

CANADA
PROVINCE DE QUÉBEC
DISTRICT DE TERREBONNE

Chambre des actions collectives
COUR SUPÉRIEURE

No :

LOUIS DE FRANCESCO, domicilié et résidant au 440, Allée Royale, à Mont-Tremblant, province de Québec J8E 2L9, dans le district judiciaire de Terrebonne, province de Québec,

Demandeur

c.

CLUB DE GOLF LE MAÎTRE DE MONT-TREMBLANT ayant un site d'opérations et sa place d'affaires au 650 Grande Allée, Mont-Tremblant, QC J8E 2L8, dans le district judiciaire de Terrebonne, province de Québec,

-Et-

CLUBLINK CORPORATION ULC, personne morale, ayant une place d'affaires au 1700-421, 7ème avenue Sud-Ouest, Calgary, Province de l'Alberta, T2P 4K9,

-et-

TWC ENTREPRISES LTD., personne morale, ayant une principale place d'affaires au 55, City Center Drive, suite 1000, Mississauga Ontario, L5B 1M3, Canada, dans la province d'Ontario, cotée à la Bourse de Toronto sous le symbole « TWC », une division de Paros Enterprises Limited,

-et-

PAROS ENTERPRISES LIMITED, organisation mère, chapeautant et étant la propriétaire de ClubLink Corporation One Membership, More Golf et actionnaire de Automative Properties Reit (TSX) et actionnaire principal de TWC ayant une place d'affaires à 945 Wilson Avenue North, York, Ontario M, Canada, M3K 1E8.

Défendeurs

**DEMANDE D'AUTORISATION D'EXERCER UNE ACTION COLLECTIVE ET
D'AUTORISER UN REPRÉSENTANT
(Articles 571 et ss. C.P.C.)**

AU SOUTIEN DE SA DEMANDE D'AUTORISATION D'EXERCER UNE ACTION COLLECTIVE ET D'AUTORISER UN REPRÉSENTANT, LE DEMANDEUR EXPOSE CE QUI SUIT :

I. INTRODUCTION

1. Le demandeur **Louis De Francesco**, ci-après désigné sous l'acronyme « **LDF** », ex-officier de la Sûreté du Québec et membre actuel du Club de Golf **Le Maître** de Mont-Tremblant, ci-après désigné sous l'acronyme « **Le Maître** », désire exercer une action collective pour le compte de toutes les personnes ou corporations éligibles faisant partie du groupe ci-après décrit, à savoir :

Tous les membres du Club de Golf « **Le Maître** » de Mont-Tremblant, quel que soit leur statut, soit :

«

- a) Principal member;
- b) Corporate member;
- c) Family addition member;
- d) Spousal member;
- e) Social member;
- f) Non-resident member;
- g) Verandah member;
- h) Academy member;
- i) Intermediate member;
- j) Graduate program;
- k) Junior member; »

2. Les membres du groupe ci-haut désigné ont à un moment ou l'autre, adhéré au plan d'adhésion et règlement du ClubLink corporation, ci-après désigné sous l'acronyme « **CLC** », tel qu'il appert d'une copie de ladite entente déposée au soutien des présentes, sous la cote **P-1** pour valoir comme si au long récitée¹;

¹ Le groupe inclut toute personne ou corporation ayant adhéré au plan d'adhésion et règlement ou ayant joué au club de golf **Le Maître**, puis 2011.

II. LE DEMANDEUR

3. Le demandeur **Louis De Francesco** est membre du groupe proposé et est en mesure d'assurer la représentation adéquate des membres du groupe proposé;
4. Le demandeur « **LDF** » est membre du groupe et possède une bonne connaissance du dossier et de toute sa trame factuelle, ayant été pro-actif dans ce dossier en tout temps pertinent aux présentes et ayant été membre **Principal** depuis 2013 soit depuis 10 ans;
5. Le demandeur « **LDF** » a également un recours personnel et valable à faire valoir conformément aux causes d'action ci-après énoncées;
6. Le demandeur « **LDF** » est disposé et accepte de consacrer le temps et les efforts nécessaires et requis et collaborera en tout temps avec les avocats et le Tribunal et tiendra régulièrement informé les membres du groupe;

III. LES DÉFENDEURS

7. Le Club de Golf **Le Maître** de Mont-Tremblant, « **Le Maître** » est un terrain de golf développé par les architectes Gene Bates, Graham Cooke et Darrell Huxham, en 2001, sous la surveillance du master designer Fred Couples, il est classifié « **PLATINE** » et ses 564 membres sont répartis comme suit :
 - a) 7 jours – 411 membres;
 - b) 5 jours – 111 membres;
 - c) Crépuscule – 42 membres,soit un total de 564 membres du club « **Le Maître** »,
et
 - d) Social – 116 membres, majoritairement des propriétaires de résidence dans le voisinage immédiat de ce club de golf;
8. La défenderesse ClubLink Corporation « **CLC** » est exploitée et détenue par TWC Entreprises Ltd., ci-après désigné sous l'acronyme « **TWC** » appartenant à Paros Entreprise Ltd (ci-après désigné sous l'acronyme « **Paros** ») et opère sous la marque de commerce « ClubLink One Membership, More Golf » qui est le plus grand propriétaire canadien exploitant, possédant et/ou gérant des clubs de golf avec 49 parcours de championnat et trois parcours académiques, situés dans 37 emplacements, principalement en Ontario, au Québec et en Floride, le tout tel qu'il appert du rapport annuel 2021 de TWC Enterprises Limited (ClubLink) (Pièce **P-2**);

9. Les clubs de golf en général sont classés en cinq niveaux de distinction selon la qualité et l'étendue des services et des commodités offerts aux membres, soit :
- prestige,
 - « **PLATINE** »,
 - or,
 - argent et
 - tarif journalier,
- le Club de Golf « **Le Maître** » étant depuis le début classifié dans la catégorie « **PLATINE** »;
10. La défenderesse « **TWC** » propriété de la Défenderesse « **Paros** » exploite des clubs de golf sous la marque de commerce « ClubLink One Membership, More Golf », dont la défenderesse le club de golf « **Le Maître** » fait partie (Voir pièce **P-2**);
11. Paros Enterprises Limited est une organisation qui chapeaute et possède ClubLink et est actionnaire important de Automotive Properties Reit, le tout tel qu'il appert d'une copie du rapport annuel 2021 de Consolidating Canada's Automotive Dealership Proprieties (Pièce **P-3**);

IV. LES FAITS QUI DONNENT OUVERTURE AU RECOURS PROPOSÉ

12. Les représentations qui ont été faites aux membres au moment où ils ont adhéré au plan d'adhésion et règlement (Pièce **P-1**) garantissent que les membres bénéficieraient d'un terrain de golf de catégorie « **PLATINE** », toutes les commodités et tous les services fournis respectant intégralement les standards requis pour que ce terrain de golf puisse être conforme aux critères applicables à la catégorie « **PLATINE** »;
13. Ainsi, les membres du « **Le Maître** » devaient donc contribuer financièrement, à chaque année, pour bénéficier de la catégorie « **PLATINE** »;
14. À titre d'exemple, pour l'année 2021, des frais d'initiation entre 6 000 \$ et 20 000 \$ étaient exigés auxquels s'ajoutaient des cotisations annuelles variant entre 4 070 \$ et 4 920 \$, qui ont été perçus par les défenderesses pour chacun des membres;
15. De même, les 300 résidents faisant partie du parcours « **Le Maître** » devaient au surplus, payer des frais d'initiation de 30 000 \$, lesquels étaient inclus dans le coût d'achat de chacune de leur propriété;
16. Or, depuis 2011, les membres se sont plaints que les services offerts étaient inadéquats, et qu'ils ne correspondaient aucunement aux représentations qui leur ont été faites lors de leur adhésion, et certainement pas à une classification « **PLATINE** », de sorte que les coûts qui ont été facturés n'étaient aucunement justifiés, pour les raisons suivantes, à savoir, et ce, sans limiter la généralité des présentes :

a) Accès et réservation :

L'accès au Club de golf « **Le Maître** » et au système de réservations est particulièrement difficile et défaillant, car souvent il n'est pas opérationnel et fonctionnel et les réservations à l'avance sont pratiquement impossibles pour les membres;

b) Terrain de golf :

Le terrain de golf du club « **Le Maître** » est dans un état de détérioration constante depuis dix ans, sans aucun signe d'amélioration; il est notamment le dernier à ouvrir tardivement ses opérations au printemps et le premier à les fermer à l'automne en contravention des règles et des modes d'opération applicables aux clubs de golf dits « **PLATINE** »;

c) Tertres de départ et allées du terrain :

Les tertres de départ et les allées du terrain de golf du club « **Le Maître** » sont affreux et en constante détérioration et dégradation; ils ne sont pas protégés pour l'hiver, ni bien entretenus, de sorte que les membres ne peuvent pas jouer selon des conditions « summer rules », ce qui est une norme de base pour les terrains de classe « **PLATINE** » et or;

d) Fosses de sable :

Les fosses de sable du terrain de golf du club « **Le Maître** » sont pitoyables; elles ne sont pas entretenues régulièrement depuis une dizaine d'années; les râtaux sont manquants dans plusieurs fosses et « **le Maître** » a retranché dix (10) fosses de sable sans consultation, pour réduire l'effort d'entretien au cours des dernières années, les défenseurs ne respectant aucunement le design original du terrain, tel que représenté aux membres lors de leur adhésion, ce qui constitue une considération essentielle du contrat de service;

e) Les verts :

À chaque année, depuis 2014, les verts du terrain de golf du club « **Le Maître** » ont toujours été fragiles et ils ont régulièrement été endommagés, sans être réparés de façon adéquate, entraînant une dégradation inacceptable du terrain de golf et du niveau de jeu du golf sur les susdits verts;

f) Les sentiers :

Les sentiers pour les voiturettes du terrain de golf du club « **Le Maître** » sont mal entretenus et même dangereux à certains endroits;

g) Champs et verts de pratique :

Plusieurs trous du terrain de golf du club « **Le Maître** » sont défectueux de sorte que plusieurs verts n'ont plus de drapeau, le vert de pratique est dans un état pitoyable et il n'y a plus d'indication de vitesse de verts depuis 2014;

h) Drainage et irrigation :

Le système de drainage et d'irrigation de l'ensemble du terrain de golf du club « **Le Maître** » a désespérément besoin de réparations majeures et urgentes, ces systèmes étant négligés depuis au moins dix ans sur l'ensemble du parcours;

i) Toilettes et eau potable :

Il n'y a que deux toilettes sur l'ensemble du parcours du club de golf « **Le Maître** », l'eau potable de la ville ayant été fermée sans explication et des bouteilles d'eau dans des glacières ne sont installées que lorsque la température est supérieure à 26 C, sans tenir compte du facteur humidex ;

j) Employés de soutien du terrain :

Un terrain de l'envergure du club de golf « **Le Maître** » nécessite environ un employé par trou pour un terrain de 18 trous; en 2022, il n'y avait que 9.5 employés d'entretien affectés au terrain, alors que le double constitue le minimum requis, parce qu'aucun employé permanent n'est attiré au paysagement;

k) Le pavillon :

De plus, le pavillon du club de golf « **Le Maître** » a été détruit par le feu en octobre 2017 et il n'a été reconstruit et mis en opération que partiellement trois ans plus tard, soit en octobre 2020;

l) La restauration :

L'équipe de gestion du club de golf « **Le Maître** » ne réussit pas à garder un nombre suffisant d'employés de cuisine; depuis 2017, le menu est donc restreint et les heures de service sont significativement réduites;

m) Les vestiaires :

Les membres du club de golf « **Le Maître** » n'ont plus accès à un vestiaire désigné, mais c'est désormais la formule : *premier arrivé – premier servi* qui prévaut et il n'y a plus de préposés pour l'entretien des souliers;

n) Entretien et entreposage des bâtons de golf :

Depuis 2017, les membres du club de golf « **Le Maître** » n'ont plus de service d'entreposage de leur voiturette électrique personnelle, alors que le service de nettoyage de bâtons est assujéti à un pourboire, une pratique strictement défendue dans tous les clubs de golf privés au Québec;

o) Service à la clientèle

Contrairement aux statuts et règlements, il n'y a aucune réunion des membres du club de golf « **Le Maître** » depuis le printemps 2019; malgré l'acquisition du logiciel Golf Genius et n'y a plus de véritable communication avec les membres depuis 2021, il n'y a plus de professionnels attirés et le personnel de la boutique est jeune, sans formation, ni mentorat et le laisser-aller va jusqu'au point où le personnel s'adresse aux membres par leur prénom plutôt que par leur nom de famille;

p) Plan d'amélioration des immobilisations

Il n'existe aucun plan connu d'amélioration des immobilisations, compte tenu du fond de financement important créé par les frais d'initiation des membres depuis 2001 et des frais d'initiation générés par les 300 résidents du « **Le Maître** » et des 150 nouvelles portes à être construites sur l'ancien terrain voisin « **La Belle** », propriété de Construction Tremblant;

q) Gestion et outils spécialisés

Le membership et les résidents du terrain privé « **Le Maître** » subventionnent l'opération du terrain voisin public « **La Bête** » en termes de personnel spécialisé, services et équipements spécialisés, ce dernier étant largement en meilleure condition que le club « **Le Maître** » classifié « **PLATINE** »;

r) Discrimination

La Gestion des défenderesses « **CLC** » et du club de golf désigné sous l'appellation « **Le Maître** » ont créé, en 2007, une catégorie de joueurs désignée sous l'appellation « **Le Maître Seulement** », ayant des frais annuels normalisés pour accès de joutes la semaine ayant le droit également de jouer les fins de semaines sur les autres terrains de golf propriétés de ClubLink en tout temps, et ce, en payant le frais de joutes journalières. Par contre, cette catégorie de membres sont membres avec plein statut, ayant payé les mêmes frais d'initiation. Depuis 2020, les membres « **Le Maître Seulement** » ne sont plus invités à participer aux événements de membres tel que les événements d'ouverture ou de fermeture, aux championnats du club, ces décisions contribuant à créer un environnement discriminatoire de membres de deuxième classe et découlant directement de cette nouvelle catégorie de membres créé par les défenderesses;

V. LA COMPOSITION DU GROUPE REND PEU PRATIQUE ET DIFFICILE L'APPLICATION DES RÈGLES SUR LE MANDAT D'ESTER EN JUSTICE POUR LE COMPTE D'AUTRUI OU SUR LA JONCTION D'INSTANCE EN CE QUE :

17. Le nombre de membres, soit 564 membres et le nombre de catégories de membres, soit plus d'une dizaine, rendent difficile, voire impossible, l'application des règles sur le mandat d'ester en justice pour le compte d'autrui ou sur la jonction d'instance, en ce que les membres ne se connaissent qu'informellement et, en aucun moment, ils ne sont tous ensemble en même temps de sorte qu'il serait contre l'intérêt de la justice et les principes d'accessibilité à la justice que de leur demander ou de leur imposer d'intenter individuellement une action en justice;

18. Il est impossible pour le demandeur de communiquer avec tous les membres du groupe présentement puisqu'il ne les connaît pas tous et, à plus forte raison, d'obtenir un mandat de ceux-ci;
19. L'action collective représente le seul véhicule adéquat et disponible qui permettra à tous les membres du groupe d'avoir accès à la justice;
20. Les faits décrits à la présente ainsi que les frais qui ont été payés par les membres du groupe justifient que le présent recours soit exercé collectivement, plutôt qu'à la pièce et individuellement;

VI. LES QUESTIONS DE FAITS ET DE DROIT RELIANT CHAQUE MEMBRE DU GROUPE AUX DÉFENDEURS EN CE QUE :

21. Les défendeurs ont fait des représentations concernant la qualité des installations et des services du club de golf « **Le Maître** », le tout dans le but de qualifier celui-ci de catégorie « **PLATINE** », laquelle catégorie représente la haute qualité de club de golf justifiant évidemment des frais plus élevés;
22. Les défendeurs n'ont pas respecté leurs obligations contractuelles envers l'ensemble des membres, quel que soit leur statut, puisqu'en aucun cas, dans les dix dernières années, ni les installations, ni les terrains ne rencontraient à tous points de vue les critères de qualité pour être certifié « **PLATINE** », ce qui ne justifiait plus les cotisations annuelles exigées des membres;
23. Par conséquent, les défendeurs sont en situation de bris de contrat et les demandeurs sont justifiés de réclamer des dommages résultant des fautes contractuelles, dont le remboursement de leurs frais d'adhésion et de cotisations annuelles, depuis l'année 2011;
24. Les dommages compensatoires sont donc dus par les défendeurs à tous les membres ayant rejoint le club de golf « **Le Maître** » de Tremblant de 2011;
25. De même, des dommages punitifs sont exigés pour l'ensemble des membres du groupe en raison de l'indifférence des défendeurs face aux problématiques soulevées par les membres, lesquelles problématiques ont été acheminées à ces derniers par écrit;
26. Un sondage auprès des membres vient confirmer le niveau élevé d'insatisfaction de la part des membres qui se sont adressés à plusieurs reprises aux défendeurs en toute bonne foi et dans l'intérêt de conserver la qualité du terrain auquel ils ont droit et qu'ils ont à cœur de préserver;

VII. LES QUESTIONS DE FAITS ET DE DROIT PARTICULIÈRES À CHACUN DES MEMBRES CONSISTENT EN :

27. En résumé et sans limiter la généralité de ce qui précède, les questions de faits et de droit, particuliers à chacun des membres, se posent ainsi :

- a) Est-il exact de constater et d'affirmer que l'état des immobilisations, de la surface de jeu, des tertres de départ, des fosses de sable, des verts, des sentiers, des champs et verts de pratique, du drainage et de l'irrigation, du club de golf « **Le Maître** » ne respectent pas, depuis dix (10) ans, les normes et standards d'un club de golf de catégorie « **PLATINE** », tels que représentés par les défendeurs « **Le Maître** », « **CLC** », « **TWC** » et « **Paros** » aux membres ?
- b) Est-il exact de constater et d'affirmer que l'état et le niveau des services dispensés aux membres « **PLATINE** » par les défendeurs « **Le Maître** », « **CLC** », « **TWC** » et « **Paros** », en matière de toilettes et d'eau potable, employés de soutien au terrain, du pavillon, de restauration, de vestiaires, d'entretien et entreposage des bâtons de golf, d'absence de communication aux membres, d'absence de plan continu d'amélioration des immobilisations, sans compter la subvention directe des services au club de golf « **La Bête** », et la mise en place d'une situation discriminatoire entre les membres par la création de la nouvelle catégorie de membres « **Le Maître Seulement** », ne respectent pas, depuis dix (10) ans, les normes et standards d'un club de golf de catégorie « **PLATINE** » tel que représenté aux membres?
- c) La piètre qualité des services et du terrain du club de golf « **Le Maître** », depuis dix (10) ans, dispensés aux membres sont-ils conformes aux représentations faites à chacun des membres lors de leur adhésion et souscription à ce club de golf?
- d) Le comportement et la stratégie corporative des trois (3) défendeurs « **Le Maître** », « **CLC** », « **TWC** » et « **Paros** » constituent-ils des manquements contractuels graves que la Cour doit apprécier et dont elle doit déclarer ces dernières entièrement responsables?
- e) De ce fait, la Cour doit-elle condamner les Défendeurs « **Le Maître** », « **CLC** », « **TWC** » et « **Paros** » à compenser chacun des 564 membres actuels du Club du club de golf « **Le Maître** » et les 116 membres sociaux, ainsi que tous les membres qui ont quitté le club de golf « **Le Maître** » pendant cette période, des préjudices et services non dispensés pendant dix (10) ans, et auxquels ils avaient droit contractuellement?

VIII. LA NATURE DES RECOURS QUE LE DEMANDEUR ENTEND EXERCER POUR LE COMPTE DES MEMBRES DU GROUPE EST :

28. Considérant les faits, le contrat intervenu entre les parties, la piètre qualité des commodités et des services, le demandeur au nom de l'ensemble des membres du groupe est justifié de demander des dommages-intérêts et est justifié de réclamer de la Cour les conclusions ci-après recherchées;
29. En raison des omissions, fautes, incuries et négligences des défendeurs, le demandeur, représentant le groupe de membres, est justifié de réclamer tous les dommages résultant de chacun de ces manquements qui constituent un bris de contrat flagrant, voire un abus à l'égard de chacun des membres;

IX. LES CONCLUSIONS RECHERCHÉES SONT :

30. Il est opportun d'autoriser l'exercice d'une action collective pour le compte des membres du groupe;
31. Le demandeur Louis De Francesco demande que le statut de représentant lui soit attribué;
32. Le demandeur Louis De Francesco est en mesure d'assurer une représentation adéquate des membres pour les raisons suivantes :
 - a) Il est un membre régulier du club depuis 2014 et il le fréquente plusieurs fois par semaine, de sorte qu'il est très au fait de la situation, et de l'exaspération de l'ensemble des membres;
33. Le demandeur Louis De Francesco propose que le recours collectif soit exercé devant la Cour supérieure, dans le district de Terrebonne, puisqu'un nombre important des membres résident à Mont-Tremblant;

POUR CES MOTIFS, PLAISE AU TRIBUNAL :

ACCUEILLIR la demande du demandeur Louis De Francesco;

AUTORISER l'exercice de l'action collective ci-après :

ATTRIBUER à Louis De Francesco le statut de représentant aux fins d'exercer l'action collective pour le compte du groupe de personnes ci-après décrit :

L'ensemble des membres du club de golf **Le Maître** de Mont-Tremblant ayant payé la tarification à quelque moment pertinent depuis 2011;

IDENTIFIER comme suit les principales questions de faits et de droit qui seront traitées collectivement :

- a) Les principales questions de droit qui seront traitées collectivement consistent à déterminer la responsabilité des défendeurs en raison des représentations fausses et trompeuses dont les membres ont été victimes, ainsi que de déterminer toute indemnité que chacun des membres est en droit de recevoir pour la piètre qualité des services offerts depuis 2011 par les membres du club de golf **Le Maître** de Mont-Tremblant;

DÉCLARER qu'à moins d'exclusion, les membres du groupe seront liés par tout jugement à intervenir sur l'action collective de la manière prévue par la loi;

FIXER à 30 jours, la période pendant laquelle un membre peut demander à être exclu, délai à l'expiration duquel les membres du groupe qui n'auront pas demandé l'exclusion seront liés par tout jugement à intervenir dans la présente action collective;

ORDONNER la publication d'un avis aux membres dans les termes ci-après, en fonction des moyens ci-après suggérés;

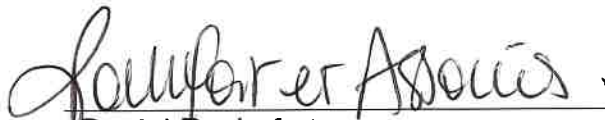
- Par lettre à chacun des membres, et/ou;
- Par courriel, et/ou;
- Par parution dans le journal intitulé : NOUVELLES DU TERRAIN, publié par **Le Maître** du Mont Tremblant et/ou;
- Par parution dans un journal local, et/ou;
- Par tout autre moyen que le Tribunal jugera approprié;

RÉFÉRER le dossier à la juge en chef afin de déterminer le district dans lequel l'action collective sera entendue et afin de désigner le juge qui l'entendra;

ORDONNER au greffier de cette Cour, pour le cas où l'action doit être exercée dans un autre district, de transmettre le dossier, dès décision du juge en chef, au greffier de cet autre district;

Le tout avec frais de justice, incluant les frais d'avis et les frais d'expertise.

MONTREAL, le 13 septembre 2022



Daniel Rochefort
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CANADA

COUR SUPÉRIEURE
(Chambre Civile)

PROVINCE DE QUÉBEC
DISTRICT DE TERREBONNE

LOUIS DE FRANCESCO

Demandeur

NO:

c.

CLUB DE GOLFE MAÎTRE DE MONT-
TREMBLANT

-et-

CLUBLINK CORPORATION ULC

-et-

TWC ENTREPRISES LTD.

-et-

PAROS ENTREPRISES LIMITED

Défendeurs


**AVIS DE PRÉSENTATION
CIVILE (SALLE B. 104)**

PRÉSENTATION DE LA DEMANDE

PRENEZ AVIS que la demande d'autorisation d'exercer une action collective et d'autoriser un représentant sera présentée en division de pratique de la Chambre civile de la Cour Supérieure, en salle B.104 du palais de justice de Terrebonne, situé au 25 Rue de Martigny Ouest, Saint-Jérôme, le 28 octobre 2022, à 9 h 00, ou aussitôt que le conseil pourra être entendu.

VEUILLEZ AGIR EN CONSÉQUENCE.

Montréal, ce 13 septembre 2022.


Rochefort et Associés
Avocats du Demandeur

Tél. : 514-937-5000

P - 1

Le Maître de Mont-Tremblant
1433 Labelle Street
St. Jovite, PQ J0T 2H0

1. INTRODUCTION

Le Home Club (le « Club ») est un club de golf exploité et détenu par ClubLink Corporation ou ses sociétés affiliées (« ClubLink »). L'adhésion au Home Club (« adhésion ») permet au membre d'utiliser les installations du Club, conformément au plan d'adhésion, au règlement ainsi qu'aux règles et règlements du Club établies de temps à autre par ClubLink, mais ne lui donne aucun droit ou intérêt dans le Club ou ClubLink, y compris, sans y être limité, un droit de propriété ou un intérêt en equity dans le Club ou ClubLink ni dans les biens réels, les installations ou l'actif qui appartiennent au Club ou à ClubLink ou qui sont exploités par ces derniers. En vertu des règles d'adhésion, chaque membre accepte d'être lié par les conditions du plan d'adhésion, du règlement et des règles établies par le Club.

2. DÉFINITIONS

Les définitions qui suivent s'appliquent au présent plan d'adhésion et au présent règlement :

- a) « Home Club » Le terrain de golf, les installations d'entraînement, le chalet et les autres installations exploités par ClubLink sous le nom et le style et à l'endroit indiqué ci-dessus.
- b) « ClubLink » ClubLink Corporation ou ses sociétés affiliées, le cas échéant.
- c) « Membre de ClubLink » ou « membre » Membre principal, association membre, membre non-résidant, membre non-joueur, membre social, conjoint du membre, membre famille supplémentaire, membre intermédiaire, membre junior (selon la définition de ces termes au paragraphe 3 ci-dessous) ou une autre catégorie de membre établie de temps à autre par ClubLink dont l'adhésion est en règle.
- d) « Membre à part entière de ClubLink » ou « membre à part entière » Membre principal, association membre ou membre famille supplémentaire de ClubLink dont l'adhésion est en règle.
- e) « Conjoint » Le conjoint d'un membre est une personne qui est mariée au membre ou qui vit avec ce membre une relation conjugale et ce, depuis au moins un an sans interruption. La personne et le membre sont réputés ne plus être des conjoints s'ils ont cessé de vivre ensemble une relation conjugale depuis au moins 90 jours en raison de l'échec de la relation conjugale.

3. CATÉGORIES DE MEMBRE DE CLUBLINK

Les catégories de membres de ClubLink sont les suivantes :

- a) **Membre principal** : Une personne qui adhère à ClubLink à titre de membre principal a le droit d'utiliser toutes les installations de golf du Club ainsi que celles qui ne sont pas liées au golf et de participer à tous les événements liés au golf ou aux événements sociaux.
- b) **Association membre** : Une société par actions ou une société de personnes authentique exploitant une entreprise active qui adhère à ClubLink à titre d'association membre est autorisée à voir un (1) dirigeant désigné de la société ou de la société de personnes qui est acceptée par ClubLink utiliser toutes les installations de golf du Club ainsi que celles qui ne sont pas liées au golf et participer à tous les événements liés au golf ou

aux événements sociaux. La personne désignée de l'association membre doit être un dirigeant, un administrateur, un propriétaire, un associé ou un employé de l'association membre. Cette dernière peut désigner un autre dirigeant, administrateur, propriétaire, associé ou employé, sur paiement des frais de transfert applicables et après acceptation par ClubLink de la nouvelle personne désignée. L'association membre et chaque personne désignée seront responsables solidairement de se conformer à toutes les règles et à tous les règlements du Club établis de temps à autre par ClubLink, y compris, sans y être limité, le paiement de tous les comptes.

- c) **Membre famille supplémentaire** : Une personne qui est un membre de la famille immédiate (soit le conjoint, le père, la mère, le frère, la sœur, le beau-frère, la belle-sœur, le gendre, la bru, le grand-père, la grand-mère, le fils, la fille, le petit-fils, la petite-fille d'un membre à part entière de ClubLink, y compris un dirigeant désigné dans le cas d'une association membre) qui adhère à ClubLink à titre de membre famille supplémentaire a le droit d'utiliser toutes les installations de golf du Club ainsi que celles qui ne sont pas liées au golf et de participer à tous les événements liés au golf ou aux événements sociaux.
- d) **Membre conjoint** : Le conjoint d'un membre à part entière de ClubLink (y compris le conjoint d'un dirigeant désigné dans le cas d'une association membre) qui a adhéré au Club à titre de membre conjoint avant mai 2000 a le droit d'utiliser toutes les installations de golf du Club ainsi que celles qui ne sont pas liées au golf et de participer à tous les événements liés au golf ou aux événements sociaux. L'adhésion du membre conjoint n'est pas transférable. Un membre conjoint peut devenir un membre famille supplémentaire sur demande après avoir payé les frais et les cotisations dus.
- e) **Membre social** : Une personne qui devient un membre social a le droit d'utiliser la salle à manger du Club, de participer aux événements non liés au golf du Club et de jouer six parties de golf par année sur paiement des frais d'invité.
- f) **Membre non-résidant** : Un membre dont la résidence principale ou l'établissement principal est situé à plus de 250 kilomètres du Club ou de tout autre club de ClubLink, de temps à autre. Le membre non-résidant est autorisé à utiliser la salle à manger du Club et à participer aux événements non liés au golf ainsi qu'à six parties de golf par année sur paiement des frais d'invité applicables. Si la résidence principale ou l'établissement principal d'un membre non-résidant n'est plus situé à plus de 250 kilomètres d'un club de ClubLink, il devra, pour conserver son adhésion, changer la catégorie de cette dernière, sur demande et paiement des frais et cotisations dus.
- g) **Membre non-joueur** : Une personne qui adhère à ClubLink à titre de membre non-joueur est autorisée, ainsi que son conjoint et ses enfants âgés de moins de 25 ans, à utiliser la salle à manger du Club et à participer à tous les événements mondains, à l'exception des activités et des événements liés au golf et de l'utilisation des installations de golf. Le membre non-joueur aura également accès aux équipements récréatifs et aux programmes d'activités du Club autres que ceux associés au golf. Les enfants d'un membre non-joueur qui sont âgés de moins de 12 ans doivent être accompagnés de ce dernier.
- h) **Membre de l'académie** : Une personne qui adhère à ClubLink à titre de membre de l'académie a le droit d'utiliser les installations de golf de l'académie du Club ainsi que les installations du Club non liées au golf et de participer à tous les événements liés au golf organisés par l'académie ainsi qu'aux événements mondains du Club. Un membre de l'académie peut utiliser les installations de golf du Club autres que celles de l'académie s'il est accompagné d'un membre à part entière et s'il paie les frais d'invité applicables. L'adhésion à l'académie n'est offerte, de temps à autre, que dans les clubs qui possèdent un terrain de golf d'académie, selon la désignation faite par ClubLink, à l'entière discrétion de cette dernière.

- i) **Membre intermédiaire** : Un enfant d'un membre à part entière de ClubLink, y compris les enfants des dirigeants désignés des associations membres, âgé entre 19 et 24 ans inclusivement, qui adhère au Club à titre de membre intermédiaire a le droit d'utiliser les installations de golf du Club ainsi que celles qui ne sont pas liées au golf, au moment indiqué par ClubLink de temps à autre, et de participer aux événements liés au golf et aux événements mondains. Pour conserver son adhésion, le membre intermédiaire doit devenir membre à part entière de ClubLink avant d'avoir atteint l'âge de 25 ans. L'âge d'un membre intermédiaire est déterminé par son âge au 1^{er} janvier de chaque année. À ce moment, le membre intermédiaire est tenu d'adhérer à titre de membre à part entière. Les droits d'adhésion applicables au membre à part entière sont payables par le membre intermédiaire, conformément aux exigences en vigueur relatives aux frais d'adhésion, sauf si le membre fait partie du programme de paiements échelonnés, auquel cas les frais d'adhésion applicables aux exigences de ce programme s'appliqueront.
- j) **Programme de paiements échelonnés** : Si le membre intermédiaire est en règle à partir du moment où il atteint l'âge de 19 ans jusqu'au moment où il devient membre à part entière de ClubLink, les frais d'adhésion applicables seront ceux en vigueur au 19^e anniversaire de naissance du membre intermédiaire et seront payables en 15 versements égaux chaque année. Le membre intermédiaire doit reconnaître par écrit qu'il souhaite profiter du programme de paiements échelonnés au plus tard le 1^{er} janvier de l'année où il atteint l'âge de 25 ans.
- k) **Membre junior** : L'enfant ou le petit-enfant âgé de moins de 19 ans d'un membre à part entière de ClubLink, y compris les enfants ou les petits-enfants âgés de moins de 19 ans du dirigeant désigné d'une association membre, qui adhère au Club à titre de membre junior a le droit d'utiliser les installations de golf du Club ainsi que celles qui ne sont pas liées au golf, au moment indiqué par ClubLink de temps à autre, et de participer aux événements liés au golf et aux événements mondains. Les cotisations annuelles d'un membre junior sont déterminées par l'âge de ce membre au 1^{er} janvier de chaque année. Le membre junior doit, pour conserver son adhésion, devenir membre intermédiaire avant la date de son 19^e anniversaire de naissance, sur demande et après avoir payé les frais et les cotisations dus.

ClubLink peut, à son entière discrétion, de temps à autre et en tout temps, ajouter, supprimer ou modifier une ou plusieurs catégories de membre susmentionnées et déterminer les conditions et les exigences financières relatives à ces membres.

ClubLink peut, à son entière discrétion et de temps à autre, établir, ajouter, supprimer ou modifier les frais d'adhésion, les frais de transfert, les frais de nouvelle désignation, les cotisations annuelles, les frais d'invité et les frais supplémentaires payables à l'égard de chaque catégorie de membre et peut établir des frais d'adhésion et des cotisations annuels variables à l'intérieur d'une catégorie. Par exemple, ClubLink peut réduire les frais d'adhésion lorsque plusieurs membres à part entière d'une même famille ou d'une même association adhèrent à ClubLink (c.-à-d. membre famille supplémentaire) ou les cotisations annuelles d'un conjoint lorsque les deux conjoints sont membres.

4. RÈGLES D'ADHÉSION

Les conditions suivantes s'appliquent à tous les membres du Club :

- a) L'adhésion permet aux membres d'utiliser la totalité ou une partie des installations du Club, en fonction de la catégorie de membre, conformément au plan d'adhésion, au règlement et aux autres règles du Club. L'acceptation à titre de membre ne confère à ce

dernier aucun droit d'investissement, de propriété ou d'intérêt en equity dans le Club ou ClubLink ni dans les biens réels, les installations ou l'actif qui appartiennent au Club ou à ClubLink ou qui sont exploités par ces derniers. L'adhésion au Club ne confère au membre aucun droit, permis, bail ou servitude, acquis ou acquis par prescription, à l'égard du Club ou de ClubLink.

- b) ClubLink aura le droit, à son entière discrétion, d'exploiter, d'entretenir, de réparer, de modifier, d'aménager, de vendre, d'aliéner ou de louer le Club ou l'une de ses installations ou d'y effectuer toute autre transaction.
- c) Tous les droits et privilèges accordés au membre ou à son conjoint, à ses enfants et à ses invités sont assujettis au plan d'adhésion, au règlement et aux autres règles du Club ainsi qu'elles sont établies par ClubLink de temps à autre.
- d) ClubLink mettra en œuvre des mesures commercialement raisonnables pour mettre le terrain de golf du Club à la disposition des membres durant la saison de golf. La fermeture de la totalité ou d'une partie du Club pour des besoins de réparation, d'entretien, d'amélioration ou d'expansion, et l'utilisation de tout ou d'une partie du Club pour des besoins d'activités, de tournois privés ou de parties où les invités sont admis doivent être autorisés par ClubLink, qui doit agir raisonnablement. Les membres n'auront aucun droit de réduire ou de cesser les paiements au Club lorsque celui-ci n'est pas disponible, en tout ou en partie.
- e) ClubLink aura le droit, à son entière discrétion, de prendre les mesures jugées nécessaires ou souhaitables pour maintenir la qualité du Club. Cette discrétion prévue aux présentes comportera le pouvoir de modifier, d'annuler, d'augmenter ou de diminuer les frais, les cotisations et les comptes à payer en vertu des présentes, y compris, sans y être limité, les intérêts et les frais de retard exigibles pour les comptes en souffrance, la modification, la fermeture ou l'expansion d'une partie du Club, la prestation de services aux membres et la forme de l'adhésion, ou de prévoir toute autre mesure à leur égard. La discrétion accordée à ClubLink ne s'appliquera pas à l'évaluation ou à la modification rétroactive des frais, des cotisations et des comptes. Aucuns frais supérieurs aux frais d'adhésion, aux cotisations annuelles, aux frais minimum du Club, aux frais du club et aux frais associés aux privilèges de ClubLink prévus à l'article 18 ne doivent être exigés du membre. Les cotisations annuelles et les autres frais feront également l'objet de hausses raisonnables fondées sur les coûts d'exploitation et les services, les installations ou les privilèges supplémentaires offerts par le Club ou ClubLink.
- f) Les droits et privilèges accordés au membre lui seront retirés dans les circonstances suivantes, à moins d'avis contraire de ClubLink, à l'entière discrétion de cette dernière, au moment où la circonstance se produit :
 - (i) Le membre annule son adhésion, sur présentation d'un préavis écrit au Club.
 - (ii) Le membre décède, ce qui pourrait entraîner le transfert de l'adhésion du membre principal au conjoint, aux enfants, aux frères ou sœurs, aux petits-enfants ou à un parent ou au conjoint de l'une des personnes qui précèdent ou la désignation d'un nouveau dirigeant, que ClubLink acceptera, dans le cas du décès d'un dirigeant désigné d'une association membre, sous réserve des dispositions de l'article 7.1. Au décès du membre, sa succession et tout destinataire du transfert seront solidairement responsables des comptes impayés au moment du décès du membre. Le Club n'a aucune obligation de réaliser un transfert autorisé jusqu'à ce que les comptes aient été réglés.
 - (iii) Le membre omet d'effectuer le versement des frais d'adhésion, de verser les frais annuels ou tout autre montant exigé par le Club lorsque ces frais sont exigibles en vertu du barème de frais du membre et des règles d'adhésion en vigueur.

- (iv) Dans le cas d'un dirigeant désigné d'une association membre, sur l'acceptation par ClubLink d'un nouveau dirigeant désigné ou à la fin de l'adhésion de l'association membre.
 - (v) Dans le cas d'un membre conjoint, d'un membre intermédiaire ou d'un membre junior, lorsque les droits et privilèges du membre à part entière cessent (y compris le dirigeant désigné d'une association membre).
 - (vi) Le membre est expulsé ou suspendu en vertu de l'article 8.
 - (vii) Le membre fait faillite, devient insolvable ou se prévaut de la *Loi sur la faillite et l'insolvabilité* ou fait une proposition à ses créanciers, fait un acte de cession en faveur de ces derniers ou conclut un accord avec ces derniers ou entreprend des démarches en vue de la dissolution, de la liquidation ou de la cessation de l'existence du membre ou de la liquidation des biens de ce dernier.
- g) Il est interdit aux membres, à leur conjoint, à leurs enfants et à leurs invités d'apporter de la nourriture ou des boissons sur la propriété du Club, d'y jeter des déchets ou d'y causer des dommages.

5. DEMANDES D'ADHÉSION

- 5.1 Toutes les demandes d'adhésion seront faites sur les formulaires de demande autorisés par ClubLink et seront assujetties au plan d'adhésion, au règlement et aux autres règles concernant les demandes d'adhésion. Tous les demandeurs doivent accepter d'être liés par le plan d'adhésion, le règlement et les autres règles du Club ainsi qu'ils sont établis de temps à autre par ClubLink, de s'y conformer et d'acquiescer tous les frais exigés par le Club ou ClubLink.
- 5.2 ClubLink aura le droit, à son entière discrétion, d'accepter ou de rejeter toute demande d'adhésion. ClubLink en avisera personnellement le demandeur. ClubLink n'est pas tenue de justifier l'acceptation ou le rejet de la demande d'adhésion. Elle peut établir l'ordre de priorité qu'elle juge approprié pour examiner et accepter les demandes d'adhésion.
- 5.3 ClubLink peut, à son entière discrétion, exiger du demandeur qu'il joigne à sa demande une mise en candidature et des références morales fournies par un certain nombre de membres ou de non-membres, ainsi qu'elle pourra l'exiger de temps à autre.
- 5.4 Les frais d'adhésion d'un membre seront exigibles en un ou plusieurs versements selon le barème de frais convenu par ClubLink et le membre avant l'acceptation de l'adhésion par ClubLink. ClubLink peut exiger le paiement d'un dépôt au moment de la présentation d'une demande d'adhésion, lequel sera déduit du premier versement. ClubLink fera parvenir au membre une facture pour chaque versement successif au cours du mois précédant la date d'exigibilité du versement.

6. MODIFICATION DES CATÉGORIES DE MEMBRE

Toute demande de modification de catégorie doit être présentée par écrit à ClubLink. Chaque modification de catégorie sera assujettie à l'approbation de ClubLink et au paiement des frais applicables, déterminés par ClubLink de temps à autre, à son entière discrétion.

Un membre à part entière de ClubLink peut demander par écrit à ClubLink d'obtenir un statut de membre inactif, en raison d'un problème de santé ou d'une autre circonstance spéciale. De temps à autre et si elle le juge nécessaire, ClubLink peut exiger une preuve d'une tierce partie et elle se réserve le droit d'accepter ou de rejeter la demande ou d'annuler une acceptation précédente. Un membre inactif voit ses privilèges de membre suspendus, y compris en ce qui concerne le golf, la salle à manger et le droit de vote. Les membres de ClubLink choisissant d'obtenir le statut de membre inactif renoncent automatiquement à

leur adhésion à ClubCorp Associate. Pour l'avenir, si le membre retrouve le statut de membre à part entière, il doit faire une nouvelle demande des privilèges de ClubCorp s'il souhaite les avoir de nouveau et il devra payer les droits d'adhésion applicables à ClubCorp, déterminés par ClubLink de temps à autre. ClubLink établit de temps à autre à son entière discrétion les cotisations annuelles et les autres frais que le membre inactif doit acquitter. Nonobstant le statut du membre inactif, le paiement des versements des frais d'adhésion du membre doit être effectué à temps conformément au barème de versements mentionné à l'article 5.4 ci-dessus. Le membre inactif doit présenter une nouvelle demande d'adhésion avant le 31 octobre de chaque année pour conserver ce statut. Le défaut de présenter une demande ou d'être accepté entraînera automatiquement le retour au statut de membre à part entière que le membre inactif possédait avant la dernière acceptation de son statut inactif.

Un membre à part entière de ClubLink peut demander par écrit à ClubLink d'obtenir une adhésion sociale. ClubLink fixe de temps à autre à son entière discrétion les cotisations annuelles et les autres frais que le membre social doit acquitter. Nonobstant la modification de catégorie de membre, le paiement des versements des frais d'adhésion du membre doit être effectué à temps conformément au barème de versements mentionné à l'article 5.4 ci-dessus.

Un membre de ClubLink qui ne respecte plus les critères relatifs au membre non-résident demandera par écrit à ClubLink de modifier son statut de membre, sous réserve de l'acceptation par ClubLink et du paiement des frais et cotisations applicables. ClubLink peut, à son entière discrétion, accepter ou rejeter la demande ou annuler une acceptation précédente.

Un membre conjoint ou un membre famille supplémentaire (dont l'adhésion a été obtenue après le 1^{er} mai 2000 ou modifiée pour la catégorie de membre conjoint) continuera de payer les cotisations annuelles de conjoint tant qu'il demeurera le conjoint d'un membre principal ou du dirigeant désigné d'une association membre. Si ce membre cesse d'être le conjoint d'un membre principal ou du dirigeant désigné d'une association membre, il devra alors payer les cotisations annuelles applicables d'un membre principal.

7. TRANSFERT D'ADHÉSION

Si un membre principal ou un membre famille supplémentaire souhaite transférer son adhésion de ClubLink à son conjoint, à l'un de ses enfants, à l'un de ses frères ou sœurs, à un petit-enfant, à un parent ou à un grand-parent, il peut le faire en acquittant les frais de transfert exigés et si ClubLink accepte le nouveau membre. L'adhésion de membre principal ou de membre famille supplémentaire peut être transférée à toute société par actions ou société de personnes authentique de laquelle le membre principal ou le membre famille supplémentaire est un dirigeant, un administrateur, un propriétaire, un associé ou un employé, auquel cas elle devient, sur demande, une adhésion d'association membre et est assujettie à l'approbation de ClubLink et au paiement des frais de transfert applicables. L'ancien membre principal et le membre famille supplémentaire doivent être la première personne désignée et les premiers membres famille supplémentaires de l'association membre. Les frais de transfert, déterminés par ClubLink, à son entière discrétion de temps à autre, représenteront un pourcentage des frais d'adhésion alors exigibles pour un premier membre principal ou une première association membre. Le destinataire du transfert et son dirigeant désigné, le cas échéant, seront responsables des comptes non réglés. Aucuns frais de transfert ne s'appliquent au transfert autorisé d'une adhésion de membre principal ou de membre famille supplémentaire à la suite du décès du membre.

Si une association membre souhaite désigner un autre dirigeant de la société à titre de personne autorisée à détenir l'adhésion de l'association membre, elle peut le faire sur

demande et en payant les frais de transfert exigés et après l'acceptation du nouveau dirigeant désigné par ClubLink. L'adhésion d'association membre peut être transférée au dirigeant désigné, auquel cas elle deviendra une adhésion de membre principal, sur demande, après acceptation par ClubLink et paiement des frais de transfert exigés. Les frais associés à la nouvelle désignation et les frais de transfert, déterminés par ClubLink de temps à autre, représenteront chacun un pourcentage des frais d'adhésion alors exigibles pour une première association membre.

À l'exception des dispositions des articles 7.1 et 7.2 et sous réserve des privilèges accordés par ClubLink en vertu de l'article 18 qui permettent le transfert d'une adhésion à un autre club de ClubLink, le statut de membre n'est pas transférable. Il est strictement interdit aux membres de faire de la publicité pour céder, vendre ou transférer leur adhésion ou pour permettre la cession, la vente ou le transfert des droits ou des privilèges rattachés à leur adhésion, sauf ce qui est prévu au plan d'adhésion et au règlement.

8. EXPULSION ET SUSPENSION DES MEMBRES

Si le membre (ou le dirigeant désigné dans le cas d'une association membre), son conjoint, son enfant ou son invité ne se conforme pas au plan d'adhésion, au règlement et aux autres règles en vigueur établis par le Club ou si ClubLink juge que sa conduite ou son comportement, que ce soit à l'intérieur ou à l'extérieur du Club, est injurieux ou préjudiciable au caractère, à la réputation du Club ou aux intérêts de ClubLink, du Club, de ses membres, de ses employés, de ses dirigeants ou de ses administrateurs, ClubLink peut exiger du membre qu'il renonce à son statut.

Si le membre refuse de renoncer à son statut au cours des sept jours suivant la demande de ClubLink, cette dernière peut expulser le membre. Dès son expulsion, ce dernier cesse d'être membre du Club, lequel reprend son adhésion.

Plutôt que de demander au membre de renoncer à son statut, ClubLink peut, à son entière discrétion, interdire l'accès au Club au membre fautif et suspendre ses droits et privilèges de membre pour une période déterminée par ClubLink.

Il est expressément prévu et reconnu que le non-respect de l'une des dispositions du plan d'adhésion, du règlement et des autres règles du Club, même si la nature de la faute est mineure, représente une cause suffisante d'expulsion ou de suspension d'un membre par ClubLink.

9. RESPONSABILITÉ CONCERNANT LA CESSATION DE L'ADHÉSION

Toute personne qui cesse d'être membre, peu importe la façon dont l'adhésion prend fin, demeurera tout de même responsable envers le Club et ClubLink de tous les montants dus relativement à l'adhésion au Club ou à ClubLink. Le(s) Membre(s) autorise ClubLink et/ou leur agent d'obtenir et partager l'information de crédit personnelle sur une base continue qui peut être nécessaires aux buts de la délivrance et maintenir le statut de l'adhésion et de la collection de ces frais. Il est entendu que le membre demeurera responsable de tous les frais engagé avant la fin de son adhésion, peu importe si une facture lui a été envoyée avant qu'il cesse d'être membre. Une personne qui cesse d'être membre à un moment donné ne sera pas responsable de payer les futurs versements des frais d'adhésion sauf si une facture relative à ces versements lui a été envoyée avant la date de la fin de l'adhésion.

Toute personne qui cesse d'être membre, peu importe la façon dont l'adhésion a pris fin, doit abandonner son droit d'utiliser les installations du Club et doit, dès que son adhésion prend fin, remettre toutes les cartes, les insignes et les documents qui lui ont été remis à titre de membre du Club.

10. RÉINTÉGRATION DES MEMBRES

Sur demande écrite de la personne qui a été expulsée, suspendue, qui a autrement cessé d'être membre ou qui s'est vu retirer ses droits de membre, ClubLink peut, à son entière discrétion et après avoir examiné la situation le cas échéant, réintégrer cette personne comme membre du Club ou lui accorder de nouveau les droits et privilèges qui ont été suspendus par ClubLink, aux conditions et aux coûts que ClubLink juge appropriées.

11. COMITÉS

ClubLink aura le droit de temps à autre de former des comités composés de membres en vue de conseiller, de consulter ou d'aider ClubLink à assumer ses obligations et ses responsabilités mentionnés aux présentes. Les membres de ces comités seront nommés de la façon choisie par ClubLink et accompliront les tâches et assumeront les responsabilités établies par ClubLink. Les comités n'auront par le pouvoir de lier le Club ou ClubLink, à moins que ce pouvoir ait été expressément accordé par écrit par ClubLink.

Le Club doit avoir un comité de capitaines qui sera responsable de toutes les activités de golf et celles non liées au golf pour les membres. Les membres du comité des capitaines seront élus par un vote majoritaire des membres à part entière présents ou représentés par procuration par un autre membre à la réunion annuelle des membres à part entière. De plus, ClubLink peut nommer jusqu'à deux personnes pour siéger au comité.

12. RÉUNIONS DES MEMBRES

Le Club doit tenir une séance annuelle des membres à part entière au moins une fois par année d'adhésion (selon la définition prévue à l'article 20) ou au cours des 90 jours suivant la fin de l'année d'adhésion. ClubLink déterminera la date, l'heure et l'endroit de la réunion, de même que les procédures applicables à la réunion.

13. AVIS

ClubLink avisera les membres de toutes les modifications apportées au plan d'adhésion, au règlement et aux autres règles du Club en les affichant à un endroit approprié dans le Club pour une période d'au moins 15 jours ou de toute autre façon. Tous les autres avis concernant les membres peuvent leur être communiqués de la même manière.

L'avis qui vise à informer le membre de son inobservance du plan d'adhésion, du règlement ou des autres règles du Club ou de sa suspension ou de son expulsion du Club doit lui être signifié en personne ou lui être envoyé par courrier recommandé à la dernière adresse qui apparaît dans son dossier de membre.

14. INSCRIPTION DES MEMBRES

ClubLink conservera un registre des membres, lequel déterminera les membres de chacune des catégories établies de temps à autre. Ce registre pourra être consulté dans la section réservée aux membres du site Web de ClubLink au www.clublink.ca, laquelle section pourra être consultée par les membres qui pourront y accéder à l'aide d'un code d'utilisateur personnel et d'un mot de passe qui sera fourni par ClubLink à l'inscription. Un membre aura le droit d'exiger que son nom de membre ne figure pas dans le registre.

Chaque membre doit fournir à ClubLink son nom complet, sa date de naissance, son adresse et celle de son entreprise (en précisant l'adresse où doivent être envoyés tous les avis du Club), le nom de son conjoint et celui de ses enfants âgés de moins de 25 ans, le numéro de téléphone où on peut le joindre durant les heures normales d'ouverture, une autorisation de carte de crédit et tous les autres renseignements que ClubLink peut exiger de temps à autre ou que la loi prescrit.

Il est interdit aux membres d'utiliser le registre des membres ou les autres renseignements concernant les membres pour un but commercial, de sollicitation ou autre, sans le consentement préalable écrit de ClubLink, consentement que ClubLink peut refuser arbitrairement ou retarder. Le membre reconnaît que ClubLink peut utiliser le registre des membres et tous les autres renseignements concernant les membres pour un but que ClubLink juge nécessaire, y compris pour fournir de l'information, des produits ou des services qui pourraient intéresser les membres.

15. COMPTES ET FRAIS

ClubLink conservera un livre comptable approprié en ce qui concerne les comptes des membres.

La perception des cotisations et des frais pour les services rendus, y compris la détermination du montant et des modalités du paiement, relève de l'entière discrétion de ClubLink ou de la personne désignée par ClubLink et doivent être mentionnés dans les règles du Club. Les avis concernant la modification des montants ou des modalités de paiement doivent être transmis aux membres en les affichant à l'endroit approprié dans le Club, au moins cinq jours avant la date d'entrée en vigueur de la modification ou de toute autre façon.

Les comptes des membres doivent être acquittés et réglés conformément aux règles adoptées par le Club et édictées par ClubLink de temps à autre.

16. MODIFICATIONS AU PLAN D'ADHÉSION, AU RÈGLEMENT GÉNÉRAL ET AUX AUTRES RÈGLES DU CLUB

ClubLink peut, à son entière discrétion, modifier le plan d'adhésion et le règlement. Les modifications qui, de l'avis raisonnable de ClubLink, portent atteinte aux droits de l'ensemble des membres en vertu du plan d'adhésion et du règlement demeureront en vigueur pour les membres en règle au moment de leur adoption, si elles sont ratifiées par un vote majoritaire des membres en règle touchés lors de la réunion des membres.

ClubLink peut, à son entière discrétion, établir les règles qui régiront les éléments suivants :

- a) la façon dont les demandeurs sont admis en tant membres du Club;
- b) la façon dont les membres, leurs conjoints, leurs enfants et leurs invités utilisent le Club;
- c) la gestion et l'exploitation générales du Club;
- d) de façon générale, toutes les affaires qui font couramment l'objet d'un règlement ou d'une règle nécessaires ou souhaitables pour la bonne conduite des affaires du Club.

Les règles du Club sont approuvées et adoptées par ClubLink de temps à autre et lient tous les membres. Les règles peuvent être modifiées en tout temps par ClubLink à son entière discrétion. Toute modification qui, de l'avis raisonnable de ClubLink, porte atteinte aux droits de l'ensemble des membres en vertu du plan d'adhésion et du règlement demeureront en vigueur pour les membres en règle au moment de leur adoption, si elles sont ratifiées par un vote majoritaire des membres en règle touchés lors de la réunion des membres.

Des copies du plan d'adhésion, du règlement et des règles du Club doivent être à la disposition des membres durant les heures normales d'ouverture du Club. Ces documents, tant qu'ils seront en vigueur, lieront les membres, le Club et ClubLink.

17. VENTE DU CLUB

ClubLink aura le droit, en tout temps, sans donner de préavis aux membres et sans obtenir leur autorisation, de vendre la totalité ou une partie des biens du Club, à son entière discrétion.

Si l'acquéreur, comme condition d'achat, s'engage envers les membres à assumer les obligations de ClubLink énoncées au plan d'adhésion, au règlement et aux règles du Club, à la conclusion de la vente, toutes les références à ClubLink figurant dans le plan d'adhésion, dans le règlement et dans les règles du Club seront alors réputées s'appliquer à l'acquéreur. À la conclusion de la vente, ClubLink sera libérée pour l'avenir de toutes les obligations envers les membres qui découleraient de la conclusion de la vente.

Si l'engagement de respecter les obligations du paragraphe 17.2 n'est pas respecté, tout membre en règle pourra transférer son adhésion à un autre établissement exploité par ClubLink, selon la disponibilité, à l'entière discrétion de ClubLink et sur paiement de frais d'adhésion augmentés le cas échéant. Si aucun établissement n'est disponible ou ne plaît au membre, un membre en règle peut annuler son adhésion à ClubLink et se faire complètement rembourser par ClubLink les frais d'adhésion réellement payés moins :

- a) si le membre a adhéré avant le 28 janvier 2002, un montant égal au résultat obtenu en multipliant 1 000 \$ par le nombre d'années complètes ou partielles durant lesquelles la personne a été membre (en règle ou non ou qu'elle ait été ou non membre du Club vendu ou d'un autre club détenu par ClubLink), jusqu'à concurrence du montant des frais d'adhésion réellement payés;
- b) si le membre a adhéré le 28 janvier 2002 ou après cette date, un montant égal au résultat obtenu en multipliant 7,5 p. 100 des frais d'adhésion réellement payés par le nombre d'années complètes ou partielles durant lesquelles la personne a été membre (en règle ou non ou qu'elle ait été ou non membre du Club vendu ou d'un autre club détenu par ClubLink), jusqu'à concurrence du montant des frais d'adhésion réellement payés.

Le remboursement dû au membre ainsi déterminé constituera le montant avant les taxes applicables.

- 17.4 Si, au moment de l'acceptation d'une personne comme membre du Club, ClubLink avise le membre que le Club subira des travaux de construction tout au long de la totalité ou d'une partie d'une année d'adhésion, selon la définition prévue à l'article 20, et qu'il ne sera donc pas disponible au cours de cette année, le membre pourra (i) choisir, selon la disponibilité et à l'entière discrétion de ClubLink, un autre club détenu par ClubLink ayant les mêmes frais d'adhésion ou des frais d'adhésion inférieurs ou d'un niveau plus élevé comme club pour la période de construction déterminée par ClubLink; ou (ii) devenir un membre inactif, selon les modalités prévues à l'article 6.2, pendant la période de construction au motif qu'il n'y aura pas de cotisations annuelles ou de frais imposés lors de cette période. Les versements des frais d'adhésion doivent être effectués à temps, conformément au barème de versement mentionné à l'article 5.4 des présentes.

18. PRIVILÈGES DE CLUBLINK

Les membres d'un club de ClubLink recevront les mêmes privilèges que ceux offerts dans les autres clubs exploités par ClubLink, en plus des autres privilèges offerts de temps à autre («privilèges ClubLink»). Les privilèges ClubLink peuvent comprendre l'accès réciproque aux autres clubs de ClubLink, la transférabilité de l'adhésion à un autre club de ClubLink, des rabais dans les lieux de villégiature de ClubLink et tous les autres privilèges établis ou modifiés de temps à autre par ClubLink, à son entière discrétion. En ce qui concerne les privilèges ClubLink, cette dernière peut établir des catégories de clubs de ClubLink,

lesquelles peuvent augmenter ou diminuer en nombre ou être modifiées (y compris la catégorie Club) de temps à autre, à l'entière discrétion de ClubLink. Les conditions et les frais associés aux privilèges ClubLink, y compris l'accès réciproque, les droits de jeu relatifs à l'accès réciproque, les frais d'adhésion, les frais de transfert et les conditions des rabais sont déterminés de temps à autre par ClubLink, à son entière discrétion.

19. UTILISATION DES INSTALLATIONS DU CLUB PAR LES MEMBRES D'AUTRES CLUBS, HÔTELS ET LIEUX DE VILLÉGIATURE RECONNUS

Si ClubLink a établi une entente d'accès avec un autre club, hôtel ou lieu de villégiature, elle peut établir des privilèges réciproques pour les membres ou les invités de l'autre club, hôtel ou lieu de villégiature à sa discrétion.

20. ANNÉE D'ADHÉSION

À moins d'un changement apporté par ClubLink à son entière discrétion, l'année d'adhésion du Club commence le 1^{er} janvier et se termine le 31 décembre inclusivement. Tous les frais annuels payables par le membre doivent être acquittés avant le 31 janvier de l'année en question ou, s'il s'agit d'un non-membre, au moment de l'adhésion.

Tous les membres de ClubLink, autres que ceux des catégories Non-Résident, Intermédiaire (19 à 25 ans) et Junior sont astreints à un montant minimal de dépenses de restauration (nourriture et boissons). Les dépenses de restauration portées au compte du membre (excluant les taxes et frais de service) réduisent d'autant le solde des dépenses minimales de restauration de ce membre pour l'année en cours. Ce seuil annuel de dépenses de restauration est fixé par ClubLink à son entière discrétion.

21. CARTES DE MEMBRE PERDUES, VOLÉES OU ENDOMMAGÉES

- 21.1 Si une carte de membre est perdue, volée ou endommagée, il revient au membre d'en aviser sans délai ClubLink. Jusqu'au moment d'un tel avis, le membre sera responsable des frais engagés par la personne, qu'ils aient été autorisés ou non, utilisant la carte de membre, peu importe la façon dont cette personne aura obtenu la carte, et pourra se voir imposer des frais d'administration pour le remplacement d'une carte qui seront déterminés de temps à autre par ClubLink. L'utilisation abusive d'une carte de membre constitue un motif de résiliation ou de suspension de l'adhésion, à l'entière discrétion de ClubLink.

22. RENONCIATION DE RESPONSABILITÉ ET INDEMNITÉ

- 22.1 Dans la présente section, le mot « membre » signifie un membre de ClubLink, le dirigeant désigné d'une association membre et leurs héritiers, leurs exécuteurs testamentaires, les administrateurs ou leurs ayants droit autorisés.
- 22.1 En contrepartie de son adhésion, le membre accepte ce qui suit :
- a) le Club et ClubLink ainsi que leurs mandataires, dirigeants, administrateurs, employés, préposés, actionnaire et représentants (collectivement le « groupe ClubLink ») NE SERONT PAS RESPONSABLES, et il libère le groupe ClubLink, envers le membre pour les réclamations déposées, les actions et les demandes intentées, les coûts et les dépenses engagés et les dommages subis à la suite d'un décès du membre, de blessures subies par lui ou d'une perte ou d'un dommage subi par lui ou occasionné à ses biens qui sont causés par l'adhésion au Club, la présence du membre dans les installations ou les établissements du Club ou dans d'autres installations ou établissements appartenant à ClubLink, la participation du membre aux activités du Club ou à tout autre club

appartenant à ClubLink ou qui en découlent ou qui y sont liés, peu importe que le préjudice ait été causé par la négligence du groupe ClubLink et, sans limiter la portée générale de ce qui précède, le groupe ClubLink NE SERA PAS RESPONSABLE des pertes ou des dommages survenus à la suite des blessures subies par le membre en participant aux activités sportives ou autres dans les installations ou les établissements du Club ou des autres clubs appartenant à ClubLink, non plus qu'il n'est responsable si le membre ou une de ses biens est atteint accidentellement par une balle ou un bâton de golf, une balle ou une raquette de tennis ou par tout autre article de sport.

- b) GARANTIR LE GROUPE CLUBLINK contre toute responsabilité envers le membre pour les réclamations déposées, les actions et les demandes intentées, les coûts et les dépenses engagés et les dommages subis à la suite d'un décès du membre ou d'un invité, de blessures subies par lui ou un invité ou d'une perte ou d'un dommage subi par lui ou un invité ou occasionné à ses biens ou aux biens de l'invité qui sont causés par l'adhésion au Club, la présence du membre ou d'un invité dans les installations ou les établissements du Club ou dans d'autres installations ou établissements appartenant à ClubLink, la participation du membre ou d'un invité aux activités du Club ou de tout autre club appartenant à ClubLink ou qui en découlent ou qui y sont liés, peu importe que le préjudice ait été causé par la négligence de l'un ou de plusieurs membres du groupe ClubLink;
- c) GARANTIR LE GROUPE CLUBLINK contre toute responsabilité envers toute autre personne pour les réclamations déposées, les actions et les demandes intentées, les coûts et les dépenses engagés et les dommages subis à la suite d'un décès de toute autre personne, de blessures subies par elle ou d'une perte ou d'un dommage subi par elle ou occasionné à ses biens qui sont causés par l'adhésion au Club, la présence du membre dans les installations ou les établissements du Club ou dans d'autres installations ou établissements appartenant à ClubLink, la participation du membre aux activités du Club ou de tout autre club appartenant à ClubLink ou qui en découlent ou qui y sont liés, peu importe que le préjudice ait été causé par la négligence de l'un ou plusieurs membres du groupe ClubLink.

23. APPLICATION

- 23.1 Le présent plan d'adhésion et le règlement constituent le plan d'adhésion et le règlement mentionnés dans le formulaire de demande d'adhésion et représentent l'entente conclue entre le Club, ClubLink et le membre à la date d'adhésion du membre. Lorsque le demandeur a signé le formulaire de demande d'adhésion, le plan d'adhésion et le règlement tiennent lieu d'entente entre le membre, le Club et ClubLink, et toutes les parties sont alors liées par les dispositions du plan d'adhésion, du règlement et des règles du Club et elles doivent s'y conformer. Les droits, privilèges et obligations mentionnés au plan d'adhésion et au règlement doivent s'appliquer au profit et à la charge de ClubLink et de ses successeurs et ayants droit ainsi que du membre, de ses héritiers, exécuteurs testamentaires, administrateurs et ayants droit autorisés de temps à autre.

CLUBLINK CORPORATION

Par : _____
Rai Sahi, President & CEO

Le Maître de Mont-Tremblant
1433 Labelle Street
St. Jovite, PQ
J0T 2H0

ENTENTE D'ACCEPTATION

Chacun des soussignés accuse réception du plan d'adhésion et du règlement en vigueur à la date ci-contre et du formulaire d'adhésion. Afin d'être accepté à titre de membre, chacun des soussignés accepte d'être lié par les termes contenus dans ces documents et de s'y conformer.

Date : _____

Écrire en lettres moulées le nom du membre principal ou de la personne désignée de l'association membre

Signature du membre principal ou de la personne désignée de l'association membre

Écrire en lettres moulées le nom du conjoint (s'il y a lieu)

Signature du conjoint (s'il y a lieu)

Écrire en lettres moulées le nom du membre intermédiaire (s'il y a lieu)

Signature du membre intermédiaire (s'il y a lieu)

Accord de l'association membre par le signataire autorisé (s'il y a lieu) :

Écrire en lettres moulées le nom de l'association membre

Par : _____
Signature du signataire autorisé
Je représente l'association membre et je garantis que je possède l'autorité pour la lier.

Écrire en lettres moulées le nom et le

N° :

**COUR SUPÉRIEURE
DISTRICT DE TERREBONNE**

LOUIS DE FRANCESCO

Demandeur

c.

**CLUB DE GOLF LE MAÎTRE DE
MONT TREMBLANT**

-et-

CLUBLINK CORPORATION ULC

-et-

TWC ENTREPRISES LTD.

-et-

PAROS ENTREPRISES LIMITED

Défendeurs

PIÈCE 1

COPIE

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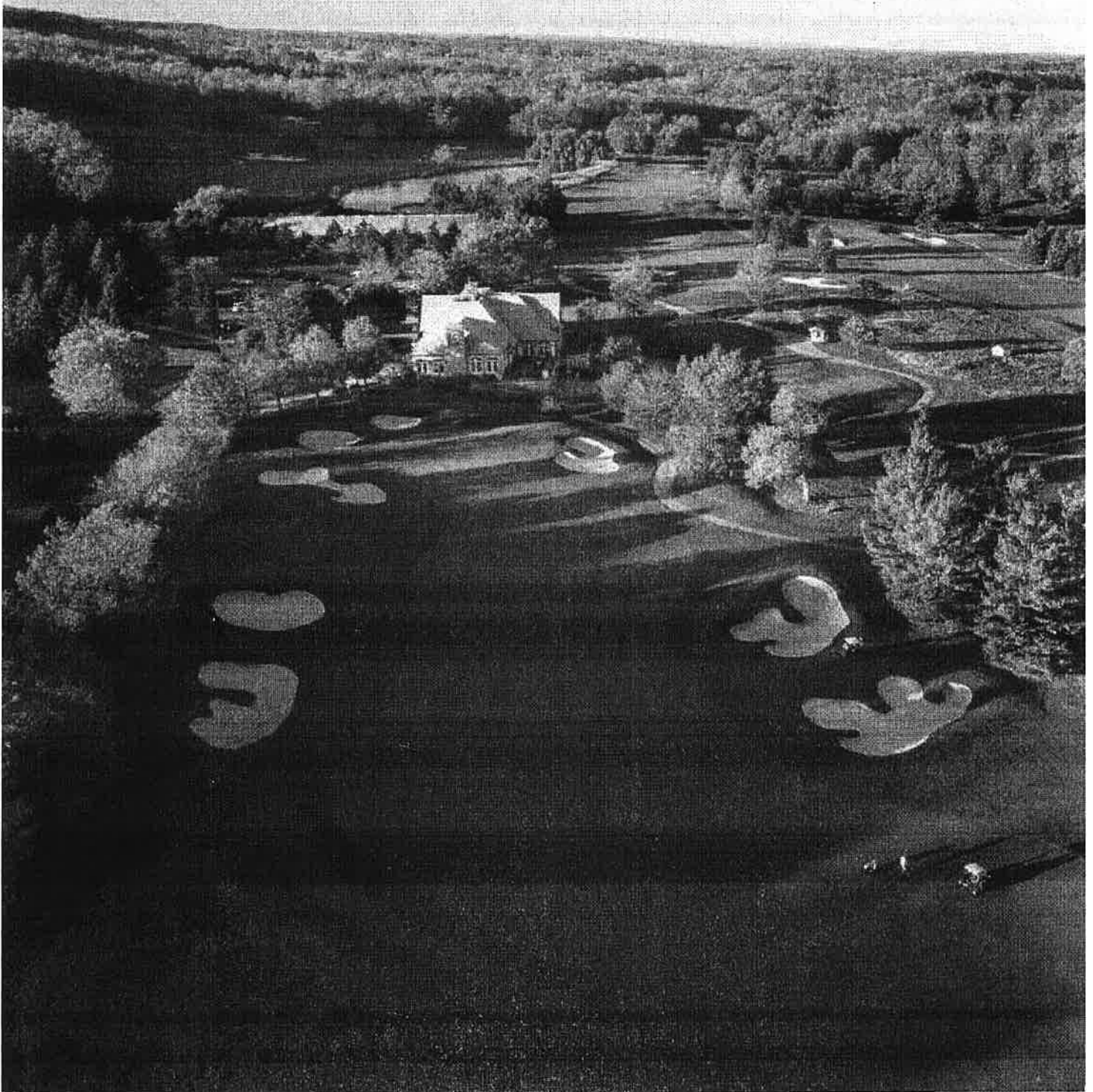
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TWC ENTERPRISES LIMITED

ANNUAL REPORT 2021

CLUBLINK

one membership. more golf.



TWC ENTERPRISES LIMITED

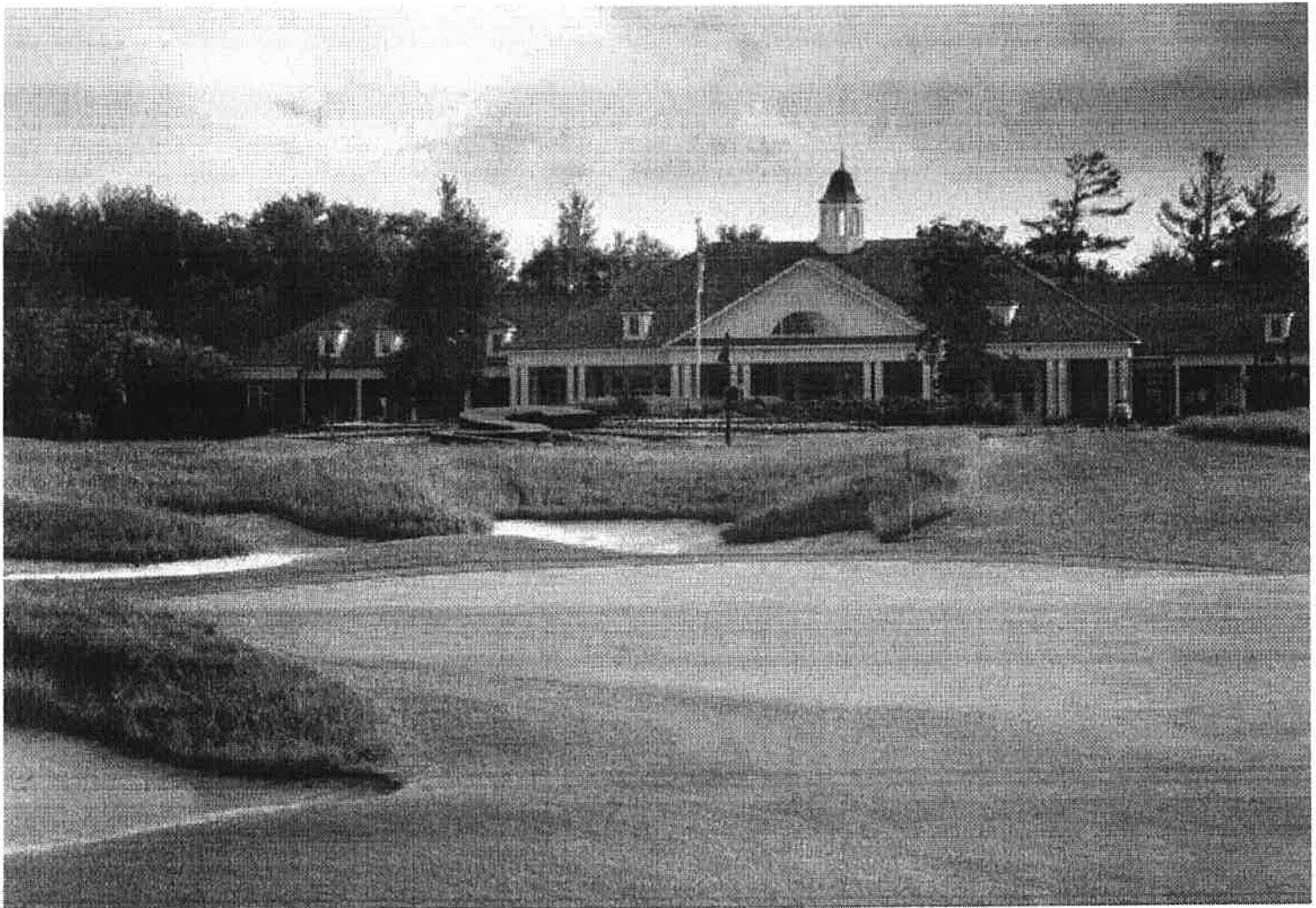


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TWC is engaged in golf club operations under the trade-mark "ClubLink One Membership More Golf". ClubLink is Canada's largest owner, operator and manager of golf clubs with 49½, 18-hole equivalent championship and 3, 18-hole equivalent academy courses (including two managed properties) at 37 locations, primarily in Ontario, Quebec and Florida.

FINANCIAL HIGHLIGHTS

The following table summarizes the consolidated five year financial results of the Company:

For the Years Ended December 31	2021	2020	2019	2018	2017
OPERATIONS					
Operating revenue (\$000)	174,013	127,216	163,641	165,941	163,950
Net operating income (\$000) ⁽¹⁾	52,412	43,911	28,986	29,029	30,060
Net earnings (\$000)	89,647	971	4,904	226,189	2,018
OPERATING DATA					
CLUBLINK ONE MEMBERSHIP MORE GOLF					
Canadian full privilege golf members	15,545	14,861	14,193	14,602	14,991
Championship rounds - Canada ⁽²⁾	1,191,000	1,223,000	1,069,000	1,019,000	1,058,000
18-hole equivalent championship golf courses - Canada ^(2,3)	39.5	39.5	41.5	41.5	42.5
18-hole equivalent managed golf courses - Canada	2.0	1.0	1.0	1.0	-
Championship rounds - US ⁽²⁾	261,000	249,000	331,000	334,000	340,000
18-hole equivalent championship golf courses - US ^(2,3)	8.0	8.0	11.0	11.0	11.0
COMMON SHARE DATA (000)					
Shares outstanding at year end	24,548	25,017	26,736	27,286	27,346
Weighted average shares outstanding	24,645	25,981	27,111	27,331	27,346
PER COMMON SHARE DATA (\$)					
Basic and diluted earnings	3.64	0.04	0.18	8.28	0.07
Eligible cash dividend	0.08	0.08	0.08	0.08	0.08
FINANCIAL POSITION					
Total assets (\$000)	746,806	632,382	675,606	703,076	630,054
Gross borrowings (\$000)	119,878	130,968	148,947	167,365	301,893
Shareholders' equity (\$000)	503,388	414,369	436,530	438,581	233,158
Net book value per share ⁽¹⁾	20.51	16.56	16.33	16.07	8.53

(1) Net operating income and net book value per share are not recognized measures under International Financial Reporting Standards ("IFRS"). Management believes that, in addition to net earnings, these measures are useful supplemental information to provide investors with an indication of the Company's performance. Investors should be cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance. TWC's method of calculating these measures is consistent from year to year, but may be different than those used by other companies (see "Management's Discussion and Analysis of Financial Condition and Results of Operations").

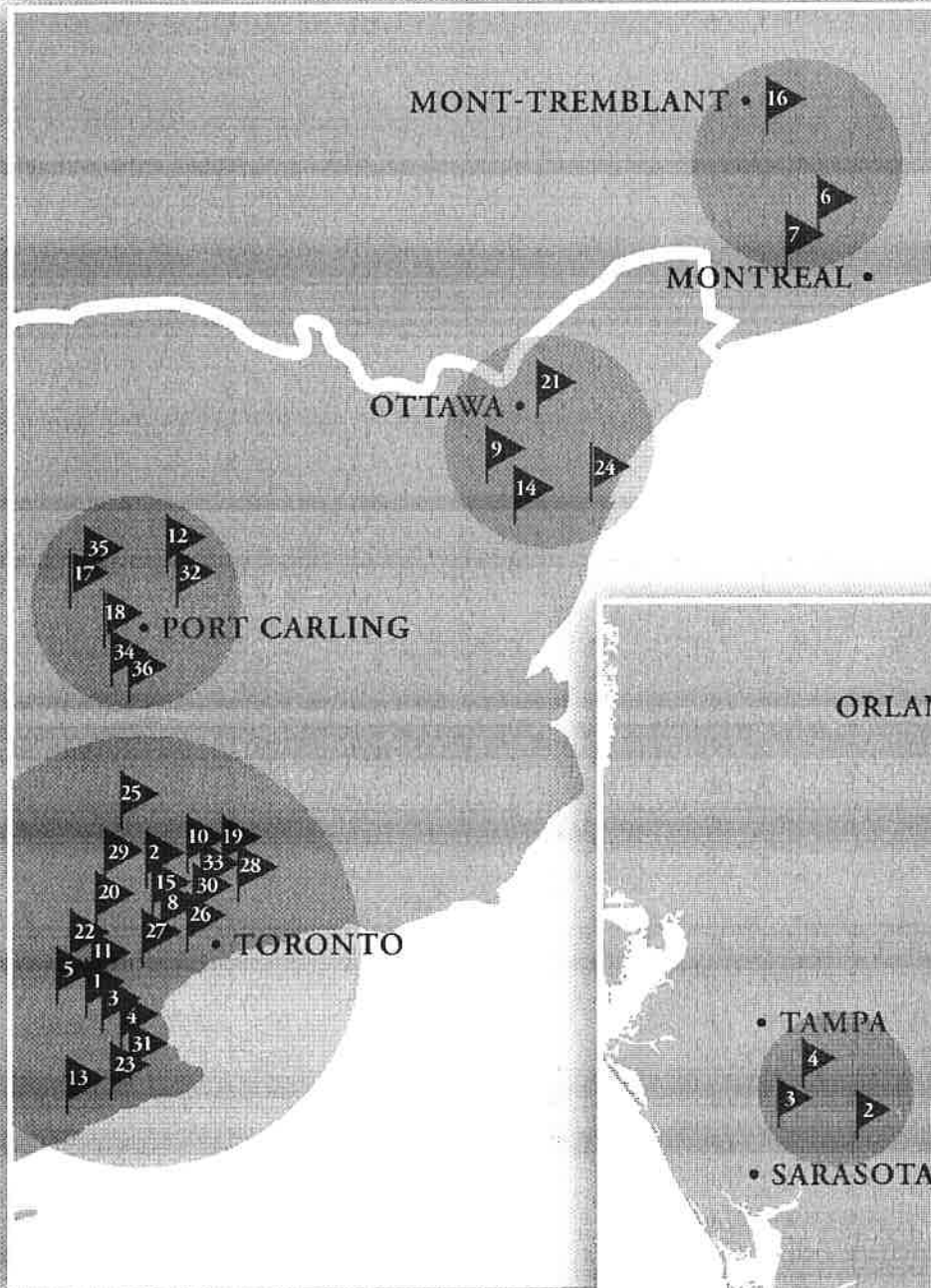
(2) Excluding academy courses.

(3) 18-hole equivalent championship golf courses operating during the year ended December 31.

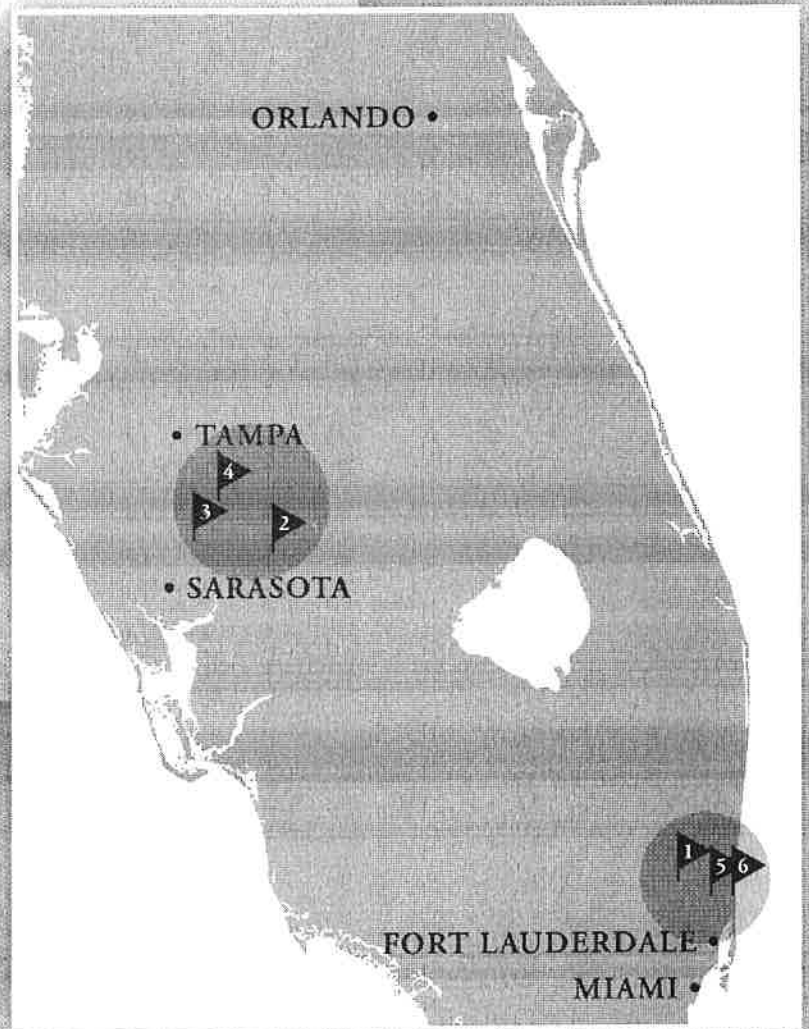
	Championship Golf Holes	Academy Golf Holes	Future Golf Holes	Current Rooms	Surplus Land in Acres
ONTARIO/QUEBEC REGION					
Prestige					
1. Greystone Golf Club, Milton, Ontario	18	—	—	—	—
2. King Valley Golf Club, The Township of King, Ontario	18	—	—	—	—
3. RattleSnake Point Golf Club, Milton, Ontario	36	9	—	—	—
Hybrid – Prestige					
4. Glen Abbey Golf Club, Oakville, Ontario	18	—	—	—	—
Platinum					
5. Blue Springs Golf Club, Acton, Ontario	18	9	—	—	—
6. Club de Golf Islesmere, Laval, Quebec (a)	27	—	—	—	—
7. Club de Golf Rosemère, Blainville, Quebec (b)	18	—	—	—	—
8. DiamondBack Golf Club, Richmond Hill, Ontario	18	—	—	—	—
9. Eagle Creek Golf Club, Dunrobin, Ontario	18	—	—	—	—
10. Emerald Hills Golf Club, Whitchurch-Stouffville, Ontario	27	—	—	—	—
11. Glencairn Golf Club, Milton, Ontario	27	—	—	—	—
12. Grandview Golf Club, Huntsville, Ontario	18	—	18	—	—
13. Heron Point Golf Links, Ancaster, Ontario	18	—	—	—	—
14. Kanata Golf & Country Club, Kanata, Ontario	18	—	—	—	—
15. King's Riding Golf Club, The Township of King, Ontario	18	—	—	—	—
16. Le Maître de Mont-Tremblant, Mont-Tremblant, Quebec (c)	36	—	—	—	—
17. Rocky Crest Golf Club, Mactier, Ontario	18	—	18	—	—
18. The Lake Joseph Club, Port Carling, Ontario	18	9	—	—	—
19. Wyndance Golf Club, Uxbridge, Ontario	18	9	—	—	—
Gold:					
20. Caledon Woods Golf Club, Bolton, Ontario	18	—	—	—	—
21. Club de Golf Hautes Plaines, Garineau, Quebec	18	—	—	—	—
22. Georgetown Golf Club, Georgetown, Ontario	18	—	—	—	—
23. Glendale Golf and Country Club, Hamilton, Ontario	18	—	—	—	—
24. GreyHawk Golf Club, Ottawa, Ontario	36	—	—	—	—
25. National Pines Golf Club, Innisfil, Ontario (a)	18	—	—	—	—
26. Station Creek Golf Club, Whitchurch-Stouffville, Ontario	36	—	—	—	—
27. The Country Club, Woodbridge, Ontario (a)	36	9	—	—	—
Hybrid – Gold					
28. Cherry Downs Golf & Country Club, Pickering, Ontario	18	—	18	—	—
29. The Club at Bond Head, Bond Head, Ontario (a)	36	—	—	—	—
Hybrid – Silver					
30. Bethesda Grange, Whitchurch-Stouffville, Ontario	18	—	—	—	—
31. Hidden Lake Golf Club, Burlington, Ontario	36	—	—	—	—
Daily Fee					
32. Grandview Inn Course, Huntsville, Ontario	—	9	—	—	—
33. Rolling Hills Golf Club, Whitchurch-Stouffville, Ontario	36	—	—	—	—
Muskoka, Ontario Resorts					
34. The Lake Joseph Club, Port Carling, Ontario	—	—	—	25	—
35. Rocky Crest Resort/Lakeside at Rocky Crest, Mactier, Ontario (d)	—	—	—	84	—
36. Sherwood Inn, Port Carling, Ontario	—	—	—	49	—
FLORIDA REGION					
Hybrid – Prestige					
1. TPC Eagle Trace, Coral Springs, Florida	18	—	—	—	—
Hybrid – Platinum					
2. Club Renaissance, Sun City Center, Florida	18	—	—	—	—
Gold					
3. Scepter Golf Club, Sun City Center, Florida	27	—	—	—	—
Hybrid – Silver					
4. Sandpiper Golf Club, Sun City Center, Florida	27	—	—	—	—
Daily Fee					
5. Palm Aire Country Club (Oaks, Cypress), Pompano Beach, Florida	36	—	—	—	—
6. Palm Aire Country Club (Palms), Pompano Beach, Florida	18	—	—	—	—
OTHER					
Kings Point Golf Club, Sun City Center, Florida (e)	—	—	—	—	51
Caloosa Greens Golf Club, Sun City Center, Florida (e)	—	—	—	—	70
Falcon Watch Golf Club, Sun City Center, Florida (e)	—	—	—	—	116
North Lakes Golf Club, Sun City Center, Florida (e)	—	—	—	—	170
King Haven, The Township of King, Ontario	—	—	—	—	278
Woodlands Country Club, Tamarac, Florida (e)	—	—	—	—	279
Total 18-hole Equivalent Courses, Rooms, Acres	49.5	3.0	3.0	158	964

Notes: (a) Operated by ClubLink under long-term leases. (b) Property managed by ClubLink (formerly known as Club de Golf Le Fontainebleau). (c) Includes 18 holes managed by ClubLink (La Bête Golf Club). (d) Rocky Crest Resort consists of 65 units and Lakeside at Rocky Crest consists of 19 units. (e) These properties are closed.

ONTARIO/QUEBEC REGION



FLORIDA REGION



Fellow Shareholders:

We are pleased to report another strong year of results.

Even though the 2021 golf season was interrupted for five weeks by Ontario COVID lockdowns, we still achieved strong growth in a number of areas including annual dues revenue, members and net operating income.

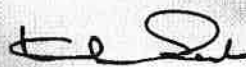
2021 had some one-time gains which helped boost earnings per share to \$3.64. Included in this was the sale of Heron Bay Golf Club which had previously been closed. This was sold for US\$32M – or a tenfold gain on its purchase price. The cash from the White Pass sale which has been redeployed to certain investments has continued to achieve above average returns.

We are looking forward to having reduced COVID restrictions in 2022 and being able to accommodate normal indoor food and beverage business along with corporate events and other group-type business which are all still significantly below pre-COVID levels.

While there are challenges with both the supply chain and with ensuring adequate staffing, we are still looking forward to another solid year in 2022. Golf has always been an activity that lends itself to outdoor socializing and a healthy lifestyle which are both very important today.

ClubLink continues to deliver a high quality experience to our valued members at our golf operations due to the professionalism of our employees. We feel gratitude to our members for their support, and to our dedicated employees for whom we focus on creating a positive and engaging environment. Our members and employees have made us Canada's leading golf company.

I also offer a great deal of thanks to our directors for their wisdom and guidance, as well as to our valued shareholders for their support.



*K. (Rai) Sahi
Chairman, President and
Chief Executive Officer*



K. (RAI) SAHI
Chairman, President and
Chief Executive Officer

Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with TWC Enterprises Limited's ("TWC" or the "Company", formerly ClubLink Enterprises Limited) audited consolidated financial statements and accompanying notes for the year ended December 31, 2021. This MD&A has been prepared as at March 9, 2022 and all amounts are in Canadian dollars unless otherwise indicated.

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards ("IFRS").

FORWARD-LOOKING STATEMENTS

Statements contained herein that are not based on historical or current fact, including without limitation, statements containing the words "anticipate", "believe", "may", "continue", "estimate", "expects", "will" and words of similar expression, constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both nationally and in the regions in which the Company operates; changes in business strategy or development/acquisition plans; environmental exposures; financing risk; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; liability and other claims asserted against the Company; and other factors including risks and uncertainties relating to the COVID-19 pandemic referred to in the Company's filings with Canadian securities regulators. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not assume the obligation to update or revise any forward-looking statements.

The above list of important factors affecting forward-looking information is not exhaustive, and reference should be made to the other risks discussed in TWC's filings with Canadian securities regulatory authorities. TWC undertakes no obligation, except as required by law, to update publicly or otherwise any forward-looking information, whether as a result of new information, future events or otherwise, or the above list of factors affecting this information.

Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the Company, governments (federal, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Company's assumptions as compared to prior periods. These assumptions and related risks, many of which are confidential, include but are not limited to management expectations with respect to the factors above as well as general economic conditions, which includes the impact on the economy and financial markets of the COVID-19 pandemic and other health risks.

SPECIFIED FINANCIAL MEASURES

The Company reports its financial results in accordance with IFRS. However, this MD&A also uses specified financial measures that are not defined by IFRS, which follow the disclosure requirements established by National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*. Specified financial measures are categorized as non-GAAP financial measures, non-GAAP ratios, and other financial measures, which are capital management measures, supplementary financial measures, and total of segments measures.

NON-GAAP MEASURES

Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. The Company's management uses these measures to aid in assessing the Company's underlying core performance and provides these additional measures so that investors may do the same. Management believes that the non-GAAP financial measures described below, which supplement the IFRS measures, provide readers with a more comprehensive understanding of management's perspective on the Company's operating results and performance.

The following discussion describes the non-GAAP financial measures the Company uses in evaluating operating results:

Direct operating expenses = expenses that are directly attributable to the Company's business units and are used by management in the assessment of their performance. These exclude expenses which are attributable to corporate decisions such as impairment.

Net operating income = operating revenue - direct operating expenses

Operating property, plant and equipment expenditures = capital expenditures to maintain existing operations

Expansion property, plant and equipment expenditures = capital expenditures which expand existing operations

Management's Discussion and Analysis of Financial Condition and Results of Operations

NON-GAAP MEASURES (continued)

Net operating income is an important metric used by management in evaluating the Company's operating performance as it represents the revenue and expense items that can be directly attributable to the specific business unit's ongoing operations. It is not a measure of financial performance under IFRS and should not be considered as an alternative to measures of performance under IFRS. The most directly comparable measure specified under IFRS is net earnings.

BUSINESS STRATEGY AND CORPORATE OVERVIEW

TWC operates in the golf operations business segment. In addition, the corporate operations segment oversees the golf operations segment and considers investment opportunities.

TWC's strategic objective is to grow long-term shareholder value by improving net operating income and operating margins of its underlying business as well as considering options to unlocking long-term value from its investment in land.

TWC is also involved with considering investment opportunities.

OVERVIEW OF BUSINESS SEGMENTS

Golf Club Operations Segment

TWC is engaged in golf club operations under the trademark "ClubLink One Membership More Golf" ("ClubLink"). ClubLink is Canada's largest owner, operator and manager of golf clubs with 49½, 18-hole equivalent championship and 3, 18-hole equivalent academy courses, at 37 locations in two separate geographical Regions: (a) Ontario/Quebec (including two managed properties) and (b) Florida. ClubLink's lease of the Bond Head property in Bond Head, Ontario (36 holes) concluded as of December 31, 2021 and as such the above totals will be reduced for the 2022 operating season.

ClubLink's golf clubs are strategically organized in clusters that are located in densely populated metropolitan areas and resort destinations frequented by those who live and work in these areas. By operating in Regions, ClubLink is able to offer golfers in their Region a wide variety of unique membership, daily fee, corporate event and resort opportunities. ClubLink is also able to obtain the benefit of operating synergies to maximize revenue and achieve economies of scale to reduce costs.

Revenue at all golf club properties is enhanced by cross-marketing, as the demographics of target markets for each are substantially similar. Revenue is further improved by corporate golf events, business meetings and social events that utilize golf capacity and related facilities at times that are not in high demand by ClubLink's members. This supplemental revenue which typically involves gatherings of people has been minimal since the start of COVID-19.

Member and Hybrid Golf Club revenue is maximized by the sale of flexible personal and corporate memberships that offer reciprocal playing privileges at ClubLink golf clubs. In recent years, ClubLink has been focusing on providing enhanced value for its memberships as well as cultivating a family-type atmosphere at its golf clubs.

Daily fee golf club revenue is maximized through unique and innovative marketing programs in conjunction with dynamic pricing.

ClubLink also has annual membership programs, which are unique to each Region. These product offerings include Players Card and Players Club in the Ontario/Quebec Region; as well as the ClubLink Card in the Florida Region.

(a) Ontario/Quebec

ClubLink's Ontario/Quebec Region is organized into two clusters: the major metropolitan areas of Southern Ontario and Muskoka, Ontario's premier resort area, extending from Hamilton to Huntsville to Pickering, with a particularly strong presence in the Greater Toronto Area; and Quebec/Eastern Ontario, extending from the National Capital Region to Montreal, including Mont-Tremblant, Quebec's premier resort area.

In 2022, ClubLink will be operating 25 Ontario/Quebec Region Member Golf Clubs in three categories as follows:

Prestige: Greystone, King Valley, RattleSnake Point

Platinum: Blue Springs, DiamondBack, Eagle Creek, Emerald Hills, Glencairn, Grandview, Heron Point, Islesmere, Kanata, King's Riding, Lake Joseph, Le Maître, Rocky Crest, Wyndance

Gold: Caledon Woods, Country Club, Georgetown, Glendale, GreyHawk, Hautes Plaines, National Pines, Station Creek

In 2022, ClubLink will be managing two golf clubs on behalf of other owners as follows:

Club de Golf Le Fontainebleau was purchased by Club de Golf Rosemère on December 14, 2018 and changed its name to Club de Golf Rosemère. ClubLink retains a management fee arrangement of Fontainebleau. ClubLink is also involved with the La Bête Golf Club property which will be run as a managed property associated with Le Maître.

OVERVIEW OF BUSINESS SEGMENTS (continued)

Golf Club Operations Segment (continued)

(a) Ontario/Quebec (continued)

In 2022, ClubLink will be operating four Ontario/Quebec Region Hybrid Golf Clubs in three categories as follows:

Hybrid – Prestige: Glen Abbey

Hybrid – Gold: Cherry Downs

Hybrid – Silver: Bethesda Grange, Hidden Lake

Val des Lacs was closed for the 2020 operating season and was subsequently sold on July 13, 2020.

Hybrid Golf Clubs are available for daily fee (public) play, reciprocal access by other ClubLink Members and provide a home club for Members with reciprocal access to the ClubLink system.

In 2022, ClubLink will be operating one Ontario/Quebec Region Daily Fee Golf Club as follows:

Daily Fee: Rolling Hills

ClubLink has approximately 350 Players Card memberships. Players Card annual memberships allow golfers unlimited access to Rolling Hills during spring and fall shoulder seasons in addition to twilight golf during the summer season. A fixed number of rounds certificates are also included with each Players Card.

ClubLink has approximately 2,300 Players Club memberships. The Players Club memberships have varying degrees of access to ClubLink's daily fee golf clubs at different price points.

Players Card and Players Club member databases also provide ClubLink an opportunity to cultivate these relationships into a full privilege golf membership.

ClubLink owns sufficient land to develop an additional 18 holes at Cherry Downs Golf Club in Pickering, Grandview Golf Club in Muskoka and Rocky Crest Golf Club in Muskoka.

In 2022, ClubLink will be operating The Lake Joseph Club, Rocky Crest Resort and Sherwood Inn, all located in Muskoka.

The Lake Joseph Club and Rocky Crest Resort operate seasonally from May to October while Sherwood Inn is available during the off season for group and weekend bookings.

ClubLink's remaining Muskoka land holdings, excluding golf course development sites, include zoned and serviced land that are capable of supporting a substantial number of resort rooms/villas, conference facilities and residential homes.

(b) United States

ClubLink's Florida Region includes eight 18-hole equivalent championship golf courses.

In 2022, ClubLink will be operating six Florida Region Golf Clubs as follows:

TPC Eagle Trace, Club Renaissance, Scepter, Sandpiper, Palm Aire (Cypress/Oaks), Palm Aire (Palms)

In 2019, Heron Bay Golf Club was closed and on October 8, 2021 was sold for proceeds of US\$32,000,000.

In 2020, Woodlands Golf and Country Club was closed as part of the mandated closures from the COVID-19 pandemic. Due to years of declining performance, it was not re-opened.

Corporate Operations Segment

TWC's objective at the corporate level is to identify opportunities to generate incremental returns and cash flow. Historically, the nature of these investments included debt and equity instruments in both public and private organizations.

Management's Discussion and Analysis of Financial Condition and Results of Operations

OPERATING UPDATE - COVID-19 PANDEMIC

COVID-19 has impacted both the Company and its assets. All properties were mandated to be closed in the spring of 2020. Ontario properties were again mandated to be closed in both the first and second quarter of 2021 due to government imposed lockdowns. The Company's Florida properties were not subject to any mandated closures in 2021. COVID-19 and related restrictions has and is expected to continue to impact certain revenue streams such as corporate events, banquets, weddings and food and beverage into at least 2022 due to both restrictions and/or less demand for these services. On the other hand, COVID-19 has led to a high demand for golf due to the fact that it is outdoors and is considered to be a safe activity.

HIGHLAND GATE TRANSACTION AND CONSOLIDATION

TWC has been pursuing the development of its Highland Gate property in Aurora, Ontario with Geranium Homes which is also the manager.

On April 14, 2021, ClubLink purchased a 25% profit participation interest in Highland Gate from one of its partners of the project. The partner had equity into the project and was entitled to certain priority rights with profit distributions. ClubLink is now entitled to 83.33% of the project's profits. As a result of this transaction, ClubLink has achieved control of this project which requires the consolidation of the project's financial statements. As of December 31, 2021, there have been 22 homes closed for this project including the five closings in 2019.

GLEN ABBEY

TWC previously announced a long-term plan to transform Glen Abbey Golf Club and dedicate more than half (approximately 124 acres) of the privately-owned site to the public as permanent, publicly accessible green space by filing three development applications on November 10, 2016 with the Town of Oakville. The 20 week LPAT hearing for this file was scheduled to begin August 9, 2021.

On June 16, 2021, the Regional Municipality of Halton passed a resolution urging the Province of Ontario to use all resources and tools at their disposal to protect Glen Abbey.

Also on June 16, 2021, Provincial Housing Minister Steve Clark wrote a letter to the Town of Oakville and Region of Halton confirming that Glen Abbey was a matter of provincial interest and that Provincial staff will be working with Town staff for potential solutions to protect Glen Abbey.

On July 9, 2021, ClubLink withdrew its Glen Abbey redevelopment appeals.

In conjunction with the above events, TWC recorded a \$9,785,000 charge for the year ending December 31, 2021, representing the capitalized costs in relation to the redevelopment.

SUMMARY OF CANADIAN/US EXCHANGE RATES USED FOR TRANSLATION PURPOSES

The following exchange rates translate one US dollar into the Canadian dollar equivalent.

	2021	2020	2019
Balance Sheet, at December 31	1.2678	1.2732	1.2988
Statement of Earnings, average for the year	1.2537	1.3412	1.3268

Management's Discussion and Analysis of Financial Condition and Results of Operations

SELECTED FINANCIAL INFORMATION

The table below sets forth selected financial data relating to the Company's fiscal years ended December 31, 2021, December 31, 2020 and December 31, 2019. This financial data is derived from the Company's audited consolidated financial statements, which are prepared in accordance with IFRS.

(thousands of Canadian dollars, except per share amounts)	2021	2020	2019	% Change 2021/2020	% Change 2020/2019
OPERATING REVENUE	\$ 174,013	\$ 127,216	\$ 163,641	36.8%	(22.3%)
DIRECT OPERATING EXPENSES	121,601	83,305	134,655	46.0%	(38.1%)
NET OPERATING INCOME	52,412	43,911	28,986	19.4%	51.5%
Amortization of membership fees	4,404	4,585	5,146	(3.9%)	(10.9%)
Depreciation and amortization	(19,440)	(19,249)	(20,119)	1.0%	(4.3%)
Interest, net and investment income	(1,204)	(3,609)	(4,923)	(66.6%)	(26.7%)
Other items	74,763	(21,458)	(1,996)	N/A	975.1%
Income taxes	(21,288)	(3,209)	(2,190)	563.4%	46.5%
NET EARNINGS	\$ 89,647	\$ 971	\$ 4,904	N/A	(80.2%)
BASIC AND DILUTED EARNINGS PER SHARE	\$ 3.64	\$ 0.04	\$ 0.18	N/A	(77.8%)
TOTAL ASSETS	\$ 746,806	\$ 632,382	\$ 675,606	18.1%	(6.4%)
GROSS BORROWINGS	\$ 119,878	\$ 130,968	\$ 148,947	(8.5%)	(12.1%)
SHAREHOLDERS' EQUITY	\$ 503,388	\$ 414,369	\$ 436,530	21.5%	(5.1%)

The breakdown of operating revenue is as follows:

(thousands of Canadian dollars, except per share amounts)	2021	2020	2019	% Change 2021/2020	% Change 2020/2019
Annual dues	\$ 62,460	\$ 54,296	\$ 56,412	15.0%	(3.8%)
Golf	45,599	42,673	36,006	6.9%	18.5%
Corporate events	3,542	2,327	11,529	52.2%	(79.8%)
Food and beverage	19,400	16,070	42,990	20.7%	(62.6%)
Merchandise	11,647	8,544	13,191	36.3%	(35.2%)
Real estate sales	26,572	-	-	N/A	N/A
Rooms and other	4,793	3,306	3,513	45.0%	(5.9%)
	\$ 174,013	\$ 127,216	\$ 163,641	36.8%	(22.3%)

The breakdown of direct operating expenses is as follows:

(thousands of Canadian dollars, except per share amounts)	2021	2020	2019	% Change 2021/2020	% Change 2020/2019
Operating cost of sales	\$ 14,543	\$ 11,236	\$ 22,414	29.4%	(49.9%)
Real estate cost of sales	28,338	-	-	N/A	N/A
Labour and employee benefits	44,387	39,358	70,475	12.8%	(44.2%)
Utilities	5,908	7,049	8,118	(16.2%)	(13.2%)
Selling, general and administrative	4,574	3,906	5,454	17.1%	(28.4%)
Property taxes	2,251	3,401	3,450	(33.8%)	(1.4%)
Insurance	3,103	2,970	2,724	4.5%	9.0%
Repairs and maintenance	4,051	3,184	4,241	27.2%	(24.9%)
Turf operating expenses	3,953	3,179	4,083	24.3%	(22.1%)
Fuel and oil	1,233	908	1,357	35.8%	(33.1%)
Other operating expenses	9,260	8,114	12,339	14.1%	(34.2%)
Total direct operating expenses	\$ 121,601	\$ 83,305	\$ 134,655	46.0%	(38.1%)

Management's Discussion and Analysis of Financial Condition and Results of Operations

2021 CONSOLIDATED OPERATING HIGHLIGHTS

As required by IFRS, ClubLink recognizes its annual dues revenue on a straight-line basis throughout the year based on when its properties are allowed to open and services are provided. As a result of COVID-19 lockdowns in both 2020 and 2021, annual dues revenue was not recognized during certain periods early in both years. Canadian annual dues revenue increased to \$56,508,000 in 2021 from \$48,081,000 in 2020 due to an increase in members. Any displaced revenue from the closure period was recognized into revenue throughout the remainder of the year on a straight-line basis.

Operating revenue increased 36.8% to 174,013,000 in 2021 from \$127,216,000 in 2020 due to higher annual dues revenue along with the ability to operate in 2021 with less restrictions as compared to 2020 in addition to the revenue earned from 17 Highland Gate home sales.

Direct operating expenses increased 46.0% to \$121,601,000 in 2021 from \$83,305,000 in 2020 due to costs associated to higher revenue and activity levels in 2021 in addition to the cost of Highland Gate sales.

Net operating income for the Canadian golf club operations segment increased 18.3% to \$54,660,000 in 2021 from income of \$46,213,000 in 2020.

Interest, net and investment income decreased 66.6% to an expense of \$1,204,000 in 2021 from \$3,609,000 in 2020 due to a decrease in operational borrowings and an increase in investment income from the Company's investment in Automotive Properties REIT.

Other items consist of the following loss (income) items:

(thousands of Canadian dollars)	2021	2020	2019
Gain on property, plant and equipment	\$ (40,304)	\$ (1,416)	\$ (525)
Unrealized loss (gain) on investment in marketable securities	(30,360)	7,311	(2,426)
Unrealized gain on real estate fund investments	(9,311)	-	-
Insurance proceeds	(3,812)	-	(2,141)
Equity income from investments in joint ventures	(1,270)	(115)	(1,135)
Unrealized foreign exchange loss (gain)	207	(1,256)	6,944
Glen Abbey redevelopment charge	9,785	-	-
Loss on sale of common shares in Carnival plc	-	16,240	-
Other	302	694	927
Other items	\$ (74,763)	\$ 21,458	\$ 1,644

On October 8, 2021, the Company sold Heron Bay Golf Club for net proceeds of \$40,235,000 (US\$31,736,000). A gain of \$39,425,000 (US\$31,661,000) was recorded on the sale. This represents the vast majority of the total gain on property, plant and equipment recorded for the year.

At December 31, 2021, the Company recorded unrealized gains of \$30,360,000 on investment in marketable securities (December 31, 2020 - loss of \$7,311,000). This gain is attributable to the Company's investment in Automotive Properties REIT. The Company also recorded unrealized gains of \$9,311,000 (December 31, 2020 - nil) on real estate fund investments in relation to Florida and southeastern US real estate.

The exchange rate used for translating US denominated assets has changed from 1.2732 at December 31, 2020 to 1.2678 at December 31, 2021. This has resulted in a foreign exchange loss of \$207,000 in 2021 on the translation of the Company's US denominated financial instruments.

Net earnings increased to \$89,647,000 in 2021 from \$971,000 in 2020 due to the other items as described above and the improved golf results. Basic and diluted earnings per share increased to \$3.64 per share in 2021, compared to 4 cents in 2020.

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

The results of operations by business segment should be read in conjunction with the segmented information contained in Note 22 of the audited consolidated financial statements for the year ended December 31, 2021.

The following is a summary of the results of operations for the past three fiscal years.

(thousands of Canadian dollars)	2021	2020	2019
Operating revenue by segment			
<i>Canadian golf club operations</i>	\$ 128,791	\$ 109,432	\$ 140,842
<i>US golf club operations</i>	18,650	17,784	22,799
<i>Other (Highland Gate)</i>	26,572	-	-
Operating revenue	\$ 174,013	\$ 127,216	\$ 163,641
Net operating income (loss) by segment			
<i>Canadian golf club operations</i>	\$ 54,660	\$ 46,213	\$ 31,267
<i>US golf club operations</i>	2,354	567	931
<i>Corporate and other</i>	(4,602)	(2,869)	(3,212)
Net operating income	\$ 52,412	\$ 43,911	\$ 28,986

Review of Canadian Golf Club Operations for the Year Ended December 31, 2021

Summary of Canadian Golf Club Operations

(statistics)	2021	2020	% Change
18-hole equivalent championship golf courses	39.5	39.5	-
18-hole equivalent managed golf courses	2.0	1.0	100.0%
Championship rounds	1,191,000	1,223,000	(2.6%)
(thousands of Canadian dollars)	2021	2020	% Change
Operating revenue	\$ 128,791	\$ 109,432	17.7%
Direct operating expenses	(74,131)	(63,219)	17.3%
Net operating income	54,660	46,213	18.3%
Amortization of membership fees	4,115	4,239	(2.9%)
Depreciation and amortization	(18,070)	(17,545)	3.0%
Other items	(5,074)	1,382	N/A
Segment earnings before interest and income taxes	\$ 35,631	\$ 34,289	3.9%

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

Review of Canadian Golf Club Operations for the Year Ended December 31, 2021 (continued)

Canadian Golf Club Operating Revenue

Canadian golf club operating revenue is recorded as follows:

(thousands of Canadian dollars)	2021	2020	% Change
Annual dues	\$ 56,508	\$ 48,081	17.5%
Corporate events	3,315	2,167	53.0%
Golf	35,574	33,241	7.0%
Food and beverage	17,637	14,642	20.5%
Merchandise, rooms and other	15,757	11,301	39.4%
Total operating revenue	\$ 128,791	\$ 109,432	17.7%

Canadian Golf Club Direct Operating Expenses

Canadian golf club direct operating expenses are recorded as follows:

(thousands of Canadian dollars)	2021	2020	% Change
Cost of sales	\$ 13,285	\$ 10,188	30.4%
Labour and employee benefits	36,328	30,400	19.5%
Utilities	4,641	5,714	(18.8%)
Selling, general and administrative	2,916	2,307	26.4%
Property taxes	1,215	2,099	(42.1%)
Insurance	1,981	1,791	10.6%
Repairs and maintenance	3,183	2,286	39.2%
Turf operating expenses	3,228	2,526	27.8%
Fuel and oil	971	699	38.9%
Other operating expenses	6,383	5,209	22.5%
Total direct operating expenses	\$ 74,131	\$ 63,219	17.3%

Direct operating expenses have increased 17.3% to \$74,131,000 from \$63,219,000 due to an increase in members resulting in higher revenue levels as well as being able to operate in 2021 with less restrictions as compared to 2020. The Company has recorded the Canada Emergency Wage Subsidy as a reduction to labour and employee benefits expense. The Company has also recorded rent and property tax relief as a reduction to property taxes expense and an energy rebate as a reduction to utilities expense.

Gross margin on food and beverage sales increased to 69.0% in 2021 compared to 67.8% in 2020 due to less restrictions and lockdowns within the summer operating season as compared to 2020.

Gross margin on merchandise sales decreased to 28.6% in 2021 compared to 31.0% in 2020, due to a change in mix of merchandise sales in 2021.

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

Review of Canadian Golf Club Operations for the Year Ended December 31, 2021 (continued)

Canadian Membership Fees and Members

Full privilege golf members increased 4.6% to 15,545 on December 31, 2021 from 14,861 on December 31, 2020 due to the strong demand for golf as part of the public reaction to the COVID-19 pandemic.

Changes in full privilege golf members and future membership fee instalments are as follows:

(thousands of Canadian dollars)	2021		2020	
	Golf Members	Future Membership Fee Instalments	Golf Members	Future Membership Fee Instalments
Balance, beginning of year	14,861	\$ 24,379	14,193	\$ 20,533
Sales to new members	1,728	11,161	2,145	8,559
Reinstated members	373	469	322	494
Category changes	(16)	-	127	-
Transfer and upgrade fees from existing members	-	2,508	-	744
Resignations and terminations	(1,401)	(3,243)	(1,609)	(3,577)
Sale of Greenhills Golf Club	-	-	(317)	(52)
Instalments received in cash	-	(2,968)	-	(2,322)
Balance, end of year (Full Privilege)	15,545	\$ 32,306	14,861	\$ 24,379

Sales to new members are broken down into categories as follows:

	2021	2020	% Change
Corporate/Principal/Spousal	1,471	907	62.2%
Intermediate	12	913	(98.7%)
Junior	6	131	(95.4%)
Other	239	194	23.2%
Total	1,728	2,145	(19.4%)

Full privilege members are broken down into categories as follows:

	2021	2020	% Change
Corporate/Principal/Spousal	8,128	6,941	17.1%
Intermediate	1,624	1,990	(18.4%)
Junior	227	320	(29.1%)
Other	5,566	5,610	(0.8%)
Total	15,545	14,861	4.6%

The strong demand for golf as a reaction to the pandemic has resulted in ClubLink not accepting trial (intermediate or junior) memberships starting late 2020 and into 2021 and also resulted in membership caps implemented at certain Golf Clubs.

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

Review of Canadian Golf Club Operations for the Year Ended December 31, 2021 (continued)

Canadian Membership Fees (continued)

Membership fees are amortized over the estimated weighted average remaining membership by year joined. This is determined by subtracting the average age of members that joined in that year from 70 and dividing the result by 2. The amortization period is reviewed annually and any adjustments are made prospectively. Membership fee revenue recognized in 2021 decreased 2.9% to \$4,115,000 from \$4,239,000 in 2020. This decline is primarily the result of the members that joined in 2008 completing their amortization period in 2020. Subsequent to this amortization period, membership fees are recorded as revenue upon receipt. An allowance for future resignations is considered as part of this model.

Details on amortization period in years, amortization of membership fee revenue and Canadian Region members at year end is broken down by member join year as follows:

Member Join Year	Amortization Period (yrs) 2021	Amortization Period (yrs) 2020	Amortization of Membership Fees (\$000) 2021	Amortization of Membership Fees (\$000) 2020	Members at year end 2021	Members at year end 2020	% Change
1994-2007	Cash	Cash	\$ 349	\$ 244	6,550	6,851	(4.4%)
2008	Cash	1	36	692	385	404	(4.7%)
2009	1	2	575	580	453	482	(6.0%)
2010	1	2	443	447	550	584	(5.8%)
2011	4	5	361	385	390	409	(4.6%)
2012	6	7	181	196	237	249	(4.8%)
2013	6	7	204	218	228	243	(6.2%)
2014	7	8	232	245	337	354	(4.8%)
2015	8	9	154	166	286	313	(8.6%)
2016	9	10	178	188	470	508	(7.5%)
2017	10	11	141	148	586	615	(4.7%)
2018	12	13	147	152	814	908	(10.4%)
2019	13	14	137	151	669	782	(14.5%)
2020	14	15	382	427	1,862	2,159	(13.8%)
2021	11	-	595	-	1,728	-	N/A
Totals			\$ 4,115	\$ 4,239	15,545	14,861	4.6%

The following is an age analysis of ClubLink's Canadian Region golf members:

	2021	2020	% Change
Under 30 years	1,872	2,208	(15.2%)
31 - 40 years	1,153	923	24.9%
41 - 50 years	1,731	1,665	4.0%
51 - 60 years	4,169	4,005	4.1%
61 - 70 years	4,034	3,798	6.2%
71 and over	2,120	1,850	14.6%
Not available	466	412	13.1%
	15,545	14,861	4.6%

The average age of a Canadian full privilege golf member as at December 31, 2021 is 54.6 years as compared to 53.6 at December 31, 2020.

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

Review of US Golf Club Operations for the Year Ended December 31, 2021

Summary of US Golf Club Operations

(statistics)	2021	2020	% Change
18-hole equivalent championship golf courses	8.0	8.0	-
Championship golf rounds	261,000	249,000	4.8%

(thousands of dollars)	2021	2020	% Change
Operating revenue	\$ 14,840	\$ 13,317	11.4%
Direct operating expenses	(12,986)	(12,868)	0.9%
Net operating income	1,854	449	312.9%
Amortization of membership fees	229	259	(11.6%)
Depreciation and amortization	(1,095)	(1,269)	(13.7%)
Other items	31,583	(121)	N/A
Segment earnings (loss) before interest and income taxes (US dollars)	32,571	(682)	N/A
Exchange	8,030	(274)	N/A
Segment earnings (loss) before interest and income taxes (Cdn dollars)	\$ 40,601	\$ (956)	N/A

Review of Corporate Items for the Year Ended December 31, 2021

Highland Gate Sales

The Company's investment in Highland Gate is managed by Geranium Homes. Highland Gate is the development of a former golf course in Aurora, Ontario and includes 158 single family detached homes and a seven story multi-unit residential building with 114 units. During 2021 there were 17 closings of the first phase of this project.

The cost of goods sold includes the amortization of the purchase price of both the 2019 and 2021 tranches purchased by ClubLink in this project in addition to the recorded minority interest. The following is a breakdown of earnings recorded on this project in 2021:

(thousands of dollars)	2021	2020	% Change
Operating revenue	\$ 26,572	\$ -	-
Operating cost of goods sold	(25,941)	-	-
Cost of goods sold - amortization	(2,397)	-	-
Total	\$ (1,766)	\$ -	-

Sixteen of the seventeen closings in 2021 were smaller 52 foot lots which typically are less profitable.

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

Review of Corporate Items for the Year Ended December 31, 2021 (continued)

Real Estate Investments

The Company has the following real estate investments:

(thousands of Canadian dollars)	2021	2020
Investment in Mount Auburn (US\$10,362,000)	\$ 13,137	\$ -
Investment in Real Estate Investment Fund (US\$4,841,000)	6,137	-
	\$ 19,274	\$ -

The investment in Mount Auburn represents an approximate 2% ownership interest in a portfolio of 34 residential garden-style assets consisting of approximately 8,400 units located primarily in Texas and Southeast United States. This investment was purchased for \$5,705,000 (US\$4,500,000) on March 1, 2021 and distributions in the amounts of \$81,000 (US\$64,000) has been received in 2021. This investment has been valued at \$13,137,000 (US\$10,362,000) at December 31, 2021. The increase in value is due to both a compression of cap rates (4.75% at December 31, 2021) and enhanced net operating income.

The Company has also invested \$4,342,000 (US\$3,425,000) in capital calls (US\$10,000,000 total commitment) in a US-based real estate investment fund managed by 13th Floor. This fund primarily invests in Florida real estate projects and also includes an investment in the Mount Auburn portfolio. This investment has been valued at \$6,137,000 (US\$4,841,000) at December 31, 2021.

A total of unrealized gains in the amount of \$9,311,000 (US\$7,278,000) have been recorded on these investments.

Interest, Net and Investment Income

Interest, net and investment income decreased 66.6% to an expense of \$1,204,000 for the year ended December 31, 2021 from \$3,609,000 in 2020 due a decrease in operational borrowings and an increase in investment income from the Company's investment in Automotive Properties REIT.

Other Items

Other items consists of the following loss (income) items:

(thousands of Canadian dollars)	2021	2020	% Change
Gain on property, plant and equipment	\$ (40,304)	\$ (1,416)	N/A
Unrealized loss (gain) on investment in marketable securities	(30,360)	7,311	N/A
Unrealized gain on real estate fund investments	(9,311)	-	-
Insurance proceeds	(3,812)	-	-
Equity income from investments in joint ventures	(1,270)	(115)	1,004.3%
Unrealized foreign exchange loss (gain)	207	(1,256)	N/A
Glen Abbey redevelopment charge	9,785	-	-
Loss on sale of common shares in Carnival plc	-	16,240	-
Other	302	694	(56.5%)
Other items	\$ (74,763)	\$ 21,458	N/A

CRITICAL ACCOUNTING ESTIMATES

The Company's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with IFRS.

The Company's significant accounting policies and accounting estimates under IFRS are contained in the consolidated financial statements (see Note 2 for description). Certain of these policies involve critical accounting estimates as they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. We have discussed the development, selection and application of our key accounting policies, and the critical accounting estimates and assumptions they involve, with the external auditors and the audit committee of the Board of Directors.

Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION

The following is a summary consolidated balance sheet and analysis for the last two fiscal years:

(thousands of Canadian dollars)	2021	2020	Net Change	Ref
Assets				
Cash and cash equivalents	\$ 92,339	\$ 57,217	\$ 35,122	1
Accounts receivable	5,143	14,242	(9,099)	
Mortgages and loans receivable	2,997	24,999	(22,002)	2
Inventories and prepaid expenses	4,211	4,591	(380)	
Residential inventory	86,094	-	86,094	3
Other assets	138,347	94,961	43,386	4
Right-of-use assets	6,262	11,359	(5,097)	
Property, plant and equipment and intangibles	411,413	425,013	(13,600)	
	\$ 746,806	\$ 632,382	\$ 114,424	
Liabilities				
Accounts payable and accrued liabilities	\$ 36,328	\$ 20,717	\$ 15,611	
Lease liabilities	7,027	12,359	(5,332)	
Borrowings	112,561	118,200	(5,639)	5
Prepaid annual dues and deposits	33,019	16,156	16,863	6
Deferred membership fees	3,976	5,229	(1,253)	
Deferred income tax liabilities	50,507	45,352	5,155	
	243,418	218,013	25,405	
Shareholders' Equity				
Share capital	100,530	102,453	(1,923)	7
Retained earnings	389,418	307,830	81,588	
Non-controlling interest	8,683	-	8,683	
Accumulated other comprehensive income	4,757	4,086	671	
	503,388	414,369	89,019	
	\$ 746,806	\$ 632,382	\$ 114,424	

The following notes describe significant changes in the balance sheets presented:

- Cash has increased by \$34,178,000 due to the sale of Heron Bay Golf Club with net proceeds of \$40,235,000.
- Mortgages and loans receivable have decreased by \$22,002,000 due to the repayment of the related party loan receivable of \$20,000,000.
- Residential inventory has increased by \$86,094,000 due to the consolidation of Highland Gate and its home inventory balances.
- Other assets increased by \$43,386,000 primarily due to the investment in Florida real estate and the purchase of a further 1,042,993 units of Automocive Properties REIT, along with fair market value increases in these investments.
- Borrowings have decreased \$5,639,000 due to the changes as follows:

(thousands of dollars)	2021	2020	Change
Gross borrowings, beginning of year	\$ 118,609	\$ 131,706	\$ (13,097)
Non-revolving borrowings payments	(22,412)	(20,956)	(1,456)
Highland Gate borrowings	24,810	-	24,810
Revolving borrowings	(8,089)	8,089	(16,178)
Unrealized foreign exchange	(67)	(230)	163
Gross borrowings, end of year	112,851	118,609	(5,758)
Deferred financing costs	(290)	(409)	119
Borrowings, end of year	\$ 112,561	\$ 118,200	\$ (5,639)

Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION (continued)

6. Prepaid annual dues and deposits have increased by \$16,863,000 due to the consolidation of Highland Gate and \$16,445,000 in deposits collected for various phases of the project.
7. Share capital has decreased by \$1,923,000 due to the purchase of 469,518 shares for cancellation as part of the normal course issuer bid.

Shareholders' Equity

Consolidated shareholders' equity at December 31, 2021 totalled \$503,388,000 or \$20.51 per share, compared to \$414,369,000 or \$16.56 per share at December 31, 2020. The number of common shares outstanding decreased to 24,547,924 shares as at December 31, 2021 compared to 25,017,442 shares as at December 31, 2020 as reflected in the chart below.

The following is a summary of the common share activity:

(number of shares)	2021	2020
Balance, beginning of year	25,017,442	26,735,620
Shares cancelled through NCIB	(469,518)	(1,718,178)
Balance, end of year	24,547,924	25,017,442

During 2021, the Company purchased 469,518 (2020 - 1,718,178) shares for cancellation at a total price in the amount of \$8,302,000 (2020 - \$20,541,000).

The following is a summary of cash dividends declared in 2020 and 2021:

Date of declaration	Record date	Distribution date	Amount per share
March 9, 2020	March 13, 2020	March 31, 2020	0.02
April 29, 2020	May 29, 2020	June 15, 2020	0.02
August 6, 2020	August 31, 2020	September 15, 2020	0.02
November 2, 2020	November 30, 2020	December 15, 2020	0.02
March 3, 2021	March 15, 2021	March 31, 2021	0.02
April 29, 2021	May 31, 2021	June 15, 2021	0.02
August 5, 2021	August 31, 2021	September 15, 2021	0.02
November 1, 2021	November 30, 2021	December 15, 2021	0.02

Management's Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL RESOURCES

TWC's objective is to ensure that capital resources are readily available to meet obligations as they become due, to complete its approved capital expenditure program and to take advantage of attractive acquisitions as they arise. TWC's capital availability and demonstrated ability to execute transactions give it a competitive advantage in corporate development opportunities.

A summarized statement of cash flows is as follows:

(thousands of Canadian dollars)	2021	2020
Cash provided by operating activities	\$ 67,730	\$ 32,978
Operating property, plant and equipment expenditures	(8,556)	(6,046)
Expansion property, plant and equipment expenditures	(2,266)	(3,820)
Proceeds on sale of property, plant and equipment	41,258	4,517
Asset acquisition cost (Highland Gate)	(12,444)	-
Mortgages and loans receivable	22,002	12,357
Revolving borrowings	(17,818)	8,089
Non-revolving borrowings – amortization payments	(22,412)	(20,956)
Lease liabilities	(5,332)	(4,880)
Dividends paid	(1,975)	(2,091)
Common shares repurchased for cancellation	(8,302)	(20,541)
Investment in Automotive Properties REIT and marketable securities	(11,340)	(15,653)
Florida real estate investments	(10,047)	-
Other long term assets	74	597
Proceeds on sale of common shares in Carnival plc	-	5,825
Other	3,606	799
Net change in cash during the year	34,178	(8,825)
Cash, beginning of year	57,217	66,042
Cash, end of year	\$ 91,395	\$ 57,217

Management's Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL RESOURCES (continued)

The analysis of TWC's liquidity is as follows:

(thousands of Canadian dollars)	Availability on December 31, 2021		Availability on December 31, 2020	
	Maximum	Available	Maximum	Available
Cash and cash equivalents (CDN)	\$ 12,993	\$ 12,993	\$ 3,501	\$ 3,501
Cash and cash equivalents (USD)	78,402	78,402	53,716	53,716
Restricted cash	944	944	-	-
Revolving line of credit (corporate)	50,000	48,982	50,000	40,893
Related party revolving line of credit	50,000	50,000	50,000	50,000
Subtotal	192,339	191,321	157,217	148,110
Highland Gate	107,000	82,190	-	-
Total	\$ 299,339	\$ 273,511	\$ 157,217	\$ 148,110

At December 31, 2021 there is \$944,000 of restricted cash from the Highland Gate project, representing deposits on future home sales held by counsel.

Funds will be used during 2022 for operating capital expenditures and to pay debt obligations as they become due.

Liquidity risk arises from general funding needs and in the management of assets, liabilities and optimal capital structure. TWC manages liquidity risk to maintain sufficient liquid financial resources to meet its commitments and obligations in the most cost-effective manner possible.

Based on TWC's financial position at December 31, 2021, and projected future earnings, management expects to be able to fund its working capital requirements, and meet its other obligations including debt repayments.

The following is an analysis of the Company's net borrowings and their characteristics on December 31, 2021 compared to December 31, 2020:

(thousands of Canadian dollars)	Interest Rate 2021	Interest Rate 2020	Total Indebtedness 2021	Total Indebtedness 2020	Average Term to Maturity (Yrs) 2021	Average Term to Maturity (Yrs) 2020
Non-revolving	8.0%	8.0%	\$ 9,486	\$ 10,324	7.75	8.75
Exchange	-	-	2,540	2,820	-	-
Subtotal US borrowings	8.0%	8.0%	12,026	13,144		
Revolving (corporate)	2.9%	2.9%	-	8,089	1.75	1.75
Non-revolving	6.9%	7.0%	72,699	93,061	3.92	4.71
Other	5.0%	5.0%	3,316	4,315	1.41	2.41
Subtotal CDN borrowings	6.6%	6.4%	76,015	105,465		
Gross borrowings	7.0%	6.6%	88,041	118,609		
Lease liabilities	6.1%	6.1%	7,027	12,359	1.83	2.83
Subtotal			95,068	130,968		
Highland Gate borrowings	3.0%	-	24,810	-	0.83	-
Total			\$ 119,878	\$ 130,968		

None of the above non-revolving mortgages have any prepayment options without a corresponding yield maintenance payment.

LIQUIDITY AND CAPITAL RESOURCES (continued)

TWC has certain golf clubs that it operates, which are under lease arrangements. The following are the golf clubs under lease with expiration dates:

- The Country Club: December 31, 2022
- National Pines Golf Club: November 15, 2024

In December 2017, the landlord of the Country Club provided the Company with a five year notice - as provided in the lease document. The lease now expires on December 31, 2022.

In December 2018, the Company provided the landlord of The Club at Bond Head with a three year notice - as provided in the lease document. The lease has now expired on December 31, 2021. The Club at Bond Head will not be a ClubLink property in 2022.

TWC's consolidated borrowings include revolving lines of credit and non-revolving mortgages. The following table illustrates future maturities and amortization payments of consolidated borrowings for the next five years and thereafter as at December 31, 2021:

(thousands of Canadian dollars)	Highland Gate	Corporate Borrowings	Lease Liabilities	Total
2022	\$ 16,434	\$ 22,748	\$ 4,507	\$ 43,689
2023	8,376	21,560	1,183	31,119
2024	-	16,384	1,248	17,632
2025	-	10,700	10	10,710
2026	-	7,068	11	7,079
2027 and thereafter	-	9,581	68	9,649
	\$ 24,810	\$ 88,041	\$ 7,027	\$ 119,878

Operating Activities

Cash provided by operating activities were \$67,730,000 in 2021 compared to \$32,978,000 in 2020 due to the improved operating results and positive changes in the working capital.

Investing Activities

Cash provided by investing activities was \$629,000 in 2021 compared to cash used in investing activities of \$14,774,000 in 2020 due to proceeds from the sale of Heron Bay Golf Club offset by the Highland Gate acquisition and the real estate investments.

Operating property, plant and equipment expenditures are broken down as follows:

(thousands of Canadian dollars)	2021	2020
Canadian golf club operations		
Golf carts	\$ 3,987	\$ 1,538
Turf improvements	1,211	1,729
Turf equipment	1,441	725
Facilities, administrative and other	940	1,972
US golf club operations		
Golf carts	212	-
Turf improvements	426	47
Turf equipment	297	-
Other	42	35
	\$ 8,556	\$ 6,046

Management's Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL RESOURCES (continued)

Financing Activities

Financing activities repayments were \$33,897,000 in 2021 compared to \$28,082,000 in 2020 due to the addition of financing activities in relation to Highland Gate and the subsequent repayments.

The Company was approved by the Toronto Stock Exchange for a normal course issuer bid to purchase up to 1,338,000 of its common shares which expired on September 19, 2020. From September 20, 2019 to December 31, 2019, the Company repurchased for cancellation 20,100 common shares for a total purchase price of \$270,126 or \$13.44 per share, including commissions. From January 1, 2020 to September 19, 2020 the Company repurchased for cancellation 1,307,778 common shares for a total purchase price of \$15,150,616 or \$11.59 per share, including commissions.

The Company was approved by the Toronto Stock Exchange for a normal course issuer bid to purchase up to 1,271,000 of its common shares which expired on September 19, 2021. From September 20, 2020 to December 31, 2020 the Company repurchased for cancellation 410,400 common shares for a total purchase price of \$5,389,859 or \$13.13 per share, including commissions. From January 1, 2021 to September 19, 2021 the Company repurchased for cancellation 469,518 common shares for a total purchase price of \$8,302,152 or \$17.68 per share, including commissions.

The Company was approved by the Toronto Stock Exchange for a normal course issuer bid to purchase up to 1,227,000 of its common shares which expires on September 19, 2022.

In recording the repurchase and cancellation of shares, share capital is reduced by the weighted average issue price of the outstanding common shares with the differential to the purchase price being credited or charged to retained earnings.

During 2021, TWC declared and paid four quarterly dividends of 2 cents per common share for a total of 8 cents per common share or \$1,975,000 (2020 - \$2,091,000) for the year.

OFF-BALANCE SHEET FINANCING AND GUARANTEES

From time to time, TWC enters into agreements to provide financial or performance assurances to third parties of which letters of credit of \$1,018,000 (2020 - \$1,018,000) and unsecured surety bonds of \$1,602,000 (2020 - \$1,602,000) were outstanding as at December 31, 2021.

In the normal course of operations, the Company executes agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions, sales of assets, sales of services, securitization agreements and underwriting and agency agreements.

TWC does not engage in any other off-balance sheet financing.

RELATED PARTY TRANSACTIONS

The immediate parent and controlling party of the Company is Paros Enterprises Limited ("Paros") and its parents – S.N.A. Management Limited. These companies are privately-owned companies whose shareholder is the Chairman, President and Chief Executive Officer of the Company – K. (Rai) Sahi.

K. (Rai) Sahi, the Chairman, President and Chief Executive Officer of the Company is also the controlling shareholder of Morguard Corporation ("Morguard").

The Company has provided an unsecured revolving demand credit facility to Morguard in the amount of \$50,000,000 with no fixed maturity date. Morguard has provided an unsecured revolving demand credit facility to TWC in the amount of \$50,000,000 with no fixed maturity date. During 2021, Morguard fully repaid to the Company the \$20,000,000 loan receivable. These facilities bear interest on a basis which is consistent with the entity's borrowing costs.

Summarized information regarding these facilities is as follows:

(thousands of Canadian dollars)	For the year ended	
	December 31, 2021	December 31, 2020
Loan receivable from Morguard	-	20,000
Net interest receivable	-	45
Net interest earned	390	452

RELATED PARTY TRANSACTIONS (continued)

The Company has provided an unsecured revolving demand credit facility to Paros in the amount of \$5,000,000, with no fixed maturity date. Paros has provided an unsecured revolving demand credit facility to TWC in the amount of \$5,000,000 with no fixed maturity date. These facilities bear interest at prime plus 1%. During 2021 and 2020, there were no advances or repayments under this facility.

The purpose of these credit facilities is to allow each of the above entities to manage its financing activities in the most effective manner.

The Company has provided an unsecured revolving demand credit facility to an investment in joint venture in the amount of \$3,000,000, with no fixed maturity date. This facility bears interest at prime plus 1.25%. As at December 31, 2021, the amount receivable on this facility was nil (December 31, 2020 - \$800,000). Interest receivable at December 31, 2021 was nil (December 31, 2020 - \$4,000), and interest earned amounted to \$4,000 for the year ended December 31, 2021 (December 31, 2020 - \$66,000).

The Company receives managerial and consulting services from Morguard. The Company paid a management fee of \$695,000 for the year ended December 31, 2021 (December 31, 2020 - \$695,000), under a contractual agreement, which is included in operating expenses. Morguard also provides back-office services to ClubLink US Corporation. The Company paid a management fee of US\$460,000 (CDN\$577,000) for the year ended December 31, 2021 (December 31, 2020 - US\$460,000; CDN\$617,000) under a contractual agreement, which is included in direct operating expenses.

The Highland Gate project receives managerial services from Geranium management companies. The project paid a management fee of \$1,748,000 for the year ended December 31, 2021 (December 31, 2020 - nil) under a contractual agreement, which is capitalized to residential inventory.

The Company provides landscaping services for certain Morguard assets. The Company received a fee of \$96,000 for the year ended December 31, 2021 (December 31, 2020 - nil) under a contractual agreement.

A total of US\$53,000 of rental revenue was earned by TWC for the year ended December 31, 2021 (December 31, 2020 - US\$53,000) from Morguard relating to a shared office facility in Florida.

During 2021, the Company earned \$482,000 (2020 - \$264,000) in operating revenue (primarily food and beverage and corporate events) from related parties controlled by the Chairman, President and Chief Executive Officer of the Company.

All related party transactions were made in the ordinary course of business and on substantially the same terms including interest rates and security as for comparable transactions with parties of a similar standing.

ENVIRONMENTAL AND HEALTH AND SAFETY OBLIGATIONS

The Company's operations and properties are subject to extensive federal, provincial, territorial, state, municipal and local environmental laws and requirements in both Canada and the United States, relating to, among other things, air emissions, the management of contaminants including hazardous materials and waste, discharges to waters and the remediation of environmental impacts. The Company believes it has identified and provided for the expenditures relating to known environmental matters, including compliance issues and the assessment and remediation of the environmental condition of its properties, whether currently or previously owned, or other properties where it may have environmental matters. The Company's total costs and liabilities cannot be predicted with certainty due to, among other things, the various issues described above, changing environmental laws, requirements and the potential necessity to conduct additional investigations.

TWC continually demonstrates its commitment to ensuring the health and safety of anyone affected by its operations and to responsibly manage the impact of its operations on the environment. In implementing its policies, TWC employs the benefits of strong environment, health and safety ("EH&S") management systems to a wide range of stakeholders in Canada and the United States. Stakeholders include all employees and the communities where TWC operates, along with customers, investors, partners, and service providers. This commitment extends throughout the entire Company at every level, starting with the Board of Directors.

The EH&S committee of the Company's Board of Directors meets on a regular basis to review and oversee TWC's policies and programs as well as to review the EH&S performance of each business unit. The committee also oversees the Company's compliance with applicable EH&S laws and regulations and monitors trends, issues and events which could have a significant impact on the Company.

TWC continually monitors changes in both EH&S technologies and regulations both directly and through its involvement with various industry associations.

TWC believes that safe operations are essential for a productive and engaged workforce. TWC is committed to workplace incident prevention and makes expenditures towards the necessary human and financial resources and site-specific systems to ensure compliance with its health and safety policies. Any injuries that may occur are investigated to determine root cause and to establish and put in place necessary controls, with the goal of preventing recurrence.

Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL INSTRUMENTS

TWC has a number of financial instruments which are described in Note 24 to the audited consolidated financial statements for the year ended December 31, 2021.

Risks associated with these financial instruments and information on their fair values are also disclosed in Note 24.

SUMMARY OF FINANCIAL RESULTS BY QUARTER

The table below sets forth selected financial data for the most recent eight quarters ending December 31, 2021. The financial data is derived from the Company's unaudited interim financial statements, which are prepared in accordance with IFRS as follows:

(thousands of Canadian dollars, except per share amounts)	2021				2020			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Total assets	\$746,806	\$720,505	\$ 710,720	\$ 651,511	\$ 632,382	\$ 651,987	\$ 655,406	\$ 688,101
Operating revenue	62,600	63,245	34,059	14,109	30,157	55,293	21,696	20,070
Net operating income	18,680	26,953	9,036	(2,257)	10,768	30,990	533	1,620
Net earnings (loss)	61,963	22,757	4,472	455	8,359	22,427	2,605	(32,420)
Basic earnings (loss) per share	2.52	0.93	0.18	0.02	0.33	0.87	0.10	(1.22)
Eligible cash dividends per share	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02

FOURTH QUARTER RESULTS

For the Fourth Quarter ended December 31,

(thousands of Canadian dollars, except per share amounts)

	2021	2020
Operating revenue	\$ 62,600	\$ 30,157
Cost of sales and operating expenses	(43,920)	(19,389)
Net operating income	18,680	10,768
Amortization of membership fees	1,085	1,033
Depreciation and amortization	(5,185)	(4,688)
Interest, net and investment income	(121)	(761)
Other items	64,317	3,286
Income tax provision	(16,813)	(1,279)
Net earnings	\$ 61,963	\$ 8,359
Weighted average shares outstanding (000)	24,548	25,175
Basic and diluted earnings per share	\$ 2.52	\$ 0.33

The following exchange rates translate one US dollar into the Canadian dollar equivalent:

Statement of earnings, average for the fourth quarter	1.2600	1.3030
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The revenue and net operating income earned in the fourth quarter relate to the activities of the Canadian and US golf operations as most golf clubs remain open in the fall and annual dues revenue is recognized throughout the year. Costs for the end of season maintenance and operating expenses negatively impact net operating income in the fourth quarter.

As required by IFRS, ClubLink recognizes its annual dues revenue on a straight-line basis throughout the year based on when its properties are open and services are provided. As a result of COVID-19, annual dues revenue was not recognized during the spring course closures from the Ontario lockdowns. This methodology shifted annual dues revenue from the first and second quarter to the third and fourth quarter. An increase of 684 members on a year over year basis as well as the relaxation of certain COVID restrictions throughout 2021 has also impacted results in a positive manner.

FOURTH QUARTER RESULTS (continued)

Other items consist of the following loss (income) items:

For the Fourth Quarter ended December 31,
(thousands of Canadian dollars)

	2021	2020
Gain on property, plant and equipment	\$ (37,459)	\$ -
Insurance proceeds	(456)	-
Unrealized foreign exchange loss	157	1,475
Unrealized loss (gain) on investment in marketable securities	(16,484)	(4,343)
Unrealized gain on real estate fund investments	(9,311)	-
Equity income from investments in joint ventures	(977)	(589)
Other	213	171
Other items	\$ (64,317)	\$ (3,286)

On October 8, 2021, the Company sold Heron Bay Golf Club for net proceeds of \$40,235,000 (US\$31,736,000). Immediately prior to the sale, the carrying amount of Heron Bay was re-measured to its recoverable amount. As a result, the Company recorded an impairment reversal pertaining to the 2018 impairment charge on this property. The impairment reversal was recorded at a value of \$2,628,000 (US\$2,074,000) representing the amount of what would have otherwise subsequently been depreciated from January 1, 2019 to September 30, 2021 prior to the sale. A gain of \$36,797,000 (US\$29,587,000) was recorded as a result of the sale, resulting in a total of \$39,425,000 (US\$31,661,000) including the impairment reversal.

SEASONALITY

The quarterly earnings performance of the Company reflects the highly seasonal nature of the business segments. The majority of revenue and earnings from the Canadian golf operations occur or have occurred during the second and third quarters of the year. Accordingly, the quarterly reported net earnings of the Company will fluctuate with those of the underlying business segments.

RISKS AND UNCERTAINTIES

TWC manages a number of risks in each of its business segments in order to achieve an acceptable level of risk without hindering its ability to maximize returns. Management has procedures to identify and manage significant operational and financial risks.

In addition to the risks described elsewhere in this MD&A, this section describes the principal risks that could have a material and adverse effect on the Company's financial condition, results of operations, cash flows or business, as well as cause actual results to differ materially from expectations expressed in or implied by forward-looking statements. The risks described below are not the only risks that could affect the Company. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also materially and adversely affect TWC's financial condition, results of operations, cash flows or business.

COVID-19 and Other Pandemic or Epidemic Diseases

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. Outbreaks, or the threat of outbreaks of viruses or other contagions or epidemic or pandemic diseases, including the recent COVID-19 outbreak, may lead to prolonged voluntary or mandatory building closures, business closures, government restrictions on travel and gatherings, quarantines, self-isolation and physical distancing. The impact of these measures may lead to a general shutdown of economic activity and disrupt workforce and business operations both in Canada and the World. Such occurrences, including the outbreak of COVID-19, could have a material adverse effect on debt and capital markets, and the ability to provide certain services to golf members if social distancing regulations remain in place. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. The pace of recovery following such occurrences cannot be accurately predicted, nor can the impact on the Company's asset valuations, cash flows, results of operations and the Company's ability to obtain additional financing or re-financing and ability to make dividend payments to shareholders.

RISKS AND UNCERTAINTIES (continued)

COVID-19 and Other Pandemic or Epidemic Diseases (continued)

Outbreaks, or the threat of outbreaks of viruses or other contagions or epidemic or pandemic diseases, including the recent COVID-19 outbreak, may lead to prolonged voluntary or mandatory building closures, business closures, government restrictions on travel and gatherings, quarantines, self-isolation and physical distancing. The impact of these measures may lead to a general shutdown of economic activity and disrupt workforce and business operations both in Canada and the World. Such occurrences, including the outbreak of COVID-19, could have a material adverse effect on debt and capital markets, and the ability to provide certain services to golf members if social distancing regulations remain in place. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. The pace of recovery following such occurrences cannot be accurately predicted, nor can the impact on the Company's asset valuations, cash flows, results of operations and the Company's ability to obtain additional financing or re-financing and ability to make dividend payments to shareholders.

Specifically, such enhanced risks associated with COVID-19 include, but are not limited to:

- the negative impact on Canadian and global debt and equity capital markets, including both pricing and availability;
- ability to access capital markets at a reasonable cost;
- the trading price of the Company's shares;
- uncertainty associated with the costs and availability of resources required to provide the appropriate/required levels of service to our members and maintenance of our courses;
- a material reduction in annual dues revenue and related collections due to associated financial hardship and non-essential business orders governing the closure of certain businesses;
- a material increase in resignations potentially caused by both the resulting economic crisis and the inability of businesses to operate;
- uncertainty with property valuations resulting from the impact of a potential decline in revenue;
- issues delivering services due to illness, Company or government imposed isolation programs, restrictions on the movement of personnel, closures and supply chain disruptions;
- uncertainty associated with costs, delays and availability of resources required to complete major course maintenance and capital projects on time and budget;
- the impact of additional legislation, regulation and other government interventions in response to the COVID-19 pandemic;

The foregoing is not an exhaustive list of all risk factors.

Developments regarding the COVID-19 pandemic have resulted in a substantive shift in management's focus towards ensuring the continued safety of our employees, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. We remain focused on delivering our key business operations in a responsible manner.

Economic & Business Risk

A decline in the economic environment and its impact on disposable income in areas where TWC operates may have an adverse effect on operating revenue. The Company's business segments are dependent upon discretionary spending by consumers and corporations which in turn is impacted by general economic conditions.

An extended recession could materially affect revenue and financial performance as discretionary spending declines.

The ability to attract and retain full privilege golf members and the number of rounds played at member, hybrid and daily fee golf clubs have historically been dependent upon (i) discretionary spending by consumers and corporations, which may be affected by general economic conditions in the markets that it operates, and (ii) the popularity of golf as a leisure activity. There is no certainty that current levels of participation will be sustained or increase in the future. A decrease in the overall number of golfers, their rates of participation and consumer or corporate spending on golf, individually or collectively, could have a material adverse effect on the Company's business, financial condition and results of operations. Given that a substantial portion of the Company's golf activities are carried out in Southern Ontario, the results of operations will depend heavily on the financial condition of this market.

A decline in the economic environment and its impact on disposable income in areas where TWC's clusters are located may have an adverse effect on the Company's golf club operations revenue. The Company believes this is mitigated and that revenue from member clubs would remain relatively constant since a member is committed to pay annual dues and consume a food and beverage minimum to maintain their membership. While the sale of new memberships may decline in such circumstances, almost all Member Golf Clubs have a membership base that generates sufficient operating revenue to sustain profitable operations at that property.

Corporate event bookings, which represent a material portion of the Company's golf revenue, are susceptible to major changes in the economic environment.

RISKS AND UNCERTAINTIES (continued)

Foreign Currency Risk

TWC operates both in Canada and the United States and reports its earnings in Canadian dollars. Certain TWC borrowings have a base currency of US dollars as well. Fluctuations in exchange rates could affect the cost of capital or the contribution from operations in the United States, and the value of the Company's investments in the United States.

Availability of Credit/Liquidity

No assurance can be given that borrowings will be available to the Company or its subsidiaries to replace existing credit facilities on terms acceptable to the Company, if at all. Failure to renew or replace credit facilities as they mature would require TWC to obtain alternative sources of capital, which may include the sale of assets or the issuance of equity at prices that may be dilutive to current shareholders.

Renewal Risk

TWC is exposed to renewal risk on its maturing borrowings. This is mitigated due to a total of 75% (December 31, 2020 – 90%) of TWC's consolidated borrowings is fully amortizing over the remaining term to maturity and only 25% (December 31, 2020 – 10%) of TWC's borrowings is subject to this risk.

Interest Rate Risk

TWC is exposed to market risk related to interest rate fluctuations. However, the majority of TWC's borrowings has fixed interest rates over its remaining term to maturity, with only 25% (December 31, 2020 – 10%) of its debt subject to this risk.

Risks Associated with Information Systems

Golf club operations rely on information systems in its business to obtain, rapidly process and analyze data to manage:

- its tee sheet and reservation system;
- its member database;
- the accurate billing of receivables and collections from members;
- the accurate accounting for and payment to vendors; and
- the processing of financial data.

Results of operations could be adversely affected if these systems are interrupted, damaged by unforeseen events or fail for any extended period of time, including due to the action of third parties.

Competition

The competitive environment in all business segments is evolving. There have been significant additions to alternative products in the golf club, resort and tourism sectors in Ontario. While the Company has certain competitive advantages which management believes will offset, in part, the impact of this increased competition, it has been affected by these developments.

The Company faces strong competition in the Florida golf marketplace from golf clubs that have been reducing their golf fees to maintain market share. TWC believes its pricing is competitive and is striving to differentiate their product by ensuring a quality golfing experience.

Key Management

The Company's success depends upon the continued contribution of key management, some of whom have unique talents and experience and would be difficult to replace quickly. The loss or interruption of the services of a key executive could have a material adverse effect on our business during the transitional period that would be required to restructure the organization or for a successor to assume the responsibilities of the key management position.

Litigation

The Company and certain of its subsidiaries are defendants in a number of legal actions. Although the outcome of these claims cannot be determined, in the opinion of management, the resolution of these matters is not expected to have a material adverse effect on the Company's financial position or results of operations.

Laws Concerning Employees

The Canadian golf operations are subject to minimum wage and employment laws governing such matters as rate of pay, benefits, working conditions, overtime and tip credits. The Company believes it is in compliance with these laws and regulations. A significant number of employees are paid at rates which are at or slightly higher than the minimum wage level and accordingly, further increases in the minimum wage could increase the Company's labour costs.

RISKS AND UNCERTAINTIES (continued)

Regulatory Environment

TWC and its subsidiaries are subject to regulation by numerous agencies involving minimum wage, the serving of alcohol and adherence to environmental constraints. Changes in these regulations, and their application, can impact the cost and efficiency of each business segment.

Loss of Reputation

"ClubLink One Membership More Golf" currently enjoys a recognizable brand name in its operating market. Damage to this brand could have a negative impact on the affairs of the Company. If the Company does not meet or exceed customer expectations, this brand could suffer. We have endeavoured to reduce this risk by ongoing employee training and a company-wide focus on customer service excellence.

Environment

TWC's golf courses are managed with a high level of environmental awareness. In addition, TWC's turf management team is highly knowledgeable and receives extensive training regarding the proper use of pesticides and chemicals required to promote healthy golf course conditions and compliance with applicable regulations. However, certain risks are associated with the use of these materials and the overall effect a golf course has on the surrounding habitat, including nearby waterways.

Phase 1 environmental assessments are completed prior to the acquisition of any property. Once the property is acquired, environment assessment programs ensure continued compliance with all laws and regulations governing environment and related matters.

The Company believes that it has adopted appropriate practices and procedures and maintains adequate insurance to address environmental contingencies. As part of our environmental policies, TWC monitors, controls and manages environmental issues by way of measures for waste prevention, minimization and recycling of any waste products. A committee of the Board of Directors has been established to ensure appropriate policies and standards are maintained for environmental stewardship.

Weather and Climate Change

Extraordinary weather conditions brought about by climate change involving extended dry or wet periods or exceptional hot or cold temperatures could impact the condition of golf courses and the demand for golf. Severe weather conditions include hurricanes, micro-bursts, flooding and droughts. Management believes that its geographically diverse operations may serve to reduce the impact of severe weather conditions.

Hospitality Industry

The Company is susceptible to a downturn in the hospitality industry due to the fact that it operates resorts and also hosts large corporate outings at all of its properties. This includes the potential for cancellations due to concerns about the Coronavirus. The Company has cancellation policies to help mitigate lost revenue in this regard.

Real Estate

TWC is subject to risks inherent in the acquisition, development, ownership and financing of real estate in general and the operations, rehabilitation and development of golf courses and recreational real estate in particular, such as the risk of depreciation in the value of land and federal, provincial and municipal governmental regulations, including environmental, sewer, water, zoning and similar regulations. It is possible that enactment of new laws, changes in the interpretation or enforcement of applicable laws, rules and regulations or the decision of any authority to change or refuse a change to current zoning classification may have an adverse effect on the value of these golf facilities and related real estate.

Exchange of Confidential Information

This risk involves the utilization of members' confidential information, particularly in direct marketing. The potential dissemination of such information to the wrong individuals could cause significant damage to our relationship with our members and customers and could result in legal action. Various initiatives, such as a corporate privacy policy, have been implemented which seek to minimize the possibility that this may occur.

TWC is also involved in payment card industry ("PCI") compliance, a rigorous set of standards leveraging the latest security technology, such as encryption, to ensure the protection of customer credit card information. These capabilities are being introduced and implemented by TWC in accordance with the ongoing PCI certification program.

RISKS AND UNCERTAINTIES (continued)

Income and Commodity Tax Amounts

The operations of TWC are relatively complex and related tax interpretations, regulations and legislation that pertain to TWC's activities are subject to continual change. The Company collects and pays income and commodity taxes to various taxation authorities.

The audit and review activities of the Internal Revenue Services and Canada Revenue Agency and other jurisdictions' tax authorities affect the ultimate determination of the actual amounts of commodity taxes payable or receivable, income tax liabilities and income tax expense. Therefore, there can be no assurance that taxes will be payable as anticipated and/or that the amount and timing of receipt of use of the tax-related assets will be as currently expected.

Risk of Loss Not Covered by Insurance

The Company generally maintains insurance policies related to our business, including casualty, general liability and other policies covering our business operations, employees and assets; however, TWC would be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, the insurance coverage may not be sufficient to pay the full current market value or current replacement cost of the property. In the event of an uninsured loss, the Company could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties. Assurance cannot be provided that the Company will not incur losses in excess of insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost. Due to the cost involved, the Company has chosen not to purchase catastrophic wind (hurricane) insurance for its southeast Florida golf clubs.

Integration of Acquisitions

Integration activities include the review and alignment of accounting policies, employee transfers and moves, information systems, optimization of service offerings and establishment of control over new operations. Such activities may not be conducted efficiently and effectively, negatively impacting service levels, competitive position and expected financial results.

TWC has a team that performs the integration function. This team applies an integration model, based on experiences from numerous previous integrations, which enhances and accelerates the standardization of TWC's business processes and strives to preserve the unique qualities of acquired operations. The integration process begins with strategic, pre-closing analysis and planning, and continues after closing with the execution of a plan. Integrated operations are re-evaluated and assessed regularly, based on timely feedback received from the integration team.

Land Leases

TWC has certain golf clubs that it operates, which are under lease arrangements. The following are the golf clubs under lease with expiration dates:

- The Country Club: December 31, 2022
- National Pines Golf Club: November 15, 2024

Unless the terms of our leases are extended, the properties, together with any improvements that we have made, will revert to the property owners upon expiration of the lease terms. As the terms of our leases expire, we may not be able to renew these leases or find alternative locations that meet our needs on favourable terms, or at all. If we are unable to renew our expiring leases, our business and financial results could be materially adversely affected. The leases also provide that the landlord may increase the rent over the term of the lease, as well as obligate us to pay a variety of costs such as cost of insurance, taxes, maintenance and utilities. Breaching the terms of a lease may result in the Company incurring substantial penalties, including, among others, paying all amounts due to the landlord for the balance of the lease term. In the event that a significant number of our leases are terminated on that basis, our business and financial results could be materially adversely affected.

Data, Security and Privacy Breaches

Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication of perpetrators of cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events. Cyber threats in particular vary in technique and sources, are persistent, frequently change and are increasingly more targeted and difficult to detect and prevent. Cyber attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Company's information systems and networks, the introduction of computer viruses and other malicious codes, and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. They could result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence, which could materially adversely affect our business and financial results.

RISKS AND UNCERTAINTIES (continued)

Data, Security and Privacy Breaches (continued)

The Company collects and maintains proprietary and confidential information related to the business and affairs, including our members, suppliers and employees. We store and process such internal data both at onsite facilities and at third-party owned facilities. Any fraudulent, malicious or accidental breach of data security could result in unintentional disclosure of, or unauthorized access to members, suppliers, employees or other confidential or sensitive data or information, which could potentially result in additional costs to the Company to enhance security or to respond to occurrences, violations of privacy or other laws or regulations, penalties or litigation. In addition, media or other reports of perceived security vulnerabilities of the Company's systems, even if no breach has been attempted or has occurred, could adversely impact the Company's brand and reputation and materially impact its business and financial results.

While the Company has dedicated resources and utilizes third party technology products and services to help protect the Company's information technology systems and infrastructure as well as its proprietary and confidential information against security breaches and cyber-incidents, such measures may not be adequate or effective to prevent, identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions, which could be in excess of any available insurance, and could materially adversely affect its business and financial results.

DISCLOSURE CONTROLS AND PROCEDURES

TWC's Chairman, President and Chief Executive Officer ("CEO") and its Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures. Our disclosure controls are designed to provide reasonable assurance that information required to be disclosed by TWC is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure. The CEO and CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures as at December 31, 2021, have concluded that the Company's disclosure controls are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting.

The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of TWC's assets; (ii) provide reasonable assurance that transactions are recorded appropriately to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Based on their evaluation, the CEO and CFO have concluded that, as at December 31, 2021, the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes is in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

There were no changes in internal control over financial reporting that occurred during the Company's most recent year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK

Highland Gate Development

TWC has been pursuing the development of its Highland Gate property in Aurora, Ontario with Geranium Homes which is also the manager.

The development plan contains 158 single family detached homes, a seven storey multi-unit residential building with 114 units, a 10-metre landscaped buffer between existing rear yards and adjacent new streets, 7.6 kilometres of off-street trails resulting in a total pedestrian network consisting of 10.2 kilometres, and building a major new 21-acre park.

In 2021, there were 17 closings of the first phase of this project. Supply chain issues and lack of trades people have meant delays in closing of certain homes. The remaining 19 closings for Phase 1 are expected to take place in 2022. Phase 2 homes (51 units) are expected to close in 2023. There are 66 units which have not been released to be sold.

OUTLOOK (continued)

Kanata Development

ClubLink has been working with two local developers to explore potential development options at Kanata Golf and Country Club in Ottawa. Development applications were submitted to the City of Ottawa on October 8, 2019 and deemed complete on October 17, 2019. On October 25, 2019, the City of Ottawa filed a Superior Court application seeking a declaration that certain agreements assumed by ClubLink remain valid and enforceable, and requesting an order that ClubLink either withdraw its development applications or offer to convey the golf course lands to the City at no cost under the terms of an agreement known as the 40% Agreement. On February 19, 2021, ClubLink was notified that the Superior Court granted the City's application in part, but did not order ClubLink to withdraw its development applications. An expedited appeal by ClubLink was held on June 17, 2021 and on November 26, 2021, the Ontario Court of Appeal overturned the decision, concluding that certain provisions of the 40% Agreement are void and unenforceable. In summary, this means that ClubLink would not be required to give the golf course to the City of Ottawa if it ceased to operate it. The extent to which the Court of Appeal's decision affects other provisions of the 40% Agreement and related agreements has been remitted to the Superior Court. On January 25, 2022, the City of Ottawa filed an application for leave to appeal the Ontario Court of Appeal's decision to the Supreme Court of Canada and on February 28, 2022, ClubLink filed its response and a conditional cross-application. An Ontario Land Tribunal hearing for ClubLink's appeals of the development applications was conducted starting on January 17, 2022, concluding on February 14, 2022. On February 22, 2022, the Kanata Greenspace Protection Coalition filed a separate Superior Court application seeking orders that the 40% Agreement and another agreement constitute valid and enforceable restrictive covenants and that ClubLink's development applications contravene these instruments.

Woodlands Golf Club

ClubLink is working with 13th Floor (a local real estate developer based in south Florida) to explore development options at Woodlands Country Club in Tamarac, Florida. This process has been managed by Morguard as part of its management services arrangement. The development plan that has been submitted includes approximately 400 single family homes. The plan also contains over 160 acres of permanently preserved open space, including 40 new acres of lakes, a new community centre and gated entry ways among other features. This plan has been initially approved by the City of Tamarac, has obtained final approval of Broward County and the State of Florida and is awaiting final approval by the City of Tamarac. There is currently a dispute between the City of Tamarac and 13th Floor about the form of the meeting to conduct a final review and approval. It is unclear when this final meeting will be scheduled.

Islesmere Golf Club

ClubLink and its partner, which together own Club de Golf Islesmere in Laval, Quebec, are exploring sale options and have appointed a real estate broker to oversee the process.

ADDITIONAL INFORMATION

Additional information concerning the Company, as well as the Company's Annual Information Form is available on SEDAR (www.sedar.com) and the investor relations section of the Company's website (www.tvcenterprises.ca).

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements (the "financial statements") and management's discussion and analysis of operations contained in this MD&A are the responsibility of the Company's management. To fulfill this responsibility, the Company maintains a system of internal controls to ensure that its reporting practices and accounting and administrative procedures are appropriate and provide assurance that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards and, where appropriate, reflect estimates based on management's best judgment in the circumstances. The financial information presented throughout this MD&A is consistent with the information contained in the consolidated financial statements.

Deloitte LLP, the independent auditor appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their independent auditor's report is set out on the following page.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets regularly with the auditors and management to review the activities of each. The Audit Committee, which is comprised of three independent directors, who are not officers of the Company, reports to the Board of Directors.



K. (Rai) Sahi
Chairman, President and Chief Executive Officer
March 9, 2022



Andrew Tamlin
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of TWC Enterprises Limited

Opinion

We have audited the consolidated financial statements of TWC Enterprises Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of earnings and comprehensive earnings, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Impairment Assessment of Long-Lived Assets – Southern Ontario/Muskoka Cash Generating Unit ("CGU") – Refer to Notes 2c, 2d, 10 and 11 to the financial statements

Key Audit Matter Description

When an impairment indicator has been identified for a CGU, the Company estimates the recoverable amount for the CGU and an impairment loss is recognized if the carrying amount exceeds the recoverable amount. The recoverable amount is determined based on the higher of value in use and fair value less costs to sell. Value in use is determined using a discounted cash flow model and fair value less costs to sell considers recent market transactions. An impairment indicator was identified for the Southern Ontario/Muskoka CGU and the determined recoverable amount exceeded its carrying value as of the measurement date and no impairment was recognized.

While there are several inputs that are required to determine the recoverable amount for the Southern Ontario/Muskoka CGU, the estimates and assumptions with the highest degree of subjectivity and judgment uncertainty are future revenue forecasts and discount rate. Auditing these estimates and assumptions required a high degree of subjectivity in applying audit procedures which resulted in an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to future revenue forecasts and the discount rate used to determine the recoverable amount of the Southern Ontario/Muskoka CGU included the following, among others.

- Evaluated the reasonableness of the future revenue forecasts by comparing the forecasts to:
 - Historical results;
 - Internal communications to management and the Board of Directors, and;
 - Industry report and other relevant publicly available information.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates and comparing those to the discount rate selected by management.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis of Financial Condition and Results of Operations; and
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Terng Chen.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
March 9, 2022

TWC Enterprises Limited
Consolidated Balance Sheets

(thousands of Canadian dollars)	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current			
Cash and cash equivalents		\$ 91,395	\$ 57,217
Restricted cash		944	-
Accounts receivable	24	5,143	14,242
Mortgages and loans receivable	3, 24	1,465	21,314
Inventories and prepaid expenses	4	4,211	4,591
Other assets	7	113,092	69,847
Residential inventory	8	86,094	-
		302,344	167,211
Mortgages and loans receivable	3, 24	1,532	3,685
Other assets	7	25,255	25,114
Right-of-use assets	9	6,262	11,359
Property, plant and equipment	10	398,482	410,404
Intangible assets	11	12,931	14,609
Total assets		\$ 746,806	\$ 632,382
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	12	\$ 36,328	\$ 20,717
Lease liabilities	13	4,507	5,339
Borrowings	14	39,182	22,427
Prepaid annual dues and deposits		33,019	16,156
		113,036	64,639
Lease liabilities	13	2,520	7,020
Borrowings	14	73,379	95,773
Deferred membership fees	15	3,976	5,229
Deferred income tax liabilities	17	50,507	45,352
Total liabilities		243,418	218,013
Share capital	18	100,530	102,453
Retained earnings		389,418	307,830
Accumulated other comprehensive income		4,757	4,086
Non-controlling interest	6	8,683	-
Total shareholders' equity		503,388	414,369
Total liabilities and shareholders' equity		\$ 746,806	\$ 632,382

See Accompanying Notes

On behalf of the Board of Directors



K. (Rai) Sahi
Chairman, President and Chief Executive Officer



Donald Turple
Director

TWC Enterprises Limited
Consolidated Statements of Earnings and Comprehensive Earnings

For the years ended December 31, 2021 and 2020

(thousands of Canadian dollars, except per share amounts)	Notes	2021	2020
REVENUE			
Operating revenue		\$ 174,013	\$ 127,216
Amortization of membership fees	15	4,404	4,585
	16	178,417	131,801
EXPENSES			
Cost of sales		42,881	11,236
Labour and employee benefits		44,387	39,358
Utilities		5,908	7,049
Selling, general and administrative		4,574	3,906
Property taxes		2,251	3,401
Repairs and maintenance		4,051	3,184
Insurance		3,103	2,970
Turf operating expenses		3,953	3,179
Fuel and oil		1,233	908
Other operating expenses		9,260	8,114
Depreciation of right-of-use assets	9	5,107	5,154
Depreciation of property, plant and equipment	10	12,660	12,971
Amortization of intangible assets	11	1,673	1,124
Interest, net and investment income	19	1,204	3,609
Other items	20	(74,763)	21,458
		67,482	127,621
Earnings before income taxes		110,935	4,180
Income tax expense (recovery)	17		
Current		16,112	5,779
Deferred		5,176	(2,570)
		21,288	3,209
Net earnings		89,647	971
Unrealized foreign exchange gain (loss) in respect of foreign operations		671	(500)
Total comprehensive earnings		\$ 90,318	\$ 471
Weighted average shares outstanding (000)	18	24,645	25,981
Earnings per share - basic and diluted	18	\$ 3.64	\$ 0.04
(thousands of Canadian dollars)			
2021			
2020			
Net earnings (loss) attributable to:			
Shareholders		\$ 89,942	\$ 971
Non-controlling interest (Note 6)		(295)	-
		\$ 89,647	\$ 971

See Accompanying Notes

TWC Enterprises Limited
Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2021 and 2020

(thousands of Canadian dollars, except common shares)	Notes	Common Shares	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non- controlling Interest	Total Shareholders' Equity
Balance, January 1, 2020		26,735,620	\$ 109,490	\$ 322,454	\$ 4,586	\$ -	\$436,530
Activity during 2020							
Comprehensive earnings (loss)		-	-	971	(500)	-	471
Cash dividend	18B	-	-	(2,091)	-	-	(2,091)
Shares cancelled subject to normal course issuer bid	18C	(1,718,178)	(7,037)	(13,504)	-	-	(20,541)
Balance, December 31, 2020		25,017,442	102,453	307,830	4,086	-	414,369
Activity during 2021							
Comprehensive earnings (loss)		-	-	89,942	671	(295)	90,318
Cash dividend	18B	-	-	(1,975)	-	-	(1,975)
Shares cancelled subject to normal course issuer bid	18C	(469,518)	(1,923)	(6,379)	-	-	(8,302)
Asset acquisition	5, 6	-	-	-	-	8,978	8,978
Balance, December 31, 2021		24,547,924	\$ 100,530	\$ 389,418	\$ 4,757	\$ 8,683	\$503,388

See Accompanying Notes

TWC Enterprises Limited
Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(thousands of Canadian dollars)	Notes	2021	2020
OPERATING ACTIVITIES			
Net earnings		\$ 89,647	\$ 971
Items not affecting cash:			
Amortization of membership fees	15	(4,404)	(4,585)
Depreciation of right-of-use assets	9	5,107	5,154
Depreciation of property, plant and equipment	10	12,660	12,971
Amortization of intangible assets	11	1,673	1,124
Interest, net and investment income	19	1,204	3,609
Glen Abbey redevelopment charge	20	9,785	-
Unrealized foreign exchange loss (gain)	20	207	(1,256)
Unrealized loss (gain) on investment in marketable securities	20	(30,360)	7,311
Unrealized gain on real estate investments	20	(9,311)	-
Loss on sale of marketable securities	20	-	16,240
Gain on sale of property, plant and equipment	20	(40,304)	(1,416)
Equity income from investments in joint ventures	7	(1,270)	(115)
Income tax provision	17	21,288	3,209
Collection of membership fee instalments	15	3,151	2,501
Interest paid, net		(1,158)	(3,517)
Income taxes paid		(7,295)	(6,216)
Restricted cash	6	(944)	-
Accounts receivable		9,014	(5,857)
Inventories and prepaid expenses		385	628
Residential inventory, net		(2,024)	-
Accounts payable and accrued liabilities		4,612	(620)
Prepaid annual dues and deposits		6,067	2,842
Cash and cash equivalents provided by operating activities		67,730	32,978
INVESTING ACTIVITIES			
Operating property, plant and equipment expenditures	10	(8,556)	(6,046)
Expansion property, plant and equipment expenditures	10	(2,266)	(3,820)
Proceeds on sale of common shares in Carnival plc		-	5,825
Proceeds on sale of property, plant and equipment		41,258	4,517
Right-of-use assets	9	(11)	(194)
Asset acquisition cost	5	(12,444)	-
Cash acquired	5	3,961	-
Net investment in marketable securities		(11,340)	(15,653)
Real estate investments	7	(10,047)	-
Other long-term assets		74	597
Cash provided by (used in) investing activities		629	(14,774)
FINANCING ACTIVITIES			
Deferred financing costs		(60)	(60)
Revolving borrowings		(17,818)	8,089
Non-revolving borrowings - amortization payments		(22,412)	(20,956)
Lease liabilities		(5,332)	(4,880)
Mortgages and loans receivable		22,002	12,357
Shares repurchased for cancellation	18	(8,302)	(20,541)
Dividends paid	18	(1,975)	(2,091)
Cash used in financing activities		(33,897)	(28,082)
Net effect of currency translation adjustment on cash and cash equivalents		(284)	1,053
Net increase (decrease) in cash and cash equivalents during the year		34,178	(8,825)
Cash and cash equivalents, beginning of year		57,217	66,042
Cash and cash equivalents, end of year		\$ 91,395	\$ 57,217

See Accompanying Notes

For the years ended December 31, 2021 and 2020

1. NATURE OF OPERATIONS

TWC Enterprises Limited (the “Company” or “TWC”) was formed under the laws of Canada. The Company’s executive office is located at 15675 Dufferin Street, King City, Ontario L7B 1K5. TWC is a publicly traded company on the Toronto Stock Exchange (“TSX”) under the symbol “TWC.”

TWC is engaged in golf club operations under the trademark “ClubLink One Membership More Golf” (“ClubLink”). ClubLink is Canada’s largest owner, operator and manager of golf clubs with 49½, 18-hole equivalent championship and 3½, 18-hole equivalent academy courses, at 37 locations in two separate geographical Regions: (a) Ontario/Quebec (including two managed properties) and (b) Florida. ClubLink’s lease of the Bond Head property in Bond Head, Ontario (36 holes) concluded as of December 31, 2021 and as such the above totals will be reduced for the 2022 operating season.

The golf club operations located in the United States have a functional currency in United States (“US”) dollars, which are translated into Canadian dollars for reporting purposes in these consolidated financial statements.

2: BASIS OF PRESENTATION

(A) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

These financial statements were authorized for issuance by the Board of Directors on March 9, 2022.

(B) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

(C) Significant accounting judgments and estimates

The preparation of financial statements that conform with IFRS requires management to make judgments and estimates and form assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The following section discusses the accounting estimates, judgments and assumptions that the Company has made and how they affect the amounts reported in the consolidated financial statements.

Judgment is commonly used in determining whether a balance or transaction should be recognized in the financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgments and estimates are often interrelated.

On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from management’s judgments and estimates.

Amortization of membership fees

The weighted average remaining life of memberships sold by join year is used to recognize membership fee revenue. The membership fee revenue is amortized over the weighted average remaining membership life by year joined. The amortization period is reviewed annually and any adjustments are made prospectively. Subsequent to this amortization period, membership fees are recorded as revenue upon receipt. These amortization periods should decline each year by one year as each group gets one year older, producing a relatively uniform revenue stream from membership fees over the average remaining life of memberships sold by join year. However, these average ages may not decline on a consistent basis if a disproportionate amount of older or younger members decide to resign at any particular time or if there was a significant change in the demographic of new members. This could result in a deferral or acceleration of membership fee revenue, the amount of which would be dependent on the variability of the change in average ages. There was a reduction in the average membership life for the 2021 join year.

Property, plant and equipment

Property, plant and equipment are depreciated over their useful lives on a straight-line basis. The Company assesses on an annual basis the useful life and residual value of these assets, which are used in the calculation of depreciation expense. The useful lives assigned are disclosed in the list of accounting policies. Due to the relatively large proportion of these assets to total assets, the selection of the method of depreciation and the length of depreciation period could have a material impact on depreciation expense and net book value of property, plant and equipment.

When determining whether an asset is property, plant and equipment or an investment property, the original intent of the acquisition is considered in order to conclude as to which category is used.

For the years ended December 31, 2021 and 2020

2. BASIS OF PRESENTATION (continued)

(C) Significant accounting judgments and estimates (continued)

Intangible assets

Intangible assets includes amounts assigned to the membership base from past business combinations of member golf courses. These are amortized over a thirty year time frame. Inherent in this useful life is the estimate of the weighted average life of a member which is fifteen years, as well as the practice of our current members referring colleagues and family members as new ClubLink members. As part of the thirty year useful life amortization period, it is estimated that the average member (which typically has a fifteen year average life) will refer one other member for a combined thirty year useful life.

Impairment

Property, plant and equipment and intangible assets are reviewed for impairment at each reporting date or whenever events or changes in the circumstances indicate that the carrying amount of an asset may not be recoverable. Estimates are made in the assessment of any impairment calculation, which are described more fully in the accounting policy note.

The impairment process begins with the identification of the appropriate asset or cash-generating unit for purposes of impairment testing. Identification and measurement of any impairments are based on the asset's recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Value in use is generally based on an estimate of discounted future cash flows. Judgment is required in determining the appropriate discount rate. In determining fair value less costs to sell, recent market transactions were considered. If no such comparable transaction could be identified, an appropriate valuation model was used. Assumptions must also be made about development potential of the land, future sales and market conditions over the long-term life of the assets or cash-generating unit.

During the quarter ended June 30, 2021, there was an indicator of impairment in regards to the Southern Ontario/Muskoka cash generating unit. Management concluded that there was no impairment after conducting an impairment review, as the recoverable amount exceeded its carrying value. In determining the recoverable amount, management used value in use in its assessment, and fair value less costs to sell for determining terminal value. Management applied judgement in its assumptions relating to development potential of the land and associated estimates, forecasts relating to golf revenue and memberships, and discount rates.

The Company cannot predict if an event that triggers impairment will occur, when it will occur or how it will affect reported asset amounts. Although estimates are reasonable and consistent with current conditions, internal planning and expected future operations, such estimates are subject to significant uncertainties and judgments. As a result, it is reasonably possible that the amounts reported for asset impairments could be different if different assumptions were used or if market and other conditions were to change. The changes could result in non-cash charges that could materially affect the Company's consolidated financial statements.

Income taxes

TWC records income taxes using the balance sheet liability method of accounting. Under this method, deferred income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of the assets and liabilities. Management uses judgment and estimates in determining the appropriate rates and amounts to record for deferred income taxes, giving consideration to timing and probability. Previously recorded tax assets and liabilities are remeasured using tax rates in effect when these differences are expected to reverse in accordance with enacted laws or those substantively enacted as at the date of the consolidated financial statements.

The Company operates in several tax jurisdictions. As a result, its income is subject to various rates of taxation. The complexity of tax regulations require assessments of uncertainties and judgments in estimating the taxes the Company will ultimately pay. While the Company believes that its positions and filings are appropriate and supportable, certain matters are periodically challenged by tax authorities. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Company's tax assets and tax liabilities and have a corresponding impact to net earnings.

Contingencies

The Company is exposed to possible losses and gains related to environmental matters and other various claims and lawsuits pending for and against it in the ordinary course of business. Prediction of the outcome of such uncertain events (i.e., being virtually certain, probable, remote or undeterminable), determination of whether recognition or disclosure in the consolidated financial statements is required and estimation of potential financial effects are matters for judgment. Where no amounts are recognized, such amounts are contingent and disclosure may be appropriate. While the amount disclosed in the consolidated financial statements may not be material, the potential for large liabilities exists and therefore these estimates could have a material impact on the Company's consolidated financial statements.

For the years ended December 31, 2021 and 2020

2. BASIS OF PRESENTATION (continued)

(D) Accounting policies

The following are the Company's accounting policies under IFRS:

Scope of consolidation

The consolidated financial statements of TWC, as the parent company, include the accounts of all entities that are controlled directly or indirectly by the Company. This includes the following wholly-owned major operating subsidiaries: ClubLink Corporation ULC and ClubLink US LLC and their respective subsidiaries. Starting in the second quarter of 2021, the Highland Gate project is being consolidated as described in Note 5. Control is achieved when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intercompany transactions between subsidiaries are eliminated on consolidation.

Accounts receivable

Amounts are recorded at fair value less an allowance for doubtful accounts. In assessing the allowance, consideration is given to the financial solvency of specific customers and performing an evaluation of the remaining receivables according to their default risk primarily based on the age of the receivable and historical loss experience. Account balances are written off against the allowance after all collection efforts have been exhausted and the likelihood of recovery is considered remote. Recoveries are credited back to the allowance account.

Inventories

Inventories are stated at the lower of cost and net realizable value and consist of food, beverages and merchandise. Cost of sales represents the amount of inventories expensed during the year. Cost of sales are determined on a weighted-average basis.

Residential Inventory

Residential inventory, which is developed for sale in the ordinary course of business within the normal operating cycle, is stated at the lower of cost and estimated net realizable value and includes land acquisition, development and construction costs. Residential inventory is reviewed for impairment at each reporting date. An impairment loss is recognized as an expense when the carrying value of the property exceeds its net realizable value. Net realizable value is based on projections of future cash flows, which take into account the development plans for each project and management's best estimate of the most probable set of anticipated economic conditions.

The cost of residential inventory includes borrowing costs directly attributable to projects under active development. Residential inventory is presented separately on the consolidated balance sheets as current assets, as the Company intends to sell these assets in the ordinary course of business within the normal operating cycle.

The revenue generated from contracts with customers on the sale of residential units is recognized at a point in time when control of the asset has transferred to the purchaser (i.e., generally, when the purchaser takes possession of the home) as the purchaser has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The amount of revenue recognized is based on the transaction price included in the purchasers' contracts. Any funds received prior to the purchasers taking possession of their respective assets are recognized as prepaid deposits (contractual liability).

Property, plant and equipment

Property, plant and equipment ("PP&E") is recorded at cost less impairment and accumulated depreciation.

PP&E include land and improvements thereto, buildings and related equipment. Operating PP&E, including assets under finance lease, are depreciated on a straight-line basis over their estimated useful lives as follows:

Land	Not depreciated
Buildings and land improvements	25 - 60 years
Bunkers, cart paths and irrigation.....	20 years
Equipment	5 - 30 years

PP&E include properties under construction or held for future development. TWC capitalizes all direct costs relating to the development and construction of these properties. TWC also capitalizes interest and direct project development and management costs during construction of qualifying assets.

For the years ended December 31, 2021 and 2020

2. BASIS OF PRESENTATION (continued)

(D) Accounting policies (continued)

Intangible assets

Purchased intangible assets with finite useful lives are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful life. All of TWC's intangible assets have estimable useful lives and are therefore subject to amortization.

Intangible assets are amortized on a straight-line basis as follows:

Membership base	30 years
Brand	30 years
Below market rent terms	over the length of the lease

Business Combinations and Acquisition of Property

At the time of acquisition of property, whether through a controlling share investment or directly, the Company considers whether the acquisition represents the acquisition of a business. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired. If no significant processes, or only insignificant processes, are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

The Company has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met and the acquisition can be treated as an asset acquisition, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The difference between the purchase price and the Company's net fair value of the acquired identifiable net assets and liabilities is goodwill. Goodwill is not amortized and must be tested for impairment at least annually, or more frequently, if events or changes in circumstances indicate that impairment has occurred. The Company expenses transaction costs associated with business combinations in the period incurred.

When an acquisition does not meet the criteria for a business combination, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated to the assets and liabilities acquired based upon their relative fair values. No goodwill is recognized for asset acquisitions.

Impairment of long-lived assets

The Company reviews long-lived assets such as property, plant and equipment and acquired intangible assets, for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable.

The Company assesses recoverability of these assets by comparing their carrying amount to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Where the carrying amount of an asset or a group of assets exceeds its recoverable amount, the asset is considered to be impaired, and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or group of assets' recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Accounts payable, borrowings and other liabilities

Trade payables and other non-derivative financial liabilities are recognized initially at fair value and in the case of borrowings include attributable transaction costs.

For the years ended December 31, 2021 and 2020

2. BASIS OF PRESENTATION (continued)

(D) Accounting policies (continued)

Deferred income taxes

The Company uses the balance sheet liability method of accounting for deferred income taxes. Temporary differences arising from the difference between the tax base of an asset or liability and its carrying amount on the consolidated balance sheets and unutilized tax losses are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities and assets are calculated using the substantively enacted tax rates and laws that are expected to be in effect in the periods that the temporary differences are expected to reverse. The effect of changes in tax rates is included in earnings in the period, which includes the substantive enactment.

Foreign currency translation

(a) Functional currency and currency translation account

The functional currency of TWC and its subsidiaries is the local currency. The assets and liabilities of TWC's foreign operations where the functional currency is not the Canadian dollar are translated using the rate of exchange at the balance sheet date, whereas revenue and expenses are translated using average exchange rates during the respective periods. The resulting foreign currency translation adjustments are included in accumulated other comprehensive earnings or loss. The accumulated balance of the foreign currency translation reserve reflects the differences since January 1, 2010, the transition date to IFRS. When a foreign operation is disposed of, the foreign currency translation adjustment applicable to that entity is recognized in the consolidated statement of earnings.

(b) Local currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entity at the applicable exchange rate on the date of each transaction. Monetary assets and liabilities that are denominated in foreign currencies other than the functional local currency are translated at the year-end closing rate with the resulting gains and losses reflected in the consolidated statement of earnings.

(c) Cash flow statement

Operating, investing and financing cash flows are translated using average exchange rates during the respective periods. The effects on cash due to fluctuations in exchange rates are shown in a separate line in the consolidated statement of cash flows.

Financial instruments

Financial assets must be classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Initially, all financial assets and financial liabilities are recorded in the consolidated balance sheets at fair value. After initial recognition, the effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net income for the year in which they arise. At each consolidated balance sheet date, financial assets measured at amortized cost or at FVTOCI, except for investment in equity instruments, require an impairment analysis using the expected credit loss model ("ECL model") to determine the expected credit losses using judgment determined on a probability weighting basis.

The following is a summary of the accounting model the Company applies to each of its significant categories of financial instruments:

Balance Sheet Classification	Financial Instrument Designation
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Investments	FVTPL
Mortgages and loans receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Borrowings	Amortized cost

For the years ended December 31, 2021 and 2020

2. BASIS OF PRESENTATION (continued)

(D) Accounting policies (continued)

Financial instruments (continued)

Transaction costs related to the Company's borrowings are netted against the related liability and are expensed using the effective interest method.

The fair value of financial instruments that are not quoted in an active market is determined by applying various valuation techniques with maximum use of observable market inputs. The valuation techniques used are discounted cash flows, option pricing models, valuations with reference to recent transactions in the same instrument and valuation with reference to other financial instruments that are substantially the same.

An item may only be designated in a hedging relationship if changes in fair value of the hedging item are expected to offset virtually all changes in fair value of the hedged item attributable to the hedged risk. This offsetting must be expected at inception of the hedge and throughout the hedging period.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents and assesses, both at hedge inception and on an ongoing basis, whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting expected changes in the hedged items.

Gains and losses on derivative financial instruments that are not designated in a hedging relationship and gains and losses related to the "ineffective" portion of effective hedges are recognized in other operating income and expenses.

Hedge accounting is discontinued prospectively if the hedging instrument or hedged item is terminated or sold, or if it is determined that the hedging instrument is no longer effective.

The Company has no hedges at either December 31, 2020 or December 31, 2021.

Share capital

Repurchased common shares are recorded at acquisition cost and are presented as a deduction from shareholders' equity. On retirement of treasury shares, any excess over the calculated average issue price is charged to retained earnings.

Revenue recognition

Golf club operations revenue includes annual dues (recognized on a daily basis as earned when the Company is allowed to operate) and sales to members and customers of green fees, cart rentals, food and beverage, merchandise and room rentals, which are all recognized when the service is provided. The Company recognizes its annual dues revenue on a straight-line basis throughout the year based on when its properties are open and services are provided. Membership fee revenue is amortized over the estimated weighted average remaining membership life by year joined. Subsequent to this amortization period, membership fees are recorded as revenue upon receipt.

Non-monetary transactions

The Company records non-monetary transactions at the fair value of the assets or services exchanged unless the exchange transaction lacks commercial substance or the fair value of neither the asset or service received nor the asset or service given up is reliably measurable.

The Company has recorded \$608,000 (2020 – \$462,000) of operating revenue relating to non-monetary transactions.

Lease payments

The Company is a lessee of property, plant and equipment, mainly leased golf clubs, under leases that do not transfer the substantive risks and rewards of ownership.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right-of-use to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Earnings per share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method.

For the years ended December 31, 2021 and 2020

2. BASIS OF PRESENTATION (continued)

(D) Accounting policies (continued)

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. The consolidated statement of income reflects the Company's share of the results of operations of the joint venture. Any change in other comprehensive income of the joint venture is presented as part of the Company's consolidated statement of comprehensive earnings.

When the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

When the Company transacts with a joint venture, profits and losses resulting from the transactions are recognized in the Company's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Company.

Subsidies

As per IAS 20, Government Grants, the Company recognizes government assistance, in the form of grants or forgivable loans, when there is reasonable assurance that the Company will be able to comply with the conditions attached to the assistance and that the assistance will be received. Government assistance that compensates the Company for expenses incurred is recognized in the Consolidated Statements of Earnings and Comprehensive Earnings, as a reduction of the related expense, in the periods in which the expenses are recognized.

On April 11, 2020, the Government of Canada passed the Canada Emergency Wage Subsidy ("CEWS") to support employers experiencing certain revenue declines as a result of the COVID-19 pandemic. The Company applied from March 15, 2020, and will continue to apply as long as it is eligible. For the year ended December 31, 2021, the Company recognized a recovery of labour and employee benefit expenses of \$9,283,000 (December 31, 2020 - \$11,948,000).

3. MORTGAGES AND LOANS RECEIVABLE

Mortgages and loans receivable consist of the following:

(thousands of Canadian dollars)	2021	2020
Vendor take-back mortgages	\$ 2,997	\$ 4,199
Related party receivable (Note 21)	-	20,800
	<u>2,997</u>	<u>24,999</u>
Less: current portion	1,465	21,314
	<u>\$ 1,532</u>	<u>\$ 3,685</u>

The vendor take-back mortgages have maturity dates to June 2023 and have an average fixed interest rate of 6.05% (2020 – 5.95%).

4. INVENTORIES AND PREPAID EXPENSES

Inventories and prepaid expenses consist of the following:

(thousands of Canadian dollars)	2021	2020
Merchandise and supplies	\$ 2,716	\$ 3,036
Food and beverage	668	610
Other	827	945
	<u>\$ 4,211</u>	<u>\$ 4,591</u>

TWC Enterprises Limited
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5. ASSET ACQUISITION

On April 14, 2021, ClubLink purchased a 25% profit participation interest in the Highland Gate project from one of its project partners for \$12,000,000 cash excluding transaction costs. Transaction costs (primarily land transfer tax) amounted to \$444,000 and were capitalized to residential inventory. The partner had \$8,464,000 equity into the project. Including previous profit participation positions, ClubLink is now entitled to 83.33% of the project's profits. The difference between the purchase price and the net equity position in the project has been allocated to residential inventory.

This transaction was accounted for as an asset acquisition. The Company's investment in Highland Gate was previously accounted for as an equity method investment from December 16, 2014 to April 13, 2021 as the Company had determined that it had joint control during that period. During that period the Company could only nominate one of the two directors for this asset, and decisions needed to be unanimous. Therefore, Highland Gate was considered to be jointly controlled and was accounted for as a joint venture until the most recent acquisition through which the Company obtained effective control.

The Company has allocated the purchase price of the Highland Gate acquisition as follows:

(thousands of Canadian dollars)	April 14, 2021
Cash and cash equivalents	\$ 3,961
Accounts receivable	278
Inventories and prepaid expenses	5
Residential inventory	84,070
Accounts payable and accrued liabilities	(2,729)
Borrowings	(34,539)
Prepaid annual dues and deposits	(10,796)
Net assets acquired	\$ 40,250
Considerations paid in cash	\$ 12,000
Transaction costs	444
Non-controlling interest (Note 6)	8,978
Previously held interest (Note 7)	18,828
Total purchase consideration	\$ 40,250

6. NON-CONTROLLING INTEREST

As a result of the Highland Gate acquisition on April 14, 2021, ClubLink is now entitled to 83.33% of the project's profits and is consolidating the Highland Gate results. The remaining 16.67% profit participation interest is attributable to non-controlling interests. Summarized financial information in respect of the non-controlling interest in Highland Gate is as follows:

(thousands of Canadian dollars)	2021	2020
Cash and cash equivalents	\$ 160	\$ -
Restricted cash	944	-
Accounts receivable	108	-
Residential inventory (Note 8)	86,094	-
Inventories and prepaid expenses	5	-
Total assets	\$ 87,311	\$ -
Accounts payable and accrued liabilities	\$ 7,492	\$ -
Prepaid annual dues and deposits	16,445	-
Borrowings	24,810	-
Total liabilities	48,747	-
Partner capital	31,352	-
Retained earnings deficit	(1,471)	-
Non-controlling interest	8,683	-
Total shareholders' equity	38,564	-
Total liabilities and shareholders' equity	\$ 87,311	\$ -

For the years ended December 31, 2021 and 2020

6. NON-CONTROLLING INTEREST (continued)

(thousands of Canadian dollars)	2021	2020
Revenue	\$ 26,572	\$ -
Operating cost of goods sold	(25,941)	-
Cost of goods sold - amortization (Note 8)	(2,397)	-
Loss for the year	\$ (1,766)	\$ -
Loss attributable to shareholders	\$ (1,471)	-
Loss attributable to non-controlling interests	(295)	-
Loss for the year	\$ (1,766)	-
 (thousands of Canadian dollars)	 2021	 2020
Balance, beginning of year	\$ -	\$ -
Non-controlling interest arising on consolidation (Note 5)	8,978	-
Share of loss for the year	(295)	-
Balance, end of year	\$ 8,683	\$ -

7. OTHER ASSETS

Other assets consist of the following:

(thousands of Canadian dollars)	2021	2020
Investment in joint ventures	\$ 5,422	\$ 22,996
Investment in Automotive Properties REIT (7,564,650 units; December 31, 2020 - 6,521,657 units)	113,092	69,847
Investment in other marketable securities	-	1,531
Real estate fund investments (US\$15,203,000; December 31, 2020 - nil)	19,274	-
Other	559	587
	138,347	94,961
Less: current portion	113,092	69,847
	\$ 25,255	\$ 25,114

The Company's investment in joint ventures consist of the following:

(thousands of Canadian dollars)	2021	2020
Balance, beginning of year	\$ 22,996	\$ 23,492
Equity income	1,270	115
Transfer resulting from acquisition (Note 5)	(18,828)	-
Net return of capital on investments	(16)	(611)
Balance, end of year	\$ 5,422	\$ 22,996

On August 16, 2019, TWC purchased a 50% interest in a real estate management company and various real estate housing investments with ownership percentages ranging from 11.67% to 23.33% for \$14,501,000. This purchase price was broken down into a cash outlay of \$9,236,000 and promissory notes in the amount of \$5,265,000. Included in this acquisition was an 8.33% profit participation interest in the Highland Gate project, which is now being consolidated (see Note 5).

Control of the real estate management company and the various real estate housing investments is shared with TWC's partners and are considered to be joint ventures which are to be accounted for using the equity accounting method. The real estate management company manages the real estate housing investments acquired.

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7. OTHER ASSETS (continued)

Summarized financial information for the real estate management company and the real estate housing investments at 100% and TWC's ownership interest is provided below:

(thousands of Canadian dollars)			2021	2020
	Real Estate Management Company	Real Estate Housing Investments	Total	Total
Current assets	\$ 5,836	\$ 2,813	\$ 8,649	\$ 7,466
Related party	(36)	(22)	(58)	200
Land and other long-term assets	1,657	49,870	51,527	112,770
Secured project debt	-	(11,997)	(11,997)	(41,433)
Loan from TWC	-	-	-	(800)
Liabilities	(2,983)	(17,718)	(20,701)	(19,416)
Net assets at 100%	4,474	22,946	27,420	58,787
Net assets at Company's share	2,237	3,182	5,419	24,282
Return of capital investments to date	-	3	3	(611)
Deferred profit	-	-	-	(675)
Net assets attributable to TWC	\$ 2,237	\$ 3,185	\$ 5,422	\$ 22,996
Net assets attributable to partners	\$ 2,237	\$ 19,761	\$ 21,998	\$ 35,791
Equity income (loss)	\$ 1,352	\$ (82)	\$ 1,270	\$ 115

TWC has committed US\$10,000,000 towards a real estate fund based out of Florida. As at December 31, 2021, there has been US\$3,425,000 (CDN\$4,342,000) in capital calls paid towards this commitment. Outside of the fund, the Company made an investment of US\$4,500,000 (CDN\$5,705,000) in one of the fund investment opportunities. A total amount of unrealized gains in the amount of US\$7,278,000 (CDN\$9,227,000) has been recorded on these investments at December 31, 2021.

8. RESIDENTIAL INVENTORY

Residential inventory is comprised of land, development, servicing and construction costs in relation to the construction of homes in the Highland Gate project and consists of the following:

(thousands of Canadian dollars)	Total
At January 1, 2021	\$ -
Amount arising on consolidation (Note 5)	84,070
Additions	30,362
Operating cost of goods sold	(25,941)
Cost of goods sold - amortization	(2,397)
At December 31, 2021	\$ 86,094

The Company's investment in Highland Gate is managed by Geranium Homes. Highland Gate is the development of a former golf course in Aurora, Ontario and includes 158 single family detached homes and a seven story multi-unit residential building with 114 units. During 2021 there were 17 closings of the first phase of this project.

The cost of goods sold includes the amortization of the purchase price of both the 2019 and 2021 tranches purchased by ClubLink in this project in addition to the recorded minority interest.

For the years ended December 31, 2021 and 2020

9. RIGHT-OF-USE ASSETS

Right-of-use assets consists of the following:

(thousands of Canadian dollars)	Land and Buildings	Equipment	Total
At January 1, 2020	\$ 15,960	\$ 358	\$ 16,318
Additions	-	194	194
Depreciation	(4,944)	(210)	(5,154)
Foreign exchange	-	1	1
At December 31, 2020	11,016	343	11,359
Additions	-	11	11
Depreciation	(4,947)	(160)	(5,107)
Foreign exchange	-	(1)	(1)
At December 31, 2021	\$ 6,069	\$ 193	\$ 6,262

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

(thousands of Canadian dollars)	Land	Buildings and Land Improvements	Bunkers, Cart Paths and Irrigation	Equipment	Total
Cost					
At January 1, 2020	\$ 292,433	\$ 157,343	\$ 104,944	\$ 89,429	\$ 644,149
Additions	617	4,048	1,659	3,542	9,866
Disposals	(2,395)	(1,561)	(691)	(3,560)	(8,207)
Foreign exchange difference	(212)	(192)	(168)	(135)	(707)
At December 31, 2020	290,443	159,638	105,744	89,276	645,101
Additions	2,290	272	1,516	6,744	10,822
Disposals	(11,211)	(897)	(1,750)	(3,841)	(17,699)
Impairment reversal	1,426	897	1,738	971	5,032
Foreign exchange difference	(41)	(39)	(34)	(37)	(151)
At December 31, 2021	\$ 282,907	\$ 159,871	\$ 107,214	\$ 93,113	\$ 643,105
Accumulated Depreciation					
At January 1, 2020	\$ -	\$ 77,631	\$ 78,894	\$ 70,318	\$ 226,843
Depreciation	-	5,101	4,234	3,636	12,971
Disposals	-	(487)	(642)	(3,678)	(4,807)
Foreign exchange difference	-	(79)	(109)	(122)	(310)
At December 31, 2020	-	82,166	82,377	70,154	234,697
Depreciation	-	4,039	3,679	4,942	12,660
Disposals	-	(276)	(1,169)	(3,630)	(5,075)
Impairment reversal	-	276	1,163	951	2,390
Foreign exchange difference	-	(11)	(13)	(25)	(49)
At December 31, 2021	\$ -	\$ 86,194	\$ 86,037	\$ 72,392	\$ 244,623
Net book value at December 31, 2020	\$ 290,443	\$ 77,472	\$ 23,367	\$ 19,122	\$ 410,404
Net book value at December 31, 2021	\$ 282,907	\$ 73,677	\$ 21,177	\$ 20,721	\$ 398,482

Certain property, plant and equipment have been assigned as collateral for borrowings (Note 14).

Due to the withdrawal of the Glen Abbey redevelopment appeals, \$9,785,000 in capitalized development costs in relation to Glen Abbey have been expensed to Other Items (Note 20).

On October 8, 2021, the Company sold Heron Bay Golf Club for net proceeds of \$40,235,000 (US\$31,736,000). Immediately prior to the sale, the carrying amount of Heron Bay was re-measured to its recoverable amount. As a result, the Company recorded an impairment reversal pertaining to the 2018 impairment charge on this property. The impairment reversal was recorded at a value of \$2,642,000 (US\$2,074,000) representing the amount of what would have otherwise subsequently been depreciated from January 1, 2019 to September 30, 2021 prior to the sale.

Proceeds collected on the sale of various pieces of miscellaneous equipment amounted to \$1,023,000 (2020 - \$320,000).

TWC Enterprises Limited
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For the years ended December 31, 2021 and 2020

11. INTANGIBLE ASSETS

Intangible assets consist of the following:

(thousands of Canadian dollars)	Membership Base	Brand	Other	Total Intangible Assets
Cost				
At January 1, 2020	\$ 12,171	\$ 13,477	\$ 2,437	\$ 28,085
Foreign exchange difference	(40)	-	(4)	(44)
At December 31, 2020	12,131	13,477	2,433	28,041
Foreign exchange difference	(9)	-	(1)	(10)
At December 31, 2021	\$ 12,122	\$ 13,477	\$ 2,432	\$ 28,031
Accumulated amortization				
At January 1, 2020	\$ 5,095	\$ 5,048	\$ 2,195	\$ 12,338
Amortization	518	485	121	1,124
Foreign exchange difference	(26)	-	(4)	(30)
At December 31, 2020	5,587	5,533	2,312	13,432
Amortization	677	875	121	1,673
Foreign exchange difference	(4)	-	(1)	(5)
At December 31, 2021	\$ 6,260	\$ 6,408	\$ 2,432	\$ 15,100
Net book value at December 31, 2020	\$ 6,544	\$ 7,944	\$ 121	\$ 14,609
Net book value at December 31, 2021	\$ 5,862	\$ 7,069	\$ -	\$ 12,931

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

(thousands of Canadian dollars)	2021	2020
Trade payables	\$ 8,848	\$ 2,680
Accrued payroll costs	3,269	2,619
Accrued interest	492	625
Income taxes payable	12,425	4,885
Cost to complete (Highland Gate)	1,324	-
Accrued liabilities and other	9,970	9,908
	\$ 36,328	\$ 20,717

For the years ended December 31, 2021 and 2020

13. LEASE LIABILITIES

The following table represents the change in the balance of the Company's lease liabilities:

(thousands of Canadian dollars)	Land and Buildings	Equipment	Total
At January 1, 2020	\$ 16,531	\$ 710	\$ 17,241
Additions	-	194	194
Interest expense	847	48	895
Lease payments	(5,503)	(472)	(5,975)
Foreign exchange	-	4	4
At December 31, 2020	11,875	484	12,359
Additions	-	11	11
Interest expense	557	24	581
Lease payments	(5,615)	(308)	(5,923)
Foreign exchange	-	(1)	(1)
At December 31, 2021	6,817	210	7,027
Less: current portion	4,366	141	4,507
	\$ 2,451	\$ 69	\$ 2,520

Future minimum payments of lease liabilities are as follows:

(thousands of Canadian dollars)	Lease Liabilities	Interest	Total Minimum Lease Payments
2022	\$ 4,507	\$ 279	\$ 4,786
2023	1,183	114	1,297
2024	1,248	41	1,289
2025	10	5	15
2026	11	4	15
2027 and thereafter	68	12	80
	\$ 7,027	\$ 455	\$ 7,482

The above lease liabilities have a weighted average interest rate of 6.1% (2020 - 6.1%).

Land Lease Rent

TWC has certain golf clubs that it operates, which are under lease arrangements. The following are the golf clubs under lease with expiration dates:

- The Country Club: December 31, 2022
- National Pines Golf Club: November 15, 2024

During 2021, the Company paid \$483,000 (2020 - \$4,000) in percentage rent in addition to the land lease commitments described above.

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14. BORROWINGS

Borrowings consist of the following:

(thousands of Canadian dollars)	2021	2020
Secured revolving operating line of credit to a maximum of \$50,000,000 due September 11, 2022	\$ -	\$ 8,089
Highland Gate syndicated credit facilities to a maximum of \$107,000,000		
Servicing facility - Phase 1: due on demand - maturing October 31, 2022		
Prime rate loan (Prime + 1.25%)	434	-
BA loan (Stamping fees @ 2.50%)	16,000	-
Servicing facility - Phase 2: due on demand - maturing June 30, 2023		
Prime rate loan (Prime + 1.25%)	76	-
BA loan (Stamping fees @ 2.50%)	8,300	-
	24,810	-
Mortgages with blended monthly payments of principal and interest		
8.345% Mortgages due July 1, 2022	1,577	4,110
7.550% Mortgage due July 1, 2022	187	488
7.416% Mortgages due September 1, 2023	5,973	9,056
7.268% Mortgage due July 1, 2024	3,346	4,482
8.060% Mortgage due July 1, 2024	18,047	24,155
6.194% Mortgage due March 1, 2026	21,161	25,383
6.315% Mortgage due December 1, 2027	22,408	25,387
8.000% Mortgage due October 1, 2029 (US\$9,702,000; December 31, 2020 - US\$10,324,000; September 30, 2020 - US\$10,523,000)	12,026	13,144
Other - maturing from August 16, 2022 to August 16, 2024	3,316	4,315
	88,041	118,609
Gross borrowings	112,851	118,609
Less: deferred financing costs	290	409
Borrowings	112,561	118,200
Less: current portion	39,182	22,427
	\$ 73,379	\$ 95,773

Note a: As at December 31, 2021, there are \$1,018,000 (2020 - \$1,018,000) in letters of credit issued, representing unavailable funds and there is availability of \$48,982,000 (2020 - \$40,893,000) under this facility. This is a revolving operating line of credit with a two-year term and provisions for annual one-year extensions. This facility bears interest at bankers' acceptance rates plus 1.60% or 2.15% (2020 - 2.16%).

Borrowings are collateralized by certain property, plant and equipment assets (Note 10).

Minimum principal debt repayments for the next five years and thereafter are as follows:

(thousands of Canadian dollars)	Highland Gate	Corporate Borrowings	Total Borrowings
2022	\$ 16,434	\$ 22,748	\$ 39,182
2023	8,376	21,560	29,936
2024	-	16,384	16,384
2025	-	10,700	10,700
2026	-	7,068	7,068
2027 and thereafter	-	9,581	9,581
	\$ 24,810	\$ 88,041	\$ 112,851

For the years ended December 31, 2021 and 2020

15. DEFERRED MEMBERSHIP FEES

Deferred membership fees consist of the following:

(thousands of Canadian dollars)	2021	2020
Unamortized membership fees (Note 15A)	\$ 37,258	\$ 30,479
Future membership fee instalments (Note 15B)	(33,282)	(25,250)
Deferred membership fees	\$ 3,976	\$ 5,229

Unamortized membership fees represents the portion of collected or committed membership fees that have not been booked as revenue.

Future membership fee instalments represents the amount of uncollected committed membership fee instalments. The Company forgives future instalments upon resignation of a member.

The net deferred membership fees represents the excess of membership fees collected over membership fee revenue recognized.

(A) Changes in unamortized membership fees are as follows:

(thousands of Canadian dollars)	2021	2020
Balance, beginning of year	\$ 30,479	\$ 28,726
Sales to new members	11,398	8,751
Transfer and reinstatement fees	3,076	1,333
Resignations and terminations	(3,289)	(3,626)
Amortization of membership fees to revenue	(4,404)	(4,585)
Sale of Greenhills Golf Club	-	(104)
Exchange difference	(2)	(16)
Balance, end of year	\$ 37,258	\$ 30,479

(B) Changes in future membership fee instalments are as follows:

(thousands of Canadian dollars)	2021	2020
Balance, beginning of year	\$ 25,250	\$ 21,364
Sales to new members	11,398	8,751
Transfer and reinstatement fees	3,076	1,333
Resignations and terminations	(3,289)	(3,626)
Instalments received in cash	(3,151)	(2,501)
Sale of Greenhills Golf Club	-	(52)
Exchange difference	(2)	(19)
Balance, end of year	\$ 33,282	\$ 25,250

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16. REVENUE

Revenue consists of the following:

(thousands of Canadian dollars)	Year ended December 31, 2021				Year ended December 31, 2020		
	Canadian Golf Club Operations	US Golf Club Operations	Other (Highland Gate)	Total	Canadian Golf Club Operations	US Golf Club Operations	Total
Annual dues	\$ 56,508	\$ 5,952	\$ -	\$ 62,460	\$ 48,081	\$ 6,215	\$ 54,296
Golf	35,574	10,025	-	45,599	33,241	9,432	42,673
Corporate events	3,315	227	-	3,542	2,167	160	2,327
Membership fees	4,115	289	-	4,404	4,239	346	4,585
Food and beverage	17,637	1,763	-	19,400	14,642	1,428	16,070
Merchandise	10,932	715	-	11,647	7,941	603	8,544
Real estate sales	-	-	26,572	26,572	-	-	-
Rooms and other	4,825	(32)	-	4,793	3,360	(54)	3,306
	\$ 132,906	\$ 18,939	\$ 26,572	\$ 178,417	\$ 113,671	\$ 18,130	\$ 131,801

17. INCOME TAXES

(A) Income tax provision

The provision for income taxes differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rates to earnings before income taxes. The major components of these differences are explained as follows:

(thousands of Canadian dollars)	2021	2020
Earnings before income taxes	\$ 110,935	\$ 4,180
Expected corporate tax rate	26.50%	26.50%
Calculated income tax provision	29,398	1,108
Difference in statutory tax rates	(1,199)	26
Capital items	(4,513)	2,473
Foreign exchange	420	(61)
Permanent differences	310	59
Previously unrecognized tax losses	(2,888)	-
Unbenefited operating losses	-	339
Other	(240)	(735)
Total tax expense	\$ 21,288	\$ 3,209

The tax rate used for the 2021 and 2020 reconciliations above is the corporate rate of 26.50% payable by corporate entities in Ontario, Canada.

(B) Deferred income tax liabilities

The tax effects of temporary differences that give rise to the deferred income tax assets and liabilities are summarized as below:

(thousands of Canadian dollars)	Capital/ Intangible Assets and Other	Investments	Foreign Exchange	Total
Balance, January 1, 2020	\$ 45,558	\$ 2,656	\$ (286)	\$ 47,928
Recognized in earnings	(2,022)	(409)	(139)	(2,570)
Recognized in equity through comprehensive earnings	(6)	-	-	(6)
As at December 31, 2020	43,530	2,247	(425)	45,352
Recognized in earnings	486	4,626	54	5,166
Recognized in equity through comprehensive earnings	(11)	-	-	(11)
As at December 31, 2021	\$ 44,005	\$ 6,873	\$ (371)	\$ 50,507

For the years ended December 31, 2021 and 2020

17. INCOME TAXES (continued)

(B) Deferred income tax liabilities (continued)

There are no unused tax losses on which the deferred tax assets have been recognized as at December 31, 2021 (2020 - nil).

As at December 31, 2021, the Company had temporary differences of \$1,394,000 (2020 - \$43,000) associated with investments in joint ventures for which no deferred tax liabilities have been recognized, as the Company is able to control the timing of the reversal of these temporary differences and it is not probable that these differences will reverse in the foreseeable future.

18. SHARE CAPITAL

(A) Authorized and issued share capital

The authorized share capital is an unlimited number of common shares and preferred shares. As at December 31, 2021, there are 24,547,924 common shares outstanding (December 31, 2020 - 25,017,442). As at December 31, 2021, no preferred shares have been issued. Please refer to the consolidated statements of changes in shareholders' equity for details.

(B) Dividends

During 2020, ClubLink declared and paid four quarterly cash dividends of 2 cents per common share for a total of 8 cents per common share or \$2,091,000 for the year.

During 2021, TWC declared and paid four quarterly cash dividends of 2 cents per common share for a total of 8 cents per common share or \$1,975,000 for the year.

(C) Shares repurchased and cancelled

The Company was approved by the Toronto Stock Exchange for a normal course issuer bid to purchase up to 1,271,000 of its common shares which expired on September 19, 2021. From September 20, 2020 to December 31, 2020 the Company repurchased for cancellation 410,400 common shares for a total purchase price of \$5,389,859 or \$13.13 per share, including commissions. From January 1, 2021 to September 19, 2021 the Company repurchased for cancellation 469,518 common shares for a total purchase price of \$8,302,152 or \$17.68 per share, including commissions.

The Company was approved by the Toronto Stock Exchange for a normal course issuer bid to purchase up to 1,227,000 of its common shares which expires on September 19, 2022.

In recording the repurchase and cancellation of shares, share capital is reduced by the weighted average issue price of the outstanding common shares with the differential to the purchase price being credited or charged to retained earnings.

(D) Earnings per share

Diluted earnings per share is the same as basic earnings per share as the Company has no dilutive instruments.

19. INTEREST, NET AND INVESTMENT INCOME

Interest, net and investment income consists of the following:

(thousands of Canadian dollars)	2021	2020
Revolving line of credit	\$ 76	\$ 80
Non-revolving mortgages	6,819	8,465
Construction line of credit (Highland Gate)	885	-
Lease liabilities (Note 13)	581	895
Line of credit to related party	(390)	(452)
Amortization of deferred financing costs	179	214
Other	205	262
Interest revenue and investment income	(6,266)	(5,855)
Capitalized interest (Highland Gate)	(885)	-
	\$ 1,204	\$ 3,609

TWC Enterprises Limited
Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

20. OTHER ITEMS

Other items consist of the following loss (income) items:

(thousands of Canadian dollars)	2021	2020
Gain on sale of property, plant and equipment	\$ (40,304)	\$ (1,416)
Unrealized loss (gain) on investment in marketable securities	(30,360)	7,311
Unrealized gain on real estate fund investments	(9,311)	-
Insurance proceeds	(3,812)	-
Equity income from investments in joint ventures	(1,270)	(115)
Unrealized foreign exchange loss (gain)	207	(1,256)
Glen Abbey redevelopment charge	9,785	-
Loss on sale of common shares in Carnival plc	-	16,240
Other	302	694
Other items	\$ (74,763)	\$ 21,458

Net gain on property, plant and equipment consists of the following:

(thousands of Canadian dollars)	2021	2020
Gain on sale of Heron Bay property (Florida)	\$ (39,425)	\$ -
Gain on sale of Harwood property (Quebec)	-	(503)
Gain on sale of Val des Lacs property (Quebec)	-	(835)
Gain on disposal of miscellaneous equipment	(879)	(78)
	\$ (40,304)	\$ (1,416)

On October 8, 2021, the Company sold Heron Bay Golf Club for proceeds of \$40,570,000 (US\$32,000,000). Immediately prior to the sale, the carrying amount of Heron Bay was re-measured to its recoverable amount. As a result, the Company recorded an impairment reversal pertaining to the 2018 impairment charge on this property. The impairment reversal was recorded at a value of \$2,628,000 (US\$2,074,000) representing the amount of what would have otherwise subsequently been depreciated from January 1, 2019 to September 30, 2021 prior to the sale. A gain of \$36,797,000 (US\$29,587,000) was recorded as a result of the sale, resulting in a total profit of \$39,425,000 (US\$31,661,000) including the impairment reversal.

At December 31, 2021, the Company recorded unrealized gains of \$30,360,000 on investment in marketable securities (December 31, 2020 - loss of \$7,311,000). This gain is attributable to the Company's investment in Automotive Properties REIT. The Company also recorded unrealized gains of \$9,311,000 (December 31, 2020 - nil) on real estate fund investments in relation to Florida and southeastern US real estate.

The exchange rate used for translating US denominated assets has changed from 1.2732 at December 31, 2020 to 1.2678 at December 31, 2021. This has resulted in a foreign exchange loss of \$207,000 for the year ended December 31, 2021 on the translation of the Company's US denominated financial instruments.

For the years ended December 31, 2021 and 2020

21. RELATED PARTY TRANSACTIONS

The immediate parent and controlling party of the Company is Paros Enterprises Limited ("Paros") and its parents – S.N.A. Management Limited. These companies are privately-owned companies whose shareholder is the Chairman, President and Chief Executive Officer of the Company – K. (Rai) Sahi.

K. (Rai) Sahi, the Chairman, President and Chief Executive Officer of the Company is also the controlling shareholder of Morguard Corporation ("Morguard").

The Company has provided an unsecured revolving demand credit facility to Morguard in the amount of \$50,000,000 with no fixed maturity date. Morguard has provided an unsecured revolving demand credit facility to TWC in the amount of \$50,000,000 with no fixed maturity date. During 2021, Morguard fully repaid to the Company the \$20,000,000 loan receivable. These facilities bear interest on a basis which is consistent with the entity's borrowing costs.

Summarized information regarding these facilities is as follows:

(thousands of Canadian dollars)	For the year ended	
	December 31, 2021	December 31, 2020
Loan receivable from Morguard	-	20,000
Net interest receivable	-	45
Net interest earned	390	452

The Company has provided an unsecured revolving demand credit facility to Paros in the amount of \$5,000,000, with no fixed maturity date. Paros has provided an unsecured revolving demand credit facility to TWC in the amount of \$5,000,000 with no fixed maturity date. These facilities bear interest at prime plus 1%. During 2021 and 2020, there were no advances or repayments under this facility.

The purpose of these credit facilities is to allow each of the above entities to manage its financing activities in the most effective manner.

The Company has provided an unsecured revolving demand credit facility to an investment in joint venture in the amount of \$3,000,000, with no fixed maturity date. This facility bears interest at prime plus 1.25%. As at December 31, 2021, the amount receivable on this facility was nil (December 31, 2020 - \$800,000). Interest receivable at December 31, 2021 was nil (December 31, 2020 - \$4,000), and interest earned amounted to \$4,000 for the year ended December 31, 2021 (December 31, 2020 - \$66,000).

The Company receives managerial and consulting services from Morguard. The Company paid a management fee of \$695,000 for the year ended December 31, 2021 (December 31, 2020 - \$695,000), under a contractual agreement, which is included in operating expenses. Morguard also provides back-office services to ClubLink US Corporation. The Company paid a management fee of US\$460,000 (CDN\$577,000) for the year ended December 31, 2021 (December 31, 2020 - US\$460,000; CDN\$617,000) under a contractual agreement, which is included in direct operating expenses.

The Highland Gate project receives managerial services from Geranium management companies. The project paid a management fee of \$1,748,000 for the year ended December 31, 2021 (December 31, 2020 - nil) under a contractual agreement, which is capitalized to residential inventory.

The Company provides landscaping services for certain Morguard assets. The Company received a fee of \$96,000 for the year ended December 31, 2021 (December 31, 2020 - nil) under a contractual agreement.

A total of US\$53,000 of rental revenue was earned by TWC for the year ended December 31, 2021 (December 31, 2020 - US\$53,000) from Morguard relating to a shared office facility in Florida.

During 2021, the Company earned \$482,000 (2020 - \$264,000) in operating revenue (primarily food and beverage and corporate events) from related parties controlled by the Chairman, President and Chief Executive Officer of the Company.

All related party transactions were made in the ordinary course of business and on substantially the same terms including interest rates and security as for comparable transactions with parties of a similar standing.

TWC Enterprises Limited
Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

22. SEGMENTED INFORMATION

TWC's reportable segments are strategic business units that offer different services and/or products. The Company's operating segments have been determined based on reports reviewed that are used to make strategic decisions by the President and CEO, the Company's chief operating decision maker.

TWC is engaged in golf club operations under the trademark "ClubLink One Membership More Golf". TWC is Canada's largest owner, operator and manager of golf clubs with 49½, 18-hole equivalent championship and 3, 18-hole equivalent academy courses (including two managed properties), at 37 locations in two separate geographic Regions: (a) Canada and (b) United States.

TWC's golf clubs are strategically organized in clusters that are located in densely populated metropolitan areas and resort destinations frequented by those who live and work in these areas. By operating in regions, TWC is able to offer golfers a wide variety of unique membership, corporate event and resort opportunities. TWC is also able to obtain the benefit of operating synergies to maximize revenue and achieve economies of scale to reduce costs.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Any inter-segment transfers are recorded at cost.

Geographical information is not separately presented as the industry segments operate in separate and distinct geographical segments on their own.

	For the Year Ended December 31, 2021			
(thousands of Canadian dollars)	Canadian Golf Club Operations	US Golf Club Operations	Corporate and Other	Total
Operating revenue	\$ 128,791	\$ 18,650	\$ 26,572	\$ 174,013
Direct operating expenses	(74,131)	(16,296)	(31,174)	(121,601)
Net operating income (loss)	54,660	2,354	(4,602)	52,412
Amortization of membership fees	4,115	289	-	4,404
Depreciation and amortization	(18,070)	(1,370)	-	(19,440)
Other items	(5,074)	39,328	40,509	74,763
Segment earnings before interest and income taxes	\$ 35,631	\$ 40,601	\$ 35,907	112,139
Interest, net (unallocated)				(1,204)
Provision for income taxes (unallocated)				(21,288)
Net earnings				\$ 89,647
Capital expenditures	\$ 9,845	\$ 977	\$ -	\$ 10,822

TWC Enterprises Limited
Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

22. SEGMENTED INFORMATION (continued)

For the Year Ended December 31, 2020				
(thousands of Canadian dollars)	Canadian Golf Club Operations	US Golf Club Operations	Corporate and Other	Total
Operating revenue	\$ 109,432	\$ 17,784	\$ -	\$ 127,216
Direct operating expenses	(63,219)	(17,217)	(2,869)	(83,305)
Net operating income (loss)	46,213	567	(2,869)	43,911
Amortization of membership fees	4,239	346	-	4,585
Depreciation and amortization	(17,545)	(1,704)	-	(19,249)
Other items	1,382	(165)	(22,675)	(21,458)
Segment earnings (loss) before interest and income taxes	\$ 34,289	\$ (956)	\$ (25,544)	7,789
Interest, net (unallocated)				(3,609)
Provision for income taxes (unallocated)				(3,209)
Net earnings				\$ 971
Capital expenditures	\$ 9,784	\$ 82	\$ -	\$ 9,866

December 31, 2021				
(thousands of Canadian dollars)	Canadian Golf Club Operations	US Golf Club Operations	Corporate and Other	Total
Segment assets	\$ 442,857	\$ 71,737	\$ 232,212	\$ 746,806
Segment liabilities	\$ 139,518	\$ 15,613	\$ 88,287	\$ 243,418

December 31, 2020				
(thousands of Canadian dollars)	Canadian Golf Club Operations	US Golf Club Operations	Corporate and Other	Total
Segment assets	\$ 459,558	\$ 29,188	\$ 143,636	\$ 632,382
Segment liabilities	\$ 169,764	\$ 7,950	\$ 40,299	\$ 218,013

TWC Enterprises Limited
Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

23. CAPITAL MANAGEMENT

TWC's objective is to ensure that capital resources are readily available to meet obligations as they become due, to complete its approved capital expenditure program and to take advantage of attractive acquisitions as these opportunities arise.

Certain secured debt obligations of the Company have restrictive covenants that require maintenance of certain financial ratios. These covenants include debt service ratios, borrowings to adjusted equity/asset ratios and a minimum total equity requirement. For all of 2021 and 2020, the Company was in compliance with these borrowings covenants.

TWC monitors capital on the basis of the net borrowings-to-adjusted equity ratio. This ratio is calculated as net borrowings divided by adjusted equity. Net borrowings is calculated as gross borrowings less cash. Adjusted equity is comprised of all components of shareholders' equity (i.e., share capital, retained earnings and accumulated other comprehensive gain or loss) and deferred membership fees less a related statutory tax provision.

The Company sets its capital structure in proportion to risk. It manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase and cancel shares pursuant to issuer bids, issue new shares, or sell assets to reduce borrowings.

TWC's objective is to maintain a net borrowings-to-adjusted equity ratio of less than 2.50, in order to maintain access to financing at a reasonable cost. The net borrowings-to-adjusted equity ratios at December 31, 2021 and December 31, 2020, are as follows:

(thousands of Canadian dollars)	2021	2020
Gross borrowings	\$ 112,851	\$ 118,609
Cash and cash equivalents	(91,395)	(57,217)
Net borrowings (A)	\$ 21,456	\$ 61,392
Share capital	\$ 100,530	\$ 102,453
Retained earnings	389,418	307,830
Non-controlling interest	8,683	-
Accumulated other comprehensive gain	4,757	4,086
Deferred membership fees	3,976	5,229
Less: tax provision at statutory income tax rates	(1,054)	(1,386)
Adjusted equity (B)	\$ 506,310	\$ 418,212
Net borrowings-to-adjusted equity ratio (A/B)	0.04	0.15

TWC has a revolving credit arrangement, which is used to fund operations. This allows the flexibility to manage its highly seasonal cash inflows and regular year round disbursements while providing appropriate returns to the shareholders. Cash flows considered surplus to the long-term needs of the business segment are generally utilized in corporate operations.

TWC may access financing from related party companies such as Morguard and Paros, as needed.

For the years ended December 31, 2021 and 2020

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and liabilities

Pursuant to IFRS, financial instruments are classified into one of the following three categories: amortized cost, FVTOCI, FVTPL. The carrying values of the Company's financial instruments on the consolidated balance sheets are classified into the following categories:

(thousands of Canadian dollars)	2021	2020
Assets - Amortized cost ⁽¹⁾	\$ 100,479	\$ 96,458
Assets - FVTPL - Automotive Properties REIT units and Florida real estate investments	132,366	69,847
Liabilities - Amortized cost ⁽²⁾	152,073	151,276

(1) Includes cash and cash equivalents, accounts receivable and mortgages and loans receivable.

(2) Includes accounts payable and accrued liabilities and borrowings.

A portion of the accounts receivable balance has been pledged in conjunction with the assignment of certain property, plant and equipment as collateral for borrowings.

Fair values

The Company has determined, using considerable judgment, the estimated fair values of its financial instruments based on the valuation methodologies which are described below. The fair values of TWC's financial instruments approximate their carrying values for financial statement purposes.

The methods and assumptions used to estimate the fair value of each type of financial instrument are as follows:

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and revolving lines of credit approximate their carrying values given their short-term maturities.

The carrying value of mortgages and loans receivable is assumed to approximate fair value as they bear interest at current market rates.

The fair value of non-revolving borrowings was estimated based on the discounted cash flows of the borrowings at the Company's estimated incremental interest rates for borrowings of the same remaining maturities.

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – valuation techniques with inputs not based on observable market inputs.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risks), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is the responsibility of the corporate finance department whose function is to identify, evaluate and, where appropriate, hedge financial risks. The Company's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined control environment in which all employees understand their roles and obligations. Risks are monitored and are regularly discussed with the board of directors.

For the years ended December 31, 2021 and 2020

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign exchange risk

As discussed in Note 1, the United States golf club operations have a reporting currency in US dollars. Therefore, fluctuations in the US dollar exchange rate will impact the earnings of TWC.

For the year ended December 31, 2021, if the Canadian dollar had weakened (strengthened) 10% against the US dollar, all other variables held constant, the after tax earnings would have increased (declined) by \$4,050,000 (2020 - \$106,000).

Interest rate risk

The following debt instruments have variable interest rates:

(thousands of Canadian dollars)	2021	2020
Revolving line of credit - corporate (December 31, 2021 - BA's plus 160 basis points or 2.15%; prime plus 47.5 basis points or 2.93%) December 31, 2020 - BA's plus 160 basis points or 2.16%; prime plus 47.5 basis points or 2.93%)	\$ -	\$ 8,089
Revolving facility - Highland Gate (December 31, 2021 - BA's plus 2.50%; prime plus 125 basis points or 3.70%)	24,810	-
Operating line of credit from related party (cost of funds plus 10 basis points)	-	-
	\$ 24,810	\$ 8,089

The objective of the Company's interest rate management activities is to minimize the volatility of the Company's earnings.

Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to trade accounts receivable and mortgages and loans receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The objective of managing credit risk is to prevent losses in financial assets. It is TWC's experience that the credit worthiness of its member accounts receivable balances is very good because it has the ability to suspend the playing and charging privileges of members who have overdue accounts in order to manage credit risk exposure to its members.

Further, the Company collects deposits on group functions such as corporate events, banquets and resort stays to help reduce this risk.

The credit risk associated with mortgages and loans receivable is considered minimal as they are adequately secured. Collateral for mortgages and loans receivable include a charge on the underlying asset for vendor take-back mortgages and loans and the underlying security for share purchase loans.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of earnings within operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts receivable. Subsequent recoveries of amounts previously written off are credited to the allowance account.

For the years ended December 31, 2021 and 2020

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

The following table describes the changes in the allowance for doubtful accounts receivable:

(thousands of Canadian dollars)	2021	2020
Balance, beginning of year	\$ 102	\$ 125
Increase in allowance through bad debt expense	110	42
Bad debt write-offs	(100)	(65)
Balance, end of year	\$ 112	\$ 102

The following table sets forth details of the age of receivables that are not overdue, as well as an analysis of overdue amounts and related allowance for doubtful accounts:

(thousands of Canadian dollars)	2021	2020
Accounts receivable		
Current - including accruals	\$ 4,636	\$ 13,210
Past due for more than one day but not more than 60 days	308	244
Past due for more than 60 days	311	890
Less: allowance for doubtful accounts	(112)	(102)
Subtotal	5,143	14,242
Mortgages and loans receivable		
Current	2,997	24,999
Past due	-	-
Less: allowance for doubtful accounts	-	-
Subtotal	2,997	24,999
Total loans and receivables	\$ 8,140	\$ 39,241

Liquidity risk

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and through the availability of funding from committed credit facilities.

The Company and its subsidiaries are subject to risks associated with borrowings, including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favorable terms or with interest rates as favourable as those of the existing facilities. The Company and its subsidiaries reduce these risks by its continued efforts to stagger and to extend the maturity profile of its borrowings, enhance the value of its real estate properties and foster excellent relations with its lenders.

The Company believes that cash on hand, future free cash flows generated by operations and availability under its revolving operating facility will be adequate to meet its financial obligations.

TWC Enterprises Limited
Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

The Company has financial liabilities with varying contractual maturity dates. Total financial liabilities at December 31, 2021, based on contractual undiscounted payments are as follows:

(thousands of Canadian dollars)	2022	2023	2024	2025	2026	2027 and beyond	Total
Accounts payable and accrued liabilities	\$ 36,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,328
Revolving lines of credit - Highland Gate	16,434	8,376	-	-	-	-	24,810
Non-revolving mortgages - principal	21,697	20,456	15,223	10,700	7,068	9,581	84,725
Non revolving mortgages - interest	5,210	3,691	2,351	1,544	918	784	14,498
Lease liabilities - principal	4,507	1,183	1,248	10	11	68	7,027
Lease liabilities - interest	279	114	41	5	4	12	455
Other	1,051	1,104	1,161	-	-	-	3,316
	\$ 85,506	\$ 34,924	\$ 20,024	\$ 12,259	\$ 8,001	\$ 10,445	\$ 171,159

Total financial liabilities at December 31, 2020, based on contractual undiscounted payments are as follows:

(thousands of Canadian dollars)	2021	2022	2023	2024	2025	2026 and beyond	Total
Accounts payable and accrued liabilities	\$ 20,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,717
Revolving lines of credit	-	8,089	-	-	-	-	8,089
Non-revolving mortgages - principal	21,428	21,702	20,461	15,229	10,706	16,679	106,205
Non revolving mortgages - interest	6,815	5,214	3,695	2,353	1,547	1,706	21,330
Lease liabilities - principal	5,339	4,504	1,180	1,247	10	79	12,359
Lease liabilities - interest	582	279	114	41	5	16	1,037
Other	999	1,051	1,104	1,161	-	-	4,315
	\$ 55,880	\$ 40,839	\$ 26,554	\$ 20,031	\$ 12,268	\$ 18,480	\$174,052

25. CONTINGENCIES

TWC has committed US\$10,000,000 towards a real estate fund based out of Florida. As at December 31, 2021 there has been US\$3,425,000 (CDN\$4,342,000) in capital calls towards this commitment (see Note 7).

As at December 31, 2020 and December 31, 2021, TWC has \$1,018,000 outstanding in letters of credit against its corporate credit facility.

As at December 31, 2021, TWC has \$2,000,000 outstanding in letters of credit issued in its name with a Morguard credit facility.

From time to time, TWC and certain of its subsidiaries, employees, officers and/or directors are defendants in a number of legal actions arising in the ordinary course of operations. In the opinion of management, it is expected that the ultimate resolution of such pending legal proceedings will not have a material effect on TWC's consolidated financial position.

In the normal course of operations, the Company executes agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions, sales of assets and sales of services.

26. SUBSEQUENT EVENT

On March 9, 2022, the Company declared a 2 cents per common share cash dividend, payable March 31, 2022 to shareholders of record on March 15, 2022.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

FRASER BERRILL (c)
PATRICK S. BRIGHAM (b, c)
PAUL CAMPBELL (b, c)
SAMUEL J.B. POLLOCK (a, b)
ANGELA SAHI
K. (RAI) SAHI
DONALD TURPLE (a, d)
JACK D. WINBERG (a, b, c)

(a) Audit Committee
(b) Corporate Governance and Compensation Committee
(c) Environmental, Health and Safety Committee
(d) Lead director

OFFICERS

TWC ENTERPRISES LIMITED

K. (RAI) SAHI
Chairman, President and Chief Executive Officer

ANDREW TAMLIN
Chief Financial Officer

JOHN A. FINLAYSON
Chief Operations Officer, Canadian Golf Operations
Vice President, Florida Golf Operations

JAMIE KING
Vice President, Sales, Canadian Golf Operations

BRENT MILLER
Vice President, Corporate Operations and Member Services,
Canadian Golf Operations

CORPORATE INFORMATION

EXECUTIVE OFFICE

15675 Dufferin Street
King City, Ontario L7B 1K5
TEL: (905) 841-3730
FAX: (905) 841-1134

WEB SITES

twcenterprises.ca
clublink.ca

INVESTOR RELATIONS

Contact: Andrew Tamlin
Tel: 905-841-5372
Email: atamlin@clublink.ca

BANKERS

HSBC Bank Canada
HSBC Bank USA

AUDITORS

Deloitte LLP

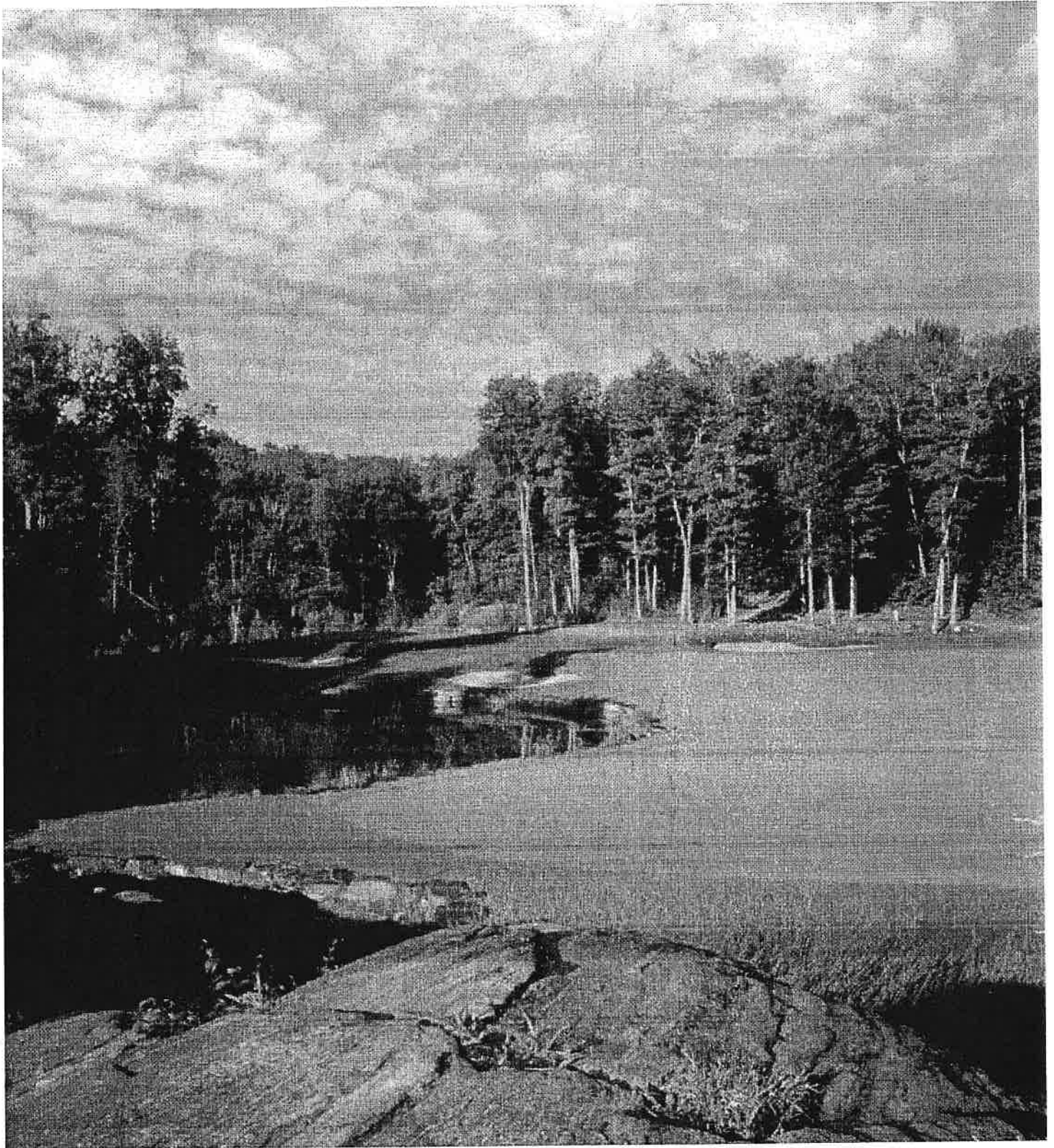
STOCK EXCHANGE LISTING

Common shares: TSX: TWC

TRANSFER AGENT

TSX Trust Company
P.O. Box 700, Postal Station B, Montreal, QC H3B 3K3
Tel: 416-682-3860
Tel: 1-800-387-0825 (toll free North America)
Fax: 1-888-249-6189
Email: shareholderinquiries@tmx.com

To change your address, eliminate multiple mailings,
transfer shares or for any other inquiry, please contact
TSX Trust Company at the above co-ordinates.



CLUBLINK
one membership. more golf.

15675 DUFFERIN STREET, KING CITY, ON L7B 1K5
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N° :

**COUR SUPÉRIEURE
DISTRICT DE TERREBONNE**

LOUIS DE FRANCESCO

Demandeur

c.

**CLUB DE GOLF LE MAÎTRE DE
MONT TREMBLANT**

-et-

CLUBLINK CORPORATION ULC

-et-

TWC ENTREPRISES LTD.

-et-

PAROS ENTERPRISES LIMITED

Défendeurs

PIÈCE 2

COPIE

**Me Daniel Rochefort
BR2375**

Rochefort & Associés
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2021 ANNUAL REPORT



Consolidating Canada's Automotive Dealership Properties

Automotive Properties of Canada REIT

10000 16th Avenue, Suite 1000, Edmonton, Alberta T5C 1K6
403-463-1111



Fellow unitholders,

Please find enclosed Automotive Properties REIT's 2021 Management's Discussion and Analysis and Financial Statements.

We generated solid year-over-year growth in our key performance measures in 2021, including a 4.1% increase in property rental revenue, 6.3% and 1.9% growth in Cash NOI and Same Property Cash NOI, respectively, and AFFO per REIT unit increased 6.0% to \$0.89 from \$0.84 in 2020. We achieved this performance despite significantly reduced acquisition activity due to the uncertainty caused by the pandemic. We are pleased to report that we are now returning to a more active acquisition market.

Our solid performance in 2021 reflects the resiliency of our tenants' businesses and the overall automotive dealership industry, which continues to generate strong profit margins. The automotive dealership industry in Canada, like many businesses, faced unprecedented challenges due to the pandemic. Dealership operators, including our tenant group, responded rapidly and effectively to pandemic-related business and social restrictions with enhanced e-commerce solutions and streamlined operations. While the pandemic has also impacted the vehicle supply chain, resulting in supply constraints of specific parts, models and brands, this has not had a material impact on our tenants' financial strength and ability to pay their rent. The supply constraints have been largely offset by the strength of dealership profit margins, including robust used car sales. Our property portfolio remains fully leased and we collected 100% of our contractual base rent in 2021, plus contractual base rent that was due under our deferral agreements.

The pandemic has highlighted the essential nature of the automotive retail industry in Canada, as sales and service activity has remained relatively strong despite the disruption. According to Statistics Canada, new vehicle sales in Canada increased 6.8% in 2021 compared to 2020, and overall Canadian automotive industry retail sales were up 17% from 2020. Automotive industry retail sales continue to represent approximately 25% of Canada's overall retail sales of products and merchandise.

The real estate underlying essential retail in Canada has generally experienced an increase in market value over the past year. This has contributed to the enhanced fair market value of our property portfolio, as the capitalization rate applicable to our portfolio improved to 6.3% at 2021 year end, a reduction of approximately 40 basis points from the end of 2020. This improved capitalization rate resulted in a fair value gain of \$75.2 million for our portfolio in 2021. The capitalization rate reduction also reflects broader capitalization rate compression in the real estate industry, particularly for single tenant retail and industrial assets.

As COVID-19 vaccination rates of Canadians have increased, pandemic-related restrictions have eased. Provincial governments are currently in the process of removing most remaining restrictions. As we have now returned to a more normalized business environment, our pipeline of acquisition opportunities has begun to expand. During 2021, we completed one property acquisition with the purchase of the Lexus Laval dealership property in the Greater Montreal Area for \$14.8 million. To date in 2022, we have deployed approximately \$65.1 million on six acquisitions, including: the Sherbrooke Honda and Magog Honda dealership properties in Québec, for a combined purchase price of \$23.4 million; the land underlying the Langley Acura dealership in Langley, B.C. for \$15.1 million; a parcel of land adjoining the Bank Street Toyota dealership in Ottawa for \$0.7 million; and Tesla automotive service properties in Québec City and Innisfil, Ontario, for a combined purchase price of \$25.9 million.



Our portfolio now consists of 72 income-producing automotive dealership properties located in attractive commercial areas in urban markets across Canada. Our recent acquisition of the Tesla automotive service properties further expanded the electric vehicle component of our portfolio. We now own five facilities tenanted by Tesla Canada.

The current war in Ukraine has contributed to inflationary pressures, driving a surge in oil prices which has led to increased vehicle fuel costs. We are monitoring the impact that this may have on our tenants' businesses, but as we have seen over the past couple of years, the retail automotive industry is highly resilient. We are closely monitoring inflation and interest rate trends, and continue to add a balance of CPI adjustments and contractual rent increases to our lease portfolio.

Looking ahead, we remain focused on continuing to enhance our property portfolio with acquisitions that are accretive to AFFO per unit. The focus of our acquisition program will remain on preferred markets, property location, automotive brands and the financial strength of the dealership operator. We believe our current tenant group are the leaders in the ongoing consolidation of Canada's automotive dealership industry, which should present attractive opportunities for us to further strengthen our tenant partnerships and continue to build our portfolio and enhance unitholder value.

We have a strong balance sheet position with a Debt to Gross Book Value ratio of 40.2% at year end, down from 43.2% at the end of 2020, \$34.0 million dollars of undrawn credit facilities and 13 unencumbered properties with an aggregate value of approximately \$170.6 million. We are well positioned to deploy capital on acquisitions on a strategic basis through both debt financing and available liquidity.

On behalf of the Board of Trustees, management and personnel of Automotive Properties REIT, thank you for your confidence and support.

A handwritten signature in blue ink, appearing to read "Kap Dilawri".

Kap Dilawri
Chair of the Board

A handwritten signature in blue ink, appearing to read "Milton D. Lamb".

Milton D. Lamb
President and Chief Executive Officer



Automotive Properties Real Estate Investment Trust

Management's Discussion and Analysis

December 31, 2021

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SECTION 1 – GENERAL INFORMATION AND CAUTIONARY STATEMENTS

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Automotive Properties Real Estate Investment Trust (the "REIT") is intended to provide readers with an assessment of the performance of the REIT for the years ended December 31, 2021 and December 31, 2020. This MD&A also outlines the REIT's capital structure, operating strategies and business outlook. All dollar amounts in this MD&A are presented in thousands of Canadian dollars, except unit and per unit amounts, unless otherwise noted. All comparisons of results for the three months ended December 31, 2021 ("Q4 2021") are against results for the three months ended December 31, 2020 ("Q4 2020"), and comparisons of results for the twelve months ended December 31, 2021 ("2021") are against results for the twelve months ended December 31, 2020 ("2020"), unless otherwise noted.

This MD&A should be read in conjunction with the audited consolidated financial statements of the REIT and accompanying notes for the years ended December 31, 2021 and December 31, 2020. Further information about the REIT can be found in the REIT's annual information form dated March 22, 2022 (the "AIF"). The AIF, along with other continuous disclosure documents required by the Canadian securities regulators, can be found on the REIT's SEDAR profile at www.sedar.com and on the REIT's website at www.automotivepropertiesreit.ca. This MD&A is dated March 22, 2022.

All information regarding Dilawri contained in this MD&A (the "Dilawri Information") has been provided by and is solely the responsibility of Dilawri and not of the REIT, the REIT's management nor the trustees of the REIT (the "Trustees"). Although the REIT has no reason to believe that the Dilawri Information contains a misrepresentation, Dilawri is a private company that is independent of, and operates entirely independently from, the REIT and, consequently, neither the REIT, its management nor its Trustees (in their capacities as such) have been involved in the preparation of the Dilawri Information, nor has the REIT approved such information. Readers are cautioned, therefore, not to place undue reliance on the Dilawri Information.

The REIT

The REIT is an unincorporated, open-ended real estate investment trust that was formed to own primarily income-producing automotive dealership properties in Canada. As at the date of this MD&A, the REIT owns a portfolio of 72 income-producing commercial properties. The properties are located in metropolitan areas across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, totaling approximately 2.7 million square feet of gross leasable area ("GLA"). The REIT has been internally managed since January 1, 2020.

The REIT commenced operations on July 22, 2015 following completion of its initial public offering of trust units (the "IPO"). In connection with the IPO, the REIT indirectly acquired a portfolio of 26 commercial properties from certain members of the Dilawri Group (as defined below) (the "Initial Properties") and leased the Initial Properties to the applicable member of the Dilawri Group (collectively, and including members of the Dilawri Group that became tenants of a property owned by the REIT subsequent to the IPO, the "Dilawri Tenants").

893353 Alberta Inc. ("Dilawri") is a privately held corporation which, together with certain of its affiliates, holds an approximate 28.8% effective interest in the REIT as at December 31, 2021 and as at the date hereof, through the ownership, direction or control of all of the Class B limited partnership units ("Class B LP Units") of Automotive Properties Limited Partnership, the REIT's operating subsidiary (the "Partnership"), and 4,185,254 trust units of the REIT ("REIT Units"). The Class B LP Units are economically equivalent to REIT Units and are exchangeable generally on a one-for-one basis for REIT Units. Dilawri and its affiliates, other than its shareholders and controlling persons, are referred to herein as the "Dilawri Group"

On March 1, 2021, the REIT acquired the real estate underlying the Lexus Laval automotive dealership located in Laval, Quebec ("Lexus Laval") from the Dilawri Group for approximately \$14,800 plus acquisition costs of \$462. The Lexus Laval property is a 30,015 square foot full-service automotive dealership property. On closing of the transaction, the applicable Dilawri Tenant entered into a 17-year triple-net lease with the REIT. The REIT funded the transaction through the issuance of 1,369,102 REIT Units to Dilawri valued at approximately \$14,800. The REIT Units were issued at a price of \$10.81 per unit which represents the volume-weighted average price for the first 20 days of 2021 pursuant to the Strategic Alliance Agreement.

The Strategic Alliance Agreement with Dilawri continues to allow the REIT to benefit from a preferential relationship with Dilawri as Dilawri develops and acquires automotive dealerships in the future. These agreements are described under Section 8 "Related Party Transactions" in this MD&A.

As at December 31, 2021, the total number of issued and outstanding REIT Units and Class B LP Units was 39,080,154 and 9,933,253, respectively, for a total of 49,013,407 Units (as defined below). The REIT Units are listed and posted for trading on the Toronto Stock Exchange under the symbol "APR.UN". REIT Units and Class B LP Units are collectively referred to in this MD&A as "Units".

On January 17, 2022, the REIT acquired the real estate underlying the Sherbrooke Honda and Magog Honda automotive dealership properties from a third party for a combined purchase price of \$23,400. The REIT funded the acquisitions by drawing on its revolving credit facilities and cash on hand.

On January 21, 2022, the REIT acquired the freehold interest in the approximately 2.15 acres of land underlying the Langley Acura automotive dealership property from a third party for approximately \$15,100. The land was previously leased to the REIT and continues to be tenanted by the Langley Acura automotive dealership in Langley, British Columbia. The REIT will continue to receive land and leasehold rent payments from the operating tenant of the Langley Acura dealership, an affiliate of the Dilawri Group, but will no longer be required to pay land lease payments. The REIT funded the purchase price by drawing on its revolving credit facilities.

On February 1, 2022, the REIT acquired a parcel of land in Ottawa, Ontario, which adjoins the REIT's Bank Street Toyota automotive dealership property, for approximately \$675 and is currently tenanted by a health care provider. The REIT funded the purchase price by drawing on its revolving credit facilities.

On February 25, 2022, the REIT acquired the real estate underlying the Tesla automotive service properties located at 2180 and 2200 Cyrille-Duquet Street in Québec City, Québec, and 2474 Doral Drive in Innisfil, Ontario, from a third party for a combined purchase price of \$25,900. The properties are tenanted by Tesla Canada. As the REIT has leased the properties located at 2180 and 2200 Cyrille-Duquet Street under two separate agreements, this transaction effectively added three properties to the REIT's portfolio. The REIT funded the acquisitions by drawing on its revolving credit facilities.

The REIT announced monthly cash distributions of \$0.067 per REIT Unit, resulting in total distributions declared and paid of \$9,852 for Q4 2021 (Q4 2020 - \$9,574). For the year ended December 31, 2021, the REIT declared and paid distributions of \$38,221 (2020 - \$38,296).

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. COVID-19 has had a significant adverse impact on trade and on local, national and global economies. As COVID-19 vaccination rates of Canadians increased, provincial governments across Canada began to ease COVID-19 related emergency measures and restrictions on non-essential businesses in the third quarter of 2021. This continued into Q4 2021 until the emergence of the Omicron variant in Canada in December 2021. At that time, certain emergency measures and business restrictions were reintroduced. However, these restrictions did not impact the REIT's tenants. The REIT's tenants' businesses were fully operational during Q4 2021. Certain restrictions intended to mitigate the spread of COVID-19 (and COVID-19 variants) continue to be in effect as of the date of this MD&A. The pandemic has also impacted the vehicle supply chain, resulting in constraints of specific parts, models and brands. Management believes these supply chain constraints will continue into the foreseeable future but will not have a significant impact on the REIT's tenants.

Since the onset of the pandemic, the REIT has engaged in regular discussions with its tenants regarding the impact that COVID-19 has had, and is continuing to have, on their respective businesses. The REIT believes that the fundamentals of the automotive dealership and service business are strong, and that the industry is resilient, essential and will continue to grow as the pandemic continues to stabilize.

The REIT collected 100% of its contractual base rent due under its leases for the year ended December 31, 2021. In 2020, the REIT agreed to defer, predominately interest-free, a portion of the applicable tenants' base rent for primarily a three-month period occurring between April and July 2020 (the "Deferral Agreements"). As at December 31, 2021, the remaining tenant deferral rent receivable was \$nil (2020 - \$2,301).

For the year ended December 31, 2021, the REIT decreased the discount rates for properties in specific markets resulting in an overall 40 basis point portfolio reduction. These reductions were primarily due to overall capitalization rate compression, including, in particular, single tenant retail and industrial capitalization rate reductions. The overall resilience of the REIT's tenants' businesses and the essential nature of the retail automotive sector in Canada was also a contributing factor. Furthermore, the REIT continued its amortization of two land lease properties. The fair value gain adjustments for the year ended December 31, 2021 resulted in the overall capitalization rate applicable to the REIT's entire portfolio decreasing to 6.3% as at December 31, 2021 (December 31, 2020 – 6.7%).

As at December 31, 2021, the REIT had a Debt to GBV ratio (as defined below) of 40.2% and a strong liquidity position with \$72,262 of undrawn capacity under its Credit Facilities (as defined below), cash on hand of \$474 and seven unencumbered properties with an aggregate value of approximately \$105,780 (see Section 7 "Liquidity and Capital Resources" in this MD&A for more details). As at the date of this MD&A, the REIT has approximately \$34,000 of undrawn capacity under its Credit Facilities and 13 unencumbered properties with an aggregate value of \$170,555 (see Section 7 "Liquidity and Capital Resources" in this MD&A for more details). In the second quarter of 2020, the REIT proactively engaged in discussions with its key lenders regarding the easing of certain financial covenants contained in the Credit Facilities. At the time of engaging in these discussions, the REIT did not expect to exceed the original limits contained in the Credit Facilities; however, management worked with the REIT's lenders in order to manage any potential further risk associated with the impact of COVID-19. The REIT has met and continues to meet all lender covenant requirements. See Section 7 "Liquidity and Capital Resources" in this MD&A for more details.

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the REIT's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the REIT. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the REIT or the real estate or automotive dealership industry are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", "objectives", or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the following:

- the impact of the COVID-19 pandemic on the REIT, its investment properties, and its tenants, and the pace of industry consolidation;
- the impact of changes in economic conditions, including changes in interest rates and the rate of inflation;
- the impact of government COVID-19 relief programs on the REIT and its tenants;
- the REIT's relationship with the Dilawri Group, Dilawri's shareholders and certain other related persons and entities (collectively, the "Dilawri Organization"), including in respect of (i) the Dilawri Organization's retained interest in the REIT and its current intention with respect thereto, and (ii) expected transactions to be entered into between Dilawri and the REIT (including pursuant to the Strategic Alliance Agreement);

- the REIT's intention with respect to, and ability to execute, its external and internal growth strategies;
- the maintenance by the REIT of a strong balance sheet and prudent financial management and associated minimization of financial risk;
- the REIT representing a unique alternative for automotive dealership operators considering a sale or recapitalization of their business;
- the REIT's capital expenditure requirements and capital expenditures to be made by the REIT and the REIT's tenants ;
- the REIT's distribution policy and the distributions to be paid to Unitholders (as defined below);
- the REIT's debt strategy;
- the REIT's access to available sources of debt and/or equity financing;
- the expected tax treatment of the REIT and its distributions to Unitholders;
- the REIT's ability to meet its stated objectives;
- the REIT's ability to expand its asset base and make accretive acquisitions;
- the ability of the REIT to qualify as a "Mutual Fund Trust" as defined in the *Income Tax Act (Canada)* (the "Tax Act"), and as a "Real Estate Investment Trust", as defined in the SIFT Rules (as defined below); and
- the REIT's ability to acquire automotive dealership properties.

The REIT has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that inflation and interest rates will increase in the near term, that tax laws remain unchanged, that conditions within the automotive dealership real estate industry and the automotive dealership industry generally, including competition for acquisitions, will be consistent with the current climate, that the Canadian capital markets will provide the REIT with access to equity and/or debt at reasonable rates when required and that the Dilawri Organization will continue its involvement with the REIT.

Although the forward-looking statements contained in this MD&A are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause the REIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors contained in the REIT's filings with securities regulators, including the factors discussed under Section 12 "Risks & Uncertainties, Critical Judgments & Estimates" in this MD&A.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not, and at which times, such performance or results will be achieved. The forward-looking statements made in this MD&A relate only to events or information as of the date of this MD&A. Except as required by law, the REIT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Non-IFRS Financial Measures

The REIT prepares its financial statements according to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains certain financial measures and ratios

which are not defined under IFRS and may not be comparable to similar measures presented by other real estate investment trusts or enterprises.

Funds from operations ("FFO"), adjusted funds from operations ("AFFO"), adjusted cash flow from operations ("ACFO"), FFO payout ratio, AFFO payout ratio, ACFO payout ratio, net operating income ("NOI"), cash net operating income ("Cash NOI"), Same Property cash net operating income ("Same Property Cash NOI"), and earnings before income tax, depreciation, and amortization ("EBITDA") are key measures of performance used by the REIT's management and real estate businesses.

Gross book value ("GBV"), indebtedness ("Indebtedness"), net asset value ("Net Asset Value"), debt to gross book value ("Debt to GBV"), debt service coverage ratio ("Debt Service Coverage Ratio"), interest coverage ratio ("Interest Coverage Ratio") and tangible net worth are measures of financial position defined by agreements to which the REIT is a party. These measures and ratios, as well as any associated "per Unit" amounts, are not defined by IFRS and do not have standardized meanings prescribed by IFRS, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS.

The REIT believes that AFFO is an important measure of economic earnings performance and is indicative of the REIT's ability to pay distributions from earnings, while FFO, NOI, Cash NOI, Same Property Cash NOI and EBITDA are important measures of operating performance of real estate businesses and properties. The IFRS measurement most directly comparable to FFO, AFFO, NOI, Cash NOI, Same Property Cash NOI and EBITDA is net income. ACFO is a supplementary measure used by management to improve the understanding of the operating cash flow of the REIT. The IFRS measurement most directly comparable to ACFO is cash flow from operating activities.

"FFO" is a non-IFRS measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS. The REIT calculates FFO in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2019. FFO is calculated as net income in accordance with IFRS, adjusted by removing the impact of: (i) fair value adjustments on investment properties; (ii) other fair value adjustments including fair value adjustments on redeemable or exchangeable units; (iii) gains and losses on the sale of investment properties; (iv) amortization of tenant incentives; (v) distributions on redeemable or exchangeable units treated as interest expense; and (vi) operational revenue and expenses from the right-of-use assets (referred to as "ROU" assets).

"AFFO" is a non-IFRS measure of economic earnings operating performance widely used in the real estate industry to assess an entity's distribution capacity from earnings. The REIT calculates AFFO in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2019. AFFO is calculated as FFO subject to certain adjustments, to remove the impact of: (i) any adjustments resulting from recognizing property rental revenues or expenses (including ground lease rental payments) on a straight-line basis; and (ii) capital expenditures. The REIT includes a capital expenditure reserve of 0.5% of base rent in the AFFO calculation. To date, the REIT has not incurred capital expenditure costs. The capital expenditure reserve is based on management's best estimate of costs that the REIT may incur, related to the sustaining/maintaining of the existing leased area.

"ACFO" is a non-IFRS financial measure. The REIT calculates ACFO in accordance with the Real Property Association of Canada's White Paper on Adjusted Cash Flow from Operations for IFRS issued in February 2019. ACFO is calculated as cash flow from operating activities subject to certain adjustments, to (a) remove the impact of: (i) changes in non-cash working capital that are not sustainable in nature; (ii) amortization of financing costs and indemnity payable in respect of the third party tenant portfolio sublease structure; and (iii) capital expenditures and (b) deduct interest expense. The REIT includes a capital expenditure reserve of 0.5% of base rent in the ACFO calculation. To date, the REIT has not incurred capital expenditure costs. The capital expenditure reserve is based on management's best estimate of costs that the REIT may incur, related to the sustaining/maintaining of the existing leased area.

"NOI" is a non-IFRS measure that means rental revenue from properties less property operating expenses as presented in the statement of income prepared in accordance with IFRS. Accordingly, NOI excludes certain expenses included in the determination of net income such as interest, general and administrative expenses, fair value adjustments and amortization.

"Cash NOI" is a non-IFRS measure that means NOI prior to the effects of straight-line adjustments and deducts land lease payments.

"Same Property Cash NOI" is a non-IFRS measure which reports the period-over-period performance of the same asset base having consistent GLA during both periods of Cash NOI. The REIT uses this measure to assess financial returns and changes in property value.

Non-IFRS Ratios:

"FFO payout ratio" is calculated as distributions paid per Unit divided by the FFO per Unit diluted.

"AFFO payout ratio" is a non-IFRS measure of the sustainability of the REIT's distribution payout capacity from earnings. The REIT uses this metric to provide clarity of the performance of earnings and the overall management of the current portfolio of assets. Management considers AFFO payout ratio as the key measure of the REIT's distribution capacity from earnings. AFFO payout ratio is calculated as distributions paid per Unit divided by AFFO per Unit diluted.

"ACFO payout ratio" is calculated as distributions declared divided by ACFO.

Supplementary Financial Measures:

"EBITDA" is defined as earnings before income tax, depreciation, and amortization.

FFO, AFFO, FFO payout ratio, AFFO payout ratio, ACFO, ACFO payout ratio, NOI, Cash NOI and Same Property Cash NOI should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the REIT's performance. The REIT's method of calculating FFO, AFFO, FFO payout ratio, AFFO payout ratio, ACFO, ACFO payout ratio, NOI, Cash NOI and Same Property Cash NOI may differ from other issuers' methods and, accordingly, may not be comparable to measures used by other issuers. See Section 6 "Non-IFRS Financial Measures" in this MD&A for a reconciliation of these measures to net income or cash flow from operating activities, as applicable.

"GBV" means, at any time, the greater of: (A) the book value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT; and (B) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents, (ii) the carrying value of mortgages receivable, and (iii) the historical cost of other assets and investments used in operations.

"Indebtedness" of the REIT means (without duplication): (i) any obligation for borrowed money (including, for greater certainty, the full principal amount of convertible debt, notwithstanding its presentation under IFRS), (ii) any obligation incurred in connection with the acquisition of property, assets or businesses, (iii) any obligation issued or assumed as the deferred purchase price of property, (iv) any capital lease obligation (as defined under IFRS and in the Declaration of Trust), and (v) any obligations of the type referred to in clauses (i) through (iv) of another entity, the payment of which the REIT has guaranteed or for which the REIT is responsible or liable; provided that, (A) for the purpose of clauses (i) through (v) (except in respect of convertible debt, as described above), an obligation will constitute Indebtedness of the REIT only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS, (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, distributions payable to Unitholders or holders of other securities excluded from the definition of Indebtedness pursuant to clause (C) below, accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith, deferred revenues, intangible liabilities, deferred income taxes, deferred financing costs, tenant deposits and indebtedness with respect to the unpaid balance of installment receipts where such indebtedness has a term not in excess of 12 months, and (C) REIT Units, Class A LP Units, and Class B LP Units, exchangeable securities and other equity securities that constitute debt under IFRS do not constitute Indebtedness.

"Net Asset Value" means total assets less Indebtedness, accounts payable, accrued liabilities, credit facilities, mortgages and interest rate swaps.

"Debt to GBV" means the ratio of indebtedness to GBV at a particular time.

"Debt Service" means the total payments of principal and interest on debt.

"Debt Service Coverage Ratio" means the ratio of EBITDA divided by Debt Service at a particular time.

"Interest Coverage Ratio" means the ratio of Cash NOI less general and administrative expenses divided by the total of the interest expense and other financing charges.

SECTION 2 – OVERVIEW, STRATEGY AND OBJECTIVES

Overview

According to DesRosiers Automotive Consultants Inc., total Canadian new light vehicle unit sales for 2021 increased by approximately 6.0% compared to 2020, reflecting the partial recovery of the retail automotive industry.

Historically, Canada's automotive retail industry has been characterized by strong industry fundamentals. According to Statistics Canada, automotive retail industry sales totaled \$176 billion in 2021 (up 17% from \$151 billion in 2020), representing approximately 25% of Canada's overall retail sales of products and merchandise. Over the last 20 years, retail automotive sales grew at a compound annual rate of 4.2%. The tables below contain new automobile sales by units in Canada for the 2021 and 2020 calendar years as provided by Statistics Canada:

	Twelve Months Ended December 31 (units)			2020
	2021	YoY unit increase/ (decrease)	YoY % increase/ (decrease)	
Alberta	195,925	12,385	6.7%	183,540
British Columbia and the Territories	198,876	27,554	16.1%	171,322
Manitoba	49,395	2,467	5.3%	46,928
New Brunswick	37,629	3,028	8.8%	34,601
Newfoundland and Labrador	28,502	1,193	4.4%	27,309
Nova Scotia	44,699	4,808	12.1%	39,891
Ontario	664,176	17,901	2.8%	646,275
Prince Edward Island	8,179	1,169	16.7%	7,010
Québec	406,586	35,462	9.6%	371,124
Saskatchewan	42,708	891	2.1%	41,817
Total Canada	1,676,675	106,358	6.8%	1,569,817

(Source: Statistics Canada)

New vehicle sales represent a portion of overall dealer profitability, with significant contribution of profit generated from used vehicle sales, service and parts, finance and insurance. The REIT's portfolio of diverse dealership and service properties, strong industry fundamentals and an attractive leasing profile support the stability of distributions to holders of REIT Units and Class B LP Units (collectively, "Unitholders").

Strategy and Objectives

The primary strategy of the REIT is to create long-term value for Unitholders by generating sustainable tax-efficient cash flow and capital appreciation, while maintaining a strong balance sheet and practicing prudent financial management. The objectives of the REIT are to:

- provide Unitholders with stable, predictable and growing monthly cash distributions on a tax-efficient basis;
- enhance the value of the REIT's assets in order to maximize long-term Unitholder value; and

- expand the REIT's asset base while also increasing the REIT's AFFO per Unit, including through accretive acquisitions.

Management intends to grow the value of the REIT's real estate portfolio while also increasing AFFO per Unit through accretive acquisitions and steady growth in rental rates. The REIT expects to be well-positioned to capitalize on acquisition opportunities presented by third parties due to the fragmented nature of the automotive dealership market. The REIT also expects to leverage its strategic arrangement with the Dilawri Group to acquire properties from the Dilawri Group that meet the REIT's investment criteria. Management intends to focus on obtaining new properties which have the potential to contribute to the REIT's ability to generate stable, predictable and growing monthly cash distributions to Unitholders.

The REIT has a well-defined, long term growth strategy which includes both external and internal elements.

External Growth

Accretive Acquisitions

Management believes that the REIT is well-positioned to capitalize on opportunities for accretive acquisitions from third-party automotive dealership vendors due to certain features of the Canadian automotive dealership industry:

- *Fragmented ownership* -- Management estimates that the top 10 automotive dealership groups in Canada own less than 10% of the approximately 3,500 automotive dealerships in Canada;
- *Capital redeployment needs* -- Monetizing the real estate underlying automotive dealership properties allows dealers to retain control of their dealership while redeploying capital into other areas of their business; and
- *Succession planning issues* -- Management believes that for the majority of independent dealers, the dealership and its underlying real estate together represent the single largest proportion of their wealth. Selling the underlying real estate to the REIT can help such dealers address succession planning issues, particularly if the transaction can be effected on a tax efficient basis.

Management believes that the REIT represents a unique alternative for automotive dealership operators considering a sale or recapitalization of their business, as the REIT is at present the only publicly listed entity in Canada exclusively focused on owning and acquiring automotive dealership properties.

The REIT evaluates acquisition opportunities based on a number of factors, including: valuation, expected financial performance, stability of cash flows, physical features, existing leases, functionality of design, geographic market, location, automotive brand representation and opportunity for future value enhancement.

Right of First Offer to Acquire REIT-Suitable Properties from the Dilawri Group

Management believes that its relationship with the Dilawri Group provides the REIT with additional opportunities to add quality automotive dealership properties to its portfolio in an accretive manner. Pursuant to the Strategic Alliance Agreement, the REIT has a right of first offer on properties that are suitable for use as an automotive dealership that are acquired, developed, redeveloped, refurbished, repositioned or held for sale by the Dilawri Group.

Since completion of the IPO, the REIT has acquired 13 automotive dealership properties from the Dilawri Group under the Strategic Alliance Agreement as of the date of this MD&A.

Internal Growth

Management believes that the REIT is well-positioned to achieve organic increases in cash flow and, as a result, increase the value of its properties over time. These increases are expected to come from the following sources:

- Each of the leases with a member of the Dilawri Group (each, a "Dilawri Lease") contains annual contractual basic rent escalators in the amount of 1.5% per annum. The Dilawri Leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and non-structural capital improvements so that rent escalators are expected to flow directly to NOI; and

- Contractual fixed rent escalators or consumer price index adjustments are expected, wherever possible, to be negotiated into new leases entered into by the REIT.

SECTION 3 - PROPERTY PORTFOLIO

Portfolio Overview

At December 31, 2021, the REIT's portfolio consisted of 66 income-producing commercial properties. Out of the 66 income-producing commercial properties, 36 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while two of the other 30 properties are jointly occupied by the Dilawri Group (for use as automotive dealerships) and one or more third parties (for use as automotive dealerships or complementary uses, including restaurants), and the remaining 28 properties are exclusively occupied by other dealership groups for use as automotive dealerships, automotive service centres or for automotive ancillary services, such as a vehicle service compound facility or a repair facility. Consequently, the Dilawri Group is the REIT's most significant tenant and accounts for approximately 61.8% of the REIT's base rent in 2021, including rent from properties subleased to third parties (61.9% in 2020).

The applicable Dilawri Tenant is the lead tenant for Dixie Auto Mall until July 2030. As of December 31, 2021, two premises at the Dixie Auto Mall were leased but unoccupied and are being used for ancillary purposes; however this does not affect the term of the applicable Dilawri Leases.

In January 2021, the lease for the premises at 17616 111 Avenue in Edmonton, Alberta was terminated, and the REIT entered into a new long-term lease with Tesla Canada. The previous tenant occupying the premises paid all deferred rent outstanding under its Deferral Agreement and a lease termination fee of \$339. The REIT provided \$339 of capital commitments for facility improvements to the new tenant. The maturity date of the lease was extended by 2.5 years.

Overall, at December 31, 2021, the REIT's properties had a weighted average rental rate of \$26.03 per square foot (\$25.13 as at December 31, 2020). The increase from 2020 is due to the contractual rent increases and lease renewals applied to specific properties throughout the year.

Income Producing Property Portfolio Summary

As at December 31, 2021	Number of Properties	GLA (sq. ft.)	Average rental rate (per sq. ft.) ⁽¹⁾	Weighted Average Lease Term (yrs)
Greater Vancouver Area (GVA) ⁽²⁾	8	199,244	\$39.78	12.1
Calgary	7	293,158	\$26.59	10.6
Edmonton	6	174,350	\$30.50	11.9
Regina	9	203,560	\$23.47	9.1
Winnipeg	2	96,135	\$20.47	16.3
KW/Guelph	3	87,300	\$22.37	14.5
Greater Toronto Area (GTA)	13	691,908	\$29.47	9.4
Ottawa/Kingston	11	303,817	\$24.33	15.5
Greater Montréal Area (GMA)	7	475,019	\$17.22	12.2
Total Portfolio	66	2,524,491	\$26.03	11.6

As at December 31, 2020	Number of Properties	GLA (sq. ft.)	Average rental rate (per sq. ft.) ⁽³⁾	Weighted Average Lease Term (yrs)
Greater Vancouver Area (GVA) ⁽²⁾	8	199,244	\$35.93	13.1
Calgary	7	293,158	\$26.09	11.6
Edmonton	6	174,350	\$29.92	12.6
Regina	9	203,560	\$23.13	10.1
Winnipeg	2	96,135	\$19.84	17.3
KW/Guelph	3	87,300	\$21.51	15.5
Greater Toronto Area (GTA)	13	691,908	\$28.68	10.4
Ottawa/Kingston	11	303,817	\$24.08	16.5
Greater Montréal Area (GMA)	6	445,004	\$15.78	12.9
Total Portfolio	65	2,494,476	\$25.13	12.5

(1) Based on 12-month period contractual rental revenue commencing December 31, 2021.

(2) Excludes land leases, which expenses are passed on to the tenant.

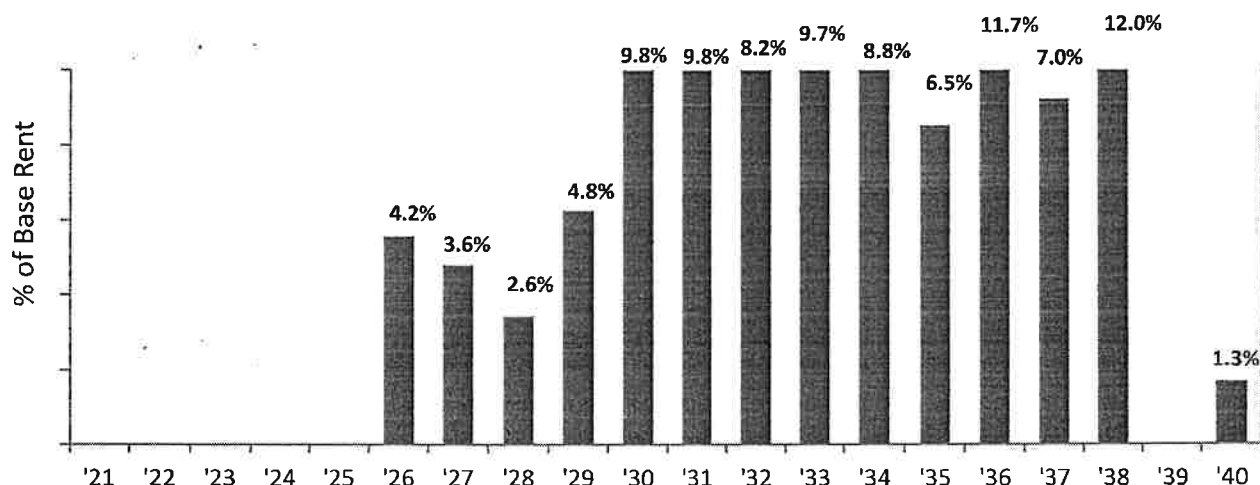
(3) Based on 12-month period contractual rental revenue commencing December 31, 2020.

Appendix "A" in this MD&A contains a list and description of the REIT's properties as at December 31, 2021.

Profile of Overall Lease Maturity

The REIT's lease portfolio matures between 2026 and 2040 as set out in the chart below:

Lease Maturity Profile (*)



(*) Based on 12-month period contractual rental revenue commencing December 31, 2021.

Property Use and Brand Diversification

Sales for an individual automotive dealership are heavily influenced by the popularity of the automotive brands being marketed, and these, in turn, are often cyclical for each brand as new models are introduced and existing models are updated and refreshed. In addition, prospects for both mass market and luxury brands can vary with economic cycles. Management believes that the portfolio's broad automotive brand diversification contributes to the quality and stability of the REIT's cash flows. The following table sets out the breakdown of automotive brands that are marketed, retailed and serviced at the REIT's properties as of December 31, 2021:

Manufacturer / Brand	REIT Auto Property GLA (Sq. Feet)	% of REIT Auto Property GLA	% of REIT Base Rent ⁽¹⁾	No. of REIT Locations
BMW ⁽²⁾	320,824	12.8%	10.8%	7
Honda ⁽³⁾	313,155	12.5%	12.5%	9
Volkswagen	252,299	10.1%	10.8%	7
Audi ⁽⁴⁾	237,484	9.5%	11.2%	6
Toyota	210,360	8.4%	7.6%	5
Tesla	171,446	6.8%	4.0%	3
Acura ⁽³⁾	162,081	6.5%	7.9%	6
General Motors	99,851	4.0%	3.2%	2
Other ⁽⁵⁾	97,566	3.9%	4.8%	7
Porsche ⁽⁶⁾	84,569	3.4%	4.9%	2
Chrysler ⁽⁷⁾	81,750	3.3%	1.8%	2
Mazda	81,352	3.2%	3.9%	4
Hyundai	80,950	3.2%	3.4%	4
Nissan ⁽⁸⁾	71,521	2.9%	3.1%	3
Mercedes Benz	60,850	2.4%	2.3%	1
Lexus	46,241	1.8%	2.0%	2
Kia	39,543	1.6%	1.8%	2
Ford	39,287	1.6%	1.5%	1
Infiniti	19,355	0.8%	1.3%	3
Subaru	19,033	0.8%	0.6%	2
Mitsubishi	14,750	0.5%	0.6%	2
Total	2,504,267	100.0%	100.0%	80

Notes:

(1) Based on 12-month period contractual base rent commencing January 1, 2021.

(2) Includes MINI.

(3) Includes Honda Used Car and Regina Collision Centre. Regina Honda/Acura split 75% and 25% of 30,863 sq. ft.

(4) Includes the Audi service property (formerly Infiniti Vancouver).

(5) Includes the Dilawri Distinctive Collection property in Calgary, which currently has franchise agreements with Aston Martin and Bentley. In addition, the Dilawri Distinctive Collection sells a variety of used vehicles, including Audi, BMW, Lamborghini, Maserati, McLaren and Mercedes-Benz. Also includes the former Dilawri Acura and BMW property in Regina at 1921 1st Avenue which is being used for ancillary dealership purposes by both the Dilawri Pre Owned and the Triple 7 Chrysler dealerships. It continues to be leased by a Dilawri Tenant under the same lease as Dilawri BMW. Also, includes the former Toyota and Hyundai dealerships which have vacated their premises located in Dixie Auto Mall and a Harley Davidson dealership located in the Dixie Auto Mall; and the applicable Dilawri

Tenant will continue to be the lead tenant for Dixie Auto Mall until July 2030. Includes 3 vehicle compound facilities and undeveloped land that were acquired as part of the Mierins Auto Group Portfolio. Also includes the former Nissan Truck property in the Dixie Auto Mall which is being used for ancillary purposes.

(6) Includes Porsche JLR Edmonton.

(7) Includes Dodge, FIAT, Jeep and RAM.

(8) No longer Includes the Nissan Truck at the Dixie Auto Mall.

Description of the REIT's Key Tenant

The following chart summarizes certain relevant financial information of the Dilawri Group for the twelve months ended December 31, 2021 with comparative figures for the twelve months ended December 31, 2020 as provided to the REIT by Dilawri (all figures are approximations, not in thousands):

Dilawri Group's Financial Information (approximations, not in thousands)		
	December 31, 2021 LTM ⁽¹⁾	December 31, 2020 LTM ⁽¹⁾
Combined Revenues (not audited or reviewed)	\$3.8 billion	\$3.4 billion
EBITDA (not audited or reviewed)	\$213.3 million	\$148.7 million
Pro Forma Adjusted Rent Coverage Ratio (not audited or reviewed)	4.8 ⁽²⁾	3.7 ⁽²⁾
Term Debt (not audited or reviewed)	\$443.9 million ⁽²⁾	\$484.0 million ⁽²⁾
Term Debt to EBITDA Ratio (not audited or reviewed)	2.1 ⁽²⁾	3.3 ⁽²⁾

Notes:

(1) "LTM" means the last twelve months.

(2) As at December 31, 2021.

(3) As at December 31, 2020.

Although the REIT has no reason to believe that the above financial information of the Dilawri Group contains a misrepresentation, Dilawri is a private company that is independent of, and operates entirely independently from, the REIT and, consequently, neither the REIT, its management nor its Trustees in their capacities as such have been involved in the preparation of this financial information. Readers are cautioned, therefore, not to place undue reliance on this financial information.

Dilawri has agreed to provide the above financial information to the REIT pursuant to the terms of a financial information and confidentiality agreement entered into in conjunction with the IPO. Pursuant to the terms of the agreement, Dilawri will provide this financial information to the REIT for so long as the annual basic rent payable by the applicable members of the Dilawri Group, collectively, under their respective Dilawri Leases represents, in the aggregate, 60% or more of the REIT's Cash NOI during any rolling period of 12 consecutive calendar months, determined quarterly, following which Dilawri will no longer be required to provide the above financial information to the REIT. As of December 31, 2021, the annual basic rent payable by the applicable members of the Dilawri Group, collectively, under their respective Dilawri Leases represents approximately 61.8% of the REIT's Cash NOI during the 12-month period ended December 31, 2021.

Dilawri Additional and Non-ASPE Measures

Dilawri uses "EBITDA" in its financial statements which is an additional ASPE (as defined below) measure. "EBITDA" is defined as the earnings of the Dilawri Group before interest, taxes, depreciation and amortization, all as reflected in the non-consolidated combined financial statements of the Dilawri Group prepared in accordance with the recognition, measurement and disclosure principles of ASPE. Dilawri believes that EBITDA is an important measure of operating performance as it shows Dilawri's earnings before interest, taxes, depreciation and amortization. Dilawri's method of

calculating EBITDA and the Term Debt to EBITDA Ratio may differ from other issuers' calculations and, accordingly, may not be comparable to measures used by other issuers.

References to "Pro Forma Adjusted Rent Coverage Ratio", "Term Debt" and "Term Debt to EBITDA Ratio", which are key measures of performance used by automotive dealership businesses, refer to the Pro Forma Adjusted Rent Coverage Ratio, Term Debt and Term Debt to EBITDA Ratio of the Dilawri Group on a non-consolidated combined basis. Term Debt is a non-ASPE financial measure and is not defined by Canadian accounting standards for private enterprises ("ASPE") or IFRS and does not have a standardized meaning prescribed by ASPE or IFRS. Pro Forma Adjusted Rent Coverage Ratio and Term Debt to EBITDA Ratio are non-ASPE financial ratios and are not defined by ASPE or IFRS and do not have standardized meanings prescribed by ASPE or IFRS.

Non-ASPE financial measures:

"Term Debt" is calculated by Dilawri as the Dilawri Group's total term debt reflected in its non-consolidated combined financial statements prepared in accordance with the recognition, measurement and disclosure principles of ASPE.

Non-ASPE financial ratios:

"Pro Forma Adjusted Rent Coverage Ratio" is calculated by Dilawri as EBITDA for the LTM plus rent paid by the Dilawri Group for the LTM to third parties and the REIT, less rent received from third parties. The resultant figure is divided by rent paid by the Dilawri Group for the LTM to third parties and the REIT, less rent received from third parties.

"Term Debt to EBITDA Ratio" is defined as the ratio of Term Debt to EBITDA.

SECTION 4 –KEY PERFORMANCE INDICATORS AND SELECTED FINANCIAL INFORMATION

Key Performance Indicators

The REIT's performance is measured by management's selection of certain key indicators including those set out in the table below. For further information on the REIT's operating measures and non-IFRS measures, please refer to Sections 5 and 6 of this MD&A.

<i>Operating Results</i>	Three Months Ended		Twelve Months Ended	
	2021	December 31, 2020	2021	December 31, 2020
Rental Revenue	\$19,781	\$19,091	\$78,218	\$75,124
NOI ⁽¹⁾	16,776	16,471	67,081	64,019
Cash NOI ⁽¹⁾	16,128	15,486	64,225	60,400
Same Property Cash NOI ⁽¹⁾	15,613	15,280	60,652	58,979
Same Property Cash NOI (excluding bad debt expense) ⁽¹⁾	15,613	15,225	60,375	59,256
Net Income	10,409	30,180	85,418	26,965
FFO ⁽¹⁾	11,491	11,237	46,529	43,789
AFFO ⁽¹⁾	10,921	10,333	43,987	40,498
Fair value adjustment to investment properties	21,069	27,096	75,157	(5,684)
Distributions per Unit	\$0.201	\$0.201	\$0.804	\$0.804
Net Income per Unit – basic ⁽²⁾	0.212	0.634	1.751	0.566
Net Income per Unit – diluted ⁽³⁾	0.209	0.626	1.728	0.560
FFO per Unit – basic ⁽¹⁾⁽⁴⁾	0.234	0.236	0.954	0.919
FFO per Unit – diluted ⁽¹⁾⁽⁵⁾	0.231	0.233	0.941	0.910
AFFO per Unit – basic ⁽¹⁾⁽⁴⁾	0.223	0.217	0.902	0.850
AFFO per Unit – diluted ⁽¹⁾⁽⁵⁾	0.220	0.214	0.890	0.841
Weighted average Units – basic ⁽⁶⁾	49,013,407	47,630,305	48,786,577	47,630,305
Weighted average Units – diluted ⁽⁷⁾	49,733,057	48,203,686	49,446,138	48,135,920

Payout ratio (%)

FFO ⁽¹⁾	87.0%	86.3%	85.4%	88.4%
AFFO ⁽¹⁾	91.4%	93.9%	90.3%	95.6%

Balance Sheet and Other Metrics	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Total assets	\$1,051,650	\$936,352	\$935,733
Total liabilities (excluding Class B LP Units)	\$442,777	\$438,718	\$420,452
Number of units outstanding (includes Class B LP Units)	49,013,407	47,630,305	47,630,305
Market price per REIT Unit – close (end of period)	\$14.95	\$10.71	\$12.15
Market capitalization (includes Class B LP Units)	\$732,750	\$510,121	\$578,708
Overall capitalization rate	6.3%	6.7%	6.6%
Fixed weighted average effective interest rate on debt (excludes revolving credit facilities) ⁽⁸⁾	3.72%	3.76%	3.77%
Proportion of total debt at fixed interest rates through swaps and Mortgages	92%	91%	95%
Weighted average interest rate swap term and Mortgage remaining (years)	5.3	5.9	6.0
Weighted average term to maturity of debt	2.9	2.9	3.9
Interest Coverage Ratio ⁽⁹⁾	3.8X	3.6X	2.9X
Debt Service Coverage Ratio ⁽⁹⁾	1.9X	1.8X	1.6X
Debt to GBV	40.2%	43.2%	43.6%

- (1) NOI, Cash NOI, Same Property Cash NOI, FFO, AFFO, FFO per Unit, AFFO per Unit, FFO payout ratio and AFFO payout ratio are non-IFRS measures or non-IFRS ratios, as applicable. See Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures" and Section 6 "Non-IFRS Financial Measures" of this MD&A.
- (2) Net Income per Unit — basic is calculated in accordance with IFRS by dividing the Net Income (Loss) by the amount of the weighted average number of outstanding REIT Units and Class B LP Units.
- (3) Net Income per Unit — diluted is calculated in accordance with IFRS by dividing the Net Income by the amount of the weighted average number of outstanding REIT Units, Class B LP Units, DUs, IDUs, RDUs and PDUs (each as defined below) granted to certain Trustees and management of the REIT.
- (4) FFO per Unit and AFFO per Unit — basic is calculated by dividing the total FFO and AFFO by the amount of the total weighted average number of outstanding REIT Units and Class B LP Units.
- (5) FFO per Unit and AFFO per Unit — diluted is calculated by dividing the total FFO and AFFO by the amount of the total weighted average number of outstanding REIT Units, Class B LP Units, DUs, IDUs, RDUs and PDUs granted to certain Trustees and management of the REIT.
- (6) The weighted average number of outstanding Units — basic includes the Class B LP Units.
- (7) The weighted average number of outstanding Units — diluted includes the Class B LP Units, DUs, IDUs, RDUs and PDUs granted to certain Trustees and management of the REIT.
- (8) The fixed weighted average effective interest rate on debt is calculated on an annualized basis.
- (9) For 2021 ratios, see Section 7 "Financing Metrics and Debt Covenants".

SECTION 5 – RESULTS OF OPERATIONS**Net Income and Comprehensive Income**

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2021	2020	Variance	2021	2020	Variance
Net Property Income						
Base rent	\$16,287	\$15,590	\$697	\$64,245	\$61,312	\$2,933
Property tax recoveries	3,005	2,675	330	11,414	10,828	586
Lease Termination Fee	-	-	-	339	-	339
Straight-line rent adjustment	489	826	(337)	2,220	2,984	(764)
Rental Revenue	19,781	19,091	690	78,218	75,124	3,094
Property tax expense	(3,005)	(2,675)	(330)	(11,414)	(10,828)	(586)
Bad debt recovery (expense)	-	55	(55)	277	(277)	554
Property Costs	(3,005)	(2,620)	(385)	(11,137)	(11,105)	(32)
NOI⁽¹⁾	16,776	16,471	305	67,081	64,019	3,062
Other Income (Expenses)						
General and administrative expenses	(1,252)	(1,213)	(39)	(4,673)	(4,223)	(450)

Interest expense and other financing charges	(3,957)	(3,951)	(6)	(15,580)	(15,730)	150
Fair value adjustment on interest rate swaps	3,268	1,387	1,881	15,976	(17,832)	33,808
Distribution expense on Class B LP Units	(1,997)	(1,997)	-	(7,988)	(7,988)	-
Fair value adjustment on Class B LP Units and Unit-based compensation	(23,498)	(7,613)	(15,885)	(44,555)	14,403	(58,958)
Fair value adjustment on investment properties	21,069	27,096	(6,027)	75,157	(5,684)	80,841
Net Income and Comprehensive Income	\$10,409	\$30,180	(\$19,771)	\$85,418	\$26,965	\$58,453

(1) NOI is a non-IFRS measure. See Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures" and Section 6 "Non-IFRS Financial Measures" of this MD&A.

For Q4 2021, net income was \$10,409 compared to \$30,180 in Q4 2020. The decline was primarily due to a decrease in fair value adjustments for Class B LP Units, Unit-based Compensation (which consists of Deferred Units ("DUs"), Income Deferred Units ("IDUs"), Performance Deferred Units ("PDUs") and Restricted Deferred Units ("RDUs")) and investment properties, partially offset by fair value adjustments for interest rate swaps. For 2021, net income was \$85,418 compared to net income of \$26,965 in 2020. The increase was primarily due to an increase in NOI and fair value adjustments for interest rate swaps and investment properties, partially offset by fair value adjustments for Class B LP Units, DUs, IDUs, RDUs and PDUs. NOI was \$16,776 in Q4 2021 as compared to \$16,471 in Q4 2020, and for 2021 was \$67,081 compared to \$64,019 in 2020. The increase was primarily due to the properties acquired during and subsequent to Q4 2020 and contractual rent increases.

Rental Revenue and Property Costs

Rental revenue is based on triple-net leases with tenants. As such, rental revenue also includes recoverable realty taxes and straight-line adjustments.

For Q4 2021, base rent was \$16,287, an increase of \$697, or 4.5%, compared to Q4 2020 and rental revenue was \$19,781, an increase of \$690, or 3.6%, compared to Q4 2020. The increase was attributable to the properties acquired during and subsequent to Q4 2020 and contractual rent increases.

For 2021, based rent was \$64,245, an increase of \$2,933, or 4.8%, compared to Q4 2020 and rental revenue was \$78,218, an increase of \$3,094, or 4.1%, compared to 2020. The increase was attributable to the properties acquired during and subsequent to 2020 and contractual rent increases.

Property costs for Q4 2021 and 2021 were \$385 and \$32 higher than Q4 2020 and 2020, respectively. The increase in Q4 2021 and 2021 is attributable to the properties acquired during and subsequent to 2020. The REIT recognized a bad debt recovery of \$nil for Q4 2021 (Q4 2020 – \$55) and a recovery of \$277 for 2021 (2020 – expense of \$277), which reflects the REIT's assessment of the credit risk relating to the collection of the tenant rent and other receivable balance under the Deferral Agreements totaling \$nil (Q4 2020 - \$2,301).

General and Administrative Expenses

The table below illustrates the breakdown of general and administrative expenses incurred in Q4 2021 and 2021 as compared to Q4 2020 and 2020:

	Q4 2021	Q4 2020	Variance	2021	2020	Variance
Human resource costs	\$672	\$619	\$53	\$2,733	\$2,105	\$628
Public entity and other costs	470	489	(19)	1,531	1,701	(170)
Independent Trustee fees	110	105	5	409	417	(8)
General and administrative expenses	\$1,252	\$1,213	\$39	\$4,673	\$4,223	\$450

Human resource costs reflect the expenses related to the management, operating and administrative support of the REIT. Human resource costs also include accruals for short-term incentive awards for management, the vesting of long-term DUs, IDUs, PDUs and RDUs. Public entity and other costs reflect the expenses related to ongoing operations of the REIT, including professional fees for legal and audit services, and depreciation expense for an office lease (ROU) asset.

For Q4 2021, there were human resource costs of \$672 and public entity and other costs of \$470. For 2021, human resource costs were \$2,733 and public entity and other costs were \$1,531. The increase in human resource costs in Q4 2021 and 2021 of approximately \$53 and \$628, respectively, as compared to Q4 2020 and 2020, respectively, resulted primarily from the vesting of long-term compensation costs. The decrease of \$19 for Q4 2021 and \$170 for 2021, respectively, in public entity and other costs were a result of effectively managing the REIT's cost structure.

As at December 31, 2021, all independent Trustees of the REIT ("Independent Trustees") elected to receive board and committee fees in the form of DUs. The non-cash Unit-based compensation expense relates to DUs and IDUs granted in accordance with the REIT's Equity Incentive Plan (the "Plan"). The fair value of each DU granted is measured based on the volume-weighted average trading price of the REIT Units for the five trading days immediately preceding the grant date. For Q4 2021 and 2021, the REIT paid the Independent Trustees \$110 and \$409, respectively, related to the granting of DUs and IDUs, representing an increase of \$5 and decrease of \$8, respectively, compared to the corresponding prior year periods, primarily as a result of fewer Board of Trustees ("Board") meetings held in 2021 as compared to 2020.

Interest Expense and Other Financing Charges

Interest expense includes amounts payable to lenders under the REIT's Credit Facilities and Mortgages (each as defined in Section 7 "Liquidity and Capital Resources" below), as well as amortization of upfront costs and costs to hedge the applicable Credit Facilities and Mortgages at fixed rates. For Q4 2021 and 2021, the interest expense and other financing charges were \$3,957 and \$15,580, respectively, representing an increase of \$7 and a decrease of \$150 from Q4 2020 and 2020, respectively. The stability in interest expense year over year is the result of effectively managing the REIT's floating and fixed rate debt.

Changes in Fair Values of Investment Properties

The REIT valued the investment properties using a discounted cash flow approach whereby a current discount rate was applied to the projected net operating income which a property can reasonably be expected to produce in the future. Property under development is measured using both a comparable sales method and a discounted cash flow method, net of costs to complete. The REIT's valuation inputs are supported by quarterly market reports from an independent appraiser which indicated a decrease in capitalization rates from December 31, 2020. For the three-month period ended December 31, 2021, the REIT decreased the discount rates by 15 basis points for properties in the GVA and lowered discount rates for specific properties in certain other markets. These reductions were primarily due to overall capitalization rate compression including and highlighted by single tenant retail and industrial capitalization rate reductions. Furthermore, the REIT continued its amortization of two land lease properties. Overall, there was a decrease of approximately 10 basis points applicable to the entire portfolio for the three-month period ended December 31, 2021.

For Q4 2021 and 2021, the fair value adjustments in investment properties were \$21,069 and \$75,157, respectively, compared to \$27,096 for Q4 2020 and \$(5,684) for 2020. The overall capitalization rate applicable to the REIT's entire portfolio decreased to 6.3% as at December 31, 2021 (September 30, 2021 – 6.4%; December 31, 2020 – 6.7%). The historical book value of the investment properties owned by the REIT as at December 31, 2021 was \$905,642 (December 31, 2020 – \$890,963).

The fair value adjustments for 2021 were a result of the following factors:

- The REIT decreased the valuation inputs in 2021 for its entire property portfolio, which resulted in an overall decrease of approximately 40 basis points, primarily due to overall capitalization rate compression including and highlighted by single tenant retail and industrial capitalization rate reductions. The overall resilience of the REIT's tenants' businesses and the essential nature of the retail automotive sector in Canada was also a contributing factor. The decrease in valuation inputs resulted in a fair value increase in 2021.
- NOI increases from investment properties resulted in a fair value increase for 2021.
- The transaction costs related to the Lexus Laval acquisition completed during 2021 resulted in a fair value decrease for 2021.

In accordance with the REIT's valuation policy, an independent appraiser is engaged to prepare valuations on a portion of the portfolio annually, such that the entire portfolio is appraised at least once every three years. In addition, any investment property which represents greater than 15% of the overall portfolio value will be appraised annually. In 2021, the REIT had 21 investment properties (2020 – 17) independently appraised, representing approximately \$440,000 (2020 – \$313,000) of the REIT's fair value of income producing properties.

A 25 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of investment properties of approximately \$42,100 or \$(38,800), respectively.

A 50 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of the investment properties of approximately \$87,700 or \$(74,800), respectively.

Changes in Fair Values of Class B LP Units, Unit-based compensation and Interest Rate Swaps

The Class B LP Units, Unit-based compensation and the interest rate hedges (see Section 7 "Liquidity and Capital Resources" in this MD&A) are required to be presented under relevant accounting standards at fair value on the balance sheet. The resulting changes in these items are recorded in net income and comprehensive income.

Under IFRS, the Class B LP Units and Unit-based compensation are classified as financial liabilities and measured at fair value through profit and loss (FVTPL). The fair value of the Class B LP Units and Unit-based compensation will be measured every period by reference to the traded value of the REIT Units, with changes in measurement recorded in net income and comprehensive income. Distributions on the Class B LP Units will be recorded in interest expense and other financing charges in the period in which they become payable.

The impact of the movement in the traded value of the REIT Units resulted in an increase in fair value adjustment for Class B LP Units and Unit-based compensation in Q4 2021 of \$23,498 (Q4 2020 – increase of \$7,613) and an increase of \$44,555 for 2021 (2020 – decrease of \$14,403).

The REIT enters into interest rate swaps to limit its exposure to fluctuations in the interest rates on variable rate financings for certain of its Credit Facilities. Gains or losses arising from the change in the fair value of the interest rate derivative contracts are recognized in the consolidated statements of income and comprehensive income.

The fair value adjustments for interest rate swaps for Q4 2021 and 2021 were a gain of \$3,268 (Q4 2020 – \$1,387) and a gain of \$15,976 (2020 – loss of \$17,832), respectively. The variances reflect a decline in interest rates in the derivative market as at December 31, 2021.

SECTION 6 – NON-IFRS FINANCIAL MEASURES

Reconciliation of NOI, Cash NOI, FFO and AFFO to Net Income and Comprehensive Income

The REIT uses the following non-IFRS key performance indicators and ratios: NOI, Cash NOI, FFO, AFFO, FFO payout ratio and AFFO payout ratio. The REIT believes these non-IFRS measures and ratios provide useful supplemental information to both management and investors in measuring the financial performance and financial condition of the REIT. These measures and ratios do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures and ratios presented by other publicly traded real estate investment trusts and should not be construed as an alternative to other financial measures determined in accordance with IFRS (see "Non-IFRS Financial Measures"). The calculations of these measures and the reconciliation to net income and comprehensive income are set out in the following table:

(\$000s, except per Unit amounts)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2021	2020	Variance	2021	2020	Variance
Calculation of NOI						
Property revenue	\$19,781	\$19,091	\$690	\$78,218	\$75,124	\$3,094
Property costs	(3,005)	(2,620)	(385)	(11,137)	(11,105)	(32)
NOI (including straight-line adjustments)	\$16,776	\$16,471	\$305	\$67,081	\$64,019	\$3,062
Adjustments:						
Land lease payments	(159)	(159)	—	(635)	(635)	—
Straight-line adjustment	(489)	(826)	337	(2,221)	(2,984)	763
Cash NOI	\$16,128	\$15,486	\$642	\$64,225	\$60,400	\$3,825
Reconciliation of net income (loss) to FFO and AFFO						
Net income and comprehensive income	\$10,409	\$30,180	\$(19,771)	\$85,418	\$26,965	\$58,453
Adjustments:						
Change in fair value – interest rate swaps	(3,268)	(1,387)	(1,881)	(15,976)	17,832	(33,808)
Distributions on Class B LP Units	1,997	1,997	—	7,988	7,988	—
Change in fair value – Class B LP Units and Unit-based compensation	23,498	7,613	15,885	44,555	(14,403)	58,958
Change in fair value – investment properties	(21,069)	(27,096)	6,027	(75,157)	5,684	(80,841)
ROU asset net balance of depreciation/interest and lease payments	(76)	(70)	(6)	(299)	(277)	(22)
FFO	\$11,491	\$11,237	\$254	\$46,529	\$43,789	\$2,740
Adjustments:						
Straight-line adjustment	(489)	(826)	337	(2,221)	(2,984)	(763)
Capital expenditure reserve	(81)	(78)	(4)	(321)	(307)	(14)
AFFO	\$10,921	\$10,333	\$588	\$43,987	\$40,498	\$3,489
Number of Units outstanding (including Class B LP Units)	49,013,407	47,630,305	1,383,102	49,013,407	47,630,305	1,383,102
Weighted average Units Outstanding – basic	49,013,407	47,630,305	1,383,102	48,786,577	47,630,305	1,156,272
Weighted average Units Outstanding – diluted	49,733,057	48,203,686	1,529,371	49,446,138	48,135,920	1,310,218
FFO per Unit – basic ⁽¹⁾	\$0.234	\$0.236	\$(0.002)	\$0.954	\$0.919	\$0.035
FFO per Unit – diluted ⁽²⁾	\$0.231	\$0.233	\$(0.002)	\$0.941	\$0.910	\$0.031
AFFO per Unit – basic ⁽¹⁾	\$0.223	\$0.217	\$0.006	\$0.902	\$0.850	\$0.052
AFFO per Unit – diluted ⁽²⁾	\$0.220	\$0.214	\$0.006	\$0.890	\$0.841	\$0.049
Distributions per Unit	\$0.201	\$0.201	—	\$0.804	\$0.804	—
FFO payout ratio	87.0%	86.3%	0.7%	85.4%	88.4%	(3.0)%
AFFO payout ratio	91.4%	93.9%	(2.5)%	90.3%	95.6%	(5.3)%

(1) The FFO and AFFO per Unit – basic is calculated by dividing the total FFO and AFFO by the amount of the total weighted-average number of outstanding REIT Units and Class B LP Units.

(2) The FFO and AFFO per Unit – diluted is calculated by dividing the total FFO and AFFO by the amount of the total weighted-average number of outstanding REIT Units, Class B LP Units, DUs, IDUs, RDUs and PDUs granted to certain independent Trustees and management of the REIT.

FFO, AFFO and Cash NOI

In Q4 2021, FFO increased 2.3% to \$11,491, compared to \$11,237 in Q4 2020. FFO per Unit (diluted) for Q4 2021 was \$0.231, compared to \$0.233 in Q4 2020. The increase in FFO was primarily due to the properties acquired during and subsequent to Q4 2020, together with contractual rent increases. The decrease in FFO per Unit was due to a reduction of the straight-line rent adjustment resulting from the termination of a lease in the first quarter of 2021 and the issuance of 1,369,102 REIT Units as consideration for the purchase of Lexus Laval on March 1, 2021.

FFO for 2021 increased 6.3% to \$46,529, compared to \$43,789 in 2020. The increase was primarily due to the properties acquired during and subsequent to 2020, together with contractual rent increases. FFO per Unit (diluted) was \$0.941 in 2021, compared to \$0.910 in 2020. The increase in FFO per Unit (diluted) in 2021 was primarily due to the properties acquired during and subsequent to 2020, contractual rent increases and bad debt reversals related to tenant receivables.

In Q4 2021, AFFO increased 5.7% to \$10,921, compared to \$10,333 in Q4 2020. AFFO per Unit (diluted) was \$0.220 in Q4 2021, compared to \$0.214 in Q4 2020. Cash NOI in Q4 2021 was \$16,128 on \$19,781 of revenue, compared to Cash NOI of \$15,486 on revenue of \$19,091 in Q4 2020. The increases were primarily due to the properties acquired during and subsequent to Q4 2020, together with contractual rent increases.

AFFO for 2021 increased 8.6% to \$43,987, compared to \$40,498 in 2020; and Cash NOI in 2021 was \$64,225 on \$78,218 of rental revenue, compared to Cash NOI of \$60,400 on rental revenue of \$75,124 in 2020. The increases were primarily due to the properties acquired during and subsequent to 2020, together with contractual rent increases, partially offset by bad debt expense. AFFO per Unit (diluted) was \$0.890 in 2021, compared to \$0.841 in 2020. The increase in AFFO per Unit (diluted) in 2021 was primarily due to the properties acquired during and subsequent to 2020, contractual rent increases and bad debt reversals related to accounts receivable associated with the Deferral Agreements.

For Q4 2021, the REIT declared and paid distributions to Unitholders of \$9,852, or \$0.201 per Unit (Q4 2020 – declared and paid \$9,574), and for 2021 the REIT declared and paid distributions of \$39,221, or \$0.804 per Unit (2020 – declared and paid \$38,296). This resulted in an AFFO payout ratio of 91.4% in Q4 2021 (Q4 2020 – 93.9%) and 90.3% in 2021 (2020 – 95.6%). The AFFO payout ratio was lower in Q4 2021 and 2021 as a result of organic growth in NOI and acquisitions made during and subsequent to Q4 2020.

Same Property Cash Net Operating Income

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2021	2020	Variance	2021	2020	Variance
Same property base rental revenue	\$15,772	\$15,384	\$388	\$61,010	\$59,891	\$1,119
Bad debt recovery (expense)	—	55	(55)	277	(277)	554
Land lease payments	(159)	(159)	—	(635)	(635)	—
Same Property Cash NOI	\$15,613	\$15,280	\$333	\$60,652	\$58,979	\$1,673
Bad debt expense (recovery)	—	(55)	55	(277)	277	(554)
Same Property Cash NOI (excluding bad debt expense)	\$15,613	\$15,225	\$388	\$60,375	\$59,256	\$1,119

Excluding bad debt expense (recovery), Same Property Cash NOI increased 2.5% to \$15,613 in Q4 2021 from \$15,225 in Q4 2020, and 1.9% to \$60,375 in 2021 from \$59,256 in 2020. The increases are primarily a result of contractual rent increases.

Reconciliation of Cash Flow from Operating Activities to ACFO

The REIT uses the following non-IFRS key performance indicator and ratio: ACFO and ACFO payout ratio. The REIT calculates its ACFO in accordance with the Real Property Association of Canada's *White Paper on Adjusted Cash Flow from Operations (ACFO) for IFRS* issued in February 2019. The REIT believes that ACFO provides useful supplemental information to both management and investors in measuring the financial performance and financial condition of the REIT. ACFO does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures utilized by other publicly traded real estate investment trusts and should not be considered as an alternative to other financial measures determined in accordance with IFRS (see "Non-IFRS Financial Measures"). To date, the REIT has not incurred capital expenditure costs. The capital expenditure reserve of 0.5% of base rent is based on the lease terms, assumed renewal retention rates, triple-net lease structure and management's best estimate of cost on a per square foot basis related to sustaining/maintaining existing space that the REIT may incur. The calculation of ACFO and the reconciliation to cash flow from operating activities are set out in the table below:

(\$000s)	Twelve Months Ended December 31, 2021		
	2021	2020	Variance
Cash flow from operating activities	\$62,212	\$57,168	\$5,044
Change in non-cash working capital	2,262	(610)	2,872
Interest paid	(14,674)	(14,876)	202
Amortization of financing fees	(557)	(543)	(14)
Amortization of indemnification fees	(183)	(183)	-
Net interest expense and other financing charges in excess of interest paid	(349)	(311)	(38)
Capital expenditure reserve	(321)	(307)	(14)
ACFO	\$48,390	\$40,338	\$8,052
ACFO payout ratio	81.1%	94.9%	(13.8)%

ACFO increased to \$48,390 in 2021, compared to \$40,338 in 2020, primarily due to the properties acquired during and subsequent to 2021, contractual rent increases and the collection of rent receivables relating to the Deferral Agreements. This resulted in an ACFO payout ratio of 81.0% in 2021 (2020 – 94.9%).

The REIT's 2021 distributions were funded from cash flows from operating activities as well as cash on hand. The REIT believes that future distributions will be funded through cash flows from operating activities. As at December 31, 2021, the REIT had a Debt to GBV ratio of 40.2% and a strong liquidity position with \$72,262 of undrawn capacity under its Credit Facilities, cash on hand of \$474 and seven unencumbered properties with an aggregate value of approximately \$105,780. As at the date of this MD&A, the REIT has approximately \$34,000 of undrawn capacity under its Credit Facilities and 13 unencumbered properties with an aggregate value of approximately \$170,555.

SECTION 7 – LIQUIDITY AND CAPITAL RESOURCES

Capital Structure

<i>Debt</i>	Term (yrs)	Hedged Term (yrs)	Interest Rate	Payments & Interest/Amortization	Effective Interest Rate (fixed)	Key Terms	
						Outstanding as at December 31, 2021	Outstanding as at December 31, 2020
Facility 1	1.5 ⁽¹⁾	1.0 to 9.0	BA + 150 bps, Prime +25 bps	⁽¹⁾	3.72%	\$190,206 ⁽⁵⁾	\$202,086 ⁽⁵⁾
Facility 2	2.5 ⁽²⁾	1.5 to 9.0	BA + 150 bps, Prime +25 bps	⁽²⁾	3.52%	90,707	95,403
Facility 3	4.5 ⁽³⁾	4.0 to 10.0	BA + 150 bps, Prime +50 bps	⁽³⁾	3.59%	111,100 ⁽⁶⁾	85,500 ⁽⁶⁾
Mortgages	6.1 ⁽⁴⁾ to 9.3	n/a	Fixed 2.21% to 3.72 %	P&I, 20 yrs and 25yrs	3.24%	24,148	14,905
						\$416,161	\$397,894
Financing fees						(2,178)	(1,864)
Weighted Average /Total	2.9	5.3			3.72%	\$413,983	\$396,030
<i>Class B LP Units and Unit-based compensation</i>						\$157,386	\$110,848
<i>Cash Balance</i>						\$474	\$308

Key Financing Metrics and Debt Covenants ⁽⁷⁾⁽⁸⁾	Debt Covenant	Declaration of Trust ⁽⁹⁾	As at December 31, 2021	As at December 31, 2020
Interest coverage	-	-	3.8	3.6
Debt to GBV	<60% ⁽¹⁰⁾	<60% ⁽¹⁰⁾	40.2%	43.2%
Unitholders' Equity (including Class B LP Units and Unit-based compensation)	>\$120,000	-	\$617,757	\$502,097
Debt Service Coverage	>1.35	-	1.9	1.8
AFFO payout ratio	⁽¹¹⁾ ⁽¹²⁾ ⁽¹³⁾	-	90.3%	95.6%

- (1) Facility 1 and the associated revolving facility matures in June 2023.
- (2) Facility 2 and the associated revolving facility matures in June 2024.
- (3) Facility 3 and the associated revolving facility matures in June 2026.
- (4) In January 2021, the REIT renewed a Mortgage in the amount of approximately \$5,791 for a term of 7 years at an interest rate of 2.21%. In April 2021, the REIT entered into a Mortgage with a life insurance company in the amount of \$10,000 for a term of 10 years at an interest rate of 3.39%.
- (5) \$18,414 of the non-revolving balance of Facility 1 remains at floating rates (2020 – \$19,206).
- (6) \$5,187 of the non-revolving balance of Facility 3 remains at floating rates (2020 – \$nil).
- (7) The calculations of these ratios, which are non-IFRS measures, are set out under "Financing Metrics and Debt Covenants" below. See also Section 1, "General Information and Cautionary Statements – Non-IFRS Financial Measures".
- (8) The debt agreements for Facility 1, Facility 2 and Facility 3 have other covenants that do not directly relate to the REIT's consolidated financial position. Management believes that the REIT is in compliance with all such covenants and with the debt agreement covenants for Facility 1, Facility 2, Facility 3 and the Mortgages.
- (9) The Declaration of Trust contains other operating covenants that do not relate to leverage or debt service/coverage. The Declaration of Trust is available on www.sedar.com and is described in the AIF. Management believes that the REIT is in compliance with these operating covenants.
- (10) Including convertible debentures, the maximum ratio is 65%.
- (11) The AFFO payout ratio in respect of Facility 1 may exceed 100% so long as (i) the REIT's Debt to GBV ratio is less than 55% or (ii) the REIT's 12 month retrospective rolling AFFO payout ratio is less than 100%.
- (12) The AFFO payout ratio in respect of Facility 2 may exceed 100% (four quarter rolling) during the period from January 1, 2021 to December 31, 2021, subject to a maximum AFFO payout ratio of 110%.
- (13) The AFFO payout ratio in respect of Facility 3 may exceed 100% (four quarter rolling) so long as (i) the REIT's Debt to GBV ratio is less than 55% and (ii) the REIT's cash on hand plus the cumulative amount available to be drawn under the revolving Credit Facilities exceeds \$17,000.

Facility 1, Facility 2 and Facility 3 described above are collectively referred to as the "Credit Facilities" and the mortgages described above are referred to as the "Mortgages".

In June 2021, the REIT increased the amount available of the non-revolving portion under Facility 3 by \$20,187 and extended the term to maturity from December 2023 to June 2026. Also, in November 2021, the REIT increased the amount of Facility 3's non-revolving loan by \$10,400.

In September 2021, the REIT entered into interest rate swaps totaling \$15,000 for a weighted-average term of 8.7 years at a blended rate of 3.40%.

In December 2021, the REIT entered an interest rate swap of \$10,400 for a term of 10 years at a rate of 3.55%.

The AFFO payout ratio debt covenant is based on the rolling average of the last four fiscal quarters. For the year ended December 31, 2021, the AFFO payout ratio was approximately 90.3%.

In order to maintain or adjust its capital structure, the REIT may increase or decrease the amount of distributions paid to Unitholders, issue new REIT Units and debt, or repay debt. Factors affecting such decisions include:

- complying with the guidelines set out in the REIT's Declaration of Trust;
- complying with debt covenants;
- ensuring sufficient liquidity is available to support the REIT's financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future development; and
- minimizing the REIT's cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

Principal repayments are as follows:

2022	\$31,399
2023	190,287
2024	78,862
2025	6,602
2026	89,605
Thereafter.....	<u>19,406</u>
Total	<u>\$416,161</u>

The REIT's liquidity position as at December 31, 2021 includes approximately \$72,262 of undrawn capacity under its revolving Credit Facilities, which management believes is sufficient to carry out its obligations, discharge liabilities as they come due and fund distributions to Unitholders. Capital requirements in the next two years are low and capital expenditure requirements are expected to be insignificant. Nonetheless, the current economic, operating and capital market environment resulting from the pandemic has led to an increased emphasis on liquidity. While the REIT has not changed its objectives in managing its capital structure, the current focus has been on ensuring that the REIT retains sufficient liquidity.

Capital required for investing activities will be addressed through additional borrowings or issuances of equity as acquisition and development opportunities arise. As at December 31, 2021, seven of the REIT's properties are unencumbered and can be used as security in respect of future financing requirements, as and when needed. As at the date of this MD&A, the REIT has approximately \$34,000 of undrawn capacity under its Credit Facilities and 13 unencumbered properties with an aggregate value of approximately \$170,555.

Debt Financing

The REIT's overall borrowing policy is to obtain secured credit facilities, principally on a fixed rate or effectively fixed rate basis, which will allow the REIT to: (i) achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period; (ii) achieve and maintain fixed rates to lessen exposure to interest rate fluctuations; and (iii) extend loan terms and fixed rate periods as long as possible when borrowing conditions are favourable. Subject to market conditions and the growth of the REIT, management currently intends to target Indebtedness of approximately 50%-55% of GBV. As at December 31, 2021, the REIT's Debt to GBV ratio was 40.2% (2020 – 43.2%). The reduction as compared to December 31, 2020 is primarily attributable to the acquisition of Lexus Laval, which was funded through the issuance of 1,369,102 REIT Units to a member of the Dilawri Group valued at approximately \$14,800, and the fair value adjustment of \$21,069 on investment properties in Q4 2021. Management expects that the ratio of Debt to GBV may increase, at least temporarily, following an acquisition by the REIT of one or more additional properties. Interest rates and loan maturities will be reviewed on a regular basis to ensure appropriate debt management strategies are implemented.

Pursuant to the Declaration of Trust, the REIT may not incur or assume any Indebtedness, if after giving effect to the incurring or assumption of such Indebtedness, the total Indebtedness of the REIT would exceed 60% of GBV (or 65% of GBV including convertible debentures).

Secured Credit Facilities, Mortgages and Interest Rate Swap Arrangements

All of the REIT's Credit Facilities and Mortgages are with Canadian Schedule 1 banks and one life insurance company, and are secured by all but seven of the REIT's investment properties (13 as of the date of this MD&A).

As at December 31, 2021, the REIT had total revolving Credit Facilities of \$85,000 (\$30,000 in Facility 1, \$15,000 in Facility 2, and \$40,000 in Facility 3), of which \$72,262 was undrawn.

Financing Fees

During 2021, the REIT incurred financing fees of \$871 (2020 – \$36). The amounts are accounted for using the effective interest method, \$2,178 remains unamortized at December 31, 2021 (2020 – \$1,864).

Interest Rate Swaps

The REIT enters into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates payable on its variable rate financings under Facility 1, Facility 2 and Facility 3. Gains or losses arising from changes in the fair value of the interest rate derivative contracts are recognized in the consolidated statements of income and comprehensive income.

The REIT's weighted average interest rate swap term as of December 31, 2021 is 5.2 years.

The following table sets out the combined borrowings under Facility 1, Facility 2 and Facility 3 and the remaining expected term to maturity of the related interest rate swaps as at December 31, 2021.

Remaining Term (yrs)	Amount (\$000s)	Total Swapped Fixed Rate Debt (%)
2.7	142,290	39.8
4.1	50,861	14.2
6.8	106,457	29.8
9.1	57,719	16.2
5.2	357,327	100.0

As at December 31, 2021, the notional principal amount of the interest rate swaps was \$357,327 (December 31, 2020 – \$349,000) and the fair value adjustment of the interest rate swaps was \$15,976 (December 31, 2020 – \$(17,832)). This resulted in a liability balance of \$6,872 (December 31, 2020 – \$22,847).

Unitholders' Equity (including Class B LP Units and Unit-based compensation)

Unitholders' equity consists of the Units described below:

REIT Units

The REIT is authorized to issue an unlimited number of REIT Units.

Each REIT Unit is transferable and represents an equal, undivided beneficial interest in the REIT and any distributions from the REIT. All REIT Units rank equally among themselves without discrimination, preference or priority and entitle the holder thereof to receive notice of, to attend and to one vote at all meetings of holders of REIT Units and holders of Special Voting Units (as defined below) or in respect of any written resolution thereof.

Holders of REIT Units are entitled to receive distributions from the REIT if, as and when declared by the Board. Upon the termination or winding up of the REIT, holders of REIT Units will participate equally with respect to the distribution of the remaining assets of the REIT after payment of all liabilities. Such distribution may be made in cash, as a distribution in kind, or both, all as the Board in its sole discretion may determine. REIT Units have no associated conversion or retraction rights. No person is entitled, as a matter of right, to any pre-emptive right to subscribe for or acquire any REIT Units, except for Dilawri as set out in the Exchange Agreement entered into on closing of the IPO between the REIT and certain members of the Dilawri Group, pursuant to which such members of the Dilawri Group have been granted, among other things, certain rights to participate in future offerings of the REIT.

As at December 31, 2021, the total number of REIT Units outstanding was 39,080,154.

Class B LP Units

In conjunction with the IPO, and as partial consideration for the Initial Properties, the REIT, through the Partnership, issued Class B LP Units to certain members of the Dilawri Group. The Class B LP Units are economically equivalent to REIT Units, and are exchangeable at the option of the holder for REIT Units on a one-for-one basis (subject to certain anti-dilution adjustments), are accompanied by a special voting unit (a "Special Voting Unit") (which provides the holder with that number of votes at any meeting of holders of REIT Units to which a holder of the number of REIT Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled), and will receive distributions of cash from the Partnership equal to the distributions to which a holder of the number of REIT Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled. Under IFRS, the Class B LP Units are classified as financial liabilities and measured at fair value through profit and loss (FVTPL). The fair value of the Class B LP Units will be measured every period by reference to the traded value of the REIT Units, with changes in measurement recorded in net income and comprehensive income. Distributions on the Class B LP Units will be recorded in interest expense and other financing charges in the period in which they become payable.

As at December 31, 2021, the total number of Class B LP Units outstanding was 9,933,253.

Unit-based compensation

The REIT offers an Equity Incentive Plan whereby DUs, PDUs and RDUs may be granted to Trustees, officers and employees of the REIT and other eligible persons (collectively, "Participants") on a discretionary basis by the Governance, Compensation and Nominating Committee of the Board. The maximum number of REIT Units available for issuance under the Plan is 1,000,000. Each DU, PDU and RDU is economically equivalent to one REIT Unit, however, under no circumstances shall they be considered REIT Units nor entitle a Participant to any rights as a Unitholder, including, without limitation, voting rights or rights on liquidation. Each DU, PDU and RDU shall receive a distribution of additional IDUs equal to the amount of distributions paid per REIT Unit by the REIT on its REIT Units. Upon vesting of the DUs, PDUs, RDUs and IDUs, a Participant may elect, prior to their expiry, to exchange such vested DUs, PDUs, RDUs and IDUs (subject to satisfaction of any applicable withholding taxes) for an equal number of REIT Units. The holder of such DUs, PDUs, RDUs and IDUs cannot settle these instruments in cash.

Certain DUs and RDUs awarded under the Plan will vest over time. PDUs awarded under the Plan will vest upon the achievement of applicable performance vesting conditions, which may include but are not limited to, financial or operational performance of the REIT, total unitholder return or individual performance criteria, measured over a performance period.

During the year ended December 31, 2021, a total of 139,423 DUs, PDUs, RDUs and IDUs were granted (2020 – 187,552), of which 49,003 DUs, PDUs, RDUs and IDUs will be accounted for in accordance with the vesting schedule (2020 – 53,781). As at December 31, 2021, a total of 730,695 DUs, PDUs, RDUs and IDUs have been granted (2020 – 586,123), of which 594,245 were accounted as outstanding (2020 – 416,261).

Distributions

Holders of REIT Units are entitled to receive distributions from the REIT (whether of net income, net realized capital gains or other amounts) if, as and when declared by the Board. Upon the termination or winding-up of the REIT, holders of REIT Units will participate equally with respect to the distribution of the remaining assets of the REIT after payment of all liabilities. Such distribution may be made in cash, as a distribution in kind, or both, all as the Board in its sole discretion may determine. REIT Units have no associated conversion or retraction rights.

In determining the amount of the monthly cash distributions paid to holders of REIT Units, the Board applies discretionary judgment to forward-looking information, which includes forecasts, budgets and many other factors including provisions in the Declaration of Trust, the macro-economic and industry-specific environment, debt maturities and covenants and taxable income. The REIT is currently paying monthly cash distributions to Unitholders of \$0.067 per Unit, representing \$0.804 per Unit on an annualized basis.

The Board regularly reviews the REIT's rate of distributions to ensure an appropriate level of cash distributions.

Net income prepared in accordance with IFRS recognizes certain revenues and expenses at time intervals that do not match the receipt or payment of cash. Therefore, in applying judgment, consideration is given to AFFO (which is the product of the earnings performance) and other factors when establishing cash distributions to holders of REIT Units.

Financing Metrics and Debt Covenants

The calculations of financial metrics and debt covenants are set out in the table below:

<i>Calculations of financial metrics and debt covenants</i>		As at December 31, 2021	As at December 31, 2020		
Net Asset Value					
Investment properties, IFRS value		\$1,025,207	\$932,229		
Cash, accounts receivable and other assets		26,443	4,123		
Accounts payable and accrued liabilities		(13,038)	(15,378)		
Credit Facilities, Mortgages and interest rate swaps		<u>(420,855)</u>	<u>(418,877)</u>		
Total Net Asset Value		\$617,757	\$502,097		
Total Net Asset Value excluding interest rate swaps		\$624,629	\$524,944		
REIT Units and Class B LP Units outstanding		49,013,407	47,630,305		
Debt to GBV					
<i>Indebtedness outstanding:</i>					
Credit Facilities & Mortgages (excludes deferred financing costs)	A	\$416,161	\$397,894		
Lease Liability	A1	6,602	6,990		
<i>Gross Book Value</i>					
Total assets	B	1,051,650	936,352		
Debt to GBV ⁽¹⁾	((A+A1)/B) X 100	40.2%	43.2%		
Unitholders' Equity & Class B LP Units & DUs & IDUs					
Unitholders' Equity		\$460,371	\$391,249		
Value of Unit-based compensation		8,884	4,463		
Value of Class B LP Units		<u>148,502</u>	<u>106,385</u>		
Total Unitholders' Equity & Class B LP Units & Unit-based compensation		\$617,757	\$502,097		
Calculations of financial metrics and debt covenants					
Interest Coverage Ratio					
		<u>Q4 2021</u>	<u>Q4 2020</u>	<u>2021</u>	<u>2020</u>
Cash NOI ⁽²⁾		\$16,128	\$15,486	\$64,225	\$60,400
General and administrative expenses		<u>(1,252)</u>	<u>(1,213)</u>	<u>(4,673)</u>	<u>(4,223)</u>
Income before interest expense and fair value adjustments	C	14,876	14,273	59,552	56,177
Interest expense and other financing charges	D	3,957	3,951	15,580	15,730
Interest Coverage Ratio ⁽³⁾	C/D	3.8X	3.6X	3.8X	3.6X
Debt Service Coverage Ratio					
Consolidated net income		\$10,409	\$30,180	\$85,418	\$26,965
Interest expense and other financing charges		3,957	3,951	15,580	15,730
Distribution expense on Class B LP Units		1,997	1,997	7,988	7,988
Amortization of other assets		45	60	181	183
Fair value adjustments, net		<u>(839)</u>	<u>(20,870)</u>	<u>(46,578)</u>	<u>9,113</u>

EBITDA ⁽²⁾	E	15,569	15,318	62,589	59,979
Principal payments on debt		4,855	4,420	18,626	18,005
Interest payments on debt (excludes bank charges)		<u>3,698</u>	<u>3,845</u>	<u>14,674</u>	<u>14,876</u>
Debt Service	F	8,553	8,265	33,300	32,881
Debt Service Coverage Ratio ⁽⁴⁾	E/F	1.8X	1.9X	1.9X	1.8X
<i>AFFO payout ratio ⁽²⁾</i>					
AFFO ⁽²⁾		<u>10,921</u>	<u>10,333</u>	<u>43,987</u>	<u>40,498</u>
Distributions on REIT Units		7,855	7,577	31,233	30,308
Distributions on Class B LP Units		<u>1,997</u>	<u>1,997</u>	<u>7,988</u>	<u>7,988</u>
		9,852	9,574	39,221	38,296
AFFO payout ratio ⁽²⁾⁽⁵⁾		91.4%	93.9%	90.3%	95.6%

Notes:

- (1) The Debt to GBV ratio as at December 31, 2021 decreased as compared to December 31, 2020, primarily attributable to the repayment of outstanding debt under the REIT's revolving Credit Facilities from the net proceeds of the public equity offerings completed in 2020 (the "2020 Equity Offerings") and the increase in the REIT's assets through acquisitions funded by the 2020 Equity Offerings.
- (2) Cash NOI, EBITDA, AFFO and AFFO payout ratio are non-IFRS measures or non-IFRS ratios, as applicable. See Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures" and Section 6 "Non-IFRS Financial Measures" of this MD&A.
- (3) The Interest Coverage Ratio for Q4 2021 and 2021 increased compared to the same periods in the previous year, mainly due to the increase in Cash NOI resulting from the acquisitions of properties funded with the 2020 Equity Offerings.
- (4) The Debt Service Ratio for Q4 2021 and 2021 increased compared to the same periods in the previous year, mainly due to the decrease in interest payments and an increase in EBITDA.
- (5) The AFFO payout ratio is calculated as distributions per REIT Unit divided by the AFFO per Unit - diluted.

SECTION 8 – RELATED PARTY TRANSACTIONS

The REIT's largest Unitholder and lead tenant is the Dilawri Group, which as at December 31, 2021 held an approximate 28.8% (2020 –26.0%) effective interest in the REIT on a fully diluted basis, through its ownership of all of the issued and outstanding Class B LP Units and 4,185,254 REIT Units.

In the normal course of its operations, the REIT enters into various transactions with related parties and the REIT's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions and in accordance with the Related Party Transaction Policy adopted by the Board and the Declaration of Trust.

In consideration of the applicable Dilawri Tenants leasing the entirety of two of the Initial Properties with third-party tenants (and thereby bearing occupancy, rental and other risks associated with the portions of those properties to be subleased to third party tenants for the initial lease terms of 12 and 15 years for those properties), the REIT paid to such Dilawri Tenants an indemnity fee in the aggregate amount of \$1,000 at the time of closing of the IPO (amortizable over the term of the leases).

In addition, on October 24, 2017, Dilawri paid the REIT \$896 in respect of the recoverable land transfer tax associated with the acquisition of the Initial Properties. The REIT subsequently issued letters of credit to the land transfer tax authority in the amount of approximately \$753 to defer the land transfer tax, on behalf of specific members of the Dilawri Group that sold certain of the Initial Properties to the REIT in connection with the IPO (the "LCs"). The Dilawri Group held all of the 9,933,253 issued and outstanding Class B LP Units for three years subsequent to the IPO and, accordingly, the LCs are expected to be released. The REIT is working with the applicable tax authorities and Dilawri to secure the release of the LCs.

For additional information on related party agreements and arrangements with Dilawri, please refer to the REIT's AIF, which can be found on SEDAR at www.sedar.com and on the REIT's website www.automotivepropertiesreit.ca.

Strategic Alliance Agreement

In connection with the IPO, the REIT and Dilawri entered into the Strategic Alliance Agreement which establishes a preferential and mutually beneficial business and operating relationship between the REIT and the Dilawri Group. The Strategic Alliance agreement will be in effect so long as the Dilawri Organization and the applicable transferors of the Initial Properties own, control or direct, in the aggregate, an effective interest of at least 10% (on a fully-diluted basis) in the REIT. Among other things, the Strategic Alliance Agreement provides the REIT with the first right to purchase REIT-Suitable Properties (as defined in the Strategic Alliance Agreement) in Canada or the United States acquired or developed by the Dilawri Group. The purchase price in respect of a REIT-Suitable Property will be mutually agreed by the REIT and Dilawri at the applicable time and supported by an independent appraisal report. Pursuant to the Strategic Alliance Agreement, the REIT acquired the following investment properties in 2021 and 2020:

- On March 1, 2021, the REIT acquired the Lexus Laval automotive dealership property in Laval, Quebec from a member of the Dilawri Group for \$14,800 and leased it to a Dilawri Tenant.
- On February 6, 2020, the REIT acquired the Acura North Vancouver automotive dealership property from a member of the Dilawri Group for \$17,500 and leased it to a Dilawri Tenant.
- On February 5, 2020, the REIT acquired the Regina BMW automotive dealership property from a member of the Dilawri Group for \$11,350 and leased it to a Dilawri Tenant.

SECTION 9 – OUTLOOK

As COVID-19 vaccination rates of Canadians have increased, provincial governments across Canada have eased COVID-19 related emergency measures and business restrictions. The REIT's tenants' businesses are and expect to continue to remain fully operational. The pandemic has also impacted the vehicle supply chain, resulting in constraints of specific parts, models and brands. Management believes these supply chain constraints will continue into the foreseeable future but will not have a significant impact on the REIT's tenants' ability to pay rent. The easing of business restrictions and pent-up consumer demand is expected to support the continued strength in the Canadian auto sales and service sector. The REIT believes that the overall fundamentals of the automotive dealership business remain strong and that the industry is resilient, essential and will continue to grow as the pandemic continues to stabilize. However, future developments related to the pandemic, including new COVID-19 variants, could result in additional restrictions being implemented that could impact the financial performance and financial position of the REIT and its tenants in future periods.

As the only publicly traded Canadian real estate entity focused on owning automotive dealership properties, the REIT provides a unique opportunity for automotive dealership owners to monetize the real estate underlying their dealerships while retaining ownership and control of their core automotive dealership businesses. This provides dealership owners with liquidity to advance their individual strategic objectives, whether it be succession planning, directly investing in upgrading their dealerships, or facilitating acquisitions in this period of industry consolidation. The Canadian automotive dealership industry is highly fragmented, and the REIT expects continued consolidation over the mid to long term due to increased industry sophistication and growing capital requirements for owner operators, which encourages them to pursue increased economies of scale.

Given the REIT's strong balance sheet position, the REIT intends to pursue acquisitions on a strategic basis through debt financing and available liquidity. In considering potential acquisitions, diversification of tenants, automobile brand and geographic location remain important criteria for the REIT, as some automotive brands continue to gain market share while other brands are experiencing sales deterioration, and certain markets present a more favourable economic outlook.

As at December 31, 2021, the REIT had a Debt to GBV ratio of 40.2% and a strong liquidity position with \$72,262 of undrawn capacity under its Credit Facilities, cash on hand of \$474 and seven unencumbered properties with an aggregate value of approximately \$105,780. As at the date of this MD&A, the REIT has approximately \$34,000 of undrawn capacity under its Credit Facilities and 13 unencumbered properties with an aggregate value of approximately \$170,555. As at December 31, 2021, 92% of the REIT's debt was fixed at an interest rate of 3.72% with a weighted average interest swap term and Mortgage remaining of 5.3 years and weighted average term to maturity of debt of 2.9

years. The REIT's overall borrowing policy is to obtain secured credit facilities, principally on a fixed rate or effectively fixed rate basis. This allows the REIT to achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period and achieve and maintain fixed rates to lessen exposure to interest rate increases. The REIT also continues to extend loan terms and fixed rate periods as long as possible when borrowing conditions are favourable.

The financial markets continually fluctuate, and it is therefore difficult for management to quantify the impact that the pandemic will have on the cost and availability of debt and equity capital to the REIT. Management and the Trustees are continuing to closely monitor the impact of the pandemic on the REIT's business and the business of the REIT's tenants and will continue to prudently manage the REIT's available resources during this period of economic uncertainty. Management has also proactively raised its level of preparedness planning to adapt should risk levels rise and will continue to monitor and adjust its business continuity and other plans as the pandemic continues to evolve.

The current military conflict in Ukraine has resulted in a significant increase in the price of oil which has led to higher vehicle fuel cost. This may have an adverse effect on consumer demand and supply chain. Management will continue to monitor the situation.

SECTION 10 – OTHER DISCLOSURES

Commitments and Contingencies

The REIT, as lessee, is committed under long term land and other leases that are classified as a liability to make lease payments with minimum annual rental commitments as follows:

Within 1 year.....	\$407
After 1 year, but not more than 5 years.....	2,103
More than 5 years.....	<u>4,092</u>
Total.....	<u>\$6,602</u>

Disclosure Controls and Internal Controls over Financial Reporting

The REIT's certifying officers have designed a system of disclosure controls and procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by the REIT in its annual filings, interim filings and other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Also, the REIT's certifying officers have designed a system of internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

The REIT has used the Internal Control – Integrated Framework (2013) from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in order to assess the effectiveness of the REIT's ICFR. Management has evaluated, or caused to be evaluated, the REIT's ICFR and DC&P and has determined that the design and operation of the REIT's ICFR and DC&P were effective as at December 31, 2021. There have been no changes to the REIT's ICFR during Q4 2021 and the year ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR.

Management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure or internal controls and procedures occur and/or mistakes happen, the REIT intends to take whatever steps are necessary to minimize the consequences thereof.

Consistent with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, the REIT has filed certificates on Form 52-109F1.

SECTION 11 – QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected consolidated financial information for each of the eight most recently completed quarters:

(\$ thousands except where otherwise indicated)	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020	Second Quarter 2020	First Quarter 2020
Number of Properties	66	66	66	66	65	65	64	64
GLA (sq. ft.)	2,524,491	2,524,491	2,524,491	2,524,491	2,494,476	2,494,476	2,367,080	2,367,080
Rental revenue	19,781	19,462	19,562	19,413	19,091	18,627	18,800	18,606
Net Operating Income	16,776	16,688	16,860	16,757	16,471	16,168	15,586	15,794
Net Income (Loss)	10,409	30,824	17,857	26,329	30,180	4,395	(23,356)	15,748
Net Income (Loss) per Unit — basic ⁽ⁱ⁾	0.212	0.629	0.364	0.547	0.634	0.092	(0.490)	0.331
Net Income (Loss) per Unit — diluted ⁽ⁱⁱ⁾	0.209	0.620	0.359	0.541	0.626	0.091	(0.485)	0.328
FFO per Unit — basic ⁽ⁱⁱⁱ⁾	0.234	0.237	0.240	0.242	0.236	0.234	0.224	0.226
FFO per Unit — diluted ^(iv)	0.231	0.234	0.236	0.239	0.233	0.231	0.222	0.224
AFFO per Unit — basic ⁽ⁱⁱⁱ⁾	0.223	0.225	0.224	0.230	0.217	0.217	0.207	0.209
AFFO per Unit — diluted ^(iv)	0.220	0.221	0.221	0.227	0.214	0.215	0.205	0.208
AFFO payout ratio	91.4%	91.0%	91.0%	88.5%	93.9%	93.5%	98.0%	96.6%
Distribution declared per Unit	0.201	0.201	0.201	0.201	0.201	0.201	0.201	0.201
Weighted average Units — basic	49,013,407	49,013,407	49,005,099	48,101,885	47,630,305	47,630,305	47,630,305	47,630,305
Weighted average Units — diluted	49,733,057	49,717,307	49,685,935	48,712,838	48,203,686	48,167,267	48,129,963	48,032,420
Market price per REIT Unit — close (end of period)	\$14.95	\$12.73	\$12.43	\$11.44	\$10.71	\$9.97	\$9.26	\$7.38
Total assets	1,051,650	1,011,008	992,449	965,510	936,352	910,671	897,139	919,352
Debt to GBV	40.2%	40.1%	41.3%	41.7%	43.2%	44.8%	44.4%	44.9%
Debt service coverage ratio	1.8X	1.9X	1.9X	1.9X	1.8X	1.8X	1.8X	1.8X

Notes:

- (i) Net Income (Loss) per Unit – basic is calculated in accordance with IFRS by dividing the Net Income (Loss) by the amount of the weighted average number of outstanding REIT Units and Class B LP Units.
- (ii) Net Income (Loss) per Unit – diluted is calculated in accordance with IFRS by dividing the Net Income (Loss) by the amount of the weighted average number of outstanding REIT Units, Class B LP Units, DUs, PDUs, RDUs and IDUs granted as at December 31, 2021, to certain Trustees and management of the REIT.
- (iii) The FFO and AFFO per Unit – basic is calculated by using the weighted average number of outstanding REIT Units and Class B LP Units. The FFO and AFFO per Unit basic comparable numbers were adjusted in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2019. FFO and AFFO per Unit are non-IFRS ratios. See Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures" of this MD&A.
- (iv) The FFO and AFFO per Unit – diluted is calculated by using the weighted average number of outstanding REIT Units, Class B LP Units, DUs and IDUs granted as at December 31, 2021 to certain Trustees and management of the REIT. The FFO and AFFO per Unit — diluted comparable numbers were adjusted in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2019. FFO and AFFO per Unit are non-IFRS ratios. See Section 1 "General Information and Cautionary Statements – Non-IFRS Financial Measures" of this MD&A.

The increase in rental revenue and NOI is primarily attributable to the forty property acquisitions completed since the REIT's IPO. The net income (loss) is also impacted by the fluctuations in fair value adjustments of Class B LP Units, investment properties and interest rate swaps.

SECTION 12 – RISKS & UNCERTAINTIES, CRITICAL JUDGMENTS & ESTIMATES

The following risks are a subset of the key risks that affect the REIT's business and operations. They should be read in conjunction with the full set of risks inherent in the REIT's business, as included in the REIT's Annual Information Form for the year ended December 31, 2021.

COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. COVID-19 has had a significant adverse impact on trade and on local, national and global economies. Provincial governments across Canada enacted emergency measures, commencing in the second half of March 2020, to combat the spread of COVID-19, including the implementation of travel restrictions, self-imposed quarantine periods, temporary closures or restrictions of non-essential businesses, limitations on public gatherings, and social distancing guidelines. By the end of July 2021, all of the REIT's tenants were fully open for business despite capacity measures set across Canada. As of the date of this MD&A, most of the COVID-19 restrictions previously imposed by the provincial governments have been eased. However, the impact of the COVID-19 pandemic is highly dependent on ongoing and future developments, which include, among other things, the actions required to contain or manage COVID-19's impact.

Furthermore, COVID-19 has resulted in the disruption of the supply chain of the REIT's automotive dealership tenants, however this has not impacted the automotive dealership tenants' ability to meet their rental payments. The REIT's automotive dealership tenants rely on third-party suppliers and manufacturers, many of which are located outside of Canada. COVID-19 has resulted in, and may result in additional, extended shutdowns of certain businesses, including automotive manufacturers, which may result in further disruptions, delays or reductions to the REIT's automotive dealership tenants' supply of motor vehicles or replacement parts.

Any further disruptions caused by the ongoing COVID-19 pandemic, including further government measures imposed to curb the spread of the virus, could materially adversely affect the REIT and its business.

Risk Factors Related to the REIT's Relationship with Dilawri

Significant Ownership by the Dilawri Organization

As at December 31, 2021 and as at the date of this MD&A, Dilawri had an approximate 28.8% effective interest in the REIT on a fully-diluted basis through ownership, direction or control of 4,185,254 REIT Units and all of the Class B LP Units. Each Class B LP Unit has attached to it, a Special Voting Unit of the REIT, providing for voting rights in the REIT.

In addition, the Declaration of Trust grants Dilawri the right to nominate certain Trustees of the REIT based on the Dilawri Organization's direct and indirect interest in the REIT. For so long as the Dilawri Organization maintains a significant effective interest in the REIT, the Dilawri Organization will have the ability to exercise certain influence with respect to the affairs of the REIT and significantly affect the outcome of the votes of Unitholders and may have the ability to prevent certain fundamental transactions.

As a result, the Dilawri Organization has the ability to influence many matters affecting the REIT. Accordingly, the REIT Units may be less liquid and trade at a relative discount compared to such REIT Units in circumstances where the Dilawri Organization did not have the ability to influence or determine matters affecting the REIT. Additionally, the Dilawri Organization's significant effective interest in the REIT may discourage transactions involving a change of control of the REIT, including transactions in which an investor, as a holder of the REIT Units (a "REIT Unitholder"), might otherwise receive a premium for its REIT Units over the then-current market price. Further, the Dilawri Organization's significant effective interest in the REIT may discourage competing bids if Dilawri or another member of the Dilawri Organization bids for the REIT.

Pursuant to the Exchange Agreement, each Class B LP Unit is exchangeable at the option of the holder for one REIT Unit (subject to customary anti-dilution adjustments). If the Dilawri Organization exchanges some or all of its Class B LP Units for REIT Units and subsequently sells such REIT Units in the public market, the market price of the REIT Units

may decrease. Moreover, despite the fact that Dilawri has advised the REIT that the Dilawri Organization's current intention is to retain a significant interest in the REIT for the foreseeable future, the perception in the public market that these sales will occur could also produce such an effect.

The Dilawri Group as Key Tenant

As at December 31, 2021, the REIT derived approximately 61.8% of its annual base minimum rent from the Dilawri Group. Consequently, revenues will be dependent on the ability of the Dilawri Group to meet its rent obligations and the REIT's ability to collect rent from the Dilawri Group. If the Dilawri Group were to terminate its tenancies, default on or cease to satisfy its payment obligations, it would have a material adverse effect on the REIT's financial condition and results of operations and its ability to make cash distributions to REIT Unitholders.

The REIT has entered into leases with the applicable members of the Dilawri Group in respect of each of the Initial Properties, including the Third Party Tenant Portfolio, as well as the Toyota Woodland Property, the Audi Barrie Property, the St. Bruno Audi & VW Property, the MB West Island Property, the VW Barrie Property, the Heritage Honda Property, the Mazda Des Sources Property, the Country Hills VW Property, the Audi Queensway Property, the BMW Regina Property, the Acura North Vancouver Property and the Lexus Laval Property (collectively, the "Dilawri Properties"). Under such leases, Dilawri provided an indemnity for the lease obligations of each other member of the Dilawri Group for the initial terms of the leases. Consequently, the Dilawri Group will be the REIT's most significant tenant for the foreseeable future, with members of the Dilawri Group and sublease arrangements with the Dilawri Group occupying approximately 57.0% of the REIT's GLA as of December 31, 2021 and other dealership groups occupying the remainder. The rent from the portions of the Dilawri Properties occupied by the Dilawri Group and sublease arrangements with the Dilawri Group represents approximately 61.8% of the REIT's base rent as of December 31, 2021, with the portions of the REIT's properties occupied by other dealership group tenants accounting for the remainder.

As of the date of this MD&A, the remaining terms of the Dilawri Leases range from approximately 4.5 to 18.1 years, with a weighted average lease term as at December 31, 2021 of approximately 10.5 years. Therefore, the REIT's net income could also be materially adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of Dilawri or the Dilawri Group, as the REIT's largest tenant.

Dilawri has agreed to provide certain financial information to the REIT for inclusion in its MD&A's pursuant to the terms of a financial information and confidentiality agreement entered into in conjunction with the IPO. Pursuant to the terms of the agreement, Dilawri will provide this financial information to the REIT for so long as the annual basic rent payable by the applicable members of the Dilawri Group, collectively, under their respective Dilawri Leases represents, in the aggregate, 60% or more of the REIT's Cash NOI during any rolling period of 12 consecutive calendar months, determined quarterly, following which Dilawri will no longer be required to provide the above financial information to the REIT and investors will no longer have access to this information, which could have an adverse effect on the trading price of the REIT Units. As of December 31, 2021, the annual basic rent payable by the applicable members of the Dilawri Group, collectively, under their respective Dilawri Leases represents approximately 61.8% of the REIT's Cash NOI during the 12-month period ended December 31, 2021.

Acquisition of Future Properties from the Dilawri Group

The REIT's ability to expand its asset base and increase AFFO per Unit through acquisitions will be significantly affected by the REIT's ability to leverage its relationship with the Dilawri Group to access opportunities to acquire additional properties that satisfy the REIT's investment criteria, including pursuant to the Strategic Alliance Agreement. There can be no assurance that the right of first offer granted to the REIT by Dilawri to acquire the Dilawri Group's interests in its properties will be exercised or that the Dilawri Group will dispose of interests in its properties. The inability of the REIT to expand its asset base by virtue of its relationship with the Dilawri Group or pursuant to the rights of first offer may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make cash distributions to REIT Unitholders.

Sale Provisions under the Strategic Alliance Agreement

Pursuant to the Strategic Alliance Agreement, the REIT has granted a right of first offer in favour of Dilawri in the event that the REIT intends to sell or otherwise to dispose of any of its properties in which a member of the Dilawri Group is a tenant or, where a member of the Dilawri Group is not a tenant, which the REIT acquired from a member of the Dilawri Group or pursuant to the Strategic Alliance Agreement.

In the event that the REIT desires to sell or otherwise dispose of a property, the existence of this right of first offer in favour of Dilawri could limit the number of purchasers of such property, make it more difficult to sell such property and/or decrease the potential purchase price that could be obtained for such property, which, in turn, could have a material adverse effect on the REIT. This right survives termination of the Strategic Alliance Agreement.

Potential Conflicts of Interest with Dilawri

Other than pursuant to the Strategic Alliance Agreement, Dilawri is not limited or restricted in any way from owning, acquiring, constructing, developing or redeveloping properties, and may itself compete with the REIT in seeking tenants and for the purchase, development and operation of desirable properties to be used as automotive dealerships.

Dilawri's continuing business may lead to conflicts of interest between Dilawri and the REIT. In addition, the remaining development and other services to be performed by Mr. Lamb for Dilawri may lead to conflicts of interest between Mr. Lamb and Dilawri. The REIT may not be able to resolve any such conflicts and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not a holder of a significant interest in the REIT. The agreements that the REIT has entered into with the Dilawri Group to date may be amended upon agreement between the parties, subject to applicable law and approval of the Trustees who are "independent" pursuant to National Instrument 58-101 — *Disclosure of Corporate Governance Practices*. Because of the Dilawri Organization's significant holdings in the REIT, the REIT may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the REIT as those the REIT could secure with a party that was not a significant effective REIT Unitholder. There can be no assurance that actual or potential conflicts of interest will be resolved in favour of the REIT.

Assumption of Liabilities

The REIT will assume liabilities arising out of or related to the business, operations or assets acquired by the REIT and has agreed to indemnify the vendors of the Initial Properties for, among other matters, such liabilities. The REIT may assume unknown liabilities that could be significant. The allocation of value for assets and liabilities between the vendors of the Initial Properties and the REIT may not reflect the allocation that would have been reached between the REIT and a party that was not in a position to exercise significant influence over it.

Risk Factors Related to the Real Estate Industry and the Business of the REIT

Interest Rate Risk

The REIT required extensive financial resources to complete the IPO, the acquisition of the Initial Properties in conjunction with the IPO and the acquisition of properties completed subsequent to the IPO and will require extensive financial resources to implement its future growth strategy.

When concluding financing agreements or extending such agreements, the REIT will depend on its ability to agree on terms, including in respect of interest payments and, if applicable, amortization that will not impair the REIT's desired AFFO and that do not restrict its ability to make distributions to REIT Unitholders.

In addition to the revolving credit facilities, the REIT may enter into future financing agreements with variable interest rates if the current historical low level of interest rates continue. Given the historically low interest rates, there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by the REIT to service debt, resulting in a decrease in or the elimination of distributions to REIT Unitholders, which could materially adversely affect the trading price of the REIT Units. In addition, increasing interest rates may put competitive pressure on the levels of distributable income made by the REIT to REIT Unitholders, increasing the level of competition for capital faced by the REIT, which could have a material adverse effect on the trading price of the REIT Units.

The REIT has implemented interest rate swap arrangements in respect of each of the Credit Facilities in order to offset the risk of interest rate fluctuations and to provide more certainty regarding the payment of distributions to REIT Unitholders. However, to the extent that the REIT fails to adequately manage its variable interest rate risks, its financial results, and its ability to pay distributions to REIT Unitholders and interest payments under the Credit Facilities and any other variable rate financings, may be materially adversely affected. Increases in interest rates generally cause a decrease in demand for real property. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by lenders, could have a material adverse effect on the REIT's growth strategy as well as its ability to sell any of its properties at fair value.

Current Economic Environment

Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of unemployment, volatile energy costs, geopolitical issues and the availability and cost of credit have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could materially adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have a material adverse effect on the ability of the REIT's tenants to maintain occupancy rates in the REIT's properties, which could harm the REIT's financial condition. If these economic conditions continue, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

Furthermore, future trade tariff policies may have a negative impact on future retail automotive sales through, among other things, increases to new automobile prices.

Real Property Ownership and Tenant Risks

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit), local economic conditions (such as an oversupply of properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, global health conditions and the ability of the owner to provide adequate maintenance at competitive costs.

There is no assurance that the operations of the REIT will be profitable or that cash from operations will be available to make distributions to REIT Unitholders. Real estate, like many other types of long-term investments, experiences significant fluctuation in value and, as a result, specific market conditions may result in occasional or permanent reductions in the value of the REIT's portfolio. The marketability and value of the REIT's portfolio will depend on many factors, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors); (iii) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential tenants or purchasers; (vi) competition with other landlords with similar available space; (vii) the ability of the REIT to provide adequate maintenance at competitive costs; (viii) changes in exchange rates; (ix) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (x) the financial condition of borrowers and of tenants, buyers and sellers of real estate assets; (xi) changes in real estate tax rates and other operating expenses; (xii) the imposition of rent controls; (xiii) energy and supply shortages; (xiv) various uninsured or uninsurable risks; and (xv) natural disasters. There can be no assurance of profitable operations because the costs of operating the portfolio, including Debt Service, may exceed gross rental income therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the REIT's income from such investments.

The Properties generate income through rent payments made by the Dilawri Group and third parties. The REIT depends on tenants who lease its properties to pay rent, maintain its properties and meet their other lease obligations. All of the REIT's properties rely on the Dilawri Group and third parties under a triple-net lease, which subjects the REIT to

additional risk related to the financial strength of the Dilawri Group and such third parties relative to multi-tenant properties. Furthermore, as the Dilawri Group will head lease all of the premises currently leased to third party tenants (with the exception of properties that are leased by the REIT to third parties), the Dilawri Group, not the REIT, will have control over the re-leasing of such premises. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. In addition, historical occupancy rates and rents are not necessarily an accurate prediction of future occupancy rates for the REIT's properties. The REIT's cash flows and financial position would be materially adversely affected if its tenants (and especially the Dilawri Group) were to become unable to meet their obligations under their leases or if a significant amount of available space in the REIT's properties was not able to be leased on economically favourable lease terms.

The REIT also depends on the tenant to keep the property adequately insured. If the tenant does not have enough insurance and there is a loss, the REIT could incur all or some of the cost to repair or replace the property. In addition, if the tenant fails to pay real estate taxes when due, the REIT may be required to pay these taxes. If a tenant fails to pay rent or perform any other obligation under the lease, the tenant could be in default under the lease. In the event of default by a tenant, the REIT may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. Any such process may be costly, time consuming and could divert the attention of management from the day-to-day-business of the REIT. Further, the REIT may be unsuccessful in collecting the money that is owed by a defaulting tenant. In addition, the Dilawri Leases may narrow the field of potential tenants at a property and could contribute to difficulties in leasing space to new tenants. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

The above list of ways in which the REIT depends on its tenants is not exhaustive. Other actions by the REIT's tenants could have an adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

Asset Class and Manufacturer Diversification

The REIT's investments are not widely diversified by asset class. Substantially all of the REIT's investments are in automotive dealership and service centre properties.

A lack of asset class diversification increases risk because automotive dealership properties are subject to their own set of risks, such as the risks associated with automotive manufacturers. Furthermore, Honda and Acura dealerships collectively represent approximately 20.4% of the gross automotive dealership rent paid to the REIT in 2021 and approximately 19.0% of the REIT's GLA as at December 31, 2021. Volkswagen and Audi dealerships collectively represent approximately 22.0% of the gross automotive dealership rent paid to the REIT in 2021 and approximately 19.6% of the REIT's GLA as at December 31, 2021. Because Acura is a division of Honda and Audi is a division of Volkswagen, any material adverse changes to the business of Honda and/or Volkswagen may adversely affect the ability of the Dilawri Group to meet its rent obligations, which in turn may have a material adverse effect on the REIT.

Geographic Concentration

The REIT's properties are all located in Canada, in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec. As a result, the market value of the REIT's properties, the income generated by the REIT and the REIT's performance are particularly sensitive to changes in the economic condition and regulatory environments of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec. Adverse changes in the economic condition or regulatory environment of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario or Québec may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make cash distributions to REIT Unitholders.

Competition

The REIT competes with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the properties of the REIT's competitors may be newer or better located than the REIT's properties.

Certain of these competitors may have greater financial and other resources and greater operating flexibility than the REIT. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for real estate property investments, thereby increasing purchase prices and reducing the yield on them.

The existence of competing managers and owners could have a material adverse effect on the REIT's ability to lease space and on the rents the REIT is able to charge, and could materially adversely affect revenues and the REIT's ability to meet its obligations and its ability to make cash distributions to REIT Unitholders.

Capital Expenditures and Fixed Costs

Certain significant expenditures, including property taxes, maintenance costs, Debt Service payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long-term, the REIT must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the REIT may not be able to recover from its tenants. In addition, property tax reassessments based on updated appraised values may occur, which the REIT may not be able to fully recover from its tenants. As a result, the REIT will bear the economic cost of such structural defects and/or taxes not recoverable from tenants which may adversely impact the REIT's financial condition and results from operations and decrease the amount of cash available for distribution to REIT Unitholders. Numerous factors, including the age of the relevant building, the materials used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. In addition, the timing and amount of capital expenditures may indirectly affect the amount of cash available for distribution to REIT Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

If the actual costs of maintaining or upgrading a property exceed the REIT's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the REIT is not permitted to increase rents due to legal or other constraints, the REIT will incur additional and unexpected costs.

If competing properties of a similar type are built in the area where one of the REIT's properties is located or similar properties located in the vicinity of one of the REIT's properties are substantially refurbished, the net operating income derived from, and the value of, the REIT's property could be reduced. Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the REIT earns from such properties. Any such event could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

Liquidity

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and for making distributions to REIT Unitholders.

Cybersecurity Risk

The REIT is in possession of certain confidential or sensitive information, including tenant and lease details, employee information, financial records and operational data ("Confidential Information"). Some of this Confidential Information is held and managed by third party service providers. The REIT has implemented processes, procedures and controls to prevent unauthorized access to Confidential Information and to build and sustain a reliable information technology infrastructure. However, these measures, and any similar measures implemented by the REIT's third party service providers, may not be sufficient to anticipate, timely identify or appropriately respond to the sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the security of the REIT's information technology systems or those of its third party service providers. Additionally, employee errors, including with respect to ineffective password management, may result in a breach of the REIT's or its third party service providers' security measures, which could result in a breach of Confidential Information.

Any system vulnerability or failure of data security measures of the REIT or its third party service providers could result in, among other things, operational interruption, harm to the reputation or competitive position of the REIT, the loss of or unauthorized access to Confidential Information or other assets, remediation costs, litigation, regulatory enforcement proceedings, violation of privacy, security or other laws and regulations and damage to the REIT's business relationship with its tenants.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of real property in Canada, the REIT is subject to various Canadian federal, provincial, territorial and municipal laws relating to environmental matters. In the event that the REIT acquires properties in the United States, it will also be subject to various U.S. federal, state and other environmental laws. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Additional liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the REIT's properties or with respect to the exposure of persons to such substances. These laws also govern the maintenance and removal of materials containing asbestos in the event of damage, demolition or renovation of a property and also govern emissions of, and exposure to, asbestos fibers in the air. Certain of the REIT's properties contain or might contain materials containing asbestos. The costs of investigation, removal and remediation of such substances, materials and/or contamination from the REIT's properties may be substantial and could materially adversely affect the REIT's financial condition and results of operations.

The presence of such substances, materials and/or contamination or the failure to remediate them may also materially adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in significant claims against the REIT by public or private parties.

The REIT is also exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of hazardous materials or contamination can materially adversely affect the value of a property and the REIT's ability to lease or sell such property.

All of the REIT's properties have, or have had, tenants that would or currently use, hazardous, toxic or other regulated substances. For example, automotive repair and/or service operations are currently located at each of the REIT's properties.

The REIT's operating policy is to obtain, or be able to rely on, a phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have phase II environmental site assessment work completed where recommended in a phase I environmental site assessment.

Although such environmental site assessments would provide the REIT with some level of assurance about the condition of such properties, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties, which could materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to REIT Unitholders.

The REIT intends to make, or require its tenants to make, the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the REIT's business, financial condition or results of operations and decrease or eliminate the amount of cash available for distribution to REIT Unitholders.

In addition, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have a material adverse effect on the REIT's financial condition and results of operations and may decrease or eliminate the amount of cash available for distribution to REIT Unitholders.

Financing Risks

The REIT has outstanding indebtedness of approximately \$416.2 million as of December 31, 2021. Although a portion of the cash flow generated by the REIT's properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest payments and principal repayments upon an applicable maturity date. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to REIT Unitholders.

The REIT is subject to the risks associated with debt financing, including the risk that any outstanding indebtedness will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. To the extent that the REIT incurs variable rate indebtedness (such as under the revolving credit facilities), this will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be materially adversely affected and decrease the amount of cash available for distribution to REIT Unitholders. The Credit Facilities and Mortgages also contain covenants that require the REIT to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, the REIT's ability to make distributions to REIT Unitholders may be limited or suspended. In particular, Facility 1, Facility 2 and Facility 3 limit distributions by the REIT to an amount not to exceed 100% of its consolidated adjusted funds from operations. Such maximum payout ratios could limit the amount of distributions payable by the REIT from time to time. In addition, the Credit Facilities contain restrictions concerning the change of control of the REIT and the Partnership (and/or requiring the REIT to remain publicly-traded) which may discourage transactions involving a change of control of the REIT, including transactions in which an investor, as a holder of the REIT Units, might otherwise receive a premium for its REIT Units over the then-current market price. Facility 1 also contains a limit on the amount the REIT can spend in any year on capital improvements to its properties. Although the REIT does not anticipate spending significant sums on capital improvements given that the Dilawri Leases are "triple-net" leases, such a limit could impact the REIT's ability to expand or otherwise make substantial structural improvements to its properties.

Degree of Leverage

The REIT's Debt to GBV Ratio was approximately 40.2% as of December 31, 2021. The REIT's degree of leverage could have important consequences to REIT Unitholders, including: (i) the REIT's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general trust purposes, making the REIT more vulnerable to a downturn in business or the economy in general and (ii) a portion of the REIT's cash flow

is dedicated to the payment of the principal of and interest on its Indebtedness, thereby reducing the amount of funds available for distributions to REIT Unitholders. Under the Declaration of Trust, the maximum amount of Indebtedness cannot exceed 60% of GBV (or 65% including convertible Indebtedness).

Land Leases

Two of the REIT's properties are subject to land leases. To the extent that the properties in which the REIT has or will have an interest are located on leased land, including these properties, the land leases may be subject to periodic rate resets which may fluctuate and may result in significant rental rate adjustments which could adversely impact the REIT's financial condition and operating results and decrease the amount of cash available for distribution to Unitholders. The land leases are also subject to renewal terms and may or may not be renewed by their respective third-party lessors.

Acquisitions and Associated Undisclosed Defects and Obligations

The REIT's business plan contemplates, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing the properties. The REIT has made and intends to continue to make acquisitions and dispositions of properties in accordance with its growth strategy. If the REIT is unable to manage its growth effectively, it could materially adversely impact the REIT's financial position and results of operations and decrease or eliminate the amount of cash available for distribution to REIT Unitholders. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to REIT Unitholders will be maintained or increase in the future.

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. For example, the REIT could acquire a property that contains undisclosed defects in design or construction. Representations and warranties given by third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. These circumstances could lead to additional costs and could have a material adverse effect on rental income of the relevant properties or the sale prices of such properties upon a disposition of such properties.

The REIT's ability to acquire properties on satisfactory terms and successfully integrate them is subject to the following additional risks: (a) the REIT may be unable to acquire desired properties because of competition from other real estate investors with more capital, including other real estate operating companies, real estate investment trusts and investment funds; (b) the REIT may acquire properties that are not accretive to results upon acquisition, and the REIT may not successfully manage and lease those properties to meet its expectations; (c) competition from other potential acquirers may significantly increase the purchase price of a desired property; (d) the REIT may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (e) the REIT may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (f) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and the REIT may spend significant time and money on potential acquisitions that the REIT does not consummate; (g) the process of acquiring or pursuing the acquisition of a new property may divert the attention of the REIT's management team from existing business operations; (h) the REIT may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (i) market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and (j) the REIT may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by tenants, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

In addition, after the acquisition of a property, the market in which the acquired property is located may experience unexpected changes that materially adversely affect the property's value. The occupancy of properties that are acquired may decline during the REIT's ownership, and rents that are in effect at the time a property is acquired may decline thereafter.

If the REIT cannot complete property acquisitions on favourable terms to meet the REIT's goals or expectations, the REIT's business, financial condition, results of operations and cash flow, the per Unit trading price and the REIT's ability to satisfy Debt Service obligations and to make cash distributions to REIT Unitholders could be materially and adversely affected.

Operational Risk

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management will endeavour to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls will be regularly reviewed and, if deemed necessary, improvements will be implemented.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties and refinance its indebtedness, as well as to fund its growth strategy and certain capital expenditures from time to time. Although the REIT has access to the revolving credit facilities, there can be no assurance that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, refinancing its indebtedness, financing or refinancing of properties, funding operating expenses or other purposes. Also, raising capital will be impacted directly by the equity capital markets. Further, in certain circumstances, the REIT may not be able to borrow funds due to limitations set forth in the REIT's Declaration of Trust. Failure by the REIT to access required capital could have a material adverse effect on the REIT's financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

Potential Conflicts of Interest

The trustees of the REIT will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of the REIT. Pursuant to the REIT's Declaration of Trust, all decisions to be made by the Board which involve the REIT are required to be made in accordance with the trustees' duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the voting REIT Unitholders. In addition, the Declaration of Trust contains provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters and the REIT's Related Party Transaction Policy creates a specific process to be undertaken by the REIT and its independent trustees in connection with transactions involving related parties, including Dilawri. Conflicts may also exist as certain trustees will be affiliated with the Dilawri Organization and may be nominated by Dilawri in certain circumstances in the future. There can be no assurance that the provisions of the Declaration of Trust or the Related Party Transaction Policy will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the REIT.

General Insured and Uninsured Risks

The Dilawri Leases require Dilawri (or the applicable member of the Dilawri Group) to carry general liability, umbrella liability and/or excess liability insurance with limits that are typically obtained for similar real estate properties and that are otherwise acceptable to the Board that names the REIT as an additional insured. For property risks, the Dilawri Leases require Dilawri (or the applicable member of the Dilawri Group) to carry "All Risks" property insurance, including but not limited to flood, earthquake and loss of rental income insurance (with at least a 12 month indemnity period) that names the REIT as an additional insured. The REIT also carries customary insurance covering its Trustees and officers as well as prospectus liability insurance. There are, however, certain types of risks (generally of a catastrophic nature, such as risks related to war or nuclear accident) which are uninsurable under any insurance policy. Furthermore, there

are other risks that are not economically viable to insure at this time. The REIT does not carry title insurance on the REIT's properties.

If a loss occurs resulting from a title defect with respect to a property where there is no title insurance, the REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property. While the REIT, as an additional insured on Dilawri's policies, will have insurance to cover a substantial portion of the cost of natural disasters, such insurance includes customary deductible amounts and certain items may not be covered by insurance.

Future natural disasters may materially adversely affect the REIT's operations and properties and, more specifically, may cause the REIT to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events.

Any of these events may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make distributions to REIT Unitholders.

Risk Related to Insurance Renewals

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When Dilawri's current insurance policies expire, it may encounter difficulty in obtaining or renewing property or casualty insurance at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. If Dilawri or the REIT is unable to obtain adequate insurance for certain risks, it could result in an event of default under the Dilawri Leases and/or could cause the REIT to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the REIT to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if Dilawri or the REIT were unable to obtain adequate insurance, and its properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make cash distributions to REIT Unitholders.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel, including certain executive officers and the Trustees. The REIT's inability to attract and retain qualified and experienced personnel or the loss of the services of any key personnel could have a material adverse effect on the REIT and materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to REIT Unitholders. The REIT does not have key person insurance on any of its executive officers.

New Markets

If the opportunity arises, the REIT may explore acquisitions of properties in new markets, such as the United States. Each of the risks applicable to the REIT's ability to acquire and successfully integrate and operate properties in its current markets is also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, the REIT may not possess the same level of familiarity with the dynamics and market conditions of any new markets, which could materially adversely affect its ability to expand into or operate in those markets. The REIT may be unable to achieve a desired return on its investments in new markets. If the REIT is unsuccessful in expanding into new markets, it could materially adversely affect its business, financial condition, results of operations and cash flow, its per REIT Unit trading price and its ability to satisfy Debt Service obligations and to make distributions to REIT Unitholders.

Property Development, Redevelopment and Renovation Risks

Although the REIT may engage in development, redevelopment or major renovation activities with respect to its properties, it does not expect to do so in any material way in the near term. However, if it does so, it will be subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or at all; (b) the availability and timely receipt of zoning and other regulatory approvals; (c) the ability to achieve an acceptable level of occupancy upon

completion; (d) the potential that the REIT may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (e) the potential that the REIT may expend funds on and devote management time to projects which it does not complete; (f) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (g) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the REIT's cash flow and liquidity; (h) the cost and timely completion of construction (including risks beyond the REIT's control, such as weather, labour conditions or material shortages); (i) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (j) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (k) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (l) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (m) the availability and pricing of financing to fund the REIT's development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the REIT's financial condition, results of operations, cash flow, the trading price of the Units, distributions to Unitholders and ability to satisfy the REIT's principal and interest obligations.

Derivative Risks

The REIT has swap facilities in place as part of Facility 1, Facility 2 and Facility 3. See "Section 7 – Liquidity and Capital Resources". The REIT may also use other derivative instruments, including futures, forwards, options and additional swaps to manage the interest rate risks inherent in its operations and Credit Facilities. There can be no assurance that any hedging activities of the REIT will be effective. Further, these activities, although intended to mitigate price volatility, would expose the REIT to other risks.

For example, the REIT would be subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there would be a risk of loss by the REIT of margin deposits in the event of the bankruptcy of the dealer with whom the REIT has an open position in an option or futures or forward contract. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these contracts involves judgment and use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The ability of the REIT to close out its positions may also be affected by exchange-imposed daily trading limits on options and futures contracts.

If the REIT is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have a material adverse effect on the REIT's ability to use derivative instruments to effectively hedge the interest rate risks inherent in its operations.

Joint Venture Arrangements

The REIT does not currently but may, directly or indirectly, invest in a joint venture arrangement, thereby acquiring a non-controlling interest in certain investments. Although the REIT may not have control over these investments and therefore may have a limited ability to protect its position therein, such joint venture arrangements are expected to contain terms and conditions which are commercially reasonable. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the REIT (including relating to the sale of properties held in the joint venture or the timing

of the termination and liquidation of such joint venture) or may be in a position to take action contrary to the REIT's investment objectives. The REIT also may, in certain circumstances, be liable for the actions of its third party co-venturers.

Litigation Risks

In the normal course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and, as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations, which could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

Investments in Debt Instruments

Under the Declaration of Trust, the REIT may hold direct or indirect investments in mortgages and mortgage bonds (including participating or convertible mortgages). Adverse changes to the financial condition of a mortgagor with respect to a mortgage held directly or indirectly by the REIT could have an adverse impact on the REIT's ability to collect principal and interest payments from such mortgagor and therefore, cause a reduction in the REIT's ability to make distributions to REIT Unitholders and in the value of that investment.

Based upon applicable laws governing the REIT's investments in debt instruments and the loans underlying the REIT's debt securities, the REIT's investments in debt may also be adversely affected by: (i) the operation of applicable laws regarding the ability to foreclose mortgage loans or to exercise other creditors' rights provided in the underlying loan documents; (ii) lender liability with respect to the negotiation, administration, collection or foreclosure of mortgage loans; (iii) penalties for violations of applicable usury limitations; and (iv) the impact of bankruptcy or insolvency laws.

Further, the REIT will not know whether the values of the properties securing the mortgage loans will remain at the levels existing on the dates of origination of those mortgage loans. If the values of the underlying properties fall, the risk to the REIT will increase because of the lower value of the security associated with such loans. Risk Factors Related to the Automotive Dealership Industry

Automotive Dealership Tenant Risks

All of the REIT's annual base minimum rent as of the date of this MD&A will be received from the Dilawri Group and other dealer group operators of automotive dealerships. Further, the REIT's external growth strategy is intended to primarily target acquisitions of automotive dealership properties. Therefore, the REIT will be affected and may be harmed by changes in the automotive dealership industry and the automotive production market.

An automotive dealership tenant's ability to pay rent and perform its other obligations under a lease will be dependent to a significant extent on its relationship with the automotive manufacturer. The automotive dealership tenants or their related dealership groups generally operate dealerships that sell the products of more than one manufacturer. The sales mix of makes and models of motor vehicles tends to change periodically; therefore, current sales of the makes or models of one manufacturer may not reflect the level of future sales of that manufacturer's products. A reduction in supply, particularly of certain models, could lower motor vehicle sales, which in turn could negatively impact service and parts sales. Other factors which can affect sales include the manufacturer's financial condition, marketing and incentive programs and expenditures; ability and desire to finance the sale of vehicles or provide warranties to consumers on vehicles sold; vehicle design; production capabilities and management of the manufacturer; supply chain disruptions, strikes and other labour actions by unions; negative publicity; product recalls; litigation; or future trade tariff policies that may impact future retail automotive sales through, among other things, increases to new automobile prices. The

automotive dealership tenant may be unable to pay rent or meet other lease obligations if a dealership's motor vehicle and parts supply is reduced. Further, the REIT depends on its tenants to maintain good relationships with automotive manufacturers and to comply with their franchise agreements. Manufacturers exercise a certain degree of control over dealerships, and the franchise agreements between the dealership groups and the manufacturers provide for termination or non-renewal for a variety of causes. The REIT has no rights under the franchise agreements. If a manufacturer terminates or declines to renew one or more franchise agreements or negotiates terms for renewal that are better for the manufacturer, the tenant may be unable to pay rent and perform its other obligations under its lease with the REIT. These factors, as well as other events involving the automotive dealership tenant/manufacturer relationship, could adversely affect the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

Furthermore, the business of the REIT's automotive dealership tenants is heavily dependent on consumer demand and preferences. Such tenants' revenues will be materially and adversely affected if there is a severe or sustained downturn in overall levels of consumer spending. Retail vehicle sales are cyclical and historically have experienced periodic downturns characterized by oversupply and weak demand. These cycles are often dependent on general economic conditions, unemployment and consumer confidence, as well as the level of discretionary personal income, credit availability and interest rates. Uncertainty as a result of the current military conflict in Ukraine may also adversely affect consumer demand. A sustained downturn in the sale of vehicles could have a material adverse effect on the REIT's automotive dealership tenants which, in turn, could materially adversely affect the financial performance of the REIT and its ability to make cash distributions to REIT Unitholders.

In addition, the automotive industry may experience significant change in the coming years, including as a result of increases in ride-sharing services, increased focus on electric vehicles and direct-to-consumer sales and financing channels. As these changes continue to evolve, the overall impact of these changes on the automotive dealership industry and its real estate needs remains uncertain.

Competitive Environment

The automotive dealership industry in Canada is highly competitive. If Dilawri or another automotive dealership tenant is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be negatively affected. The REIT's automotive dealership tenants are subject to competitive pressures from new brand entrants into the marketplace, from the expansion or renovation of existing competitors and from new sales channels such as the Internet.

The inability of these tenants to effectively predict market activity or compete effectively with their current or future competitors or new sales channels could result in, among other things, reduced market share and lower pricing in response to competitors' pricing activities.

Failure by any automotive dealership tenant, particularly the Dilawri Group, to sustain its competitive position could negatively affect its financial performance which, consequently, could materially adversely affect the financial performance of the REIT and its ability to make cash distributions to REIT Unitholders.

Economic Environment

Economic factors that impact motor vehicle consumer spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors include high levels of unemployment and household debt, increased interest rates, inflation, foreign exchange rates and commodity prices (including gasoline) and access to consumer credit. Uncertainty as a result of the current military conflict in Ukraine may also adversely affect consumer demand, including as a result of the impact on the price of oil. Any of these factors could negatively affect the automotive dealership tenants' revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could negatively affect the financial performance of the automotive dealership tenants, including the Dilawri Group, which, consequently, could materially adversely affect the financial performance of the REIT and its ability to make cash distributions to REIT Unitholders.

Risk Factors Related to the Structure of the REIT

Reliance on the Partnership

The REIT is dependent on the business of the Partnership for NOI. The cash distributions made to REIT Unitholders are dependent on the ability of the Partnership to make distributions in respect of the limited partnership units of the Partnership. The ability of the Partnership to make distributions or make other payments or advances to the REIT will depend on the Partnership's results of operations and may be restricted by, among other things, applicable tax and other laws and regulations and may be subject to contractual restrictions contained in any instruments governing the indebtedness of the Partnership, and any other agreements governing the Partnership. If the Partnership is unable to make distributions or other payments or advances to the REIT, such failure could have a material adverse effect on the REIT's financial condition or results of operations and its ability to make cash distributions to REIT Unitholders.

Return on Investment and Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, is entirely dependent on the operations and assets of the REIT, and is subject to various factors, including financial performance, obligations under the Credit Facilities, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. The REIT Units are equity securities of the REIT and are not traditional fixed income securities. Unlike fixed-income securities, there is no obligation of the REIT to distribute to REIT Unitholders any fixed amount and there is no promise to return the initial purchase price of a REIT Unit on a certain date in the future, and reductions in, or suspensions of, cash distributions may occur at any time that would reduce the yield of a REIT Unit. The market value of the REIT Units will deteriorate if the REIT is unable to meet its distribution and AFFO targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. Therefore, the rate of return over a defined period for a REIT Unitholder may not be comparable to the rate of return on a fixed income security that provides a "return on capital" over the same period.

Tax-Related Risk Factors

Mutual Fund Trust Status — The REIT intends to comply with the requirements under the *Income Tax Act* (Canada) (the "ITA") at all relevant times such that it maintains its status as a "unit trust" and a "mutual fund trust" for purposes of the ITA. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency respecting mutual fund trusts will not be changed in a manner that adversely affects REIT Unitholders. Should the REIT cease to qualify as a "mutual fund trust" under the ITA, the consequences may be material and adverse.

Non-Resident Ownership — Under the ITA, a trust may lose its status as a "mutual fund trust" if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of non-resident persons, except in limited circumstances. Accordingly, the Declaration of Trust provides that (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships, or (iii) a combination of non-residents and such partnerships (all within the meaning of the ITA) ("Non-Residents") may not be the beneficial owners of more than 49% of the REIT Units (determined on a basic or a fully-diluted basis). The Trustees also have various powers that can be used for the purpose of monitoring and controlling the extent of Non-Resident ownership of the REIT Units.

The restriction on the issuance of REIT Units by the REIT to Non-Residents may adversely affect the REIT's ability to raise financing for future acquisitions or operations. In addition, the Non-Resident ownership restriction may adversely impact the liquidity of the REIT Units and the market price at which REIT Units can be sold.

REIT Exception — Unless the exclusion from the definition of "SIFT trust" in the ITA for a trust qualifying as a "real estate investment trust" under the ITA applies to the REIT (the "REIT Exception"), the rules applicable to SIFT trusts and SIFT partnerships in the ITA (the "SIFT Rules") may have an adverse impact on the taxation of the REIT. Although, as of the date hereof, management believes that the REIT will be able to meet the requirements of the REIT Exception throughout

the current taxation year and each subsequent taxation year, there can be no assurance that the REIT will be able to qualify for the REIT Exception such that the REIT and the REIT Unitholders will not be subject to the SIFT Rules in the current taxation year or in any subsequent taxation year.

In the event that the SIFT Rules apply to the REIT, the tax consequences to REIT Unitholders will depend on the status of the holder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's distributions constitute "non-portfolio earnings" (as defined in the ITA), other income and returns of capital. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the REIT Units, the amount of cash available for distribution and the after-tax return to investors.

Tax Basis of the Initial Properties — The Initial Properties were acquired by the Partnership on a tax deferred basis, such that the tax cost of these properties is less than their fair market value at the time of acquisition. If one or more of such properties are disposed of, the gain realized by the Partnership for tax purposes (including any income inclusions arising from the recapture of previously claimed capital cost allowance on depreciable property) will be in excess of that which it would have realized if it had acquired the properties at their respective tax costs equal to their fair market values at the time of acquisition. For the purpose of claiming capital cost allowance, the "undepreciated capital cost" (as defined in the ITA) of such properties acquired by the Partnership was equal to the amounts jointly elected by the Partnership and the applicable transferor of such Initial Property on the tax-deferred acquisition of such property. The undepreciated capital cost of such properties was less than the fair market value of such properties. As a result, the capital cost allowance that the Partnership may claim in respect of such properties is less than it would have been if such properties had been acquired with a tax cost equal to their fair market values.

Loss Restriction Event — The ITA contains "loss restriction event" ("LRE") rules that may apply to certain trusts, including the REIT. In general, the REIT will experience an LRE each time any person, together with all other persons with whom that person is affiliated within the meaning of the ITA, or any group of persons, acquires REIT Units having a fair market value that is greater than 50% of the fair market value of all the outstanding REIT Units. If an LRE occurs, then among other things (i) the REIT will be deemed to have a year-end for tax purposes, (ii) any undistributed net income and net realized capital gains of the REIT at such year-end will be distributed to REIT Unitholders, and (iii) the REIT will be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the LRE.

Change in Law — There can be no assurance that federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency applicable to the REIT, including the treatment of "real estate investment trusts" and "mutual fund trusts" under the ITA, will not be changed in a manner which adversely affects the REIT or the REIT Unitholders. Any such changes may have a negative effect on the value of the REIT Units.

Potential Volatility of REIT Unit Prices

A publicly-traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the REIT Units may trade at a premium or a discount to values implied by appraisals of the REIT's properties.

The market price for REIT Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (i) actual or anticipated fluctuations in the REIT's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (iv) addition or departure of the REIT's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding REIT Units; (vi) sales or perceived sales of additional REIT Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets. Another factor that may influence the market price of the REIT Units is the annual yield on the REIT Units. An increase in market interest rates may lead purchasers of REIT Units to demand a higher annual yield, which accordingly could materially adversely affect the market price of the REIT Units.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the REIT Units may decline even if the REIT's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the REIT Units by those institutions, which could materially adversely affect the trading price of the REIT Units. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the REIT's operations could be materially adversely impacted and the trading price of the REIT Units may be materially adversely affected.

Restrictions on Redemptions

It is anticipated that the redemption right attached to the REIT Units will not be the primary mechanism by which REIT Unitholders liquidate their investment. The entitlement of REIT Unitholders to receive cash upon the redemption of their REIT Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such REIT Units and all other REIT Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) on the date such REIT Units are tendered for redemption, the outstanding REIT Units must be listed for trading on a stock exchange or market which the Trustees believe, in their sole discretion, provides fair market value prices for the REIT Units; (iii) the normal trading of REIT Units is not suspended or halted on any stock exchange on which the REIT Units are then listed (or, if not listed on a stock exchange, on any market on which the REIT Units are quoted for trading) on the date on which the REIT Units were surrendered for redemption (the "Redemption Date") for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date; and (iv) the redemption of the REIT Units must not result in the delisting of the REIT Units from the principal stock exchange on which the REIT Units are then listed.

"Subsidiary Notes" (being promissory notes of the Partnership, a trust all of the units of which, or a corporation all of the shares of which, are owned directly or indirectly by the REIT or another entity that would be consolidated with the REIT under IFRS, having a maturity date and interest rate determined by the Trustees at the time of issuance) ("Subsidiary Notes") which may be distributed to REIT Unitholders in connection with a redemption will not be listed on any exchange, no market is expected to develop in Subsidiary Notes and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws.

Subsidiary Notes so distributed do not currently qualify as qualified investments for trusts governed by a registered retirement savings plan, registered retirement income fund, registered disability savings plan, deferred profit sharing plan, tax-free savings account and registered education savings plan, each within the meaning of the ITA.

Nature of Investment

The REIT Units represent a fractional interest in the REIT and do not represent a direct investment in the REIT's assets and should not be viewed by investors as direct securities of the REIT's assets. A holder of a REIT Unit does not hold a share of a body corporate. As holders of REIT Units, the REIT Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of REIT Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the *Canada Business Corporations Act* which sets out the rights and entitlements of shareholders of corporations in various circumstances.

As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada), and thus the treatment of REIT Unitholders upon an insolvency of the REIT is uncertain.

Availability of Cash Flow

Although the REIT intends to make distributions of its available cash to Unitholders in accordance with its distribution policy, these cash distributions may be reduced or suspended. The actual amount distributed by the REIT will depend on various factors including capital market conditions, the financial performance of the Properties, debt covenants and obligations, working capital requirements, fluctuations in interest rates or any other business needs that the Trustees deem reasonable. The terms of the certain indebtedness of the REIT from time to time may prohibit payments or distributions from the REIT in certain circumstances. The REIT's Trustees retain the right to re-evaluate the distribution policy from time to time as they consider appropriate.

Dilution

The number of REIT Units that the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional REIT Units from time to time (including pursuant to the Plan or any employee incentive compensation plan that may be introduced in the future), and the interests of REIT Unitholders may be diluted thereby. The issuance of additional REIT Units may have a dilutive effect on the interests of REIT Unitholders.

Structural Subordination of REIT Units

In the event of a bankruptcy, liquidation or reorganization of the Partnership, holders of its indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of the Partnership before any assets are made available for distribution to the REIT or REIT Unitholders. The REIT Units are effectively subordinated to the debt and other obligations of the Partnership. The Partnership generates all of the REIT's cash available for distribution to REIT Unitholders and holds substantially all of the REIT's assets.

Limited Control

REIT Unitholders have limited control over changes in the REIT's policies and operations, which increases the uncertainty and risks of an investment in the REIT. The Board will determine major policies, including policies regarding financing, growth, debt capitalization, REIT qualification and distributions to REIT Unitholders. The Board may amend or revise these and other policies without a vote of Unitholders. Pursuant to the Declaration of Trust, Unitholders have a right to vote only on limited matters. The Trustees' broad discretion in setting policies and REIT Unitholders' inability to exert control over those policies increases the uncertainty and risks of an investment in the REIT.

Unitholder Liability

The Declaration of Trust provides that no REIT Unitholder will be subject to any liability whatsoever to any person in connection with the holding of a REIT Unit. In addition, legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide REIT Unitholders in those provinces with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a REIT Unitholder could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. It is intended that the affairs of the REIT will be conducted to seek to minimize such risk wherever possible.

Financial Reporting and Other Public Company Requirements

The REIT is subject to reporting and other obligations under applicable Canadian securities laws and rules of the stock exchange on which the REIT Units are listed, including National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on the REIT's management, administrative, operational and accounting resources. In order to meet such requirements, the REIT has established systems, implemented financial and management controls, reporting systems and procedures and hired accounting and finance staff.

However, any failure to maintain effective internal controls could cause the REIT to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the REIT cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose

confidence in the REIT's reported financial information, which could result in a reduction in the trading price of the REIT Units.

Management does not expect that the REIT's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

Critical Accounting and Judgments and Estimates

The preparation of the consolidated financial statement requires management to make judgments and estimates in applying the REIT's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy; a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the REIT believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

Investment Properties

The REIT assesses whether the properties it acquires are considered to be asset acquisitions or business combinations. The REIT considers all the properties it has acquired to date to be asset acquisitions.

Investment properties are reviewed by management in conjunction with independent appraisers. Valuations are completed by undertaking a discounted cash flow approach whereby a current discount rate is applied to the projected net operating income which a property can reasonably be expected to produce in the future. The external valuator's review of projected cash flows involves a review of assumptions relating to rental rates and residual values. These assumptions may not ultimately be achieved.

Leases

The REIT is required to make judgments in determining whether certain leases are operating or finance leases, in particular long-term leases. All tenant leases have been determined to be operating leases.

Income Taxes

The REIT is a mutual fund trust and a real estate investment trust as defined in the ITA. The REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the ITA relating to the nature of its assets and revenue. The REIT uses judgment in reviewing these prescribed conditions and assessing its interpretation and application to the REIT's assets and revenue. It has determined that it qualifies as a real estate investment trust for the current period.

The REIT expects to continue as a mutual fund trust and real estate investment trust under the ITA, however, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders and would be subject to tax.

APPENDIX

Property List as at December 31, 2021

Operating Name	Address	City/ Province	Year Built /Renov.	GLA
Properties (as at December 31, 2021)				
1. Dixie Auto Mall				
Dilawri-Owned Auto				
Volkswagen	5500 Ambler Drive	Mississauga, ON	1988/2011	39,209
Nissan	5500 Dixie Road	Mississauga, ON	1988/2001	26,369
Mazda	5500 Ambler Drive	Mississauga, ON	1987/2014	16,713
Infiniti	5500 Ambler Drive	Mississauga, ON	1988/2014	14,592
Mitsubishi	5525 Ambler Drive	Mississauga, ON	1998	8,000
Harley-Davidson (formerly Toyota)	5500 Dixie Road	Mississauga, ON	1987	22,078
Ancillary-other (formerly Nissan Truck)	5500 Dixie Road	Mississauga, ON	1998	13,890
Ancillary-other (formerly Hyundai)	5515 Ambler Drive	Mississauga, ON	1998	9,345
Third Party Auto				
Kia	5500 Dixie Road	Mississauga, ON	1987	17,735
Third Party Retail				
Montana's	1495 Aerowood Drive	Mississauga, ON	2001/2017	5,150
Kelsey's	1485 Aerowood Drive	Mississauga, ON	2001/2017	5,000
A&W	1465 Aerowood Drive	Mississauga, ON	1999/2016	4,000
Subway/Ice Flame	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	2,200
Enterprise Rent-a-Car	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	2,000
Euro Shawarma	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	1,875
Dixie Auto Mall Total				188,156
2. Markham Honda and Ford				
Dilawri-Owned Auto				
Markham Honda	8220 Kennedy Road	Markham, ON	2004	32,723
Third Party Auto				
Markville Ford Lincoln	8210 Kennedy Road	Markham, ON	1988/2010	39,287
Markham Honda and Ford Total				72,010
3. Calgary BMW	34 Heritage Meadows Road S.E.	Calgary, AB	2007	87,724
4. Calgary Honda	11700 Lake Fraser Dr S.E.	Calgary, AB	2005	43,511
5. Triple 7 Chrysler	700 Broad Street	Regina, SK	1959/2011	40,957
6. Porsche Centre Vancouver	688 Terminal Avenue	Vancouver, BC	2013	39,790
7. Frost Chevrolet Buick GMC Cadillac	150 Bovaird Drive West	Brampton, ON	2013/2018	43,210
8. Honda Used Car and Regina Collision Centre	815 Broad Street	Regina, SK	2012/2015	32,457
9. Oakville Honda	500 Iroquois Shore Road	Oakville, ON	2003/2006	33,334
10. Markham Acura	5201 Highway 7 E	Markham, ON	2002	32,025
11. Regina Honda/Acura	789 Broad Street	Regina, SK	2003/2015	30,863
12. Agincourt Mazda	5500 Finch Avenue E	Toronto, ON	2005	30,788
13. Dilawri Nissan Infiniti	1775 5th Avenue	Regina, SK	1998/2015	30,864
14. Audi Sales Downtown Vancouver	1788 West 2nd Avenue	Vancouver, BC	2013	29,300
15. Meadowvale Honda	2210 Battleford Road	Mississauga, ON	2007	34,539

16. Burrard Acura ⁽¹⁾	730 Terminal Avenue	Vancouver, BC	2015	27,640
17. Langley Acura ^(1,7)	20257 Langley Bypass	Langley, BC	2015	26,448
18. Distinctive Collection	150 Glendeer Circle S.E.	Calgary, AB	1988/2008	24,367
19. Bolton Toyota	12050 Albion Vaughan Road	Bolton, ON	2004	22,741
20. Hyundai Gallery	11770 Lake Fraser Dr S.E.	Calgary, AB	2006	22,185
21. North Vancouver Nissan Infiniti	819 Automall Drive	N. Vancouver, BC	1992/2002	19,050
22. Regina Hyundai	444 Broad Street	Regina, SK	2005	18,204
23. Ancillary-other (formerly Dilawri BMW)	1919 1st Avenue	Regina, SK	1997	12,456
24. Ancillary-other (1921 1 st Avenue, formerly Dilawri Acura)	1921 1st Avenue	Regina, SK	1997	11,390
25. Audi Service (formerly Infiniti Vancouver)	1718 West 3rd Avenue	Vancouver, BC	1999	11,722
26. Dilawri Mitsubishi	1750 6th Avenue	Regina, SK	1993/2003	6,750
27. Toyota Woodland	1000-1009 Woodland Avenue	Montreal, QC	2007/2008	49,737
28. Porsche Centre Edmonton and Jaguar Land Rover Edmonton ⁽²⁾	17007 111th Avenue N.W.	Edmonton, AB	2014	44,779
29. Audi Barrie	2482 Doral Drive	Innisfil, ON	2015	24,982
30. Pfaff Audi ⁽²⁾	9088 Jane Street	Vaughan, ON	2006	68,874
31. St. Bruno Audi and Volkswagen	1905&1917 Boulevard Sir Wilfrid Laurier	St. Bruno, QC	1987/2014	62,705
32. Mercedes Benz West Island	4525 Boulevard Saint-Jean	Montreal, QC	2016	60,850
33. Go Mazda ⁽²⁾	9704 & 9710 35 Avenue N.W.	Edmonton, AB	2006/2017	17,150
34. Volkswagen Barrie	50 and 60 Fairview Road & 5 Little Avenue	Barrie, ON	2017	20,102
35. Heritage Honda	11609 40 Street S.E.	Calgary, AB	2016	58,913
36. Kentwood Ford Compound ⁽²⁾	8603,8703,8735,8815 127th Avenue N.W.	Edmonton, AB	1969	4,040
37. Southtown Hyundai ⁽²⁾	3603 99 th Street N.W.	Edmonton, AB	2004	12,554
38. Tesla Edmonton ⁽²⁾⁽³⁾	17616 111 th Avenue N.W.	Edmonton, AB	2008	25,550
39. Mazda des Sources	2345 Place Transcanadienne	Dorval, QC	2017	16,701
40. Country Hills VW	11380 Stonehill Drive NE, Calgary	Calgary, AB	2019	34,650
41. BMW Laval ⁽²⁾	2440-2450 Boulevard Chomedey	Laval, QC	2000/2012	127,615
42. Sherwood Park VW ⁽²⁾	2365 Broadmoor Boulevard, Sherwood Park	Sherwood Park, AB	2015	70,277
43. Brimell Toyota ⁽²⁾	5060 Sheppard Avenue East, Toronto	Scarborough, ON	2002/2010	55,600
44. Elite BMW ⁽²⁾	1040 Ogilvie Road	Ottawa, ON	2007/2016	48,366
45. Civic Motors ⁽²⁾	1171 St. Laurent Boulevard	Ottawa, ON	2002/2012	30,000
46. Elite BMW Service ⁽²⁾	595 St. Laurent Boulevard	Ottawa, ON	1989	7,500

47. Camco Acura ⁽²⁾	1475 Carling Avenue	Ottawa, ON	2016	45,879
48. MINI Ottawa ⁽²⁾	1501 Carling Avenue	Ottawa, ON	2015	30,000
49. Bank Street Toyota ⁽²⁾	1811 Bank Street	Ottawa, ON	2013	57,152
50. Ogilvie Subaru ⁽²⁾	1056 Parisien Street	Ottawa, ON	2014	13,533
51. Subaru Detailing Centre ⁽²⁾	1352 Gosset Street	Ottawa, ON	1969/2015	5,500
52. Orleans Honda ⁽²⁾	2055 Mer Bleue Road	Ottawa, ON	2015	24,531
53. Kingston Toyota ⁽²⁾	1911 Bath Road	Kingston, ON	2005	25,130
54. Lexus of Kingston ⁽²⁾	1917 Bath Road	Kingston, ON	2005	16,226
55. Tesla KW Service Centre ⁽²⁾	663 Victoria Street North	Kitchener, ON	2020	18,500
56. St. James Volkswagen ⁽²⁾	670 Century Street	Winnipeg, MB	2004	39,494
57. McNaught Cadillac Buick GMC ⁽²⁾	1000-1717 Waverly Street	Winnipeg, MB	2015	56,641
58. Wellington Motors ⁽²⁾	935 Woodlawn Road West	Guelph, ON	2003	40,793
59. Guelph Hyundai ⁽²⁾	765 Woodlawn Road West	Guelph, ON	2014	28,007
60. Abbotsford VW ⁽²⁾	30150 & 30195 Automall Drive	Abbotsford, BC	2018	22,921
61. Audi Queensway	1635 The Queensway	Etobicoke, ON	2018	65,547
62. Straightline Kia ⁽²⁾	100 Glendeer Circle SE	Calgary, AB	2018	21,808
63. Regina BMW	1001 Broad Street	Regina, SK	2019	19,619
64. Acura North Vancouver	828 Automall Drive	N. Vancouver, BC	2010	22,373
65. Tesla Laval ⁽²⁾	3755 AutoRoute Des Laurentides	Laval, QC	2021	127,396
66. Lexus Laval ⁽⁴⁾	2000 Boulevard Chomeday	Laval, QC	2006/2013	30,015
Portfolio Total as at December 31, 2021				2,524,491
<i>Subsequent Acquisitions</i>				
67. Magog Honda ^{(2) (5)}	2390,2400 Sherbrooke Street	Magog, QC	2006/2009/2011	56,195
68. Sherbrooke Honda ^{(2) (5)}	2555-2615 King Street West	Sherbrooke, QC	1960/2014	26,990
69. Walkley Road ^{(2) (6)}	1223 Walkley Road	Ottawa, ON	2006	4,424
70. Tesla Barrie ^{(2) (8)}	2474 Doral Drive	Innisfil, ON	2021	16,670
71. Tesla Quebec ^{(2) (8)}	2200 Cyrille-Duquet Street	Quebec City, QC	2019	30,663
72. Tesla Quebec ^{(2) (8)}	2180 Cyrille-Duquet Street	Quebec City, QC	2019	20,100
Total as at date of the MD&A				2,679,583

Notes:

- (1) The REIT has a leasehold interest in this property.
- (2) The REIT has leased this property to other dealership group tenants unrelated to the Dilawri Group.
- (3) In January 2021, the lease was assigned to Tesla Canada.
- (4) Lexus Laval was acquired by the REIT on March 1, 2021.
- (5) Magog Honda and Sherbrooke Honda were acquired by the REIT in January 2022.
- (6) Walkley Road, a small parcel of land in Ottawa, ON, was acquired by the REIT in February 2022 as part of a strategic acquisition of land adjoining the REIT's Bank Street Toyota property and is leased to a third party health care provider.
- (7) The leasehold interest in the Langley Acura dealership property was acquired by the REIT in January 2022.
- (8) Tesla Barrie and Tesla Quebec were acquired by the REIT in February 2022.



Automotive Properties Real Estate Investment Trust
Consolidated Financial Statements
For the year ended December 31, 2021 and 2020



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Independent Auditor's Report

To the Unitholders of Automotive Properties Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Automotive Properties Real Estate Investment Trust and its subsidiaries (the "REIT"), which comprise the consolidated statement of financial position as at December 31, 2021, and 2020, and the consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the REIT as at December 31, 2021, and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the REIT in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair Value of Investment Properties

Refer to Note 6 - Investment Properties.

As at December 31, 2021, the carrying value of the REIT investment properties of \$1,025 million accounted for 97.5% of the REIT's total assets.

The valuation of investment properties was a key audit matter due to the significant judgment involved with the key inputs used in valuation techniques and the sensitivity of fair value to changes in significant assumptions. These key inputs include capitalization rates and discount rates and are dependent on the nature of each investment property and the current prevailing market conditions.



How the Audit Matter was Addressed in the Audit:

Our audit procedures included the following among others:

- assessed the competence, capabilities and objectivity of the external appraisers engaged by the REIT and the REIT's management involving the valuation process;
- obtained an understanding of the techniques used by the external appraisers and management in determining the valuation of investment properties on a sample basis;
- with the assistance of our real estate valuation experts, evaluated the fair value methodology used by the external appraisers and management;
- performed an assessment of the internal consistency of significant underlying assumptions such as capitalization rates and net operating incomes and compared the significant underlying assumptions to the market;
- assessed management's review and approval process for valuations and budgets; and
- evaluated the adequacy of the disclosures included in the consolidated financial statements relating to the fair value of investment properties.

Because of the subjectivity involved in determining fair value for individual investment properties and the existence of alternative assumptions and valuation methods, we determined a range of fair values that were considered reasonable to evaluate the fair values determined by external appraisers and management.

Other Information

Management is responsible for the other information. The other information comprises:

- the information included in Management's Discussion and Analysis for the year ended December 31, 2021; and
- the information, other than the consolidated financial statements and auditor's report thereon, in the 2021 Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The 2021 Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.



- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the REIT to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kerri Plexman.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 22, 2022

Automotive Properties REIT Consolidated Balance Sheets

<i>(in thousands of Canadian dollars)</i>	Note	As at December 31, 2021	As at December 31, 2020
ASSETS			
Cash and cash equivalents		\$474	\$308
Accounts receivable and other assets	7	25,969	3,815
Investment properties	6	1,025,207	932,229
Total assets		\$1,051,650	\$936,352
LIABILITIES AND UNITHOLDERS' EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	9	\$13,038	\$15,378
Credit facilities and mortgages payable	8	413,983	396,030
Interest rate swaps	8	6,872	22,847
Unit-based compensation	12	8,884	4,463
Class B LP Units	11	148,502	106,385
Total liabilities		591,279	545,103
Unitholders' equity		460,371	391,249
Total liabilities and unitholders' equity		\$1,051,650	\$936,352

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Trustees

"Louis Forbes"

Louis Forbes
Trustee, Audit Committee Chair

"John Morrison"

John Morrison
Trustee, Lead Independent

Automotive Properties REIT

Consolidated Statements of Income and Comprehensive Income

(in thousands of Canadian dollars)
For the year ended December 31,

	Note	2021	2020
Net Property Income			
Rental revenue from investment properties	13	\$78,218	\$75,124
Property costs	13	(11,137)	(11,105)
Net Operating Income		\$67,081	\$64,019
Other Income (Expenses)			
General and administrative expenses		(4,673)	(4,223)
Interest expense and other financing charges		(15,580)	(15,730)
Fair value adjustment on interest rate swaps	8	15,976	(17,832)
Distribution expense on Class B LP Units	10	(7,988)	(7,988)
Fair value adjustment on Class B LP Units and Unit-based compensation	11, 12	(44,555)	14,403
Fair value adjustment on investment properties	6	75,157	(5,684)
Net Income and Comprehensive Income		\$85,418	\$26,965

See accompanying notes to the consolidated financial statements.

Automotive Properties REIT

Consolidated Statements of Changes in Unitholders' Equity

For the year ended December 31, 2021
(in thousands of Canadian dollars)

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at December 31, 2020		\$380,757	\$100,103	\$(89,611)	\$391,249
Units issued, net of costs for acquisition	11	14,762	-	-	14,762
Units issued under unit-based compensation	12	175	-	-	175
Net Income		-	85,418	-	85,418
Distributions	10	-	-	(31,233)	(31,233)
Unitholders' Equity at December 31, 2021		\$395,694	\$185,521	\$(120,844)	\$460,371

For the year ended December 31, 2020
(in thousands of Canadian dollars)

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at December 31, 2019		\$380,757	\$73,138	\$(59,303)	\$394,592
Units issued, net of costs for acquisition	11	-	-	-	-
Units issued under unit-based compensation	12	-	-	-	-
Net Income		-	26,965	-	26,965
Distributions	10	-	-	(30,308)	(30,308)
Unitholders' Equity at December 31, 2020		\$380,757	\$100,103	\$(89,611)	\$391,249

See accompanying notes to the consolidated financial statements.

Automotive Properties REIT

Consolidated Statements of Cash Flow

(in thousands of Canadian dollars)

For the year ended December 31,	Note	2021	2020
OPERATING ACTIVITIES			
Net income		\$85,418	\$26,965
Straight-line rent		(2,220)	(2,984)
Bad debt expense (recovery)		(277)	277
Non-cash compensation expense		1,983	1,316
Fair value adjustment on interest rate swaps		(15,976)	17,832
Distribution expense on Class B LP Units		7,988	7,988
Fair value adjustment on Class B LP Units and Unit-based compensation		44,555	(14,403)
Fair value adjustment on investment properties		(75,157)	5,684
Interest expense and other charges		15,024	15,187
Financing fees		556	543
Amortization of other assets		183	183
Change in non-cash operating accounts	18	135	(1,420)
Cash Flow from operating activities		62,212	57,168
INVESTING ACTIVITIES			
Deposits for acquisitions of investment properties	7	(24,445)	-
Acquisitions of investment properties		(423)	(42,524)
Additions to investment properties		-	(3,254)
Cash Flow used in investing activities		(24,868)	(45,778)
FINANCING ACTIVITIES			
Proceeds from Credit Facilities and Mortgages		40,688	25,600
Principal and Revolver repayment on Credit Facilities		(22,326)	(28,005)
Interest paid		(14,674)	(14,876)
Financing fees paid		(871)	(36)
Repayments on lease liabilities		(736)	(735)
Cost of issuances of Units		(38)	-
Distributions to REIT unitholders and Class B LP unitholders		(39,221)	(38,296)
Cash Flow used in financing activities		(37,178)	(56,348)
Net increase (decrease) in cash and cash equivalents during the year		166	(44,958)
Cash and cash equivalents, beginning of year		308	45,266
Cash and cash equivalents, end of year		\$474	\$308

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(in thousands of Canadian dollars, except Unit and per Unit amounts)

1. NATURE OF OPERATIONS

Automotive Properties Real Estate Investment Trust (the "REIT") is an internally managed, unincorporated, open-ended real estate investment trust existing pursuant to a declaration of trust dated June 1, 2015, as amended and restated on July 22, 2015 (the "Declaration of Trust") under, and governed by, the laws of the Province of Ontario. The REIT was formed to own primarily income-producing automotive dealership properties located in Canada. The principal, registered and head office of the REIT is located at 133 King Street East, Suite 300, Toronto, Ontario M5C 1G6. The REIT's trust units ("Units") are listed on the Toronto Stock Exchange and are traded under the symbol "APR.UN".

893353 Alberta Inc. ("Dilawri") is a privately held corporation, which, together with certain of its affiliates, held an approximate 28.8% (2020 – 26.0%) effective interest in the REIT as at December 31, 2021, through the ownership, direction or control of all of the 9,933,253 Class B limited partnership units ("Class B LP Units") of Automotive Properties Limited Partnership, the REIT's operating subsidiary (the "Partnership"), and 4,185,254 Units. The Class B LP Units are economically equivalent to, and exchangeable for, Units. Dilawri and its affiliates, other than its shareholders and controlling persons, are referred to herein as the "Dilawri Group".

The REIT commenced operations on July 22, 2015 following completion of an initial public offering of Units (the "IPO"). In connection with the completion of the IPO, the REIT indirectly acquired a portfolio of 26 commercial properties from certain members of the Dilawri Group (the "Initial Properties") and leased the Initial Properties to the applicable member of the Dilawri Group (collectively, and including members of the Dilawri Group that became tenants at a REIT property after the IPO, the "Dilawri Tenants").

As at December 31, 2021, the REIT owned a portfolio of 66 income-producing commercial properties. The properties are located in metropolitan areas across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, totaling approximately 2.5 million square feet of gross leasable area. The Dilawri Tenants are the REIT's major tenant, occupying 38 of the REIT's 66 income-producing commercial properties as at December 31, 2021. See Note 19 – Subsequent Events.

The subsidiaries of the REIT included in the REIT's consolidated financial statements include the Partnership and Automotive Properties REIT GP Inc. Effective January 1, 2020, management, operating and administrative support personnel were employed directly by the REIT.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The consolidated financial statements of the REIT have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were authorized for issuance by the Board of Trustees of the REIT (the "Board") on March 22, 2022.

(b) Basis of Presentation

The consolidated financial statements of the REIT have been prepared using the historical cost basis except for the following items that were measured at fair value:

- investment properties as described in Note 6;
- interest rate swaps as described in Note 8;
- Class B LP Units which are exchangeable for Units at the option of the holder as described in Note 11; and
- Deferred Units ("DUs"), Income Deferred Units ("IDUs"), Restricted Deferred Units ("RDUs") and Performance Deferred Units ("PDUs", and together with DUs, IDUs and RDUs, "Unit-based compensation") which are exchangeable for Units in accordance with their terms as described in Note 2(l) and Note 12.

The consolidated financial statements are presented in Canadian dollars, the REIT's functional and reporting currency.

(c) Basis of Consolidation

The consolidated financial statements include the accounts of the REIT and the other entities that the REIT controls in accordance with IFRS 10 — *Consolidated Financial Statements*. Control requires exposure or rights to variable

returns and the ability to affect those returns through power over an investee. All intercompany transactions and balances have been eliminated on consolidation.

(d) Investment Properties

Investment properties include properties held to earn rental income and/or for capital appreciation, and property under development. Investment properties are initially measured at cost, including directly attributable acquisition costs. Directly attributable acquisition costs include professional fees, land transfer taxes and other transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Fair value is determined based on available market evidence at each balance sheet date. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. Related fair value gains and losses are recorded in net income and comprehensive income in the period in which they arise.

(e) Revenue Recognition

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Property revenue includes rents earned from tenants under lease agreements and realty tax recoveries.

The REIT follows the straight-line method of recognizing rental revenue, whereby the total amount of basic rent to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant and is included as part of investment properties on the consolidated balance sheet. Lease incentives provided to tenants are deferred and amortized on a straight-line basis against revenue over the term of the lease.

(f) Expenses

Property costs and general and administrative expenses are recognized in income in the period in which they are incurred. The indemnity fee is amortized over the average lease term with the Dilawri Tenants that have third party sub-tenants.

(g) Leases

The REIT is the lessee for two land leases and one office lease, which are in the scope of IFRS 16 – *Leases* (“IFRS 16”) and, as at January 1, 2019 the REIT recognized right-of-use assets and lease liabilities of \$7,694. For all leases for which the REIT is a lessee of investment properties, the right-of-use assets have been measured at fair value with no straight line depreciation and classified as investment property at the date of initial application on January 1, 2019. The office lease right-of-use asset is recognized in accounts receivable and other assets. The depreciation charge is presented in the general and administrative expense. Amortization is recorded on a straight line basis over the term of the lease. Lease liabilities were discounted at the REIT’s incremental borrowing rate as at January 1, 2019.

(h) Income Taxes

The REIT qualifies as a “mutual fund trust” under the *Income Tax Act* (Canada). The Board intends to annually distribute all taxable income directly earned by the REIT to holders of Units (“Unitholders”) and to deduct such distributions for income tax purposes.

Legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships (“SIFT”) provide that certain distributions from a SIFT will not be deductible in computing the SIFT’s taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as return of capital should generally not be subject to tax.

Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the “REIT Exception”). The REIT has reviewed the SIFT rules and has assessed their interpretation and application to the REIT’s assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, the REIT believes that it meets the REIT Exception and, accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated statements of income and comprehensive income.

(i) Units and Class B LP Units

Units are redeemable at the holder’s option subject to certain limitations and restrictions. As a result, the Units are liabilities by definition but qualify for presentation as equity under certain limited exceptions within IAS 32 — *Financial Instruments: Presentation* (“IAS 32”). The Class B LP Units are economically equivalent to Units, receive distributions equal to the distributions paid on Units and are exchangeable at the option of the holder into Units. One special voting unit in the REIT (the “Special Voting Units”) has been issued to the holder of each Class B LP Unit issued (such Special Voting Unit does not have any entitlement in the REIT with respect to distributions, but does generally entitle the holder to that number of votes at any meeting of Unitholders to which a holder of the number of Units that are

obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled). The limited IAS 32 exception for presentation as equity does not extend to the Class B LP Units. As a result, the Class B LP Units have been classified as financial liabilities and are measured at fair value through profit and loss ("FVTPL"). The fair value of the Class B LP Units is measured every period by reference to the traded value of the Units, with changes in value recorded through profit and loss.

Distributions on the Class B LP Units are recorded as an expense in the consolidated statements of income and comprehensive income in the period in which they become payable.

(j) Cash and Cash Equivalents

Cash consists of cash on hand and unrestricted cash. Cash equivalents consist of highly liquid marketable investments with an original maturity date of 90 days or less from the date of acquisition. As at December 31, 2021, there were \$nil of cash equivalents (December 31, 2020 - \$nil).

(k) Financial instruments

Financial instruments are classified as one of the following: (i) measured at amortized cost, (ii) fair value through other comprehensive income ("FVTOCI"), or (iii) FVTPL. Financial assets and liabilities classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as amortized cost are measured at amortized cost, using the effective interest method. The REIT recognizes an allowance for expected credit losses ("ECL") for financial assets measured at amortized cost at each balance sheet date. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability weighted basis. Impairment losses, if incurred, would be recorded as expenses in the consolidated statements of income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. FVTOCI financial instruments are measured at fair value and any unrealized gains and losses will be recognized in other comprehensive income (loss).

The following summarizes the REIT's classification and measurement of financial assets and liabilities:

	Classification/Measurement
Financial assets	
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Credit Facilities and Mortgages	Amortized cost
Class B LP Units and Unit-based compensation	FVTPL
Interest rate swaps	FVTPL

Acquisition costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs primarily include interest and finance fees that are incurred in connection with borrowings.

(l) Unit-Based Compensation

DUs may be granted to members of the Board ("Trustees"), officers, employees and other eligible persons of the REIT (each, a "Participant"). DUs granted to Trustees will generally vest immediately. DUs granted to officers, employees and other eligible persons of the REIT will generally vest as to one-third on each of the third, fourth and fifth anniversary of the applicable grant date. RDUs are granted to officers, employees and other eligible persons of the REIT only and vest over a three-year period following the applicable grant date. PDUs are granted to officers, employees and other eligible persons of the REIT only and cliff vest at the end of the applicable three-year performance period based on the relative performance of the REIT over the performance period. Each DU, PDU and RDU shall receive a distribution of additional IDUs equal to the amount of distributions paid per Unit by the REIT on its Units. Liability in respect of the DUs, PDUs, RDUs and IDUs is adjusted to reflect the change in their fair value at each reporting period with the changes in fair value recognized in the consolidated statements of income (loss) and comprehensive income (loss). The holder of such DUs, PDUs, RDUs and IDUs cannot settle their DUs, PDUs, RDUs or IDUs for cash.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments and estimates in applying the REIT's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy; a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses. The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the REIT believes could have the most significant impact on the amounts recognized in the consolidated financial statements. The REIT's significant accounting policies are described in Note 2.

Investment Properties

The REIT assesses whether the properties it acquires are considered to be asset acquisitions or business combinations. The REIT considers all the properties it has acquired to date to be asset acquisitions. The REIT applies judgment when reporting any property under development. The cost of the property under development includes the acquisition of the property, direct development costs and borrowing costs attributable to the development.

Investment properties are valued by management. Valuations are completed by undertaking a discounted cash flow approach, whereby a current discount rate is applied to the projected net operating income that a property can reasonably be expected to produce in the future. These assumptions may not ultimately be achieved.

Income Taxes

The REIT is a mutual fund trust and a real estate investment trust as such terms are defined in the *Income Tax Act* (Canada). The REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the *Income Tax Act* (Canada) relating to the nature of its assets and revenue. The REIT uses judgment in reviewing these prescribed conditions and assessing its interpretation and application to the REIT's assets and revenue. The REIT has determined that it qualifies as a real estate investment trust in respect of the current period.

The REIT expects to continue to qualify as a mutual fund trust and real estate investment trust under the *Income Tax Act* (Canada), however, should it no longer qualify, the REIT would not be able to flow through its taxable income to Unitholders and would, therefore, be subject to tax.

COVID-19

The REIT has incorporated its assessment of the potential impact of COVID-19 into its estimates and assumptions, all of which are subject to increased uncertainty due to the market disruptions caused by COVID-19, specifically with respect to the fair value of the REIT's investment properties as described in Note 6.

The REIT has collected 100% of its contractual base rent due under its leases for the year ended December 31, 2021 (2020 – 97%). In 2020, the REIT agreed to defer, predominately interest-free, a portion of the applicable tenants' base rent for primarily a three-month period occurring between April and July 2020 (the "Deferral Agreements"). All amounts deferred under the Deferral Agreements have been collected as at December 31, 2021.

The REIT assessed the risk of credit loss on a tenant-by-tenant basis as well as the duration of the applicable Deferral Agreement. For the year ended December 31, 2021, the REIT had a \$nil balance (2020 – \$277) for its allowance for doubtful accounts and bad debt expense which reflects the credit risk relating to the collection of the receivable balances totaling \$nil (2020 – \$2,301).

4. NEW STANDARDS AND INTERPERTATIONS NOT YET ADOPTED

There are new standards and interpretations that are issued but not effective and these do not have a significant impact on the consolidated financial statements as at December 31, 2021.

5. ACQUISITIONS

During the year ended December 31, 2021, the REIT completed the following acquisitions:

Property	Location	Date of Acquisition	Total Investment Properties ⁽¹⁾
Lexus Laval ⁽ⁱ⁾	Laval, QC	March 1, 2021	\$15,262
Total Acquisitions			\$15,262

(1) Includes acquisition costs.

- (i) On March 1, 2021, the REIT acquired the land and buildings of the Lexus Laval automotive dealership located in Laval, Quebec, for \$14,800 plus acquisition costs of \$462, from the Dilawri Group. The REIT funded the purchase price for the property through the issuance of 1,369,102 Units to the applicable member of the Dilawri Group, valued at \$14,800. The Lexus Laval property is a 30,015 square foot full-service automotive dealership property.

During the year ended December 31, 2020, the REIT completed the following acquisitions:

Property	Location	Date of Acquisition	Total Investment Properties ⁽¹⁾
Regina BMW & Acura North Vancouver	Regina, SK & North Vancouver, BC	February 5 & February 6, 2020	\$29,568
Tesla Laval	Laval, QC	August 25, 2020	\$13,978
Total Acquisitions			\$43,546

(1) Includes acquisition costs.

6. INVESTMENT PROPERTIES

	Income producing properties	Right-of-use assets ⁽¹⁾	December 31, 2021	December 31, 2020
Balance, beginning of year	\$925,890	\$6,339	\$932,229	\$888,129
Acquisitions ⁽²⁾	15,262	-	15,262	43,546
Additions	339	-	339	3,254
Fair value adjustment on investment properties	75,610	(453)	75,157	(5,684)
Straight-line rent ⁽³⁾	2,220	-	2,220	2,984
Balance, end of year	\$1,019,321	\$5,886	\$1,025,207	\$932,229

(1) Refers to two land leases.

(2) Includes acquisition costs.

(3) Includes a deduction for amortization of tenant allowance of \$259 (2020 - \$142).

Valuation of Investment Properties

The REIT valued the investment properties using a discounted cash flow approach whereby a current discount rate was applied to the projected net operating income which a property can reasonably be expected to produce in the future. Property under development is measured using both a comparable sales method and a discounted cash flow method, net of costs to complete. The REIT's valuation inputs are supported by quarterly market reports from an independent appraiser. In 2021, the REIT had 21 investment properties (2020 - 17) independently appraised, representing approximately \$440,000 (2020 - \$313,000) of the REIT's fair value of income producing properties. For the year ended December 31, 2021, the REIT decreased the discount rates for properties in specific markets resulting in an overall 40 basis point portfolio reduction. The fair value gain adjustments for the year ended December 31, 2021 resulted in the overall capitalization rate applicable to the REIT's entire portfolio decreasing to 6.3% as at December 31, 2021 (December 31, 2020 - 6.7%).

In 2021, the REIT provided \$339 of capital commitments for facility improvements to one of the tenants of the REIT's properties located in Edmonton, Alberta. In 2020, the REIT provided funding for facility improvements to one of the tenants of the REIT's automotive dealership properties located in Winnipeg, Manitoba in accordance with the terms of the purchase agreement in respect of the acquisition. Capital commitments of \$1,908 resulted in an annual rent increase effective March 6, 2020. Additional capital commitments of \$1,346 resulted in an annual rent increase effective July 7, 2020.

A 25 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of the investment properties of approximately \$42,100 or \$(38,800), respectively, as of December 31, 2021.

A 50 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of the investment properties of approximately \$87,700 or \$(74,800), respectively, as of December 31, 2021.

Rental Commitments

Minimum rental commitments on non-cancellable tenant operating leases are as follows:

Within 1 year	\$65,696
After 1 year, but not more than 5 years.....	270,805
More than 5 years	489,074
	<u>\$825,575</u>

7. ACCOUNTS RECEIVABLE AND OTHER ASSETS

As at	December 31, 2021	December 31, 2020
Prepaid indemnity fee	\$523	\$597
Right-of-use assets, net of depreciation	90	180
Tenant accounts receivable (Note 3) ⁽¹⁾	-	2,024
Prepaid other ⁽²⁾	25,356	1,014
	<u>\$25,969</u>	<u>\$3,815</u>

(1) Allowance for doubtful accounts of \$nil (December 31, 2020 - \$277).

(2) Includes deposits of \$24,445 in respect of the property acquisitions completed in January 2022. See Note 19 – Subsequent Events.

8. CREDIT FACILITIES AND MORTGAGES PAYABLE

(a) Credit facilities and mortgages consist of:

As at	December 31, 2021	December 31, 2020
Facility 1 ⁽ⁱ⁾	\$190,206	\$202,086
Facility 2 ⁽ⁱⁱ⁾	90,707	95,403
Facility 3 ⁽ⁱⁱⁱ⁾	111,100	85,500
Mortgages ^(iv)	24,148	14,905
Total	416,161	397,894
Financing fees ^(v)	(2,178)	(1,864)
	<u>\$413,983</u>	<u>\$396,030</u>

(i) Facility 1 includes:

A non-revolving loan in the amount of \$178,306 (December 31, 2020 – \$186,486) bearing interest at the bankers' acceptance ("BA") rate plus 150 basis points ("bps") or the Canadian Prime rate ("Prime") plus 25 bps, maturing in June 2023. The principal is repayable in equal quarterly payments based on a 25 year amortization. The REIT entered into floating-to-fixed interest rate swaps, with remaining terms of 1 to 9 years as at December 31, 2021, which resulted in a weighted average effective interest rate of 3.72% (December 31, 2020 – 3.73%), of which \$17,820 (2020 – \$18,414) of the non-revolving balance remains at floating rates.

A revolving credit facility in the amount of \$30,000 bearing interest at Prime plus 25 bps or BA rate plus 150 bps, maturing in June 2023, of which \$11,900 was drawn as at December 31, 2021 (December 31, 2020 – \$15,600) and \$838 was secured for the issuance of irrevocable letters of credit (the "LCs") on October 24, 2017.

(ii) Facility 2 includes:

A non-revolving loan in the amount of \$90,707 (December 31, 2020 – \$95,403) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, maturing in June 2024. The principal is repayable in monthly blended payments based on a 20 year amortization. The REIT entered into floating-to-fixed interest rate swaps with remaining terms of 1.5 to 9 years as at December 31, 2021, which resulted in a weighted average effective interest rate of 3.52% (December 31, 2020 – 3.52%).

A revolving credit facility in the amount of \$15,000 bearing interest at Prime plus 25 bps or BA rate plus 150 bps, maturing in June 2024, of which \$nil was drawn as at December 31, 2021 (2020 – \$nil).

(iii) Facility 3 includes:

A non-revolving loan in the amount of \$111,100 (December 31, 2020 – \$85,500) bearing interest at the BA rate plus 150 bps or Prime plus 50 bps, maturing in June 2026. The principal is repayable in monthly blended payments based on a 20 year amortization. In June 2021, the REIT increased the amount of the non-revolving loan by \$20,187 and extended the maturity from December 2023 to June 2026. During November 2021, the REIT further increased the amount of the non-revolving loan by \$10,500. The REIT entered into floating-to-fixed interest rate swaps with remaining terms of 4 to 10 years, which resulted in a weighted average effective interest rate of 3.91% (December 31, 2020 – 4.05%), of which \$5,187 (December 31, 2020 – \$nil) of the non-revolving balance remains at floating rates.

The revolving portion of the credit facility increased from \$30,000 to \$40,000 in November 2021, bearing interest at Prime plus 25 bps or BA rate plus 150 bps, maturing in June 2026, of which \$nil was drawn as at December 31, 2021 (December 31, 2020 – \$nil).

(iv) Mortgages:

The REIT has entered into certain mortgages with Canadian Schedule 1 banks and a life insurance company that have interest rates that range from 2.21% to 3.72% and have maturity dates that range from June 2027 to April 2031 (the "Mortgages"). In January 2021, the REIT renewed a Mortgage in the amount of approximately \$5,791 for a term of 7 years and, in April 2021, the REIT entered into a new Mortgage in the amount of \$10,000 for a term of 10 years. As at December 31, 2021, the weighted average interest rate of the Mortgages was 3.24% (December 31, 2020 – 3.52%).

(v) During the twelve-month period ended December 31, 2021, the REIT incurred financing fees of \$871 (December 31, 2020 – \$36). The amounts are accounted for using the effective interest method, and \$2,178 remains unamortized at December 31, 2021 (December 31, 2020 – \$1,864).

The credit facilities described above (the "Credit Facilities") and the Mortgages are secured by the REIT's investment properties. As of December 31, 2021, the REIT had seven unencumbered properties with an aggregate fair value of approximately \$105,780.

Principal repayments are as follows:

2022	\$31,399
2023	190,287
2024	78,862
2025	6,602
2026	89,605
Thereafter	19,406
Total	<u>\$416,161</u>

(b) Interest Rate Swaps

The REIT entered into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates payable on variable rate financings for Facility 1, Facility 2, and Facility 3. Gains or losses arising from changes in the fair value of the interest rate derivative contracts are recognized in the consolidated statements of income (loss) and comprehensive income (loss) (terms described in Note 8 (a)(i), (ii) and (iii) above).

As at December 31, 2021, the notional principal amount of the interest rate swaps was approximately \$357,327 (December 31, 2020 – approximately \$349,000) and the fair value adjustment of the interest rate swaps was \$15,976 (December 31, 2020 – \$(17,832)). This resulted in a liability balance of \$6,872 (December 31, 2020 – \$22,847).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

As at	December 31, 2021	December 31, 2020
Accounts payable and accrued liabilities	\$2,831	\$4,873
Accrued interest	321	323
Distributions payable (Note 10)	3,284	3,192
Lease liabilities (Note 2(g))	6,602	6,990
	<u>\$13,038</u>	<u>\$15,378</u>

As at December 31, 2021, the REIT, as lessee, is committed under long term land and other leases that are classified as a liability to make lease payments with minimum annual rental commitments as follows (not including imputed interest costs):

Within 1 year	\$407
After 1 year, but not more than 5 years	2,103
More than 5 years	4,092
Total	<u>\$6,602</u>

10. DISTRIBUTIONS

	December 31, 2021			December 31, 2020		
	Units	Class B LP Units	Total	Units	Class B LP Units	Total
Paid in Cash	\$31,233	\$7,988	\$39,221	\$30,308	\$7,988	\$38,296
Declared	31,233	7,988	39,221	30,308	7,988	38,296
Payable as at period end	2,618	666	3,284	2,526	666	3,192

11. UNITHOLDERS' EQUITY AND CLASS B LP UNITS

Units

The REIT is authorized to issue an unlimited number of Units.

Each Unit is transferable and represents an equal, undivided beneficial interest in the REIT and any distributions from the REIT, whether of net income, net realized capital gains (other than such gains allocated and distributed to redeeming Unitholders) or other amounts and, in the event of the termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. All Units rank equally among themselves without discrimination, preference or priority and entitle the holder thereof to receive notice of, to attend and to one vote at all meetings of Unitholders and holders of Special Voting Units or in respect of any written resolution thereof.

Unitholders are entitled to receive distributions from the REIT (whether of net income, net realized capital gains or other amounts) if, as and when declared by the Board. Upon the termination or winding-up of the REIT, Unitholders will participate equally with respect to the distribution of the remaining assets of the REIT after payment of all liabilities. Such distribution may be made in cash, as a distribution in kind, or both, all as the Board in its sole discretion may determine.

Units have no associated conversion or retraction rights. No person is entitled, as a matter of right, to any pre-emptive right to subscribe for or acquire any Unit, except for Dilawri as set out in the Exchange Agreement entered into on closing of the IPO between the REIT and certain members of the Dilawri Group, pursuant to which such members of the Dilawri Group have been granted, among other things, certain rights to participate in future offerings of the REIT.

Class B LP Units

In conjunction with the IPO, and as partial consideration for the Initial Properties, the REIT, through the Partnership, issued Class B LP Units to certain members of the Dilawri Group. Each Class B LP Unit is exchangeable at the option of the holder for one Unit (subject to certain anti-dilution adjustments), is accompanied by a Special Voting Unit (which provides the holder with that number of votes at any meeting of Unitholders to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled), and will receive distributions of cash from the Partnership equal to the distributions to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled.

For the year ended December 31, 2021

	Units	Amount
Units, beginning of year	37,697,052	\$380,757
Units issued, net of costs	1,383,102	14,937
Total Units, end of year	39,080,154	395,694
Class B LP Units, beginning of year	9,933,253	\$106,385
Fair value adjustment on Class B LP Units	-	42,117
Total Class B LP Units, end of year	9,933,253	\$148,502
Total Units and Class B LP Units, end of year	49,013,407	\$544,196

For the year ended December 31, 2020

	Units	Amount
Units, beginning of year	37,697,052	\$380,757
Units issued, net of costs	-	-
Total Units, end of year	37,697,052	380,757
Class B LP Units, beginning of year	9,933,253	\$120,689
Fair value adjustment on Class B LP Units	-	(14,304)
Total Class B LP Units, end of year	9,933,253	\$106,385
Total Units and Class B LP Units, end of year	47,630,305	\$487,142

12. UNIT BASED-COMPENSATION

The REIT offers an Equity Incentive Plan (the "Plan") whereby DUs, PDUs and RDUs may be granted to eligible Participants on a discretionary basis by the Governance, Compensation and Nominating Committee of the Board. The maximum number of Units available for issuance under the Plan is 1,000,000. Each DU, PDU and RDU is economically equivalent to one Unit, however, under no circumstances shall they be considered Units nor entitle a Participant to any rights as a Unitholder, including, without limitation, voting rights or rights on liquidation. Each DU, PDU and RDU shall receive a distribution of additional IDUs equal to the amount of distributions paid per Unit by the REIT on its Units. Upon vesting of the DUs, PDUs, RDUs and IDUs, a Participant may elect, prior to their expiry, to exchange such vested DUs, PDUs, RDUs and IDUs (subject to satisfaction of any applicable withholding taxes) for an equal number of Units. The holder of such DUs, PDUs, RDUs and IDUs cannot settle them for cash. Under the Plan, the fair value of the DUs, PDUs, RDUs and IDUs is recognized as compensation expense over the vesting period. Fair value is determined with reference to the market price of the Units.

The Units are redeemable at the option of the holder and are considered puttable instruments in accordance with IAS 32. As the exemption under IAS 32 does not apply to IFRS 2 — *Share Based Payments*, the DUs and IDUs are accounted for as a liability. The deferred unit liability is adjusted to reflect the change in their fair value at each reporting period with the changes in fair value recognized as compensation expense.

During the year ended December 31, 2021, the REIT accrued short-term incentive awards in the amount of \$463 which will be settled by the granting of DUs and/or cash (December 31, 2020 – \$459).

All independent Trustees of the REIT elected to receive board and committee fees in the form of DUs. The fair value of each DU granted is measured based on the volume-weighted average trading price of the Units for the five trading days immediately preceding the grant date. The amount of DUs, PDUs, RDUs and IDUs vested and outstanding under the Plan is outlined below:

As at December 31, 2021

	Units Granted	Units Outstanding ⁽¹⁾	Outstanding Unit-based compensation End of Year ⁽²⁾
DUs	546,703	468,826	7,010
PDUs	34,707	11,789	176
RDUs	34,707	18,761	280
IDUs	114,578	94,868	1,418
Total	730,695	594,244	\$8,884

As at December 31, 2020

	Units Granted	Units Outstanding ⁽³⁾	Outstanding Unit-based compensation End of Year ⁽²⁾
DUs	494,960	357,798	3,879
PDUs	18,673	1,556	17
RDUs	18,673	2,853	30
IDUs	72,966	54,054	537
Total	605,272	416,261	\$4,463

(1) During the year ended December 31, 2021, a total of 14,000 DUs and IDUs were exchanged for Units valued at \$175.

(2) Includes a fair value adjustment of \$2,438 (2020 – (\$99))

(3) During the year ended December 31, 2020, no Unit-based compensation was exchanged for Units.

13. RENTAL REVENUE AND PROPERTY COSTS

(a) Rental Revenue

<i>For the year ended December 31,</i>	2021	2020
Base rent	\$64,245	\$61,312
Property tax recoveries	11,414	10,828
Straight line rent adjustment	2,220	2,984
Lease termination fee ⁽¹⁾	339	-
Rental revenue	\$78,218	\$75,124

(1) Relates to a fee charged to a tenant for early termination of a lease agreement.

(b) Property Costs

<i>For the year ended December 31,</i>	2021	2020
Property tax expense	\$11,414	\$10,828
Bad debt expense (recovery) (Note 3)	(277)	277
Property cost	\$11,137	\$11,105

14. SEGMENT INFORMATION

All of the REIT's assets and liabilities are in, and its revenues are derived from, the Canadian real estate industry segment. The REIT's investment properties are, therefore, considered by management to have similar economic characteristics.

15. CAPITAL MANAGEMENT

The REIT defines its capital as the aggregate of Unitholders' equity, Class B LP Units, Credit Facilities and Mortgages which, as at December 31, 2021, totaled \$1,022,856 (December 31, 2020 – \$893,664). The REIT is free to determine the appropriate level of capital in the context of its cash flow requirements, overall business risks and potential business opportunities. The REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

In order to maintain or adjust its capital structure, the REIT may increase or decrease the amount of distributions paid to Unitholders, issue new Units and debt, or repay debt. The REIT manages its capital structure with the objective of:

- complying with the guidelines set out in its Declaration of Trust;
- complying with debt covenants;
- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future growth; and
- minimizing its cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The REIT has certain key financial covenants in its Credit Facilities and Mortgages, including debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are measured by the REIT on an ongoing basis to ensure compliance with the agreements. As at December 31, 2021, the REIT was in compliance with each of the covenants under these agreements.

16. FAIR VALUES AND FINANCIAL INSTRUMENT RISK MANAGEMENT

The fair value of the REIT's financial assets and financial liabilities, except as noted below, approximate their carrying values due to their short-term nature.

The following table provides the classification and measurement of financial assets and liabilities as at December 31, 2021:

Financial Assets/(Liabilities)	Classification/ Measurement	Carrying Value	Fair Value
Credit Facilities and Mortgages payable	Amortized Cost	\$(413,983)	\$(416,161)
Interest Rate Swaps	FVTPL	(6,872)	(6,872)
Class B LP Units	FVTPL	(148,502)	(148,502)
Unit-based compensation	FVTPL	(8,884)	(8,884)
		\$(578,241)	\$(580,419)

The following table provides the classification and measurement of financial assets and liabilities as at December 31, 2020:

Financial Assets/(Liabilities)	Classification/ Measurement	Carrying Value	Fair Value
Credit Facilities and Mortgages payable	Amortized Cost	\$(396,030)	\$(397,894)
Interest Rate Swaps	FVTPL	(22,847)	(22,847)
Class B LP Units	FVTPL	(106,385)	(106,385)
Unit-based compensation	FVTPL	(4,463)	(4,463)
		\$(529,725)	\$(531,589)

The REIT uses various methods to estimate the fair values of assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 – quoted prices in active markets for identical assets and liabilities;
- 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 following summarizes the significant methods and assumptions used in estimating the fair value of the REIT's assets and liabilities measured at fair value:

(i) Investment Properties

The REIT assessed the valuation of the investment properties using a discounted cash flow approach whereby a current discount rate was applied to the projected net operating income which a property can reasonably be expected to produce in the future. The fair value of investment properties as at December 31, 2021 is \$1,025,207 (December 31, 2020 – \$932,229) (Level 3).

(ii) Credit Facilities and Mortgages

The fair value of the REIT's Credit Facilities and Mortgages is determined based on the present value of future payments, discounted at the yield on Government of Canada bonds, plus an estimated credit spread at the reporting date for a comparable loan (Level 2).

(iii) Interest Rate Swaps

The fair value of the REIT's interest rate swaps which represents a liability balance as at December 31, 2021 is \$6,872 (December 31, 2020 – \$22,847). The fair value of an interest rate swap is determined using rates observable in the market (Level 2).

(iv) Class B LP Units

The fair value of the Class B LP Units as at December 31, 2021 is \$148,502 (December 31, 2020 – \$106,385). The fair value of the Class B LP Units is based on the traded value of the Units as at December 31, 2021 (Level 1).

(v) Unit-based compensation

The fair value of Unit-based compensation as at December 31, 2021 is \$8,884 (December 31, 2020 – \$4,463). The fair value of Unit-based compensation is based on the traded value of the Units as at December 31, 2021 (Level 1).

Financial Risk Management

The REIT's activities expose it to a variety of financial risks. The main risks arising from the REIT's financial instruments are market, liquidity and credit risks. Below is a description of those risks and how the exposures are managed. See also Note 3 for a discussion of the risks and uncertainties related to the COVID-19 pandemic.

Market Risk

The REIT is exposed to market risk as a result of changes in factors such as interest rates and the market price of the Units.

Interest Rate Risk - The majority of the REIT's debt is financed with floating rates. Interest rate swaps (with maturities staggered over 10 years) have been entered into to mitigate interest rate fluctuations, thereby mitigating the exposure to changes in interest rates.

Unit Price Risk - The REIT is exposed to Unit price risk as a result of the issuance of Class B LP Units. Class B LP Units are recorded at their fair value based on market trading prices. Class B LP Units negatively impact net income when the Unit price rises and positively impact net income when the Unit price declines.

Liquidity Risk

Liquidity risk arises from the possibility of an inability to renew maturing debt or not having sufficient capital available to the REIT. Mitigation of liquidity risk is discussed above in Note 15 – Capital Management. A significant portion of the REIT's assets have been pledged as security under the REIT's Credit Facilities and Mortgages. Certain of the Credit Facilities allow for an extension of the term in advance of expiration.

Credit Risk

The REIT is exposed to credit risk from the possibility that counterparties could default on their financial obligations to the REIT. Exposure to credit risk arises from the possibility that the REIT's counterparties may experience financial difficulty and be unable to meet their obligations. The REIT's revenues will be dependent on the ability of the tenants to meet their obligations and the REIT's ability to collect rent therefrom. See also Note 3 for a discussion of the risks and uncertainties related to the COVID-19 pandemic.

17. RELATED PARTY TRANSACTIONS

The REIT's independent Trustees approve all related party transactions in accordance with the Related Party Transaction Policy adopted by the Board. The Dilawri Tenants are the REIT's major tenant and accounted for approximately 61.8% of the REIT's rental income for the year ended December 31, 2021 (December 31, 2020 – 61.9%).

In consideration of the applicable Dilawri Tenants leasing the entirety of the two Initial Properties with third party tenants (and thereby bearing occupancy, rental and other risks associated with the portions of those properties subleased to third party tenants for the initial lease terms of 12 and 15 years), the REIT paid to such Dilawri Tenants an indemnity fee in the aggregate amount of \$1,000 at the time of closing of the IPO (amortizable over the term of the leases).

On October 24, 2017, Dilawri paid the REIT \$896 in respect of the recoverable land transfer tax associated with the acquisition of the Initial Properties. To defer the land transfer tax, the REIT subsequently issued the LCs to the land transfer tax authority in the amount of approximately \$753 on behalf of specific members of the Dilawri Group that sold certain of the Initial Properties to the REIT in connection with the IPO. The Dilawri Group held all of the 9,933,253 issued and outstanding Class B LP Units for 3 years subsequent to the IPO and, accordingly, the LCs are expected to be released. The REIT is working with the applicable tax authorities and Dilawri to secure the release of the LCs.

In connection with the IPO, the REIT and Dilawri entered into the Strategic Alliance Agreement which established a preferential and mutually beneficial business and operating relationship between the REIT and Dilawri. The Strategic Alliance Agreement will be in effect so long as Dilawri and certain other entities related to Dilawri own, control or direct, in the aggregate, an effective interest of at least 10% (on a fully diluted basis) in the REIT. The Strategic

Alliance Agreement provides the REIT with the first right to purchase REIT-Suitable Properties (as defined in the Strategic Alliance Agreement) in Canada or the United States acquired or developed by the Dilawri Group. The purchase price in respect of a REIT-Suitable Property will be mutually agreed by the REIT and Dilawri at the applicable time and supported by an independent appraisal report. Pursuant to the Strategic Alliance Agreement, the REIT acquired the following investment properties in 2021 and 2020:

- On March 1, 2021, the REIT acquired the Lexus Laval dealership property in Laval, Quebec from a member of the Dilawri Group for \$14,800 and leased it to a Dilawri Tenant.
- On February 6, 2020, the REIT acquired the Acura North Vancouver automotive dealership property from a member of the Dilawri Group for \$17,500 and leased it to a Dilawri Tenant.
- On February 5, 2020, the REIT acquired the Regina BMW automotive dealership property from a member of the Dilawri Group for \$11,350 and leased it to a Dilawri Tenant.

Key personnel consist of the REIT's executive officers and independent Trustees. Compensation of key personnel are as follows:

<i>For the year ended December 31,</i>	2021	2020
Salaries, benefits and short-term incentives of executive officers	\$817	\$843
Unit-based compensation paid to executive officers	1,629	974
Independent Trustee fees paid in DUs and IDUs	409	417
Compensation of key personnel	\$2,855	\$2,234

18. SUPPLEMENTARY INFORMATION

Changes in non-cash operating accounts

<i>(in thousands of Canadian dollars)</i>	2021	2020
Accounts receivable and other assets	\$2,383	\$(1,939)
Accounts payable and accrued liabilities	(2,248)	519
Change in non-cash operating accounts	\$135	\$(1,420)

19. SUBSEQUENT EVENTS

On January 17, 2022, the REIT acquired the real estate underlying the Sherbrooke Honda and Magog Honda automotive dealership properties from a third party for a combined purchase price of \$23,400. The REIT funded the acquisitions by drawing on its revolving Credit Facilities and cash on hand.

On January 21, 2022, the REIT acquired the freehold interest in the approximately 2.15 acres of land underlying the Langley Acura automotive dealership property from a third party for approximately \$15,100. The land was previously leased to the REIT and continues to be tenanted by the Acura Langley automotive dealership in Langley, British Columbia. The REIT now receives land lease payments, in addition to continued leasehold rent payments, from the operating tenant of the Langley Acura dealership, an affiliate of the Dilawri Group. The REIT funded the purchase price by drawing on its revolving Credit Facilities.

On February 1, 2022, the REIT acquired a parcel of land in Ottawa, Ontario, which adjoins the REIT's Bank Street Toyota automotive dealership property, for approximately \$675 and is currently tenanted by a health care provider. The REIT funded the purchase price by drawing on its revolving Credit Facilities.

On February 25, 2022, the REIT acquired the real estate underlying three Tesla automotive service properties for a combined purchase price of \$25,900. The properties are tenanted by Tesla Canada, with two in Quebec City, Quebec and one in Innisfil, Ontario. The REIT funded the acquisitions by drawing on its revolving Credit Facilities.

N° :

**COUR SUPÉRIEURE
DISTRICT DE TERREBONNE**

LOUIS DE FRANCESCO

Demandeur

c.

**CLUB DE GOLF LE MAÎTRE DE
MONT TREMBLANT**

-et-

CLUBLINK CORPORATION ULC

-et-

TWC ENTREPRISES LTD.

-et-

PAROS ENTERPRISES LIMITED

Défendeurs

PIÈCE 3

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**DEMANDE D'AUTORISATION
D'EXERCER UNE ACTION
COLLECTIVE ET D'AUTORISER UN
REPRÉSENTANT**

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