

Interim Condensed Consolidated Financial Statements

## **URBANFUND CORP.**

As at and for the three-month and nine-month periods  
ended September 30, 2017

(Unaudited)



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim condensed consolidated financial statements of Urbanfund Corp. (the "Company" or "Urbanfund") are the responsibility of management and have been approved by the Board of Directors of the Company.

The unaudited interim condensed consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with *International Accounting Standard 34 – Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards, as disclosed in the notes to the unaudited interim condensed consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the unaudited interim condensed consolidated statement of financial position date. In the opinion of management, the unaudited interim condensed consolidated financial statements have been prepared with acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable diligence that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the interim condensed consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with the established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### NOTICE TO READER

Under *National Instrument 51-102, Part 4, subsection 4.3(3)(a)*, if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the interim condensed consolidated financial statements have not been reviewed by an independent auditor. The accompanying unaudited interim condensed consolidated financial statements of Urbanfund have been prepared by and are the responsibility of management.

Urbanfund's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada (formerly the Canadian Institute of Chartered Accountants).

*Mitchell Cohen*  
President, Chief Executive Officer and Director

*Thomas Kofman*  
Director

Toronto, Ontario  
November 24, 2017

# Urbanfund Corp.

## Interim Condensed Consolidated Statements of Financial Position

(in Canadian dollars)

(Unaudited)

As at	Note	September 30, 2017	December 31, 2016 (audited)
<b>Assets</b>			
<i>Non-current</i>			
Investment properties	4	\$ 58,552,259	\$ 55,638,439
Investment in real estate project	5	-	1,677,333
Investment in private company	6	250,000	625,000
Investment in associate	7	20	-
		<b>58,802,279</b>	<b>57,940,772</b>
<i>Current</i>			
Cash and cash equivalents	8	8,267,033	7,962,632
Other assets	9	879,706	497,065
Marketable securities	10	411,744	336,344
Income taxes recoverable		-	15,274
<b>Total Assets</b>		<b>\$ 68,360,762</b>	<b>\$ 66,752,087</b>
<b>Liabilities</b>			
<i>Non-current</i>			
Mortgages payable	17	\$ 19,921,392	\$ 27,651,579
Deferred income taxes		2,754,000	2,966,000
		<b>22,675,392</b>	<b>30,617,579</b>
<i>Current</i>			
Accounts payable and accrued liabilities		679,862	659,663
Income taxes payable		177,285	-
Tenant deposits		192,581	203,698
Non-revolving term facility	16	-	463,050
Current portion of mortgages payable	17	8,683,154	1,752,548
<b>Total liabilities</b>		<b>32,408,274</b>	<b>33,696,538</b>
<b>Equity</b>			
Common equity		10,185,708	9,975,645
Preferred equity		1,113,750	1,113,750
Retained earnings		23,211,421	20,839,468
<b>Total shareholders' equity</b>		<b>34,510,879</b>	<b>31,928,863</b>
<b>Non-controlling interests</b>		<b>1,441,609</b>	<b>1,126,686</b>
<b>Total equity</b>		<b>35,952,488</b>	<b>33,055,549</b>
<b>Total liabilities and equity</b>		<b>\$ 68,360,762</b>	<b>\$ 66,752,087</b>

Contingencies (note 24)

Subsequent events (note 25)

Approved by the Board of Directors

Mitchell Cohen

Director

Thomas Kofman

Director

# Urbanfund Corp.

## Interim Condensed Consolidated Statements of Income and Comprehensive Income

(in Canadian dollars)

(Unaudited)

	Note	Three-months ended September 30,		Nine-months ended September 30,	
		2017	2016	2017	2016
Rental revenue		\$ 1,307,855	\$ 1,254,331	\$ 4,119,105	\$ 3,675,433
Rental expenses		766,413	679,981	2,223,464	2,015,376
<b>Net rental income</b>		<b>541,442</b>	<b>574,350</b>	<b>1,895,641</b>	<b>1,660,057</b>
<b>Other income (expenses)</b>					
Share of profit from investment in real estate project	5	-	-	1,666,667	-
Interest and dividend income		15,078	10,241	83,017	35,503
Fair value adjustment on marketable securities		3,336	(13,838)	76,953	14,496
Realized loss on foreign currency translation		-	-	-	(94,700)
Unrealized gain (loss) on foreign currency translation		(1,898)	437	(3,674)	(2,929)
Fair value adjustment on investment properties		(5,532)	(12,265)	(86,066)	1,744,396
General and administrative costs		(108,432)	(100,484)	(234,132)	(201,306)
Financing costs		(246,129)	(234,767)	(737,718)	(686,456)
		<b>(343,577)</b>	<b>(350,676)</b>	<b>765,047</b>	<b>809,004</b>
<b>Income before income taxes</b>		<b>197,865</b>	<b>223,674</b>	<b>2,660,688</b>	<b>2,469,061</b>
<b>Income taxes</b>					
Current		(13,235)	-	176,765	-
Deferred		(283,000)	39,000	(212,000)	120,000
		<b>(296,235)</b>	<b>39,000</b>	<b>(35,235)</b>	<b>120,000</b>
<b>Net income and comprehensive income</b>		<b>\$ 494,100</b>	<b>\$ 184,674</b>	<b>\$ 2,695,923</b>	<b>\$ 2,349,061</b>
<b>Attributable to:</b>					
Shareholders		507,198	191,822	2,698,117	1,745,276
Non-controlling interests	13	(13,098)	(7,148)	(2,194)	603,785
<b>Net income and comprehensive income</b>		<b>\$ 494,100</b>	<b>\$ 184,674</b>	<b>\$ 2,695,923</b>	<b>\$ 2,349,061</b>
<b>Net income per share attributable to shareholders</b>					
Basic income per share	18	\$ 0.011	\$ 0.004	\$ 0.060	\$ 0.040
Diluted income per share	18	\$ 0.010	\$ 0.004	\$ 0.052	\$ 0.034

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# Urbanfund Corp.

## Interim Condensed Consolidated Statements of Changes in Equity

(in Canadian dollars)

(Unaudited)

	Note	Common shares		Preferred shares		Retained earnings	Non-controlling interests	Total
		Number of shares	Share capital	Number of shares	Share capital			
January 1, 2017		44,460,794	\$ 9,975,645	7,425,000	\$ 1,113,750	\$ 20,839,468	\$ 1,126,686	\$ 33,055,549
Additional contributions to the limited partnerships		-	-	-	-	-	317,117	317,117
Net income and comprehensive income for the period		-	-	-	-	2,698,117	(2,194)	2,695,923
Dividends paid	19	-	-	-	-	(37,658)	-	(37,658)
Dividends payable	19	-	-	-	-	(130,819)	-	(130,819)
Dividend reinvestment plan	19	441,940	210,063	-	-	(157,687)	-	52,376
<b>September 30, 2017</b>		<b>44,902,734</b>	<b>\$ 10,185,708</b>	<b>7,425,000</b>	<b>\$ 1,113,750</b>	<b>\$ 23,211,421</b>	<b>\$ 1,441,609</b>	<b>\$ 35,952,488</b>
	Note	Common shares		Preferred shares		Retained earnings	Non-controlling interests	Total
		Number of shares	Share capital	Number of shares	Share capital			
January 1, 2016		43,751,756	\$ 9,772,654	7,425,000	\$ 1,113,750	\$ 17,641,997	\$ 325,269	\$ 28,853,670
Acquisitions of interests in the limited partnerships		-	-	-	-	-	185,472	185,472
Net income and comprehensive income for the period		-	-	-	-	1,745,276	603,785	2,349,061
Dividends paid	19	-	-	-	-	(25,119)	-	(25,119)
Dividends payable	19	-	-	-	-	(64,699)	-	(64,699)
Dividend reinvestment plan	19	582,925	150,768	-	-	(114,463)	-	36,305
<b>September 30, 2016</b>		<b>44,334,681</b>	<b>\$ 9,923,422</b>	<b>7,425,000</b>	<b>\$ 1,113,750</b>	<b>\$ 19,182,992</b>	<b>\$ 1,114,526</b>	<b>\$ 31,334,690</b>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# Urbanfund Corp.

## Interim Condensed Consolidated Statements of Cash Flows

(in Canadian dollars)

(Unaudited)

	Note	Three-months ended September 30,		Nine-months ended September 30,	
		2017	2016	2017	2016
<i>Cash flows provided by (used in)</i>					
<b>Operating</b>					
Net income and comprehensive income		\$ 494,100	\$ 184,674	\$ 2,695,923	\$ 2,349,061
<i>Items not affecting cash:</i>					
Deferred income taxes		(283,000)	39,000	(212,000)	120,000
Interest and dividend income		(15,078)	10,241	(83,017)	35,503
Fair value adjustment on marketable securities		(3,336)	13,838	(76,953)	(14,496)
Unrealized (gain) loss on foreign currency translation		1,898	(437)	3,674	2,929
Fair value adjustment on investment properties		5,532	12,265	86,066	(1,744,396)
Financing costs		246,129	234,767	737,718	686,456
		<b>446,245</b>	<b>494,348</b>	<b>3,151,411</b>	<b>1,435,057</b>
<i>Net changes in non-cash working capital:</i>					
Other assets		(333,340)	(218,193)	(382,641)	(427,750)
Accounts payable and accrued liabilities		196,136	182,148	20,199	(138,931)
Income taxes payable		2,559	-	192,559	-
Tenant deposits		339	13,503	(11,117)	40,028
Interest received		17,442	7,984	83,017	35,503
Interest paid		(339,184)	(466,168)	(608,219)	(738,767)
		<b>(9,803)</b>	<b>13,622</b>	<b>2,445,209</b>	<b>205,140</b>
<b>Investing</b>					
Net additions to investment properties	4	(5,532)	(12,265)	(86,066)	(19,728)
Acquisitions of investment properties	4	-	-	(2,100,000)	(1,155,000)
Net additions to properties under development	4	(165,788)	(401,901)	(813,820)	(1,579,593)
Repayment of investment in real estate project	5	-	-	1,677,333	-
Repayments from (advances to) private company		375,000	-	375,000	(125,000)
Investment in associate	7	(20)	-	(20)	-
Disposal of marketable securities		-	-	-	16,861
		<b>203,660</b>	<b>(414,166)</b>	<b>(947,573)</b>	<b>(2,862,460)</b>
<b>Financing</b>					
Net proceeds from mortgage payable		-	5,436,045	-	7,470,278
Repayment of mortgages payable		(268,932)	(3,420,734)	(799,581)	(4,507,129)
Net proceeds from non-revolving term facility		-	462,400	-	462,400
Repayment of non-revolving term facility		(463,050)	-	(463,050)	-
Dividends paid	19	(25,216)	(12,515)	(37,658)	(25,119)
Net issuance of common shares	19	(105,114)	(15,662)	(210,063)	(114,463)
Non-controlling interests issued		317,117	-	317,117	-
		<b>(545,195)</b>	<b>2,449,534</b>	<b>(1,193,235)</b>	<b>3,285,967</b>
<b>Net change in cash and cash equivalents</b>		<b>(351,338)</b>	<b>2,048,990</b>	<b>304,401</b>	<b>628,647</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>8,618,371</b>	<b>6,254,925</b>	<b>7,962,632</b>	<b>7,675,268</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 8,267,033</b>	<b>\$ 8,303,915</b>	<b>\$ 8,267,033</b>	<b>\$ 8,303,915</b>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three-month and nine-month periods ended September 30, 2017

(in Canadian dollars)

(Unaudited)

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### **1. NATURE OF OPERATIONS**

Urbanfund Corp. (“Urbanfund” or the “Company”) is a real estate development and operating company with focus to identify, evaluate and invest in real estate or real estate related projects.

The Company was incorporated on February 4, 1997, pursuant to the provisions of the Business Corporations Act of Alberta. In 2003, the Company filed Articles of Continuance allowing operations to continue under the laws of the Province of Ontario and the Business Corporations Act of Ontario to the same extent as if it has been incorporated thereunder.

The registered and head office of the Company is located at 35 Lesmill Road, Toronto, Ontario M3B 2T9.

### **2. BASIS OF PREPARATION**

#### **(a) Statement of compliance**

The interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). These interim condensed consolidated financial statements have been prepared in accordance with *IAS 34 – Interim Financial Reporting*.

The interim condensed consolidated financial statements have been prepared in accordance with the accounting policies included in its December 31, 2016 annual financial statements. These accounting policies are based on the IFRS and IFRICs applicable at that time. The interim condensed consolidated financial statements and accordingly should be read in conjunction with the December 31, 2016 audited consolidated financial statements and the notes thereto.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on November 24, 2017.

#### **(b) Basis of presentation**

The interim condensed consolidated financial statements are prepared on a going concern basis using the historical cost basis except for investment properties (note 4) and marketable securities (note 10) which have been stated at fair value. The interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

#### **(c) Basis of consolidation**

These interim condensed consolidated financial statements include the accounts of the parent company Urbanfund, and its subsidiaries, after elimination of intercompany transactions, balances, revenues and expenses.

##### *(i) Subsidiaries*

Subsidiaries are entities over which the Company has control. Control is achieved when Urbanfund is exposed to, or has the rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. Power may be determined on the basis of voting rights or other contractual arrangements.

##### *(ii) Joint operations*

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have the rights to the assets and the obligations for the liabilities relating to the arrangement. Urbanfund records only its share of assets, liabilities and share of the results of the joint operation. The assets, liabilities and results of the joint operation are included within the respective line items of the interim condensed consolidated statements of financial position and interim condensed consolidated statements of income and comprehensive income.

#### **(d) Non-controlling interests**

Non-controlling interests represent the non-controlling shareholders’ proportion of net assets or the net identifiable assets on the acquisition of subsidiaries, adjusted subsequently for their proportionate interest in the comprehensive income or loss of the subsidiaries and distributions.

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three-month and nine-month periods ended September 30, 2017

(in Canadian dollars)

(Unaudited)

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### **2. BASIS OF PREPARATION (CONT'D)**

#### **(d) Non-controlling interests (Cont'd)**

The non-controlling interests are presented as equity separately from the equity attributable to the shareholders of the Company. Transactions with non-controlling interests by the Company do not result in a loss of control are accounted for as equity transactions.

A disposal of rights in a subsidiary that does not result in a loss of control, results in an increase or decrease within equity of the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary, also taking into account any amounts which have been recognized in income and comprehensive income, if any, based on the decrease in the interests in the subsidiary. Transaction costs with respect to non-controlling interests are also recorded in equity.

#### **(e) Significant judgments**

The preparation of the Company's interim condensed consolidated financial statements in accordance with IFRS requires management to exercise judgment in applying the Company's accounting policies. Judgments made by management in the on-going application of IFRS that have a significant effect on the interim condensed consolidated financial statements are outlined below:

##### *Investment properties*

Initial capitalization of costs requires management's judgment in determining when the project commences with active development and identifying at which time a development property is substantially completed. This amount includes capitalized common area maintenance, property taxes and borrowing costs on specific debt. The Company's management also applies judgment in determining when property under development qualifies as an income property when fair value can be reliably measured or construction is substantially complete (whichever is earlier).

##### *Leases – Urbanfund as a lessor*

The Company makes judgments in determining whether certain leases, in particular tenant leases, where the Company is the lessor, are either operating or finance leases. The Company has determined, based on the evaluation of the terms and conditions of the lease arrangements, that the Company retains all the significant risks and rewards of ownership of the investment properties and accounts for these arrangements as operating leases.

##### *Acquisition of investment properties*

At the time of acquisition of a property, whether through controlling share investment or directly, the Company considers whether the acquisition represents the acquisition of a business under *IFRS 3, Business Combinations*. This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined by IFRS 3, and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business and the Company obtains control of the business. The Company has determined that the acquisitions have been accounted for as asset acquisitions, as no integrated set of activities were acquired, the cost is accounted for as a group of assets and liabilities and transaction costs are allocated to the assets and liabilities acquired based on their relative fair values. No goodwill is recognized for an asset acquisition.

##### *Joint arrangements*

The Company makes judgments in determining whether a joint arrangement structured through a separate vehicle is a joint operation by assessing the legal form of the separate vehicle, including the determination on whether the bare trust has independent power, discretion or responsibility pertaining to the investment property and whether the Company retains the right to control and direct the trustee in all matters related to the investment property.

##### *Income taxes*

The Company applies judgment in determining the tax rates applicable to the temporary differences to determine the provision for income taxes. Deferred taxes relates to temporary differences arising from its subsidiaries and are measured based using tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences between accounting and tax asset values that are expected to be deductible or taxable in the future.

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three-month and nine-month periods ended September 30, 2017

(in Canadian dollars)

(Unaudited)

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### **2. BASIS OF PREPARATION (CONT'D)**

#### **(f) Use of estimates and assumptions**

Estimates made by management are based on events and circumstances that existed at the interim condensed consolidated balance sheet date. Accordingly, actual results may differ from these estimates. Significant estimates made by management with a significant risk of material adjustment in the current and following years are discussed below:

##### *Investment properties*

The critical assumptions and estimates used when determining the fair value of investment properties are capitalization rates and stabilized net operating income (which is influenced by vacancy rates) used in the direct capitalization income approach. A change to any of these inputs could significantly affect the fair value of an investment property. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized net operating income of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows related to such current and future leases.

##### *Marketable securities*

The Company recognizes marketable securities at fair value. Fair value is determined on the basis of market prices from independent sources. In the determination of fair value, management considers factors such as intentions and ability to hold or dispose of such securities, prevailing market prices and general market conditions.

### **3. FUTURE ACCOUNTING PRONOUNCEMENTS**

#### *IFRS 9 - Financial Instruments*

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Urbanfund is currently assessing the impact of IFRS 9.

#### *IFRS 15 - Revenue from Contracts with Customers*

IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with earlier application is permitted. Urbanfund will not be early adopting IFRS 15 and is reviewing the impact of the elections of presenting under the modified retrospective approach, whereby the Company will recognize transitional adjustments in retained earnings on the date of initial application (January 1, 2018) without restatement.

#### *IFRS 16 - Leases*

IFRS 16, Leases was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied. Urbanfund will not be early adopting IFRS 16. The Company is currently evaluating the effects of the current contracts to determine whether any changes are required and the effects of those changes on these interim condensed consolidated financial statements. The Company does not expect a material impact on the classification of its tenant leases on the adoption of this standard.

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three-month and nine-month periods ended September 30, 2017

(in Canadian dollars)

(Unaudited)

### 3. FUTURE ACCOUNTING PRONOUNCEMENTS (CONT'D)

#### IAS 40 - Investment Properties

The IASB issued amendments to provide guidance on transfers to, or from investment properties. IAS 40 amendments state that an entity shall transfer a property to, or from, investment properties, when, and only when, there is evidence of a change in use. A change in use occurs if the property meets, or ceases to meet, the definition of an investment property. The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

### 4. INVESTMENT PROPERTIES

As at	September 30, 2017	December 31, 2016 (audited)
Income properties	\$ 50,370,000	\$ 50,370,000
Properties under development	8,182,259	5,268,439
	<b>\$ 58,552,259</b>	<b>\$ 55,638,439</b>

#### Income properties

	Commercial Properties	Residential Properties	Total
Balance, January 1, 2016	\$ 17,667,145	\$ 24,192,855	\$ 41,860,000
Capital improvements	-	221,999	221,999
Transfers from properties under development (i)	-	4,635,876	4,635,876
Fair value adjustment on investment properties	1,190,000	2,462,125	3,652,125
<b>Balance, December 31, 2016</b>	<b>18,857,145</b>	<b>31,512,855</b>	<b>50,370,000</b>
Capital improvements	-	86,066	86,066
Fair value adjustment on investment properties	-	(86,066)	(86,066)
<b>Balance, September 30, 2017</b>	<b>\$ 18,857,145</b>	<b>\$ 31,512,855</b>	<b>\$ 50,370,000</b>

There have been no significant changes in the underlying facts and assumptions impacting the valuations of the income properties since December 31, 2016, consequently, the fair value of income properties as at September 30, 2017 and December 31, 2016 is \$50,370,000.

#### Properties under development

	September 30, 2017	December 31, 2016 (audited)
Balance, beginning of period	\$ 5,268,439	\$ 4,065,489
Acquisition of investment properties	2,100,000	4,407,500
Capitalized costs	783,585	1,357,115
Finance costs	30,235	74,211
Transfers to income properties (i)	-	(4,635,876)
Balance, end of period	<b>\$ 8,182,259</b>	<b>\$ 5,268,439</b>

(i) During 2016, construction on the 48 Weber Street property through Weber Investments LP was substantially completed. As such, the carrying value of this property has been transferred to income properties.

#### Acquisitions

The following table summarizes the Company's acquisition of investment properties, through the Edvac joint operation (note 12), Weber Investments 2 LP (note 14), Weber Investments 3 LP (note 15) and for rental income and future development and redevelopment opportunities.

The fair value of consideration has been allocated to the identifiable assets acquired based on their fair values as at the date of acquisition, as follows:

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three-month and nine-month periods ended September 30, 2017

(in Canadian dollars)

(Unaudited)

### 4. INVESTMENT PROPERTIES (CONT'D)

#### Acquisitions (Cont'd)

	51, 55, 59 Scott St. Kitchener, Ontario	59, 61, 65 Weber St. Kitchener, Ontario	65 Roy St. Kitchener, Ontario	11-13 Edvac Drive Brampton, Ontario
Acquisition date	April 10, 2017	January 20, 2016	February 5, 2016	December 15, 2016
Net assets acquired:				
Investment properties	\$ 2,100,000	\$ 1,250,000	\$ 530,000	\$ 2,627,500
Consideration funded by way of:				
Cash disbursement	\$ 2,100,000	\$ 625,000	\$ 530,000	\$ 1,625,000
Mortgage payable	-	625,000	-	1,002,500
	\$ 2,100,000	\$ 1,250,000	\$ 530,000	\$ 2,627,500

#### Valuation methodology

As highlighted in note 21, the fair value methodology for the Company's income properties uses inputs that are considered Level 3, as significant unobservable inputs are required to determine fair value.

The capitalization rates used for the valuation of commercial and residential investment properties are set out as follows:

	Maximum	Minimum	Weighted-Average
Capitalization rate:			
As at December 31, 2016	6.75%	4.64%	5.48%
As at September 30, 2017	6.75%	4.64%	5.48%

#### Sensitivity

Changes to the capitalization rates and SNOI would result in a change to the estimate fair value of the Company's investment properties as set out in the following table:

	Stabilized NOI -1%	Stabilized NOI as reported	Stabilized NOI +1%
As at December 31, 2016:			
Capitalization rate, decrease, 0.25%	\$ 1,671,800	\$ 2,132,200	\$ 2,593,600
Capitalization rate, as reported	(440,800)	-	438,000
Capitalization rate, increase, 0.25%	\$ (2,364,700)	\$ (1,944,000)	\$ (1,524,400)
As at September 30, 2017:			
Capitalization rate, decrease, 0.25%	\$ 1,671,800	\$ 2,132,200	\$ 2,593,600
Capitalization rate, as reported	(440,800)	-	438,000
Capitalization rate, increase, 0.25%	\$ (2,364,700)	\$ (1,944,000)	\$ (1,524,400)

### 5. INVESTMENT IN REAL ESTATE PROJECT

In September 2009, the Company invested \$2,000,000 for a 10% interest in a private partnership, which in turn, has a 33.3% interest in the One Bloor Street East real estate project. During 2012 and 2014, the Company received cost recoveries in the amount of \$74,000 and \$248,667, respectively.

The Company does not have significant influence, control or joint control over the partnership and accordingly, the investment has been categorized as an available for sale financial instrument. Since there is no quoted market price in an active market for this investment and its fair value cannot be reliably measured, it is carried at cost, with impairment losses recognized in net income when there is objective evidence that an impairment loss has been incurred.

During the nine-month period ended September 30, 2017, Urbanfund received a return of capital of \$1,677,333 and a distribution of \$1,666,667 recorded as income in the interim condensed consolidated statements of income and comprehensive income. On November 17, 2017, the Company received its second distribution of \$1,500,000 (note 25).

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three-month and nine-month periods ended September 30, 2017

(in Canadian dollars)

(Unaudited)

### **6. INVESTMENT IN PRIVATE COMPANY**

#### ***Equity investment***

In 2015, the Company purchased 2,083,333 common shares of a private company and 1,041,666 common share purchase warrants for an aggregate consideration of \$250,000. The full amount of consideration was allocated to common shares with a total of \$Nil being allocated to the common share purchase warrants.

#### ***Loan receivable***

In 2015, the Company entered into an arrangement with the private company to provide it with an operating loan. The arrangement allows for the private company to draw a maximum of \$500,000 bearing interest at the prime lending rate plus 6%.

The private company's mortgages receivable are pledged as collateral for the loan. The operating loan matures on February 26, 2018 and is automatically renewed unless cancelled by either party, until February 2020.

As at September 30, 2017, the private company had paid in full the previously drawn facility of \$500,000. For the nine-month period ended September 30, 2017, the Company recognized \$31,198 of interest income in the interim condensed consolidated statements of income and comprehensive income (nine-month period ended September 30, 2016 – \$22,160).

### **7. INVESTMENT IN ASSOCIATE**

On August 21, 2017, the Company invested for a 20% interest in Highfield Park Residential Inc., the remaining interest was retained by a private company, Westdale Construction Co. Limited ("Westdale"). Subsequent to the period end, Urbanfund contributed additional capital towards the purchase of the Highfield Park portfolio (note 25).

### **8. CASH AND CASH EQUIVALENTS**

As at	September 30, 2017	December 31, 2016 (audited)
Cash	\$ 7,207,983	\$ 5,216,904
Guaranteed Investment Certificate	1,059,050	2,745,728
	<b>\$ 8,267,033</b>	<b>\$ 7,962,632</b>

As at September 30, 2017, the Guaranteed Investment Certificate ("GIC") bears interest at 0.75% (2016 – 0.55%) and matures on June 19, 2018 (2016 – June 19, 2017).

### **9. OTHER ASSETS**

As at	September 30, 2017	December 31, 2016 (audited)
Prepaid expenses	\$ 311,540	\$ 81,073
Amounts receivable (note 20)	140,556	181,444
Accounts receivable	357,663	198,435
Deposits	67,706	28,045
Interest receivable	2,241	8,068
	<b>\$ 879,706</b>	<b>\$ 497,065</b>

### **10. MARKETABLE SECURITIES**

	Cost	Fair value
Balance, January 1, 2016	\$ 388,927	\$ 323,884
Balance, December 31, 2016	372,066	336,344
<b>Balance, September 30, 2017</b>	<b>\$ 353,427</b>	<b>\$ 411,744</b>

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 11. QUEBEC HEADWAY JOINT OPERATION

On April 23, 2013, the Company acquired a 10% undivided interest in an 1,870-unit multi-family residential portfolio located in Quebec City and Montreal, Quebec from an arm's length party.

The mortgages payable are made up of 10 mortgages outstanding on the various properties. The Company's portion of monthly payments total \$36,456 (2016 – \$27,448) and bear interest at a weighted average rate of 3.05% (for the nine-month period ended September 30, 2016 – 3.56%), which approximates current market rates, and had a weighted average remaining life of 11.53 years (for the nine-month period ended September 30, 2016 – 9.77 years). The Company's interest in the assets, liabilities, revenues and expenses in the joint operation is included in these interim condensed consolidated financial statements based on their nature:

As at	September 30, 2017		December 31, 2016 (audited)	
Non-current assets	\$	8,288,118	\$	8,290,000
Current assets		384,890		776,895
Non-current liabilities		(2,558,065)		(2,706,668)
Current liabilities		(350,890)		(342,909)
Net assets	\$	5,764,053	\$	6,017,318

  

	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2016	2017	2016
Revenue	\$	346,037	\$	369,671
Expenses		(265,257)		(298,582)
General and administrative expenses		(61,510)		(32,387)
		19,270		38,702
				161,783
				101,023
Fair value adjustment to investment properties		(3,993)		(5,733)
Net income	\$	15,277	\$	32,969
				105,871
				91,042

### 12. EDVAC JOINT OPERATION

On December 15, 2016, Urbanfund acquired a 50% interest in a joint arrangement with an arms-length party focused on owning and managing real estate investment properties in Brampton, Ontario.

The Company's interest in the assets, liabilities, revenues and expenses in the joint operation is included in these interim condensed consolidated financial statements based on their nature:

As at	September 30, 2017		December 31, 2016 (audited)	
Non-current assets	\$	3,051,286	\$	2,687,471
Current assets		377,926		782,095
Non-current liabilities		(1,800,000)		(1,781,633)
Current liabilities		-		(69,526)
Net assets	\$	1,629,212	\$	1,618,407

  

	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2017	2017	2017
Revenue	\$	54,359	\$	183,738
Expenses		(31,754)		(94,166)
General and administrative expenses		(24,703)		(78,767)
Net income (loss)	\$	(2,098)	\$	10,805

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three-month and nine-month periods ended September 30, 2017

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### 13. WEBER INVESTMENTS LP

On July 27, 2015, the Company entered into a limited partnership agreement as a limited partner of Weber Investments LP, to continue the expansion of its real estate activities. The following represents the assets, liabilities, revenues and expenses are recognized in these interim condensed consolidated financial statements:

As at	September 30, 2017		December 31, 2016 (audited)	
Non-current assets	\$	7,865,191	\$	6,867,799
Current assets		1,491,067		1,972,784
Non-current liabilities		(4,542,288)		(4,778,154)
Current liabilities		(198,676)		(323,888)
<b>Net assets</b>	<b>\$</b>	<b>4,615,294</b>	<b>\$</b>	<b>3,738,541</b>

	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2016	2017	2016
Revenue	\$ 100,355	\$ 90,615	\$ 324,653	\$ 167,404
Expenses	(83,448)	(29,247)	(179,455)	(48,598)
General and administrative expenses	(54,329)	(91,254)	(131,964)	(157,830)
Fair value adjustment to investment properties	-	7,462	(19,502)	1,764,123
<b>Net income (loss)</b>	<b>\$ (37,422)</b>	<b>\$ (22,424)</b>	<b>\$ (6,268)</b>	<b>\$ 1,725,099</b>
Attributable to:				
Owners of parent	(24,324)	(13,276)	(4,074)	1,121,314
Non-controlling interests	(13,098)	(7,148)	(2,194)	603,785
<b>Net income (loss)</b>	<b>\$ (37,422)</b>	<b>\$ (20,424)</b>	<b>\$ (6,268)</b>	<b>\$ 1,725,099</b>

### 14. WEBER INVESTMENTS 2 LP

On January 20, 2016, the Company entered into a limited partnership agreement as a limited partner of Weber Investments 2 LP, to continue the expansion of its real estate activities. The following represents the assets and liabilities recognized in these interim condensed consolidated financial statements:

As at	September 30, 2017		December 31, 2016 (audited)	
Non-current assets	\$	2,045,015	\$	1,483,541
Current assets		139,327		89,130
Current liabilities		(607,169)		(617,552)
<b>Net assets</b>	<b>\$</b>	<b>1,577,173</b>	<b>\$</b>	<b>955,119</b>

During the nine-month period ended September 30, 2017, Weber Investments 2 LP incurred \$195,603 of direct development costs (nine-month period ended September 30, 2017 – \$49,606) and \$29,928 of borrowing costs (nine-month period ended September 30, 2016 – \$56,250), which are attributable to properties under development (note 4). As at September 30, 2017, no revenues or expenses have been recognized in the interim condensed consolidated statements of income and comprehensive income.

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited)

### 15. WEBER INVESTMENTS 3 LP

On February 5, 2016, the Company entered into a limited partnership agreement as a limited partner of Weber Investments 3 LP, to continue the expansion of its real estate activities. The following represents the assets and liabilities recognized in these interim condensed consolidated financial statements:

As at	September 30, 2017	December 31, 2016 (audited)
Non-current assets	\$ 1,620,767	\$ 629,627
Current assets	121,099	260,367
Current liabilities	(235,981)	(265,556)
Net assets	\$ 1,505,885	\$ 624,438

During the nine-month period ended September 30, 2017, Weber Investments 3 LP incurred \$124,076 of direct development costs (nine-month period ended September 30, 2016 – \$30,101) and \$8,204 of borrowing costs (nine-month period ended September 30, 2016 – \$2,065), which are attributable to properties under development (note 4). As at September 30, 2017, no revenues or expenses have been recognized in the interim condensed consolidated statements of income and comprehensive income.

### 16. NON-REVOLVING TERM FACILITY

On August 19, 2016, the general partner of Weber Investments LP and Weber Investments 3 LP established a one-year second rank non-revolving term facility ("Term Facility") with a Canadian chartered bank for a maximum amount of \$900,000. The Term Facility bore interest at the bank's prime lending rate plus 1.25%. Amounts drawn were secured by a second rank general security agreement and cross-collateralized on the properties held under Weber Investments LP and Weber Investments 3 LP.

As at September 30, 2017, the principal amount outstanding under the Term Facility was \$464,050 matured and was repaid in full, plus \$794 accrued interest.

### 17. MORTGAGES PAYABLE

	Rate Per Annum	Maturity Date	September 30, 2017	December 31, 2016 (audited)
Mortgage payable, with monthly payments of \$55,114, including interest.	2.52%	Mar. 1, 2025	\$ 11,401,487	\$ 11,680,653
Mortgage payable, with monthly payments of \$34,924, including interest.	3.86%	July 5, 2018	4,932,749	5,102,602
Vendor take-back, with monthly payments of \$19,384, including interest.	4.50%	May 1, 2018	2,619,302	2,704,590
Mortgages from the Quebec Headway joint operation, the Company's 10% share, with monthly payments of \$36,456, including interest.	Weighted-avg. 3.05%	Weighted-avg. 11.53 yrs.	2,829,546	3,026,904
Mortgage payable in Weber Investments LP, with monthly payments of \$22,519, including interest.	2.92%	Oct. 1, 2023	4,678,532	4,778,154
Mortgage payable in Weber Investments 2 LP, interest only.	6.50%	Dec. 20, 2017	625,000	625,000
Mortgage payable in Edvac joint operation, the Company's 50% share, interest only.	6.00%	Jun. 15, 2019	1,800,000	1,800,000
			<b>28,886,616</b>	<b>29,717,903</b>
Less: Deferred financing costs, classified as non-current			282,070	313,776
Less: Current portion			8,683,154	1,752,548
Non-current portion			\$ 19,921,392	\$ 27,651,579

Minimum principal payments over the following years are as follows:

	Principal
Remainder of 2017	\$ 906,816
2018	8,258,915
2019	2,581,749
2020	826,421
2021	686,960
Thereafter	15,625,755
	<b>\$ 28,886,616</b>

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 18. SHAREHOLDERS' EQUITY

Basic and diluted income per share has been calculated as follows:

	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2016	2017	2016
<b>Basic income per share</b>				
Net income attributable to shareholders	\$ 507,198	\$ 191,822	\$ 2,698,117	\$ 1,745,276
Weighted average common shares outstanding	44,902,734	44,334,681	44,707,170	43,906,700
Basic income per share	\$ 0.011	\$ 0.004	\$ 0.060	\$ 0.040
<b>Diluted income per share</b>				
Net income attributable to shareholders	\$ 507,198	\$ 191,822	\$ 2,698,117	\$ 1,745,276
Weighted average common shares outstanding	44,902,734	44,334,681	44,707,170	43,906,700
Dilutive effect of preferred shares	7,245,000	7,425,000	7,425,000	7,425,000
Weighted average common shares outstanding, diluted	52,147,734	51,759,681	52,132,170	51,331,700
Diluted income per share	\$ 0.010	\$ 0.004	\$ 0.052	\$ 0.034

### 19. DIVIDENDS PAID AND DIVIDEND REINVESTMENT PLAN

The Company has reserved an aggregate of 2,000,000 common shares for issuance to participants enrolled in the DRIP. During the nine-month period ended September 30, 2017, the Company issued 441,940 common shares valued at \$210,063 to shareholders participating in the DRIP (nine-month period ended September 30, 2016 – 582,925 and \$150,768).

Total dividends paid in cash during the nine-month period ended September 30, 2017 was \$37,658 (nine-month period ended September 30, 2016 – \$12,604). Dividends payable at period end was \$130,819 (2016 – \$64,699), which includes amounts for the DRIP of \$112,257 (2016 – \$60,876).

### 20. RELATED PARTY TRANSACTIONS

Included in amounts receivable within other assets (note 9) is \$140,556 (2016 – \$181,444) of amounts due from a corporation that is also a shareholder of the Company.

Urbanfund is also contracted to this shareholder for property management services and employee costs, as follows:

	Nine-months ended September 30,	
	2017	2016
<i>Property management fees included in:</i>		
Rental expenses	\$ 76,631	\$ 74,852
Accounts payable and accrued liabilities	25,494	24,667
<i>Management cost reimbursements included in:</i>		
Rental expenses	\$ 169,778	\$ 161,150
Accounts payable and accrued liabilities	40,472	36,660

The marketable securities held by Urbanfund are held with a brokerage that is related by common shareholders who are also directors of the Company. At September 30, 2017 there was \$361,902 (2016 – \$342,981) in cash held by the brokerage in addition to the marketable securities disclosed in note 10.

There has been no compensation paid to key management personnel during the period ended September 30, 2017 and for the year ended December 31 2016.

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### *Financial risk management objectives and policies*

The Company's activities expose it to a variety of financial risks including interest rate risk, credit risk, market risk and liquidity risk. These financial risks are managed by the Company under policies approved by the Board of Directors. The principal financial risks are actively managed by the Company's finance department. This department operates within strict Board approved policies and guidelines.

On an ongoing basis, the finance department actively monitors market conditions with a view to minimizing the exposure of the Company to changing market factors while at the same time limiting the funding costs of the Company.

#### *Fair value*

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying value of accounts receivable, interest receivable, tenant deposits, accounts payable and accrued liabilities are considered to be representative of their respective values due to their short-term nature.

The fair value of the Company's mortgages payable, which are determined to be classified as Level 2, approximate \$29,000,000 (2016 – \$29,000,000) based on interest rates obtainable for similar financial instruments in the current marketplace.

The fair value of the investment in real estate project (note 5) and the investment in private company (note 6) is not determinable as there is no active market for the investments, therefore the carrying amount equals the cost of the investments. The investments are held as available for sale, however, the Company does not have immediate plans to sell its interest.

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. During the year, there have been no transfers between Level 1, Level 2 and Level 3.

The following table outlines assets and liabilities measured at fair value in the interim condensed consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

	September 30, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>Assets</i>						
Cash and cash equivalents	\$ 8,267,033	\$ -	\$ -	\$ 7,962,632	\$ -	\$ -
Marketable securities	\$ 411,744	\$ -	\$ -	\$ 336,344	\$ -	\$ -
Income properties (note 3)	\$ -	\$ -	\$ 50,370,000	\$ -	\$ -	\$ 50,370,000

#### *Interest rate risk*

Interest rate risk is minimized through the Company's current strategy of having the mortgages payable in fixed rate arrangements. The Company is however exposed to price risk. A change in the interest rate by 1% will result in an increase or decrease in the fair value of the mortgages by \$294,219 (2016 – \$122,916) and non-revolving term facility by \$nil (2016 – \$15,916).

#### *Credit risk*

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfil their lease commitments. The Company mitigates this risk of credit loss by diversifying its tenant mix and by limiting its exposure to any one tenant. In addition, the Company obtains security deposits from tenants. The Company believes that the credit risk of accounts receivable is minimal as the balance receivable as at September 30, 2017 is all current and limited to \$357,663 (2016 – \$198,435). Company mitigates its exposure to credit loss by placing its cash and short-term investments with major financial institutions.

# Urbanfund Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

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### **21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)**

#### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The marketable securities of the Company are subject to normal market fluctuations due to changes in share prices. The maximum risk resulting from financial instruments held by the Company is determined by the fair value of the financial instruments.

As at September 30, 2017 sensitivity to an increase or decrease of quoted share prices by 5%, with all other variables held constant, the marketable securities would have increased or decreased by \$20,589 (2016 – \$17,672). In practice, actual results may differ from the sensitivity analysis and the difference could be material.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. Since inception, the Company has financed its cash requirements primarily through issuances of securities, short-term borrowings and issuances of long-term debt. The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing. Financial liabilities are due as follows:

		< 1 year		1-2 years		3-5 years		> 5 years
Accounts payable and accrued liabilities	\$	679,862	\$	-	\$	-	\$	-
Income taxes payable	\$	177,285	\$	-	\$	-	\$	-
Mortgages payable	\$	906,816	\$	8,258,915	\$	4,095,130	\$	15,625,755

### **22. CAPITAL MANAGEMENT**

Urbanfund defines capital as its equity. The Company's objective when managing capital is: (i) to safeguard the ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and (ii) to provide adequate return to shareholders by obtaining an appropriate amount of debt commensurate with the level of risk, to reduce after-tax cost of capital.

The Company sets the amount of capital in proportion to the risk. Urbanfund manages capital structure and makes adjustments in light of changes in economic conditions and the characteristic risk of underlying assets. In order to maintain or adjust capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

Urbanfund's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. There have been no changes to the Company's capital management policies during the period ended September 30, 2017 and for the year ended December 31, 2016.

### **23. SEGMENTED INFORMATION**

Urbanfund, primarily owns, develops, manages and operates residential and commercial sector properties in Canada. In measuring its performance of its residential and commercial properties, the Company does not distinguish or group its operations on a geographical or any other basis and, accordingly has a single reportable operating segment.

Management has applied judgment by aggregating its operating segments into one single reportable segment for disclosure purposes. Such judgment considers the nature of property operations, tenant mix and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

The Company's Chief Executive Officer is the chief operating decision maker and regularly reviews Urbanfund's operations and performance on an individual property basis. Urbanfund does not have any single major tenant or any significant groups of tenants.

# Urbanfund Corp.

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### **24. CONTINGENCIES**

On August 1, 2017, Urbanfund commenced proceedings to place one of its limited partners and the development and construction manager (the "Limited Partner") for the Company's Kitchener investment properties and properties under development into default under the applicable limited partnership agreements. The Limited Partner's units in the limited partnerships will be purchased for cancellation, and the general partner of each limited partnership will complete any outstanding construction. The Company will continue operating and redeveloping the properties and planned. As at September 30, 2017, the Company does not have an estimate of the financial effect, if any, on these interim condensed consolidated financial statements.

### **25. SUBSEQUENT EVENTS**

On October 5, 2017, Urbanfund refinanced its existing first mortgage relating to 305 North Front Street, Belleville, Ontario property (the "Belleville Property") totaling \$10,150,000 with a 5-year term at 3.95%. The additional funds of \$7,450,000, unrelated to the Belleville Property were contributed as capital towards the investment in associate (note 7).

On October 10, 2017, Urbanfund, through its newly formed entity with Westdale (note 7), purchased the Highfield Park portfolio ("Highfield Park") for \$113,000,000 plus customary closing costs. The purchase was funded by a \$77,000,000 mortgage with a 10-year term at 3.80% and the balance through pro rata equity contributions. Highfield Park comprises of 1,354 residential units, located within 20 low-rise buildings over a 37-acre community located in Dartmouth, Nova Scotia.

On November 10, 2017, Urbanfund, through its joint operation with Takol Real Estate Inc. (note 12), acquired 4 Alfred Kuehne Blvd. ("4 Alfred") for \$4,700,000 plus customary closing costs. The purchase was funded by \$3,600,000 in equity contributions and balance through a mortgage funded by a Canadian chartered bank. The total mortgage was financed at \$3,100,000, with a 2-year term at 5.50%. 4 Alfred is comprised of one industrial building aggregating 46,790 square feet located in Brampton, Ontario.

On November 17, 2017, Urbanfund received its second distribution, in the amount of \$1,500,000, relating to a return on the investment in real estate project (note 5).