannot be measured reliably the entire lending portfolio investment is required to be designated as FVTPL.

An impairment loss in respect of a specific lending portfolio investment, other than those classified as FVTPL, 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. If practical, impairment may be measured based on an instrument's fair value using an observable market price. Losses are recognized in the statements of comprehensive income (loss) 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 the statements of comprehensive income (loss). 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.

The Trust recognizes interest, lender fees and other income from the lending portfolio in the consolidated statements of comprehensive income (loss) 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.

## 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>		
Development and investment holdings available-for-sale	Available for sale	Fair value
Lending portfolio	Loans and receivables/Fair value through profit or loss	Amortized cost/Fair value
Amounts receivable	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Debt	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost

## 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, if applicable. 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 counterparty. 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 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 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, 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, other than derivative 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 net income in the consolidated statements of comprehensive income (loss) over the expected life of the debt.

### **DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

The Trust documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Trust also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction is recognized in other comprehensive income (loss) in the consolidated statements of comprehensive income (loss). The gain or loss relating to the ineffective portion, if any, is recognized immediately in the statements of comprehensive income (loss) in net income (loss).

The realized gain or loss recognized on settlement of a hedging instrument designated as a cash flow hedge will be reclassified to net income over the term of the related debt. When a hedging instrument no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in accumulated other comprehensive income at that time are recognized in net income.

### **IMPAIRMENT**

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, equity accounted investments, lending portfolio, intangible assets 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"), 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.



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

The preparation of 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 which 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.

### 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:

#### JOINT ARRANGEMENTS, ASSOCIATES 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, judgment 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.

#### DEVELOPMENT AND INVESTMENT HOLDINGS

Critical judgments are made in determining the fair value of development and investment holdings. The fair values of these investments is reviewed regularly by the Asset Manager 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, and the leasing and management cost assumptions for the buildings and/or unit sales in order to determine the Trust's interest and participating income. Generally, the development and investment holdings are valued using a number of approaches that typically include a discounted cash flow analysis, direct capitalization approach and direct comparison approach. The discounted cash flow model is 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 ("NOI") of the development properties. With the direct capitalization rate method, the fair value is determined by applying a capitalization rate to stabilized NOI. Each investment is subject to an appraisal by an independent valuator at least once every three years, if not earlier.

#### INCOME PROPERTIES

Critical judgments are made in respect of the fair values of income properties. 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 industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. Each property is subject to an appraisal by an independent valuator at least once every three years, if not earlier. For income properties not subject to independent appraisals, internal valuations are prepared by the Asset Manager and reviewed during each reporting period.

For income properties, the Asset Manager 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.

The Trust exercises judgment in estimating the transaction price for contract revenues with customers. The Trust exercises judgment with regards to the amount and timing of the revenue recognized for CAM service contracts which are satisfied over time. The amount of revenue recognized for CAM services with variable consideration is constrained by the actual costs incurred and any restrictions in lease agreements. The revenues related to these obligations are recorded over time as the obligation of the Trust is to provide the CAM services on an as needed basis throughout the contract period.

The Trust exercises judgment in determining which of its revenue streams that arise from lease agreements are in scope of IFRS 15 and which are not. Specifically, the Trust considers whether a revenue stream related to a lease agreement is for the lease of an asset or is for the provision of a distinct service. Revenues of the latter type are determined to be in scope of IFRS 15, while the former are in scope of IAS 17, "Leases".

#### **LENDING PORTFOLIO**

Critical judgments are made in determining the fair value of loan investments that are classified as FVTPL. The fair values of these loans are reviewed regularly by the Asset Manager with reference to market interest rates, which considers similar instruments with corresponding maturity dates plus a credit adjustment in accordance with the borrowers creditworthiness as well as the risk characteristics of the underlying development.

#### **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 assets' depreciation rates are detailed in Note 3.

#### **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 whether the acquisition is capable of producing outputs and whether the market participant could produce outputs if missing elements exist. In particular, the Trust considers whether employees were assumed in the acquisition and 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, equity accounted investments, lending portfolio, intangible assets and renewable power assets. Such estimates and assumptions primarily relate to the timing and amount of future cash flows.

IFRS 9, "Financial Instruments", requires management to use judgment in determining whether the Trust's financial assets require a provision for impairment. The Trust's financial assets are subject to the ECL model whereby the Trust estimates on a forward looking basis possible default scenarios and establishes a provision matrix that considers various factors including industry and sector performance, economic and technological changes and other external market indicators.

IAS 36, "Impairment of Assets", requires management to use judgment in determining the recoverable amount of non-financial 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"), 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 preparation of consolidated financial statements in accordance with IFRS requires the Trust to make estimates and assumptions that affect the carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of total comprehensive income (loss) 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 AND DEVELOPMENT AND INVESTMENT HOLDINGS

The fair values of income properties and development and investment holdings are dependent on estimates regarding stabilized or forecasted NOI and capitalization and discount rates applicable to those assets. The determination of stabilized or forecasted NOI incorporates various assumptions including those regarding contractual rents, expected future market rents, renewal rates and maintenance costs. Capitalization and discount rates reflect market uncertainties and are based on the location, size and quality of the asset 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 and development and investment holdings 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, lending portfolio, mortgages payable and term loans. The fair values of development holdings, that are not based on recent purchase or bid price, are determined based on discounted cash flows and the direct capitalization rate method using discount rates and capitalization rates that reflect current market conditions for instruments with similar terms and risks. The fair values of investments holdings are determined by applying capitalization rates, which reflect current market conditions for properties with similar terms and risks, to the Asset Manager's assessment of stabilized NOI. 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 having the same or similar terms, in consultation with the manager and servicer of the lending portfolio, and other available information. The critical assumptions underlying the fair value measurements and disclosures include the market interest rates for lending portfolio and mortgages and term loans, discount rates for development holdings and stabilized NOI for investments holdings.

For certain financial instruments, including cash, restricted 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.

## 5. ADOPTION OF ACCOUNTING STANDARDS

### CURRENT ACCOUNTING POLICY CHANGES

The Trust has adopted the following revised standards, along with any consequential amendments, effective January 1, 2018.

#### REVENUE RECOGNITION

Effective January 1, 2018, the Trust has applied IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. The Trust exercised judgment in determining which of its revenue streams that arise from lease agreements are in scope of IFRS 15 and which were not. Specifically, the Trust considered whether a revenue stream related to a lease agreement is for the lease of an asset or is for the provision of a distinct service. Revenues of the latter type are determined to be in scope of IFRS 15, while the former are excluded. In accordance with this new standard, the Trust adopted IFRS 15 using the modified retrospective method. In applying IFRS 15, the Trust used the practical expedient that permits contracts which were completed prior to the transition date to not be assessed. As a result of adopting IFRS 15, there were no adjustments to the balance sheet as at January 1, 2018.

#### FINANCIAL INSTRUMENTS

The Trust adopted IFRS 9, "Financial Instruments" ("IFRS 9"), effective January 1, 2018, retrospectively, but without restatement of comparatives. The adoption of IFRS 9 has resulted in the Trust continuing to carry its financial assets as previously classified except for those financial assets classified as Available For Sale ("AFS"). Those financial assets previously classified as AFS have been classified as FVTPL under IFRS 9, as they are either investments in listed equity instruments or their contractual cash flows do not represent solely payments of principal and interest. The impact to the Trust's consolidated financial statements on January 1, 2018 was \$295, net of tax, of unrealized fair value adjustments previously reflected in Other Comprehensive Income ("OCI"), which was recorded as an opening retained earnings adjustment. The Trust assessed its financial assets classified as amortized cost under the expected loss impairment model known as the ECL model. There was no change to the loss provision recorded by the Trust for the lending portfolio or amounts receivable as a result.

## **INVESTMENT PROPERTIES**

IAS 40, "Investment Properties" ("IAS 40"), was amended to clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The revised standard states that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. This amendment did not have an impact on the Trust's consolidated financial statements.

## **FUTURE ACCOUNTING POLICY CHANGES**

Standards issued but not yet effective up to the date of issuance of the Trust's consolidated financial statements that are likely to have an impact on the Trust are listed below. This listing is of standards and interpretations issued that the Trust reasonably expects to be applicable at a future date. The Trust intends to adopt those standards when they become effective.

## **LEASES**

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

During the year ended December 31, 2018, the Trust performed an in-depth assessment of IFRS 16 and the impact to the Trust's consolidated financial statements. As part of the assessment the Trust reviewed its various segments and contracts to identify lease arrangements impacted by IFRS 16. In accordance with the standard, the Trust has elected to not apply the guidance to short term leases (less than one year) or leases with an underlying asset of low value (\$5,000 or less) and will recognize the lease payments associated with those leases directly under operating expenses within the statements of comprehensive income (loss) over the lease term. The Trust identified the renewable power portfolio as a key area and reviewed the lease arrangements in order to assess the overall impact upon the implementation of this new standard. The Trust has elected to apply the cumulative catch up method, which will result in the calculation of the lease liability by discounting the remaining rental payments at the lessee's incremental borrowing rate at the date of transition. The impact to the consolidated statement of financial position on January 1, 2019 will result in the recognition of a 'right of use asset' and a corresponding lease liability for approximately \$13,000.

## **INCOME TAXES**

IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"), clarifies the application of the recognition and measurement requirements in IAS 12, "Income Taxes" ("IAS 12") for situations where there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers income tax treatments separately; assumptions that an entity makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits, and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. This amendment will not have an impact on the Trust's 2019 consolidated financial statements.



## 6. DEVELOPMENT AND INVESTMENT HOLDINGS

The table below provides a continuity of development and investment holdings:

	Investment holdings			Development holdings	Total development and investment holdings
	FVTPL	AFS <sup>(1)</sup>	Total investment holdings		
<b>Balance as at January 1, 2017 (Note 2)</b>	\$ 13,474	\$ 15,073	\$ 28,547	\$ 155,235	\$ 183,782
Advances	1,700	747	2,447	319	2,766
Distributions received	(900)	—	(900)	(26,048)	(26,948)
Dispositions	(9,638)	(1,013)	(10,651)	(56,985)	(67,636)
Fair value adjustments	(984)	(8)	(992)	(366)	(1,358)
<b>Balance as at December 31, 2017</b>	<b>\$ 3,652</b>	<b>\$ 14,799</b>	<b>\$ 18,451</b>	<b>\$ 72,155</b>	<b>\$ 90,606</b>
Reclassification on the adoption of IFRS 9 <sup>(1)</sup>	14,799	(14,799)	—	—	—
Acquisitions	37,926	—	37,926	—	37,926
Distributions/capital repayment	(4,886)	—	(4,886)	(3,060)	(7,946)
Fair value adjustments	2,353	—	2,353	(4,330)	(1,977)
<b>Balance as at December 31, 2018</b>	<b>\$ 53,844</b>	<b>\$ —</b>	<b>\$ 53,844</b>	<b>\$ 64,765</b>	<b>\$ 118,609</b>

<sup>(1)</sup> Upon adoption of IFRS 9, the financial instruments previously recorded as AFS are now classified as FVTPL, refer to Note 5 - Adoption of Accounting standards

As at December 31, 2018, investment holdings include a hospitality asset and two limited partnerships that are recorded as FVTPL. Development holdings, also recorded through FVTPL, includes two long-term participating loans secured by real property comprised of two residential assets under development.

During the year ended December 31, 2018, the Trust invested US \$29,000 (CAD \$37,926) for an approximate 10% interest in the Hard Rock Hotel & Casino in Las Vegas, Nevada, with a consortium of partners, led by Juniper Capital Partners ("Juniper") and Fengate Real Asset Investments ("Fengate"). This investment is considered an investment holding asset and is classified as FVTPL. As at December 31, 2018, the cash paid continues to approximate fair value, adjusted for foreign currency translation.

During the year ended December 31, 2018, the Trust redeemed its investment in its hospitality asset located in Québec City, Québec. In accordance with the terms of the agreement, the Trust received distributions of \$4,886 which represented the principal amount of \$3,652 plus preferred interest.

During the year ended December 31, 2018, the Trust recorded a net fair value loss of \$4,330, in development holdings primarily related to residential assets under development as a result of changes in profit assumptions. As at December 31, 2018, the discount rates applied for residential assets under development were 7% to 8% (December 31, 2017 – 9.5% to 12%). The change in the discount rates was due to a reduction in risk profile of the development holdings as the assets approach completion and are fully sold. The Trust determined the fair value of development holdings residential assets under development by using a discounted cash flow analysis which is 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.

During the year ended December 31, 2017, the Trust disposed of certain interest in retail assets under development and completed and operational retail assets comprising six long-term development loans, one co-ownership investment, as well as a mortgage loan receivable of \$2,384 ("Villarboit Investment"), that was previously included within the lending portfolio, for total gross proceeds of \$70,000, before transaction costs of \$518. During the year ended December 31, 2017, the Trust recorded a fair value loss of \$6,583 related to the sale of the Villarboit Investment. In addition, the Trust transferred \$630 of realized losses from other comprehensive income (loss) into net income (loss) resulting from the sale of an AFS investment that was part of the Villarboit Investment.

The fair value methodologies applied have been consistent with the prior year. For development and investment holdings recently acquired, or where certain bids have been obtained, the fair value is based on the purchase or bid price. The fair value methodologies and material assumptions for each respective category, other than the above noted, are summarized in the table below:

As at			December 31, 2018	December 31, 2017
	Method	Unobservable inputs	Range	Range
<b>Development Holdings</b>				
Residential assets under development	Discount future anticipated proceeds from unit closings	Discount rates	7.0% - 8.0%	9.5% - 12%
<b>Investment Holdings</b>				
Hospitality asset	Discount future cash flows to reporting date	Discount rates	N/A	13.0%
Limited Partnerships	Calculate value by applying direct capitalization method to stabilized NOI and where applicable discount back to the reporting date	Capitalization rates	6.2% - 7.0%	6.2% - 7.4%

Generally, an increase in anticipated proceeds from unit closings or an increase in stabilized NOI will result in an increase in fair values. An increase in the capitalization rates ("cap rates") or in the discount rates will result in a decrease in fair values. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower rate resulting in a greater impact to the fair value than a higher rate. Any change in the revenue or costing estimates or development timeline could have a significant impact on the value of the development and investment holdings.

If the discount rates applied for residential assets under development were to increase by 1%, the fair value of the residential assets under development would decrease by \$700. If the discount rate were to decrease by 1%, the fair value would increase by \$700.

If the weighted average cap rate were to increase by 25 basis points ("bps"), the fair value of the limited partnerships would decrease by \$1,000. If the weighted average cap rate were to decrease by 25 bps, the fair value would increase by \$1,000.

## 7. LENDING PORTFOLIO

For the year ended	December 31, 2018	December 31, 2017
<b>Balance, beginning of year</b>	\$ 161,432	\$ 141,956
Add (Deduct):		
Lending portfolio advances	35,042	90,698
Changes in accrued interest balance	(776)	(152)
Provision for lending portfolio losses	—	(4,842)
Interest capitalized to lending portfolio balance	6,113	4,967
Discount on lending portfolio, net of amortization	(3,546)	—
Lender fees and extension fees received, net of amortization	318	(583)
Principal repayments at maturity and contractual repayments and prepayments	(54,488)	(70,612)
<b>Balance, end of year<sup>(1)</sup></b>	\$ 144,095	\$ 161,432
Less: Current portion	96,968	99,391
<b>Non-current portion of lending portfolio</b>	\$ 47,127	\$ 62,041

<sup>(1)</sup> Lending portfolio balance includes a loan of \$16,574 (December 31, 2017 - \$10,000) that is classified as FVTPL

The table below provides a summary of the Trust's lending portfolio:

As at	December 31, 2018	December 31, 2017
Weighted average effective interest rate (year-end)	9.6%	9.0%
Security allocation (1st mortgages/other)	69.8% / 30.2%	70.9% / 29.1%
Maturity dates	2019 - 2025	2018 - 2022
Balance of accrued interest	\$ 241	\$ 1,015
Loans with prepayment options	37,127	32,876

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

2019	\$	101,727
2020		7,230
2021		18,221
2022		6,250
2023		16,352
2024 and thereafter		2,800
Total principal repayments	\$	152,580
Provision for lending portfolio losses		(4,842)
Accrued interest balance		241
Unamortized balance of lender fees received		(338)
Unamortized balance of discount on lending portfolio		(3,546)
Balance as at December 31, 2018	\$	144,095

During the year ended December 31, 2018, the Trust advanced \$35.0 million at a weighted average effective interest rate of 10.7%.

Included in the lending portfolio advances during the year were two loan balances in relation to the Seaton Development investment for total proceeds of \$9,050. The loan terms include a non interest bearing component, and accordingly the future cash flows related to these loans were discounted to their present value using a rate that reflects the market risk specific to each loan. The present value of the loans of \$5,003 was recorded within the lending segment and the corresponding unamortized discount balance of \$4,047 is reflected under equity accounted investments (refer to note 11 - Equity Accounted Investments).

During the year ended December 31, 2018, a loan investment classified as FVTPL, aggregating \$16,574, was measured at fair value using a discounted cash flow method. The fair value was determined by discounting the expected cash flows of the loan using a market interest rate of 17.6% which took into consideration similar instruments with corresponding maturity dates plus a credit adjustment in accordance with the borrowers' creditworthiness, as well as the risk characteristics of the underlying development. Generally, under this method, a decrease in the market rate will result in an increase to the fair value and an increase in the market rate will result in a decrease to the fair value. If the weighted average market rate were to increase by 25 bps, the fair value of the loan investments would decrease by \$100. If the weighted average market rate were to decrease by 25 bps, the fair value would increase by \$100.

During the year ended December 31, 2017, a provision for lending portfolio loss of \$4,842 was recognized. The provision relates to a loan the value of which was determined based on the net realizable value of the underlying real estate property, as supported by independent third party appraisals, and related transaction costs. The remainder of the lending portfolio that is carried at amortized cost has low credit risk and the expected credit loss has been assessed to be nominal due to the value of the collateralized properties and the loan to value ratios.

## 8. INCOME PROPERTIES

For the year ended	Note	December 31, 2018	December 31, 2017
<b>Balance, beginning of year</b>		<b>\$ 219,656</b>	<b>\$ 479,401</b>
Add (Deduct):			
Acquisition of properties		—	18,147
Disposition of properties		—	(1,620)
Building improvements		1,250	3,401
Lease incentives and initial direct leasing costs		6,859	8,869
Amortization of lease incentives		(1,260)	(1,074)
Fair value adjustments to income properties		(2,195)	(24,841)
Reclass to assets held-for-sale	19	—	(262,627)
<b>Balance, end of year</b>		<b>\$ 224,310</b>	<b>\$ 219,656</b>
<b>Change in unrealized losses included in net income for the year</b>			
Change in fair value of income properties		<b>\$ (2,195)</b>	<b>\$ 8,417</b>

As at December 31, 2018, the Trust's income properties consisted of interests in office and industrial properties co-owned with Dream Office Real Estate Investment Trust ("Dream Office REIT") and Dream Industrial Real Estate Investment Trust ("Dream Industrial REIT"), respectively, which are accounted for as joint operations, and three wholly owned office properties.

Income properties have been reduced by \$611 (December 31, 2017 – \$584) related to straight-line rent receivables, which have been reclassified to other non-current assets.

During the year ended December 31, 2017, the Trust acquired from Dream Office REIT a 40% interest in two co-owned properties, 10 Lower Spadina Avenue and 49 Ontario Street, in which it previously held a 60% interest, for gross consideration of \$18,400 before ordinary course purchase adjustments and transaction costs. This acquisition increased the Trust's ownership interest in these two properties to 100%.

During the year ended December 31, 2018, the Trust recorded a net fair value loss of \$2,195 (year ended December 31, 2017 – \$22,867) on the consolidated statements of comprehensive income (loss). Income properties, excluding assets held-for-sale and certain properties where bids are received, are measured at fair value using the income approach, which is derived from the overall capitalization rate method or discounted cash flow method. The Trust determines the fair value of income properties classified as assets held-for-sale by considering the current contracted sale prices, as management has committed to a plan of sale of the underlying properties and the sale of these properties is considered highly probable. The fair values of income properties, excluding assets held-for-sale, were determined by using cap rates of 4.3% to 7.5% (December 31, 2017 – 4.3% to 8.0%), resulting in a weighted average cap rate of 5.9% (December 31, 2017 – 6.1%) and discount rates of 5.8% to 8.8% (December 31, 2017 – 5.8% to 9.3%). During the year ended December 31, 2018, income properties with a total fair value of \$224,310 (December 31, 2017 – \$219,656) were valued by an independent third party appraiser.

Generally, under the overall capitalization rate method, an increase in stabilized NOI will result in an increase to the fair value. An increase in the cap rate will result in a decrease to the fair value. The cap rate magnifies the effect of a change in stabilized NOI. If the weighted average cap rate were to increase by 25 bps, the fair value of income properties would decrease by \$10,000. If the weighted average cap rate were to decrease by 25 bps, the fair value would increase by \$10,000.

As at December 31, 2018, all of the income properties, with a fair value of \$224,310, (December 31, 2017 – \$219,656) are pledged as security for mortgages.

## 9. RENEWABLE POWER ASSETS

The table below provides a continuity of renewable power assets:

	Solar power	Wind power	Total
<b>Balance as at January 1, 2017</b>	\$ 83,169	\$ 49,625	\$ 132,794
Additions to renewable power assets during the year	3,669	4,383	8,052
Depreciation of renewable power assets	(3,457)	(2,304)	(5,761)
Foreign currency gain (loss)	—	429	429
<b>Balance as at December 31, 2017</b>	\$ 83,381	\$ 52,133	\$ 135,514
Additions to renewable power assets during the year	312	277	589
Depreciation of renewable power assets	(3,530)	(2,476)	(6,006)
Foreign currency gain (loss)	—	518	518
<b>Balance as at December 31, 2018</b>	\$ 80,163	\$ 50,452	\$ 130,615

As at	December 31, 2018	December 31, 2017
Gross book value	\$ 147,307	\$ 146,200
Accumulated depreciation	(16,692)	(10,686)
<b>Total renewable power assets</b>	<b>\$ 130,615</b>	<b>\$ 135,514</b>

### SOLAR POWER PROJECTS AND NON-CONTROLLING INTERESTS

The non-controlling partners in the Trust's rooftop solar power projects are arm's length third parties. The aggregate non-controlling interests of all rooftop solar power projects of \$23 (December 31, 2017 – \$52) are recorded in the consolidated statements of financial position.

### WIND POWER PROJECTS AND NON-CONTROLLING INTERESTS

During the year ended December 31, 2018, the Trust invested in an additional wind turbine, located in the United Kingdom ("U.K.") for cash consideration of \$277 including transaction costs. As at December 31, 2018, the Trust has invested in a total of 46 fully operational distributed-scale wind turbines located in the U.K. All power generation will be sold under long-term power purchase agreements.



During the year ended December 31, 2017, the Trust acquired the non-controlling interest in the wind power projects located in the U.K., increasing the Trust's ownership to 100% and also acquired an additional 13 wind turbines for a total purchase price of approximately \$4,100.

The Trust, indirectly through a subsidiary, has an 80% economic interest in the wind power portfolio in the province of Nova Scotia with an installed capacity of 13.2 MW (10.6 MW at the Trust's share) and also has control over the project's general partner. The Trust's non-controlling partner's 20% economic interest in the Nova Scotia wind power project is owned by an arm's length third party and its non-controlling interest is reflected on the consolidated statements of financial position in the amount of \$1,646 (December 31, 2017 – \$1,896). The assets and liabilities and results of operations of the limited partnership have been consolidated in the Trust's consolidated financial statements.

The operating results of the renewable power segment are subject to seasonal variations with solar irradiation highest during the summer months and wind production generally best during the winter months.

## 10. OTHER NON-CURRENT ASSETS

As at	December 31, 2018	December 31, 2017
Investment in marketable securities	\$ —	\$ 55,846
Deposits and other	4,246	2,876
Intangible assets, net of amortization – wind power contract	1,636	1,733
Straight-line rent receivable	611	584
<b>Total</b>	<b>\$ 6,493</b>	<b>\$ 61,039</b>

Intangible assets are net of \$308 of accumulated amortization as at December 31, 2018 (December 31, 2017 – \$211).

During the year ended December 31, 2018, the Trust disposed of its 2,520,147 Dream Office REIT units for a total consideration of \$59,504, and recorded a total fair value adjustment of \$3,657 related to this investment (year ended December 31, 2017 – \$3,277).

## 11. EQUITY ACCOUNTED INVESTMENTS

The Trust participates in various partnerships with other parties for the purpose of investing in residential and investment property developments and they are accounted for using the equity investment method. These partnerships are either considered joint ventures or investments in associates. A joint venture is an arrangement entered into in the form of jointly controlled entities whereby the parties have joint control and have rights to the net assets of the arrangement. Investments in associates are those in which the Trust has significant influence over the arrangement. As at December 31, 2018, the carrying value of these arrangements was \$132,528 (December 31, 2017 – \$105,917).

During the year ended December 31, 2018, the Trust entered into a partnership with Parallax Jardun Inc. ("Parallax") for purposes of investing in a mixed use condominium development ("Queen & Mutual"), located in downtown Toronto. The investment acquired various retail investment properties located along the Mutual Street and Queen Street East intersection. Through a 45% interest in the partnership, the Trust, along with Parallax, acquired a 20% equity investment in the development. The Trust invested \$1,242, including transaction costs. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2018, the Trust, along with DAM, acquired a 33.3% leasehold interest in a retail shopping centre and residential mixed use development investment opportunity located at 100 Steeles Ave. West in Toronto, Ontario ("100 Steeles"). The Trust invested \$5,894, including transaction costs, for a 25% interest in the 100 Steeles investment with DAM owning 8.3%. Given the ownership percentage and the ability to exercise significant influence pursuant to the partnership agreements, the Trust is considered to have significant influence over this investment, and accordingly, the equity method of accounting was applied.

During the year ended December 31, 2018, the Trust formed a partnership to develop a new residential rental apartment community in Toronto's West Don Lands region. The Partnership entered into 99-year land leases with Infrastructure Ontario ("IO") for land parcels that will be developed into approximately 1,500 rental units as well as retail and office space. The Trust, along with DAM, together hold a 33.3% ownership share in the partnership with the residual interest held by Kilmer Van Nostrand

("Kilmer") and Tricon Capital Group ("Tricon"). The Trust invested \$837, including transaction costs, for a 25% interest in the West Don Lands investment with DAM owning 8.3%. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2018, the Trust entered into a partnership which included Fieldgate Homes ("Fieldgate"), Mattamy Homes ("Mattamy"), Paradise Developments ("Paradise"), and TACC Construction Ltd. ("TACC"). The partnership invested in a fully-zoned 395-acre land and housing development located in Seaton, in the City of Pickering, Ontario ("Seaton Development"). During the year ended December 31, 2018, the Trust, along with Fieldgate, acquired a 14% equity investment in the partnership, of which the Trust owns 50%. The Trust invested a total of \$9,050 for its interest in the partnership through a combination of loans and equity investment (refer to note 7 Lending Portfolio). As at December 31, 2018, \$4,176, including transaction costs, represented the equity investment in Seaton Development. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2017, the Trust acquired a 23.25% equity ownership interest in Port Credit West Village Partners LP ("Port Credit") for \$27,242. Port Credit entered into a \$105,000 non revolving credit facility (\$24,413 Trust share) with a term of three years. DAM also owns a 7.75% ownership interest in Port Credit. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2017, the Trust acquired a 40% equity ownership interest in a limited partnership for \$3,827. The investment is in two properties, which are located at 6035 Bathurst Street and 388 - 390 Dupont Street ("Plaza Dupont Development"). The Bathurst property is a 19,000 square foot commercial property and the Dupont Street property is a 7,000 square foot fully leased distribution centre. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2017, the Trust acquired a 40% equity ownership interest in a limited partnership for \$5,500. The investment is in two properties, which are located at 25 Imperial Street and 374 Dupont Street ("Plaza Imperial Development"). The Imperial Street property is a 22,000 square foot office property and the Dupont street property is an 11,000 square foot fully leased commercial property. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2017, the Trust acquired a 40% ownership interest in the Windmill Dream Zibi Master Limited Partnership (the "Zibi" development) for \$33,605, including transaction costs, as acquired through a combination of acquisitions of existing units and new subscriptions from third parties. The residual partners are DAM for 40% and Windmill Green Properties LP ("Windmill") for 20%. DAM is the lead developer for the project. Given the ownership percentage and the ability to exercise significant influence pursuant to the partnership agreements, the Trust is considered to have significant influence over this investment, and accordingly, the equity method of accounting was applied.

During the year ended December 31, 2017, the Trust, along with DAM, also acquired a 25% interest in the Frank Gehry designed Mirvish-King West Development (the "Frank Gehry" development) located on King Street West in downtown Toronto being managed by DAM and Great Gulf Corporation ("Great Gulf") for \$14,453, including transaction costs. The Trust owns an 18.75% interest in the development with DAM owning 6.25%. Given the ownership percentage and the ability to exercise significant influence pursuant to the partnership agreements, the Trust is considered to have significant influence over this investment, and accordingly, the equity method of accounting was applied.

Each equity accounted investment is subject to a shareholder or limited partnership agreement that governs distributions from these investments. In addition, distributions must also comply with the respective credit agreements.

The following tables summarize the projects' assets and liabilities and the Trust's proportionate share of the net assets of the equity accounted investments:

As at December 31, 2018	100% project level			Ownership interest	Net assets
	Assets	Liabilities	Net assets		
Frank Gehry	\$ 378,422	\$ 260,395	\$ 118,027	18.75%	\$ 22,130
Port Credit	265,363	124,167	141,196	23.25%	32,828
Zibi	193,516	97,521	95,995	40.00%	38,398
Lakeshore East	64,363	30,040	34,323	37.50%	12,871
100 Steeles	31,866	7,390	24,476	25.00%	6,119
Other <sup>(1)</sup>	\$ 416,152	\$ 301,489	\$ 114,663	7.00% - 50.00%	\$ 20,182
<b>Total</b>	<b>\$ 1,349,682</b>	<b>\$ 821,002</b>	<b>\$ 528,680</b>		<b>\$ 132,528</b>

<sup>(1)</sup> Other equity accounted investments includes Axis Condominiums, IVY Condominiums, Plaza Bathurst, Plaza Imperial, Seaton development, West Don Lands and Queen & Mutual

As at December 31, 2017	100% project level			Ownership interest	Net assets
	Assets	Liabilities	Net assets		
Frank Gehry	\$ 332,954	\$ 255,871	\$ 77,083	18.75%	\$ 14,453
Port Credit	272,561	139,602	132,959	23.25%	30,913
Zibi	134,641	51,029	83,612	40.00%	33,445
Lakeshore East	63,193	30,025	33,168	37.50%	12,438
Other <sup>(1)</sup>	103,506	63,941	39,565	28.00% - 50.00%	14,668
<b>Total</b>	<b>\$ 906,855</b>	<b>\$ 540,468</b>	<b>\$ 366,387</b>		<b>\$ 105,917</b>

<sup>(1)</sup> Other equity accounted investments includes Axis Condominiums, IVY Condominiums, Plaza Bathurst and Plaza Imperial

The following tables summarize the projects' revenue and net income (loss) and the Trust's proportionate share of the net income (loss) in equity accounted investments:

	100% project level			
For the year ended December 31, 2018	Revenue	Net income (Loss)	Ownership interest	Net income (Loss)
Frank Gehry	\$ 5,124	\$ 787	18.75%	\$ 148
Port Credit	—	(98)	23.25%	(23)
Zibi	19,987	1,706	40.00%	682
Lakeshore East	132	(165)	37.50%	(62)
100 Steeles	2,168	224	25.00%	56
Other <sup>(1)</sup>	2,136	233	7.00% - 50.00%	12
<b>Total</b>	<b>\$ 29,547</b>	<b>\$ 2,687</b>		<b>\$ 813</b>

<sup>(1)</sup> Other equity accounted investments includes Axis Condominiums, IVY Condominiums, Plaza Bathurst, Plaza Imperial, Seaton development, West Don Lands and Queen & Mutual

	100% project level			
For the year ended December 31, 2017	Revenue	Net income (Loss)	Ownership interest	Net income (Loss)
Frank Gehry	\$ —	\$ 2	18.75%	\$ —
Port Credit	—	(217)	23.25%	(51)
Zibi	222	(672)	40.00%	(268)
Lakeshore East	—	(309)	37.50%	(116)
Other <sup>(1)</sup>	1,042	(2,762)	28.00% - 50.00%	(1,120)
<b>Total</b>	<b>\$ 1,264</b>	<b>\$ (3,958)</b>		<b>\$ (1,555)</b>

<sup>(1)</sup> Other equity accounted investments includes Axis Condominiums, IVY Condominiums, Plaza Bathurst and Plaza Imperial

## 12. AMOUNTS RECEIVABLE

As at	December 31, 2018	December 31, 2017
Trade receivables	\$ 3,032	\$ 3,571
Less: Provision for impairment of trade receivables	(139)	(437)
Other amounts receivable	570	2,092
<b>Total</b>	<b>\$ 3,463</b>	<b>\$ 5,226</b>

The movement in the provision for impairment of trade receivables was as follows:

For the year ended	December 31, 2018	December 31, 2017
Balance, beginning of year	\$ 437	\$ 381
Provision for impairment of trade receivables	(280)	137
Recovery of impaired trade receivables	—	(11)
Receivables written off during the period as uncollectible	(18)	(70)
<b>Balance, end of year</b>	<b>\$ 139</b>	<b>\$ 437</b>

The carrying value of amounts receivable approximates fair value as the Trust expects to realize these amounts within the next 12 months. As at December 31, 2018, trade receivables of \$44 (December 31, 2017 – \$37) were past due but not considered impaired as the Trust has ongoing relationships with these counterparties and the aging of these trade receivables is not indicative of expected default.

The Trust leases office, retail and industrial properties to tenants under operating leases. Minimum rental commitments including non-cancellable tenant operating leases over the remaining terms are as follows:

**As at December 31, 2018**

No more than 1 year	\$	6,986
1 – 5 years		25,625
5+ years		9,163
<b>Total</b>	<b>\$</b>	<b>41,774</b>

### 13. DEBT

As at	December 31, 2018	December 31, 2017
Mortgages payable	\$ 122,684	\$ 123,750
Term loans	75,970	79,568
Total debt before undernoted	\$ 198,654	\$ 203,318
Unamortized balance of deferred financing costs	(3,162)	(3,541)
Total	\$ 195,492	\$ 199,777
Less: current portion	32,646	4,683
<b>Total non-current long-term debt</b>	<b>\$ 162,846</b>	<b>\$ 195,094</b>

	Outstanding balance
2019	\$ 32,646
2020	11,635
2021	16,512
2022	76,998
2023	3,995
Thereafter	56,868
<b>Balance as at December 31, 2018</b>	<b>\$ 198,654</b>

### MORTGAGES PAYABLE

Mortgages payable are secured by charges on specific income properties, bear interest at a weighted average face rate of 3.5% (December 31, 2017 – 3.2%) and mature between 2019 and 2022. The weighted average effective interest rate of mortgages payable is 3.5% at December 31, 2018 (December 31, 2017 – 3.4%). During the year ended December 31, 2018, there were no lump sum repayments of mortgages payable.

During the year ended December 31, 2017, total mortgages payable of \$149,312 relating to the disposed non core co-owned income properties, previously included in liabilities related to assets held-for-sale, were assumed by the purchaser or settled by the Trust. As well, during the year ended December 31, 2017, two mortgages payable were refinanced for a total of \$87,120 for a two and five year term at a rate of Bankers' Acceptances ("BA") plus 1.75% or at the bank's prime rate plus 0.25%, resulting in additional total proceeds of approximately \$24,900, net of \$673 of deferred financing costs. During the year ended December 31, 2017, in conjunction with the Trust's acquisition of a 40% interest in each of two co-owned income properties from Dream Office REIT, \$6,490 of mortgages were assumed and \$10,792 of additional proceeds were received upon refinancing of one of the properties.

Total lump sum and regular long-term debt principal repayments for the year ended December 31, 2018 was \$4,664 (December 31, 2017 - \$29,781).

### TERM LOANS AND RESTRICTED CASH

Restricted cash and the balance of available funds held in escrow under the term loans as at December 31, 2018 was \$3,555 (December 31, 2017 - \$3,471).

During the year ended December 31, 2017, the Trust closed financing on six Ontario Ground Mount Solar projects for gross proceeds of approximately \$31,263, net of deferred financing fees of \$1,466. The financing was secured on a non-recourse basis at a fixed face rate of 4.5% for the second tranche and 4.3% for the third tranche and amortizes over a 19.5 year term.



## REVOLVING CREDIT FACILITY

A demand revolving credit facility (the "facility") is available up to a formula-based maximum not to exceed \$50,000. The available credit under the facility, as determined by the formula, was \$39,395 as at December 31, 2018 (December 31, 2017 - \$45,000). The facility is in the form of rolling one-month BA rates and bears interest at the BA rate plus 2.0%, or at the bank's prime rate plus 1.0% (3.95% as at December 31, 2018, 3.2% as at December 31, 2017), payable monthly. The facility is secured by a general security agreement over all assets of Dream Alternatives Lending Services LP and Dream Alternatives Master LP, which are subsidiaries of the Trust. During the year ended December 31, 2017, the revolving credit facility was renewed and the maturity date was extended to July 31, 2019. As at December 31, 2018, no funds were drawn on the revolving credit facility (December 31, 2017 - \$nil) and funds available under this facility were \$38,000 (December 31, 2017 - \$43,295), as determined by the formula-based maximum calculation, net of \$1,395 (December 31, 2017 - \$1,705) of letters of credit issued against the facility.

## FINANCIAL COVENANTS

The revolving credit facility, the financial guarantees, certain mortgages on income properties and the renewable power term loans contain financial covenants that require the Trust to meet certain financial ratios and financial condition tests. A failure to meet these tests could result in default and, if not cured or waived, could result in an acceleration of the repayment in the underlying financing. For the year ended December 31, 2018, the Trust was in compliance with these financial covenants.

## 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-year or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to postpone the receipt of Units, such Units will be issued immediately on vesting. As at December 31, 2018, up to a maximum of 3.0 million DTUs were issuable under the DUIP. Distributions on the unvested DTUs are paid in the form of Units converted at the market price on the date of distribution.

	Total
Balance as at January 1, 2017	\$ 1,107
Compensation expense	619
Trust units issued	(556)
Re-measurements of carrying value of deferred trust units	354
<b>Balance as at December 31, 2017</b>	<b>1,524</b>
Compensation expense	758
Trust units issued	(309)
Re-measurements of carrying value of deferred trust units	193
<b>Balance as at December 31, 2018</b>	<b>\$ 2,166</b>

The following is a summary of the Trust's DUIP activity:

For the year ended	December 31, 2018	December 31, 2017
Units outstanding, beginning of year	347,308	299,683
Granted	141,709	127,365
Distributions paid in units	24,906	23,105
Vested and paid out	(47,890)	(92,562)
Cancelled	(8,545)	(10,283)
<b>Units outstanding, end of year</b>	<b>457,488</b>	<b>347,308</b>

During the year ended December 31, 2018, \$758 (December 31, 2017 - \$619) of compensation expense, related to the DTU's and a fair value loss of \$193 (December 31, 2017 - \$354), representing the re-measurement of the DUIP liability during the period were recognized in general and administrative expenses. As at December 31, 2018, 120,316 (December 31, 2017 - 66,305) DTUs that vested remained unexercised.

## 15. DERIVATIVE FINANCIAL LIABILITIES

During the year ended December 31, 2017, the remaining sale agreements for bond forward purchase contracts, which were designated as hedges for the interest rate risk associated with the second and third tranche of project financing for the Ontario Ground Mount Solar projects, were settled and a fair value loss of \$1,109 was realized on the settlement. This realized fair value loss was recognized in other comprehensive income (loss) and is being amortized to interest expense in the consolidated statements of comprehensive income (loss) over the term of the related debt.

During the year ended December 31, 2018, realized losses of \$99, net of taxes of \$36, respectively, were reclassified to net income (loss) (year ended December 31, 2017 - realized losses of \$90, net of taxes of \$33). There was no hedge ineffectiveness recorded in net income (loss) in the consolidated statements of comprehensive income (loss) for the years ended December 31, 2018 and 2017.

## 16. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2018	December 31, 2017
Accrued liabilities and other payables	\$ 15,820	\$ 15,183
Other liabilities	3,613	25,525
Distributions payable	2,420	2,414
Accrued interest	188	193
Rent received in advance	1,681	1,162
<b>Total</b>	<b>\$ 23,722</b>	<b>\$ 44,477</b>

Other liabilities includes payables related to future capital commitments on certain development projects.

## 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"). 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.

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 vote at the Trust level and do not receive distributions. At December 31, 2018, there were no STUs issued and outstanding.

### DISTRIBUTIONS

Pursuant to its Declaration of Trust, Dream Alternatives expects to maintain monthly distribution payments to unitholders payable on or about the 15<sup>th</sup> 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 provides details of the distribution payments:

For the year ended	December 31, 2018	December 31, 2017
Paid in cash	\$ 20,127	\$ 24,473
Paid by way of reinvestment in units	9,167	4,679
Payable at beginning of year	(2,414)	(2,411)
Payable at end of year	2,420	2,414
<b>Total</b>	<b>\$ 29,300</b>	<b>\$ 29,155</b>

On December 19, 2018, the Trust announced a cash distribution of \$0.033 per unit for the month of December 2018. The monthly distribution for December 2018 was paid on January 15, 2019. On January 21, 2019, the Trust announced a cash distribution of \$0.033 per unit for the month of January 2019, which will be paid on February 15, 2019 to unitholders of record as at January 31, 2019.

## 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. For the year ended December 31, 2018, 1,400,255 units were issued under the DRIP (year ended December 31, 2017 – 773,732 units).

On February 20, 2019, the Trust announced the suspension of its DRIP until further notice effective for the February 2019 distribution.

## NORMAL COURSE ISSUER BID

The Trust received acceptance of its Notice of Intention to renew its prior normal course issuer bid from the TSX on January 11, 2018. The bid commenced on January 15, 2018, and expired on January 14, 2019. Under the bid the Trust had the ability to purchase for cancellation up to a maximum of 6,273,601 units (representing 10% of the Trust's public float of 62,736,012 units at the time of entering the bid through the facilities of the TSX).

The Trust received acceptance of its Notice of Intention to renew its prior normal course issuer bid from the TSX on January 11, 2019. The bid commenced on January 15, 2019, and will remain in effect until the earlier of January 14, 2020 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 6,066,081 units (representing 10% of the Trust's public float of 60,660,817 units at the time of entering the bid through the facilities of the TSX).

Subsequent to the year ended December 31, 2018, the Trust entered into an automatic securities repurchase plan (the "Plan") in order to facilitate purchases of its units under the normal course issuer bid. The Plan allows for purchases by Dream Alternatives of units at any time including, without limitation, when the Trust would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Trust based upon the parameters prescribed by the TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the units may also be purchased in accordance with management's discretion. The Plan will terminate on January 14, 2020.

During the year ended December 31, 2018, the Trust repurchased 1,273,109 units (year ended December 31, 2017 – 800,230 units) at a total cost of \$8,350 (December 31, 2017 – \$4,964), inclusive of transaction costs. The excess book value over the purchase price of the units purchased of \$2,301 (December 31, 2017 – \$1,756) was recorded as a gain directly to retained earnings.

Subsequent to year end, 30,940 units were repurchased at a total cost of \$206, inclusive of transaction costs.

## 18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Unamortized realized fair value loss from derivative financial liabilities hedges, net of tax	Fair value adjustments to and realized fair value losses from available-for-sale investments, net of tax	Unrealized foreign currency translation gain(loss)	Total
<b>Balance as at January 1, 2017</b>	\$ (1,704)	\$ (342)	\$ (3,104)	<b>(5,150)</b>
Other comprehensive gain (loss) during the year	(196)	80	369	<b>253</b>
Realized fair value loss	90	557	—	<b>647</b>
<b>Balance as at December 31, 2017</b>	<b>\$ (1,810)</b>	<b>\$ 295</b>	<b>\$ (2,735)</b>	<b>(4,250)</b>
Reclassification on adoption of IFRS 9 <sup>(1)</sup>	—	(295)	—	<b>(295)</b>
Other comprehensive gain (loss) during the year	—	—	467	<b>467</b>
Realized fair value loss	99	—	—	<b>99</b>
<b>Balance as at December 31, 2018</b>	<b>\$ (1,711)</b>	<b>\$ —</b>	<b>\$ (2,268)</b>	<b>(3,979)</b>

<sup>(1)</sup> As at December 31, 2018, upon the adoption of IFRS 9 (refer to Note 5 - Adoption of Accounting Standards), the Trust reclassified \$295, net of tax, of unrealized fair value adjustments from AFS investments previously reflected in OCI, as an opening retained earnings adjustment.

As at December 31, 2018, the realized fair value loss from derivative financial liabilities hedges are net of income taxes of \$623 (December 31, 2017 – net of income taxes of \$659).

## 19. ASSETS HELD-FOR-SALE

As at December 31, 2018, the Trust has no income properties classified as assets held-for-sale.

For the year ended	December 31, 2017
<b>Balance, beginning of year</b>	\$ 4,055
Add (Deduct):	
Lease incentives and initial direct leasing costs	601
Amortization of lease incentives	(61)
Fair value adjustments to income properties	1,974
Disposition of properties	(269,196)
Reclassified from income properties	262,627
<b>Balance, end of year</b>	\$ —

During the year ended December 31, 2017, the Trust sold its interest in 14 non core co-owned income properties. Gross proceeds from the sale of these 14 non core co-owned income properties were \$281,646, before ordinary course purchase adjustments and transaction costs, which included \$4,766 of consideration in units in the form of publicly traded securities of the purchaser. Net proceeds were \$114,089, net of transaction costs of \$2,552, and after the repayment by the Trust or assumption of the mortgages payable by the purchaser.

## 20. INCOME PROPERTIES REVENUE

For the year ended	December 31, 2018	December 31, 2017
Rental revenue	\$ 13,742	\$ 23,267
CAM and parking services revenue	10,329	15,726
<b>Total</b>	<b>\$ 24,071</b>	<b>\$ 38,993</b>

## 21. INCOME PROPERTIES OPERATING EXPENSES

For the year ended	December 31, 2018	December 31, 2017
Income properties operating costs	\$ 8,116	\$ 13,625
Realty tax expense	3,924	6,687
Salary and other compensation	495	830
<b>Total</b>	<b>\$ 12,535</b>	<b>\$ 21,142</b>

## 22. RENEWABLE POWER OPERATING EXPENSES

For the year ended	December 31, 2018	December 31, 2017
Renewable power operating costs	\$ 3,655	\$ 3,209
General office and other	379	390
Depreciation and amortization of renewable power assets	6,103	5,858
<b>Total</b>	<b>\$ 10,137</b>	<b>\$ 9,457</b>

## 23. INTEREST EXPENSE

For the year ended	December 31, 2018	December 31, 2017
Interest expense incurred, at contractual rate of debt and other bank charges	\$ 8,585	\$ 10,718
Debt settlement costs	—	1,286
Amortization of mortgages payable premiums	—	(752)
Amortization of deferred financing costs	379	311
<b>Total</b>	<b>\$ 8,964</b>	<b>\$ 11,563</b>



## 24. GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended	December 31, 2018	December 31, 2017
Salary and other compensation	\$ 1,983	\$ 2,016
Trust, service and professional fees	2,164	1,913
General office and other	472	390
Asset management and other third-party service fees	10,417	10,997
<b>Total</b>	<b>\$ 15,036</b>	<b>\$ 15,316</b>

## 25. INCOME TAXES

During the year ended December 31, 2018, the Trust recognized an income tax expense of \$684 (income tax recovery for the year ended December 31, 2017 – \$5,084).

	2018	2017
Current income tax recovery (expense):		
Current income taxes with respect to profits in the year	\$ (7)	\$ (2)
Current tax adjustments in respect of prior years	16	9
<b>Current income tax recovery (expense):</b>	<b>\$ 9</b>	<b>\$ 7</b>
Deferred income tax recovery (expense):		
(Origination) and reversal of temporary differences	(479)	4,961
Deferred tax adjustments in respect of prior years	(209)	98
Impact of changes in income tax rates	(5)	18
<b>Deferred income tax recovery (expense)</b>	<b>\$ (693)</b>	<b>\$ 5,077</b>
<b>Total income tax recovery (expense)</b>	<b>\$ (684)</b>	<b>\$ 5,084</b>

The income tax expense amount on pre-tax earnings differs from the income tax expense amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.8% for the year ended December 31, 2018 (December 31, 2017 – 26.6%) as illustrated in the table below:

	2018	2017
Earnings (loss) before income tax expense for the year	\$ 14,586	\$ (14,556)
Combined federal and provincial tax rate	26.8%	26.6%
<b>Income tax recovery (expense) before the undernoted</b>	<b>\$ (3,909)</b>	<b>\$ 3,872</b>
Effect on taxes of:		
Adjustment in expected future tax rates	(5)	21
Non-deductible expenses	(150)	(79)
Difference between Canadian rates and rates in foreign jurisdiction	(2)	17
Tax adjustments in respect of prior years	(193)	107
Rate differences	539	1,101
Change in unrecognized deferred tax asset	2,892	(154)
Other items	\$ 144	\$ 199
<b>Total income tax recovery (expense)</b>	<b>\$ (684)</b>	<b>\$ 5,084</b>

The movement in the deferred income tax assets and liabilities during the year ended December 31, 2018 and the net components of the Trust's net deferred income tax asset are illustrated in the following table:

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other	Hedge	Loss carry forward	Total
<b>Balance as at January 1, 2017 (Note 2)</b>	\$ (2,668)	\$ (2,082)	\$ (191)	\$ (1,566)	\$ 1,048	\$ 624	\$ 873	<b>\$ (3,962)</b>
(Charged) credited to:								
(Loss) Earnings for the year	(642)	(811)	1,177	(1,798)	(839)	—	7,990	<b>5,077</b>
Other comprehensive (income) loss	—	—	—	(98)	—	35	—	<b>(63)</b>
<b>Balance as at December 31, 2017</b>	<b>\$ (3,310)</b>	<b>\$ (2,893)</b>	<b>\$ 986</b>	<b>\$ (3,462)</b>	<b>\$ 209</b>	<b>\$ 659</b>	<b>\$ 8,863</b>	<b>\$ 1,052</b>
(Charged) credited to:								
(Loss) Earnings for the year	(251)	(894)	(235)	2,996	(1,198)	—	(1,111)	<b>(693)</b>
Other comprehensive (income) loss	—	—	—	—	—	(36)	—	<b>(36)</b>
<b>Balance as at December 31, 2018</b>	<b>\$ (3,561)</b>	<b>\$ (3,787)</b>	<b>\$ 751</b>	<b>\$ (466)</b>	<b>\$ (989)</b>	<b>\$ 623</b>	<b>\$ 7,752</b>	<b>\$ 323</b>

## 26. SEGMENTED INFORMATION

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

For the year ended December 31, 2018 and December 31, 2017, a majority of income tax (expense) recovery and general and administrative expenses were not allocated to the segment expenses as these costs are not specifically managed on a segmented basis.

### SEGMENTED RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2018

	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other <sup>(1)</sup>	Total
<b>INCOME</b>						
Fair value adjustments and operating cash distributions in development and investment holdings	\$ (1,260)	\$ —	\$ —	\$ —	\$ —	\$ (1,260)
Lending portfolio interest income and lender fees	—	15,651	—	—	—	15,651
Income properties revenue	—	—	24,071	—	—	24,071
Renewable power revenue	—	—	—	17,874	—	17,874
Share of income (loss) from equity accounted investments	813	—	—	—	—	813
<b>TOTAL INCOME (LOSS)</b>	<b>(447)</b>	<b>15,651</b>	<b>24,071</b>	<b>17,874</b>	<b>—</b>	<b>57,149</b>
<b>EXPENSES</b>						
Income properties, operating	—	—	(12,535)	—	—	(12,535)
Renewable power, operating	—	—	—	(10,137)	—	(10,137)
Interest expense	—	—	(4,523)	(3,672)	(769)	(8,964)
General and administrative	—	—	—	—	(15,036)	(15,036)
<b>TOTAL EXPENSES</b>	<b>—</b>	<b>—</b>	<b>(17,058)</b>	<b>(13,809)</b>	<b>(15,805)</b>	<b>(46,672)</b>
Fair value adjustments to income properties	—	—	(2,195)	—	—	(2,195)
<b>OPERATING INCOME (LOSS)</b>	<b>(447)</b>	<b>15,651</b>	<b>4,818</b>	<b>4,065</b>	<b>(15,805)</b>	<b>8,282</b>
Interest and other income	1,350	—	1,114	—	849	3,313
Transaction costs	—	(101)	(274)	—	—	(375)
Fair value adjustments to marketable securities	—	—	3,657	—	(291)	3,366
<b>EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE</b>	<b>903</b>	<b>15,550</b>	<b>9,315</b>	<b>4,065</b>	<b>(15,247)</b>	<b>14,586</b>
<b>INCOME TAX RECOVERY (EXPENSE)</b>						
Current income tax recovery (expense)	—	—	—	(9)	18	9
Deferred income tax recovery (expense)	—	—	—	—	(693)	(693)
<b>TOTAL INCOME TAX RECOVERY (EXPENSE)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(9)</b>	<b>(675)</b>	<b>(684)</b>
<b>NET INCOME (LOSS)</b>	<b>903</b>	<b>15,550</b>	<b>9,315</b>	<b>4,056</b>	<b>(15,922)</b>	<b>13,902</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
Items that will be reclassified subsequently to net income (loss):						
Realized fair value loss from derivative financial liabilities hedges, net of tax	—	—	—	—	99	99
Unrealized foreign currency translation gain (loss)	—	—	—	467	—	467
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>467</b>	<b>99</b>	<b>566</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 903</b>	<b>\$ 15,550</b>	<b>\$ 9,315</b>	<b>\$ 4,523</b>	<b>\$ (15,823)</b>	<b>\$ 14,468</b>

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

## SEGMENTED RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2017

	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other <sup>(1)</sup>	Total
<b>INCOME</b>						
Fair value adjustments and operating cash distributions in development and investment holdings	\$ (252)	\$ —	\$ —	\$ —	\$ —	(252)
Lending portfolio interest income and lender fees	—	13,446	—	—	—	13,446
Income properties revenue	—	—	38,993	—	—	38,993
Renewable power revenue	—	—	—	17,522	—	17,522
Share of income (loss) from equity accounted investments	(1,555)	—	—	—	—	(1,555)
Realized fair value loss from available-for-sale investments	(630)	—	—	—	—	(630)
<b>TOTAL INCOME (LOSS)</b>	<b>(2,437)</b>	<b>13,446</b>	<b>38,993</b>	<b>17,522</b>	<b>—</b>	<b>67,524</b>
<b>EXPENSES</b>						
Income properties, operating	—	—	(21,142)	—	—	(21,142)
Renewable power, operating	—	—	—	(9,457)	—	(9,457)
Interest expense	—	—	(7,250)	(3,527)	(786)	(11,563)
Provision for lending portfolio losses	—	(4,842)	—	—	—	(4,842)
General and administrative	—	—	—	—	(15,316)	(15,316)
<b>TOTAL EXPENSES</b>	<b>—</b>	<b>(4,842)</b>	<b>(28,392)</b>	<b>(12,984)</b>	<b>(16,102)</b>	<b>(62,320)</b>
Fair value adjustments to income properties	—	—	(22,867)	—	—	(22,867)
<b>OPERATING INCOME (LOSS)</b>	<b>(2,437)</b>	<b>8,604</b>	<b>(12,266)</b>	<b>4,538</b>	<b>(16,102)</b>	<b>(17,663)</b>
Interest and other income	1,350	—	1,591	—	(294)	2,647
Transaction costs	(492)	(26)	(2,552)	—	253	(2,817)
Fair value gain from marketable securities	—	—	3,277	—	—	3,277
<b>EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE</b>	<b>(1,579)</b>	<b>8,578</b>	<b>(9,950)</b>	<b>4,538</b>	<b>(16,143)</b>	<b>(14,556)</b>
<b>INCOME TAX RECOVERY (EXPENSE)</b>						
Current income tax recovery (expense)	—	—	—	—	7	7
Deferred income tax recovery (expense)	—	—	—	—	5,077	5,077
<b>TOTAL INCOME TAX RECOVERY (EXPENSE)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,084</b>	<b>5,084</b>
<b>NET INCOME (LOSS)</b>	<b>(1,579)</b>	<b>8,578</b>	<b>(9,950)</b>	<b>4,538</b>	<b>(11,059)</b>	<b>(9,472)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
Items that will be reclassified subsequently to net income (loss):						
Fair value adjustment to derivative financial liabilities hedges, net of tax	—	—	—	—	(196)	(196)
Realized fair value loss from derivative financial liabilities hedges, net of tax	—	—	—	—	90	90
Fair value adjustment to available-for-sale investments, net of tax	(18)	—	—	—	98	80
Realized fair value loss from available-for-sale investments, net of tax	557	—	—	—	—	557
Unrealized foreign currency translation loss	—	—	—	396	(27)	369
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>539</b>	<b>—</b>	<b>—</b>	<b>396</b>	<b>(35)</b>	<b>900</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ (1,040)</b>	<b>\$ 8,578</b>	<b>\$ (9,950)</b>	<b>\$ 4,934</b>	<b>\$ (11,094)</b>	<b>\$ (8,572)</b>

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

## SEGMENTED ASSETS AND LIABILITIES – AS AT DECEMBER 31, 2018

As at December 31, 2018	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other <sup>(1)</sup>	Total
<b>ASSETS</b>						
Total non-current assets	\$ 254,794	\$ 47,127	\$ 225,076	\$ 132,251	\$ 757	<b>660,005</b>
Total current assets	642	96,968	9,081	10,179	36,432	<b>153,302</b>
<b>TOTAL ASSETS</b>	<b>\$ 255,436</b>	<b>\$ 144,095</b>	<b>\$ 234,157</b>	<b>\$ 142,430</b>	<b>\$ 37,189</b>	<b>\$ 813,307</b>
<b>LIABILITIES</b>						
Total non-current liabilities	\$ —	\$ —	\$ 93,236	\$ 69,610	\$ 2,166	<b>165,012</b>
Total current liabilities	632	1,875	38,959	6,967	7,935	<b>56,368</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 632</b>	<b>\$ 1,875</b>	<b>\$ 132,195</b>	<b>\$ 76,577</b>	<b>\$ 10,101</b>	<b>\$ 221,380</b>

<sup>(1)</sup> Includes the Trust and other segment level cash and net working capital balances

## SEGMENTED ASSETS AND LIABILITIES – AS AT DECEMBER 31, 2017

As at December 31, 2017 (Note 2)	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other <sup>(1)</sup>	Total
<b>ASSETS</b>						
Total non-current assets	\$ 198,997	\$ 62,041	\$ 276,299	\$ 137,247	\$ 1,241	<b>675,825</b>
Total current assets	434	99,391	11,631	10,606	54,545	<b>176,607</b>
<b>TOTAL ASSETS</b>	<b>\$ 199,431</b>	<b>\$ 161,432</b>	<b>\$ 287,930</b>	<b>\$ 147,853</b>	<b>\$ 55,786</b>	<b>\$ 852,432</b>
<b>LIABILITIES</b>						
Total non-current liabilities	\$ —	\$ —	\$ 121,976	\$ 73,118	\$ 1,524	<b>196,618</b>
Total current liabilities	592	2,674	9,492	5,726	30,676	<b>49,160</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 592</b>	<b>\$ 2,674</b>	<b>\$ 131,468</b>	<b>\$ 78,844</b>	<b>\$ 32,200</b>	<b>\$ 245,778</b>

<sup>(1)</sup> Includes the Trust and other segment level cash and net working capital balances

The renewable power segment includes operations in foreign jurisdictions. During the year ended December 31, 2018, total income of \$2,696 was attributed to operations in foreign jurisdictions, and as at December 31, 2018, non-current assets of \$19,724 were attributed to operations in foreign jurisdictions. During the year ended December 31, 2018 the Trust recorded \$7,354 or 12.9% of total income from one customer in the renewable power portfolio.

## 27. 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. On January 1, 2018, Dream acquired control of the Trust, based on Dream's increased exposure to variable returns resulting from increased ownership through units held in the Trust and from new real estate joint venture agreements. Dream is the ultimate parent company of the Trust. DAM, which is a wholly owned subsidiary of Dream Unlimited Corp. (TSX: DRM), is the Trust's Asset Manager and is a related party and provides key management personnel services to the Trust under the terms of the management agreement as further discussed below:

### 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 the Trust's Listing, 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 that 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 the following amounts:

	2018	2017
Fees paid by the Trust under the Management Agreement:		
Base annual management fee	\$ 9,841	\$ 9,856
Acquisition/origination fee and disposition fees	1,555	3,300
Expense recoveries relating to financing arrangements and other	2,186	1,716
Total	\$ 13,582	\$ 14,872

During the year ended December 31, 2018, the acquisition of ownership interest in investments within the development and investment holdings portfolio and new loan advances within the lending portfolio resulted in acquisition fees calculated in accordance with the Management Agreement.

## PROPERTY MANAGEMENT AGREEMENT

The Trust's co-owned Office Portfolio and Industrial Portfolio are properties managed by Dream Office Management Corp. ("DOMC") and Dream Industrial Management Corp ("DIMC"), respectively. Effective February 1, 2018, the Trust's wholly owned Office Portfolio, previously managed by DAM, is now managed by DOMC. DOMC is owned by Dream Office REIT, the co-owner of certain of the Trust's Office Portfolio. DIMC is owned by Dream Industrial REIT, the co-owner of the Trust's industrial portfolio. As a result of Dream acquiring control of the Trust, as at January 1, 2018, Dream Office REIT and Dream Industrial REIT are related parties to the Trust. Pursuant to the property management agreements, DOMC and DIMC will perform property management services including tenant administration, leasing services, accounting, etc., for a fee of 3.5% of income property revenues. The property management agreement can be terminated upon an unremedied default by the property manager, DOMC or DIMC, or if there is a change in the ownership of the property.

## SERVICES AGREEMENT

The Trust entered into a services agreement ("Service Agreement") with DOMC, on July 8, 2014. The Service Agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the Service Agreement is terminated in accordance with its terms or by mutual agreement of the parties. The Service Agreement was renewed on July 8, 2015. Pursuant to the Service 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 other services. DOMC receives a monthly fee sufficient to reimburse it for all the expenses incurred in providing these services.

## FRAMEWORK AGREEMENT

Effective January 1, 2018, the Trust entered into a Framework Agreement with DAM with respect to their management of development investments. Pursuant to the Framework Agreement DAM will manage certain development investments that are co-owned by the Trust and DAM. The Framework Agreement can be terminated by either party upon 60 days prior written notice. On a project by project basis, the development fee that the Trust will pay to DAM in respect of projects exclusive to the Trust and DAM will be equal to 3.75% of total net revenues of the development investment projects. For projects involving third parties, the development fee will be negotiated on a case by case basis with the parties involved. For rental properties, the development fee is expected to be based on the fair value of the project at substantial completion rather than net revenues. The commencement of such fees will vary depending on certain milestones being met, such as construction or sales commencement. During the year ended December 31, 2018 there were no development fees accrued or paid to DAM in accordance with the Framework Agreement.

## AMOUNTS DUE TO RELATED PARTIES

Amounts payable and accrued liabilities at December 31, 2018 included \$1,535 (December 31, 2017 – \$1,566) related to the Management Agreement. Total amounts payable and accrued liabilities due to DAM at December 31, 2018 were \$3,185 (December 31, 2017 – \$8,254). Included in the balance due to DAM is \$1,650 (December 31, 2017 - \$6,688) relating to a letter of credit to a third party in relation to a co-owned development project.

As at December 31, 2017, the Trust has entered into various project-level development management agreements with DAM, and its third party co-developers where applicable, in which the Trust has equity ownership interests. Pursuant to these agreements, DAM provides development management services. The corresponding development management fees are shared among the partners within each development project. Under these agreements, during the year ended December 31, 2018, \$1,445 of fees were incurred at the project-level, at the Trust's share (December 31, 2017 - \$582). As at December 31 2018, at the Trust's share, \$870 was owing to DAM from the projects (December 31, 2017 - \$58).

During the year ended December 31, 2018, the fees incurred with respect to the property management agreement were \$3,181 (December 31, 2017 – \$5,150), pursuant to the property management agreements between the Trust and the respective entities. Amounts payable and accrued liabilities as at December 31, 2018 included \$330 (December 31, 2017 – \$518), related to these agreements.

For the year ended December 31, 2018, the fee pursuant to the Service Agreement was \$330 (December 31, 2017 – \$257). Amounts payable and accrued liabilities as at December 31, 2018 included \$34 (December 31, 2017 – \$20) related to the Service Agreement.

Effective July 7, 2015 and September 5, 2015, a subsidiary of the Trust entered into a leasing agreement with Dream Industrial Management LP ("DIMLP"), a wholly owned subsidiary of Dream Industrial REIT to lease roof-top space. During the year ended December 31, 2018 the fees incurred with respect to this leasing agreement was \$109 (December 31, 2017 - \$109).

During the year ended December 31, 2018, the Trust disposed of its 2,520,147 Dream Office REIT units to DAM for total consideration of \$59,504 by way of a private market transaction. As at December 31, 2018, there were no amounts receivable related to distributions receivable on the investment in Dream Office REIT units (December 31, 2017 - \$210).

Subsequent to the year ended December 31, 2018, the Trust, along with DAM, acquired the remaining 50% of an existing equity partnership, IVY Condominiums, formed for the development of a residential condominium located in downtown Toronto, Ontario. The Trust, along with DAM, invested \$4,500 for the additional 50% in the development investment resulting in the Trust owning a 75% interest and DAM owning the remainder. The project will be managed by DAM.

## KEY MANAGEMENT COMPENSATION

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly. The Trust's key management personnel is the Board of Trustees.

Compensation expense for key management personnel is shown in the table below:

For the year ended	December 31, 2018	December 31, 2017
Compensation	\$ 110	\$ 107
Unit-based awards <sup>(1)</sup>	548	453
<b>Total</b>	<b>\$ 658</b>	<b>\$ 560</b>

<sup>(1)</sup> Deferred trust units granted to officers and trustees vest over a five-year period with one-fifth of the deferred trust units vesting each year. Amounts are determined based on the grant date fair value of deferred trust units multiplied by the number of deferred trust units granted in the period.

## 28. SUPPLEMENTARY CASH FLOW INFORMATION

Amortization and depreciation includes:

	2018	2017
Lease incentives	\$ 1,260	\$ 1,135
Lender fees	(655)	(245)
Lending portfolio discount	(501)	—
Deferred financing costs	379	311
Renewable power assets	6,006	5,761
Intangible assets – wind power contract	97	97
Realized fair value loss on derivative financial liabilities hedges	135	123
Mortgages payable premiums	—	(752)
<b>Total</b>	<b>\$ 6,721</b>	<b>\$ 6,430</b>

Other adjustments include:

	2018	2017
Straight-line rent adjustment	\$ (27)	\$ (19)
Deferred interest income	(607)	2,482
Realized fair value loss from available-for-sale investments	—	630
Share of (income) loss from equity accounted investments	(813)	1,555
Fair value adjustments to development and investment holdings	1,977	1,350
Fair value adjustments to income properties	2,195	22,867
Fair value adjustments to marketable securities	(3,366)	(3,277)
Interest capitalized to lending portfolio balance	(6,113)	(4,967)
Deferred unit compensation expense	951	973
Provision for lending portfolio losses	—	4,842
Deferred income tax expense (recovery)	693	(5,077)
Debt settlement costs	—	1,286
Transaction costs	—	2,802
<b>Total</b>	<b>\$ (5,110)</b>	<b>\$ 25,447</b>

Non-cash working capital includes cash generated from (utilized in):

	2018	2017
Lending portfolio interest income accrual	\$ 776	\$ 152
Other non-current assets	(1,371)	(457)
Amounts receivable	46	(2,397)
Prepaid expenses and other current assets	(232)	(133)
Amounts payable and accrued liabilities	959	(809)
Income tax payable/receivable	451	(7)
Assets held-for-sale	—	(5,185)
<b>Total</b>	<b>\$ 629</b>	<b>\$ (8,836)</b>

During the year ended December 31, 2018, cash interest paid was \$7,776 (year ended December 31, 2017 – \$11,950) and cash taxes paid was \$nil (year ended December 31, 2017 – \$nil). In addition, for the year ended December 31, 2018, the Trust received cash dividends of \$1,169 (year ended December 31, 2017 – \$933). For the same period, investments in building improvements included settlement of \$743 (December 31, 2017 – non-cash transactions of \$377) and investments in lease incentives and initial direct leasing costs included non cash transactions of \$3,674 (December 31, 2017 – non-cash transactions of \$85). Additions to renewable power assets include settlement of payables of \$15 (December 31, 2017 – settlement of \$4,321).

## 29. 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.

## 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

During the year ended December 31, 2018, the Trust, through a subsidiary, continued to provide a guarantee for up to \$45,000 (December 31, 2017 - \$45,000) pursuant to the requirements of a senior construction loan associated with the Empire Lakeshore residential project. The guarantee will be in place for the term of the construction loan and will proportionately scale down as the construction loan is repaid as unit closings begin to occur. Guarantees of the other underlying development project loan amounts of third parties are \$7,500 (December 31, 2017 - \$3,756). As at December 31, 2018, the Trust is contingently liable under guarantees that are issued on certain debt assumed by purchasers of income properties up to an amount of \$44,157 (December 31, 2017 - \$54,029).

The Trust is contingently liable for letters of credit in the amount of \$1,395 (December 31, 2017 - \$1,705) that have been provided to support third party performance.

The Trust may also be contingently liable for certain obligations of joint venture partners. However, the Trust would have available to it the other joint venture partners' share of assets to satisfy any obligations that may arise.

The Trust has entered into lease agreements that may require tenant improvement costs of approximately \$142 (December 31, 2017 - \$787).

Rooftop lease agreements are agreements which the Trust has entered into with six building 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 also enters into operations and maintenance agreements related to its renewable power assets. The Trust's commitments with respect to renewable power assets are outlined in the table below:

	Rooftop lease agreements	Land right and easement	Operational and maintenance contracts	Total
2019	\$ 241	\$ 766	\$ 424	\$ 1,431
2020	241	767	—	1,008
2021	283	770	—	1,053
2022	295	770	—	1,065
2023	295	770	—	1,065
2024 and thereafter	3,286	10,501	—	13,787
Total	\$ 4,641	\$ 14,344	\$ 424	\$ 19,409

## 30. CAPITAL MANAGEMENT

The Trust's capital consists of debt, including mortgage payables, term loans, revolving credit facility and unitholders' equity. The Trust's objectives in managing capital are to ensure that adequate funds are available to maintain consistent and sustainable unitholders distributions, to fund leasing costs and capital expenditure requirements, and to provide the resources needed to acquire and develop development properties, originate new real estate lending, acquire new 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 book 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 unitholders distributions and capital expenditures, and for evaluating the need to raise funds for further expansion. Various mortgage payables, term loans associated with renewable power portfolios 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. During the year ended December 31, 2018, the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The Trust's equity consists of Units in which the carrying value is impacted by earnings, unitholders distributions and Unit repurchases pursuant to its normal course issuer bid. The Trust endeavors to make annual distributions to Unitholders. Any 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.

## 31. 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. In addition, there is interest rate risk associated with the Trust's fixed-rate debt 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 to be renewed. Variable-rate debt payable at December 31, 2018 was approximately 44.4% (December 31, 2017 – 43.3%) of the Trust's total debt. 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, match the nature of the debt with the cash flow characteristics of the underlying asset and undertake hedging strategies when appropriate. As at December 31, 2018, the fixed-rate debt payable within the next 12 months and total variable-rate debt was \$86,743. A 1% change in the interest rate is considered a reasonable level of fluctuation on fixed-rate debt payable within the next 12 months and total variable-rate debt. If the interest rate were to increase by 1%, net income would decrease by \$867. If the interest rate were to decrease by 1%, net income would increase by \$867.

The Trust has exposure to the variability in market interest rates on its lending portfolio investments with variable-rate loans and fixed-rate loans maturing within the next 12 months. As at December 31, 2018, there are no variable-rate loans within the lending portfolio. The Trust invests in mortgages and loans secured by all types of residential and commercial real estate property that represent an acceptable underwriting risk. As a result, the Trust's lending portfolio investments is not exposed to significant market interest risk.

Foreign exchange risk is the risk that an investment's value will fluctuate due to changes in currency exchange rates. The Trust's functional and presentation currency is the Canadian dollar. The Trust's exposure to foreign exchange risk at December 31, 2018 includes the Trust's British pound investment in a wind power subsidiary operating in the United Kingdom and the US Dollar from its investment in the Hard Rock Hotel & Casino in Las Vegas, Nevada. The Trust's investment in the U.K. wind power subsidiary is exposed to foreign exchange risk related to its invested equity and operating profits received by the Trust. The U.K. wind power investment is described in detail in Note 9. The effect of changes in foreign exchange rates is recognized in Other Comprehensive Income. The Trust's investment in the Hard Rock Hotel & Casino in Las Vegas, Nevada is an investment holding asset and is classified as FVTPL at each reporting period. The Trust is required to assess the fair value of this investment which includes foreign currency transactions.

Credit risk related to income properties and certain investment holdings 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 honor its debt commitments as a result of a negative change in market conditions that could result in a loss to the Trust. Credit risk related to financial guarantees provided by the Trust arises from the possibility that counterparties default on their financial obligations. The Trust mitigates these risks by actively monitoring the mortgage, loan investment and financial guarantees, and initiating recovery procedures, in a timely manner, when required.

The maximum exposure to credit risk at December 31, 2018 was the fair value of the Trust's development holdings and the contractual value of its lending portfolio which, including interest receivable, was \$208,858. 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.

The Trust also holds various instruments with the same counterparty or related counterparties within its lending and development and investment holdings portfolios. As at December 31, 2018, the Trust had approximately \$82,984 of development and investment holdings assets and loan balances with, or guaranteed by, the same borrowers or related group of borrowers. Security over certain underlying assets has been posted and the underlying investments are actively monitored.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations as they become due. Accordingly, there is a liquidity risk that we would be unable to dispose of our illiquid assets in a timely way in response to changing economic or investment conditions. The Trust manages lending portfolio advances, maturities of debt, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations as they become due.

## 32. 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. During the year ended December 31, 2018 no transfers were made between levels 1, 2 and 3. The following tables summarize fair value measurements recognized or disclosed 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 fair value measurements.

As at December 31, 2018	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Recurring measurements				
Development and investment holdings	\$ 118,609	\$ —	\$ —	\$ 39,965
Income properties	224,310	—	—	224,310
Lending portfolio - FVTPL	16,574	—	—	16,574

As at December 31, 2017 (Note 2)	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Recurring measurements				
Development and investment holdings	\$ 90,606	\$ —	\$ —	\$ 90,606
Income properties	219,656	—	—	219,656
Investment in marketable securities <sup>(1)</sup>	60,636	60,636	—	—
Lending portfolio - FVTPL	10,000	—	—	10,000

<sup>(1)</sup> Included in other non-current assets and other current assets on the consolidated statements of financial position

Financial instruments carried at amortized cost are noted below:

As at December 31, 2018	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Fair values disclosed				
Lending portfolio - amortized cost	\$ 127,521	\$ —	\$ —	\$ 126,825
Debt	195,492	—	—	200,500

As at December 31, 2017	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Fair values disclosed				
Lending portfolio	\$ 151,432	\$ —	\$ —	151,399
Debt	199,777	—	—	203,967

At December 31, 2018, amounts receivable, cash, restricted cash, deposits, 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

The Trust's accounting policy as indicated in Note 8 is to estimate the fair value of each income property using the most appropriate valuation methodology determined for each property on a highest and best use basis, which may include the overall capitalization method, the discounted cash flow method or, in certain circumstances, land values. Income properties are measured at fair value using the income approach, which is derived from two methods: the overall capitalization rate method and the discounted cash flow method, which results in these measurements being classified as Level 3 in the fair value hierarchy. Valuations of these 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 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 respective property managers. The valuations team is headed by an experienced valuator. From time to time, 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.

## DEVELOPMENT AND INVESTMENT HOLDINGS

The fair values of development and investment holdings are determined using a number of approaches that typically include a discounted cash flow analysis, direct capitalization approach and direct comparison approach. For the year ended December 31, 2018, the primary methods of valuation used by the Trust are the discounted cash flow approach or the direct capitalization approach. The discounted cash flow model is 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. With the direct capitalization rate method, the fair value is determined by applying a capitalization rate to stabilized NOI. 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 available information.

## INVESTMENT IN MARKETABLE SECURITIES

Investments in marketable securities are measured at the value determined on the quoted active market where they are traded.

## 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 the same or similar terms in consultation with CMSC, the manager and servicer of the lending portfolio, and other available information. The fair value of the lending portfolio as at December 31, 2018 was determined by discounting the expected cash flows of each loan using an assessment of the market interest rate ranging from 5.0% to 17.5%. The market interest rates were determined taking into consideration similar instruments with corresponding maturity dates, plus a credit adjustment in accordance with the borrower's creditworthiness as well as considering the risk characteristic of the underlying development.

## DEBT

The fair value of debt as at December 31, 2018 was determined by discounting the expected cash flows of each debt instrument using an assessment of the market interest rate ranging from 3.5% to 4.1%. 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 mortgages are secured by and other indicators of the Trust's creditworthiness.





## Trustees

**Amar Bhalla**<sup>Ind.,1,2,3,4</sup>  
Toronto, Ontario  
President  
Capit Investment Corp.

**David Kaufman**<sup>Ind.,1,2,3</sup>  
Toronto, Ontario  
President & Chief Executive Officer  
Westcourt Capital Corporation

**Karine MacIndoe**<sup>Ind.,1,2,3</sup>  
Toronto, Ontario  
Corporate Director

### Legend:

Ind. Independent

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

## Directors

**Pauline Alimchandani**  
Toronto, Ontario  
EVP & Chief Financial Officer  
Dream Unlimited Corp.

**Amar Bhalla**<sup>Ind.,1,2,3,4</sup>  
Toronto, Ontario  
President  
Capit Investment Corp.

**Michael J. Cooper**  
Toronto, Ontario  
President and Chief Responsible Officer  
Dream Unlimited Corp.

**James Eaton**<sup>Ind.</sup>  
Toronto, Ontario  
President  
Weatons Holdings Ltd.

**Joanne Ferstman**<sup>Ind.,3</sup>  
Toronto, Ontario  
Corporate Director

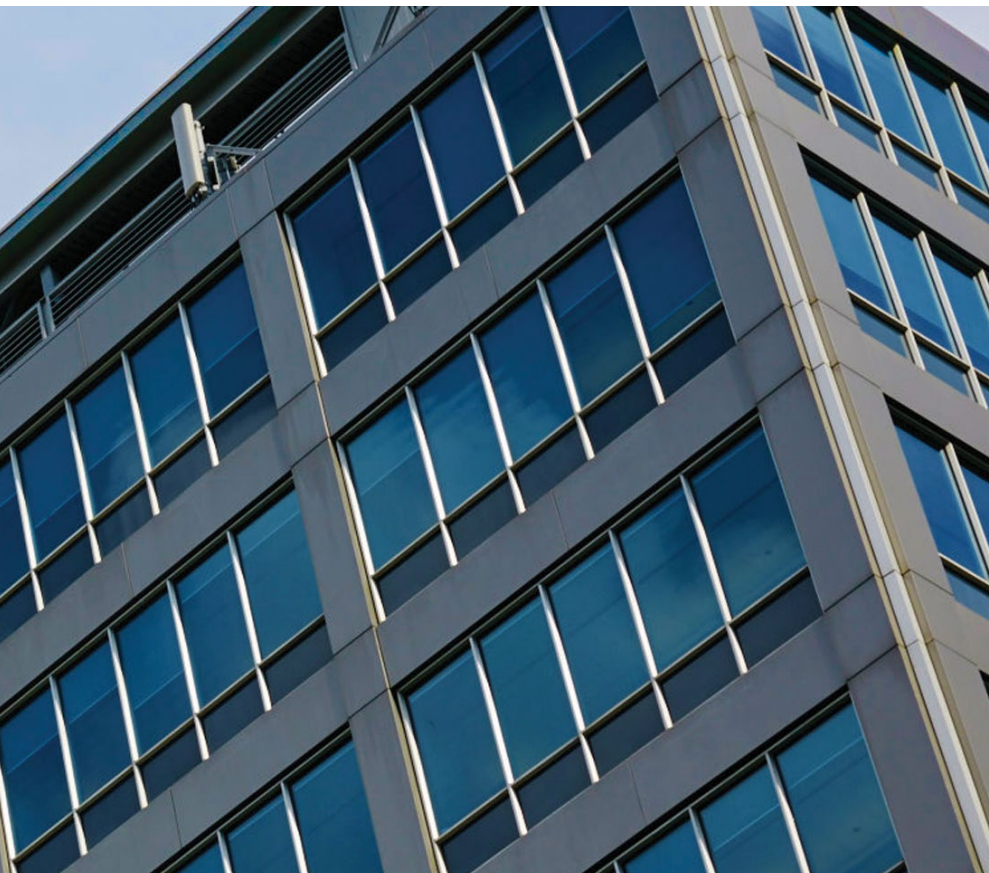
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Toronto, Ontario  
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Westcourt Capital Corporation

**Karine MacIndoe**<sup>Ind.,1,2,3</sup>  
Toronto, Ontario  
Corporate Director

## Management Team

**Michael J. Cooper**  
Portfolio Manager

**Pauline Alimchandani**  
EVP & Chief Financial Officer



## Corporate Information

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### TRANSFER AGENT

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

#### **Computershare Trust Company of Canada**

100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1  
Phone: (514) 982-7555 or 1 800 564-6253  
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### STOCK EXCHANGE LISTING

**The Toronto Stock Exchange**  
Listing Symbol: DRA.UN

For more information, please visit  
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