

# **Holloway Lodging Corporation**

Interim Consolidated Condensed Financial Statements  
(Unaudited)

**March 31, 2015**

(in thousands of Canadian dollars)

May 7, 2015

## **Management's Report**

The accompanying unaudited interim consolidated condensed financial statements of **Holloway Lodging Corporation** (the "Company") have been prepared by the Company's management. The unaudited interim consolidated condensed financial statements have been prepared in accordance with International Financial Reporting Standards and contain estimates based on management's judgment. The unaudited interim consolidated condensed financial statements include some amounts and assumptions based on management's best estimates which have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to ensure that the financial records are reliable for preparation of the unaudited interim consolidated condensed financial statements. The Board of Directors have reviewed and approved these unaudited interim consolidated condensed financial statements.

(signed) "*Felix Seiler*"  
Acting Chief Executive Officer

(signed) "*Jane Rafuse*"  
Chief Financial Officer

**Holloway Lodging Corporation**  
Interim Consolidated Statements of Financial Position  
(Unaudited)  
As at March 31, 2015

(in thousands of Canadian dollars)

|  | March 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|--|-------------------------|----------------------------|
| <b>Assets</b>                                      |                         |                            |
| <b>Current assets</b>                              |                         |                            |
| Cash   | 2,960                   | 3,473                      |
| Restricted cash                                    | 376                     | 347                        |
| Trade and other receivables                        | 5,264                   | 5,697                      |
| Inventories  | 531                     | 597                        |
| Prepaid expenses and deposits                      | 3,256                   | 2,258                      |
| Current portion of loans receivable (note 5)       | 1,858                   | –                          |
|  | <u>14,245</u>           | <u>12,372</u>              |
| <b>Non-current assets</b>                          |                         |                            |
| Property and equipment (note 3)                    | 323,455                 | 330,307                    |
| Franchise business (note 4)                        | –                       | 14,700                     |
| Minority interest investments in hotel properties  | –                       | 190                        |
| Capital reserve – restricted                       | 2,675                   | 2,304                      |
| Loans receivable (note 5)                          | 5,079                   | –                          |
| Other assets                                       | 601                     | 616                        |
| Deferred income tax assets                         | 22,600                  | 21,800                     |
| Funds held on behalf of franchisees                | –                       | 167                        |
|  | <u>354,410</u>          | <u>370,084</u>             |
| <b>Total assets</b>                                | <u>368,655</u>          | <u>382,456</u>             |
| <b>Liabilities</b>                                 |                         |                            |
| <b>Current liabilities</b>                         |                         |                            |
| Trade payables and accrued liabilities             | 11,423                  | 12,210                     |
| Dividends payable                                  | 677                     | –                          |
| Accrued interest on convertible debentures         | 1,369                   | 1,309                      |
| Current portion of secured credit facilities       | 8,765                   | 9,007                      |
| Current portion of mortgages and loan payable      | 6,306                   | 6,248                      |
|  | <u>28,540</u>           | <u>28,774</u>              |
| <b>Non-current liabilities</b>                     |                         |                            |
| Secured credit facilities                          | –                       | 18,000                     |
| Mortgages and loan payable                         | 127,466                 | 129,510                    |
| Convertible debentures                             | 88,430                  | 88,061                     |
| Funds to be spent on behalf of franchisees         | –                       | 167                        |
|  | <u>215,896</u>          | <u>235,738</u>             |
| <b>Total liabilities</b>                           | <u>244,436</u>          | <u>264,512</u>             |
| <b>Equity</b>                                      |                         |                            |
| Equity attributable to shareholders of the Company | 122,197                 | 115,913                    |
| Non-controlling interest                           | 2,022                   | 2,031                      |
| <b>Total equity</b>                                | <u>124,219</u>          | <u>117,944</u>             |
| <b>Total liabilities and equity</b>                | <u>368,655</u>          | <u>382,456</u>             |

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

**Holloway Lodging Corporation**  
Interim Consolidated Statements of Income  
(Unaudited)  
For the three months ended March 31, 2015 and 2014

(in thousands of Canadian dollars)

|   | For the three months ended<br>March 31,<br>2015<br>\$ | March 31,<br>2014<br>\$ |
|---|---|-------------------------|
| <b>Hotel revenues</b>   |   |                         |
| Rooms   | 23,875  | 13,963                  |
| Food and beverage   | 2,809   | 1,050                   |
| Franchising   | 412   | –                       |
| Other   | 1,382   | 338                     |
|   | <u>28,478</u>   | <u>15,351</u>           |
| <b>Hotel expenses</b>   |   |                         |
| Operating expenses  | 19,510  | 8,659                   |
| Property taxes and insurance  | 1,781   | 830                     |
| Management fees   | 121   | 328                     |
| Depreciation and amortization   | 3,683   | 2,290                   |
|   | <u>25,095</u>   | <u>12,107</u>           |
| <b>Income before the following</b>  | <u>3,383</u>  | <u>3,244</u>            |
| <b>Other (income) and expenses</b>  |   |                         |
| Interest and accretion on debt  | 4,354   | 1,779                   |
| Corporate and administrative  | 859   | 500                     |
| Share-based compensation  | 74  | 75                      |
| Investment income   | –   | (60)                    |
| Loss (gain) on disposals of property and equipment, franchise business, minority interest investment in hotel property and repurchase of convertible debentures | (8,055)   | 38                      |
| Reversal of impairment of hotel property  | –   | (1,217)                 |
| Acquisition costs   | 135   | –                       |
|   | <u>(2,633)</u>  | <u>1,115</u>            |
| <b>Income before income taxes</b>   | 6,016   | 2,129                   |
| <b>Provision for (recovery of) deferred income taxes</b> (note 6)   | (800)   | 570                     |
| <b>Net income for the period</b>  | <u>6,816</u>  | <u>1,559</u>            |
| <b>Attributable to:</b>   |   |                         |
| Shareholders of the Company   | 6,825   | 1,570                   |
| Non-controlling interest  | (9)   | (11)                    |
|   | <u>6,816</u>  | <u>1,559</u>            |
| Basic and diluted earnings per share (note 7)   | 0.35  | 0.09                    |

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

# Holloway Lodging Corporation

## Interim Consolidated Statements of Comprehensive Income

(Unaudited)

For the three months ended March 31, 2015 and 2014

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(in thousands of Canadian dollars)

|  | For the three months ended |                   |
|--|----------------------------|-------------------|
|  | March 31,<br>2015          | March 31,<br>2014 |
|  | \$                         | \$                |
| <b>Net income for the period</b>   | 6,816                      | 1,559             |
| <b>Other comprehensive income</b>  |                            |                   |
| <b>Items that may be subsequently reclassified to profit or loss</b>       |                            |                   |
| Cumulative translation adjustments   | 185                        | 71                |
| Fair value adjustments of minority interest investment in hotel properties | —                          | 80                |
| <b>Other comprehensive income</b>  | 185                        | 151               |
| <b>Comprehensive income for the period</b>                                 | 7,001                      | 1,710             |
| <b>Comprehensive income attributable to:</b>                               |                            |                   |
| Shareholders of the Company  | 7,010                      | 1,721             |
| Non-controlling interest   | (9)                        | (11)              |
|  | 7,001                      | 1,710             |

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

# Holloway Lodging Corporation

## Interim Consolidated Statements of Changes in Equity

(Unaudited)

For the three months ended March 31, 2015 and 2014

(in thousands of Canadian dollars)

|   | Common<br>shares<br>\$ | Contributed<br>surplus<br>\$ | Deficit<br>\$    | Accumulated other<br>comprehensive<br>income (loss)<br>\$ | Equity attributable to<br>shareholders of the<br>Company<br>\$ | Non-<br>controlling<br>interest<br>\$ | Total<br>equity<br>\$ |
|---|------------------------|------------------------------|------------------|---|--|---------------------------------------|-----------------------|
| <b>Balance, January 1, 2014</b>           | 223,713                | 2,327                        | (140,683)        | 28  | 85,385   | 22                                    | 85,407                |
| Net income for the period                 | –                      | –                            | 1,570            | –   | 1,570  | (11)                                  | 1,559                 |
| Other comprehensive income for the period | –                      | –                            | –                | 151   | 151  | –                                     | 151                   |
| Comprehensive income for the period       | –                      | –                            | 1,570            | 151   | 1,721  | (11)                                  | 1,710                 |
| Dividends declared to shareholders        | –                      | –                            | (628)            | –   | (628)  | –                                     | (628)                 |
| Share-based compensation                  | –                      | 75                           | –                | –   | 75   | –                                     | 75                    |
| <b>Balance, March 31, 2014</b>            | <b>223,713</b>         | <b>2,402</b>                 | <b>(139,741)</b> | <b>179</b>  | <b>86,553</b>  | <b>11</b>                             | <b>86,564</b>         |
| <b>Balance, January 1, 2015</b>           | 229,859                | 2,544                        | (116,386)        | (104)   | 115,913  | 2,031                                 | 117,944               |
| Net income for the period                 | –                      | –                            | 6,825            | –   | 6,825  | (9)                                   | 6,816                 |
| Other comprehensive income for the period | –                      | –                            | –                | 185   | 185  | –                                     | 185                   |
| Comprehensive income for the period       | –                      | –                            | 6,825            | 185   | 7,010  | (9)                                   | 7,001                 |
| Dividends declared to shareholders        | –                      | –                            | (677)            | –   | (677)  | –                                     | (677)                 |
| Share-based compensation                  | –                      | 74                           | –                | –   | 74   | –                                     | 74                    |
| Repurchase of common shares               | (123)                  | –                            | –                | –   | (123)  | –                                     | (123)                 |
| <b>Balance, March 31, 2015</b>            | <b>229,736</b>         | <b>2,618</b>                 | <b>(110,238)</b> | <b>81</b>   | <b>122,197</b>   | <b>2,022</b>                          | <b>124,219</b>        |

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

**Holloway Lodging Corporation**  
Interim Consolidated Statements of Cash Flows  
(Unaudited)  
For the three months ended March 31, 2015 and 2014

(in thousands of Canadian dollars)

|  | <b>For the three months ended</b> |                           |
|--|-----------------------------------|---------------------------|
|  | <b>March 31,<br/>2015</b>         | <b>March 31,<br/>2014</b> |
|  | <b>\$</b>                         | <b>\$</b>                 |
| <b>Cash provided by (used in)</b>  |                                   |                           |
| <b>Operating activities</b>  |                                   |                           |
| Net income for the period  | 6,816                             | 1,559                     |
| Adjustments for non-cash items (note 8)                                  | (4,635)                           | 1,812                     |
|  | 2,181                             | 3,371                     |
| Changes in items of working capital (note 8)                             | (1,465)                           | (40)                      |
|  | 716                               | 3,331                     |
| <b>Net cash generated from operating activities</b>                      |                                   |                           |
| <b>Investing activities</b>  |                                   |                           |
| Increase in capital reserve  | (371)                             | (53)                      |
| Purchase of loan receivable  | (1,858)                           | –                         |
| Proceeds from sales of property and equipment, net of costs              | 16,507                            | –                         |
| Proceeds from sale of franchise business, net of costs                   | 15,783                            | –                         |
| Proceeds from disposal of minority interest investment in hotel property | 132                               | –                         |
| Acquisition and additions to property and equipment                      | (10,565)                          | (912)                     |
| Additions to other assets  | (38)                              | –                         |
|  | 19,590                            | (965)                     |
| <b>Net cash provided by (used in) investing activities</b>               |                                   |                           |
| <b>Financing activities</b>  |                                   |                           |
| Repayment of secured credit facilities                                   | (18,242)                          | (61)                      |
| Repayment of mortgages payable and deferred financing fees               | (2,445)                           | (1,041)                   |
| Repurchase of common shares  | (124)                             | –                         |
| Repurchase of convertible debentures                                     | (8)                               | –                         |
|  | (20,819)                          | (1,102)                   |
| <b>Net cash used in financing activities</b>                             |                                   |                           |
| <b>Increase (decrease) in cash</b>                                       | (513)                             | 1,264                     |
| <b>Cash – Beginning of period</b>  | 3,473                             | 852                       |
| <b>Cash – End of period</b>  | 2,960                             | 2,116                     |
| <b>Supplemental cash flow information</b>                                |                                   |                           |
| Interest paid  | 3,856                             | 1,748                     |

Cash is comprised of cash on hand and balances with banks.

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

# Holloway Lodging Corporation

## Notes to the Interim Consolidated Condensed Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

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(in thousands of Canadian dollars)

### 1 General information

Holloway Lodging Corporation, together with its subsidiaries (“Holloway” or the “Company”) is a hospitality company that owns and operates hotels. As at March 31, 2015, the Company owned and operated 33 hotels in Canada, one hotel in the United States and a 62% interest in another hotel in Canada, with a total of 3,967 guest rooms. The address of its registered office is 6009 Quinpool Road, 10<sup>th</sup> Floor, Halifax, Nova Scotia.

The results of operations for the three months ended March 31, 2015 represent the operations of 34 hotels for the full period and 3 hotels for part of the period as the Company:

- sold the Ramada® in Trenton, ON on January 23, 2015;
- acquired the Days Inn® in Whitehorse, YT on January 30, 2015; and
- sold the Travelodge® in Toronto, ON on February 4, 2015.

The results of operations for the three months ended March 31, 2014 represent the operations of 18 hotels for the full period.

The Company’s financial results for an individual quarter are not necessarily indicative of results to be expected for the full year. Revenue from hotel operations tend to fluctuate throughout the year. The Company’s third quarter revenues are generally the strongest of the year with the other three quarters being comparable to each other.

### 2 Basis of preparation

These unaudited interim consolidated condensed financial statements (“condensed financial statements”) have been prepared in accordance with generally accepted accounting principles in Canada (“GAAP”) as set out in the CPA Canada Handbook – Accounting – Part 1 (“CPA Canada Handbook”) which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and in accordance with IAS 34 – “*Interim Financial Reporting*”. The accounting policies followed in these condensed financial statements are the same as those applied in the Company’s audited annual financial statements for the year ended December 31, 2014. These condensed financial statements should be read in conjunction with the Company’s audited annual financial statements for the year ended December 31, 2014.

These condensed financial statements were approved by the Board of Directors on May 7, 2015.

### 3 Acquisition and disposals of property and equipment

#### Royal Host Inc.

There have been no changes to the purchase price allocation since December 31, 2014. The Company will finalize the purchase price allocation upon completion of review of certain working capital balances and determination of the fair value of the tangible and intangible assets acquired. Any future adjustments resulting from this review will be recorded as an adjustment to the purchase price allocation.

#### Ramada®, Trenton, ON

On January 23, 2015, the Company sold the Ramada® in Trenton, ON for gross proceeds of \$3,950. After closing costs, the net cash proceeds were \$3,792. A portion of the proceeds were used to repay a \$3,000 secured credit facility in full. The Company recognized a gain on disposal of property and equipment of \$147 in the consolidated statement of income.



# Holloway Lodging Corporation

Notes to the Interim Consolidated Condensed Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

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(in thousands of Canadian dollars)

### 3 Acquisition and disposals of property and equipment (continued)

#### Days Inn®, Whitehorse, YT

On January 30, 2015, the Company acquired the Ramada® in Whitehorse, YT for a gross purchase price of \$8,228 which was paid in cash. The property has been rebranded as a Days Inn®.

The following table summarizes the fair value of assets acquired and consideration paid at the acquisition date:

|                                   | \$    |
|-----------------------------------|-------|
| <b>Assets acquired</b>            |       |
| Land                              | 2,470 |
| Building and components           | 4,372 |
| Furniture, fixtures and equipment | 1,250 |
| Paving                            | 100   |
| Signage                           | 11    |
| Computer equipment                | 25    |
|                                   | <hr/> |
|                                   | 8,228 |
|                                   | <hr/> |

The fair values and allocation of assets was based on the purchase and sale agreement for the property.

Included in the condensed financial statements at March 31, 2015 is revenue of \$340 and a net loss of \$84. Costs of acquisition of \$135 were recognized in the consolidated statement of income.

#### Travelodge®, Toronto, ON

On February 4, 2015, the Company sold the Travelodge® in Toronto, ON for gross proceeds of \$13,000. A portion of the proceeds were used to repay a \$2,000 secured credit facility in full. After closing costs, the net cash proceeds were \$12,715. The Company recorded a gain on disposal of property and equipment of \$1,672 in the consolidated statement of income.

### 4 Disposal of franchise business

On March 31, 2015, the Company sold the franchise business which owned the master franchise rights to the Travelodge® and Thriftlodge® hotel brands in Canada for gross proceeds of \$21,030. The purchase price was satisfied with the issuance of a \$4,000 USD senior secured note (note 5) and a cash payment of \$15,783, net of closing costs, which was applied to a \$16,000 secured credit facility which has been repaid in full. The Company recognized a gain on disposal of franchise business of \$6,285 in the consolidated statement of income.

# Holloway Lodging Corporation

## Notes to the Interim Consolidated Condensed Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

(in thousands of Canadian dollars)

### 5 Loans receivable

|                                | March 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|--------------------------------|-------------------------|----------------------------|
| Senior secured note receivable | 5,079                   | –                          |
| Mortgages receivable           | 1,858                   | –                          |
|                                | <hr/>                   | <hr/>                      |
|                                | 6,937                   | –                          |
| Less: Current portion          | 1,858                   | –                          |
|                                | <hr/>                   | <hr/>                      |
|                                | 5,079                   | –                          |

The senior secured note receivable is denominated in US dollars (US\$4,000) and bears interest at 12.0%. Interest and principal payments are due semi-annually. The maturity date of the note is April 30, 2027 although the anticipated amortization period for the principal amount of the note is approximately eight years.

The mortgages receivable consist of first and second mortgages on the same property. The mortgages bear interest at 6.5% and were due on May 1, 2015. At the date of acquisition, the mortgages were in default due to non-payment of principal, interest and property taxes and the Company has commenced foreclosure proceedings against the borrower.

### 6 Income taxes

The following table is a reconciliation of the expected deferred income tax provision (recovery) at the statutory rate to the amounts recognized in the consolidated statement of income for the three months ended March 31, 2015 and 2014:

|  | For the three months ended |                         |
|--|----------------------------|-------------------------|
|  | March 31,<br>2015<br>\$    | March 31,<br>2014<br>\$ |
| Income before income taxes                                   | 6,016                      | 2,129                   |
| Combined statutory income tax rate                           | 26.45%                     | 25.75%                  |
|  | <hr/>                      | <hr/>                   |
| Income tax expense at the combined statutory income tax rate | 1,591                      | 548                     |
| Non-taxable portion of realized gains                        | (2,643)                    | –                       |
| Non-deductible expenses                                      | 121                        | 19                      |
| Other  | 131                        | 3                       |
|  | <hr/>                      | <hr/>                   |
| Provision for (recovery of) deferred income taxes            | (800)                      | 570                     |

The statutory tax rate was 26.45% for the three months ended March 31, 2015 (for the three months ended March 31, 2014 – 25.75%).

# Holloway Lodging Corporation

## Notes to the Interim Consolidated Condensed Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

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(in thousands of Canadian dollars, except share amounts)

### 7 Earnings per share

#### Basic

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of shares outstanding during the period.

|  | <u>For the three months ended</u> |                  |
|--|-----------------------------------|------------------|
|  | <u>March 31,</u>                  | <u>March 31,</u> |
|  | <u>2015</u>                       | <u>2014</u>      |
|  | \$                                | \$               |
| Net income attributable to shareholders of the Company | 6,825                             | 1,570            |
| Weighted average number of shares outstanding          | 19,357,916                        | 17,930,002       |
| Basic earnings per share                               | 0.35                              | 0.09             |

#### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive instruments convertible into shares. This calculation is done to determine the number of shares that could have been acquired at fair value based on the subscription rights of the convertible debentures, options and warrants. During the three months ended March 31, 2015, the Company had two categories of potentially dilutive instruments – convertible debentures and options. During the three months ended March 31, 2014, the Company had two categories of potentially dilutive instruments – options and warrants. For the three months ended March 31, 2014, the options and warrants were anti-dilutive. Accordingly, diluted earnings per share for the three months ended March 31, 2014, is equal to basic earnings per share.

For the three months ended March 31, 2015, the convertible debentures are anti-dilutive. Diluted earnings per share for the three months ended March 31, 2015 is presented below:

|  | <u>For the three</u> |
|--|----------------------|
|  | <u>months ended</u>  |
|  | <u>March 31,</u>     |
|  | <u>2015</u>          |
|  | \$                   |
| Diluted income attributable to shareholders of the Company | 6,899                |
| Weighted average number of diluted shares                  | 19,454,902           |
| Diluted earnings per share                                 | 0.35                 |

At March 31, 2015, there were 19,350,289 common shares outstanding. During the three months ended March 31, 2015, the Company repurchased and cancelled 23,700 shares at a cost of \$124 (average price of \$5.25 per share).

# Holloway Lodging Corporation

## Notes to the Interim Consolidated Condensed Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

(in thousands of Canadian dollars)

### 8 Supplemental cash flow information

Adjustments for non-cash items:

|   | For the three months ended |                   |
|---|----------------------------|-------------------|
|   | March 31,<br>2015          | March 31,<br>2014 |
|   | \$                         | \$                |
| Accretion on debt and change in fair value of embedded derivative   | 438                        | 41                |
| Share-based compensation  | 74                         | 75                |
| Depreciation and amortization   | 3,708                      | 2,305             |
| Loss (gain) on disposals of property and equipment, franchise business,<br>minority interest investment in hotel property and repurchase of convertible<br>debentures | (8,055)                    | 38                |
| Reversal of impairment of hotel property  | —                          | (1,217)           |
| Provision for (recovery of) income taxes  | (800)                      | 570               |
|   | <u>(4,635)</u>             | <u>1,812</u>      |

Changes in items of working capital:

|  | For the three months ended |                   |
|--|----------------------------|-------------------|
|  | March 31,<br>2015          | March 31,<br>2014 |
|  | \$                         | \$                |
| Trade and other receivables                | 424                        | (337)             |
| Inventories                                | 66                         | (6)               |
| Prepaid expenses and deposits              | (998)                      | (285)             |
| Funds held on behalf of franchisees        | 167                        | —                 |
| Trade payables and accrued liabilities     | (1,017)                    | 588               |
| Accrued interest on convertible debentures | 60                         | —                 |
| Funds to be spent on behalf of franchisees | (167)                      | —                 |
|  | <u>(1,465)</u>             | <u>(40)</u>       |

# Holloway Lodging Corporation

## Notes to the Interim Consolidated Condensed Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

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(in thousands of Canadian dollars)

### 9 Financial instruments and fair values

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statement of income or comprehensive income. Those categories are: fair value through profit or loss; loans and receivables; available-for-sale assets; and for liabilities, amortized cost. With the exception of the items noted below, all financial instruments have fair values that approximate carrying value due to their short-term nature.

The Company's financial instruments consist of cash, restricted cash, trade and other receivables, capital reserve – restricted, loans receivable, trade payables and accrued liabilities, dividends payable, accrued interest on convertible debentures, secured credit facilities, mortgages and loan payable and convertible debentures.

The following table shows the financial instruments which have fair values that differ from carrying value:

|                            | March 31, 2015 |            | December 31, 2014 |            |
|----------------------------|----------------|------------|-------------------|------------|
|                            | Carrying value | Fair value | Carrying value    | Fair value |
|                            | \$             | \$         | \$                | \$         |
| Mortgages and loan payable | 133,772        | 124,243    | 135,758           | 126,039    |
| Convertible debentures     | 88,430         | 91,020     | 88,061            | 86,216     |

The methods and assumptions used in estimating the fair values are as follows:

Loans receivable, secured credit facilities and mortgages and loan payable: The fair values are determined using internal valuation techniques which incorporate the discounted future cash flows using discount rates that reflect current market conditions for instruments with similar interest rates, terms and risk. The fair values do not necessarily represent the amounts the Company might pay or receive in actual market transactions.

Convertible debentures: The fair value of the convertible debentures is based on the quoted market price for the debentures.

### 10 Subsequent events

On April 15, 2015, the Company sold a vacant parcel of land in Ontario for gross proceeds of \$1,084. The Company expects to record a gain on sale of approximately \$90 in the second quarter of 2015.

