



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED IN CANADIAN DOLLARS)**

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2017 AND 2016**

DATED: NOVEMBER 9, 2017

TABLE OF CONTENTS

Condensed Interim Consolidated Statements of Financial Position.....1

Condensed Interim Consolidated Statements of Comprehensive Income2

Condensed Interim Consolidated Statements of Changes in Unitholders' Equity3

Condensed Interim Consolidated Statements of Cash Flows.....4

Notes to the Condensed Interim Consolidated Financial Statements5

Plaza Retail REIT
Condensed Interim Consolidated Statements of Financial Position

(unaudited)

(in thousands of Canadian dollars)

September 30,
2017

December 31,
2016

Assets

Non-Current Assets

Investment properties (Note 4)	\$ 966,806	\$ 959,889
Investments	45,295	46,551
Tenant loans	415	846
Deferred income tax asset	524	126
Total non-current assets	1,013,040	1,007,412

Current Assets

Cash	5,986	5,182
Receivables	2,970	3,542
Prepaid expenses and deposits	6,552	2,518
Investments	-	99
Tenant loans	451	469
Notes and advances receivable	9,620	10,578
Investment properties held for sale (Note 4)	-	92
Total current assets	25,579	22,480
Total assets	\$ 1,038,619	\$ 1,029,892

Liabilities and Unitholders' Equity

Non-Current Liabilities

Debentures payable (Note 5)	\$ 45,669	\$ 44,093
Mortgage bonds payable (Note 6)	14,739	11,843
Mortgages payable (Note 7)	422,305	414,839
Class B exchangeable LP units (Note 10)	5,777	6,595
Deferred income tax liability	7,344	7,217
Total non-current liabilities	495,834	484,587

Current Liabilities

Bank indebtedness (Note 8)	35,669	12,562
Current portion of debentures payable (Note 5)	3,994	16,079
Current portion of mortgage bonds payable (Note 6)	-	2,905
Current portion of mortgages payable (Note 7)	27,550	45,005
Accounts payable, accrued liabilities, tenant payables and tenant deposits	15,298	15,821
Notes payable	1,244	1,190
Total current liabilities	83,755	93,562
Total liabilities	579,589	578,149

Unitholders' equity	454,820	447,805
Non-controlling interests	4,210	3,938
Total unitholders' equity	459,030	451,743
Total liabilities and unitholders' equity	\$ 1,038,619	\$ 1,029,892

Subsequent events – see Note 14



Barbara Trenholm, Trustee



Earl Brewer, Trustee

The notes on pages 5 to 17 are an integral part of these condensed interim consolidated financial statements.

Plaza Retail REIT

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited)

(in thousands of Canadian dollars)

	3 Months Ended September 30, 2017	3 Months Ended September 30, 2016	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Revenues	\$ 25,113	\$ 25,585	\$ 77,208	\$ 74,974
Operating expenses	(8,805)	(9,152)	(28,339)	(27,958)
Net property operating income	16,308	16,433	48,869	47,016
Share of profit of associates	1,138	2,103	570	3,320
Administrative expenses	(2,035)	(2,029)	(6,916)	(6,817)
Investment income	182	188	600	496
Other income	384	577	1,124	1,394
Income before finance costs, fair value adjustments and income taxes	15,977	17,272	44,247	45,409
Finance costs (Note 9)	(6,518)	(6,923)	(19,241)	(20,753)
Finance costs - net change in fair value of convertible debentures (Note 5)	494	(1,688)	433	(2,530)
Finance costs - net change in fair value of Class B exchangeable LP units (Note 10)	290	(501)	818	(712)
Finance costs – net change in fair value of interest rate swap and bond forward (Note 7)	-	51	-	(291)
Net change in fair value of investment properties (Note 4)	(2,587)	(508)	(12,516)	3,218
Profit before income tax	7,656	7,703	13,741	24,341
Income tax recovery (expense)				
- Current	(30)	(31)	(95)	(84)
- Deferred	(15)	(283)	271	(1,073)
	(45)	(314)	176	(1,157)
Profit and total comprehensive income for the period	\$ 7,611	\$ 7,389	\$ 13,917	\$ 23,184
Profit and total comprehensive income for the period attributable to:				
- Unitholders	\$ 7,534	\$ 7,365	\$ 13,801	\$ 23,096
- Non-controlling interests	77	24	116	88
	\$ 7,611	\$ 7,389	\$ 13,917	\$ 23,184

The notes on pages 5 to 17 are an integral part of these condensed interim consolidated financial statements.

Plaza Retail REIT

Condensed Interim Consolidated Statements of Changes in Unitholders' Equity

(unaudited)

(in thousands of Canadian dollars)

	Trust Units (Note 10)	Retained Earnings	Total Attributable to Unitholders	Non- Controlling Interests	Total Equity
Balance as at December 31, 2015	\$ 233,224	\$ 182,441	\$ 415,665	\$ 3,885	\$ 419,550
Profit and total comprehensive income for the period	-	23,096	23,096	88	23,184
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders:					
DRIP and RSU plan	980	-	980	-	980
Public offering, net of issues costs	21,674	-	21,674	-	21,674
- Units issued through debt conversion	9	-	9	-	9
- Distributions to unitholders	-	(18,892)	(18,892)	-	(18,892)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(7)	(7)
Balance as at September 30, 2016	\$ 255,887	\$ 186,645	\$ 442,532	\$ 3,966	\$ 446,498
Balance as at December 31, 2016	\$ 258,011	\$ 189,794	\$ 447,805	\$ 3,938	\$ 451,743
Profit and total comprehensive income for the period	-	13,801	13,801	116	13,917
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan	1,471	-	1,471	-	1,471
- Units issued through debt conversion	12,213	-	12,213	-	12,213
- Distributions to unitholders	-	(20,470)	(20,470)	-	(20,470)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	156	156
Balance as at September 30, 2017	\$ 271,695	\$ 183,125	\$ 454,820	\$ 4,210	\$ 459,030

The notes on pages 5 to 17 are an integral part of these condensed interim consolidated financial statements.

Plaza Retail REIT

Condensed Interim Consolidated Statements

of Cash flows

(unaudited)

(in thousands of Canadian dollars)

	3 Months Ended September 30, 2017	3 Months Ended September 30, 2016	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
--	--	--	--	--

Cash obtained from (used for):

Operating activities

Profit and total comprehensive income for the period	\$ 7,611	\$ 7,389	\$ 13,917	\$ 23,184
Items not affecting cash:				
Finance costs (Note 9)	6,518	6,923	19,241	20,753
Share of profit of associates	(1,138)	(2,103)	(570)	(3,320)
Net change in fair value of investment properties	2,587	508	12,516	(3,218)
Net change in fair value of convertible debentures	(494)	1,688	(433)	2,530
Net change in fair value of Class B exchangeable LP units	(290)	501	(818)	712
Net change in fair value of interest rate swap and bond forward	-	(51)	-	291
Current and deferred income taxes	45	314	(176)	1,157
Straight-line rent revenue	63	(280)	183	(415)
Interest paid	(5,556)	(5,700)	(17,699)	(18,969)
Income taxes paid	(49)	(34)	(121)	(116)
Distributions from equity accounted investments	193	195	1,063	992
Leasing commissions	(94)	(160)	(118)	(594)
Change in non-cash working capital (Note 11)	1,652	2,563	(1,389)	1,133
	11,048	11,753	25,596	24,120

Financing activities

Issuance of units from public offering, net of issue costs	-	-	-	21,674
Issuance of units on conversion of debentures	-	9	-	9
Cash paid on conversion of Series C convertible debentures (Note 5)	-	-	(1,454)	-
Distributions paid to unitholders	(6,830)	(6,374)	(20,470)	(18,892)
Distributions paid to Class B exchangeable LP unitholders	(89)	(86)	(267)	(257)
Distribution reinvestment proceeds (Note 10)	640	343	1,459	980
Gross proceeds of mortgage bonds and debentures	3,000	6,000	9,000	11,500
Finance charges incurred for bonds and debentures	(87)	(164)	(230)	(164)
Redemption/repayment of mortgage bonds and debentures	(3,000)	(3,860)	(5,276)	(15,100)
Gross mortgage proceeds	17,180	30,913	29,748	61,395
Fees incurred for placement of mortgages	(125)	(325)	(353)	(613)
Loan defeasance expenses and early mortgage discharge fees paid	(56)	(128)	(56)	(462)
Mortgages repaid	(12,520)	(35,635)	(31,975)	(66,626)
Periodic mortgage principal repayments	(2,607)	(2,509)	(7,810)	(7,630)
Redemptions of bonds purchased for mortgage defeasances	-	6,075	-	19,211
Increase in notes payable	24	-	54	-
	(4,470)	(5,741)	(27,630)	5,025

Investing activities

Acquisitions of investment properties and land (Note 4)	(7,505)	(758)	(8,009)	(15,122)
Investment properties - additions	(5,191)	(4,592)	(16,192)	(11,270)
Net proceeds from disposal of investment properties and land (Note 4(e))	1,136	6,785	2,091	20,732
Net proceeds from disposal of investment properties and land on properties previously classified as held for sale (Note 4(f))	-	-	92	1,800
Advances to equity accounted investments for developments	(340)	(150)	(740)	(300)
Contributions to/(distributions from) subsidiaries from/to non-controlling interests	60	58	156	(7)
Decrease (increase) in deposits for acquisitions	303	31	(674)	337
Decrease (increase) in notes receivable	102	(2,810)	2,558	(4,088)
Repayment of tenant loans	7	22	449	475
	(11,428)	(1,414)	(20,269)	(7,443)
Net increase (decrease) in cash	(4,850)	4,598	(22,303)	21,702
Cash less bank indebtedness, beginning of the period	(24,833)	(6,638)	(7,380)	(23,742)
Cash less bank indebtedness, end of the period	\$ (29,683)	\$ (2,040)	\$ (29,683)	\$ (2,040)

The notes on pages 5 to 17 are an integral part of these condensed interim consolidated financial statements.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

1. Reporting Entity

Plaza Retail REIT (the “Trust”) is an unincorporated “open-ended” real estate investment trust established pursuant to its declaration of trust dated as of November 1, 2013 (the “Declaration of Trust”) and governed by the laws of the Province of Ontario. The address of the Trust’s head office is 98 Main Street, Fredericton, New Brunswick. The Trust operates a retail real estate ownership and development business in Canada. Management does not distinguish or group its operations by geography or any other basis, when measuring its performance or making decisions. Accordingly, the Trust has a single reportable segment for disclosure purposes.

2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and in particular International Accounting Standard (“IAS”) 34, “Interim financial reporting” on a basis consistent with the accounting policies disclosed in Note 3 of the December 31, 2016 consolidated financial statements of the Trust.

The condensed interim consolidated financial statements do not include all the information required for full annual financial statements. The condensed interim consolidated financial statements should be read in conjunction with the 2016 annual financial statements of the Trust.

The condensed interim consolidated financial statements were authorized for issue by the Audit Committee on behalf of the Board of Trustees of the Trust on November 9, 2017.

3. Summary of Significant Accounting Policies

(a) *Future Changes in Accounting Policies*

(i) Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15, *Revenue from Contracts with Customers* is effective for annual periods beginning on or after January 1, 2018, and will replace: IAS 11, *Construction Contracts*; IAS 18, *Revenue*; International Financial Reporting Interpretations Committee (“IFRIC”) 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreements for the Construction of Real Estate*; IFRIC 18, *Transfer of Assets from Customers*; and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. The Trust will adopt IFRS 15 in its financial statements for the annual period beginning January 1, 2018. The Trust is currently evaluating the applicability of the standard to various revenue streams, including an assessment of the new Leases standard (see below). The Trust’s current assessment includes a review of relevant contracts for the following key areas which it believes are in scope of IFRS 15 including, but not limited to, common area maintenance recoveries, and leasing and management fees. IFRS 15 requires incremental disclosure of material revenue streams. The Trust continues to make progress in its implementation of IFRS 15. The Trust expects to complete its assessment of the potential impact of adopting IFRS 15 during the final quarter of 2017.

(ii) Financial Instruments (“IFRS 9”)

The Trust will adopt IFRS 9, *Financial Instruments: Classification and Measurement*, which replaces IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”), in its financial statements for the annual period beginning on January 1, 2018, the mandatory effective date.

The Trust has commenced its evaluation of the impact of this standard on each of its financial instruments. Based upon the Trust’s existing financial instruments and related accounting policies at September 30, 2017, the principal areas impacted are: classification of financial assets; impairment of financial assets; and presentation of fair value changes for certain financial liabilities designated at fair value through profit or loss (“FVTPL”). IFRS 9 also requires new disclosures.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

assets: measured at amortized cost; fair value through other comprehensive income (“FVOCI”); and FVTPL, and eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 replaces the ‘incurred loss’ impairment model in IAS 39 with a forward-looking ‘expected credit loss’ model. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as FVTPL are recognized in profit or loss, whereas under IFRS 9 the amount of change in fair value attributable to changes in the credit risk of the liability is presented in OCI, and the remaining amount of change in fair value is presented in profit or loss.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Trust does not currently apply hedge accounting in its financial statements.

The Trust is focusing on the following key areas within the scope of IFRS 9 which includes, but is not limited to, loans and receivables, and interest rate swaps. The Trust continues to make progress in its implementation of IFRS 9. The Trust expects to complete the assessment of the impact of adopting IFRS 9 during the final quarter of 2017.

(iii) Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, *Leases*. The new standard will replace existing lease guidance in IFRS and related interpretations, and requires lessees to bring most leases on-balance sheet. Lessor accounting remains similar to the current standard. However, the Trust is evaluating the identification of leases and non-lease components in accordance with the new requirements. IFRS 16 is only applicable to lease components and therefore other standards, such as IFRS 15, will apply to non-lease components of contracts. IFRS 15 requires allocation of transaction prices to relative standalone selling prices. The Trust is evaluating whether this will have a measurement impact. The new standard is effective for years beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

(iv) Transfer of Investment Property (Amendments to IAS 40)

The amendments clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred and the list of circumstances of when a change in use has occurred is non-exhaustive. The Trust intends to adopt the amendments to IAS 40 in its financial statements for the annual period beginning on January 1, 2018. The Trust does not expect the amendments to have a material impact on the financial statements.

(v) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payments transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Trust intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018 prospectively. The Trust does not expect the amendments to have a material impact on the financial statements.

(vi) Annual Improvements to IFRS Standards (2014-2016) Cycle

On December 8, 2016 the IASB issued narrow-scope amendments as part of its annual improvement process. Amendments were made to the following standards:

- Removal of out-dated exemptions for first time adopters under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2018; and
- Clarification that the election to measure an associate or joint venture at fair value under IAS 28 *Investments in Associates and Joint Ventures* for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

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

4. Investment Properties

	September 30, 2017			December 31, 2016		
	Income producing properties	Properties under development	Total	Income producing properties	Properties under development	Total
Balance, beginning of the period:	\$ 912,462	\$ 47,427	\$ 959,889	\$ 907,345	\$ 38,412	\$ 945,757
Additions (deductions):		-			-	
Additions to investment properties	5,791	7,911	13,702	8,252	10,334	18,586
Additions – acquisitions of investment properties and land	1,887	6,122	8,009	2,731	12,391	15,122
Disposals	(1,429)	(662)	(2,091)	(21,491)	-	(21,491)
Transfers	8,397	(8,397)	-	12,922	(12,922)	-
Investment properties held for sale	-	-	-	(92)	-	(92)
Straight line rent receivable change	(242)	55	(187)	344	15	359
Change in fair value ⁽¹⁾	(9,884)	(2,632)	(12,516)	2,451	(803)	1,648
Balance, end of the period:	\$ 916,982	\$ 49,824	\$ 966,806	\$ 912,462	\$ 47,427	\$ 959,889

⁽¹⁾ The change in fair value includes a loss of \$539 thousand (December 31, 2016 – \$895 thousand gain) related to properties where the Trust has a 20% ownership interest and a 50% economic interest above its invested capital.

The majority of the Trust's investment properties have been pledged as security under various debt agreements.

Investment properties are stated at fair value using the following methods, estimates and key assumptions:

(i) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them, and as applicable, the fair value of various investment properties are based on these external appraisals. Of the total fair value in the chart above, \$344 million of investment properties were based on such external appraisals (December 31, 2016 - \$281 million).

(ii) Internal approach - direct capitalization income approach

Under this approach the Trust determines the fair value based upon capitalization rates applied to budgeted normalized net operating income (property revenue less property operating expenses). Normalized net operating income adjusts net operating income for things like market property management fees, or in the case of development properties, to reflect full intended occupancy (less a normal vacancy allowance). The key assumption is the capitalization rate for each specific property. The Trust receives quarterly capitalization rate matrices from an external independent appraiser. The capitalization rate matrices provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization rates within the range of rates provided. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

As at September 30, 2017 the Trust has utilized the following range of capitalization rates:

	Number of Properties ⁽¹⁾	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	70	6.42%	5.50% - 8.50%	6.00% - 9.00%
Quick Service Restaurant	117	7.32%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	13	7.07%	6.00% - 8.25%	6.25% - 9.00%
Anchored Strip – Class B	30	6.95%	6.00% - 8.50%	6.75% - 10.00%
Unanchored Strip	38	7.60%	5.75% - 9.00%	6.00% - 11.00%
Enclosed Malls – Community	4	7.80%	7.50% - 9.50%	7.50% - 11.00%
	272	7.00%		

⁽¹⁾ Excludes certain properties under development and non-consolidated trusts and partnerships.

Freestanding or Mini Box - defined as a freestanding retail, non-restaurant use such as a pharmacy or equivalent national box retailer. May include nominal additional gross leasable area (“GLA”) if the additional GLA is 15% or less than the total GLA or gross revenue.

Quick Service Restaurant – defined as freestanding retail space for food.

Anchored Strip – Class A - defined as a food or equivalent-anchored retail strip, 20,000-125,000 square feet and where the anchor tenant(s) represents 70% or more of GLA or gross revenue.

Anchored Strip – Class B - defined as a food or equivalent-anchored retail strip, 20,000-200,000 square feet and where the anchor tenant(s) represents less than 70% of GLA or gross revenue.

Unanchored Strip - defined as an unanchored retail strip less than 75,000 square feet.

Enclosed Malls - Community - defined as an enclosed community mall with food or department/junior department store or equivalent anchors.

At September 30, 2017 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately \$35.3 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$32.8 million.

As at December 31, 2016 the Trust utilized the following range of capitalization rates:

	Number of Properties ⁽¹⁾	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	68	6.45%	5.50% - 8.50%	6.00% - 9.00%
Quick Service Restaurant	121	7.30%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	14	7.11%	6.00% - 8.25%	6.25% - 9.00%
Anchored Strip – Class B	30	6.97%	6.00% - 8.50%	6.75% - 10.00%
Unanchored Strip	38	7.66%	6.00% - 9.00%	6.50% - 11.00%
Enclosed Malls – Community	4	7.79%	7.50% - 9.50%	7.50% - 11.00%
	275	7.03%		

⁽¹⁾ Excludes certain properties under development and non-consolidated trusts and partnerships.

(a) Straight-line Rent

Included in investment properties at September 30, 2017 is \$12.1 million (December 31, 2016 - \$12.3 million) of straight line rents receivable arising from the recognition of rental revenue on a straight line basis over the lease terms in accordance with IAS 17, “Leases”.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

(b) *Surplus Land*

Included in investment properties at September 30, 2017 is \$1.0 million of surplus lands at fair value (December 31, 2016 - \$3.6 million).

(c) *Borrowing Costs*

The total amount of borrowing costs capitalized for the nine months ended September 30, 2017 is \$209 thousand (for the nine months ended September 30, 2016 - \$97 thousand).

(d) *Acquisitions*

During the nine months ended September 30, 2017, the Trust purchased land adjacent to an existing property in Picton, ON for \$217 thousand (including closing costs), land in Fredericton, NB for \$287 thousand (including closing costs), land in Dunnville, ON for \$279 thousand (including closing costs), land in Gatineau, QC for \$1.1 million (including closing costs), and a 50% interest in development lands in Mississauga, ON for \$6.1 million (including closing costs).

During the year ended December 31, 2016, the Trust acquired an additional 5.5% interest in the Village Shopping Centre in St. John's, NL for \$2.7 million. The Trust now owns 50.0% of this property. The Trust also acquired a 50.0% interest from an arms-length party in three properties located in Miramichi, NB, Cornwall, ON and New Liskeard, ON for \$11.5 million. As consideration for the acquisition the Trust paid cash of \$750 thousand, issued a vendor take back interest-only mortgage secured by one of the properties of \$5.25 million bearing interest at 5.00% per annum with a seven year term, and issued \$5.5 million, 5.50% Series VII convertible debentures. The vendor take back mortgage is repayable at any time without penalty. Closing costs associated with the acquisition were \$155 thousand. The Trust also acquired land for development in Saint John, NB for \$757 thousand.

(e) *Disposals*

During the nine months ended September 30, 2017, the Trust disposed of surplus land in Kenora, ON for net proceeds of \$92 thousand which was recorded as investment properties held for sale at December 31, 2016. The Trust also disposed of land in Calgary, AB and in Miramichi, NB for net proceeds of \$78 thousand and \$272 thousand, respectively. The Trust disposed of properties in North Sydney, NS, for net proceeds of \$215 thousand, in Oshawa, ON for net proceeds of \$662 thousand, in Hamilton, ON for net proceeds of \$577 thousand, and in Niagara Falls, ON for net proceeds \$287 thousand.

During the year ended December 31, 2016, the Trust disposed of income producing properties for net proceeds of \$20.5 million in Aurora, ON, Calgary, AB, London, ON, Markham, ON, Toronto, ON and Mississauga, ON. As well, the Trust disposed of income producing properties in Toronto, ON and Windsor, ON for net proceeds of \$1.8 million, which were recorded as investment properties held for sale at December 31, 2015. The Trust also disposed of surplus land for net proceeds of \$997 thousand in Fredericton, NB, Oromocto, NB and Coaticook, QC.

(f) *Investment Properties held for Sale*

At December 31, 2016 the Trust had segregated investment properties held for sale of \$92 thousand for land located in Kenora, ON. This land was sold in January 2017.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

5. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	Interest Rate	September 30, 2017	December 31, 2016
Convertible ⁽¹⁾				
Series C	December 31, 2017	7.00%	\$ -	\$ 16,079
Series D	December 31, 2018	5.75%	34,255	34,510
Series VII	June 30, 2021	5.50%	5,541	5,583
Total convertible debentures			39,796	56,172
Non-convertible ^{(2) (3)}	Various (see below)	5.00%	9,867	4,000
Total debentures payable			49,663	60,172
Less: current portion of debentures payable			(3,994)	(16,079)
Debentures payable – long-term portion			\$ 45,669	\$ 44,093

⁽¹⁾ Recorded at fair value based on closing market trading prices of debentures; the fair value change during 2017 was a gain of \$433 thousand (for the nine months ended September 30, 2016 – loss of \$2.5 million)

⁽²⁾ Recorded at amortized cost

⁽³⁾ Net of unamortized finance charges of \$133 thousand (December 31, 2016 - nil)

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

	Series D	Series VII
Conversion price	\$5.75	\$6.04
Trust's first redemption date	December 31, 2016	June 30, 2019
Par call date	December 31, 2017	June 30, 2020
Maturity date	December 31, 2018	June 30, 2021
Face value outstanding	\$34,000	\$5,500
Publicly listed	yes	no

Non-convertible debenture maturities are as follows:

	Series I			Series II	Total
	Tranche A	Tranche B	Tranche C		
Face value outstanding	\$1,600	\$2,300	\$100	\$6,000	\$10,000
Maturity date	February 26, 2018	April 15, 2018	May 2, 2018	February 28, 2022	

Series C convertible debentures were originally assumed on the acquisition of KEYreit. As a result of the change of control of KEYreit, and pursuant to the respective trust indentures as supplemented and amended, upon the change of control, each \$1,000 principal amount of the Series C debentures was convertible into \$112.76 in cash and 190 units of the Trust. On November 30, 2016, the Trust issued a redemption notice for the Series C convertible debentures to be redeemed on January 9, 2017. A total of \$1.75 million were converted in 2016 into 333 thousand units and \$198 thousand in cash, leaving a balance of \$15.2 million in face value of debentures. Between January 3rd and 6th, 2017, \$12.9 million were converted into 2.45 million units and \$1.5 million in cash. On January 9, 2017, the remaining \$2.3 million were redeemed and paid out.

On February 28, 2017, the Trust issued \$6.0 million in Series II unsecured debentures with an interest rate of 5.0% per annum maturing on February 28, 2022.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

6. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

				September 30, 2017	December 31, 2016
	Series X	Series XI	Series XII	Total	Total
Various properties, 1 st mortgage – Series IX	\$ -	\$ -	\$ -	\$ -	\$ 3,000
Torbram Rd., Brampton, ON, 1 st mortgage	6,000	-	-	6,000	6,000
Various properties, 1 st mortgage	-	6,000	-	6,000	6,000
Various properties, 1 st mortgage	-	-	3,000	3,000	-
Gross mortgage bonds payable	6,000	6,000	3,000	15,000	15,000
Less: unamortized finance charges				(261)	(252)
Net mortgage bonds payable				14,739	14,748
Less: current portion of mortgage bonds payable				-	(2,905)
Net mortgage bonds payable – long-term portion				\$ 14,739	\$ 11,843

	Series X	Series XI	Series XII
Interest Rate	5.00%	5.00%	5.50%
Maturity Date	July 25, 2020	July 8, 2019	July 15, 2022
Amount	\$6,000	\$6,000	\$3,000

The Series X, XI and XII mortgage bonds can be deployed up to 90% of the cost of a property under a first or second charge on that property. If it is a second charge, the total debt, including mortgage bonds, cannot exceed 90%. These mortgage bonds can be reallocated to different properties from time to time as required.

The Trust can redeem up to one-half of the Series X, XI and XII mortgage bonds at par on the third and fourth anniversaries for the Series X mortgage bonds and the first and second anniversaries for the Series XI and XII mortgage bonds, being: June 25, 2018 and June 25, 2019 for the Series X mortgage bonds; July 8, 2018 for the Series XI mortgage bonds; and July 15, 2018 and July 15, 2019 for the Series XII mortgage bonds.

On July 15, 2017, the \$3.0 million 5.50% Series IX mortgage bonds matured and were repaid.

On July 15, 2017, the \$3.0 million 5.50% Series XII mortgage bonds were issued.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

7. Mortgages Payable

	Interest Rate Range	Weighted Average Effective Interest Rate	Maturity Dates	September 30, 2017	December 31, 2016
Fixed rate loans:	2.47% - 7.29%	4.54%	Up to June 2034	\$ 444,356	\$ 452,231
Fair value of interest rate swap				202	357
Revaluation of loans upon acquisition of KEYreit, net of amortization of \$5,740 (December 31, 2016 - \$5,619)				294	415
Less: unamortized finance charges				(2,662)	(3,024)
Total net fixed rate loans				<u>442,190</u>	<u>449,979</u>
Variable rate loans:					
- \$20 million development facility	Prime plus 0.75% or BA plus 2.25%		July 31, 2018	1,763	2,825
- \$15 million development facility	Prime plus 0.75% or BA plus 2.00%		July 31, 2018	2,584	4,075
- \$3.0 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		May 26, 2018	2,768	2,622
- \$907 thousand secured non-revolving construction credit facility	Prime plus 1.00% or BA plus 2.50%		December 16, 2017	712	467
Less: unamortized finance charges				(162)	(124)
Total net variable rate loans				<u>7,665</u>	<u>9,865</u>
Net mortgages payable				449,855	459,844
Less: mortgages payable – current portion				(27,550)	(45,005)
Total mortgages payable – long-term portion				<u>\$ 422,305</u>	<u>\$ 414,839</u>

All mortgages are secured by charges against specific assets. The unamortized finance charges are made up of fees and costs incurred to obtain the mortgage financing less accumulated amortization.

To fund development activities the Trust has two revolving development facilities with Canadian chartered banks available upon pledging of specific assets. One is a \$20.0 million one-year revolving facility that bears interest at prime plus 0.75% or bankers' acceptances ("BAs") plus 2.25%, and the other is a \$15.0 million two-year revolving facility that bears interest at prime plus 0.75% or BAs plus 2.00%. In July 2017, the \$20.0 million development facility was renewed with the same terms and conditions until July 31, 2018. At September 30, 2017 there is \$30.7 million available on these development facilities (December 31, 2016 - \$28.1 million). Funding is secured by first mortgage charges on development properties. The Trust must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt coverage, interest coverage and occupancy covenants, as well as unitholder equity tests. As of September 30, 2017 the Trust is in compliance with all financial covenants.

The Trust's \$3.0 million secured non-revolving construction credit facility was renewed until May 26, 2018 with the same terms and conditions.

Subsequent to quarter end, the \$907 thousand variable rate secured construction credit facility was extended until September 15, 2018 with the same terms and conditions.

As part of the acquisition of a development property, the Trust assumed a \$4.0 million variable rate mortgage that had an interest rate swap in place (thereby fixing the variable interest rate) during the second quarter of 2015. The interest rate swap matures on August 13, 2023 and is recorded at fair value.

In July 2015, the Trust entered into an interest rate hedge in the form of a bond forward, with a Canadian chartered bank, in anticipation of long-term financing on two development properties once completed in order to hedge the 10-year Government of Canada bond rate. The hedge was for a notional amount of \$6.0 million and was for a twelve month period, with a settlement date of July 29, 2016. The all-in hedged rate was 1.715%. The bond forward did not qualify for hedge accounting under IFRS, and therefore, changes in the fair value of the bond forward (based on estimated future cash flows based on

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

observable yield curves) were recognized in profit and loss in each reporting period. On July 29, 2016, the bond forward matured and \$368 thousand was paid based on the applicable Government of Canada bond rate on the maturity date.

8. Bank Indebtedness

The Trust pledged additional properties to increase its operating line of credit from \$30.0 million to \$44.0 million (December 31, 2016 - \$30.0 million) in March 2017. The operating line of credit facility is with a Canadian chartered bank at the rate of prime plus 0.75% or BAs plus 2.00%, maturing July 31, 2018. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at September 30, 2017, the available limit was \$43.5 million of which \$35.7 million (December 31, 2016 – \$12.6 million) was drawn and therefore the maximum amount available to be drawn on the facility was \$7.1 million (December 31, 2016 – \$16.4 million), net of letters of credit outstanding of \$750 thousand (December 31, 2016 - \$1.0 million). As security, at September 30, 2017, the Trust has provided a \$50.0 million demand debenture secured by a first mortgage over forty-two properties.

9. Finance Costs

	3 Months Ended September 30, 2017	3 Months Ended September 30, 2016	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Finance costs:				
Mortgage interest	\$ 4,924	\$ 5,173	\$ 14,975	\$ 15,764
Debenture interest	689	910	2,022	2,834
Mortgage bond interest	191	213	574	608
Distributions paid to Class B exchangeable LP unitholders	89	86	267	257
Operating line of credit interest	321	146	658	382
Interest and bank charges	72	42	254	178
Amortization of finance charges	273	320	765	671
Loan defeasances and early mortgage discharge fees	56	128	56	462
Mark to market adjustments	(30)	(90)	(121)	(306)
Capitalization of interest	(67)	(5)	(209)	(97)
Total finance costs	\$ 6,518	\$ 6,923	\$ 19,241	\$ 20,753

10. Unitholders' Equity

(a) Authorized

The Declaration of Trust authorizes the issuance of an unlimited number of units and special voting units. Special voting units are only issued in tandem with the issuance of securities exchangeable into units.

Each special voting unit shall have no economic entitlement nor beneficial interest in the Trust including in the distributions or assets of the Trust, but shall entitle the holder of record thereof to a number of votes at any meeting of the unitholders equal to the number of units that may be obtained upon the exchange of the exchangeable security to which such special voting unit is attached. Special voting units may only be issued in connection with or in relation to, securities exchangeable into units, for the purpose of providing voting rights with respect to the Trust to the holders of such securities. The creation or issuance of special voting units is subject to the prior written consent of the Toronto Stock Exchange ("TSX").

In addition, preferred units may from time to time be created and issued in one or more classes (each of which may be made up of unlimited series) without requiring voting unitholder approval. Before the issuance of preferred units of a series, the Board will execute an amendment to the Declaration of Trust containing a description of such series, including the designations, rights, privileges, restrictions and conditions determined by the Board, and the class of preferred units of which such series is a part. The issuance of preferred units is also subject to the prior written consent of the TSX.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

(b) *Issued and Outstanding*

(i) Class B Exchangeable LP Units

The Class B exchangeable units are economically equivalent to units of the Trust and are exchangeable at any time into units of the Trust on a one-for-one basis. These units are puttable instruments where the Trust has a contractual obligation to issue Trust units to the exchangeable unitholders upon redemption. Holders of the exchangeable LP units are entitled to receive distributions per unit equal to distributions per unit provided to the unitholders of the Trust.

	September 30, 2017		December 31, 2016	
	Units (000s)	Amount	Units (000s)	Amount
Exchangeable LP units outstanding, beginning of the period	1,319	\$ 6,595	1,319	\$ 6,199
Fair value adjustment for the period	-	(818)	-	396
Exchangeable LP units outstanding, end of the period	1,319	\$ 5,777	1,319	\$ 6,595

(ii) Special Voting Units

At September 30, 2017, there were 1,319,000 special voting units outstanding, issued in connection with 1,319,000 Class B exchangeable LP units of a subsidiary of the Trust (see above).

(iii) Units

	September 30, 2017		December 31, 2016	
	Trust Units (000s)	Amount	Trust Units (000s)	Amount
Units outstanding, beginning of the period	98,488	\$ 258,011	92,858	\$ 233,224
Issuance of units:				
Units issued through public offering, net of issue costs	-	-	5,003	21,674
Units issued through distribution reinvestment plan	322	1,459	290	1,358
Units issued through RSU plan	2	12	4	18
Units issued through convertible debenture conversions (Note 5)				
- face value debentures	2,450	11,439	333	1,554
- impact of fair value of convertible debentures		774	-	183
Units outstanding, end of the period	101,262	\$ 271,695	98,488	\$ 258,011

Unitholders have the right to redeem their units at the lesser of (i) 90% of the Market Price of the unit (Market Price is defined for this purpose in the Declaration of Trust as the weighted average trading price of the previous 10 trading days) and (ii) the most recent Closing Market Price (Closing Market Price is defined for this purpose in the Declaration of Trust as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of \$50 thousand for all redemptions in a calendar month, or a note payable. For the nine months ended September 30, 2017 no unitholder had redeemed units.

The Trust has a Distribution Reinvestment Plan (“DRIP”) to enable Canadian resident unitholders to acquire additional units of the Trust through the reinvestment of distributions on their units. Units issued in connection with the DRIP are issued directly from the treasury of the Trust at a price based on the weighted average daily closing price of the units on the TSX for the 5 trading days immediately preceding the relevant distribution date. Participants also receive “bonus units” in an amount equal to 3% of the distribution amount reinvested.

On March 31, 2016, the Trust completed a public offering of 5.0 million units at a price of \$4.60 per unit for gross proceeds of \$23.0 million. Costs of the offering were \$1.3 million.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

11. Change in Non-Cash Working Capital

	3 Months Ended September 30, 2017	3 Months Ended September 30, 2016	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Receivables	\$ 638	\$ (233)	\$ 578	\$ 137
Prepaid expenses and deposits	1,345	3,801	(3,358)	(2,224)
Accounts payable, accrued liabilities, tenant payables and tenant deposits	(331)	(1,005)	1,391	3,220
Total cash from change in non-cash working capital	\$ 1,652	\$ 2,563	\$ (1,389)	\$ 1,133

12. Related Party Transactions

The following are the related party transactions of the Trust. All related party transactions have been recorded at the exchange amount.

(a) Bonds and Debentures

The trustees own directly or indirectly the following mortgage bonds and debentures of the Trust (stated at face value):

	September 30, 2017	December 31, 2016
Edouard Babineau	\$ 150	\$ 150
Earl Brewer	425	125
Stephen Johnson	300	100
Michael Zakuta	100	100
Total	\$ 975	\$ 475

Other key management personnel own \$20 thousand in mortgage bonds of the Trust at September 30, 2017 (December 31, 2016 - \$20 thousand).

(b) Notes Payable to Related Parties

The following non-interest bearing notes existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.

	September 30, 2017	December 31, 2016
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and trustee of the Trust	\$ 261	\$ 261

(c) Other Transactions with Related Parties

- (i) TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to Plaza at a total annual rent of \$1.1 million. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value.
- (ii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. At September 30, 2017 there is nil owed by the Gateway Mall to some of the owners of the mall (December 31, 2016 - \$120 thousand with the pro rata amount owed being \$30 thousand). There is an \$8 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2016 - \$5 thousand). For the nine months ended September 30, 2017, property management and leasing fees of \$80 thousand were earned by a subsidiary of the Trust from this property (for the nine months ended September 30, 2016 - \$62 thousand).

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

- (iii) Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. For the nine months ended September 30, 2017, property management, development and leasing fees of \$105 thousand were earned by a subsidiary of the Trust from this property (for the nine months ended September 30, 2016 - \$83 thousand).
- (iv) The Montreal office of Plaza Group Management Limited (a wholly-owned subsidiary of the Trust) shares office space with a company indirectly owned by Michael Zakuta in an office building owned by that related party. No basic minimum rent is payable for the space.
- (v) Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 20% interest in Mountainview Plaza, Midland, ON and Park Street Plaza, Kenora, ON. A subsidiary of the Trust manages the malls. At September 30, 2017 there is \$6.1 million owed by the properties to the Trust which is recorded in notes and advances receivable (December 31, 2016 - \$5.1 million). As well, there is a \$10 thousand accounts receivable balance owing to the Trust for property management and development fees (December 31, 2016 - \$82 thousand). For the nine months ended September 30, 2017, property management, leasing and development fees of \$171 thousand were earned by a subsidiary of the Trust from these properties (for the nine months ended September 30, 2016 - \$414 thousand).
- (vi) Edouard Babineau, Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 10% interest in Shediac West Plaza, Shediac, NB. A subsidiary of the Trust manages the property. At September 30, 2017 there is a \$5 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2016 - \$2). For the nine months ended September 30, 2017, property management fees of \$28 thousand were earned by a subsidiary of the Trust from these properties (for the nine months ended September 30, 2016 - \$30 thousand).
- (vii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in two single-use properties located in Amherstview and Port Perry, ON. A subsidiary of the Trust manages the properties. For the nine months ended September 30, 2017, property management fees of \$4 thousand were earned by a subsidiary of the Trust from these properties (for the nine months ended September 30, 2016 - \$4 thousand).
- (viii) Edouard Babineau, Earl Brewer, James Petrie, Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in KGH Plaza, Miramichi, NB, a single-use property located at 681 Mountain Road, Moncton, NB, a single-use property located at 201 Main Street, Sussex, NB and Robie Street Truro Plaza, Truro, NS. A subsidiary of the Trust manages the properties. At September 30, 2017 there is a \$6 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2016 - \$5). For the nine months ended September 30, 2017, property management fees of \$39 thousand were earned by a subsidiary of the Trust from these properties (for the nine months ended September 30, 2016 - \$47 thousand).
- (ix) Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in Scott Street Plaza, St. Catharines, ON, and five single-use properties located at St. Joseph's Boulevard, Orleans, ON, Dufferin and Wilson, Perth, ON, Ontario Street Port Hope, Port Hope, ON, Civic Centre Road, Petawawa, ON and 615 King Street, Gananoque, ON. A subsidiary of the Trust manages the properties. For the nine months ended September 30, 2017, property management fees of \$11 thousand were earned by a subsidiary of the Trust from these properties (for the nine months ended September 30, 2016 - \$12 thousand).

13. Financial Instruments and Risk Management

In accordance with IFRS, the Trust is required to classify its financial instruments carried at fair value in the financial statements using a fair value hierarchy that exhibits the significance of the inputs used in making the measurements.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

The following table provides information on financial assets and liabilities measured at fair value.

	September 30, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 966,806	\$ -	\$ -	\$ 959,889
Investment properties held for sale	-	-	-	-	-	92
	\$ -	\$ -	\$ 966,806	\$ -	\$ -	\$ 959,981
Class B exchangeable LP units	\$ 5,777	\$ -	\$ -	\$ 6,595	\$ -	\$ -
Series C and D convertible debentures	34,255	-	-	50,589	-	-
Series VII convertible debentures	-	5,541	-	-	5,583	-
	\$ 40,032	\$ 5,541	\$ -	\$ 57,184	\$ 5,583	\$ -

The fair value of investment properties is based on a combination of external appraisals and internal valuations based on a capitalization matrix provided by independent appraisers (see Note 4 for a more detailed description of the Trust's valuation approach). The significant unobservable inputs include normalized net operating income, which is supported by the terms of existing leases in place and current market rents to renew or lease up vacant or expiring space, adjusted for estimated or normalized vacancy rates based on market conditions and factoring in expected maintenance costs.

14. Subsequent Events

Financings

Subsequent to quarter end, the \$907 thousand variable rate secured construction credit facility was extended until September 15, 2018 with the same terms and conditions.

Distribution and Distribution Reinvestment Plan

The Trust paid a cash distribution of \$0.0225 per unit for a total of \$1.9 million on October 16, 2017 and 81 thousand units were issued at a purchase price of \$4.24 per unit for a total of \$345 thousand under the Distribution Reinvestment Plan.

Investment Properties

Subsequent to quarter end, conditions were waived by the Trust for the purchase of a 50% interest in land and building for a redevelopment in Chicoutimi, QC. The property will be purchased for \$3.25 million (at the Trust's ownership percentage) and will add approximately 109 thousand of square feet (at 100% ownership) upon finishing the redevelopment. Financing will be obtained for approximately \$1.95 million (at the Trust's ownership percentage) on closing at prime plus 2.0%.

Subsequent to quarter end, conditions were waived for the purchase of a parcel of land in Liverpool, NS. The land will be purchased for \$168 thousand and will add approximately 14 thousand square feet upon completion of the development.