



(previously NSX Silver Inc.)

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

### Background

This Management's Discussion and Analysis (MD&A) of ViveRE Communities Inc. (previously NSX Silver Inc.) ("ViveRE" or "the Company") is dated November 27, 2018 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes for the periods ended September 30, 2018 and September 30, 2017, and the audited financial statements and accompanying notes for the years ended December 31, 2017 and December 31, 2016 which have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts are in Canadian dollars unless otherwise specified. The financial statements and additional information, including news releases and technical reports referenced herein, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) under the Company's profile. The common shares of ViveRE are traded on the TSX Venture Exchange under the symbol "VCOM".

### Forward-Looking Information

Certain statements in this MD&A are forward-looking statements or information (collectively- forward-looking statements). ViveRE is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, ViveRE has assumed that the risks listed below will not adversely impact the business of ViveRE.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of ViveRE Silver, that could influence actual results include, but are not limited to: limited operating history; operating risks; regulatory risks; substantial capital requirements and liquidity; financing risks and dilution to shareholders; competition; reliance on management and dependence on key personnel; uninsurable risks; exposure to potential litigation; dividends; and other factors beyond the control of ViveRE.

Furthermore, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, ViveRE undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of ViveRE or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Refer to the section titled "Risk and Uncertainties".

### Company Overview

NSX Silver Inc. ("NSX") was incorporated on August 9, 2011 under the Canada Business Corporations Act and the common shares of NSX commenced trading on the TSX Venture Exchange on March 14, 2012 as a Tier 2 Mining Issuer under the trading symbol "NSY".

During the period 2012 to 2015, the Company's activities were focused on the exploration of mineral properties in Sonora State, Mexico. On December 30, 2015, the Company sold its remaining mineral properties after which it had no continuing business operations and the Board of Directors of the Company commenced reviewing potential strategic alternatives.

On February 8, 2016, the Company's listing of its common shares was transferred to the NEX Board of the TSX Venture Exchange (the "NEX"). The NEX trading platform is a separate board of the TSXV which provides a unique trading forum for listed companies that have not maintained the TSX Venture's ongoing listing standards.

On August 16, 2016, the Company completed a non-brokered private placement raising gross proceeds of \$300,000 through the issuance of 4,999,992 units at a price of \$0.06 per unit. Each unit was comprised of one common share of the Company and one common share purchase warrant. Each warrant entitled the holder to acquire one common share of the Company for \$0.12 for a period of 12 months from the closing date.

On October 11, 2016, the Company entered into a conditional share purchase agreement to acquire all of the issued and outstanding shares of Residence Cameron Ltd. On May 1, 2017, the Company announced that it terminated the acquisition transaction and that it was pursuing the acquisition of another venture.

On July 31, 2017, the Company announced that it entered into a letter of intent with Village View Limited Partnership No.1 ("Village View") to acquire all of the real property located at 41 Noel Avenue, Saint John, New Brunswick ("41 Noel Avenue") ("the Transaction"). Completion of the Transaction as contemplated would constitute a change of business in accordance with TSX Venture Exchange ("TSXV" or the "Exchange") Policy 5.2., *Changes of Business and Reverse Take-overs*, as the Company was then listed as a mining issuer. Upon completing the Transaction, the Company would be engaged in the ownership and management of multi-unit residential real estate.

During the quarter ended September 30, 2018, the Company, indirectly through its wholly owned subsidiary, 10664316 Canada Inc., completed the acquisition of 41 Noel Avenue from Village View which allowed the Company to reactivate from the NEX board to the TSXV. The purchase price for 41 Noel Avenue was \$5,161,500 plus standard closing costs and adjustments. The acquired property consists of a multi-family apartment building constructed in 2014, featuring 31 units with monthly rental prices ranging from a low of \$950 for a one bedroom to \$1,500 for a large two bedroom. Following the completion of the Transaction, the Company will actively own and manage multi-unit residential real estate communities suited to the age 55+ resident. The company intends to offer a menu of services and amenities that enhance the lifestyle and independence of this growing part of Canada's population.

On August 22, 2018, the Company closed a brokered private placement for gross proceeds of \$1,060,510 by the sale of 7,070,067 subscription receipts ("Subscription Receipts") of the Company at a price of \$0.15 per Subscription Receipt (the "Brokered Offering"). The Brokered Offering was brokered on a best-efforts basis by a syndicate of agents led by Echelon Wealth Partners Inc. and Industrial Alliance Securities Inc. (collectively, the "Agents"). In addition, the Company closed a non-brokered private placement of 100,000 Subscription Receipts on the same terms as the Brokered Offering for gross proceeds of \$15,000 (together with the Brokered Offering, the "Offering"), representing aggregate proceeds of \$1,075,510. The aggregate proceeds of \$1,075,510 were held in escrow in accordance with the terms of the Subscription Receipts pending completion of the Transaction.

On August 22, 2018, the Company completed the private placement of Series A and Series B convertible debentures (the "Debentures") for aggregate gross proceeds of \$1,300,000. The Debentures are secured against certain assets of the Company and its subsidiary, are for a 2-year term and bear an interest rate of 12%, payable half in shares and half in cash. The Debentures are convertible into units of the Company at a price of \$0.15 per unit, such units consisting of one common share in the capital of the Company (the "Common Shares") and one Common Share purchase warrant, each such warrant entitling the holder to acquire one Common Share for a period of 24 months from the date of issuance of the warrant at a price of \$0.175 per Common Share. The proceeds of this financing were used to finance the Transaction and for general corporate and working capital purposes.

On August 23, 2018, the Company completed the Transaction after receiving conditional approval for the Transaction from the Exchange and filing a Filing Statement, dated August 21, 2018, in respect of the Transaction

under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Immediately prior to the Transaction, the Company's name was changed to "ViveRE Communities Inc."

In connection with the Transaction, the Company issued to the vendor 666,667 units of the Company representing a fair value of \$100,000 at a price of \$0.15 per unit (the "Vendor Take-back Financing"), each unit consisting of Common Share and one-half of one Common Share purchase warrant, each full warrant entitling the holder to acquire one Common Share for a period of 24 months from the date of issuance of the warrant at a price of \$0.25 per Common Share (a "Unit"). The Common Shares and warrants issued to the vendor are subject to a four-month hold period until December 24, 2018.

Following closing of the Transaction, the Company's outstanding Subscription Receipts automatically converted into an aggregate of 7,170,067 common shares of the Company and 3,585,034 warrants. Also, the aggregate subscription receipts proceeds of \$1,075,510, which had been held in escrow in accordance with the terms of the Subscription Receipts, were released to the Company. The proceeds of this financing were used to finance the Transaction and for general corporate and working capital purposes.

On August 23, 2018, the Company, indirectly through its wholly owned subsidiary, 10664316 Canada Inc., entered into a mortgage financing with CIBC Mortgages Inc. for gross proceeds of \$3,300,000 to fund in part the closing of the Transaction. The mortgage has an interest rate of 4.097%, a term of 3 years and an amortization period of 30 years. The monthly blended principal and interest payments are \$15,874. The mortgage is secured by a first charge over 41 Noel Avenue.

Concurrent with the closing of the Transaction, the Company settled outstanding indebtedness of \$741,057, comprised of accounts payable of \$295,057, shareholder advances of \$96,000 and bridge loans of \$350,000, with the issuance of an aggregate of 6,175,475 Common Shares, at \$0.12 per Common Share. Services provided by non-arm's length parties included in the Shares for Debt Transaction were approved by written consent of the majority of disinterested shareholders of the Company. Additionally, the Company negotiated the forgiveness of accounts payable with creditors aggregating \$159,472.

### **Description of Business and Strategy**

As a real estate issuer, the Company plans to acquire multi-family rental properties in communities and markets with age demographics that support the niche of "Naturally Occurring Retirement Communities" or "NORC". Proximity to healthcare, public transit and community services are just some of the factors driving the creation of this portfolio. The Company expects that the buildings will be predominantly low and mid-rise, with elevators and room to introduce amenities specific to the 55+ resident interested in an age in place lifestyle. ViveRE believes that the target resident base of 55+ will deliver a lower turnover property and will keep capital and operating costs down through respectful use of premises.

ViveRE intends to introduce a menu of services that will enhance the living experience of the resident base. Today's active 55+ individual or family is interested in community and independence, and the properties that will attract like-minded residents. A life style that eliminates the work and risk associated with a single-family home at a stage when the resident desires convenience and freedom. The 55+ demographic includes some 9.7 million Canadians. ViveRE intends to introduce third party supplied services such as housekeeping, wellness checks, pet care, grocery and dry cleaning delivery, information technology support, mobility vehicle parking and storage and other services which might enhance the lives of residents. Revenue from these services has the potential to enhance the operating profitability of a property beyond a traditional rental revenue model.

Property management will initially be handled by third party providers on a contract basis. Property management will be brought in-house as resources and business case warrant. A condo or hospitality style level of service is part of the business plan, with third party providers to be chosen with this level of service in mind.

Like other real estate companies, the Company expects to have a highly scalable business model where a small team can drive a large number of transactions. ViveRE plans to execute a growth strategy, quickly acquiring additional properties and the resulting revenue that will allow it to add management capacity. The Company believes that the

properly managed execution of its growth strategy and careful attention to market participants will help create a successful publicly listed real estate company.

### Selected Financial Information

ViveRE's operating results for the three and nine months ended September 30, 2018 reflect the completion of the Transaction on August 23, 2018. Accordingly, the ViveRE interim condensed consolidated financial statements include operating results for the 41 Noel Avenue investment property for the period August 23, 2018 to September 30, 2018.

ViveRE's net loss for the nine months ended September 30, 2018 was \$640,403 (\$0.05 per share) compared to a net loss of \$324,418 (\$0.03 per share) for the year ended December 31, 2017 and a net loss of \$288,098 (\$0.05 per share) for the year ended December 31, 2016.

The following table contains selected financial information for the nine month period ended September 30, 2018 and the years ended December 31, 2017 and December 31, 2016.

	As at September 30, 2018 \$	As at December 31, 2017 \$	As at December 31, 2016 \$
Investment property	5,257,642	-	-
Total assets	5,522,538	17,911	183,276
Convertible debenture – liability component	444,775	-	-
Mortgage payable, net of unamortized finance costs	3,263,565	-	-
Total liabilities	3,994,791	365,761	266,383
Shareholders' equity	1,527,747	(347,850)	(83,107)
Net property operating income	32,213	-	-
Net loss	(640,403)	(324,418)	(288,098)
Net loss per share	(0.05)	(0.03)	(0.05)

### Summary of Quarterly Operating Results

The following table presents the quarterly operating results for the Company for the last eight quarters. ViveRE's operating results for the three months ended September 30, 2018 reflect the completion of the Transaction on August 23, 2018, and accordingly include operating results for the 41 Noel Avenue investment property for the period August 23, 2018 to September 30, 2018.

Quarter ended	Sep 30, 2018 \$	Jun 30, 2018 \$	Mar 31, 2018 \$	Dec 31, 2017 \$	Sep 30, 2017 \$	Jun 30, 2017 \$	Mar 31, 2017 \$	Dec 31, 2016 \$
<b>Net property operating income</b>	32,213	-	-	-	-	-	-	-
<b>Administrative expenses</b>								
Consulting fees	140,424	117,124	65,663	1,372	46,335	40,200	86,907	132,568
Insurance	2,663	2,005	1,973	1,154	765	1,530	1,506	1,153
Professional fees	112,139	69,255	-	18,650	17,350	5,000	12,612	9,436
Filing and other fees	17,700	1,070	2,977	10,684	6,209	1,259	1,777	8,617
Office and other	3,217	(2,243)	5,323	2,033	3,838	4,222	892	4,507
Travel	5,583	2,305	4,723	10,931	2,745	-	5,265	5,974
	281,726	189,516	80,659	44,824	77,242	52,211	108,959	162,255
<b>Finance costs</b>								
Interest expense	31,174	-	-	-	-	-	-	-
Amortization expense	8,712	-	-	-	-	-	-	-
Accretion expense	39,562	-	-	-	-	-	-	-
	79,448	-	-	-	-	-	-	-
<b>Depreciation expense</b>	20,739	-	-	-	-	-	-	-
<b>Other expenses (income)</b>								
Write-down of sales tax recoverable	-	-	-	41,182	-	-	-	-
Loss on settlement of Bridge loans	180,000	-	-	-	-	-	-	-
Gain on settlement of accounts payable	(159,472)	-	-	-	-	-	-	-
	20,528	-	-	41,182	-	-	-	-
<b>Net income (loss) for the period</b>	(370,228)	(189,516)	(80,659)	(86,006)	(77,242)	(52,211)	(108,959)	(162,255)
<b>Basic and diluted net loss per share</b>	(0.02)	(0.02)	(0.01)	(0.005)	(0.01)	(0.005)	(0.01)	(0.02)

### Results of Operations for the Three Months Ended September 30, 2018

The Company's net loss for the three month period ended September 30, 2018 was \$370,228 or \$0.02 per share compared to a net loss of \$77,242 or \$0.01 per share for the three month period ended September 30, 2017.

The Company's investment property generated gross rental income of \$46,442 and net operating income of \$32,213 for the three month period September 30, 2018.

During the three month period ended September 30, 2018, the Company incurred a loss of \$180,000 on the settlement of bridge loans with the issuance of common shares and a gain of \$159,472 from the forgiveness of accounts payable. The company also incurred financing costs totaling \$79,448 comprised of mortgage and convertible debenture interest expense of \$31,174, accretion expense relating to the convertible debentures of \$39,562 and amortization of mortgage and convertible debenture costs of \$8,712.

During the three month period ended September 30, 2018, the Company incurred depreciation expense relating to investment property of \$20,739.

General and administrative expenses for the three month period ended September 30, 2018 totaled \$281,726 compared to \$77,242 for the prior year comparable period. Consulting fees and professional fees incurred during the current year period were significantly higher compared to the prior year period as a result of the increased activities related to the closing of the Transaction. Consulting fees incurred during the three month period ended September 30, 2018 totaled \$140,424 compared to \$46,335 for the prior year period. Professional fees incurred during the three month period ended September 30, 2018 totaled \$112,139 compared to \$17,350 for the prior year period.

## Results of Operations for the Nine Months Ended September 30, 2018

The Company's net loss for the nine month period ended September 30, 2018 was \$640,403 or \$0.05 per share compared to \$238,412 or \$0.02 per share year for the nine month period ended September 30, 2017.

The Company's investment property generated gross rental income of \$46,442 and net operating income of \$32,213 for the nine month period September 30, 2018.

During the nine month period ended September 30, 2018, the Company incurred a loss of \$180,000 on the settlement of bridge loans with the issuance of common shares and a gain of \$159,472 from the forgiveness of accounts payable. The company also incurred financing costs totaling \$79,448 comprised of mortgage and convertible debenture interest expense of \$31,174, accretion expense relating to the convertible debentures of \$39,562 and amortization of mortgage and convertible debenture costs of \$8,712.

During the nine month period ended September 30, 2018, the Company incurred depreciation expense relating to investment property of \$20,739.

General and administrative expenses for the nine month period ended September 30, 2018 totaled \$551,901 compared to \$238,412 for the prior year comparable period. Consulting fees and professional fees incurred during the current year period were significantly higher compared to the prior year period as a result of the increased activities related to the closing of the Transaction. Consulting fees incurred during the nine month period ended September 30, 2018 totaled \$323,211 compared to \$173,442 for the prior year period. Professional fees incurred during the nine month period ended September 30, 2018 totaled \$181,394 compared to \$34,962 for the prior year period.

## Liquidity and Capital Resources

The Company had total current assets of \$264,896, total current liabilities of \$343,938 and a working capital deficiency of \$79,042 at September 30, 2018.

The Company finances its operations through the net operating cashflow from its investment property and the issuance of equity securities. For the period August 23, 2018 to September 30, 2018, 41 Noel Avenue generated net operating income of \$32,213. Until such time as the Company has established sufficient cashflow from operations, it is dependent on raising additional funding through the issuance of equity securities in order to meet its ongoing general and administrative requirements. While management has been successful in obtaining funding in the past, there can be no assurance that it will be able to do so in the future.

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Related Party Transactions

### *Compensation of directors and officers*

	September 30, 2018 \$	September 30, 2017 \$
CEO – consulting fees	13,033	-
Executive VP – consulting fees	66,125	72,000
CFO – consulting fees	42,262	15,000
	<hr/>	<hr/>
	121,420	87,000
	<hr/>	<hr/>

### *Advisory services*

Advisory services were provided during the nine month period ended September 30, 2018 by a non-executive director and a corporation owned by two non-executive directors of the Company. The cost of these advisory services during the period was \$13,732.

### *Advances*

During the nine month period ended September 30, 2018, a director and corporations owned by officers and directors advanced to the Company loans aggregating \$38,000 and bridge loans aggregating \$300,000.

### *Shares for debt and forgiveness*

During the nine month period ended September 30, 2018, corporations owned by officers and directors of the Company settled accounts payable aggregating \$205,975 with the issuance of 1,716,458 common shares.

During the nine month period ended September 30, 2018, directors and corporations owned by officers and directors of the Company settled loans payable and bridge loans payable aggregating \$358,000 with the issuance of 2,983,334 common shares.

### *Subscription to units and convertible debentures*

During the nine month period ended September 30, 2018, directors subscribed either individually or through corporations they owned to an aggregate of 1,150,000 units and 825 convertible debentures, with each debenture having a face value of \$1,000, issued by the Company pursuant to private placement financings for aggregate proceeds of \$997,500.

At September 30, 2018, accrued interest on convertible debentures aggregating \$10,578 was payable to a director and two corporations owned by directors.

### **Outstanding Share Data**

The Company has 24,105,156 common shares issued and outstanding at September 30, 2018.

Subsequent to September 30, 2018, the Company issued 106,094 common shares in settlement of \$15,173 of debenture interest payable.

The following table details the common share purchase warrants outstanding at September 30, 2018 and November 27, 2018.

<b>Description</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Number of warrants</b>
Warrants issued pursuant to bridge loans	May 30, 2019	\$0.12	2,499,998
Warrants issued pursuant to private placement financing	August 23, 2020	\$0.25	3,585,034
Warrants issued pursuant to vendor take-back financing	August 23, 2020	\$0.25	333,333
Broker Warrants issued pursuant to private placement financing	August 23, 2020	\$0.15	681,572
Advisor's warrants issued in connection with the Transaction	August 23, 2020	\$0.15	300,000

Each Broker Warrant is exercisable for one Unit at a price of \$0.15 to August 23, 2020 with each Unit comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.25 to August 23, 2020.

Convertible debentures having a face value of \$1,300,000 are convertible into units of the Company at a price of \$0.15 per unit for each \$1 of debenture. Such units would consist of one common share and one common share purchase warrant, each such warrant entitling the holder to acquire one common at a price of \$0.175 per share to August 23, 2020.

The Company has no stock options outstanding at September 30, 2018 and November 27, 2018.

If all warrants were exercised and all convertible debentures were converted, the number of common shares of the Corporation outstanding at November 27, 2018 would be 49,179,211.

#### **New and revised IFRS accounting pronouncements**

The following accounting standards were adopted upon completion of the Company's change of business transaction on August 23, 2018 whereby the Company became a real estate issuer.

##### *i) IFRS 15, Revenue from Contracts with Customers*

The IASB issued IFRS 15 "Revenue from Contracts and Customers" ("IFRS 15") effective for annual periods beginning on or after January 1, 2018, although the standard is available for early adoption. IFRS 15 replaces IAS 18, "Revenue" and IAS 11, "Construction Contracts", and some revenue related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. The standard requires entities to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with customers.

The Company adopted IFRS 15 effective with the completion of its change of business transaction on August 23, 2018 at which time the Company became a real estate issuer. Rental revenue is generated through standard residential leases with the tenants.

##### *ii) IFRS 9, Financial Instruments*

In July 2014, the IASB issued IFRS 9 Financial Instruments: Classification and Measurements ("IFRS 9"), replacing IAS 39, Financial instruments: Recognition and Measurement. IFRS 9 is effective for the annual period beginning on January 1, 2018, with early adoption permitted. The Company adopted IFRS 9 on January 1, 2018 with no restatement of comparative periods.

Under IFRS 9, financial assets are classified on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets after initial recognition are classified and measured either as: (a) amortized cost; (b) fair value through other comprehensive income with fair value gains and losses recycled to net income on derecognition; or (c) fair value through profit and loss. Financial liabilities are classified and measured on two categories: (a) amortized cost or (b) fair value through profit and loss.

The Company's mortgage payable is measured at amortized cost using the effective interest method. The mortgage is secured by a first charge against 41 Noel Avenue. The unamortized finance charges are comprised of fees and costs incurred to obtain the mortgage financing less accumulated amortization.

##### *iii) IFRS 16, Leases*

IFRS 16, "Leases" ("IFRS 16") a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

*i) IFRIC 23, Uncertainty over income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Early application is permitted. The interpretation clarifies the accounting for income tax treatments (current and deferred tax) that have yet to be accepted by the tax authorities. The Company intends to adopt the Interpretation in its financial statement for the annual period beginning on January 1, 2019 and does not expect the Interpretation to have a material impact on the financial statements.

**Risks and Uncertainties**

The following are certain factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

The following is a description of certain risks and uncertainties that may affect the business of the Company.

**Operational Risks**

*Reliance on Management*

The ability of the Company to successfully implement its business strategy and operate its business will depend in large part on the continued involvement of the Company's current management team. Shareholders should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the management team. If the Company loses the services of one or all of the members of its current management team, the business, financial condition and results of operations of ViveRE may be materially adversely affected.

*Lack of Operating History*

Until completing the acquisition of 41 Noel Avenue ViveRE has conducted no active business, has limited financial resources and has received no revenues other than interest revenues. There is no assurance that the Company will be successful in achieving a return on Shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

*Internal Controls*

Effective internal controls are necessary for ViveRE to provide reliable financial reports and to help prevent fraud. Although management of ViveRE will undertake a number of procedures and implement a number of safeguards in order to help ensure the reliability of ViveRE's financial reports, including those imposed on ViveRE under Canadian securities law, ViveRE cannot be certain that such measures will ensure that ViveRE will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and harm the trading price of the Common Shares.

*Litigation Risks*

In the normal course of the Company's operations, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceeding,

the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from the Company's business operations, which could adversely affect its financial condition.

#### *Volatility of Share Price*

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility. A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the Common Shares. If the Company is (as it is expected to be) required to access capital markets to carry out its business objectives, the state of domestic and international capital markets and other financial systems could affect its access to, and cost of, capital. Such capital may not be available on terms acceptable to the Company or at all, and this could have a material adverse impact on its business, financial condition, results of operations or prospects.

#### *Dilution*

ViveRE is authorized to issue an unlimited number of Common Shares and other securities for such consideration and on such terms and conditions as may be established by the Board without the approval of the Shareholders. It is currently anticipated that the Company may be required to conduct additional equity financings in order to finance additional property acquisitions and develop the business of the Company as currently planned and envisioned by management of the Company. Any further issuance of Common Shares pursuant to such equity financings will dilute the interests of existing Shareholders and such Shareholders will have no pre-emptive rights in connection with such future issuances. In addition, conversion of the Convertible Debentures will also dilute the interests of existing Shareholders.

#### *Financing Risks*

The Company's business model is expected to be dependent on making investments in additional properties and the Company anticipates having to raise additional capital to fund these investments. While the Company may generate additional working capital through equity or debt offerings, or through the receipt of revenue or other payments from properties, there is no assurance that such funds will be sufficient to facilitate the development of ViveRE's business as envisioned or, in the case of equity financings, that such funds will be available on terms acceptable to the Company or at all. If available, future equity financing may result in substantial dilution to the Shareholders.

#### *Conflicts of Interest*

Certain of the directors and officers of the Company will also serve as directors and/or officers of other companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations under the CBCA and other applicable laws to deal fairly and in good faith with a view to the best interests of the Company and the Shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the CBCA, and other applicable laws.

#### *Early Stage of Development*

The Company is currently in an early stage of development. There will be limited financial, operational and other information available with which to evaluate the prospects of the Company. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

### *Limited Number of Future Investments*

While the Company's intention is to negotiate and fund additional investments in properties in different communities, it could take many years to create a diversified portfolio of multi-family rental properties and there is no guarantee the Company will ever achieve a portfolio of sufficient size. The Company may have a significant portion of its assets dedicated to a single property or community for an extended period of time. In the event that any such property or community is unsuccessful or experiences a downturn, this could have a material adverse effect on the Company's business, results of operations and financial condition.

### *Ability to Negotiate Additional Investments*

A key element of the Company's growth strategy is expected to involve negotiating and finding investments in other multi-family rental properties. Achieving the benefits of future investments will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of revenues. The Company's ability to identify investee multi-family rental properties and negotiate and fund additional investments in such a manner is not guaranteed.

### *Ability to Manage Future Growth*

The Company's ability to achieve desired growth will depend on its ability to identify, evaluate and successfully negotiate and fund investments in other multi-family rental properties. As the Company grows, it will also be required to hire, train, supervise and manage new employees. Failure to manage any future growth or to successfully negotiate suitable investments effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

### *Effect of General Economic and Political Conditions*

The Company's business and the business of its investee properties are expected to be subject to the impact of changes in national or international economic conditions, including but not limited to, recessionary or inflationary trends, equity market conditions, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. These economic conditions may be further affected by political events throughout the world that cause disruptions in the financial markets, either directly or indirectly. Adverse economic and political developments could have a material adverse effect on the Company and its investee companies' business, financial condition, results of operations and cash flows.

### *Payment of Dividends*

The Company has never declared dividends on any of its securities and the Company intends to reinvest all future earnings to finance the development and growth of its business. As a result, the Company does not intend to pay dividends on its securities in the foreseeable future, except as explicitly required by the rights and restrictions of such securities. Any future determination to pay dividends will be at the discretion of the Board and will depend on the Company's financial condition, operating results, capital requirements, contractual restrictions on the payment of dividends; prevailing market conditions and any other factors that the Board deems relevant.

### *Liquidity and Capital Resources*

There is no guarantee that cash flow from real property investments will be readily available or will provide the Company with sufficient funds to meet its ongoing financial obligations. The Company may therefore require additional equity or debt financing to meet its operational requirements. The Company also plans to rely on additional equity financing to make investments in properties to grow the Company's business to the level envisioned by its management. There can be no assurance that such financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Company. The ability of the Company to arrange such financing in the future will depend in part upon prevailing capital market conditions as well as its business performance.

## *Litigation*

To the Company's knowledge, as of the date of this MD&A, no material claims or litigation have been brought against ViveRE. However, the Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the common shares, and could result in significant financial and management resources of the Company being expended in connection therewith. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

In addition to being subject to litigation in the ordinary course of business, in the future, the Company may be subject to class actions, derivative actions and other securities litigation and investigations. This litigation may be time consuming, expensive and may distract the Company from the conduct of its daily business. It is possible that the Company will be required to pay substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on its operating results, liquidity or financial position. Expenses incurred in connection with these lawsuits, which would be expected to include substantial fees of lawyers and other professional advisors, and the Company's obligations to indemnify officers and directors who may be parties to such actions, could materially adversely affect the Company's reputation, operating results, liquidity or financial position.

## **Real Estate Risks**

### *Indirect Investment in Real Estate*

An investment in the Common Shares is an investment in real estate through the Company's indirect interest in the investment properties it acquires. Investment in real estate is subject to numerous risks, including the factors listed below and other events and risk factors which are beyond the control of the Company.

### *General Real Estate Ownership Risks*

All real property investments are subject to a degree of risk and uncertainty. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. The investment properties will generate revenue through rental payments made by the tenants thereof. The ability to rent vacant suites in the investment properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties and various other factors. If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the investment properties becomes vacant and cannot be re-leased on economically favourable terms, the investment properties may not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, and the Company's net income will be adversely affected.

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 investment properties are producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Company were to be required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of the investment properties or less than what could be expected to be realized under normal circumstances. The Company may, in the future, be exposed to a general decline of demand by tenants for space in the investment properties. As well, certain of the leases of the investment properties held by the Company may have early termination provisions which, if exercised, would reduce the average lease term.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the investment properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy

rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Company due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

#### *Single Asset Entity*

The Company's interest in 41 Noel Avenue will be the Company's sole asset for the foreseeable future. Although management believes 41 Noel Avenue has sufficient merit to justify focusing all the Company's limited resources upon it, the Company will in consequence be exposed to some heightened degree of risk due to the lack of property diversification.

#### *Substitutions for Residential Rental Suites*

Demand for rental suites in the investment properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. With the recent global economic crisis, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for rental suites may be adversely affected. A reduction in the demand for rental suites may have an adverse effect on the Company's ability to lease suites in the investment properties and on the rents charged.

#### *Government Regulation*

Certain provinces in Canada may have enacted residential tenancy legislation which may impose, among other things, rent control guidelines that limit a landlord's ability to raise rental rates at its properties. The Province of New Brunswick has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Company's ability to raise rental rates at the investment properties. There can be no assurances, however, that such legislation, regulations or guidelines will not be enacted or promulgated in the future.

In addition to limiting a landlord's ability to raise rental rates, residential tenancy legislation in certain provinces may provide certain rights to tenants, while imposing obligations upon landlords. Residential tenancy legislation may also prescribe procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a province's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation in certain provinces may provide tenants with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, landlords may, in the future, incur capital expenditures which may not be fully recoverable from tenants.

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of landlords to maintain the historical level of earnings of their properties.

#### *Interest Rate Fluctuations*

The Company's financing arrangement may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Company's cost of borrowing.

#### *Environmental Matters*

Under various environmental and ecological laws, the Company could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in the investment properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Company's ability to sell the investment properties or to borrow using the investment properties as collateral, and could potentially also result in claims against the Company by third parties.

### *Uninsured Losses*

The Company will arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to investment properties to be owned by the Company and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to the investment properties, the Company could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of the investment properties.

### *Risk of Natural Disasters*

While the Company has insurance coverage for its existing investment property, the insurance coverage may not cover all natural disasters which may occur. Floods, hurricanes, storms, earthquakes, terrorism, or other natural disasters may significantly affect the Company's operations and the investment properties, and may cause the Company to experience reduced rental revenue, incur clean-up costs or otherwise incur costs in connection with these natural disasters. These events may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to make dividend payments to its Shareholders, to the extent declared.

### *Reliance on Property Management*

The Company may rely upon independent management companies to perform property management functions in respect of its investment properties. To the extent the Company relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the investment properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the investment properties and their other development, investment and/or management activities.

### *Competition for Real Property Investments or Tenants*

The Company will compete for suitable real property investments with individuals, corporations, real estate investment trusts and similar vehicles and institutions (both Canadian, U.S. and foreign) which are presently seeking or which may seek in the future real property investments or tenants similar to those sought by the Company. Such competition could have an impact on the Company's ability to lease suites in the investment properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

### *Revenue Shortfalls*

Revenues from the investment properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the financing arrangements or to fund changes in the variable rates of interest charged in respect of such loans.

### *Fluctuations in Capitalization Rates*

As interest rates fluctuate in the lending market, generally capitalization rates will as well, which affects the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

*Canadian Market Factors*

The investment properties will be located in Canada and economic conditions since the beginning of 2008 have been challenging in the North American economy. As a result, income from, and the value of, the investment properties may decline if there is a downturn in the Canadian economy.

**Additional Information**

This document, as well as additional information relating to the Company, is available on SEDAR at [www.sedar.com](http://www.sedar.com).