Slate Office REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024

(unaudited)

Slate Office REIT

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Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands of Canadian dollars)
(unaudited)

	Note	September 30, 2024	December 31, 2023 Restated	January 1, 2023 Restated
ASSETS				
Non-current assets				
Investment properties	6	$ 1,214,596	$ 1,362,188	$ 1,754,338
Finance lease receivable	7	36,273	39,401	43,213
Other assets	8	1,089	2,087	538
Derivatives	12	1,818	12,761	28,951
Restricted cash		6,448	5,856	5,300
		$ 1,260,224	**$ 1,422,293**	**$ 1,832,340**
Current assets				
Assets held for sale		80,601	299,163	—
Finance lease receivable	7	4,104	3,812	3,580
Other assets	8	9,266	2,909	5,668
Derivatives	12	3,507	3,330	1,741
Current tax receivable		—	49	—
Accounts receivable	9	8,089	6,095	10,344
Cash		9,857	11,270	19,905
		$ 115,424	**$ 326,628**	**$ 41,238**
Total assets		**$ 1,375,648**	**$ 1,748,921**	**$ 1,873,578**
LIABILITIES AND UNITHOLDERS' EQUITY				
Non-current liabilities				
Debt	10*	$ 212,424	$ 641,542	$ 779,226
Other liabilities	11	5,514	5,284	5,918
Derivatives	12	2,684	1,061	4,216
Deferred taxes	26	348	254	454
		$ 220,970	**$ 648,141**	**$ 789,814**
Current liabilities				
Debt	10*	856,508	341,470	374,027
Debt held for sale	10	70,296	195,722	—
Other liabilities	11	1,208	1,381	1,222
Derivatives	12	192	—	—
Class B LP units	13	2,431	4,281	22,832
Accounts payable and accrued liabilities	14	55,166	42,556	39,712
Taxes payable		1,351	—	1,605
		$ 987,152	**$ 585,410**	**$ 439,398**
Total liabilities		**$ 1,208,122**	**$ 1,233,551**	**$ 1,229,212**
Unitholders' equity		**$ 167,526**	**$ 515,370**	**$ 644,366**
Total liabilities and unitholders' equity		**$ 1,375,648**	**$ 1,748,921**	**$ 1,873,578**

*Certain adjustments have been made to current and non-current debt as at December 31, 2023 (see note 10).

See subsequent events in note 28 and commitment and contingency in note 21.

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

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS

(in thousands of Canadian dollars)
(unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2024	2023	2024	2023
Rental revenue	17	$ 50,161	$ 51,034	$ 149,989	$ 148,834
Property operating expenses		(24,123)	(24,498)	(87,015)	(85,826)
Finance income on finance lease receivable	7	645	703	1,979	2,151
Interest income		93	232	280	445
Interest and finance costs	18	(19,466)	(17,648)	(56,644)	(47,587)
General and administrative expenses	19	(2,992)	(3,579)	(7,531)	(12,040)
Change in fair value of financial instruments	20	(9,164)	(1,936)	(12,631)	1,508
Change in fair value of investment properties	6	(175,401)	(41,520)	(340,598)	(79,436)
Depreciation of hotel asset	6	(250)	(243)	(748)	(724)
Transaction costs	5	(160)	—	(1,292)	—
Deferred income tax (expense) recovery	26	(71)	(197)	(85)	246
Current income tax expense	26	(48)	(460)	(2,241)	(1,056)
Net loss before Class B LP units		**$ (180,776)**	**$ (38,112)**	**$ (356,537)**	**$ (73,485)**
Change in fair value of Class B LP units	13	(1,295)	3,541	1,850	15,908
Distributions to Class B LP unitholders	16	—	(159)	—	(846)
Net loss		**$ (182,071)**	**$ (34,730)**	**$ (354,687)**	**$ (58,423)**

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2024	2023	2024	2023
Net loss		$ (182,071)	$ (34,730)	$ (354,687)	$ (58,423)
Other comprehensive income (loss) to be subsequently reclassified to profit or loss:					
Foreign currency translation income (loss)	15	1,746	3,021	6,615	(1,441)
Total other comprehensive income (loss)		1,746	3,021	6,615	(1,441)
Comprehensive loss		**$ (180,325)**	**$ (31,709)**	**$ (348,072)**	**$ (59,864)**

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

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)
(unaudited)

	Note		Trust units		Retained earnings		Accumulated other comprehensive income		**Total equity**
December 31, 2023		$	578,406	$	(65,894)	$	2,858	**$**	**515,370**
Units issued pursuant to Trustee DUP	15		228		—		—		**228**
Net loss and comprehensive loss			—		(354,687)		6,615		**(348,072)**
September 30, 2024		**$**	**578,634**	**$**	**(420,581)**	**$**	**9,473**	**$**	**167,526**

	Note		Trust units		Retained earnings		Accumulated other comprehensive income		**Total equity**
December 31, 2022		$	578,380	$	60,819	$	5,167	**$**	**644,366**
Distributions	16		—		(12,796)		—		**(12,796)**
Net loss and comprehensive loss			—		(58,423)		(1,441)		**(59,864)**
September 30, 2023		**$**	**578,380**	**$**	**(10,400)**	**$**	**3,726**	**$**	**571,706**

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

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

(unaudited)

	Note	Nine months ended September 30, 2024	2023
OPERATING ACTIVITIES			
Net loss		$ (354,687)	$ (58,423)
Items not affecting cash:			
Depreciation of hotel asset	6	748	724
Change in fair value of investment properties	6	340,598	79,436
IFRIC 21 property tax adjustment	6	3,429	3,479
Straight-line rent and other changes	6	5,754	8,439
Change in fair value of Class B LP units	13	(1,850)	(15,908)
Change in fair value of financial instruments	20	12,631	(1,508)
Deferred income tax expense	26	85	(246)
Finance income on finance lease receivable	7	(1,979)	(2,151)
Finance interest payments received on finance lease receivable	7	1,979	2,151
Distributions declared to Class B LP unitholders	16	—	846
Distributions paid to Class B LP unitholders	16	—	(969)
Interest income		(280)	(445)
Interest received		280	445
Interest and finance costs	18	56,644	47,587
Interest paid		(44,340)	(43,873)
Changes in working capital items		2,554	4,621
		$ 21,566	**$ 24,205**
INVESTING ACTIVITIES			
Acquisitions of investment properties	4	—	(3,961)
Dispositions of investment properties	5	45,362	—
Capital expenditures	6	(6,108)	(6,852)
Leasing costs	6	(13,142)	(14,886)
Proceeds from vendor-take-back loan	8	—	1,476
Principal payments received on finance lease receivable	7	2,836	2,664
		$ 28,948	**$ (21,559)**
FINANCING ACTIVITIES			
Proceeds from issuance of units	15	228	—
Distributions on REIT units	16	—	(14,660)
Mortgage advances	27	3,212	41,108
Mortgage and term loan repayments	27	(36,206)	(55,305)
Financing costs on debt	27	(3,292)	(1,278)
(Repayments) draws on revolving and term facilities, net	27	(16,064)	27,549
		$ (52,122)	**$ (2,586)**
Foreign exchange gain (loss) on cash held in foreign currency		195	(424)
Decrease in cash		**$ (1,413)**	**$ (364)**
Cash, beginning of period		**11,270**	**19,905**
Cash, end of period		**$ 9,857**	**$ 19,541**

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

1. DESCRIPTION OF THE REIT AND OPERATIONS

Slate Office REIT (the “REIT”) is an unincorporated, open-ended real estate investment trust governed by the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of March 21, 2016, as further amended on March 1, 2019, May 13, 2021 and January 15, 2024, as it may be further amended, supplemented or amended and restated from time to time (the "Declaration of Trust"). The REIT's portfolio consists of 49 commercial properties located in Canada, the United States, and Ireland. The units of the REIT trade on the Toronto Stock Exchange (“TSX”) under the symbol “SOT.UN”.

The principal, registered and head office of the REIT is 121 King Street West, Suite 200, Toronto, Ontario, Canada, M5H 3T9.

Key management personnel of the REIT are employed by Slate Asset Management L.P. ("SLAM"). The REIT has a management agreement (the “Management Agreement”) with Slate (as defined below), whereby Slate Management ULC ("SMULC"), an indirect subsidiary of SLAM (collectively, "Slate"), as the REIT's manager, provides the REIT with the strategic, administrative, property management, leasing, acquisition, financing and construction management services necessary to manage the strategy and day-to-day operations of the REIT and its assets.

2. BASIS OF PREPARATION

i. Statement of compliance

These condensed consolidated interim financial statements (the "consolidated financial statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") have been omitted or condensed. As a result, these consolidated financial statements should be read in conjunction with the REIT’s audited annual consolidated financial statements as at and for the year ended December 31, 2023.

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on November 7, 2024.

iii. Basis of measurement and going concern

These consolidated financial statements have been prepared on a going concern basis and measured at historical cost except for investment properties, assets held for sale and certain financial instruments including derivatives and Class B LP units, which are measured at fair value.

The application of the going concern basis of presentation assumes that the REIT will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The REIT's borrowings provided by its revolving facility and other debt require compliance with covenants, which if breached could lead to lenders demanding repayment and reducing availability of drawings available to the REIT. Additionally, certain of the REIT's debt, including the REIT's revolving credit facility, include cross default provisions, generally for defaults on debt in excess of $5.0 million. These covenants are described in more detail in notes 10 and 24.

As at September 30, 2024, the REIT has breached certain covenants on its revolving credit facility, convertible debentures, and certain other mortgages. In certain cases, including that with respect to the revolving credit facility, the lenders have provided a formal Event of Default notice expressing their right to demand repayment of the borrowings at their discretion. The REIT does not have sufficient liquidity or plans to make such payment should lenders exercise their rights to demand payment. In addition, the event of default on the revolving credit facility has required that all term borrowings on the facility be converted into Canadian Prime and U.S. Base Rate loans. This has resulted in an increase in the facility's weighted average interest rate to 8.86%. The REIT also has other debt arrangements that have become or will become contractually due within the next 12 months. As a result of the aforementioned covenant breaches, cross defaults, and other borrowings due and coming due within the next 12 months, the REIT has $917.9 million of debt presented as current on the statement of financial position as at September 30, 2024 (see note 23). In addition, pursuant to the trust indentures governing the Convertible Debentures, due to default letters provided by lenders of the revolving credit facility and certain other mortgages ("senior lenders"), the REIT is currently restricted from making payments of interest in respect of the Convertible Debentures so long as such defaults have not been cured or waived. The REIT has determined that based on the information currently available to it, there can be no assurance if or when a cure or waiver in respect of such defaults will be obtained, and as such, the REIT did not make the cash interest payments due on June 30, 2024 in respect of its 7.50% convertible unsecured subordinated debentures and 5.50% convertible unsecured subordinated debentures, and did not make the cash interest payment due on August 31, 2024 in respect of its outstanding 9.00% convertible unsecured subordinated debentures (collectively, the “Debentures”) (see note 23).

Additionally, changes in interest rates driven by central banks in Canada, the U.S. and Europe seeking to reduce inflationary pressures and the broad market sentiment towards the office sector as a whole have reduced the availability of and increased the cost of financing which gives rise to the risk of the REIT not being able to service its debt costs. Notwithstanding that central banks have begun to ease interest rates, the availability of debt capital remains low and the cost of borrowing continues to be high.

The REIT has undertaken various actions in order to increase liquidity and reduce its financial leverage and borrowings. These actions include, a program to dispose of certain investment properties (the "Portfolio Realignment Plan"), working with lenders and related parties to provide additional flexibility and liquidity to the REIT, a suspension of its cash distribution to unitholders, and a program to reduce capital investment and general and administrative expenses. The REIT's disposition activities under the Portfolio Realignment Plan have had limited success in raising excess proceeds to repay debt and improve liquidity. Accordingly, the REIT is suspending its Portfolio Realignment Plan, which has resulted in a significant reduction of assets classified as held-for-sale.

During the three months ended September 30, 2024 and subsequently, the REIT's financial condition has continued to deteriorate. The REIT now requires additional funding in the near term and amendments to its existing indebtedness in order to continue as a going concern. Accordingly, during the three months ended September 30, 2024, and with the assistance of professional restructuring advisors, the REIT initiated a process to seek a restructuring of a majority of its outstanding indebtedness and to raise additional capital (collectively, the "Recapitalization Plan"). The potential Recapitalization Plan may involve, among other things, amendments to the REIT's existing secured indebtedness (including amendments to covenants and extensions of maturities, among other potential amendments), conversion of all or a portion of the REIT's convertible debentures into equity, additional subscriptions for units, additional interim secured funding and/or a potential rights offering to raise additional equity capital. The REIT is currently in discussions with certain of its lenders and related parties regarding the terms of an acceptable potential Recapitalization Plan. As of the date hereof, no agreement has been reached with any of the REIT's stakeholders with respect to a potential Recapitalization Plan, and there can be no assurance that the REIT will be successful in negotiating a potential Recapitalization Plan, or in raising the additional funding needed for the REIT to continue as a going concern. If the REIT is unsuccessful in negotiating a potential Recapitalization Plan and raising additional capital in the near term, the REIT will be unable to continue as a going concern, and, in that case, the market price of the units and the convertible debentures would be materially adversely affected or extinguished.

Subsequent to September 30, 2024, the REIT was provided by SMULC with 180 days notice of the termination of the management agreement with the REIT. SMULC will cooperate and work diligently with the REIT to prepare a transition plan and effect the transition of the management services to the REIT in an orderly manner as soon as reasonably practicable. In connection with the delivery of notice of termination, Trustees Blair Welch and Brady Welch resigned from the REIT's Board. The Board is actively in the process of seeking to identify independent board candidates.

As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the REIT's ability to continue as a going concern. The outcome is dependent on the successful execution of the potential Recapitalization Plan described above. If the going concern assumption is not appropriate as of September 30, 2024, material adjustments to the carrying values of assets and liabilities would be necessary.

iv. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the REIT's functional currency and the functional currency of all of its subsidiaries, except for subsidiaries directly or indirectly holding property in the United States of America (the "United States" or the "U.S.") for which the functional currency is U.S. dollars and the Republic of Ireland ("Ireland") for which the functional currency is Euros.

v. Comparative figures

Certain comparative figures on the statements of financial position have been adjusted to conform to current year presentation. $3,330 of Derivatives have been re-classified from non-current to current assets and $1,061 was re-classified from non current assets to non current liabilities on the statement of financial position as at December 31, 2023 (see note 12).

3. MATERIAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the material accounting policies described below.

i. Material accounting policies

These consolidated financial statements have been prepared using the same accounting policies and methods disclosed in the REIT's audited annual consolidated financial statements for the year ended December 31, 2023 with the addition of the below.

ii. Application of new and revised IFRSs

(in thousands of Canadian dollars)

Amendments to IAS 1

In January 2020 and October 2022, the IASB issued amendments to IAS 1 – Classification of Liabilities as Current or Non-Current to specify the requirements for the classification of liabilities as either current or non-current. The amendments clarified the following:

- Right to defer settlement – that if an entity's right to defer settlement is subject to compliance with future covenants, the entity has a right to defer settlement of the liability regardless of compliance with such covenants at the end of the reporting period.
- Expected deferrals – that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer the settlement of the liability for at least twelve months following the reporting period even if settlement occurs prior to the authorization of the issuance of the financial statements.
- Settlement by way of own instruments – that settlement by way of an entity's own equity instruments is considered settlement for classification purposes with the exception of a conversion option that itself is classified as an equity instrument.

The amendment also provided for additional disclosures surrounding non-current liabilities for which a right to defer settlement is subject to compliance with future covenants within twelve months. The REIT adopted the amendments retrospectively for the nine months ended September 30, 2024. The amendment was adopted as of January 1, 2024 and applied retrospectively and thus $4,281 and $22,832 of Class B LP units have been re-classified on the statement of financial position as at December 31, 2023 and January 1, 2023 retrospectively from non current to current.

iii. Future accounting policies

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, IFRS 18 - Presentation and Disclosure in Financial Statements ("IFRS 18") was issued to replace IAS 1 - Presentation of Financial Statements with the aim to provide users with more transparent and comparable information. It requires companies to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category and disclose certain management-defined performance measures within its consolidated financial statements.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and is required to be applied retrospectively. The REIT is currently in the process of assessing the impact of adopting the new standard on its consolidated financial statements.

4. ACQUISITIONS

In the nine months ended September 30, 2024, the REIT did not acquire any investment properties.

In the nine months ended September 30, 2023, the REIT completed an acquisition on August 23, 2023, whereby the REIT acquired the remaining 25% interest of an office property located in Toronto, Ontario, of which it owned 75%. The purchase price of the property was $28.4 million and the acquisition was partially funded by cash and a vendor-take-back loan of $2.9 million as described in note 10.

A summary of the acquisition completed in 2023 is as follows:

	West Metro Corporate Centre
Acquisition date	August 23, 2023
Location	Toronto, ON
Number of properties	1
REIT's interest	25 %
Purchase price	$ 28,375
Transaction costs	221
Investment properties	$ 28,596
Working capital	(657)
Debt principal amount assumed	(23,978)
Investment	**$ 3,961**

(in thousands of Canadian dollars)

Consideration provided for the acquisition during the nine months ended September 30, 2023 was comprised of the following:

	West Metro Corporate Centre
Cash	$ 1,075
Vendor-take-back loan	2,886
Total Investment	**$ 3,961**

5. DISPOSITIONS

2024 Dispositions

During the nine months ended September 30, 2024, the REIT made the following investment property dispositions:

	The Sheridan Exchange	Airways Units 7 & 8	84-86 Chain Lake	Walmart Flin Flon	570 Queen Street	Total
Disposition date	February 1, 2024	February 28, 2024	May 1, 2024	May 10, 2024	July 31, 2024	
Location	Mississauga, ON	Dublin, Dublin	Halifax, NS	Flin Flon, MB	Fredericton, NB	
Number of properties	1	1	1	1	1	**5**
Interest disposed	75 %	100 %	100 %	100 %	100 %	
Sale price	$ 19,200	$ 11,028	$ 10,415	$ 3,950	$ 5,220	**$ 49,813**
Capital adjustments	(345)	—	(53)	—	—	**(398)**
Working capital	(493)	(61)	(445)	(46)	(9)	**(1,054)**
Transaction costs	(350)	(174)	(443)	(165)	(160)	**(1,292)**
Capital gains tax	—	(1,707)	—	—	—	**(1,707)**
Discharge of mortgage	(16,703)	(7,212)	—	—	—	**(23,915)**
Repayment on revolving facility	—	—	(9,474)	(3,739)	(5,051)	**(18,264)**
Net proceeds	**$ 1,309**	**$ 1,874**	**$ —**	**$ —**	**$ —**	**$ 3,183**

2023 Dispositions

During the nine months ended September 30, 2023, the REIT did not dispose of any investment properties.

(in thousands of Canadian dollars)

6. INVESTMENT PROPERTIES

The change in the carrying value of the REIT's investment properties is as follows:

		Three months ended September 30,		Nine months ended September 30,	
	Note	2024	2023	2024	2023
Beginning of period		$ 1,090,313	$ 1,708,814	$ 1,362,188	$ 1,754,338
Acquisitions[1]	4	—	28,596	—	28,596
Capital expenditures		1,484	2,010	6,108	6,852
Leasing costs		2,077	5,282	13,142	14,886
Dispositions[1]	5	(5,220)	—	(49,415)	—
Depreciation of hotel asset		(250)	(243)	(748)	(724)
Foreign exchange		3,157	7,000	14,540	(2,091)
Change in fair value		(175,401)	(41,520)	(340,598)	(79,436)
IFRIC 21 property tax adjustment		3,419	3,490	(3,429)	(3,479)
Straight-line rent and other changes		(1,642)	(2,926)	(5,754)	(8,439)
Transfer from (to) assets held for sale		296,659	(157,421)	218,562	(157,421)
End of period		**$ 1,214,596**	**$ 1,553,082**	**$ 1,214,596**	**$ 1,553,082**

[1]Represents the purchase price and capital adjustments.

Investment properties at September 30, 2024 are comprised of the REIT's interests in 44 (December 31, 2023 - 39) properties, which includes one mixed-use hotel asset, and excludes 4 assets held for sale (December 31, 2023 - 14) (described below) and a data centre in Winnipeg, Manitoba (the "Data Centre"), which is classified as a finance lease (note 7). The REIT owns an undivided interest in all investment properties with the exception of three office properties in the Greater Toronto Area in which the REIT owns a 75% interest (December 31, 2023: four office properties).

The hotel portion of the REIT's mixed-use asset does not meet the definition of an investment property under IAS 40, *Investment Property*, and accordingly is measured at cost less depreciation and any accumulated impairment losses, with depreciation charged to income over the estimated useful life of the components of the hotel asset.

At the balance sheet date there exists a limited number of observable comparable transactions and certain of the observable comparable transactions may have occurred by seller distress, financing pressure or other factors specific to those particular market participants and transactions. Accordingly, estimation uncertainty with determining the fair value of investment properties remains high.

In 2023, the REIT initiated a Portfolio Realignment Plan to dispose of certain of its properties to raise capital in order to increase liquidity and reduce its outstanding borrowings. As at September 30, 2024, the REIT classified 4 investment properties with a total estimated fair value of $80.6 million and outstanding debt principal of $70.3 million as held for sale. The REIT classified 14 investment properties with a total estimated fair value of $299.2 million and outstanding debt principal of $195.7 million as held for sale as at December 31, 2023. The REIT's disposition activities under the Portfolio Realignment Plan have had limited success in raising excess proceeds to repay debt and improve liquidity. Accordingly, the REIT is suspending its Portfolio Realignment Plan, which has resulted in a significant reduction of assets classified as held-for-sale.

The following table presents a summary of the discount and terminal capitalization rates for the fair value of the REIT's investment properties:

	September 30, 2024		December 31, 2023	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	7.50%	7.00%	6.75%	6.75%
Maximum	11.50%	10.50%	11.50%	10.50%
Weighted average	8.66%	7.78%	7.99%	7.43%

The following table presents the estimated change to fair value of the REIT's investment properties in thousands when there is an increase or decrease to the discount and terminal capitalization rates ("TCR") at September 30, 2024:

		Discount Rate				
		50 bps-	25 bps-	No change	25 bps+	50 bps+
	50 bps-	$ 102,289	$ 78,596	$ 55,417	$ 32,740	$ 10,550
	25 bps-	72,425	49,348	26,772	4,682	(16,932)
TCR	No change	44,514	22,014	—	(21,540)	(42,616)
	25 bps+	18,372	(3,589)	(25,076)	(46,101)	(66,674)
	50 bps+	(6,167)	(27,622)	(48,614)	(69,155)	(89,256)

The following table presents the estimated change to fair value of the REIT's investment properties when there is an increase or decrease to the REIT's projected net operating income over the term of the discounted cash flows:

	September 30, 2024
1% increase	$ 8,215
1% decrease	(8,215)

The following table summarizes the number of independent appraisals obtained and the aggregate fair value represented by such appraisals:

Three months ended	Number of investment properties	Fair Value
March 31, 2024	—	$ —
June 30, 2024	5	$ 255,095
September 30, 2024	—	$ —

7. FINANCE LEASE RECEIVABLE

The Data Centre owned by the REIT is fully leased. The tenant occupying the Data Centre has a lease with an initial term to maturity of 15 years, which commenced on June 5, 2015, with the option to extend for three additional five year terms. The tenant has a one-time option to acquire the property after the initial term of the lease for $12.0 million. At its inception, the lease met the requirements for classification as a finance lease, as the minimum lease payments amounted to substantially all of the fair value of the leased asset and the tenant has the right to acquire the Data Centre for a price expected to be below the fair value of the property at maturity.

A reconciliation of the change in the finance lease receivable is as follows:

	Nine months ended September 30, 2024	Year ended December 31, 2023
Beginning of period	$ 43,213	$ 46,793
Lease payments received	(4,815)	(6,420)
Finance income on finance lease receivable	1,979	2,840
End of period	**$ 40,377**	**$ 43,213**

(in thousands of Canadian dollars)

The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the consolidated statement of financial position at September 30, 2024:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	$ 6,528	$ 2,424	$ 4,104
Greater than one year but less than 5 years	27,027	6,730	20,297
Greater than 5 years	16,586	610	15,976
Total			**$ 40,377**

The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the consolidated statement of financial position at December 31, 2023:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	$ 6,420	$ 2,608	$ 3,812
Greater than one year but less than 5 years	26,882	7,660	19,222
Greater than 5 years	21,654	1,475	20,179
Total			**$ 43,213**

8. OTHER ASSETS

Other assets are comprised of the following:

	September 30, 2024	December 31, 2023
Prepaid expenses	$ 6,088	$ 2,733
Costs related to the Recapitalization Plan	2,086	—
Mortgage interest reserves	1,622	1,622
Investment tax credit receivable	456	538
Utilities deposits	103	103
Total	**$ 10,355**	**$ 4,996**

Other assets have been classified between current and non-current as follows:

	September 30, 2024	December 31, 2023
Current	$ 9,266	$ 2,909
Non-current	1,089	2,087
Total	**$ 10,355**	**$ 4,996**

Included in other assets are mortgage interest reserves totaling $1.6 million held by two of the REIT's lenders. The REIT expects the reserves of $0.7 million and $0.9 million to be repaid upon maturity, in May and December 2025, respectively.

During the the three months ended September 30, 2024, REIT incurred $2.1 million of legal and professional restructuring advisor costs related to the potential Recapitalization Plan. The REIT expects to net these expenditures against the related debt instrument upon execution of the potential Recapitalization Plan.

The REIT is eligible for a Manitoba data processing investment tax credit as a result of its development of the Data Centre. The REIT expects to receive the tax credit in installments through to 2029. Half of the tax credit is payable to the Data Centre tenant as the credits are received. The tax credit payable is included in other liabilities (see note 11).

(in thousands of Canadian dollars)

9. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	September 30, 2024	December 31, 2023
Rent receivable	$ 4,137	$ 2,000
Accrued recovery income	1,474	904
Other amounts receivable	2,888	3,248
Allowance	(410)	(57)
Total	**$ 8,089**	**$ 6,095**

Rent receivable consists of base rent and operating expense recoveries receivable from tenants.

Accrued recovery income represents amounts that have not been billed to tenants and are generally billed and paid in the period following the period to which they relate.

Included in other amounts receivable are capital expenditures recoverable from tenants.

The change in allowance is as follows:

	Nine months ended September 30, 2024	Year ended December 31, 2023
Beginning of period	$ (57)	$ (886)
Change in allowance	(353)	(529)
Bad debt write-off	—	1,358
End of period	**$ (410)**	**$ (57)**

The REIT measures the allowance at an amount equal to lifetime expected losses by taking into account past default experience and considering both current and potential bankruptcy, abandonment by tenants and certain tenant disputes.

The aging analysis of rents receivable past due but not impaired, net of allowance is as follows:

	September 30, 2024	December 31, 2023
Current to 30 days	$ 2,409	$ 951
31 to 90 days	411	443
Greater than 90 days	907	549
Total	**$ 3,727**	**$ 1,943**

(in thousands of Canadian dollars)

10. DEBT

Debt held by the REIT at September 30, 2024 is as follows:

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal
Mortgages [1 2 3 4]	Various	Various	15	$ 703,234	$ 572,668	$ 572,668
Revolving facilities [3 4 5 6 7]	Oct. 14, 2024	Various	12	348,970	292,839	292,839
Term loan [3 4 8 9]	Apr. 5, 2027	5.8%	22	242,313	133,519	133,519
Convertible debentures	Feb. 28, 2026	9.0%	—	—	28,750	28,750
Convertible debentures	Dec. 31, 2026	5.5%	—	—	84,200	84,200
Convertible debentures	Dec. 31, 2027	7.5%	—	—	45,000	45,000
Total			**49**	**$1,294,517**	**$1,156,976**	**$1,156,976**

[1]The weighted average remaining term to maturity of mortgages is 1.1 years with maturities ranging from overheld debt that matured on April 20, 2024 to October 1, 2030 and the weighted average interest rate of mortgages is 5.76% with coupons ranging from 2.53% to 10.00%. Due to covenant violations and in some cases, failure to repay on maturity, certain mortgages are contractually due on demand (discussed further in notes 21, 23 and 24).

[2]Security includes assets held for sale and the Data Centre, which is accounted for as a finance lease receivable all of which are not included in the REIT's investment properties.

[3]Certain amounts have been translated from U.S. dollars and Euros to Canadian dollars using the prevailing exchange rates on September 30, 2024.

[4]The REIT's revolving credit facility, term loan, construction facility and some mortgages are subject to financial and other covenants, including customary maximum leverage ratios, interest service coverage ratios, minimum debt service coverage ratios, minimum unitholders' equity. These covenants are described further in note 24.

[5]Stand-by fees incurred on the unused portion of the revolving credit facility are 50.63 bps, charged and paid quarterly.

[6]Principal balance includes $233,735 and U.S. $43,700 of revolving facilities. From September 30, 2024, the maximum availability of the revolving facilities is the lesser of (i) $100,000 and U.S. $38,000, (ii) the sum of the margined fair value of the property securing the facility and (iii) the amount which can be serviced (both monthly principal and interest) by the quotient obtained by dividing the net operating income by 1.40 and assuming (a) a 25 year amortization period, and (b) an interest rate compounded semi-annually, equal to the greater of (i) 4.5%, and (ii) the relevant five year government bond yield plus 2.50%. The revolving facilities mature on October 14, 2024 and the weighted average interest rate is 8.86%. Due to covenant violations, the revolving credit facility is contractually due on demand (discussed further in notes 23 and 24).

[7]Security includes assets held for sale, which are not included in the REIT's investment properties on the consolidated statement of financial position.

[8]The term loan facility is secured by 22 properties in Ireland.

[9]On July 26, 2024, the REIT amended its term loan facility to replace the interest rate cap that matured on July 8, 2024 (see note 12). The amendment fixed the coupon on the term loan at 5.78%, effective until January 7, 2026. After January 7 2026, the coupon reverts to Euribor plus 265 bps.

The carrying value of debt held by the REIT at September 30, 2024 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current [1 2]	Non-current
Mortgages	$ 572,668	$ (5,777)	$ 2,283	$ 569,174	$ 487,562	$ 81,612
Revolving facilities	292,839	(7,275)	7,207	292,771	292,771	—
Term loan	133,519	(5,169)	2,462	130,812	—	130,812
Convertible debentures [3 4]	28,750	(1,464)	—	27,286	27,286	—
Convertible debentures [3 4]	84,200	(6,479)	1,968	79,689	79,689	—
Convertible debentures [3 4]	45,000	(6,252)	748	39,496	39,496	—
Total	**$ 1,156,976**	**$ (32,416)**	**$ 14,668**	**$ 1,139,228**	**$ 926,804**	**$ 212,424**

[1]Included in current liabilities and shown as debt held for sale on the consolidated statement of financial position is $70.3 million of principal associated with assets held for sale as described in note 6. Of the $70.3 million debt associated with assets held for sale, $51.5 million is contractually current debt and $18.8 million was reclassified to current.

[2]Total debt of $858.9 million was in default due to being overheld or in breach of financial covenants as at September 30, 2024, all of which has been presented in current liabilities. Of the defaulted debt, $811.6 million was impacted due to financial covenant breaches, $35.6 million was overheld and $11.7 million was both in breach of a financial covenant and overheld. Of the $858.9 million defaulted debt, $608.1 million is contractually current and $250.8 million was reclassified to current debt. Additionally, of the defaulted debt, $50.5 million is also debt associated with assets held for sale. The REIT remains in the process of seeking an amendment to, or renewal of the above defaulted debt as of the authorization date of the condensed consolidated interim financial statements.

[3]Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion options and the issuer redemption options, originally recorded in the aggregate amount of $8.3 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

(in thousands of Canadian dollars)

[4]Due to default letters provided by senior lenders, the REIT is currently restricted from making payments of accrued interest in respect of the convertible debentures so long as such defaults have not been cured or waived. On July 15, 2024 and September 15, 2024, the REIT triggered Event of Defaults on the outstanding convertible debentures due to failure to pay interest due. The REIT has therefore reclassified the debentures as current debt (described further in note 23).

On January 27, 2023, the REIT amended the terms of its 5.25% convertible unsecured subordinated debentures, due February 28, 2023. The amendments: (i) increased the interest rate of the Debentures from 5.25% to 9.00%, effective February 28, 2023; (ii) decreased the conversion price of the Debentures from $10.53 per trust unit of the REIT to $5.50 per unit; (iii) extended the maturity date of the Debentures from February 28, 2023 to February 28, 2026; and (iv) provided that the Debentures are not redeemable prior to February 28, 2025 and, at any time after February 28, 2025, the REIT will be permitted to redeem the amended Debentures, in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of the redemption.

On August 23, 2023, in connection with the acquisition of West Metro Corporate Centre, the REIT assumed the remaining $24.0 million of debt associated with this property. Following this acquisition, the REIT refinanced the total outstanding debt of $95.9 million to a one year $82.3 million mortgage. The REIT also obtained a vendor-take-back loan of $2.9 million for the purchase of this property interest. On August 28, 2024, G2S2 Capital Inc. provided the REIT with credit support in the aggregate of up to $13.4 million and a letter of credit in favour of a tenant of the property for certain obligations that the REIT has undertaken in connection with its pursuit of leasing opportunities, such as leasing costs and tenant inducements. As at September 30th, 2024, $3.2 million has been advanced to the REIT.

On November 14, 2023, the REIT amended its revolving credit facility. The amended revolving credit facility provided certain financial covenant relief in addition to increased borrowing base availability through to March 31, 2024. The Canadian revolving credit commitment was initially reduced from $260.0 million to $252.0 million and the U.S. dollar revolving credit commitment was reduced from $76.2 million to $59.3 million, with further reductions required at future dates. Concurrently with the amendment, the REIT repaid $7.3 million on the U.S. dollar revolving credit commitment. The drawn amount on the Canadian revolving credit commitment was unaffected.

Debt held by the REIT at December 31, 2023 was as follows:

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [1]
Mortgages [2 3 4 5]	Various	Various	16	$ 920,513	$ 595,571	$ 595,571	$ —
Revolving facilities [4 5 6 7 8]	Oct. 14, 2024	Various	15	476,918	309,872	307,672	2,200
Term Loan [4 5 9]	Apr. 5, 2027	Euribor+265 bps	23	263,240	136,658	136,658	—
Convertible debentures	Feb. 28, 2026	9.00%	—	—	28,750	28,750	—
Convertible debentures	Dec. 31, 2026	5.50%	—	—	84,200	84,200	—
Convertible debentures	Dec. 31, 2027	7.50%	—	—	45,000	45,000	—
Total			**54**	**$1,660,671**	**$1,200,051**	**$ 1,197,851**	**$ 2,200**

[1]Debt is only available to be drawn subject to certain covenants and other requirements.

[2]The weighted average remaining term to maturity of mortgages is 1.5 years with maturities ranging from one overheld mortgage that matured on December 31, 2023 to October 1, 2030 and the weighted average interest rate of mortgages is 6.30% with coupons ranging from 2.53% to 10.00%.

[3]Security includes assets held for sale and the Data Centre, which is accounted for as a finance lease receivable all of which are not included in the REIT's investment properties.

[4]Certain amounts have been translated from U.S. dollars and Euros to Canadian dollars using the prevailing exchange rates on December 31, 2023.

[5]The REIT's revolving credit facility, term loan, construction facility and some mortgages are subject to financial and other covenants, including customary maximum leverage ratios, interest service coverage ratios, minimum debt service coverage ratios, minimum unitholders' equity. These covenants are described further in note 24.

[6]Stand-by fees incurred on the unused portion of the revolving credit facility are 50.63 bps, charged and paid quarterly.

[7]Principal balance includes $249,800 and U.S. $43,700 of revolving facilities. During the year ended December 31, 2023, the REIT amended the terms for calculating its borrowing base as follows: The maximum availability of the revolving facilities is the lesser of (i) $252,000 and U.S. $43,700, (ii) the sum of the margined fair value of the property securing the facility and (iii) the amount which can be serviced (both monthly principal and interest) by the quotient obtained by dividing the net operating income by 1.25 and assuming (a) a 25 year amortization period, and (b) an interest rate compounded semi-annually, equal to the greater of (i) 4.5%, and (ii) the relevant five year government bond yield plus 2.50%. From March 31, 2024, the maximum availability of the revolving facilities is calculated on an individual property basis and the net operating income divisor increases from 1.25 to 1.30. From June 30, 2024, the maximum availability of the revolving facilities reduces to $150,000 and U.S. $38,000 and the net operating income divisor increases from 1.30 to 1.40. From September 30, 2024, while maintaining the same calculation, the maximum availability of the revolving facility's Canadian dollar tranche reduces to $100,000. The calculation of the maximum capacity on a property by property basis, a greater net operating income divisor from March 31, 2024 and changes in prevailing interest rates are collectively expected to reduce the maximum drawings available by $34.8 million. The change in the maximum available drawings is highly sensitive to changes in property valuations and changes in applicable prevailing interest rates. The contractual remaining term to maturity of revolving facilities is 0.8 years and the weighted average interest rate is 8.18%.

[8]Security includes assets held for sale, which are not included in the REIT's investment properties on the consolidated statement of financial position.

[9]The term loan facility is secured by 23 properties in Ireland.

(in thousands of Canadian dollars)

The carrying value of debt held by the REIT at December 31, 2023 is as follows:

	Principal	MTM adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current[1]	Non-current
Mortgages	$ 595,571	$ (5,114)	$ 3,005	$ 593,462	$ 230,831	$ 362,631
Revolving facilities	307,672	(7,224)	5,913	306,361	306,361	—
Term loan	136,658	(5,013)	1,634	133,279	—	133,279
Convertible debentures [2]	28,750	(1,464)	—	27,286	—	27,286
Convertible debentures [2]	84,200	(6,479)	1,429	79,150	—	79,150
Convertible debentures [2]	45,000	(6,252)	448	39,196	—	39,196
	$ 1,197,851	**$ (31,546)**	**$ 12,429**	**$ 1,178,734**	**$ 537,192**	**$ 641,542**

[1]Included in current liabilities and shown as debt held for sale on the consolidated statement of financial position is $195.7 million of principal associated with assets held for sale as described in note 6. Of the $195.7 million debt associated with assets held for sale, $125.0 million is current debt and $70.7 million was reclassified to current.

[2]Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion options and the issuer redemption options, originally recorded in the aggregate amount of $8.3 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

Future contractual repayments of mortgages payable by year of maturity at September 30, 2024 are as follows:

	Weighted average interest rate of principal maturities [1]	Amortizing principal payments	Principal repayments on maturity	Total repayments
Remainder of 2024	7.82%	$ 2,657	$ 47,332	$ 49,989
2025	5.58%	9,748	386,093	395,841
2026	6.09%	4,323	77,512	81,835
2027	4.56%	3,320	28,269	31,589
2028	4.38%	2,548	—	2,548
Thereafter	4.38%	4,971	5,895	10,866
	5.76%	**$ 27,567**	**$ 545,101**	**$ 572,668**
Unamortized financing costs				(3,494)
Total				**$ 569,174**

[1]The weighted average interest rate of principal maturities is calculated using the rates in effect at September 30, 2024.

Future contractual principal payments and maturities for all debt at September 30, 2024 are as follows:

Remainder of 2024	$ 342,828
2025	395,841
2026	215,571
2027	189,322
2028	2,548
Thereafter	10,866
	$ 1,156,976
Unamortized financing costs	(17,748)
Total	**$ 1,139,228**

Convertible Debentures

The 2022 Convertible Debentures are convertible into freely tradable units at the option of the holder at any time prior to the close of business on the earliest of: (i) the last business day before the Final Maturity Date; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of $5.50 per unit (the “Conversion Price”). Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures (or the date of the Offering closing if no interest has yet been paid on the convertible debentures) to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units.

The 2022 Convertible Debentures may not be redeemed by the REIT prior to December 31, 2025. On and from December 31, 2025, and prior to December 31, 2026, the convertible debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days’ and not less than 30 days’ prior written notice provided that the volume weighted-average trading price of the units on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from December 31, 2026, and prior to December 31, 2027, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days’ and not less than 30 days’ prior written notice.

On November 19, 2021, the REIT issued $84.2 million of 5.50% extendible convertible unsecured subordinated debentures of the REIT (the "2021 Convertible Debentures"). The proceeds from the issuance of the 2021 Convertible Debentures were received on February 7, 2022 and were used to partially fund the acquisition of Yew Grove.

The 2021 Convertible Debentures are convertible into freely tradable units at the option of the holder at any time prior to the close of business on the earliest of: (i) the last business day before the Final Maturity Date; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of $6.50 per unit. Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures (or the date of the Offering closing if no interest has yet been paid on the convertible debentures) to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units.

The 2021 Convertible Debentures may not be redeemed by the REIT prior to December 31, 2024. On and from December 31, 2024, and prior to December 31, 2025, the convertible debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days’ and not less than 30 days’ prior written notice provided that the volume weighted-average trading price of the units on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from December 31, 2025, and prior to December 31, 2026, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days’ and not less than 30 days’ prior written notice.

On January 26, 2018, the REIT issued $28.8 million of 5.25% convertible unsecured subordinated debentures of the REIT (the "2018 Convertible Debentures").

On January 27, 2023, the REIT amended the terms of its 2018 Convertible Debentures. The amendments: (i) increased the interest rate of the Debentures from 5.25% to 9.00%, effective February 28, 2023; (ii) decreased the conversion price of the Debentures from $10.53 per trust unit of the REIT to $5.50 per unit; (iii) extended the maturity date of the Debentures from February 28, 2023 to February 28, 2026; and (iv) provided that the Debentures are not redeemable at the option of the REIT prior to February 28, 2025 and, at any time after February 28, 2025, the REIT will be permitted to redeem the amended Debentures, in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of the redemption. Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units. On and from February 28, 2025, and prior to February 28, 2026, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days’ and not less than 30 days’ prior written notice.

(in thousands of Canadian dollars)

Adjustment to the comparative statement of financial position as at December 31, 2023

On March 29, 2024, the REIT was notified of a breach of a covenant with a determination date of December 31, 2023 in respect of a mortgage with a borrowed amount of $13.8 million. This breach resulted in $5.6 million being repayable by the borrower within 30 days of the REIT receiving notice of a demand for repayment. At September 30, 2024, the REIT is working with the lender to amend or obtain waivers to cure the breach. Accordingly, the REIT has reclassified this $5.6 million of debt from non-current to current liabilities at December 31, 2023.

11. OTHER LIABILITIES

Other liabilities are comprised of the following:

	Note	September 30, 2024	December 31, 2023
Security deposits		$ 6,289	$ 5,907
Deferred units	15	205	489
Investment tax credit payable		228	269
Total		**$ 6,722**	**$ 6,665**

Other liabilities have been classified between current and non-current as follows:

	September 30, 2024	December 31, 2023
Current	$ 1,208	$ 1,381
Non-current	5,514	5,284
Total	**$ 6,722**	**$ 6,665**

The REIT is eligible to receive a Manitoba data processing investment tax credit in connection with the development of the Data Centre (see note 8). Half of the tax credit to be received is payable to the tenant of the Data Centre, the amount for which is recorded as an other liability. The credit is expected to be received through to 2029 and has been recorded in other liabilities at its discounted amount determined upon establishment of the liability.

12. DERIVATIVES

Derivatives include interest rate protection instruments, including interest rate swaps and caps, foreign exchange instruments, and derivative features embedded in the REIT's convertible debentures, which include the convertible debenture holder conversion option and the REIT's redemption option.

Derivatives are comprised of the following:

	September 30, 2024	December 31, 2023
Fair value of conversion option on convertible debentures	$ (25)	$ (435)
Fair value of interest rate swaps	4,686	13,613
Fair value of cross currency swap	(2,287)	(626)
Fair value of interest rate caps	75	2,478
Derivatives, net	**$ 2,449**	**$ 15,030**

(in thousands of Canadian dollars)

The following is a reconciliation of the change in the fair value of derivatives:

	Nine months ended September 30, 2024	2023
Fair value, beginning of period	$ 15,030	$ 26,476
Initial recognition of embedded derivatives on issuance of convertible debentures	—	(1,464)
Fair value change of convertible debenture embedded derivatives	409	3,858
Fair value change of interest rate swaps	405	8,875
Net (receipts) on interest rate swaps	(9,450)	(10,499)
Foreign exchange gain on U.S. interest rate swap	119	14
Fair value change of cross currency interest rate swap	(1,661)	(980)
Fair value change of interest rate caps	(2,436)	(328)
Foreign exchange gain (loss) on U.S. and Euro interest rate caps	33	(29)
Fair value, end of period	**$ 2,449**	**$ 25,923**

Interest rate protection instruments

The REIT enters into interest rate derivatives to reduce the impact of interest rate risk of certain debt with floating interest rates. The REIT currently has in place certain pay-fixed receive-float interest rate swaps and two interest rate caps. Swaps are derivative financial instruments that require a periodic exchange of payments with counter-parties without the exchange of the notional amount on which the payments are based. The recorded interest expense on the underlying mortgages payable reflects payments made and received under the interest rate swaps.

Interest rate derivatives are measured at fair value with fair values estimated as the present value of contractual cash flows based on forward curves and an applicable discount rate.

The following are the terms and fair values of the REIT's interest rate swaps where the REIT pays fixed and receives floating interest rates:

Maturity date	Floating interest rate [1]	Fixed interest rate	Notional amount [2] September 30, 2024	Notional amount [2] December 31, 2023	Fair value September 30, 2024	Fair value December 31, 2023
February 1, 2024	1 month U.S. SOFR	1.80%	$ —	$ 66,215	$ —	$ 318
March 22, 2024	1 month CDOR	1.90%	—	100,000	—	858
April 20, 2024	1 month CDOR	5.61%	—	81,300	—	(97)
March 3, 2025	1 month CORRA[3]	0.94%	62,500	62,500	895	2,670
March 3, 2025	1 month CORRA[3]	0.94%	10,000	10,000	143	427
March 3, 2025	1 month CORRA[3]	4.01%	8,000	8,000	(6)	44
May 1, 2025	1 month CORRA[3]	4.06%	59,003	59,003	(161)	227
September 10, 2025	1 month U.S. SOFR	2.18%	136,704	133,854	2,469	4,839
April 30, 2026	1 month CORRA	3.30%	79,050	—	(397)	—
October 30, 2026	1 month CORRA[3]	2.00%	100,000	100,000	1,743	4,327
Total			**$ 455,257**	**$ 620,872**	**$ 4,686**	**$ 13,613**

[1] "CORRA" means the Canadian Overnight Repo Rate Average, "SOFR" means the Secured Overnight Financing Rate, "CDOR" means the Canadian Dollar Offered Rate.
[2] The notional amount of the U.S. dollar pay-fixed receive-float interest rate swaps, maturing September 10, 2025 is U.S. $101.1 million.
[3] On July 2, 2024, the floating interest rate benchmark was converted from 1 month Bankers' Acceptances rate or Canadian Dollar Offered Rate to 1 month term CORRA.

In connection with an acquisition, the REIT entered into a cross currency interest rate swap transaction on November 16, 2021 to pay a fixed rate of 3.72% and receive a fixed rate of 5.50%, effective on January 31, 2022 and maturing on December 31, 2026. Interest payments are payable semi-annually on or around June 30 and December 30, commencing June 30, 2022. During the nine months ended September 30, 2024, the REIT recorded a fair value loss of $1.7 million (September 30, 2023: $1.0 million), which is recorded in the interim condensed consolidated statement of loss.

(in thousands of Canadian dollars)

The following are the terms and fair values of the REIT's cross currency interest rate swap:

			Notional amount [1]		Fair value	
Maturity date	Pay Euro interest rate	Receive $ interest rate	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
December 31, 2026	3.72%	5.50%	$ 75,000	$ 75,000	$ (2,287)	$ (626)
Total			**$ 75,000**	**$ 75,000**	**$ (2,287)**	**$ (626)**

[1]The notional amount of the pay Euro interest rate of 3.72% is €52.5 million and the notional amount of the receive Canadian dollar interest rate of 5.50% is $75.0 million.

The following are the terms and fair values of the REIT's interest rate caps:

			Notional amount[1]		Fair value	
Maturity date	Reference	Cap rate	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
July 8, 2024	3 month Euribor	1.60%	$ —	$ 136,658	$ —	$ 2,251
November 1, 2025	1 month U.S. SOFR	3.75%	16,095	15,737	75	227
Total			**$ 16,095**	**$ 152,395**	**$ 75**	**$ 2,478**

[1]The notional amount of the pay Euro and U.S. dollar interest rate caps are €93.6 million and US. $11.9 million, respectively.

The following is a summary of the REIT's interest rate caps:

	Nine months ended September 30,	
	2024	2023
Beginning of the period	$ 2,478	$ 3,833
Fair value changes	(2,436)	(328)
Foreign exchange gain (loss)	33	(29)
End of period	**$ 75**	**$ 3,476**

Foreign exchange rate protection instruments

From time to time, the REIT may use forward foreign exchange contracts to hedge against fair value changes in the REIT's U.S. dollar net investment in its U.S. operations arising from fluctuations in the U.S. and Canadian dollar exchange rates, and its Euro net investment in its Irish operations arising from fluctuations in the Euro and Canadian dollar exchange rates. Sources of hedge ineffectiveness include instances where the net investments in U.S. and Irish operations are less or greater than outstanding hedge instruments and potential misalignment between the term of the hedging instrument and the holding term of the REIT's net investment in U.S. and Irish operations.

The REIT entered into one derivative contract and no foreign exchange contracts during the nine months ended September 30, 2024 and one derivative contract and no foreign exchange contracts during the nine months ended September 30, 2023.

Derivatives have been classified between asset and liabilities and current and non-current as follows:

	September 30, 2024	December 31, 2023
Current assets	$ 3,507	$ 3,330
Non-current assets	1,818	12,761
Current liabilities	$ (192)	$ —
Non-current liabilities	(2,684)	(1,061)
Total	**$ 2,449**	**$ 15,030**

13. CLASS B LP UNITS

Class B LP units are exchangeable at the option of the holder into trust units of the REIT on a one-for-one basis subject to normal anti-dilution adjustments and are entitled to distributions of cash, as applicable, equal to the cash distributions paid to holders of units by the REIT.

(in thousands of Canadian dollars)

Each Class B LP unit is attached to a special voting unit of the REIT, providing Class B LP unitholders voting rights in the REIT. Special voting units have no economic entitlement in the REIT but entitle the holder to one vote per special voting unit at any meeting of the unitholders of the REIT. Special voting units are not transferable separately from the Class B LP units to which they are attached. Upon the exchange or surrender of a Class B LP unit for a unit of the REIT, the special voting unit attached to a Class B LP unit will automatically be redeemed and cancelled.

The Class B LP units are remeasured based on the quoted closing price of REIT units into which they are exchangeable with changes in fair value recognized in net loss.

The change in Class B LP units for the three months ended September 30, 2024 and 2023 is as follows:

	Three months ended September 30, 2024		Three months ended September 30, 2023	
	Units	Amount	Units	Amount
Beginning of period	5,285,160	$ 1,136	5,285,160	$ 10,465
Fair value changes	—	1,295	—	(3,541)
End of period	**5,285,160**	**$ 2,431**	**5,285,160**	**$ 6,924**

The change in Class B LP units for the nine months ended September 30, 2024 and 2023 is as follows:

	Nine months ended September 30, 2024		Nine months ended September 30, 2023	
	Units	Amount	Units	Amount
Beginning of period	5,285,160	$ 4,281	5,285,160	$ 22,832
Fair value changes	—	(1,850)	—	(15,908)
End of period	**5,285,160**	**$ 2,431**	**5,285,160**	**$ 6,924**

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	September 30, 2024	December 31, 2023
Accounts payable and accrued liabilities	$ 49,664	$ 32,263
Prepaid rent	5,222	7,970
Tenant improvements payable	280	2,323
Total	**$ 55,166**	**$ 42,556**

15. UNITHOLDERS' EQUITY

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time, with certain limitations on the quantity of trust units that may be redeemed for cash.

The REIT is also authorized to create and issue an unlimited number of preferred units, in one or more classes comprised of unlimited series, having terms and conditions as may be determined by the Board of Trustees from time to time. No preferred units have been issued.

The change in trust units during the three and nine months ended September 30, 2024 is as follows:

	Three months ended September 30, 2024		Nine months ended September 30, 2024	
	Units	Amount	Units	Amount
Beginning of period	80,291,688	578,572	80,049,062	578,406
Issued pursuant to the Trustee DUP	90,103	62	332,729	228
End of period	**80,381,791**	**$ 578,634**	**80,381,791**	**$ 578,634**

(in thousands of Canadian dollars)

The change in trust units during the three and nine months ended September 30, 2023 is as follows:

	Three months ended September 30, 2023		Nine months ended September 30, 2023	
	Units	Amount	Units	Amount
Beginning of period	80,023,409	578,380	80,023,409	578,380
End of period	**80,023,409**	**$ 578,380**	**80,023,409**	**$ 578,380**

Trustee deferred unit plan

Trustees who are not employees of the REIT or the Manager, Slate Asset Management L.P., or any of their subsidiaries, are eligible to participate in the REIT's Trustee deferred unit plan ("the Trustee DUP"). Participants may elect to receive all or a portion of their annual retainer, meeting fees and additional compensation (including travel fees), in deferred units. One deferred unit, which vests immediately on the grant date, is equivalent to one trust unit. Additional deferred units accumulate at the same rate that distributions are paid on the trust units.

The deferred units may be redeemed by a participant for a period of two years after the participant ceases to be a Trustee of the REIT in whole or in part for cash or trust units. The value of the deferred units when converted to cash will be equivalent to the market value of trust units on the date of the redemption request.

At September 30, 2024, the liability associated with the deferred units issued under the Trustee DUP was $0.2 million (December 31, 2023: $0.5 million), and the number of outstanding deferred units was 430,774 (December 31, 2023: 588,311 units). During the three and nine months ended September 30, 2024, 110,482 and 511,222 units, respectively, were redeemed for trust units under the Trustee deferred unit plan by four former Trustees of the REIT (September 30, 2023 - nil).

Officer deferred unit plan

The Officer deferred unit plan ("the Officer DUP") provides officers of the REIT the opportunity to receive deferred units of the REIT through the Officer DUP. The maximum number of deferred units reserved for issuance under the Officer DUP is 1% of total units outstanding. One deferred unit, which vests immediately on the grant date, is equal to one trust unit. Any units issued under the Officer DUP result in an equal reduction in the asset management fee payable to Slate Management Corporation, based on the trading price of units on the day of issuance.

The deferred units may be redeemed by a participant after two years following the date the units were issued in whole or in part for cash or trust units. The value of the deferred units when converted to cash will be equivalent to the market value of trust units on the date of the redemption request. If a participant ceases to be an officer of the REIT, the deferred units must be redeemed no later than two years following that date.

At September 30, 2024, the liability associated with deferred units issued under the Officer DUP was $7 thousand (December 31, 2023: $12 thousand), and the number of deferred units was 14,294 units (December 31, 2023: 14,294 units).

The change in Trustee and Officer DUP units during the three and nine months ended September 30, 2024 is as follows:

		Three months ended September 30, 2024		Nine months ended September 30, 2024	
	Note	Units	Amount	Units	Amount
Beginning of period		452,658	$ 98	602,606	$ 489
Issued		102,893	38	353,685	169
Redemption of units		(110,482)	(76)	(511,222)	(351)
Fair value adjustment	20	—	145	—	(102)
End of period		**445,069**	**$ 205**	**445,069**	**$ 205**

(in thousands of Canadian dollars)

The change in DUP units during the three and nine months ended September 30, 2023 is as follows:

		Three months ended September 30, 2023			Nine months ended September 30, 2023		
	Note	Units		Amount	Units		Amount
Beginning of period		391,252	$	775	273,502	$	1,182
Issued		80,615		108	184,196		378
Reinvested distributions		7,267		11	21,436		56
Fair value adjustment	20	—		(266)	—		(988)
End of period		**479,134**	**$**	**628**	**479,134**	**$**	**628**

Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the three and nine months ended September 30, 2024. The diluted weighted average trust units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Basic weighted average units outstanding	80,367,100	80,023,409	80,196,581	80,023,409
Class B LP units	5,285,160	5,285,160	5,285,160	5,285,160
Basic weighted average deferred units outstanding	360,190	394,675	471,361	334,826
Diluted weighted average units outstanding	**86,012,450**	**85,703,244**	**85,953,102**	**85,643,395**

Diluted units outstanding

The following is the diluted number of units outstanding as at September 30, 2024 and 2023. The diluted number of units outstanding is determined as if all of the Class B LP units and deferred units had been converted to units of the REIT:

	September 30, 2024	September 30, 2023
Trust units outstanding	80,381,791	80,023,409
Class B LP units	5,285,160	5,285,160
Deferred units	445,069	479,134
Diluted units outstanding	**86,112,020**	**85,787,703**

Accumulated other comprehensive income consists of the below:

	Nine months ended September 30, 2024						Nine months ended September 30, 2023					
		Foreign currency translation		Net investment hedges		Total		Foreign currency translation		Net investment hedges		Total
Beginning of period	$	7,678	$	(4,820)	$	2,858	$	9,987	$	(4,820)	$	5,167
Currency translation		6,615		—		6,615		(1,441)		—		(1,441)
End of period	**$**	**14,293**	**$**	**(4,820)**	**$**	**9,473**	**$**	**8,546**	**$**	**(4,820)**	**$**	**3,726**

OCI represents changes in the REIT's equity during a period arising from transactions and other events with non-owner sources.

16. DISTRIBUTIONS

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the Board of Trustees. Distributions to Class B LP unitholders are recorded in net loss. Beginning April 2023, the REIT decreased monthly distributions from $0.0333 to $0.0100 per unit and in November 2023, the REIT suspended its monthly cash distribution to unitholders and holders of Class B LP units. All distributions settled during the three and nine months ended September 30, 2023 were paid in cash.

(in thousands of Canadian dollars)

The REIT did not declare or pay distributions during the three and nine months ended September 30, 2024.

The following table presents the distributions during the three and nine months ended September 30, 2023:

	Three months ended September 30, 2023		Nine months ended September 30, 2023	
	Trust units	LP units	Trust units	LP units
Distributions declared during the period	$ 2,401	$ 159	$ 12,796	$ 846
Add: Distributions payable, beginning of period	801	53	2,665	176
Less: Distributions payable, end of period	(801)	(53)	(801)	(53)
Distributions paid during the period	**$ 2,401**	**$ 159**	**$ 14,660**	**$ 969**

17. RENTAL REVENUE

Rental revenue is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Property base rent [1]	$ 26,218	$ 27,620	$ 79,183	$ 82,959
Operating cost recoveries	15,269	15,862	46,427	44,632
Tax recoveries	6,795	6,897	20,795	21,315
Hotel	3,521	3,581	9,338	8,367
Straight-line rent and other changes	(1,642)	(2,926)	(5,754)	(8,439)
Total	**$ 50,161**	**$ 51,034**	**$ 149,989**	**$ 148,834**

[1]Includes parking revenue earned at properties.

The REIT has contracted to receive the following future minimum lease payments under non-cancellable operating leases:

	September 30, 2024	December 31, 2023
Not later than one year	$ 113,696	$ 113,231
Later than one year and not later than five years	360,756	335,349
Later than five years	182,703	178,570
Total	**$ 657,155**	**$ 627,150**

Future minimum lease payments for the Data Centre are excluded from the above as the lease is classified as a finance lease. Future minimum lease payments for the Data Centre are disclosed in note 7.

18. INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Mortgage interest	$ 9,267	$ 8,790	$ 27,464	$ 23,561
Interest on other debt	6,032	4,861	16,450	12,562
Amortization of financing costs	1,505	1,343	4,804	3,743
Amortization of debt mark-to-market adjustments	(9)	(9)	(27)	(29)
Interest on convertible debentures [1 2 3]	2,671	2,663	7,953	7,750
Total	**$ 19,466**	**$ 17,648**	**$ 56,644**	**$ 47,587**

[1]The convertible debentures issued on January 26, 2018 and amended on January 27, 2023 pay interest at 9.00%. Payments are due semi-annually on or about February 28th and August 30th. The amount above represents the interest accrued and paid.

(in thousands of Canadian dollars)

[2]The convertible debentures issued on November 19, 2021 pay interest at 5.50%. Payments are due semi-annually on or about June 30th and December 31st. The amount above represents the interest accrued but not yet paid.
[3]The convertible debentures issued on October 24, 2022 pay interest at 7.50%. Payments are due semi-annually on or about June 30th and December 31st. The amount above represents the interest accrued but not yet paid.

Financing costs associated with financial liabilities measured at amortized cost such as mortgages payable and the revolving credit facility are netted against the carrying amount of the related debt instrument and amortized using the effective interest method over the term of the related debt.

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

		Three months ended September 30,		Nine months ended September 30,	
	Note	2024	2023	2024	2023
Asset management fees	21	$ 1,163	$ 1,393	$ 3,749	$ 4,210
Professional fees	21	1,304	1,305	2,077	4,280
Trustee fees		70	124	255	444
Bad debt expense, net		142	345	500	1,683
Other		313	412	950	1,423
Total		**$ 2,992**	**$ 3,579**	**$ 7,531**	**$ 12,040**

20. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The change in fair value of financial instruments is comprised of the following:

		Three months ended September 30,		Nine months ended September 30,	
	Note	2024	2023	2024	2023
Interest rate swaps	12	$ (3,738)	$ 1,177	$ 405	$ 8,875
Net receipts on interest rate swaps	12	(2,658)	(1,711)	(9,450)	(10,499)
Interest rate caps	12	(980)	(511)	(2,436)	(328)
Convertible debenture embedded derivatives	12	139	(942)	409	3,858
Deferred units	15	(145)	266	102	988
Cross currency swap	12	(1,782)	(215)	(1,661)	(980)
Loss on extinguishment of debt		—	—	—	(406)
Total change in fair value of financial instruments recognized in net loss		**$ (9,164)**	**$ (1,936)**	**$ (12,631)**	**$ 1,508**

21. RELATED PARTY TRANSACTIONS

The REIT has a management agreement (the "Management Agreement") with Slate (as defined in note 1), whereby SMULC as the REIT's manager provides the REIT with the strategic, administrative, property management, leasing, acquisition, financing and construction management services necessary to manage the strategy and day-to-day operations of the REIT and its assets. Key management personnel of the REIT are employed by SLAM. Subsequent to September 30, 2024, Slate provided the REIT with 180 days' notice of termination of its the management agreement with the REIT and is currently working with the REIT to prepare a transition plan and effect the transition of the management services to the REIT in an orderly manner (see note 28).

These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established under contract and approved by the REIT's Board of Trustees. The REIT's key personnel include trustees and officers of the REIT.

(in thousands of Canadian dollars)

Slate held the following interests in the REIT:

	September 30, 2024	December 31, 2023
REIT units	3,329,040	3,302,040
Class B LP units	5,285,160	5,285,160
Total	**8,614,200**	**8,587,200**
Economic interest	10.0%	10.0%

During the nine months ended September 30, 2024, Slate purchased 27,000 REIT units (September 30, 2023: 430,989).

The Management Agreement provides for the following fees:

Type	Basis
Property management	3% of gross revenue [1]
Asset management	0.3% of gross book value [2]
Leasing	5% on new leases, 2% on renewals [3]
Financing	0.25% of debt financed
Construction	5.0% of costs
Acquisition	Variable [4]

[1]Gross revenue is defined as all revenues received by and/or on behalf of the REIT from the leasing and/or licensing of the REIT's investment properties.
[2]Gross book value is defined as the book value of the REIT's assets as shown on the previous quarter's consolidated financial statements, less restricted cash.
[3]Leasing fees are charged to the REIT net of any third party brokerage fees paid to leasing agents retained by the REIT. No fee is charged to the REIT where such third party fees are equal to or greater than the lease fee payable to Slate.
[4]Acquisition fees are 1.00% on the first $100.0 million of acquisitions; 0.75% on the next $100.0 million of acquisitions and 0.50% for acquisitions in excess of $200.0 million.

Property and asset management fees are recorded as property operating and general and administrative expenses, respectively, in the period incurred. Acquisition, construction and leasing fees are recorded as additions to investment properties when payable to SMULC. Financing fees are capitalized to debt placed at the time of closing and amortized to interest expense over the term to maturity of the related debt.

Fees payable during the period to SMULC and SLAM for services provided were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Property management	$ 1,375	$ 1,391	$ 3,947	$ 4,228
Asset management	1,163	1,393	3,749	4,210
Leasing, financing and construction management	370	1,169	2,489	1,950
Acquisition	—	43	—	43
Total	**$ 2,908**	**$ 3,996**	**$ 10,185**	**$ 10,431**

Property administration fees are generally recoverable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's investment properties. Property administration fees were $8.3 million for the nine months ended September 30, 2024 (September 30, 2023: $7.7 million). Administrative fees are recovered from most tenants by the REIT in accordance with the terms of the leases, whereas property management fees payable by the REIT to the Manager are determined in accordance with the Management Agreement.

The REIT entered into an agreement to lease approximately 6,000 square feet of office space to Slate at one of its properties at market rents which expires October 31, 2029. In 2022, the REIT agreed to lease approximately 4,000 additional square feet to Slate at the same property and at the same rent rate and expiration. Total rent received under this lease for the three and nine months ended September 30, 2024 was $0.1 million and $0.4 million, respectively (three and nine months ended September 30, 2023: $0.1 million and $0.4 million). There were no amounts receivable related to this lease at September 30, 2024 and December 31, 2023.

(in thousands of Canadian dollars)

The following are the assets and liabilities included in the consolidated statements of financial position of the REIT related to SMULC and SLAM:

	September 30, 2024	December 31, 2023
Accounts receivable	$ 111	$ 13
Accounts payable and accrued liabilities	(355)	(178)
Class B LP units	(2,431)	(4,281)

A trustee of the REIT and a corporation controlled by the trustee, G2S2 Capital Inc., through its wholly-owned subsidiary, Armco Alberta Inc. (collectively, "G2S2"), held the following interests in the REIT:

	September 30, 2024	December 31, 2023
REIT units	15,110,200	15,110,200
Deferred units	128,191	35,839
Total	**15,238,391**	**15,146,039**
Economic interest	17.7%	17.6%

G2S2 also held an aggregate principal amount of $12.1 million (December 31, 2023: $12.1 million) of the REIT's convertible debentures as at December 31, 2023. If G2S2 was the sole convertible debenture holder to convert to trust units, it would indirectly own a total of 17,374,517 trust units (December 31, 2023: 17,282,165), representing an economic interest of approximately 19.7% (December 31, 2023: 19.6%) on a diluted basis.

The REIT entered into an agreement to lease approximately 17,000 square feet of office space to G2S2 at one of its properties at market rents which expired June 30, 2023. G2S2 vacated the property subsequent to June 30, 2023. Total rent received under this lease for the nine months ended September 30, 2023 was $118 thousand. There were no amounts receivable related to this lease at September 30, 2024 and December 31, 2023. In connection with a settlement agreement signed on February 16, 2023, between the REIT and G2S2, the REIT agreed to reimburse G2S2 for out-of-pocket fees and expenses including legal fees relating to the agreement. During the nine months ended September 30, 2023, the REIT reimbursed G2S2's legal fees of $161 thousand and recorded the cost to professional fees.

On January 12, 2024, the REIT announced that the REIT and G2S2 agreed to amend the settlement agreement to, among other things, (i) reduce the size of the Board from eight to six trustees at the REIT's next annual general meeting, and (ii) to terminate certain restrictions applicable to G2S2 including restrictions on G2S2 acquiring additional securities of the REIT. G2S2 also agreed to provide credit support and a letter of credit in favour of a tenant of the REIT for certain obligations that the REIT has undertaken in connection with its pursuit of leasing opportunities, such as leasing costs and tenant inducements. On August 28, 2024, G2S2 provided the REIT with credit support in the aggregate of up to $13.4 million and the letter of credit. As at September 30th, 2024, $3.2 million has been advanced to the REIT. At September 30, 2024, the REIT triggered an Event of Default under a mortgage that includes cross-default provisions with the credit support provided by G2S2. As a result, the REIT has also triggered an Event of Default on the credit support and therefore has been classified as a current debt.

22. FAIR VALUES

The REIT uses various methods in estimating the fair values of assets and liabilities recognized and measured at fair value in its consolidated financial statements. The REIT has a management team that has overall responsibility for overseeing all significant fair value measurements. Significant unobservable inputs and valuation adjustments are reviewed on a regular basis. In addition, when third party information is used to measure fair values, supporting evidence is obtained and reviewed to ensure compliance with the IFRS requirements.

The following categories in the fair value hierarchy reflect the significance of inputs used in determining fair values:

- Level 1: Quoted prices in active markets;
- Level 2: Inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3: Valuation technique for which significant inputs are not based on observable market data.

The fair values of the REIT's cash, restricted cash, accounts receivable, other assets and accounts payable and accrued liabilities and other liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments. The fair value of the REIT's revolving credit facility and term loan approximates their carrying value since the facilities bear interest at floating market interest rates. Mortgages are measured at amortized cost, and their fair values are based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

(in thousands of Canadian dollars)

The following tables summarize the fair value measurements recognized on the consolidated statements of financial position or disclosed in the REIT's consolidated financial statements, categorized by fair value hierarchy, excluding current assets and liabilities measured at amortized cost:

			Fair value		
September 30, 2024	Note	Carrying amount	Level 1	Level 2	Level 3
Assets					
Investment properties	6	$ 1,214,596	$ —	$ —	$ 1,214,596
Assets held for sale	6	80,601	—	—	80,601
Derivatives	12	5,325	—	5,325	—
Restricted cash		6,448	6,448	—	—
Total assets		**$ 1,306,970**	**$ 6,448**	**$ 5,325**	**$ 1,295,197**
Liabilities					
Derivatives	12	2,876	—	2,876	—
Class B LP units	13	(2,431)	(2,431)	—	—
Debt	10	(1,068,932)	—	(1,083,637)	—
Debt held for sale	10	(70,296)	—	(69,424)	—
Total liabilities		**$ (1,138,783)**	**$ (2,431)**	**$ (1,150,185)**	**$ —**

			Fair value		
December 31, 2023	Note	Carrying amount	Level 1	Level 2	Level 3
Assets					
Investment properties	6	$ 1,362,188	$ —	$ —	$ 1,362,188
Assets held for sale	6	299,163	—	—	299,163
Derivatives	12	16,091	—	16,091	—
Restricted cash		5,856	5,856	—	—
Total assets		**$ 1,683,298**	**$ 5,856**	**$ 16,091**	**$ 1,661,351**
Liabilities					
Derivatives	12	1,061	—	1,061	—
Class B LP units	13	(4,281)	(4,281)	—	—
Debt	10	(983,012)	—	(993,720)	—
Debt held for sale	10	(195,722)	—	(192,780)	—
Total liabilities		**$ (1,181,954)**	**$ (4,281)**	**$ (1,185,439)**	**$ —**

23. RISK MANAGEMENT

In the normal course of business, the REIT is exposed to financial risks that arise from its financial instruments. Other than the use of interest rates and foreign exchange derivatives related to its floating rate mortgages and revolving facilities payable and net investment in foreign operations, the REIT does not use hedging transactions to manage risk. As a part of the overall operation of the REIT, management takes steps to avoid undue concentrations of risks. The following describes the types of risks that the REIT is exposed to and its objectives and policies for managing those risk exposures:

Liquidity risk

Liquidity risk is the risk that the REIT will encounter difficulty in meeting its debt and other financial obligations as they mature.

The principal liquidity needs of the REIT arise from working capital requirements; debt servicing and repayment obligations; obligations to redeem outstanding puttable trust units at the option of the unitholders; and planned funding of maintenance capital expenditures and leasing costs.

The liquidity needs of the REIT are funded by cash flows from operating the REIT's investment property portfolio and available credit facilities, with the exception of debt repayment obligations, investment property acquisition funding requirements and obligations to redeem puttable trust units. These are funded by refinancing the REIT's maturing debt, disposition of investment properties and future issuances of REIT units and debentures. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of this strategy.

The REIT's liquidity is impacted by various covenants, certain of which are described in note 24. Compliance with the requirements of the revolving facility, which became more restrictive as of March 31, 2024 and are described in note 10, and the covenants applicable to the REIT's term loans and mortgages are dependent on the REIT achieving its financial forecasts. As at September 30, 2024, the REIT has breached financial leverage, debt service coverage and minimum unitholders' equity covenants pertaining to the revolving credit facility and certain mortgage agreements, and failed to repay principal due on maturity, totaling $858.9 million of breached debt. In certain cases, including that with respect to the revolving credit facility and mortgages, the lenders have provided the REIT with a formal Event of Default notice expressing their right to demand repayment of the borrowings at their discretion. In another case, on March 29, 2024, the REIT received a default letter relating to debt outstanding as of December 31, 2023 requiring a principal payment of $5.6 million to cure such default (see note 10).

In addition, pursuant to the trust indentures governing the Debentures, due to default letters provided by senior lenders, the REIT is currently restricted from making payments of accrued interest in respect of the Debentures so long as such defaults have not been cured or waived. The REIT has determined that based on the information currently available to it, there can be no assurance regarding if or when a cure or waiver in respect of such defaults will be achieved, and as such, the REIT did not make the cash interest payments due on June 30, 2024 in respect of its 7.50% convertible unsecured subordinated debentures and 5.50% convertible unsecured subordinated debentures, and did not make the cash interest payment due on August 31, 2024 in respect of its outstanding 9% convertible unsecured subordinated debentures. Failure to pay interest on the Debentures for 15 days following such interest being due gave rise to an Event of Default under the terms of the trust indentures. On July 15, 2024 and September 15, 2024, the REIT triggered Event of Defaults on its outstanding debentures. However, the trust indentures also provide that the Debenture holders will not be entitled to demand or institute proceedings for the collection of indebtedness represented by the Debentures at any time when a default has occurred under senior indebtedness and is continuing and which permits the holder of the senior indebtedness to demand payment or to accelerate the maturity thereof, and the notice of such event of default has been given by or on behalf of the holders of senior indebtedness to the REIT, unless the senior indebtedness has been cured, waived or repaid in full. However, the REIT has presented the Debentures as current on the statement of financial position.

The REIT seeks to maintain collaborative relationships with its financing counterparties to minimize the impact economic and property markets may have on the REIT's current and future debt. However, changes in interest rates driven by central banks in Canada, the U.S. and Europe seeking to reduce inflationary pressures and broad market sentiment towards the office sector as a whole have reduced the availability of and increased the cost of financing. The risk associated with the refinancing of maturing debt is mitigated, in part, by matching debt maturities on mortgages with lease renewals to optimize the value of the assets with the leverage to achieve the best value for pricing. However, as a result of certain event of default notices received as at and subsequent to September 30, 2024, the REIT is now subject to various additional restrictions. These include limitations on acquiring new debt and distributing profits related to certain properties.

During the three months ended September 30, 2024 and subsequently, the REIT's financial condition has continued to deteriorate. The REIT now requires additional funding in the near term and amendments to its existing indebtedness in order to continue as a going concern. Accordingly, during the three months ended September 30, 2024, and with the assistance of professional restructuring advisors, the REIT initiated a process in respect of the potential Recapitalization Plan. The potential Recapitalization Plan may involve, among other things, amendments to the REIT's existing secured indebtedness (including amendments to covenants and extensions of maturities, among other potential amendments), conversion of all or a portion of the REIT's convertible debentures into equity, additional subscriptions for units, additional interim secured funding and/or a potential rights offering to raise additional equity capital. The REIT is currently in discussions with certain of its lenders and related parties regarding the terms of an acceptable potential Recapitalization Plan. As of the date hereof, no agreement has been reached with any of the REIT's stakeholders with respect to a potential Recapitalization Plan, and there can be no assurance that the REIT will be successful in negotiating a potential Recapitalization Plan, or in raising the additional funding needed for the REIT to continue as a going concern. If the REIT is unsuccessful in negotiating a potential Recapitalization Plan and raising additional capital in the near term, the REIT will be unable to continue as a going concern, and, in that case, the market price of the units and the convertible debentures would be materially adversely affected or extinguished.

(in thousands of Canadian dollars)

The following table summarizes the estimated future contractual maturities of the REIT's financial liabilities at September 30, 2024:

	Note	Total contractual cash flow	Remainder of 2024	2025-2026	2027-2028	Thereafter
Accounts payable and accrued liabilities	14	$ 55,166	$ 55,166	$ —	$ —	$ —
Amortizing principal repayments on debt	10	55,281	2,657	34,857	12,796	4,971
Principal repayments on maturity of debt	10	1,101,695	340,171	576,555	179,074	5,895
Interest on debt [1]		76,805	12,691	56,054	7,382	678
Interest rate swaps [2]		(8,050)	(3,368)	(4,682)	—	—
Other liabilities	11	6,722	1,165	1,003	1,034	3,520
Total		**$ 1,287,619**	**$ 408,482**	**$ 663,787**	**$ 200,286**	**$ 15,064**

[1]Interest amounts on floating rate debt have been determined using rates at September 30, 2024.

[2]Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the forward rates determined at September 30, 2024.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows or fair values of the REIT's financial instruments.

Interest rate cash flow risk is minimized by the REIT by having a portion of its mortgages on fixed term arrangements. In addition, the maturity dates of mortgages are staggered over a number of years to mitigate the exposure in any one year. The REIT also uses interest rate swaps to fix interest rates on a portion of its floating rate debt.

At September 30, 2024, after the impact of interest rate swaps and caps, the REIT had floating rate debt of $260.4 million (December 31, 2023: $132.3 million). The following table presents the annualized impact of a change in floating interest rates of 25 bps on finance costs:

	September 30, 2024	December 31, 2023
Change of 25 bps	$ 651	$ 331

Credit risk

Credit risk is the risk that the REIT incurs a loss as a result of a counterparty not fulfilling its financial obligation. Credit risk is associated with the REIT's accounts receivable and finance lease receivable. The REIT controls risks by avoiding undue concentration of assets in any geographic location, in any industry or with any specific tenants. This risk is further mitigated by signing long-term leases with tenants who have investment-grade credit ratings and investing cash and cash equivalents in large financial institutions with strong credit ratings. The REIT has credit policies to address credit risk, which are applied during lease negotiations and may include the analysis of the financial position of the debtor, and a review of credit limits, credit history and credit performance.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. Foreign currency forwards may be used from time-to-time to hedge the REIT's net investment in foreign operations. Refer to notes 12 and 20 for details of the REIT's forward currency transactions. The REIT is exposed to foreign currency risk on its foreign exchange forward transaction and its cross currency swap which were set to mitigate the foreign exchange risk of its Irish assets and U.S. assets as well as monetary assets and liabilities denominated in U.S. dollars and Euros. In order to mitigate a portion of this risk, the REIT has financed its U.S. operations with U.S. dollar denominated debt and its Irish operations with Euro denominated debt, acting as a natural hedge.

(in thousands of Canadian dollars)

24. CAPITAL MANAGEMENT

The REIT's capital management objectives are to (i) ensure compliance with the REIT's Declaration of Trust, (ii) ensure compliance with restrictions in debt agreements, and (iii) provide sufficient liquidity to operate the REIT's investment properties, fund obligations as they become due and build unitholder value. Procedures to monitor compliance with the Declaration of Trust and debt agreements are performed as a part of the overall management of operations and periodically by review of the REIT's Board of Trustees and reporting to the REIT's lenders. In order to maintain or adjust the capital structure, the REIT may issue trust units, increase the amount of distributions paid to unitholders, return capital to unitholders, or reduce debt. However, as a result of certain event of default notices received as at September 30, 2024, the REIT is now subject to various additional restrictions beyond those disclosed in note 23. These include limitations on acquiring new debt and distributing profits related to certain properties.

The REIT considers its debt and equity instruments to be its capital as follows:

	September 30, 2024	December 31, 2023
Debt	$ 1,139,228	$ 1,178,734
Class B LP units	2,431	4,281
Equity	167,526	515,370
Total	**$ 1,309,185**	**$ 1,698,385**

In order to provide for greater flexibility, and while management pursued the Portfolio Realignment Plan to decrease leverage, on January 15, 2024, the REIT amended the REIT's Declaration of Trust for the purposes of removing the restriction imposed on the REIT not to incur or assume additional indebtedness (being certain defined obligations set out in the REIT's Declaration of Trust) that would cause the REIT to achieve financial leverage in excess of 65% of its gross book value, which is defined in the Declaration of Trust as the REIT's total assets less restricted cash (the "Restriction"). The trustees of the REIT have decided to exercise their discretion to implement the proposed amendment to the declaration of trust in the form of a waiver of the Restriction until December 31, 2025, rather than implement the proposed amendment as a blanket removal of the Restriction. In addition to the foregoing, and as previously disclosed, the board of trustees adopted the Restriction within the board's operating guidelines, with the board having discretion to waive the Restriction to the extent that the board determines that doing so is in the best interests of the REIT. Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines. After December 31, 2025, the Declaration of Trust provides that the REIT is not permitted to incur or assume additional indebtedness that would cause (as at the time of incurrence or assumption, as applicable) the REIT to achieve financial leverage in excess of 65% of its gross book value. For certainty, under the REIT's Declaration of Trust, the measurement of any indebtedness against the REIT's gross book value is completed only at the time of the incurrence or assumption of the indebtedness in question (which would exclude the refinancing of existing debt that is outstanding) and is not a determination that is continually assessed over time against the REIT's gross book value. The REIT's indebtedness ratio at September 30, 2024 was 83.2% (December 31, 2023: 67.6%) and calculated as follows:

	September 30, 2024	December 31, 2023
Total assets	$ 1,375,648	$ 1,748,921
Less: Restricted cash	(6,448)	(5,856)
Gross book value	**$ 1,369,200**	**$ 1,743,065**
Debt	1,139,228	1,178,734
Leverage ratio	**83.2%**	**67.6%**

Management's target is to reduce the REIT's total indebtedness below 65% of its gross book value by executing on the potential Recapitalization Plan to decrease leverage and generate equity to pay down the REIT's revolving credit and operating facilities. However, if such plan is unsuccessful and other financing is not available, and the REIT's gross book value declines further, total indebtedness may further exceed 65% of the REIT's gross book value.

Financial covenants

The REIT's revolving credit facility, term loan, construction facility and some mortgages are subject to financial and other covenants, including customary maximum leverage ratios, interest service coverage ratios, minimum debt service coverage ratios, minimum unitholders' equity and mutual performance conditions among others which may impact the available capacity based on the financial results of the REIT. For the REIT's revolving credit facility, financial covenants include a maximum leverage ratio, minimum debt service coverage ratio, and minimum unitholders' equity, with calculations conducted quarterly. Similarly, the REIT's term loan is subject to financial covenants, including a maximum leverage ratio and minimum historical and forecasted interest coverage ratios, also calculated quarterly.

(in thousands of Canadian dollars)

Additionally, the construction facility and some mortgages are subject to financial covenants, including a maximum leverage ratio, minimum debt service coverage ratio, and minimum unitholders' equity, calculated quarterly or annually.

The REIT's debt is subject to financial leverage, debt service coverage, debt yield, minimum unitholders equity and liquidity covenants, the following relate to the revolving credit facility:

- Total debt to gross book value 65% or less. At September 30, 2024 the REIT's total debt to gross book value was 83.2%.
- Senior debt, which is total debt excluding the REIT's convertible debentures to gross book value, of 55% or less. At September 30, 2024 the REIT's senior debt to gross book value was 72.5%.
- Debt service coverage ratio not less than 1.25:1. At September 30, 2024 the REIT's debt service coverage ratio was 1.16:1.
- Minimum unitholders' equity, which includes the REIT's Class B LP Units of $350.0 million. At September 30, 2024 the REIT's unitholders' equity was $170.2 million.

The REIT is also subject to additional covenants associated with various mortgages. Additionally, certain of the REIT's debt, including the REIT's revolving credit facility, includes cross default provisions, generally for defaults on debt in excess of $5.0 million.

At September 30, 2024, as discussed above, the REIT exceeded the financial leverage and debt service coverage covenants on its revolving credit facility and certain other mortgages resulting in other mortgages being in breach due to cross-default clauses. The REIT is in active discussions with its lenders to amend, renew or consider alternate arrangements to reach amendable terms on conditions that are acceptable to the REIT.

Although the REIT continues to proactively work with its lenders to achieve positive outcomes for the REIT, including the potential Recapitalization Plan, there is a risk that current and future covenant violations will result in its lenders demanding repayment of such borrowings. The REIT does not have sufficient liquidity to satisfy material demands for repayment (see note 2).

25. SEGMENTED DISCLOSURES

The REIT operates in Canada, the United States, and Ireland. The following is a summary of investment properties and assets held for sale by geographic location:

	September 30, 2024	December 31, 2023
Canada	$ 756,005	$ 1,079,490
United States	296,878	318,621
Ireland	242,314	263,240
Total	**$ 1,295,197**	**$ 1,661,351**

(in thousands of Canadian dollars)

The following is a summary of rental revenue and property operating expenses by geographic location:

	Nine months ended September 30, 2024			
	Canada	United States	Ireland	**Total**
Property revenue	$ 101,137	$ 36,439	$ 18,167	**$ 155,743**
Property operating expenses	(56,608)	(22,590)	(4,388)	**(83,586)**
Net operating income	**$ 44,529**	**$ 13,849**	**$ 13,779**	**$ 72,157**
Straight-line rent and other changes				**(5,754)**
IFRIC 21 property tax adjustment				**(3,429)**
Finance income on finance lease receivable				**1,979**
Interest income				**280**
Interest and finance costs				**(56,644)**
General and administrative				**(7,531)**
Change in fair value of financial instruments				**(12,631)**
Change in fair value of investment properties				**(340,598)**
Depreciation of hotel asset				**(748)**
Transaction costs				**(1,292)**
Deferred income tax expense				**(85)**
Current income tax expense				**(2,241)**
Net loss before Class B LP units				**$ (356,537)**
Change in fair value of Class B LP units				**1,850**
Net loss				**$ (354,687)**

	Nine months ended September 30, 2023			
	Canada	United States	Ireland	**Total**
Property revenue	$ 99,387	$ 40,986	$ 16,900	**$ 157,273**
Property operating expenses	(55,593)	(23,355)	(3,399)	**(82,347)**
Net operating income	**$ 43,794**	**$ 17,631**	**$ 13,501**	**$ 74,926**
Straight-line rent and other changes				**(8,439)**
IFRIC 21 property tax adjustment				**(3,479)**
Finance income on finance lease receivable				**2,151**
Interest income				**445**
Interest and finance costs				**(47,587)**
General and administrative				**(12,040)**
Change in fair value of financial instruments				**1,508**
Change in fair value of investment properties				**(79,436)**
Depreciation of hotel asset				**(724)**
Deferred income tax recovery				**246**
Current income tax expense				**(1,056)**
Net loss before Class B LP units				**$ (73,485)**
Change in fair value of Class B LP units				**15,908**
Distributions to Class B LP unitholders				**(846)**
Net loss				**$ (58,423)**

(in thousands of Canadian dollars)

The following is a summary of rental revenue and property operating expenses by geographic location:

	Three months ended September 30, 2024			
	Canada	United States	Ireland	**Total**
Property revenue	$ 33,239	$ 11,700	$ 6,864	**$ 51,803**
Property operating expenses	(18,280)	(7,487)	(1,775)	**(27,542)**
Net operating income	**$ 14,959**	**$ 4,213**	**$ 5,089**	**$ 24,261**
Straight-line rent and other changes				**(1,642)**
IFRIC 21 property tax adjustment				**3,419**
Finance income on finance lease receivable				**645**
Interest income				**93**
Interest and finance costs				**(19,466)**
General and administrative				**(2,992)**
Change in fair value of financial instruments				**(9,164)**
Change in fair value of investment properties				**(175,401)**
Depreciation of hotel asset				**(250)**
Transaction costs				**(160)**
Deferred income tax expense				**(71)**
Current income tax expense				**(48)**
Net loss before Class B LP units				**$ (180,776)**
Change in fair value of Class B LP units				**(1,295)**
Net loss				**$ (182,071)**

	Three months ended September 30, 2023			
	Canada	United States	Ireland	**Total**
Property revenue	$ 34,773	$ 13,546	$ 5,641	**$ 53,960**
Property operating expenses	(19,435)	(7,908)	(645)	**(27,988)**
Net operating income	**$ 15,338**	**$ 5,638**	**$ 4,996**	**$ 25,972**
Straight-line rent and other changes				**(2,926)**
IFRIC 21 property tax adjustment				**3,490**
Finance income on finance lease receivable				**703**
Interest income				**232**
Interest and finance costs				**(17,648)**
General and administrative				**(3,579)**
Change in fair value of financial instruments				**(1,936)**
Change in fair value of investment properties				**(41,520)**
Depreciation of hotel asset				**(243)**
Deferred income tax expense				**(197)**
Current income tax expense				**(460)**
Net loss before Class B LP units				**$ (38,112)**
Change in fair value of Class B LP units				**3,541**
Distributions to Class B LP unitholders				**(159)**
Net loss				**$ (34,730)**

(in thousands of Canadian dollars)

26. INCOME TAXES

The REIT has reviewed the specified investment flow-through trust ("SIFT") which include publicly-listed income trusts (the "SIFT Rules") and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the nine months ended September 30, 2024, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes payable is required, except for amounts incurred by the U.S. and Irish subsidiaries.

As at September 30, 2024 and 2023, there were no taxes payable for the Canadian entity.

The REIT's U.S. and Irish subsidiaries are subject to income tax on taxable income from U.S. and Irish operations respectively. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle. Based on tax laws enacted at the applicable dates the REIT is subject to the following tax rates:

	September 30, 2024	December 31, 2023
U.S. (combined Federal & strike)	28.51 %	28.51 %
Ireland - rental income	25.0 %	25.0 %
Ireland - capital gains	33.0 %	33.0 %

The following is a reconciliation of deferred tax liabilities during the period:

	Nine months ended September 30,	
	2024	2023
Beginning of period	$ (254)	$ (454)
Deferred income tax expense	(85)	246
Foreign exchange	(9)	—
End of period	**$ (348)**	**$ (208)**

A reconciliation of the expected income taxes based upon the 2024 statutory rates and the income tax recovery recognized during the nine months ended September 30, 2024 and 2023 are as follows:

	Nine months ended September 30,	
	2024	2023
Net loss before Class B LP units and taxes	$ (354,211)	$ (72,675)
Canadian statutory tax rate	26.5%	26.5%
	$ (93,866)	$ (19,259)
Income not subject to tax	73,070	10,210
Valuation allowance	31,414	10,974
Tax rate differential	(8,292)	(1,115)
Current and deferred income tax expense	**$ 2,326**	**$ 810**

Deferred tax assets are recognized to the extent that realization of the related tax benefit through future taxable profits is probable. Management has determined that it is probable that not all the deferred tax assets will be realized through one or a combination of future reversals of temporary differences and taxable income. A valuation allowance has been recorded for the quarter ended September 30, 2024.

(in thousands of Canadian dollars)

27. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities for the nine months ended September 30, 2024 are as follows:

		Cash flows			Non-cash changes			
	December 31, 2023	Proceeds	Payments	Financing costs and other	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs	September 30, 2024
Derivatives, net	$ (15,030)	$ —	$ 9,450	$ —	$ 1,509	$ 1,622	$ —	$ (2,449)
Facilities[1]	306,361	2,200	(18,264)	(24)	1,225	—	1,273	292,771
Mortgages[1]	593,462	3,212	(28,954)	(3,268)	2,818	—	1,904	569,174
Term loan	133,279	—	(7,252)	—	4,024	—	761	130,812
Convertible debentures	145,632	—	—	—	—	—	839	146,471
Class B LP units	4,281	—	—	—	—	(1,850)	—	2,431
Total	**$ 1,167,985**	**$ 5,412**	**$ (45,020)**	**$ (3,292)**	**$ 9,576**	**$ (228)**	**$ 4,777**	**$ 1,139,210**

[1]Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 12 for more detail.

Changes in liabilities arising from financing activities for the nine months ended September 30, 2023 are as follows:

		Cash flows			Non-cash changes				
	December 31, 2022	Proceeds	Payments	Financing costs and other	Assumptions	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs	September 30, 2023
Derivatives, net	$ (26,476)	$ —	$ 10,499	$ —	$ —	$ 995	$ (10,941)	$ —	$ (25,923)
Facilities[1]	286,189	30,022	(2,473)	(116)	—	126	—	1,135	314,883
Mortgages[1]	589,850	41,108	(55,305)	(1,186)	23,978	222	—	1,038	599,705
Bridge loan	131,600	—	—	(194)	—	(1,361)	—	720	130,765
Convertible debentures[2]	145,614	—	—	218	—	—	(1,294)	821	145,359
Class B LP units	22,832	—	—	—	—	—	(15,908)	—	6,924
Total	**$ 1,149,609**	**$ 71,130**	**$ (47,279)**	**$ (1,278)**	**$ 23,978**	**$ (18)**	**$ (28,143)**	**$ 3,714**	**$ 1,171,713**

[1]Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 12 for more detail.
[2]Changes in fair value consist of $1.3 million as the equity option on the amendment to the 2018 Convertible Debentures.

28. SUBSEQUENT EVENTS

The following events occurred subsequent to September 30, 2024:

i. On October 2, 2024, in accordance with the management agreement, the REIT was provided by SMULC with 180 days notice of the termination of the management agreement with the REIT. SMULC will cooperate and work diligently with the REIT to prepare a transition plan and effect the transition of the management services to the REIT in an orderly manner as soon as reasonably practicable. . In connection with the delivery of notice of termination, Trustees Blair Welch and Brady Welch resigned from the REIT's Board. The Board is actively in the process of seeking to identify independent board candidates.

ii. On October 17, 2024, the REIT disposed of one of its Manitoba properties for a gross purchase price of $14.3 million.

iii. On October 24, 2024, the TSX approved a 60-day extension of the remedial delisting review for the REIT, following an initial 120-day review period that began on July 4, 2024. The review is a response to the REIT's financial condition. The extension was granted based on materials submitted by the REIT in relation to the potential Recapitalization Plan.The trading of the REIT's securities will not be impacted during the review process.

iv. On October 31, 2024, one of the REIT's lenders provided formal Event of Default notices expressing their right to demand repayment of the borrowings at their discretion. The Event of Defaults occurred due to certain covenant violations from June 30, 2024. The REIT is working with the lender to cure such defaults. The notices received relate to a defaulted mortgage secured by one of the REIT's property with a principal balance of $79.1 million at September 30, 2024.

v. On November 5, 2024, the REIT disposed of one of its Ontario properties for a gross purchase price of $39.0 million.