ADVENTUS REALTY TRUST

Condensed Financial Statements

For the three months ended March 31, 2020

Unaudited – prepared by management

Expressed in thousands of United States dollars

(in thousands of U.S. dollars)

		March 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Investment properties (note 5)	$	**889,200**	882,200
Goodwill (note 4b)		**10,392**	10,392
		899,592	892,592
Current assets			
Prepaid expenses and other current assets		**3,025**	708
Accounts receivable (note 6)		**1,866**	2,064
Restricted cash		**30,637**	31,202
Cash		**7,696**	7,969
		43,224	41,943
TOTAL ASSETS	$	**942,816**	934,535
LIABILITIES			
Non-current liabilities			
Mortgages payable (note 7)	$	**424,952**	426,554
Convertible debentures (note 9)		**10,626**	11,479
Preferred units (note 13)		**250**	250
Unit options payable (note 11)		**504**	478
		436,332	438,761
Current liabilities			
Mortgages payable – current portion (note 7)		**6,700**	6,573
Mortgages payable – maturing (note 7)		**46,540**	46,540
Convertible debentures – current portion (note 9)		**34,390**	35,370
Promissory notes payable (note 10)		**2,000**	-
Prepaid rent		**3,516**	4,215
Accounts payable and accrued liabilities		**40,788**	36,540
		133,934	129,238
TOTAL LIABILITIES		**570,266**	567,999
UNITHOLDERS' EQUITY (note 14)		**372,550**	366,536
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	$	**942,816**	934,535

Commitments and contingencies (note 20)
Subsequent events (note 21)

Approved by the Trustee, Adventus Realty Services Inc.

/s/ Ronald Anderson	**Director**	*/s/ Rodney B. Johnston*	**Director**
Ron Anderson		Rodney B. Johnston	

The accompanying notes are an integral part of these condensed financial statements

(in thousands of U.S. dollars, except unit amounts)

	Units		Unitholders' Equity
Balance, December 31, 2018	15,333,306	$	291,655
Units issued during the period under distribution reinvestment plan, net (note 14)	7,364		124
Net income (loss) and comprehensive income (loss)	-		4,441
Distributions to trust unitholders (note 14)	-		(4,026)
Balance, March 31, 2019	**15,340,670**	**$**	**292,194**
Balance, December 31, 2019	18,943,958		366,536
Units issued during the period for cash, net (note 14)	757,814		12,491
Units issued during the period under distribution reinvestment plan (note 14)	24,621		392
Unit based compensation costs (note 12)	-		143
Net income (loss) and comprehensive income (loss)	-		(3,603)
Distributions to trust unitholders (note 14)	-		(3,409)
Balance, March 31, 2020	**19,726,393**	**$**	**372,550**

(in thousands of U.S. dollars)

		For the three months ended March 31, 2020		For the three months ended March 31, 2019
REVENUES				
Rental	**$**	**26,772**	$	25,145
Amortization of tenant incentives		**(953)**		(1,002)
Services		**255**		303
TOTAL REVENUES		**26,074**		24,446
OPERATING EXPENSES				
Insurance		**332**		301
Property taxes		**4,703**		4,098
Utilities		**2,206**		2,270
Property operating expenses		**6,195**		5,525
TOTAL OPERATING EXPENSES		**13,436**		12,194
NET OPERATING INCOME		**12,638**		12,252
OTHER INCOME				
Foreign exchange gain (loss)		**1,996**		(352)
Fair value adjustments to investment properties (note 5)		**(4,205)**		(1,061)
TOTAL OTHER INCOME (LOSS)		**(2,209)**		(1,413)
OTHER EXPENSES				
Interest (note 7)		**7,061**		5,780
Aborted acquisition costs (note 5)		**6,000**		-
General and administrative		**745**		400
Legal and professional fees		**226**		185
Change in non-controlling interest		**-**		33
TOTAL OTHER EXPENSES		**14,032**		6,398
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**$**	**(3,603)**	$	4,441

The accompanying notes are an integral part of these condensed financial statements

(in thousands of U.S. dollars)

		For the three months ended March 31, 2020		For the three months ended March 31, 2019
Cash provided by (used in)				
OPERATIONS				
Net income (loss) and comprehensive income (loss)	**$**	**(3,603)**	$	4,441
Items not involving cash:				
Recognition of rental revenue on a straight-line basis		**(512)**		(551)
Amortization (note 5)		**953**		1,002
Interest expense		**7,061**		5,780
Unit based compensation (note 12)		**143**		-
Fair value adjustments to investment properties		**4,205**		1,061
Foreign exchange loss (gain) on credit facilities		**(1,988)**		348
Change in non-controlling interest		**-**		33
Change in non-cash working capital items		**(488)**		(3,185)
Direct leasing costs - renewals		**(3,466)**		(1,403)
		2,305		7,526
INVESTING				
Payments on acquisition of investment properties		**-**		(110)
Payments for capital improvements		**(2,088)**		(1,101)
Other investment property expenditures		**(960)**		(1,221)
		(3,048)		(2,432)
FINANCING				
Proceeds from issuance of units, net (note 14)		**12,491**		-
Distributions to trust unitholders (note 14)		**(4,675)**		(3,901)
Repayment of mortgages payable		**(1,638)**		(1,244)
Drawdown on credit facilities (note 8)		**-**		1,891
Proceeds from issuance of convertible debentures (note 9)		**-**		3,435
Proceeds from issuance of promissory notes payable (note 10)		**2,000**		-
Debt issuance costs		**-**		(49)
Net changes in restricted cash for direct leasing costs and capital expenditures		**(938)**		500
Interest paid		**(6,770)**		(5,246)
		470		(4,614)
Change in cash during the period		**(273)**		480
Cash, beginning of period		**7,969**		918
CASH, END OF PERIOD	**$**	**7,696**	$	1,398

The accompanying notes are an integral part of these condensed financial statements

1. NATURE OF BUSINESS

Adventus Realty Trust (the Realty Trust) is an unincorporated, open-ended investment trust formed pursuant to the Declaration of Trust dated December 13, 2011, as amended February 17, 2015, and April 30, 2018, under, and governed by, the laws of the Province of British Columbia and the federal laws in Canada applicable therein. The Realty Trust's head office is located at 1660 – 999 West Hastings Street, Vancouver, BC, V6C 2W2, Canada.

The principal business of the Realty Trust is to invest in Adventus Realty Canada Holdings Limited Partnership (the Canadian Investment LP). The principal business of the Canadian Investment LP is to invest the proceeds from the issuance of Canadian Investment LP units and promissory notes payable in the acquisition of units of Adventus Holdings LP (REIT 1). The principal business of REIT 1 is to invest the proceeds from the issuance of REIT 1 units in the acquisition of units of limited partnership structures which own commercial real estate. As at March 31, 2020, REIT 1 has invested in thirteen limited partnerships as follows:

i. Adventus US Realty #1 LP (Property 1 LP), through REIT 1, which holds title to the Elgin Complex;
ii. Adventus US Realty #2 LP (Property 2 LP), through REIT 1, which holds title to the Oak Brook Office Center;
iii. Adventus US Realty #3 LP (Property 3 LP), through REIT 1, which holds title to the Deerfield Property;
iv. Adventus US Realty #4 LP (Property 4 LP), through REIT 1, which holds title to the Crossings Office Complex;
v. Adventus US Realty #5 LP (Property 5 LP), through REIT 1, which holds title to the Cantera Meadows Property;
vi. Adventus US Realty #6 LP (Property 6 LP), through REIT 1, which holds title to the Columbia Centre I & II Property;
vii. Adventus US Realty #7 LP (Property 7 LP), through REIT 1, which holds title to the Columbia Centre III Property;
viii. Adventus US Realty #8 LP (Property 8 LP), through REIT 1, which holds title to the Barrett Lakes Property Buildings;
ix. Adventus US Realty #9 LP (Property 9 LP), through REIT 1, which holds title to the Highland Landmark V Property;
x. Adventus US Realty #10 LP (Property 10 LP), through REIT 1, which holds title to the Barrett Lakes Property Land;
xi. Adventus US Realty #11 LP (Property 11 LP), through REIT 1, which holds title to the Parkwood Property;
xii. Adventus US Realty #12 LP (Property 12 LP), through REIT 1, which holds title to the Riverway Property;
xiii. Adventus US Realty #13 LP (Property 13 LP), through REIT 1, which holds title to the Milton Park Property;

collectively, the "Property LPs". The Trustee of the Realty Trust is Adventus Realty Services Inc., which was incorporated pursuant to the Canada Business Corporations Act on December 9, 2011.

On March 27, 2018, a special meeting of unitholders of the Realty Trust was held to pass a special resolution authorizing the management and Board of the Trustee of the Realty Trust to form a new trust, Adventus Opportunity Fund (the Opportunity Fund), initially with a smaller size and a similar investment policy to the Realty Trust. On August 1, 2019, the Realty Trust acquired all the outstanding units of the Opportunity Fund (see note 4) via a merger transaction pursuant to an approved plan of arrangement.

The Opportunity Fund is an unincorporated, open-ended investment trust formed pursuant to the Declaration of Trust dated April 30, 2018, under, and governed by, the laws of the Province of British Columbia and the federal laws in Canada applicable therein.

The principal business of the Opportunity Fund is to invest in units of Adventus US Opportunity LP (REIT 2). The principal business of REIT 2 is to invest in units of limited partnership structures which own commercial real estate. As at March 31, 2020, REIT 2 has invested in two limited partnerships as follows:

i. Adventus AOF #1 LP (Property 14 LP), through REIT 2, which holds title to the Town Park Commons Property;
ii. Adventus AOF #2 LP (Property 15 LP), through REIT 2, which holds title to the 1600 Parkwood Property;

collectively in conjunction with the REIT 1 limited partnerships, the "Property LPs".

On August 1, 2019, pursuant to the approved plan of arrangement, the Realty Trust also completed the internalization of management and acquisition of Adventus Capital Partners Ltd. (ACP Ltd.) (see note 4). ACP Ltd. was formed under the Canada Business Corporations Act on March 14, 2011 and commenced operations in January 2012. ACP Ltd. provides administrative, financial and property services to the Property LPs.

All the above entities are subsidiaries of the Realty Trust.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

These condensed financial statements have been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were approved by the Trustee for issue on May 27, 2020.

a. Basis of consolidation

These consolidated financial statements include the accounts of the Realty Trust and its subsidiaries. Subsidiaries are all entities (including structured entities) that the Realty Trust controls by having the power to govern the financial and operating policies of the entity and has exposure, or rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Realty Trust and are de-consolidated from the date that control ceases. Intercompany balances and transactions with subsidiaries have been eliminated upon consolidation. Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements.

Certain information and footnote disclosures required by IFRS for complete annual financial statements have been omitted and, therefore these interim unaudited condensed financial statements should be read in conjunction with the Realty Trust's audited consolidated financial statements for the year ended December 31, 2019. In the opinion of management, these unaudited interim condensed financial statements reflect all adjustments, consisting solely of a normal recurring nature, necessary to present fairly, in all material respects, the Realty Trust's consolidated financial position, results of operations and cash flows for the period presented.

b. Functional and presentation currency

Items in the financial statements of each of the Realty Trust's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency).

These consolidated financial statements are presented in U.S. dollars, which is also the Realty Trust's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statement of income and comprehensive income.

(tabular amounts in thousands of U.S. dollars, except unit and per unit amounts)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

a. New and amended standards adopted

IFRS 16 – Leases

IFRS 16 deals with the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The amendment to IFRS 16 has no material impact on the Realty Trust's consolidated financial statements or note disclosures.

4. BUSINESS ACQUISITIONS

a) Adventus Opportunity Fund

On August 1, 2019, pursuant to the approved plan of arrangement, the Realty Trust completed a merger transaction with the Opportunity Fund. The Realty Trust issued 2,176,313 Realty Trust units valued at $17.75 per unit, to acquire the Opportunity Fund. Pursuant to the approved plan of arrangement, the Realty Trust also issued 3,900 Realty Trust units to acquire Adventus Mutual Fund ULC and net cash proceeds of $0.07 million. For accounting purposes, the acquisition by the Realty Trust represented the acquisition of a business, with assets and liabilities being recorded on August 1, 2019 based on estimates of fair value. The following table summarizes the final allocations under the plan of arrangement for the fair values of the assets acquired and liabilities assumed at the acquisition date:

		As at August 1, 2019
Cash	**$**	**361**
Restricted cash		**2,542**
Accounts receivable, prepaid expenses and other current assets		**913**
Investment properties		**106,414**
Total assets acquired		**110,230**
Accounts payable, accrued liabilities, and other liabilities		**3,995**
Convertible debentures		**5,500**
Mortgages payable		**62,107**
Total liabilities assumed		**71,602**
Net assets acquired		**38,628**
Equity consideration	**$**	**38,628**

The operating results of Adventus Opportunity Fund are reflected in the Realty Trust's consolidated financial statements from August 1, 2019, the effective date of the plan of arrangement. During the year ended December 31, 2019, the Realty Trust recognized $9.7 million of net income resulting from this transaction, including an $8.4 million gain recorded on remeasurement of investment properties acquired.

(tabular amounts in thousands of U.S. dollars, except unit and per unit amounts)

b) Adventus Capital Partners Ltd.

On August 1, 2019, the Realty Trust completed the internalization of management and acquisition of ACP Ltd. Pursuant to the approved plan of arrangement, the Realty Trust issued 802,646 Realty Trust common units valued at $17.00 per unit, equivalent to one Realty Trust common unit for each ACP Ltd. share acquired. Prior to the plan of arrangement, the Realty Trust held 11,001 shares in ACP Ltd. These shares were converted into Realty Trust common units under the plan of arrangement, and have been eliminated on consolidation. For accounting purposes, the acquisition by the Realty Trust represented the acquisition of a business, with assets and liabilities being recorded on August 1, 2019 based on estimates of fair value. The acquisition of ACP Ltd. provides a simplified investment structure expected to increase the Realty Trust's ability to raise capital, and reduces certain overhead costs and other reporting requirements. The Realty Trust also acquired the management contracts related to investment properties held by ACP Ltd. (the Advisory Management Agreement (see note 18a)). As a result of the acquisition of ACP Ltd., the Realty Trust recorded goodwill totaling $10.4 million. The following table summarizes the final allocations under the plan of arrangement for the fair values of the assets acquired and liabilities assumed at the acquisition date:

		As at August 1, 2019
Cash	**$**	**43**
Accounts receivable, prepaid expenses and other current assets		**1,056**
Due from related parties		**2,924**
Goodwill		**10,392**
Total assets acquired		**14,415**
Accounts payable and accrued liabilities		**336**
Due to related parties		**621**
Total liabilities assumed		**957**
Net assets acquired		**13,458**
Equity consideration	**$**	**13,458**

The operating results of ACP Ltd. are reflected in the Realty Trust's consolidated financial statements from August 1, 2019, the effective date of the plan of arrangement. During the year ended December 31, 2019, the Realty Trust recognized $1.6 million of net loss resulting from this transaction.

c) Under the plan of arrangement, the Realty Trust acquired the Opportunity Fund (note 4a), and ACP Ltd. (note 4b) effective August 1, 2019. Transaction costs of $0.5 million related to the plan of arrangement were expensed as incurred during the year ended December 31, 2019. The following table shows comparative summarized consolidated pro forma financial information for the Realty Trust for the period from January 1, 2019 to March 31, 2019, giving effect to the Realty Trust's acquisitions as if they had taken place on January 1, 2019:

		Pro Forma January 1, 2019 to March 31, 2019
Revenues	**$**	**27,501**
Operating expenses		**13,319**
Net operating income		**14,182**
Other expenses		**9,356**
Net income (loss) and comprehensive income (loss)	**$**	**4,826**

(tabular amounts in thousands of U.S. dollars, except unit and per unit amounts)

5. INVESTMENT PROPERTIES

		March 31, 2020		December 31, 2019
Opening balance	**$**	**882,200**	$	742,700
Acquisitions (note 4)		**-**		106,414
Recognition of rental revenue on a straight-line basis		**512**		2,947
Leasing commissions and tenant incentives incurred		**10,438**		18,660
Tenant incentives amortized		**(953)**		(4,060)
Capital improvements made to investment properties		**1,208**		6,043
Change in fair value of investment properties		**(4,205)**		9,496
Ending balance	**$**	**889,200**	$	882,200

Investment properties are initially recorded at cost including acquisition costs. Acquisition costs include transfer taxes, professional fees for legal services, appraisal fees and any other related acquisition costs.

On August 1, 2019, the Realty Trust acquired through the plan of arrangement, two new properties as follows (see note 4a):

- Property 14 LP, which holds title to a multi-tenant office property containing 350,012 square feet of rentable area located in the Kennesaw Town Center submarket of Atlanta, Georgia (Town Park Commons Property).

- Property 15 LP, which holds title to a multi-tenant office property containing 154,668 square feet of rentable area located in the Cumberland Galleria submarket of suburban Atlanta, Georgia (1600 Parkwood Property).

During the period ended March 31, 2020, the Realty Trust, through REIT 1, signed a Purchase and Sale Agreement to acquire a 415,123 square foot property in the Las Colinas submarket of Dallas, Texas, and made deposits of $6.0 million towards the acquisition. Due to the economic uncertainty surrounding Covid-19 and its potential impact on the Realty Trust, the Realty Trust terminated the Purchase and Sale agreement and forfeited the $6.0 million deposit. During the period ended March 31, 2020, the forfeited deposits have been expensed as aborted acquisition costs.

The balance of investment properties includes $18.6 million (December 31, 2019 - $18.1 million) of straight-line rent adjustments.

Subsequent to initial recognition, investment properties are remeasured at fair value on a recurring basis and categorized as Level 3 in the fair value hierarchy. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Therefore, the fair value of a recently acquired investment property would normally be the purchase price. Any subsequent valuations performed on an investment property, after the acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the consolidated statement of income and comprehensive income in the year in which they arise. Management and the independent valuators have used their market knowledge and judgment in determining fair value. The significant unobservable inputs in the Level 3 valuations are as follows:

- Capitalization rate – based on location, size and quality of the properties and taking into account market data at the valuation date.
- Stabilized net operating income – based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.

Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted net operating income, among other inputs as described above. Generally, an increase in net operating income will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in the fair value of investment properties.

(tabular amounts in thousands of U.S. dollars, except unit and per unit amounts)

6. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

		March 31, 2020		December 31, 2019
Tenant receivables	$	**1,866**	$	2,064

As at March 31, 2020, the aging of tenant receivables were:

		March 31, 2020		December 31, 2019
Tenant receivables				
Current	$	**1,294**	$	1,533
Aged between 61-90 days		**178**		15
Aged greater than 90 days		**394**		516
Total	$	**1,866**	$	2,064

As at March 31, 2020, $nil (December 31, 2019, $91,212) was written off as a default loss, with an expected credit loss of $nil (December 31, 2019 - $nil) against outstanding receivables. Subsequent to period end, the Realty Trust collected $147,684 of the tenant receivables which were outstanding greater than 90 days as at March 31, 2020.

In the following table, revenue is disaggregated by base rental revenue, recoverable costs related to the provision of services, and other income:

		Three months ended March 31, 2020		Three months ended March 31, 2019
Rental revenue	$	**18,645**	$	17,297
Reimbursable expense income		**8,127**		7,848
Other income and amortization of tenant incentives		**(698)**		(699)
Total Revenues	$	**26,074**	$	24,446

7. MORTGAGES PAYABLE

A summary of mortgages payable is as follows:

		March 31, 2020		December 31, 2019
Principal amount of mortgages	$	**479,434**	$	481,072
Less unamortized mortgage transaction costs		**(1,242)**		(1,405)
Balance		**478,192**		479,667
Less mortgages payable – current portion		**(6,700)**		(6,573)
Less mortgages payable - maturing		**(46,540)**		(46,540)
Non-current portion of mortgages payable	$	**424,952**	$	426,554

(tabular amounts in thousands of U.S. dollars, except unit and per unit amounts)

Mortgages payable comprise fourteen mortgages which are recorded at amortized cost. The mortgages are secured by fixed charges against the associated investment properties. The weighted-average interest rate as at March 31, 2020 is 4.76% (December 31, 2019 – 4.76%). The following table summarizes the key provisions of each mortgage:

Mortgage	Property	Stated interest rate	Effective interest rate	Principal & interest payments (monthly)	Maturity date	Outstanding at March 31, 2020
#1b	LP #1	5.128%	5.252%	$ 123	Aug 1, 2028	$ 20,517
#2	LP #2	4.380%	4.544%	120	Apr 1, 2023	20,992
#3	LP #3	INDEX+4.7%	8.462%	40	Dec 21, 2021	6,800
#4	LP #4	5.073%	5.154%	135	Oct 1, 2023	22,306
#5	LP #5	4.977%	5.092%	106	Apr 1, 2024	18,000
#6	LP #6	4.220%	4.357%	183	Nov 1, 2024	35,101
#7	LP #7	4.220%	4.354%	143	Dec 1, 2025	27,580
#8	LP #8	4.900%	5.061%	183	Feb 1, 2026	34,008
#9	LP #9	4.451%	4.539%	176	Nov 1, 2020	46,540
#10	LP #11	4.550%	4.705%	129	Jun 1, 2026	24,996
#11	LP #12	4.960%	5.004%	684	Dec 1, 2026	121,756
#12	LP #13	4.940%	5.151%	213	Jan 1, 2022	39,228
#13	AOF #1	4.861%	4.983%	199	Sep 1, 2023	47,610
#14	AOF #2	LIBOR+1.9%	4.682%	70	Jan 5, 2024	14,000
Total				**$ 2,504**		**$ 479,434**

On August 1, 2019, the Realty Trust assumed, through the plan of arrangement, two new mortgages (Mortgage #13 and Mortgage #14) as follows:

- Mortgage #13 comprises mortgage proceeds of $47.6 million. The loan matures September 21, 2023. In accordance with the terms of the mortgage, payments during the full five year term comprise interest only.

- Mortgage #14 comprises mortgage proceeds of $14.0 million. The loan matures January 5, 2024. In accordance with the terms of the mortgage, payments during the years ended December 31, 2019, 2020, and 2021, comprise interest only, with principal to be paid commencing February 2022.

On November 22, 2019, Property 3 LP entered into a new Mortgage #3, receiving new mortgage proceeds of $6.8 million. The loan matures December 1, 2021. In accordance with the terms of the mortgage, payments during the full two year term of the mortgage comprise interest only. Transaction costs of $0.2 million were incurred upon origination of the mortgage. These transaction costs were capitalized and are being amortized over the term of the respective mortgage using the effective interest rate.

Scheduled principal repayments, excluding amortization of transaction costs, to be made over the next five years and thereafter are as follows:

2020	$ 51,477
2021	13,749
2022	44,995
2023	94,101
2024	67,191
Thereafter	207,921
	$ 479,434

The interest on mortgages payable incurred and charged to the consolidated statement of income and comprehensive income is recorded as follows:

		Three months ended March 31, 2020		Three months ended March 31, 2019
Interest on mortgages payable	**$**	**5,766**	$	4,952
Interest on credit facilities, convertible debentures and promissory notes		**961**		628
Amortization of debt issuance costs		**334**		200
Interest expense	**$**	**7,061**	$	5,780

8. CREDIT FACILITIES

Adventus Holdings LP entered into an unsecured revolving credit facility in an amount of $4.0 million (Credit Facility #1) with a maturity date of February 13, 2020. Any borrowing under the facility shall bear interest at a fluctuating rate of interest equal to the LIBOR daily floating rate plus two hundred seventy-five (275) basis points per annum. Standby fees of twenty basis points on the unused portion of the facility are also payable quarterly. The credit agreement evidencing the facility contains customary representations, warranties, covenants, and events of default. The Realty Trust guarantees the facility. The Credit Facility expired February 13, 2020, with $nil balance outstanding as at March 31, 2020 (December 31, 2019 - $nil).

On February 20, 2019, the Realty Trust agreed the terms of a short term credit facility, with a company controlled by a Director, in an amount of $1.9 million (CAD $2.5 million Credit Facility #2), maturing April 30, 2019. An amendment was executed during the year to extend the maturity date to August 31, 2019. On July 19, 2019, the Realty Trust repaid the full amount outstanding on the short term credit facility.

9. CONVERTIBLE DEBENTURES

The Realty Trust has issued convertible unsecured subordinated debentures (collectively “Convertible Debentures”) in tranches as follows:

Original Principal	**Interest Rate**	**Maturity Date**	**Outstanding at March 31, 2020**	Outstanding at December 31, 2019
$ 1,000	8.0%	November 2020	**1,000**	1,000
14,232	8.0%	December 2020	**14,232**	14,232
20,000[(1)]	8.0%	December 2020	**14,169**	15,304
5,500	9.0%	December 2020	**5,500**	5,500
15,000[(1)]	8.0%	July 2021	**10,626**	11,479
Principal amount of convertible debentures			**$ 45,527**	$ 47,515
Less unamortized transaction costs			**(511)**	(666)
Balance			**$ 45,016**	$ 46,849
Less current portion of convertible debentures			**(34,390)**	(35,370)
Non-current portion of convertible debentures			**$ 10,626**	$ 11,479

[(1)] *amount in thousands of Canadian dollars*

During the year ended December 31, 2019, the Realty Trust issued 8% convertible unsecured debentures for gross proceeds of $3.4 million (due December, 2020) and $11.3 million (CAD $15.0 million, out of a CAD $20.0 million facility, due July, 2021).

(tabular amounts in thousands of U.S. dollars, except unit and per unit amounts)

As part of the plan of arrangement, the Realty Trust assumed 9% convertible unsecured debentures totalling $5.5 million.

For the 8% convertible debentures outstanding as at March 31, 2020, the entire principal balance is convertible at the holder's option at any time, at $16.63 per common unit of the Realty Trust. The Realty Trust at its option is able to redeem the full amount of the principal at any time after one year, at various rates between par, and par plus 3%.

For the 9% convertible debentures assumed and outstanding as at March 31, 2020, the entire principal balance is convertible at the holder's option at any time to maturity at a conversion price of $15.79 per common unit of the Realty Trust. The Realty Trust at its option is able to redeem the full amount of the principal at any time after one year, at a rate of par plus 3%.

At March 31, 2020, $45.5 million of the principal value of the Convertible Debentures was outstanding, net of deferred transaction costs (December 31, 2019 – $47.5 million); the conversion feature of the convertible debentures has a nominal value.

10. PROMISSORY NOTES PAYABLE

The Realty Trust has issued series 1 unsecured promissory notes (collectively "Promissory Notes") as follows:

Original Principal	**Interest Rate**	**Maturity Date**	**Outstanding at March 31, 2020**	Outstanding at December 31, 2019
$ 1,000	12.0%	August 2020	**1,000**	-
1,000	12.0%	September 2020	**1,000**	-
Principal amount of promissory notes			**$ 2,000**	$ -
Less current portion of promissory notes			**(2,000)**	-
Non-current portion of promissory notes			**$ -**	$ -

During the period ended March 31, 2020, the Realty Trust issued 12% unsecured promissory notes for gross proceeds of $2.0 million. The Realty Trust at its option is able to redeem the unsecured promissory notes, in whole or in part, on or after the date two months prior to the maturity date, at a price of 101% of the principal sum.

At March 31, 2020, $2.0 million of the principal value of the Promissory Notes was outstanding (December 31, 2019 – $nil).

11. UNIT OPTION PLAN

On April 28, 2014, the Board of Trustees approved a unit option plan under which options can be granted at the discretion of the Board to any Trustee, Officer, Director, current employee, or consultant. The maximum number of units reserved for issuance under the plan at any time shall be limited to 10% of the total issued and outstanding units of the Trust. The exercise price for units that are the subject of any option shall be fixed by the Board when such option is granted, provided that such exercise price shall not be less than the fair market value of the units at the time of the grant.

Liquidity options are tied to a liquidity event as defined in the plan, whereby option holders can only exercise when a liquidity event occurs. The regular options vest at 33.3% per year from the grant date, will be fully vested after three years, and expire on the fifth anniversary of the Date of Grant. The liquidity options vest over the time period assumed to the liquidity event date and fully vest at the time of the liquidity event.

The unit option plan is considered a cash-settled plan with the fair value of the units recorded as a liability on the consolidated statement of financial position. The liability is released to equity when the unit options are converted to trust units at the option of the holder. The liability can also be released if the option-holder elects for a cashless exercise whereby the Realty Trust will make a cash payment to the option-holder of the in-the-money amount calculated as the fair market value of the units issuable under such option less the exercise price.

(tabular amounts in thousands of U.S. dollars, except unit and per unit amounts)

During the period ended March 31, 2020, no options were granted, forfeited, or exercised.

During the year ended December 31, 2019, a total of 20,000 regular options were granted with an exercise price of USD $16.16 per unit, 126,370 regular options were assumed under the plan of arrangement with an average exercise price of USD $15.04, 14,500 options were forfeited with an average exercise price of USD $15.76, 5,333 options were exercised at an average exercise price of CAD $14.31, 183,981 options were exercised at an average exercise price of USD $14.32, 65,000 options expired with an average exercise price of CAD $14.00.

The fair value of the unit options is re-measured at each reporting period using the Black-Scholes model. Measurement inputs include unit price on the measurement date, exercise price of the instrument, expected volatility (based on comparable public company share price volatility), expected life of the instruments, expected distributions, and the risk-free interest rate (based on zero coupon government of Canada bonds with a similar expected life).

The assumptions used for the period ended March 31, 2020 are as follows:

Input	**Assumption**
Unit price on measurement date (USD)	$16.75
Exercise price of the instrument (USD)	$12.83 - $16.16
Exercise price of the instrument (CAD)	$14.49
Expected volatility	15.92%
Expected remaining life	0 – 2.8 years
Expected distributions	6.27%
Risk-free interest rate	1.54%

At March 31, 2020, the fair value of the unit options was $0.5 million (December 31, 2019 - $0.5 million). Unit-based compensation expense of $0.02 million for the period ended March 31, 2020 (March 31, 2019 - $0.1 million expense) was included in general and administrative expenses in the consolidated statement of income and comprehensive income.

A summary of the status of the unit option plan as at March 31, 2020 and the changes during the respective period are as follows:

			March 31, 2020
	Units	**Weighted average exercise price (CAD)**	**Weighted average exercise price (USD)**
Outstanding, beginning of year	444,890	$14.49	$15.05
Granted	-	-	-
Exercised	-	-	-
Expired	-	-	-
Outstanding, end of year	444,890	$14.49	$15.05
Options Exercisable, end of year	239,292	$14.49	$14.75

The options outstanding at March 31, 2020 are exercisable at a weighted average exercise price of CAD $14.49, and USD $15.05 with an average expected remaining life of 2.7 years.

12. UNIT BASED COMPENSATION

On October 19, 2019, the Board of Trustees approved a long term incentive plan which provides for the issuance of equity incentive awards (Plan Units), such as performance fund units and restricted fund units. Plan Units are granted at the discretion of the Board to any Trustee, employee, or consultant of the Realty Trust or affiliate.

Restricted fund units vest evenly over a three year period of service, with units issued at the end of each vesting period. During the year ended December 31, 2019, a total of 56,000 restricted fund units were granted with a first vesting date of March 31, 2020. No new restricted fund units were granted during the period ended March 31, 2020.

Performance fund units are issued subject to the satisfaction of applicable performance goals. The performance goals are determined at the discretion of the Board on each grant date. Units are issued upon achievement of set performance goals. To the extent such performance goals are not achieved during such period, the rights to such Plan Units terminate. During the year ended December 31, 2019 a total of 37,000 performance fund units were granted and are subject to a three year performance period. No new performance fund units were granted during the period ended March 31, 2020.

During the period ended March 31, 2020, unit based compensation expense of $0.1 million (March 31, 2019 - $nil) was included in general and administrative expenses in the consolidated statement of income and comprehensive income in relation to Plan Units outstanding.

13. PREFERRED UNITS

In order to maintain REIT status for US taxation purposes, REIT 1 must maintain a minimum of at least 100 direct shareholders. REIT 1 has issued 125 preferred units to meet this requirement in the face amount of $1,000 per unit. Each unitholder is entitled to cumulative dividends of 12.5% per annum of the face amount, payable semi-annually.

In January 2013, 125 preferred units were issued by Adventus Holdings LP for gross subscription proceeds of $125,000. During the period ended March 31, 2020, Adventus Holdings LP paid dividends to preferred unitholders of $nil (2019 - $nil).

Adventus Holdings LP, at its option, may redeem some or all of the preferred units for a redemption price equal to $1,000 per unit plus all accrued and unpaid distributions on the date of redemption. No preferred units were redeemed by Adventus Holdings LP during the period ended March 31, 2020.

In order to maintain REIT status for US taxation purposes, REIT 2 must maintain a minimum of at least 100 direct shareholders. REIT 2 has issued 125 preferred units to meet this requirement in the face amount of $1,000 per unit. Each unitholder is entitled to cumulative dividends of 12% per annum of the face amount, payable semi-annually.

In November 2018, 125 preferred units were issued by Adventus US Opportunity LP for gross subscription proceeds of $125,000. During the period ended March 31, 2020, Adventus US Opportunity LP paid dividends to preferred unitholders of $nil.

14. UNITHOLDERS' EQUITY

Unitholders' equity includes the initial capital contribution to the Realty Trust made by Adventus Capital Partners Ltd. (ACP Ltd.), a related party by virtue of being the ultimate parent of the Trustee.

The Realty Trust is authorized to issue an unlimited number of redeemable common units of beneficial interest. Each common unit entitles the common unitholder to the same rights and obligations as any other common unitholder and no common unitholder is entitled to any privilege, priority or preference in relation to any other common unitholder.

Each common unitholder is entitled to participate equally with respect to any and all distributions of net income and net realized capital gains. On termination, the common unitholders of record are entitled to receive all of the assets of the Realty Trust remaining after payment of all debts, liabilities and liquidation expenses of the Realty Trust.

(tabular amounts in thousands of U.S. dollars, except unit and per unit amounts)

On September 23, 2016, a resolution was passed at a special meeting of common unitholders of the Realty Trust authorizing the creation of a new class of preferred units. The preferred units may be issued in one or more series, and the Trustee may fix the number of preferred units which is to comprise each series and the designation, rights, restrictions and conditions attaching to each series. The number of preferred units that is authorized and that may be issued is limited to the extent that the aggregate subscription price received for all preferred units that are issued shall not exceed $25.0 million. As of March 31, 2020, there are no Realty Trust preferred units issued or outstanding.

During the period ended March 31, 2020, the Realty Trust issued 758,109 common units for proceeds of $12.7 million, and redeemed 295 common units for proceeds of $4,764.

During the year ended December 31, 2019, the Realty Trust issued 581,175 common units for proceeds of $9.5 million, issued 2,982,859 units under the plan of arrangement (see note 4), and redeemed 22,365 common units for proceeds of $0.4 million.

On May 20, 2015, the Realty Trust implemented a distribution reinvestment plan (the "DRIP"), which allows unitholders to direct cash distributions paid on their existing Units to be reinvested in additional Units directly from the Trust. The units are issued at 95% of the Average Market Price of the Units. The Average Market Price is regularly reviewed and set by the Trustee. During the period ended March 31, 2020, the Realty Trust issued 24,621 units (year ended December 31, 2019 – 68,983) under the DRIP.

Distributions are declared and paid by the Realty Trust subject to the approval of the Trustee. During the period ended March 31, 2020, the Realty Trust declared distributions of $3.4 million, of which $nil was included in accounts payable and accrued liabilities at March 31, 2020. During the year ended December 31, 2019, the Realty Trust declared distributions of $17.5 million, of which $1.7 million was included in accounts payable and accrued liabilities at December 31, 2019.

15. CAPITAL MANAGEMENT

The Realty Trust defines capital as the aggregate of unitholders' equity, mortgages payable, credit facilities, convertible debentures, promissory notes, and preferred units. The Realty Trust's objectives in managing capital are to maintain a level of capital that funds its business strategies and builds long-term unitholders' value. The Realty Trust's capital structure is approved by the Trustee through its periodic reviews.

The capital structure consists of the following components:

		March 31, 2020		December 31, 2019
Capital				
Mortgages payable	**$**	**478,192**	$	479,667
Convertible debentures		**45,016**		46,849
Promissory notes		**2,000**		-
Preferred units		**250**		250
Unitholders' equity		**372,550**		366,536
Total capital	**$**	**898,008**	$	893,302

During the period ended March 31, 2020 and the year ended December 31, 2019, the total capital of the Realty Trust increased due to acquisitions under the plan of arrangement, proceeds received from units issued during the year, drawdown of credit facilities, convertible debenture proceeds received, promissory note proceeds received, and net income and comprehensive income earned. The increase was partially offset by the distributions to trust unitholders, and payments made against outstanding debt.

(tabular amounts in thousands of U.S. dollars, except unit and per unit amounts)

16. FAIR VALUE MEASUREMENT

Financial assets and liabilities accounted for or disclosed at fair value on a recurring basis are classified within a fair value hierarchy that reflects the significance of the inputs used in determining fair value. There are three levels of fair value hierarchy.

Level 1 – Quoted prices in active markets for identical assets
Instruments that have unadjusted quoted prices available in an active market for identical assets or liabilities.

Level 2 – Significant other observable inputs
Instruments that do not have quoted prices in active markets but for which market observable inputs are used as the inputs in the determination of fair value.

Level 3 – Unobservable inputs
Instruments that have a significant input into the fair value measurement that is derived from management's best estimates, and unobservable market information.

For certain of the Realty Trust's financial instruments, including cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and credit facilities, the carrying amounts approximate their fair values due to the short term nature of these instruments. Non-controlling interest carrying amount approximates its fair value as non-controlling interest is measured at the respective proportionate share of each Property LPs net identifiable assets.

Investment properties – Investment properties are measured on a recurring basis on the balance at fair value in the consolidated statement of financial position and categorized as Level 3 according to the significance of the inputs used in making the measurements (see note 5).

Mortgages payable – The disclosure of fair value of mortgage payables is measured using discounted cash flow analyses, based on rates currently available for mortgages with similar terms and remaining maturities and the current credit worthiness of the Realty Trust.

Preferred units – The preferred units carrying amount approximates their fair value which is equivalent to the defined redemption price at which the units may be redeemed at the option of Adventus Holdings LP.

Unit options payable – Unit options payable are measured on a recurring basis on the balance at fair market value and categorized as Level 3 according to the significance of the inputs used in making the measurements (see note 11).

Convertible debentures – the debt component of the convertible debenture is measured on a recurring basis on the balance at fair value of similar debt instruments without a conversion feature.

The following tables includes the estimated fair value, carrying value, and categorization using the fair value hierarchy of those assets and liabilities that are measured at their estimated fair value on a recurring basis:

		March 31, 2020	
	Fair value hierarchy level	**Carrying amount Asset / (Liability)**	**Fair value Asset / (Liability)**
Investment properties	Level 3	$ 889,200	$ 889,200
Mortgages payable	Level 3	(479,434)	(505,289)
Convertible debentures	Level 3	(45,016)	(45,016)
Preferred units	Level 2	(250)	(250)
Unit options payable	Level 3	$ (504)	$ (504)

(tabular amounts in thousands of U.S. dollars, except unit and per unit amounts)

		December 31, 2019			
	Fair value hierarchy level		Carrying amount Asset / (Liability)		Fair value Asset / (Liability)
Investment properties	Level 3	$	882,200	$	882,200
Mortgages payable	Level 3		(481,072)		(492,641)
Convertible debentures	Level 3		(46,849)		(46,849)
Preferred units	Level 2		(250)		(250)
Unit options payable	Level 3	$	(478)	$	(478)

17. FINANCIAL RISK MANAGEMENT

The Trustee of the Realty Trust has the overall responsibility for the establishment and oversight of the Realty Trust's risk management framework. The Realty Trust’s risk management policies are established to identify and analyze the risks faced by the Realty Trust, 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 in response to the Realty Trust's activities.

In the normal course of business, the Realty Trust is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

a. Credit risk

Credit risk is the risk of financial loss to the Realty Trust if a tenant or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Realty Trust’s accounts receivable, cash and cash equivalents, and restricted cash.

Exposure to credit risk on tenant receivables is influenced mainly by the individual characteristics of each tenant. The Realty Trust minimizes the risk by checking tenants’ credit histories, requesting security deposits and initiating a prompt collection process.

Credit risk associated with cash and cash equivalents, and restricted cash is minimized by ensuring that cash is held by high-quality financial institutions.

b. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Realty Trust has primarily entered into fixed interest rate mortgages, credit facilities, and convertible debentures, and accordingly does not face material interest rate risk.

c. Liquidity risk

Liquidity risk is the risk that the Realty Trust will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Realty Trust’s ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Realty Trust were required to liquidate a real estate property investment, the proceeds to the Realty Trust might be significantly less than the aggregate carrying value of such property.

The Realty Trust’s approach to managing liquidity is to endeavor to ensure that it will have sufficient cash available to meet its liabilities when due. The Realty Trust continues to actively manage its outstanding obligations through repayment of debt and execution of extension agreements. The Realty Trust believes it can refinance mortgages due to sufficiently cover liquidity requirements.

(tabular amounts in thousands of U.S. dollars, except unit and per unit amounts)

As at March 31, 2020, the Realty Trust had current assets of $43.2 million and current liabilities of $133.9 million, which includes a $46.5 million mortgage payable maturing during 2020, and $34.4 million convertible debentures maturing during 2020, resulting in a working capital deficiency of $90.7 million. The Realty Trust plans to remediate the working capital deficiency, in part, by: i) refinancing Mortgage #9 (see note 7) at or before the maturity of November 1, 2020, as part of its normal course of business, for gross proceeds at least equal to the outstanding principal balance of $46.5 million and for a term of at least five years; ii) refinancing convertible debentures coming due within the next twelve months (see note 9) at or before the stated maturity, as part of its normal course of business; iii) refinancing Mortgage #14 (see note 7) to generate gross proceeds of up to $21.0 million, resulting in net proceeds after existing loan repayment of $7.0 million (before financing costs); iv) utilizing restricted cash available to the Realty Trust for certain leasing costs included in accounts payable and accrued liabilities at March 31, 2020, and; v) to the extent required, issuing at least CAD $5.0 million of 8% convertible debentures available to the Realty Trust, at its option.

d. Currency risk

Currency risk is the risk associated with a fluctuation in the value of the US dollar as related to other foreign currencies. The Realty Trust is exposed to currency risk as certain transactions related to payment of the Realty Trust's expenses, and receipt of proceeds from certain debt financings, are denominated in Canadian dollars.

e. Redemption risk

The Realty Trust's unitholders are entitled to redeem units at any time on demand. The aggregate redemption price payable by the Realty Trust is subject to limitations. The Realty Trust will not be required to pay the redemption price by way of a cash payment if the total amount payable by the Realty Trust in any quarter will exceed the lesser of CAD $100,000 and the amount that is 0.75% of the aggregate subscription price of all trust units that were issued and outstanding at the start of such 12-month period.

18. LEASES

The Realty Trust has entered into lease agreements on its property portfolio. The following table summarizes the future minimum revenue receivable under non-cancellable operating leases as at March 31, 2020:

Not later than 1 year	$	71,283
Later than 1 year and not later than 5 years		178,077
Later than 5 years		48,526
	$	**297,886**

19. RELATED PARTY TRANSACTIONS

a) On February 20, 2019, the Realty Trust agreed the terms of a $1.9 million (CAD $2.5 million) short term credit facility (Credit Facility #2) from a company controlled by a Director. As at December 31, 2019, the full amount drawn on the credit facility had been repaid.

20. COMMITMENTS AND CONTINGENCIES

The Realty Trust and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business, and with respect to litigation and claims that arise from time to time. Tenant incentive commitments for executed lease agreements commencing after year end have been appropriately accrued.

21. SUBSEQUENT EVENTS

The Realty Trust has been closely monitoring the developing Covid-19 situation, and is carefully considering its capital allocation strategy given the potential business impacts. On April 9, 2020, the Realty Trust announced the suspension of the Realty Trust's monthly distributions until further notice, effective the March 2020 period, which will allow it to focus on liquidity and cash flow management, and reduce its overall portfolio risk.