



GULF & PACIFIC EQUITIES CORP.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the year ended December 31, 2018

This Management Discussion and Analysis (“**MD&A**”) of Gulf & Pacific Equities Corp (the “**Company**”) provides analysis of the Company's financial results for the year ended December 31, 2018. The following information should be read in conjunction with the accompanying audited financial statements and the related notes for the year ended December 31, 2018 and the audited financial statements and the related notes for the year ended December 31, 2017.

The audited financial statements and related notes of the Company have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). Refer to the Notes of the December 31, 2018 audited financial statements for disclosure of the Company’s significant accounting policies. The Company’s functional and reporting currency is the Canadian dollar.

The Company is publicly traded on the TSX Venture Exchange (TSX-V: **GUF**).

### **International Financial Reporting Standards**

The Company’s audited financial statements for the year ended December 31, 2018 and the December 31, 2017 audited financial statements have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

### **Date of Report**

This report is prepared as of April 24, 2019.

### **Forward Looking Statements**

This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address the Company’s ability to lease vacant property units, collect minimum rents, diversify its tenant base, undertake land intensification projects, refinance loans and mortgages at their maturity, complete accretive acquisitions and other events that impact the growth of the Company are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include interest rates, continued availability

of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Additional information including press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) and are available online under our profile at [www.sedar.com](http://www.sedar.com) or the Company’s website at [www.gpequities.com](http://www.gpequities.com).

## **Company Overview**

The Company was incorporated under the *Business Corporations Act* (Alberta) on April 8, 1998 and on June 17, 1998 filed Articles of Amendment to remove certain private corporation restrictions. The Company is listed on the TSX Venture Exchange (TSX-V: GUF). The Company commenced active operations during the 1999 fiscal year and is focused on the acquisition, management and development of anchored shopping centres in Western Canada.

The Company’s current portfolio consists of three properties located in Northern Alberta. The three properties consist of Tri-City Mall located in Cold Lake, Alberta with gross lease area of 141,289 sq. ft., St. Paul Shopping Centre, in St. Paul, Alberta with gross lease area of 79,042 sq. ft. and a stand alone property in Three Hills, Alberta with 9,003 sq. ft. of lease space. The Company still holds a vacant lot in Merritt, B.C..

## **Fourth Quarter and Year Ended December 31, 2018 Highlights**

In the quarter and year ended December 31, 2018:

- At **Tri-City Mall**, the Company continues to negotiate with new national & local tenants for the remaining vacancies and working to fully lease the mall. In the second quarter of 2018 the Company welcomed the opening of Easy Financial.
- At **St. Paul Shopping Centre**, management is pleased to report that the St. Paul Shopping Centre is fully leased in its current configuration.
- In **Three Hills**, Red Apple Stores Inc. continues to operate the premises as The Bargain Shop with reduced rent for the current year. Future rents are subject to renegotiation.
- In **Merritt**, the Company still holds a vacant lot with nominal value.
- The Company has a revolving unsecured loan agreement with Ceyx Properties Ltd. (“**Ceyx**”) for up to \$6 million at an annual interest rate of 6% with no fixed terms for repayment (the “**Loan**”). As of December 31, 2018 the balance outstanding is \$4,547,000.

- In the second quarter of 2018 the Company converted its mortgages to fixed rates with Canadian Western Bank (“CWB”) for the Company’s St. Paul Shopping Centre in St. Paul and Tri-City Mall in Cold Lake, both in Alberta. Under the terms of the conversion, the mortgage will be fixed for 5 years with a rate of 5.26% maturing on September 1, 2023.
- In the fourth quarter of 2018 the Company renewed with Servus Credit Union Ltd. the mortgage for its Three Hills Property with the outstanding principle balance of \$349,801.50 for another 5 years with an interest rate of 5.85%.

## **Overall Performance**

### Statements of Financial Position

On the Statements of Financial Position, total assets were \$40,928,951 as of December 31, 2018, compared to \$40,863,892 as of December 31, 2017. The increase of \$65,059 in total assets during the year is primarily due to an increase in cash as a result of reduced mortgage payments and offset by decrease in other amounts receivable, prepaid expenses and investments.

The Company’s cash balance increased by \$246,929 during the year to \$355,638 at December 31, 2018, from \$108,709 as of December 31, 2017. The increase is mostly due to the reduced mortgage payments and cash provided from the Company’s normal operations.

Other amounts receivable decreased from \$134,976 at December 31, 2017 to \$11,723 as of December 31, 2018 due to the Company receiving the outstanding receivables in common area and property taxes, and CRA receivables.

Total prepaid expenses for the Company decreased to \$37,182 for December 31, 2018 compared to \$46,983 as of December 31, 2017.

Investment properties remained the same at \$40,500,000 as of December 31, 2018 and \$40,500,000 as of December 31, 2017.

During the year ended 2017, the Company accepted common shares of a related company in exchange for outstanding receivables from the same related company. The value of the shares is \$24,408 as of December 31, 2018 compared to \$73,224 as of December 31, 2017.

With respect to liabilities, mortgages payable decreased to \$18,602,645 as of December 31, 2018 from \$19,546,915 as of December 31, 2017 due to the amounts paid on the principal during the year.

The purchase price payable of \$658,776 represents an agreement whereby the Company is obliged to pay the amount if the Tri-City Mall becomes fully leased subsequent to the purchase.

As at December 31, 2018, the property was not fully leased. Since the Company expects to fully lease the property in the future, this obligation has been fully provided for.

As December 31, 2018, the Company had an outstanding loan obligation of \$4,547,000 from a related corporation, Ceyx Properties Ltd. The loan is unsecured, with access to a maximum value of up to \$6,000,000 and interest payable of 6% per annum. Interest is accrued but not compounded. The companies are related by virtue of the fact that they have the same President. The related corporation is not a subsidiary.

The deferred income tax liability of \$1,165,000 as of December 31, 2018 represents the Company's future obligations due to the net of items including temporary differences between the accounting basis and the tax basis of the assets and liabilities, and tax loss carry forwards.

Accounts payable and accrued liabilities increased to \$1,463,934 as of December 31, 2018 from \$1,251,897 as of December 31, 2017 due to normal operations such as property taxes, common area expenses, and loan interest.

Total liabilities decreased to \$26,437,355 as of December 31, 2018 from \$26,739,588 as of December 31, 2017. This decrease is primarily due to decrease in mortgages payable as a result of normal repayment of the mortgages, offset by increase in loan payable, deferred income taxes, and accounts payable and accrued liabilities.

Shareholders' equity was \$14,491,596 as of December 31, 2018 compared to \$14,124,304 as of December 31, 2017. The increase in shareholder's equity was mainly due to increase in retained earnings from the operations of the Company.

#### Statements of Comprehensive Income

For the year ended December 31, 2018 revenue increased to \$3,992,607 from \$3,870,165 for the year ended December 31, 2017. The increase was nominal mostly due to step rent and increases in rent for the year. Accordingly, rental income increased by \$80,895 or 2.9% as a result of increase from a new tenant and fluctuations in percentage rent during the year. Step rent revenue increased from \$25,625 in the year ended December 31, 2017 to \$68,929 in the year ended December 31, 2018, a non-cash amount representing the straight line recognition of future rent increase for the new leases. Common area and realty tax recoveries decreased by \$1,756 or 0.02% for the year. Interest income was \$301 for the year compared to \$302 for the same period last year.

For the year ended December 31, 2018, expenses increased to \$3,613,950 from \$3,216,907 for the year ended December 31, 2017, an increase of \$397,043 or 12.3%. The primary reasons for the increase in expenses are an increase in operating cost and realty taxes, interest, administration due to the move to new corporate offices, and unrealized loss from investments, a non-cash item, as a result of decreased share value of investments. In addition, increase in interest of \$125,288 or 10.8% due to increase interest for loans payable, and increase in operating costs and realty taxes of \$246,413 or 19.7% due to spending on the properties during the year. Administration expenses increased by \$12,403 or 1.6% due to the Company's move to a new corporate office.

Overall, within the normal operations of the Company, expenses are holding steady and management remains focused on controlling costs and operating efficiently.

Net income before fair value adjustment and income taxes for the year ended December 31, 2018 was \$378,657 compared to net income of \$653,258 for the year ended December 31, 2017. As a result, basic and diluted net income per share before fair value adjustment and income taxes was \$0.02 per share for the year ended December 31, 2018 and \$0.03 for the year ended December 31, 2017.

Net income and comprehensive income for the year ended December 31, 2018 was \$367,292 compared to a net loss of \$168,588 for the year ended December 31, 2017. As a result, basic and diluted income per share was \$0.02 per share for the year ended December 31, 2018 compared to net loss of \$0.01 per share, basic and diluted, for the year ended December 31, 2017.

#### Statements of Cash Flow

On the statements of cash flows, cash provided by operations totaled \$1,907,721 for the year ended December 31, 2018 compared to cash provided by operations of \$1,823,828 for the year ended December 31, 2017.

Financing activities for the year ended December 31, 2018 recorded funds used of \$1,660,792 compared to funds used of \$1,895,336 for the year ended December 31, 2017.

As at December 31, 2018, the Company had cash of \$355,638 compared to cash of \$108,709 as at December 31, 2017.

#### **Selected Annual Information**

The following selected financial data for each of the three most recently completed financial years are derived from the audited annual financial statements of the Company, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and presented for the years ended December 31, 2018, 2017 and 2016.

<b>For the Years Ended December 31,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	\$	\$	\$
Revenue	3,992,607	3,870,165	4,011,189
Net Income (Loss) before fair value adjustment and income taxes	378,657	653,258	633,262
Net Income (Loss) before fair value adjustment and income taxes, per share - basic and diluted	0.02	0.03	0.03
Net Income (Loss) and Comprehensive Income (Loss)	367,292	(168,588)	(1,739,809)
Net Income (Loss) and Comprehensive Income (Loss), per share - basic	0.02	(0.01)	(0.08)
Net Income (Loss) and Comprehensive Income (Loss), per share - fully diluted	0.02	(0.01)	(0.08)
Total Assets	40,928,951	40,863,892	41,720,406
Total Liabilities	26,437,355	26,739,588	27,455,255
Cash Dividends	-	-	-

## Summary of Quarterly Results

The following selected financial data are derived from the unaudited quarterly financial statements of the Company, which were prepared in accordance with IFRS for the results from January 1, 2017 to December 31, 2018.

<b>For the Quarters Ended</b>	<b>2018</b>				<b>2017</b>			
	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>	<b>Mar 31</b>
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1,000,789	1,005,051	1,021,065	965,702	945,750	969,800	1,016,014	938,601
Net Income (Loss) before fair value adjustment and income taxes	189,861	57,870	83,856	47,070	442,086	96,750	73,098	41,324
Net Income (Loss) before fair value adjustment and income taxes, per share - basic and fully diluted	0.02	-	-	-	0.03	-	-	-
Net Income (Loss) and Comprehensive Income (Loss)	298,888	(66,480)	90,673	44,211	(386,646)	72,530	79,066	66,462
Net Income (Loss) and Comprehensive Income (Loss), per share - basic	0.02	-	-	-	(0.01)	-	-	-
Net Income (Loss) and Comprehensive Income (Loss), per share - fully diluted	0.02	-	-	-	(0.01)	-	-	-

\* Not presented as effect of dilutive items are anti-dilutive

## Liquidity and Capital Resources

The Company had cash of \$355,638 as of December 31, 2018 which is sufficient to cover the Company's near term cash requirements. If additional capital resources are required,

management believes that it has the ability to raise sufficient funds for the continuation of operations. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to obtain the required financing.

The Company has commitments for capital expenditures related to the landlord's work in securing the new tenants. The Company currently has access of up to \$6,000,000 in loan proceeds from a related party. As at December 31, 2018, \$4,547,000 is outstanding on this loan.

The Company is committed under lease contract for the rental of its office premises in Toronto.

To date, the Company has not paid any dividends on its shares and as of the date of this MD&A does not plan to pay dividends in the immediate future.

The Company's objectives when managing capital are:

- a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and
- b) 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.

#### **Fourth Quarter 2018**

Major events and results relating to the quarter ending December 31, 2018 are covered in the section "Fourth Quarter and Year Ended December 31, 2018 Highlights".

#### **Changes in Accounting Policies**

The Company adopted IFRS 9 Financial Instruments ("IFRS 9") effective January 1, 2018. IFRS 9 replaced IAS 39, Financial Instruments: recognition and Measurement. IFRS 9 includes guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedging requirements. The Company applied the requirements of the standard retrospectively with no restatement of comparative periods. Adoption of IFRS 9 did not have a material impact on the Company's financial statements. For more information, see note 2c of the Company's December 31, 2018 financial statements.

The Company adopted IFRS 15 effective January 1, 2018 and used the cumulative effect transition method; thus, the Company did not apply the requirements of IFRS 15 to the comparative period presented. The effect of applying IFRS 15 initially would have been recognized at January 1, 2018. The Company completed its assessment of the effect of IFRS 15 and determined the pattern of revenue recognition will remain unchanged. The Company's assessment included an examination of contracts for all revenue streams, which includes base

rent for the use of leased space and recoveries of common area costs and property taxes. For more information, see note 2f of the Company's December 31, 2018 financial statements.

The IASB issued an amendment to IAS 40 Investment Property ("IAS 40") to clarify certain existing requirements in the standard. The amendments require an asset to be transferred to or from investment property only when a change in use occurs. The amendment to IAS 40, which the Company adopted on the January 1, 2018 effective date did not have an impact on the Company's financial statements.

In June 2016, the IASB issued amendments to IFRS 2 that clarify how to account for certain types of share-based payment transactions. Adoption of the amendments to IFRS 2 did not have an impact on the Company's financial statements.

### **Financial Instruments**

All of the Company's financial instruments are initially measured at fair value, with subsequent measurements dependent on the classification of each financial instrument as follows:

<b>Asset/Liability</b>	<b>Classification under IAS 39</b>	<b>Classification under IFRS 9</b>
Investments	FVTPL	FVTPL
Other amounts receivable	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Mortgages	Other liabilities at amortized cost	Amortized cost
Purchase price payable	Other liabilities at amortized cost	Amortized cost
Loan payable	Other liabilities at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities at amortized cost	Amortized cost

### **Outstanding Share Data**

The Company is authorized to issue an unlimited number of common shares without par value. As of December 31, 2018, the Company had issued and outstanding 21,290,685 common shares with a recorded value of \$7,453,322.

The Company is also authorized to issue an unlimited number of preference shares without par value, of which none have been issued.

### **Off-Balance Sheet Arrangements**

The Company had no off-balance sheet transactions for the year ended December 31, 2018 or the year ended December 31, 2017.

## **Related Party Transactions**

During the year ended December 31, 2018, the Company:

- a) Charged rent at 1300 Bay Street and 1240 Bay Street to related parties, Plato Gold Corp., \$3,000 (2017 - \$6,000) and Ceyx Properties Ltd., \$5,000 (2017 - \$12,000). The companies are related parties of the Company by virtue of the fact that they both have the same President of the Company. As at December 31, 2018, included in accounts receivable is an amount of \$9,000 (December 31, 2017 - \$6,000) due from these related parties.
- b) Was charged consulting fees for financial and management services of \$114,376 (2017 - \$105,171) by Greg K. W. Wong, an officer of the Company. As at December 31, 2018, accounts payable and accrued liabilities included \$nil (2017 - \$108) of consulting fees payable to this officer.
- c) Incurred accounting fees for bookkeeping and financial statement preparation of \$80,000 (2017 - \$87,800) with an accounting firm, Forbes Andersen LLP, in which Paul Andersen, one of the Company's officers, is a partner. As at December 31, 2018, accounts payable and accrued liabilities included \$33,800 (2017 - \$44,000) payable to this accounting firm.
- d) Other related party transactions are disclosed in note 8 & 9 to the accompanying audited financial statements.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the particular related parties and the Company.

## **Contractual Obligations and Commitments**

The Company's contractual obligations and commitments consists of loans and mortgages which are disclosed in the notes to the audited financial statements ended December 31, 2018 and in the notes to the audited consolidated financial statements ended December 31, 2017. In February 2018, the Company moved to new offices and has lease obligations for its new offices until 2023.

## **Internal Control over Financial Reporting**

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the audited annual financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the

periods presented by the audited annual financial statements and (ii) the audited annual financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the audited annual financial statements.

In contrast to the certificate required under Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (“**MI 52-109**”), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“**DC&P**”) and internal control over financial reporting (“**ICFR**”), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

The Company’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer (such as the Company) to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Risk and Uncertainties**

The Company depends on several national retail chains for a significant part of its income. If any of these chains were adversely affected by economic or business conditions, it would have a negative impact on the Company. The Company would also be adversely affected by a long standing large increase in interest rates or a severe economic slow down.

## **OUTLOOK**

The global market is faced with uncertainty and unpredictability due to the protectionist agenda in the US, the difficult negotiations between the US and China, plus similar protectionist trends

emerging in Europe and elsewhere. As well, the delay in Brexit adds to global uncertainty in the capital markets. In North America, the uncertainty with the ratification of the new USMCA agreement adds to the challenges that business and retailers face in North America.

In Alberta, the recent election on April 16 of the conservative government is seen as a positive outcome for local businesses. Oil prices have increased in the past quarter, but continued delays in pipeline construction will still be a negative for the Alberta economy.

Pipeline politics continues to be an issue in Alberta's economy. Local governments in Canada and the US continue to delay the construction of pipelines. Growing discontent in British Columbia for the pipeline and lack of action by the Canadian government are creating uncertainty for investment in the Alberta oil sector. As a result, the energy sector remains weak.

The Bank of Canada is sending out the message of holding rates steady for the rest of the year, if not longer. Canadians continue to carry record debts and any increases in interest rates will have a negative impact on consumer spending and the Canadian economy. The US central bank is likely to hold interest rates as well, due to a slow down in the U.S. economy.

For the Company, our properties are located in regions with diverse economies and do not solely depend on the oil sector. While it's anticipated that the continuing low oil prices will have an impact on local economies, it will be mitigated somewhat in these two regions due to their diversification, with agriculture, tourism, and the Canada Forces base in Cold Lake, in addition to the oil and gas industry.

The relatively low interest rate environment will be an advantage for the Company as it reduces the interest cost for the financing of our investment portfolio. The Company regularly monitors interest rates and in light of the increase in rates in the first quarter of 2018, the Company locked in a 5 year mortgage for its two key properties. As well, commercial real estate is once again becoming a core holding in major investment portfolios, which should provide for lower cap rates in coming years.

Operationally, our business model has enabled the Company to weather the past economic downturns better than most sectors, as our anchor tenants and national retailers have a positive outlook for the region.

While the Canadian retail market is facing a major reorganization, the Company has been able to renew leases when due and secure new tenants when opportunities arise.

Management is continuing its efforts to fully lease the remaining vacancies at Tri-City Mall.

#### Tri-City Mall, Cold Lake, Alberta

The Tri-City Mall remains the flagship mall in the Company's portfolio and represents a major portion of the revenue generated for the Company.

In the year ended December 31, 2018, the Company continues to negotiate with new national tenants at the mall and is in ongoing discussions with other local tenants for the remaining space in Tri-City Mall and working to fully lease the mall.

With the changes noted above, the current tenant profile remains stable with Ardene, ATB Financial, Bentley, Bootlegger, Bross Hair, Dollar Tree, Easy Financial, Pet Valu, Pizza Hut, Sobeys, Sportschek, V-Nails & Spa, Value Drug Mart, Warehouse One and Winners. When fully leased, the mall will add substantial value to the Company's investment portfolio.

#### St. Paul Shopping Centre, St. Paul, Alberta

St. Paul Shopping Centre continues to be fully leased in its current configuration. The current tenant profile consists of Peavey Mart, Ardene, Dollar Tree, Marks, and Giant Tiger Stores occupying the mall. The two pad sites are leased by Tim Hortons and Petro Canada.

#### Three Hills, Alberta

Our Three Hills property is operating as a Bargain! Shop.

In Merritt, British Columbia, the Company still holds a vacant lot.

Our long term financing consists of mortgages and an unsecured loan with a related party. As of December 31, 2018 the mortgages outstanding for the Cold Lake and St. Paul properties stand at \$18,299,116 for these two properties bearing interest at 5.26% and maturing on September 1, 2023. The Three Hills property has a mortgage balance of \$349,729 as at December 31, 2018, paying interest at 5.85% and maturing on December 1, 2023.

The Company has access to the loan with Ceyx of up to \$6 million to finance the redevelopment of the two malls and general operation of the Company, of which \$4,547,000 is outstanding as of December 31, 2018 and as of the date of this report, with accumulated interest of \$1,096,089.

The Company had cash of \$355,638 as of December 31, 2018 with 21,290,685 shares outstanding. The closing price of the Company's common shares on the TSXV on December 31, 2018 was \$0.23.

Management continues to reduce costs at the corporate level and, when appropriate, to reduce Common Area Maintenance expenses on all properties.

The current economic situation remains challenging for new financing. In particular, financing will be difficult to obtain in the small markets where our properties are located.

We are focused on maintaining a strong relationship with our many quality tenants such as Ardene, ATB Financial, Bentley, Bootlegger, Dollar Tree, Easy Financial, Giant Tiger Stores, Mark's Work Warehouse, Peavey Mart, Pet Valu, Petro Canada, Pizza Hut, Sobeys, Sportchek, The Bargain Shop, Tim Hortons, V-Nails & Spa, Value Drug Mart, Warehouse One, and Winners. To view a complete list of our tenants please visit our website at [www.gpequities.com](http://www.gpequities.com).

Our business model of investing in anchored shopping centres, with a focus on everyday needs, remains our competitive advantage during good and difficult economic conditions.

In the last quarter and the past year the Company continues to focus on securing new leases based on the current interest by national and local tenants. Looking forward to 2019 management hopes to fully lease Tri-City Mall which will provide a substantial increase in valuation of the investment portfolio based on external appraisals. The Company is pleased to report that St. Paul Shopping Centre continues to be fully leased based in the current configuration.

Yours truly,

(signed) "Anthony J. Cohen"

Anthony J. Cohen

President & CEO

April 24, 2019