

2023 SECOND QUARTER REPORT

UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended
June 30, 2023 and 2022

SMARTCENTRES®
REAL ESTATE INVESTMENT TRUST

SMARTLIVING



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SMARTCENTRES REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of Canadian dollars)

As at	Note	June 30, 2023	December 31, 2022
Assets			
Non-current assets			
Investment properties	4	10,336,527	10,208,071
Equity accounted investments	5	709,165	680,999
Mortgages, loans and notes receivable	6	89,212	238,099
Other financial assets	7	167,426	171,807
Other assets	8	86,790	83,230
Intangible assets		43,142	43,807
		11,432,262	11,426,013
Current assets			
Assets held for sale	4	—	42,321
Residential development inventory		43,027	40,373
Current portion of mortgages, loans and notes receivable	6	207,147	86,593
Amounts receivable and other	9	62,105	57,124
Prepaid expenses, deposits and deferred financing costs	9	43,929	14,474
Cash and cash equivalents	19	44,792	35,255
		401,000	276,140
Total assets		11,833,262	11,702,153
Liabilities			
Non-current liabilities			
Debt	10	4,645,753	4,523,987
Other financial liabilities	11	260,407	277,400
Other payables	12	17,546	17,265
		4,923,706	4,818,652
Current liabilities			
Current portion of debt	10	364,578	459,278
Accounts payable and current portion of other payables	12	257,316	261,122
		621,894	720,400
Total liabilities		5,545,600	5,539,052
Equity			
Trust Unit equity		5,220,146	5,126,197
Non-controlling interests		1,067,516	1,036,904
		6,287,662	6,163,101
Total liabilities and equity		11,833,262	11,702,153

Commitments and contingencies (Note 24)

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

Approved by the Board of Trustees.



Michael Young
Trustee



Garry Foster
Trustee

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME
(in thousands of Canadian dollars)

	Note	Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	2023	2022
Net rental income and other					
Rentals from investment properties and other	16	206,950	198,585	417,544	401,413
Property operating costs and other	17	(77,063)	(73,332)	(162,836)	(155,441)
Net rental income and other		129,887	125,253	254,708	245,972
Other income and expenses					
General and administrative expense, net	18	(9,313)	(7,916)	(18,067)	(14,783)
Earnings from equity accounted investments	5	13,438	3,785	22,881	3,211
Fair value adjustment on investment properties	4	34,435	9,669	63,601	281,014
Gain (loss) on sale of investment properties		(45)	18	(23)	(104)
Interest expense	10(d)	(40,155)	(33,852)	(79,662)	(69,185)
Interest income		5,172	3,866	10,000	6,826
Fair value adjustment on financial instruments	7, 11	34,483	61,497	27,325	79,479
Acquisition-related costs		—	(323)	—	(323)
Net income and comprehensive income		167,902	161,997	280,763	532,107
Net income and comprehensive income attributable to:					
Trust Units		136,200	131,444	227,730	431,896
Non-controlling interests		31,702	30,553	53,033	100,211
		167,902	161,997	280,763	532,107

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Note	Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	2023	2022
Cash provided by (used in)					
Operating activities					
Net income and comprehensive income		167,902	161,997	280,763	532,107
Items not affecting cash and other items	19	(43,461)	(42,593)	(36,391)	(296,690)
Cash interest paid	10(d)	(49,687)	(43,034)	(73,599)	(61,175)
Interest received		3,502	2,294	5,838	6,093
Distributions from equity accounted investments	5	1,125	1,533	3,215	1,959
Expenditures on direct leasing costs and tenant incentives		(3,883)	(1,922)	(6,953)	(4,361)
Expenditures on tenant incentives for properties under development		(1,381)	(596)	(2,237)	(2,276)
Changes in other non-cash operating items	19	(12,795)	(33,709)	(27,383)	(28,868)
Cash flows provided by operating activities		61,322	43,970	143,253	146,789
Financing activities					
Proceeds from issuance of unsecured debentures, net of issuance costs	10(b)	298,950	—	298,950	—
Proceeds from secured debt		667	—	2,267	—
Proceeds from unsecured debt		9,259	20,000	9,259	360,000
Proceeds from revolving operating facilities		63,000	125,000	93,000	250,000
Repayment of unsecured debentures	10(b)	(200,000)	—	(200,000)	—
Repayments of secured debt		(59,132)	(22,950)	(78,591)	(182,790)
Repayments of unsecured debt		(2,270)	(2,325)	(20,347)	(23,450)
Repayments of revolving operating facility		(58,832)	—	(80,832)	(165,000)
Distributions paid on Trust Units		(66,892)	(66,892)	(133,781)	(133,781)
Distributions paid on non-controlling interests and Units classified as liabilities		(15,518)	(15,493)	(31,034)	(31,295)
Payment of lease liability		922	(506)	(955)	(941)
Cash flows (used in) provided by financing activities		(29,846)	36,834	(142,064)	72,743
Investing activities					
Acquisitions and Earnouts of investment properties	3	(349)	(23,437)	(2,420)	(125,760)
Additions to investment properties		(36,845)	(30,652)	(63,509)	(50,095)
Additions to equity accounted investments		(7,808)	(3,612)	(7,697)	(17,133)
Additions to equipment	8	(494)	(196)	(601)	(283)
Decrease in cash held as collateral		—	(50,235)	—	(50,332)
Advances of mortgages and loans receivable		(863)	(14,655)	(3,334)	(36,918)
Repayments of mortgages and loans receivable		25,230	4,696	36,980	8,675
Net proceeds from sale of investment properties		1,807	18,365	48,929	24,765
Cash flows (used in) provided by investing activities		(19,322)	(99,726)	8,348	(247,081)
Increase (decrease) in cash and cash equivalents during the period		12,154	(18,922)	9,537	(27,549)
Cash and cash equivalents – beginning of period		32,638	53,608	35,255	62,235
Cash and cash equivalents – end of period		44,792	34,686	44,792	34,686
Supplemental cash flow information (see Note 19)					

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands of Canadian dollars)

	Note	Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests			Other Non- Controlling Interest (Note 20)	Total Equity
		Trust Units (Note 14)	Retained Earnings	Unit Equity	LP Units (Note 14)	Retained Earnings	LP Unit Equity		
Equity – January 1, 2023		3,090,118	2,036,079	5,126,197	643,223	390,121	1,033,344	3,560	6,163,101
Issuance of Units	14	—	—	—	1,310	—	1,310	—	1,310
Net income and comprehensive income		—	227,730	227,730	—	52,819	52,819	214	280,763
Distributions	15	—	(133,781)	(133,781)	—	(23,731)	(23,731)	—	(157,512)
Equity – June 30, 2023		3,090,118	2,130,028	5,220,146	644,533	419,209	1,063,742	3,774	6,287,662
Equity – January 1, 2022		3,090,368	1,787,593	4,877,961	641,944	317,965	959,909	3,445	5,841,315
Issuance of Units	14	—	—	—	964	—	964	—	964
Unit issuance costs	14	(250)	—	(250)	—	—	—	—	(250)
Net income and comprehensive income		—	431,896	431,896	—	100,013	100,013	198	532,107
Distributions	15	—	(133,781)	(133,781)	—	(23,677)	(23,677)	(283)	(157,741)
Equity – June 30, 2022		3,090,118	2,085,708	5,175,826	642,908	394,301	1,037,209	3,360	6,216,395

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2023 and June 30, 2022
(in thousands of Canadian dollars, except Unit, square foot and per Unit amounts)

1. Organization

SmartCentres Real Estate Investment Trust and its subsidiaries (collectively, “the Trust”), is an unincorporated open-ended mutual fund trust governed by the laws of the Province of Alberta created under a declaration of trust, dated December 4, 2001, subsequently amended and last restated on December 9, 2020 (“the Declaration of Trust”). The Trust develops, leases, constructs, owns and manages shopping centres, office buildings, high-rise and low-rise condominiums and rental residences, seniors’ housing, townhome units, self-storage rental facilities, and industrial facilities in Canada, both directly and through its subsidiaries, Smart Limited Partnership, Smart Limited Partnership II, Smart Limited Partnership III, Smart Limited Partnership IV, Smart Oshawa South Limited Partnership, Smart Oshawa Taunton Limited Partnership, Smart Boxgrove Limited Partnership, ONR Limited Partnership, ONR Limited Partnership I, and SmartVMC West Limited Partnership. The exchangeable securities of these subsidiaries, which are presented as non-controlling interests or as a liability, as appropriate, are economically equivalent to voting trust units (“Trust Units”) as a result of voting, exchange and distribution rights as more fully described in Note 14(a). The address of the Trust’s registered office is 3200 Highway 7, Vaughan, Ontario, L4K 5Z5. The Units of the Trust are listed on the Toronto Stock Exchange (“TSX”) under the ticker symbol “SRU.UN”.

These unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Trustees on August 9, 2023. The Board of Trustees has the power to amend the unaudited interim condensed consolidated financial statements after issue.

As at June 30, 2023, the Penguin Group of Companies (“Penguin”), owned by Mitchell Goldhar, owned approximately 20.9% (December 31, 2022 – 20.8%) of the issued and outstanding Units of the Trust and Limited Partnerships (see also Note 20, “Related party transactions”).

2. Summary of significant accounting policies

2.1 *Basis of presentation*

These unaudited interim condensed consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim condensed consolidated financial statements, International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”). The unaudited interim condensed consolidated financial statements contain disclosures that are supplemental to the Trust’s annual consolidated financial statements. They do not include all the information and disclosures required by IFRS applicable for annual consolidated financial statements and, therefore, they should be read in conjunction with the annual audited consolidated financial statements as at and for the year ended December 31, 2022.

2.2 *Accounting policies*

The accounting policies followed in these unaudited interim condensed consolidated financial statements are consistent with the policies and method of their application used in the preparation of the audited consolidated financial statements as at and for the year ended December 31, 2022, except as noted below:

Amendments to IAS 8, Definition of Accounting Estimates

On January 1, 2023, the Trust adopted the amendments to IAS 8, Definition of Accounting Estimates. The amendments clarify the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors. There was no material impact to the Trust’s unaudited interim condensed consolidated financial statements on the adoption.

3. Acquisitions and Earnouts

Earnouts completed during the six months ended June 30, 2023

During the six months ended June 30, 2023, pursuant to development management agreements referred to in Note 4, "Investment properties" (see also Note 20, "Related party transactions"), the Trust completed the purchase of Earnout transactions on 10,577 square feet of retail space and one parcel of land.

The following table summarizes the consideration for Earnouts completed for the six months ended June 30, 2023:

	Note	Total
Cash		2,420
LP Units issued	4(d)(ii)	1,310
Adjustments for other working capital amounts		3,927
		7,657

Acquisitions and Earnouts completed during the six months ended June 30, 2022

The following table summarizes the consideration for Acquisitions and Earnouts completed for the six months ended June 30, 2022:

	Note	Acquisitions	Earnouts	Total
Cash		119,356	6,404	125,760
LP Units issued	4(d)(ii)	—	964	964
Adjustments for other working capital amounts		2,013	(5)	2,008
		121,369	7,363	128,732

See also Note 5, "Equity accounted investments", for additional details on acquisitions reflected in equity accounted investments.

4. Investment properties

The following table summarizes the activities in investment properties:

	Six Months Ended June 30, 2023			Year Ended December 31, 2022			
	Note	Income Properties	Properties Under Development	Total	Income Properties	Properties Under Development	Total
Balance – beginning of period		8,496,893	1,753,499	10,250,392	8,395,077	1,452,001	9,847,078
Additions (deductions):							
Acquisitions, Earnouts and related adjustments of investment properties		—	2,435	2,435	101,993	28,679	130,672
Earnout Fees on properties subject to development management agreements	4(d)(ii)	1,220	—	1,220	1,401	—	1,401
Transfer to income properties from properties under development		47,395	(47,395)	—	39,707	(39,707)	—
Transfer from income properties to properties under development		(2,100)	2,100	—	(7,887)	7,887	—
Transfer from properties under development to equity accounted investments		—	—	—	—	(25,000)	(25,000)
Capital expenditures		8,394	—	8,394	19,912	—	19,912
Deferred leasing costs		1,246	—	1,246	1,589	—	1,589
Development expenditures		—	36,677	36,677	—	79,373	79,373
Capitalized interest	10(d)	—	21,514	21,514	—	35,036	35,036
Dispositions	4(b)	—	(48,952)	(48,952)	(777)	(40,726)	(41,503)
Fair value adjustment on investment properties		32,315	31,286	63,601	(54,122)	255,956	201,834
Balance – end of period		8,585,363	1,751,164	10,336,527	8,496,893	1,753,499	10,250,392
Investment properties		8,585,363	1,751,164	10,336,527	8,496,893	1,711,178	10,208,071
Investment properties classified as held for sale		—	—	—	—	42,321	42,321
		8,585,363	1,751,164	10,336,527	8,496,893	1,753,499	10,250,392

The historical costs of both income properties and properties under development as at June 30, 2023 totalled \$6,821,661 and \$1,303,626, respectively (December 31, 2022 – \$6,765,293 and \$1,338,313, respectively).

Secured debt with a carrying value of \$894,350 (December 31, 2022 – \$969,054) is secured by investment properties with a fair value of \$2,505,493 (December 31, 2022 – \$2,807,896).

Presented separately from investment properties is \$82,712 (December 31, 2022 – \$78,820) of net straight-line rents receivable and tenant incentives (these amounts are included in Note 8, “Other assets”) arising from the recognition of rental revenues on a straight-line basis and amortization of tenant incentives over the respective lease terms. The fair value of investment properties has been reduced by these amounts.

a) Valuation methods underlying management’s estimation of fair value

i) Income properties

The Trust applies the discounted cash flow valuation method to estimate the value of income properties, which include: freehold properties, properties with leasehold interests with purchase options, and properties with leasehold interests without purchase options. The Trust applies this valuation method as it believes that the discounted cash flow valuation method represents the Trust’s estimate of fair values of income properties based on expectations of changes in rental rates, occupancy rates, lease renewal rates, leasing costs, expected credit losses and downtime on lease expiries, among others.

ii) Properties under development

Properties under development are valued using two primary methods: i) discounted cash flow method, factoring in future cash inflows and outflows such as construction costs to complete development, leasing costs and other fees, and Earnout Fees, if any; or ii) land, development and construction costs are recorded at market value, factoring in development risks such as planning, zoning, timing and market conditions.

The following table summarizes significant assumptions in Level 3 valuations along with corresponding fair values for investment properties:

June 30, 2023					
Valuation Method	Carrying Value	Terminal Capitalization Rate		Discount Rate	
		Weighted Average (%)	Range (%)	Weighted Average (%)	Range (%)
<i>Income properties</i>					
Discounted cash flow	8,585,363	5.93	4.20 – 7.55	6.45	4.60 – 8.05
<i>Properties under development</i>					
Land, development and construction costs recorded at market value	1,626,323	N/A	N/A	N/A	N/A
Discounted cash flow	124,841	6.04	5.20 – 7.40	6.64	5.70 – 7.90
	1,751,164				
Total	10,336,527				
December 31, 2022					
Valuation Method	Carrying Value	Terminal Capitalization Rate		Discount Rate	
		Weighted Average (%)	Range (%)	Weighted Average (%)	Range (%)
<i>Income properties</i>					
Discounted cash flow	8,496,893	5.92	4.18 – 7.53	6.43	4.58 – 8.03
<i>Properties under development</i>					
Land, development and construction costs recorded at market value	1,627,880	N/A	N/A	N/A	N/A
Discounted cash flow	125,619	6.06	5.53 – 7.40	6.66	6.03 – 7.90
	1,753,499				
Total	10,250,392				

The estimates of fair value are most sensitive to changes in the discount rates and forecasted future cash flows for each property. The sensitivity analysis in the table below indicates the approximate impact on the fair values of the Trust's investment property portfolio resulting from changes in discount rates and in assuming no changes in other assumptions.

Income properties						
Rate Sensitivity (%)	(1.00)	(0.50)	(0.25)	+0.25	+0.50	+1.00
Increase (decrease) in fair value of income properties due to:						
Changes in discount rates	1,834,800	829,300	395,700	(364,000)	(697,700)	(1,291,700)
Forecasted Future Cash Flows Sensitivity (%)	(10.00)	(5.00)	(2.50)	+2.50	+5.00	+10.00
Increase (decrease) in fair value of income properties due to:						
Changes in forecasted future cash flows	(861,800)	(430,200)	(215,600)	214,700	430,400	860,400
Properties under development						
Rate Sensitivity (%)	(1.00)	(0.50)	(0.25)	+0.25	+0.50	+1.00
Increase (decrease) in fair value of properties under development due to:						
Changes in discount rates	28,500	13,000	6,200	(5,900)	(10,800)	(20,200)
Forecasted Future Cash Flows Sensitivity (%)	(10.00)	(5.00)	(2.50)	+2.50	+5.00	+10.00
Increase (decrease) in fair value of properties under development due to:						
Changes in forecasted future cash flows	(10,700)	(5,400)	(2,500)	2,800	5,400	11,100

b) Dispositions**Disposition of investment properties during the six months ended June 30, 2023**

In January 2023, the Trust contributed its interest in a parcel of land totalling 1.41 acres located in Whitby, Ontario, to a joint venture, Whitby Self Storage LP, with the intention to develop and operate a self-storage facility (see also, Note 5(b)).

In February 2023, the Trust, together with its co-ownership partner, Penguin, sold a land parcel totalling 4.3 acres located in Vaughan, Ontario, for gross proceeds of \$63,450, which was satisfied by cash. The Trust's share of such proceeds was \$42,300 relating to the Trust's two-thirds share in this land parcel, which was previously presented as assets held for sale in the Trust's consolidated financial statements for the year ended December 31, 2022.

In February 2023, the Trust sold a parcel of land totalling 2.64 acres located in Chilliwack, British Columbia, for gross proceeds of \$4,800, which was satisfied by cash.

c) Leasehold property interests

At June 30, 2023, 16 (December 31, 2022 – 16) investment properties with a fair value of \$973,822 (December 31, 2022 – \$964,916) are leasehold property interests accounted for as leases.

i) Leasehold property interests without bargain purchase options

The Trust previously prepaid its entire lease obligations for the 14 leasehold interests with Penguin (see also Note 20, "Related party transactions") in the amount of \$889,931 (December 31, 2022 – \$889,931), including prepaid land rent of \$229,846 (December 31, 2022 – \$229,846).

ii) Leasehold property interests with bargain purchase options

One leasehold interest commenced in 2003 under the terms of a 35-year lease with Penguin (see also Note 20, "Related party transactions"). The lease requires a \$10,000 payment at the end of the lease term in 2038 to exercise a purchase option, which is considered to be a bargain purchase option. The Trust prepaid its entire lease obligation for this property of \$57,997 (December 31, 2022 – \$57,997). As the Trust expects to exercise the purchase option in 2038, the purchase option price has been included in accounts payable in the amount of \$2,460 (December 31, 2022 – \$2,350), net of imputed interest at 9.18% of \$7,540 (December 31, 2022 – \$7,650) (see also Note 12, "Accounts and other payables").

A second leasehold interest was acquired on February 11, 2015 and includes a land lease that expires on September 1, 2054. The land lease requires monthly payments ranging from \$450 to \$600 annually until September 1, 2054, and a \$6,000 payment between September 1, 2023 and September 1, 2025 to exercise a purchase option that is considered to be a bargain purchase option. As the Trust expects to exercise the purchase option on September 1, 2023, the purchase option price and the monthly payments up to September 1, 2023 have been included in accounts payable in the amount of \$6,021 (December 31, 2022 – \$6,061), net of imputed interest at 6.25% of \$167 (December 31, 2022 – \$314) (see also Note 12, "Accounts and other payables").

d) Properties under development

The following table presents properties under development:

As at	June 30, 2023	December 31, 2022
Properties under development not subject to development management agreements i)	1,691,090	1,698,652
Properties under development subject to development management agreements ii)	60,074	54,847
	1,751,164	1,753,499
Less: Properties under development classified as held for sale	—	42,321
	1,751,164	1,711,178

i) Properties under development not subject to development management agreements

During the six months ended June 30, 2023, the Trust completed the development and leasing of certain properties under development not subject to development management agreements, for which the value of land and development costs incurred have been reclassified from properties under development to income properties.

For the three months ended June 30, 2023, the Trust incurred land and development costs of \$36,443 (three months ended June 30, 2022 – \$4,383). For the six months ended June 30, 2023, the Trust incurred land and development costs of \$43,132 (six months ended June 30, 2022 – \$24,293).

ii) Properties under development subject to development management agreements (Earnout agreements)

These properties under development (including certain leasehold property interests) are subject to various development management agreements with Penguin and Walmart.

In certain events, the developer/vendor may sell a portion of undeveloped land to accommodate the construction plan that provides the best use of the property, reimbursing the Trust its costs related to such portion, and provides a profit based on a pre-negotiated formula. Pursuant to the development management agreements, the developers/vendors assume responsibility for managing the development of the land on behalf of the Trust and are granted the right for a period of up to 10 years to earn an Earnout Fee (subject to options and extensions in certain circumstances). On completion and rental of additional space on these properties, the Trust is obligated to pay the Earnout Fee and any additional development costs not previously incurred by the Trust, at a total price calculated by a formula using the net operating rents and predetermined negotiated capitalization rates, on the date rent becomes payable on the additional space ("Gross Cost"). The Earnout Fee is calculated as the Gross Cost less the associated land and development costs incurred by the Trust.

For certain of these properties under development, Penguin and others have been granted Earnout options that give them the right, at their option, to invest up to 40% of the Earnout Fee for one of the agreements and up to 30% to 40% of the Gross Cost for the remaining agreements in Trust Units, Class B, D and F Smart LP Units, Class B and D Smart LP III Units, Class B Smart LP IV Units, Class B and D Smart Oshawa South LP Units, Class B and D Smart Oshawa Taunton LP Units, Class B Smart Boxgrove LP Units and Class B ONR LP I Units at predetermined option strike prices subject to a maximum number of Units. On December 9, 2020, the Trust entered into an Omnibus Agreement with Mitchell Goldhar that provided a right to extend the terms of certain Earnout agreements for an additional two years. As a result, the Earnout agreements for Earnout options that were originally set to expire between 2020 to 2025 may be extended to 2022 to 2027. See also Note 11, "Other financial liabilities".

The following table summarizes the Earnout options that were elected to exercise which resulted in proceeds (see also Note 11(b)):

Unit Type	Class and Series	Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	2023	2022
Smart Limited Partnership III	Class B Series 6	128	—	1,310	392
Smart Limited Partnership IV	Class B Series 1	—	—	—	572
		128	—	1,310	964

The following table summarizes the development costs incurred (exclusive of the cost of land previously acquired) and Earnout Fees paid to vendors relating to the completed retail spaces (see also Note 3, "Acquisitions and Earnouts") that have been reclassified to income properties:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Development costs incurred	1,786	—	4,263	6,735
Earnout Fees paid	466	—	1,220	612
	2,252	—	5,483	7,347

5. Equity accounted investments

The following table summarizes key components relating to the Trust's equity accounted investments:

	Six Months Ended June 30, 2023			Year Ended December 31, 2022		
	Investment in Associates	Investment in Joint Ventures	Total	Investment in Associates	Investment in Joint Ventures	Total
Investment – beginning of period	458,772	222,227	680,999	489,230	165,212	654,442
Operating Activities:						
Earnings (losses)	21,745	1,136	22,881	4,932	(733)	4,199
Distributions – VMC Residences condominium unit closings ⁽¹⁾	(653)	—	(653)	(24,322)	—	(24,322)
Distributions – operating activities	(2,725)	(490)	(3,215)	(4,550)	(234)	(4,784)
Financing Activities:						
Fair value adjustment on loan	1,454	—	1,454	3,690	—	3,690
Investing Activities:						
Cash contribution	7,911	17,795	25,706	23,154	32,982	56,136
Property contribution	—	—	—	—	25,000	25,000
Development distributions	(18,007)	—	(18,007)	(33,362)	—	(33,362)
Investment – end of period	468,497	240,668	709,165	458,772	222,227	680,999

(1) During the six months ended June 30, 2023, the distribution in the amount of \$653 was satisfied by a non-cash settlement of the Residence III LP loan payable (for the year ended December 31, 2022 – the distribution in the amount of \$24,322 was satisfied by a non-cash settlement of the Residence III LP loan payable) (see Note 10(b)(iv)).

a) Investment in associates

The following table summarizes the Trust's ownership interest in Investment in associates as reflected in the Trust's unaudited interim condensed consolidated financial statements:

Business Focus	Partner(s)	Principal Intended Activity	Ownership Interest (%), As at	
			June 30, 2023	December 31, 2022
Mixed-use real estate development				
<i>Penguin-Calloway Vaughan Partnership ("PCVP")</i>	<i>Penguin⁽¹⁾</i>	Own, develop and operate investment properties in the SmartVMC (Eastern 52.0 acres)	50.0	50.0
Residential condominium developments				
<i>VMC Residences Limited Partnership ("Residences LP")</i>	<i>Penguin⁽¹⁾, CentreCourt</i>	Own, develop and sell two residential condominium towers and 22 townhomes (Transit City 1 & 2) at SmartVMC	25.0	25.0
<i>Residences III LP</i>	<i>Penguin⁽¹⁾, CentreCourt</i>	Own, develop and sell a residential condominium tower (Transit City 3) at SmartVMC	25.0	25.0
<i>East Block Residences LP</i>	<i>Penguin⁽¹⁾, CentreCourt</i>	Own, develop and sell two residential condominium towers (Transit City 4 & 5) at SmartVMC	25.0	25.0
<i>Residences (One) LP</i>	<i>Penguin⁽¹⁾</i>	Own, develop and sell residential condominium towers (ArtWalk)	50.0	50.0
<i>Residences (Two) LP</i>	<i>Penguin⁽¹⁾</i>	Own, develop and sell residential condominium towers (Park Place)	66.7	66.7

(1) See also Note 20, "Related party transactions".

In December 2019, the Trust acquired, as part of a 50:50 joint arrangement with Penguin, through PCVP, a 50% interest in a parcel of land ("700 Applewood") with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC to relocate Walmart from SmartVMC and for other future development, for a purchase price of \$109,218 paid in cash, adjusted for other working capital amounts. In connection with this acquisition, an interest-free loan with a principal amount of \$71,082 and a maturity of December 2029 was extended to Penguin to finance its interest in PCVP's acquisition of 700 Applewood. In March 2020, the Trust assumed this loan receivable from Penguin (see also Note 6(b), footnote 3), along with an offsetting non-interest-bearing note payable of an equal amount (see Note 10(b)(iv), footnote 2).

Note that the limited partnerships involved in residential condominium developments, as noted in the above table: Residences LP, Residences III LP, East Block Residences LP, Residences (One) LP, and Residences (Two) LP are herein collectively referred to as "VMC Residences".

Disposition completed during the six months ended June 30, 2023

In February 2023, PCVP disposed a land parcel totalling 2.1 acres located in Vaughan, Ontario (VMC). This land parcel was previously classified as assets held for sale on PCVP's balance sheet as at December 31, 2022. The gross proceeds of this disposition were \$32,100 and satisfied by cash.

i) Summary of balance sheets

The following table summarizes the balance sheets for investment in associates:

As at	June 30, 2023			December 31, 2022		
	PCVP	VMC Residences	Total	PCVP	VMC Residences	Total
Non-current assets	1,377,625	—	1,377,625	1,333,107	—	1,333,107
Current assets ⁽¹⁾	14,974	318,272	333,246	47,854	471,995	519,849
Total assets	1,392,599	318,272	1,710,871	1,380,961	471,995	1,852,956
Non-current liabilities ⁽²⁾	460,780	—	460,780	416,283	—	416,283
Current liabilities	99,823	162,929	262,752	113,075	385,011	498,086
Total liabilities	560,603	162,929	723,532	529,358	385,011	914,369
Net assets	831,996	155,343	987,339	851,603	86,984	938,587
Trust's share of net assets before adjustments	415,998	51,260	467,258	425,802	31,565	457,367
Fair value adjustment on loan	922	317	1,239	1,003	402	1,405
Trust's share of net assets	416,920	51,577	468,497	426,805	31,967	458,772

(1) Balance as at December 31, 2022 included investment properties classified as held for sale of \$32,100, of which the Trust's share is \$16,050. This investment property classified as held for sale was subsequently disposed in February 2023.

(2) Balance as at June 30, 2023 includes loan payable to the Trust of \$49,900 (December 31, 2022 – \$48,532), see also Note 6(b).

The investment in associates listed above have entered into various development construction contracts with existing commitments totalling \$11,981, of which the Trust's share is \$5,587 (December 31, 2022 – \$76,607, of which the Trust's share is \$29,151).

ii) Summary of earnings

The following table summarizes the earnings for investment in associates:

	Three Months Ended June 30, 2023			Three Months Ended June 30, 2022		
	PCVP	VMC Residences	Total	PCVP	VMC Residences	Total
Revenue						
Rental revenue ⁽¹⁾	9,008	—	9,008	7,990	—	7,990
Residential sales revenue	—	245,725	245,725	—	17,178	17,178
Operating expense						
Rental operating costs	(4,396)	—	(4,396)	(3,463)	53	(3,410)
Residential cost of sales	—	(198,998)	(198,998)	—	(12,927)	(12,927)
Revenue net of operating expense	4,612	46,727	51,339	4,527	4,304	8,831
Fair value adjustment on investment properties	(1,390)	—	(1,390)	912	—	912
Interest (expense) income	(2,391)	802	(1,589)	(1,799)	66	(1,733)
Earnings	831	47,529	48,360	3,640	4,370	8,010
Trust's share of earnings before supplemental cost and additional profit sharing	415	12,084	12,499	1,821	966	2,787
Additional Trust's share of earnings ⁽²⁾	—	1,246	1,246	—	234	234
Supplemental cost	(742)	—	(742)	(549)	—	(549)
Trust's share of earnings (losses)	(327)	13,330	13,003	1,272	1,200	2,472

(1) Includes office rental from the Trust in the amount of \$674 for the three months ended June 30, 2023 (three months ended June 30, 2022 – \$740).

(2) Additional profit allocated to the Trust for Transit City closing pursuant to the development agreement and limited partnership agreement.

	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022		
	PCVP	VMC Residences	Total	PCVP	VMC Residences	Total
Revenue						
Rental revenue ⁽¹⁾	17,808	—	17,808	15,461	—	15,461
Residential sales revenue	—	345,180	345,180	—	17,198	17,198
Operating expense						
Rental operating costs	(8,982)	—	(8,982)	(6,672)	—	(6,672)
Residential cost of sales	—	(279,425)	(279,425)	—	(12,921)	(12,921)
Revenue net of operating expense	8,826	65,755	74,581	8,789	4,277	13,066
Fair value adjustment on investment properties	8,393	—	8,393	1,730	—	1,730
Interest (expense) income	(4,662)	2,014	(2,648)	(3,520)	78	(3,442)
Earnings	12,557	67,769	80,326	6,999	4,355	11,354
Trust's share of earnings before supplemental cost and additional profit sharing	6,278	17,335	23,613	3,500	951	4,451
Additional Trust's share of earnings ⁽²⁾	—	1,246	1,246	—	234	234
Supplemental cost	(3,114)	—	(3,114)	(1,087)	—	(1,087)
Trust's share of earnings (losses)	3,164	18,581	21,745	2,413	1,185	3,598

(1) Includes office rental revenue from the Trust in the amount of \$1,375 for the six months ended June 30, 2023 (six months ended June 30, 2022 – \$1,344).

(2) Additional profit allocated to the Trust for Transit City closing pursuant to the development agreement and limited partnership agreement.

In accordance with the VMC Supplemental Development Fee Agreement, the Trust invoiced PCVP a net amount of \$6,228 related to associated development fees for the six months ended June 30, 2023 (six months ended June 30, 2022 – \$2,174).

iii) Summary of development credit facilities

The development financing relating to PCVP and VMC Residences comprise pre-development, construction and letters of credit facilities. With respect to the development credit facilities relating to PCVP, the obligations are joint and several to each of the PCVP limited partners; however, by virtue of an indemnity agreement between the PCVP limited partners, the obligations are effectively several. From time to time, the original facility amounts are reduced through repayments and through amended agreements with the financial institutions from which the facilities were obtained. As at June 30, 2023 and December 31, 2022, PCVP and VMC Residences had the following credit facilities available:

As at	June 30, 2023		December 31, 2022	
(in thousands of dollars)	Maturity	Annual Interest Rate (%) ⁽¹⁾	Facility Amount	Facility Amount
Development facility amount	Between September 2023 and June 2027	From BA + 1.45 to BA + 1.60	734,863	755,140
Amount drawn on development credit facilities			(353,100)	(515,287)
Letters of credit – outstanding			(33,589)	(63,083)
Remaining unused development credit facilities			348,174	176,770
Trust's share of remaining unused development credit facilities			106,272	67,634

(1) Annual interest rate is a function of BA rate plus a premium.

b) Investment in joint ventures

The following table summarizes the Trust's ownership interest in each joint venture investment grouped by their principal intended activities as reflected in the Trust's unaudited interim condensed consolidated financial statements:

As at		June 30, 2023		December 31, 2022	
Business Focus	Joint Venture Partner	Number of Projects	Ownership Interest (%)	Number of Projects	Ownership Interest (%)
Retail investment properties	<i>Fieldgate</i>	1	30	1	30
Self-storage facilities	<i>SmartStop</i>	16	50	13	50
Retirement residences	<i>Revera</i>	3	50	4	50
Retirement residences	<i>Groupe Sélection</i>	1	— ⁽¹⁾	1	— ⁽¹⁾
Residential apartments	<i>Jadco</i>	1	50	1	50
Residential apartments	<i>Greenwin</i>	1	75	1	75
Residential apartments	<i>Cogir</i>	1	80	1	80
Total		24		22	

(1) According to the limited partnership agreement entered into by the Trust and Groupe Sélection in April 2020, the ownership of this joint venture was 50:50. During the year ended December 31, 2022, the Trust contributed \$24,412 to this partnership, of which \$5,319 was characterized as special contributions. During the six months ended June 30, 2023, the Trust contributed \$1,542 to this partnership, which was characterized as special contributions. These special contributions have resulted in a corresponding increase to the Trust's equity entitlements in respect of the partnership.

Acquisitions completed during the six months ended June 30, 2023

In January 2023, the Trust contributed its interest in a parcel of land totalling 1.41 acres located in Whitby, Ontario, to a joint venture, Whitby Self Storage LP, with the intention to develop and operate a self-storage facility.

In February 2023, pursuant to a 50:50 joint venture formed with SmartStop known as St-Regis Self Storage Limited Partnership, each partner contributed \$3,000 to fund the purchase of a parcel of land located in Dorval, Quebec, totalling 2.2 acres, in which the Trust had a 50% interest, with the intention to develop and operate a self-storage facility.

See also Note 4, "Investment properties".

i) Summary of balance sheets

The following table summarizes the balance sheets for investment in joint ventures:

As at	June 30, 2023	December 31, 2022
Non-current assets	786,228	729,104
Current assets	17,277	13,864
Total assets	803,505	742,968
Non-current liabilities	310,665	285,955
Current liabilities	36,023	36,683
Total liabilities	346,688	322,638
Net assets	456,817	420,330
Trust's share of net assets	240,668	222,227

The joint ventures listed above have entered into various development construction contracts with existing commitments totalling \$47,552, of which the Trust's share is \$23,581 (December 31, 2022 – \$124,349, of which the Trust's share is \$61,010).

ii) Summary of earnings (losses)

The following table summarizes the earnings (losses) for investment in joint ventures:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Revenue	8,043	6,137	15,070	11,675
Operating expense	(3,527)	(2,560)	(6,886)	(5,502)
Revenue net of operating expense	4,516	3,577	8,184	6,173
Fair value adjustment on investment properties	1,658	557	4,898	739
Interest expense	(3,755)	(1,631)	(7,233)	(2,860)
Earnings	2,419	2,503	5,849	4,052
Trust's share of earnings before supplemental cost	486	1,369	1,540	1,793
Supplemental cost	(51)	(55)	(404)	(2,180)
Trust's share of earnings (losses)	435	1,314	1,136	(387)

In accordance with the Supplemental Development and Construction Fee Agreements, the Trust invoiced certain investments in joint ventures for a net amount of \$808 related to associated supplemental development fees for the six months ended June 30, 2023 (six months ended June 30, 2022 – \$4,360).

iii) Summary of credit facilities

Development financing includes a credit facility relating to Laval C Apartments comprising a pre-development and construction facility, and a construction facility relating to additional self-storage facilities. From time to time, the facilities amounts may be reduced through repayments and through amended agreements with the financial institutions from which the facilities were obtained. As at June 30, 2023 and December 31, 2022, the Trust's joint ventures had the following credit facilities:

As at			June 30, 2023	December 31, 2022
(in thousands of dollars)	Maturity	Annual Interest Rate (%) ⁽¹⁾	Facility Amount	Facility Amount
Development Facility Amount	Between December 2023 and August 2025	From BA + 1.50 to BA + 2.20	251,722	251,722
Amount drawn on development credit facilities			(216,713)	(181,610)
Letters of credit – outstanding			(1,903)	(1,648)
Remaining unused development credit facilities			33,106	68,464
Trust's share of remaining unused development credit facilities			18,783	40,234

(1) Annual interest rate is a function of BA rates plus a premium.

6. Mortgages, loans and notes receivable

The following table summarizes mortgages, loans and notes receivable:

As at	Note	June 30, 2023	December 31, 2022
Mortgages receivable (a)	20	24,818	39,456
Loans receivable (b)		268,617	282,312
Notes receivable (c)	20	2,924	2,924
		296,359	324,692
Current		207,147	86,593
Non-current		89,212	238,099
		296,359	324,692

- a) Mortgages receivable of \$24,818 (December 31, 2022 – \$39,456) are provided pursuant to agreements with Penguin. These amounts are provided to fund costs associated with both the original acquisition and development of seven properties (December 31, 2022 – seven properties). The Trust is committed to lend up to \$174,782 (December 31, 2022 – \$190,720) to assist with the further development of these properties.

The following table provides further details on the mortgages receivable (by maturity date) provided to Penguin:

Property	Committed	Maturity Date	Extended Maturity Date ⁽¹⁾	Annualized Variable Interest Rate at Year-End (%)	The Trust's Purchase Option of Property (%) ⁽²⁾	June 30, 2023	December 31, 2022
Pitt Meadows, BC ⁽⁴⁾	70,653	November 2023	August 2028	6.90	50	19,396	23,594
Toronto (StudioCentre), ON ⁽³⁾⁽⁴⁾	28,286	August 2028	N/A	6.90	25	5,422	15,862
Caledon (Mayfield), ON ⁽⁵⁾	15,498	April 2024	August 2028	7.00	50	—	—
Salmon Arm, BC ⁽³⁾⁽⁵⁾	13,398	August 2028	N/A	6.50	—	—	—
Aurora (South), ON ⁽⁵⁾	15,155	August 2028	N/A	6.75	50	—	—
Innisfil, ON ⁽³⁾⁽⁵⁾	16,011	October 2023	N/A	7.00	—	—	—
Vaughan (7 & 427), ON ⁽⁵⁾	15,781	December 2023	August 2028	6.75	50	—	—
	174,782			6.90		24,818	39,456

(1) The maturity dates for these mortgages are automatically extended to August 31, 2028 unless written notice is delivered from the borrower. During the extended maturity period, the mortgages receivable accrue interest at a variable rate based on the BA plus 4.00% to 5.00%.

(2) The Trust has a purchase option from the borrower in these properties upon a certain level of development and leasing being achieved. As at June 30, 2023, it is management's expectation that the Trust will exercise these purchase options.

(3) The Trust owns a 50% interest in these properties, with the other 50% interest owned by Penguin. These loans are secured against Penguin's interest in the property.

(4) The weighted average interest rate on this mortgage is subject to an upper limit of 6.90%.

(5) Penguin fully repaid the outstanding balance of the mortgages in October 2022.

Mortgages receivable amendments

Interest on these mortgages accrues monthly as follows: from December 9, 2020 to the maturity date of each mortgage, at a variable rate based on the BA rate plus 2.75% to 4.20%; and from the maturity date of each mortgage to the extended maturity date (August 31, 2028), at a variable rate based on the BA rate plus 4.00% to 5.00%. Additional interest of \$96,366 (December 31, 2022 – \$97,665) on the existing credit facilities may be accrued on certain of the mortgages receivable before cash interest must be paid.

The mortgage security includes a first or second charge on properties, assignments of rents and leases and general security agreements. In addition, the outstanding balance is guaranteed by Penguin. The loans are subject to individual loan guarantee agreements that provide additional guarantees for all interest and principal advanced on outstanding amounts. The amounts that are guaranteed decrease on achievement of certain specified value-enhancing events. Management considers all mortgages receivable to be fully collectible.

b) The following table presents loans receivable (by maturity date):

Issued to	Committed	Maturity Date	Interest Rate (%)	Note	June 30, 2023	December 31, 2022
Penguin ⁽¹⁾	12,493	December 2023	Variable	20	7,621	7,389
Penguin ⁽²⁾	26,227	March 2024	6.21 %	20	13,321	13,266
Penguin ⁽³⁾	N/A	December 2029	Interest-free	10(b)(iv), 20	54,237	62,986
Penguin ⁽⁴⁾	18,450	August 2030	Variable	20	7,233	16,638
Total loans issued to Penguin					82,412	100,279
PCVP ⁽⁵⁾	N/A	March 2024	6.21 %	20	49,900	48,532
Self-storage facilities ⁽⁶⁾	120,700	May 2024	Variable	20	121,208	116,096
Total loans issued to equity accounted investments					171,108	164,628
Other ⁽⁷⁾	N/A	January 2023	5.00 %		—	2,308
Greenwin ⁽⁸⁾	11,694	September 2024	Variable		—	—
Greenwin ⁽⁹⁾	1,280	January 2025	Variable		—	—
Other ⁽¹⁰⁾	N/A	October 2023	4.00 %		15,097	15,097
Total loans issued to unrelated parties					15,097	17,405
					268,617	282,312

(1) Pursuant to a development management agreement with Penguin, repayment of the pro rata share of the outstanding loan amount is due upon the completion of each Earnout event. The loan bears interest at 10 basis points plus the lower of: i) the Canadian prime rate plus 20 basis points, and ii) the Canadian Dealer Offered Rate plus 120 basis points.

(2) The loan security includes a first or second charge on the property, assignments of rents and leases and general security agreements, and is guaranteed by Penguin.

(3) The loan has a principal amount outstanding of \$71,082, is non-interest-bearing, and is repayable at the end of 10 years. As at June 30, 2023, the loan balance of \$54,237 is net of a cumulative fair value adjustment totalling \$16,845.

(4) The loan bears interest at: i) the BA rate plus 220 basis points, up to 60% of the facility limit, and ii) the BA rate plus 370 basis points, for the remainder.

(5) The loan security includes a first or second charge on properties, assignments of rents and leases and general security agreements, and is guaranteed by Penguin up to its 50% share of the loan.

(6) The Trust entered into a master credit loan agreement with its partner SmartStop to provide funding for the development of certain self-storage facilities. The master credit loan agreement bears interest at a variable rate based on the BA rate plus 245 basis points.

(7) The loan was fully repaid in January 2023.

(8) The loan agreement in connection with the acquisition of a 50% interest in development lands in Barrie, Ontario, bears interest at the greater of: i) 7.0% per annum, and ii) the Trust's weighted average cost of capital plus 1.25% per annum.

(9) The loan agreement to fund the acquisition of Greenwin's 25% interest in development lands in Toronto, Ontario, includes security of a first charge on the development lands and is guaranteed by Greenwin, and bears interest at the greater of: i) 7.0% per annum, and ii) the Trust's weighted average cost of capital plus 1.25% per annum.

(10) The Trust entered into a loan agreement pursuant to the sale of the Innisfil, Ontario property to a third party. The Trust agreed to take back a first charge as security for the loan.

Management considers all outstanding loans to be fully collectible.

c) Notes receivable of \$2,924 (December 31, 2022 – \$2,924) have been granted to Penguin. As at June 30, 2023, these secured demand notes bear interest at the rate of 9.00% per annum (December 31, 2022 – 9.00%).

The estimated fair values of mortgages, loans and notes receivable are based on their respective current market rates, bearing similar terms and risks. This information is disclosed in Note 13, "Fair value measurement".

7. Other financial assets

The following table summarizes the components of other financial assets:

As at	June 30, 2023	December 31, 2022
Total return swap receivable (a)	124,739	137,526
Interest rate swap agreements	42,687	34,281
	167,426	171,807

a) Total return swap receivable

The following table summarizes the activities in the total return swap receivable:

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Balance – beginning of period	137,526	46,869
Additions	—	101,041
Distributions received	(4,750)	(5,466)
Fair value adjustments	(8,037)	(4,918)
Balance – end of period	124,739	137,526

8. Other assets

The following table summarizes the activity in other assets:

	December 31, 2022	Additions	Write-offs	Amortization and other adjustments	June 30, 2023
Straight-line rents receivable	44,061	4,007	(35)	(4,124)	43,909
Tenant incentives	34,759	7,944	—	(3,900)	38,803
	78,820	11,951	(35)	(8,024)	82,712
Equipment	2,335	601	—	(240)	2,696
Right-of-use assets	2,075	245	—	(938)	1,382
	83,230	12,797	(35)	(9,202)	86,790

9. Amounts receivable and other, prepaid expenses, deposits and deferred financing costs

The following table presents the components of amounts receivable and other, prepaid expenses, deposits and financing costs:

As at	June 30, 2023	December 31, 2022
Amounts receivable and other		
Tenant receivables	25,742	26,735
Unbilled other tenant receivables	13,666	11,100
Receivables from related party – excluding equity accounted investments	6,737	11,899
Receivables from related party – equity accounted investments	7,062	616
Other non-tenant receivables	3,162	1,954
Other ⁽¹⁾	13,496	13,591
	69,865	65,895
Allowance for ECL	(7,760)	(8,771)
Amounts receivable and other, net of allowance for ECL	62,105	57,124
Prepaid expenses, deposits and deferred financing costs ⁽²⁾	43,929	14,474
	106,034	71,598

(1) The amount includes a related party amount of \$7,516 (December 31, 2022 – \$6,835).

(2) Includes prepaid realty tax of \$31,831 (December 31, 2022 – \$1,468).

Allowance for expected credit loss

The Trust records the ECL to comply with IFRS 9's simplified approach for amounts receivable where its allowance for ECL is measured at initial recognition and throughout the life of the amounts receivable at a total equal to lifetime ECL.

The following table summarizes the reconciliation of changes in the allowance for ECL on amounts receivable:

	Six Months Ended June 30	
	2023	2022
Balance – beginning of period	8,771	18,954
Net allowance	(1,011)	(7,772)
Balance – end of period	7,760	11,182

10. Debt

The following table presents debt balances:

As at	June 30, 2023	December 31, 2022
Secured debt (a)	894,350	969,054
Unsecured debt (b)	4,022,981	3,932,928
Revolving operating facilities (c)	93,000	81,283
	5,010,331	4,983,265
Current	364,578	459,278
Non-current	4,645,753	4,523,987
	5,010,331	4,983,265

a) Secured debt

As at June 30, 2023, the secured debt balance of \$894,350 (December 31, 2022 – \$969,054) bears a weighted average interest rate of 3.94% (December 31, 2022 – 3.91%), and comprises \$871,950 (December 31, 2022 – \$948,921) at fixed interest rates, and \$22,400 (December 31, 2022 – \$20,133) bears variable interest rate of BA plus 170 basis points. The secured debt maturing between 2023 and 2031 and is secured by first or second registered mortgages over specific income properties and properties under development and first general assignments of leases, insurance and registered chattel mortgages.

b) Unsecured debt

The following table summarizes the components of unsecured debt:

As at	June 30, 2023	December 31, 2022
Unsecured debentures i)	2,751,959	2,652,327
Credit facilities ii)	995,983	996,238
TRS debt iii)	143,232	143,232
Other unsecured debt iv)	131,807	141,131
	4,022,981	3,932,928

i) Unsecured debentures

As at June 30, 2023, unsecured debentures totalled \$2,751,959 (December 31, 2022 – \$2,652,327). Unsecured debentures mature at various dates between 2023 and 2030, with interest rates ranging from 1.74% to 5.35%, and a weighted average interest rate of 3.35% as at June 30, 2023 (December 31, 2022 – 3.17%).

Unsecured debenture activities for the six months ended June 30, 2023

In May 2023, the Trust issued \$300,000 of 5.354% Series Z senior unsecured debentures (net proceeds of the issuance in aggregate after issuance costs – \$298,950). The Series Z debentures will mature on May 29, 2028. The debentures have semi-annual payments due on May 29 and November 29 of each year, commencing on November 29, 2023. Concurrently, the Trust repaid the \$200,000 aggregate principal of Series I senior unsecured debentures in full upon their maturity.

Credit rating of unsecured debentures

Dominion Bond Rating Services (“DBRS”) provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower’s capabilities to fulfil its obligations. An investment-grade rating must exceed “BB”, with the highest rating being “AAA”. In May 2023, DBRS adjusted the Trust’s credit rating to BBB and upgraded its outlook to stable.

ii) Credit facilities

The following table summarizes the activity for unsecured credit facilities:

(Issued In)	Initial Maturity Date	Annual Interest Rate (%)	Facility Amount	June 30, 2023	December 31, 2022
Non-revolving:					
August 2018 ⁽¹⁾	January 31, 2025	2.980	80,000	80,000	80,000
March 2019 ⁽¹⁾	July 31, 2026	3.770	150,000	150,000	150,000
May 2019 ⁽¹⁾	June 24, 2026	3.146	170,000	170,000	170,000
January 2022	January 19, 2027	BA + 1.45	300,000	300,000	300,000
December 2022 ⁽¹⁾	December 1, 2025	4.370	100,000	100,000	100,000
December 2022 ⁽¹⁾	December 1, 2025	4.875	100,000	100,000	100,000
December 2022	December 20, 2025	SOFR + 1.60	100,000	99,598	100,000
Revolving:					
May 2020	May 11, 2024	BA + 1.45	100,000	—	—
				999,598	1,000,000
Less:					
Unamortized financing costs				(1,655)	(1,802)
Unamortized debt modification adjustments				(1,960)	(1,960)
				995,983	996,238

(1) The Trust entered into interest rate swap agreements to convert the variable interest rate into a weighted average fixed interest rate of 3.77% per annum. The weighted average term to maturity of the interest rate swaps is 2.96 years. Hedge accounting has not been applied to the interest rate swap agreements.

iii) TRS Debt

The Trust borrowed TRS debt concurrent with entering the TRS agreement in February 2021. As at June 30, 2023, TRS unsecured debt of \$143,232 (December 31, 2022 – \$143,232) carries variable interest of CDOR plus 120 basis points. The interest on this TRS debt includes floating amounts that are payable at each May, August, November and February commencing in May 2021 to the date the TRS agreement matures or is unwound.

iv) Other unsecured debt

Other unsecured debt net of fair value adjustments totalling \$131,807 (December 31, 2022 – \$141,131) at the Trust's share pertains to loans received from equity accounted investments in connection with contribution agreements relating to joint ventures. The loans are non-interest-bearing with repayment terms based on the distributions that are to be paid pursuant to the limited partnership agreements. The balances of the loans are expected to be paid at the end of their respective terms.

The following table summarizes components of the Trust's other unsecured debt:

As at	June 30, 2023	December 31, 2022
PCVP (5.00% discount rate) ⁽¹⁾	56,081	64,992
PCVP (5.75% discount rate) ⁽²⁾	54,237	62,986
Vaughan NW RR PropCo LP	12,231	12,500
VMC Residences ⁽³⁾	9,258	653
	131,807	141,131

(1) In connection with the 700 Applewood purchase in December 2019, the loan has a principal amount outstanding of \$71,082 (December 31, 2022 – \$81,448), is non-interest-bearing, and is repayable at the end of 10 years. As at June 30, 2023, the loan balance of \$56,081 is net of the unamortized fair value adjustment totalling \$15,001 (December 31, 2022 – the loan balance of \$64,992 is net of a fair value adjustment totalling \$16,456).

(2) In connection with the 700 Applewood purchase in March 2020, the Trust assumed a loan payable to PCVP from Penguin. The loan has a principal amount outstanding of \$71,082 (December 31, 2022 – \$81,448), is non-interest-bearing, and is repayable at the end of 10 years. As at June 30, 2023, the loan balance of \$54,237 is net of the unamortized fair value adjustment totalling \$16,845 (December 31, 2022 – the loan balance of \$62,986 is net of a fair value adjustment totalling \$18,462). See also Note 6(b) reflecting offsetting loan receivable amount.

(3) In connection with the Transit City closing, \$9,258 was received and \$653 was settled during the six months ended June 30, 2023 (year ended December 31, 2022 – \$nil was received and \$24,322 was settled). See Note 5, "Equity accounted investments."

c) Revolving operating facilities

As at June 30, 2023, the Trust had:

i) a \$500,000 unsecured revolving operating facility bearing a variable interest rate based on either bank prime rate plus 45 basis points or BA plus 145 basis points, which matures on March 15, 2028 (in addition, the Trust has an accordion feature of \$250,000 whereby the Trust has an option to increase its facility amount with the lenders to sustain future operations as required); and

ii) a \$150,000 revolving senior unsecured term facility under which the Trust has the ability to draw funds based on bank prime rates and BA rate for Canadian dollar-denominated borrowings, and LIBOR rates or U.S. prime rates for U.S. dollar-denominated borrowings. Concurrently with the U.S. dollar draws, the Trust enters into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

The following table summarizes components of the Trust's revolving operating facilities:

	Annual Interest Rate (%)	Facility Amount	Amount Drawn	Outstanding Letters of Credit	Remaining Undrawn Facilities	
					June 30, 2023	December 31, 2022
Revolving facility maturing March 2028	BA + 1.45	500,000	93,000	15,343	391,657	477,626
Revolving facility maturing February 2024 ⁽¹⁾	US\$ LIBOR + 1.45	150,000	—	—	150,000	75,717
			93,000		541,657	553,343

(1) The Trust has drawn \$nil from this facility as at June 30, 2023 (December 31, 2022 – drawn in US\$54,873 which was translated to \$74,283).

d) Interest expense

The following table summarizes interest expense:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Interest at stated rates	46,072	38,900	91,262	76,629
Amortization of acquisition date fair value adjustments on assumed debt	(85)	(122)	(174)	(247)
Amortization of deferred financing costs	921	884	1,834	1,906
Distributions on Units classified as liabilities and vested deferred units	4,512	4,379	8,952	8,669
Adjustment on debt modification	—	(1,960)	—	(1,960)
	51,420	42,081	101,874	84,997
Capitalized to properties under development	(10,893)	(7,977)	(21,514)	(15,315)
Capitalized to residential development inventory	(372)	(252)	(698)	(497)
	40,155	33,852	79,662	69,185

The following table presents a reconciliation between the interest expense and the cash interest paid:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Interest expense	40,155	33,852	79,662	69,185
Amortization of acquisition date fair value adjustments on assumed debt	85	122	174	247
Adjustment on debt modification	—	1,960	—	1,960
Amortization of deferred financing costs	(921)	(884)	(1,834)	(1,906)
Distributions on Units classified as liabilities and vested deferred units, net of amounts capitalized to properties under development	(2,144)	(4,379)	(4,149)	(8,669)
Change in accrued interest payable	12,512	12,363	(254)	358
Cash interest paid	49,687	43,034	73,599	61,175

For the six months ended June 30, 2023, total interest paid was \$95,811 (six months ended June 30, 2022 – \$76,987) which includes cash interest paid of \$73,599 (six months ended June 30, 2022 – \$61,175) and interest capitalized to both properties under development and residential development inventory of \$22,212 (six months ended June 30, 2022 – \$15,812).

e) Liquidity

The Trust's liquidity position is monitored by management on a regular basis. The table below provides the contractual maturities of the Trust's material financial obligations including debentures, mortgage receivable advances and development commitments:

	Total	2023	2024	2025	2026	2027	Thereafter
Secured debt	895,415	165,073	151,032	411,340	98,121	5,473	64,376
Unsecured debt	3,925,174	12,231	111,181	889,598	570,000	850,000	1,492,164
Revolving operating facilities	93,000	93,000	—	—	—	—	—
Interest obligations ⁽¹⁾	561,135	104,217	116,491	101,190	83,352	67,273	88,612
Accounts payable	256,225	256,225	—	—	—	—	—
Other payable	26,516	7,072	311	9,133	—	—	10,000
	5,757,465	637,818	379,015	1,411,261	751,473	922,746	1,655,152
Mortgage receivable advances (repayments) ⁽²⁾	149,964	517	1,130	(15,880)	1,034	378	162,785
Development obligations (commitments)	15,303	15,303	—	—	—	—	—
Total	5,922,732	653,638	380,145	1,395,381	752,507	923,124	1,817,937

(1) Interest obligations represent expected interest payments on secured debt, unsecured debt, and revolving operating facilities under the assumption that the balances are repaid at maturity, and do not represent a separate contractual obligation.

(2) Mortgages receivable of \$24,818 at June 30, 2023, and further forecasted commitments of \$149,964, mature over a period extending to 2028 if the Trust does not exercise its option to acquire the investment properties. Refer to Note 6, "Mortgages, loans and notes receivable", for timing of principal repayments.

11. Other financial liabilities

The following table summarizes the components of other financial liabilities:

As at	June 30, 2023	December 31, 2022
Units classified as liabilities (a)	191,832	211,497
Deferred unit plan (c)	50,210	48,402
LTIP (d)	—	580
EIP (e)	17,999	16,204
Currency swap agreement ⁽¹⁾	366	717
	260,407	277,400

(1) The currency swap agreement has been recorded in the revolving operating facilities balance as reflected in Note 10(c) "Revolving operating facilities".

a) Units classified as liabilities

Total number of Units classified as liabilities

The following table represents the number and carrying value of Units classified as liabilities that are issued and outstanding. The fair value measurement of the Units classified as liabilities is described in Note 13, "Fair value measurement".

	Number of Units Issued and Outstanding (#)	Carrying Value (\$)
Balance – January 1, 2023	7,897,571	211,497
Change in carrying value	N/A	(19,665)
Balance – June 30, 2023	7,897,571	191,832
Balance – January 1, 2022	7,897,571	254,223
Change in carrying value	N/A	(37,119)
Balance – June 30, 2022	7,897,571	217,104

b) Earnout options

As part of the consideration paid for certain investment property acquisitions, the Trust has granted options in connection with the development management agreements (see also Note 4(d)).

The following table summarizes the number of Earnout options exercised and proceeds received during the six months ended June 30, 2023 and 2022:

Options	Strike Price	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
		Options Exercised (#)	Amounts from Options Exercised (\$)	Options Exercised (#)	Amounts from Options Exercised (\$)
Options to acquire Class B Smart LP III Units ⁽¹⁾	Market price	54,072	1,310	121,426	392
Options to acquire Class B Smart LP IV Units ⁽²⁾	Market price	—	—	21,785	572
		54,072	1,310	143,211	964

(1) Each option is represented by a corresponding Class C Smart LP III Unit.

(2) Each option is represented by a corresponding Class C Smart LP IV Unit.

c) Deferred unit plan

The following table summarizes the number of outstanding deferred units:

	Outstanding	Vested	Unvested
Balance – January 1, 2023	1,888,509	1,580,848	307,661
Granted			
Trustees	50,523	50,523	—
Eligible associates	218,676	109,338	109,338
Reinvested units from distributions	75,344	63,979	11,365
Vested	—	60,458	(60,458)
Redeemed for cash	(9,723)	(9,723)	—
Forfeited	(5,664)	—	(5,664)
Balance – June 30, 2023	2,217,665	1,855,423	362,242
Balance – January 1, 2022	1,667,421	1,397,141	270,280
Granted			
Trustees	44,970	44,970	—
Eligible associates	181,388	92,043	89,345
Reinvested units from distributions	56,407	47,129	9,278
Vested	—	47,566	(47,566)
Redeemed for cash	(82,637)	(82,637)	—
Forfeited	(8,969)	—	(8,969)
Balance – June 30, 2022	1,858,580	1,546,212	312,368

The following table summarizes the change in the carrying value of the deferred unit plan:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Carrying value – beginning of period	52,950	54,265	48,402	50,660
Deferred units granted for trustee fees	—	—	677	712
Deferred units granted for bonuses	—	1,486	2,928	2,900
Reinvested distributions on vested deferred units	861	729	1,649	1,405
Compensation expense – reinvested distributions and amortization	1,054	848	1,879	1,576
Redeemed for cash	(50)	(1,423)	(267)	(2,593)
Fair value adjustment – vested and unvested deferred units	(4,605)	(8,901)	(5,058)	(7,656)
Carrying value – end of period	50,210	47,004	50,210	47,004

d) LTIP

The following table summarizes the activities in the LTIP:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Balance – beginning of period	—	722	580	697
Amortization	—	72	3	144
Fair value adjustment	—	(53)	—	(100)
LTIP vested and paid out	—	—	(583)	—
Balance – end of period	—	741	—	741

e) Equity Incentive Plan

The Trust granted performance units in connection with the EIP, subject to the achievement of Unit price thresholds. The performance period for the EIP is specified in the participants' award notices. Distributions on performance units will accumulate on the performance units that have been granted. Performance units, including distributions on performance units, vest for the lesser of three years after they are earned or on the end of the applicable Performance Period. Upon vesting, performance units will be exchanged for Trust Units or paid out in cash at the option of the holders.

The following summarizes the outstanding number of performance units associated with the EIP:

Number of Units (#)	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Balance – beginning of period ^{(1) (2)}	1,413,521	1,359,457	1,370,540	1,339,699
Granted	50,000	—	69,000	—
Reinvested units from distributions	26,071	21,051	50,052	40,809
Balance – end of period	1,489,592	1,380,508	1,489,592	1,380,508

(1) The beginning balance of 2023 and 2022 includes performance units that were granted to Mitchell Goldhar and eligible associates, as well as performance units that were reinvested from distributions, and certain performance units that were terminated.

(2) Under the EIP granted to Mitchell Goldhar in 2021 totalling 900,000 Units, the \$26.00 Unit price threshold was achieved on April 5, 2021, and the \$28.00 Unit price threshold was achieved on May 18, 2021, and under the EIP granted to Mitchell Goldhar and other eligible associates in 2021, the \$30.00 Unit price threshold was achieved on September 22, 2021, and the \$32.00 Unit price threshold was achieved on April 5, 2022. The performance units for these Unit price thresholds will vest on April 4, 2024, May 17, 2024, September 21, 2024 and April 4, 2025, respectively.

The following table summarizes the change in the carrying value of the EIP:

Carrying Value (\$)	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Balance – beginning of period	18,359	14,052	16,204	10,377
Amortization costs	1,988	1,739	4,028	3,936
Fair value adjustment	(2,348)	(2,672)	(2,233)	(1,194)
Balance – end of period	17,999	13,119	17,999	13,119

12. Accounts and other payables

The following table presents accounts payable and the current portion of other payables that are classified as current liabilities:

As at	Note	June 30, 2023	December 31, 2022
Accounts payable		78,855	83,088
Accounts payable and accrued liabilities with Penguin	20	2,130	3,504
Tenant prepaid rent, deposits, and other payables		103,138	108,364
Residential sales deposits		11,690	11,690
Accrued interest payable		14,348	14,094
Distributions payable		26,576	26,569
Realty taxes payable		10,390	2,946
Current portion of other payables		10,189	10,867
		257,316	261,122

The following table presents other payables that are classified as non-current liabilities:

As at	Note	June 30, 2023	December 31, 2022
Future land development obligations with Penguin		17,857	17,646
Lease liability – investment properties ⁽¹⁾	4(c)(ii)	8,481	8,411
Lease liability – other		1,397	2,075
Total other payables		27,735	28,132
Less: Current portion of other payables		(10,189)	(10,867)
Total non-current portion of other payables		17,546	17,265

(1) Leasehold properties with bargain purchase options are accounted for as leases.

Future land development obligations

The future land development obligations represent payments required to be made to Penguin (see also Note 20, “Related party transactions”) for certain undeveloped lands acquired from 2006 to 2015, either on completion and rental of additional space on the undeveloped lands or, if no additional space is completed on the undeveloped lands, at the expiry of the development management agreement periods ending in 2023 to 2025, which may be extended up to 2027. The accrued future land development obligations are measured at their amortized values using imputed interest rates ranging from 4.50% to 5.50%. For the six months ended June 30, 2023, imputed interest of \$218 (six months ended June 30, 2022 – \$209) was capitalized to properties under development.

13. Fair value measurement

The fair value of financial instruments is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's-length transaction based on the current market for assets and liabilities with the same risks, principal and remaining maturity.

Assets and liabilities carried at amortized cost

The fair values of the Trust's accounts receivable and other, cash and cash equivalents and accounts and other payables approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair values of certain mortgage receivables, secured debt and unsecured debt have been determined by discounting the cash flows of these financial obligations using market rates of debt of similar terms and credit risks.

Fair value of assets and liabilities

Assets and liabilities measured at fair value in the unaudited interim condensed consolidated balance sheets, or disclosed in the notes to the financial statements, are categorized using fair value hierarchy that reflects the significance of the inputs used in determining the fair values as follows:

The use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

June 30, 2023	Note	Carrying value	Fair Value		
			Level 1	Level 2	Level 3
Assets measured at fair value:					
Investment properties	4	10,336,527	—	—	10,336,527
Other financial assets	7	167,426	—	167,426	—
Assets measured at amortized cost:					
Mortgages, loans and notes receivable	6	296,359	—	295,666	—
Liabilities measured at fair value:					
Units classified as liabilities	11	191,832	—	191,832	—
Deferred unit plan	11	50,210	—	50,210	—
EIP	11	17,999	—	17,999	—
Currency swap agreements	11	366	—	366	—
Financial liabilities measured at amortized cost:					
Secured debt	10	894,350	—	866,493	—
Unsecured debt	10	4,022,981	—	3,768,106	—
Revolving operating facilities	10	93,000	—	93,000	—

14. Unit equity

The following table presents the number of Units issued and outstanding and the related carrying value of Unit equity. The Limited Partnership Units are classified as non-controlling interests in the unaudited interim condensed consolidated balance sheets and the unaudited interim condensed consolidated statements of equity.

	Note	Number of Units Issued and Outstanding (#)			Carrying Value (\$)		
		Trust Units	Smart LP Units	Total Units	Trust Units	Smart LP Units	Total
Balance – January 1, 2023		144,625,322	25,610,960	170,236,282	3,090,118	643,223	3,733,341
Options exercised	4(d), 11(b)	—	47,869	47,869	—	1,310	1,310
Balance – June 30, 2023		144,625,322	25,658,829	170,284,151	3,090,118	644,533	3,734,651
Balance – January 1, 2022		144,625,322	25,568,688	170,194,010	3,090,368	641,944	3,732,312
Options exercised	4(d), 11(b)	—	31,074	31,074	—	964	964
Unit issuance costs		—	—	—	(250)	—	(250)
Balance – June 30, 2022		144,625,322	25,599,762	170,225,084	3,090,118	642,908	3,733,026

The following table presents the number and carrying values of LP Class B Units issued and outstanding:

LP Class B Unit Type	Number of Units Issued and Outstanding (#)			Carrying Value (\$)		
	Balance – January 1, 2023	Options Exercised (Note 11(b))	Balance – June 30, 2023	Balance – January 1, 2023	Value From Options Exercised (Note 11(b))	Balance – June 30, 2023
Smart Limited Partnership	16,424,430	—	16,424,430	392,327	—	392,327
Smart Limited Partnership II	756,525	—	756,525	17,680	—	17,680
Smart Limited Partnership III	4,062,801	47,869	4,110,670	108,804	1,310	110,114
Smart Limited Partnership IV	3,112,565	—	3,112,565	89,429	—	89,429
Smart Oshawa South Limited Partnership	710,416	—	710,416	20,441	—	20,441
Smart Oshawa Taunton Limited Partnership	374,223	—	374,223	11,033	—	11,033
Smart Boxgrove Limited Partnership	170,000	—	170,000	3,509	—	3,509
	25,610,960	47,869	25,658,829	643,223	1,310	644,533

LP Class B Unit Type	Number of Units Issued and Outstanding (#)			Carrying Value (\$)		
	Balance – January 1, 2022	Options Exercised (Note 11(b))	Balance – June 30, 2022	Balance – January 1, 2022	Value From Options Exercised (Note 11(b))	Balance – June 30, 2022
Smart Limited Partnership	16,424,430	—	16,424,430	392,327	—	392,327
Smart Limited Partnership II	756,525	—	756,525	17,680	—	17,680
Smart Limited Partnership III	4,039,184	12,419	4,051,603	108,097	392	108,489
Smart Limited Partnership IV	3,093,910	18,655	3,112,565	88,857	572	89,429
Smart Oshawa South Limited Partnership	710,416	—	710,416	20,441	—	20,441
Smart Oshawa Taunton Limited Partnership	374,223	—	374,223	11,033	—	11,033
Smart Boxgrove Limited Partnership	170,000	—	170,000	3,509	—	3,509
	25,568,688	31,074	25,599,762	641,944	964	642,908

a) Authorized Units*Trust Units (authorized – unlimited)*

Each voting Trust Unit represents an equal undivided interest in the Trust. All Trust Units outstanding from time to time are entitled to participate pro rata in any distributions by the Trust and, in the event of termination or windup of the Trust, in the net assets of the Trust. All Trust Units rank among themselves equally and rateably without discrimination, preference or priority. Unitholders are entitled to require the Trust to redeem all or any part of their Trust Units at prices determined and payable in accordance with the conditions provided for in the Declaration of Trust. A maximum amount of \$50 may be redeemed in total in any one month unless otherwise waived by the Board of Trustees.

In accordance with the Declaration of Trust, distributions to Unitholders are declared at the discretion of the Trustees. The Trust endeavours to declare distributions in each taxation year in such an amount as is necessary to ensure that the Trust will not be subject to tax on its net income and net capital gains under Part I of the *Income Tax Act*.

The Trust is authorized to issue an unlimited number of Special Voting Units that will be used to provide voting rights to holders of securities exchangeable, including all series of Class B Smart LP Units, Class D Smart LP Units, Class B Smart LP II Units, Class B Smart LP III Units, Class B Smart LP IV Units, Class B Smart Oshawa South LP Units, Class D Smart Oshawa South LP Units, Class B Smart Oshawa Taunton Units, Class D Oshawa Taunton Units, Class B Smart Boxgrove LP Units, Class B ONR LP Units and Class B ONR LP I Units, into Trust Units. Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust. Each Special Voting Unit entitles the holder to the number of votes at any meeting of Unitholders of the Trust that is equal to the number of Trust Units into which the exchangeable security is exchangeable or convertible. Special Voting Units are cancelled on the issuance of Trust Units on exercise, conversion or cancellation of the corresponding exchangeable securities.

As at June 30, 2023, there were 33,547,692 (December 31, 2022 – 33,499,823) Special Voting Units outstanding, which are associated with those LP Units that have voting rights. There is no value assigned to the Special Voting Units. These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust; nor are they convertible into any Trust securities.

Pursuant to the Voting Top-Up Right agreement made in December 2020 between the Trust and Penguin, which was approved by Unitholders, the following amendments were made: i) extension of the Voting Top-Up Right for five years, ending December 31, 2025, ii) extension of the designation of Units as Variable Voting Units until December 31, 2025, and iii) an increase to the alternative ownership threshold from 20,000,000 Units to 22,800,000 Units, including exchangeable LP Units. The total number of Special Voting Units is adjusted for each annual meeting of the Unitholders based on changes in Penguin's ownership interest (see also Note 20, "Related party transactions").

15. Unit distributions

Pursuant to the Declaration of Trust, the Trust endeavours to distribute annually such amount as is necessary to ensure the Trust will not be subject to tax on its net income under Part I of the *Income Tax Act*. The following table presents Unit distributions declared:

Unit Type Subject to Distributions	Six Months Ended June 30	
	2023	2022
Trust Units	133,781	133,781
Limited Partnership Units	23,731	23,677
Other non-controlling interest	—	283
Distributions on Units classified as equity	157,512	157,741
Distributions on Units classified as liabilities	7,303	7,303
Total Unit distributions	164,815	165,044

On July 18, 2023, the Trust declared a distribution for the month of July 2023 of \$0.15417 per Unit, representing \$1.85 per Unit on an annualized basis, to Unitholders of record on July 31, 2023.

16. Rentals from investment properties and other

The following table presents rentals from investment properties and other:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Gross base rent	131,852	128,831	262,683	255,790
Less: Amortization of tenant incentives	(1,879)	(1,599)	(3,903)	(3,284)
Net base rent	129,973	127,232	258,780	252,506
Property tax and insurance recoveries	43,955	44,788	88,496	89,850
Property operating cost recoveries	23,576	20,331	53,111	47,655
	67,531	65,119	141,607	137,505
Miscellaneous revenue	5,402	3,416	8,543	5,731
Rentals from investment properties	202,906	195,767	408,930	395,742
Service and other revenues	4,044	2,818	8,614	5,671
Rentals from investment properties and other	206,950	198,585	417,544	401,413

The following table summarizes the future contractual minimum base rent payments under non-cancellable operating leases expected from tenants in investment properties:

As at	June 30, 2023	June 30, 2022
2022 ⁽¹⁾	—	251,927
2023 ⁽¹⁾	257,301	468,180
2024	473,381	396,815
2025	403,608	327,986
2026	336,936	264,222
2027	272,034	201,924
Thereafter	610,303	442,174

(1) Amounts related to remainder of the year.

17. Property operating costs and other

The following table summarizes property operating costs and other:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Recoverable property operating costs ⁽¹⁾	69,752	68,354	147,190	145,440
Property management fees and costs	944	882	2,054	1,940
Expected credit recovery	(657)	(1,237)	(98)	(2,350)
Non-recoverable costs	1,605	2,435	3,358	4,939
Property operating costs	71,644	70,434	152,504	149,969
Residential cost of sales and marketing costs	1,663	369	2,313	395
Other expenses relating to service and other revenues ⁽²⁾	3,756	2,529	8,019	5,077
Other expenses	5,419	2,898	10,332	5,472
Property operating costs and other	77,063	73,332	162,836	155,441

(1) Includes recoverable property tax and insurance costs.

(2) Relate to service and other revenues as disclosed in Note 16, "Rentals from investment properties and other".

18. General and administrative expense

The following table summarizes general and administrative expense:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Salaries and benefits	6,291	4,253	11,271	8,851
Professional fees	1,540	1,724	3,439	2,964
Public company costs	372	525	754	688
Amortization of intangible assets	333	333	666	666
Other costs including office rent, information technology, marketing, communications, and other employee expenses	777	1,081	1,937	1,614
General and administrative expense	9,313	7,916	18,067	14,783

19. Supplemental cash flow information

The following table presents items not affecting cash and other items relating to the Trust's operating activities:

	Note	Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	2023	2022
Fair value adjustments		(68,918)	(71,166)	(90,926)	(360,493)
Loss (gain) on sale of investment properties		45	(18)	23	104
Earnings from equity accounted investments	5	(13,438)	(3,785)	(22,881)	(3,211)
Interest expense	10(d)	40,155	33,852	79,662	69,185
Other financing costs		(497)	(30)	(875)	(1,017)
Interest income		(5,172)	(3,866)	(10,000)	(6,826)
Amortization of other assets and intangible assets		2,954	2,217	5,896	4,783
Lease obligation interest		(283)	138	295	281
Deferred unit compensation expense, net of redemptions	11	1,003	(575)	1,612	(1,017)
LTIP and EIP amortization, net of payment	11	690	640	803	1,521
		(43,461)	(42,593)	(36,391)	(296,690)

The following table presents changes in other non-cash operating items:

	Note	Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	2023	2022
Amounts receivable and other	9	(2,057)	(5,957)	(4,981)	(6,287)
Prepaid expenses, deposits and deferred financing costs	9	(18,565)	(19,356)	(29,456)	(19,279)
Accounts payable	12	2,538	(13,404)	(5,607)	(13,404)
Realty taxes payable	12	(1,804)	(9,488)	7,444	(9,488)
Tenant prepaid rent, deposits and other payables, and residential sales deposits	12	7,256	10,352	(5,226)	10,352
Other working capital changes		(163)	4,144	10,443	9,238
		(12,795)	(33,709)	(27,383)	(28,868)

The following table presents the Trust's non-cash investing and financing balances:

Non-cash investing and financing balances	Note	Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	2023	2022
Total return swap receivable	7	124,739	96,201	124,739	96,201
Units issued on acquisition	3	128	—	1,310	964
Liabilities assumed on acquisition, net of other assets	3	1,516	2,008	3,927	2,008
Distributions payable at period end	12	26,576	26,567	26,576	26,567
Total return swap debt	10	143,232	99,109	143,232	99,109

The following table presents the composition of the Trust's cash and cash equivalents:

As at	June 30, 2023	December 31, 2022
Cash	44,792	35,255
Cash and cash equivalents	44,792	35,255

20. Related party transactions

Transactions with related parties are conducted in the normal course of operations.

Transactions and Agreements with Penguin

a) Penguin's Ownership Interest and Voting Right

The Trust's largest Unitholder is Penguin, which as at June 30, 2023, held approximately 20.9% of the issued and outstanding Units (December 31, 2022 – 20.8%) of the Trust. The following table presents Units owned by Penguin:

Type	Class	Units owned by Penguin	
		June 30, 2023	December 31, 2022
Trust Units	N/A	15,254,463	15,076,163
Smart Limited Partnership	Class B	13,584,561	13,584,561
Smart Limited Partnership	Class F	8,708	8,708
Smart Limited Partnership III	Class B	4,110,670	4,062,801
Smart Limited Partnership IV	Class B	2,873,132	2,873,132
Smart Oshawa South Limited Partnership	Class B	630,880	630,880
Smart Oshawa Taunton Limited Partnership	Class B	374,223	374,223
Smart Boxgrove Limited Partnership	Class B	170,000	170,000
ONR Limited Partnership I	Class B	272,183	272,183
Units owned by Penguin		37,278,820	37,052,651

Pursuant to the Declaration of Trust, provided certain ownership thresholds are met, the Trust is required to issue or cancel such number of additional Special Voting Units to Penguin that will entitle Penguin to cast 25.0% of the aggregate votes eligible to be cast at a meeting of the Unitholders and Special Voting Unitholders ("Voting Top-Up Right"). As at June 30, 2023, there were 9,697,522 additional Special Voting Units outstanding (December 31, 2022 – 10,053,123). These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust, nor are they convertible into any Trust securities. There is no value assigned to the Special Voting Units. A five-year extension of the Voting Top-Up Right was approved by Unitholders at the Trust's annual general and special meeting held on December 9, 2020. For further details, see the Trust's management information circular dated November 6, 2020, filed on the System for Electronic Document Analysis and Retrieval+ ("SEDAR+").

Pursuant to its rights under the Declaration of Trust, at June 30, 2023, Penguin has appointed two Trustees out of eight.

The other non-controlling interest, which is included in equity, represents a 5.0% equity interest by Penguin in five consolidated investment properties.

b) Distributions declared to Penguin

During the six months ended June 30, 2023, distributions declared to Penguin totalled \$34,412 (year ended December 31, 2022 – \$68,471).

c) Properties under development subject to development management agreements ("Earnout Agreements")

Properties under development in amount of \$60,074 (December 31, 2022 – \$54,847) are subject to various development management agreements with Penguin and Walmart. See Note 3, Acquisitions and Earnouts and Note 4(d)(ii).

The following table presents those Units which Penguin has Earnout options to acquire, upon completion of Earnout events:

Type	Class	June 30, 2023	December 31, 2022
Trust Units	N/A	1,286,833	1,286,833
Smart Limited Partnership	Class B	5,031,072	5,031,072
Smart Limited Partnership III	Class B	1,638,008	1,692,080
Smart Limited Partnership IV	Class B	353,135	353,135
Smart Oshawa South Limited Partnership	Class B	18,983	18,983
Smart Oshawa Taunton Limited Partnership	Class B	132,711	132,711
Smart Boxgrove Limited Partnership	Class B	267,179	267,179
ONR Limited Partnership I	Class B	429,599	429,599
		9,157,520	9,211,592

At June 30, 2023, Penguin's ownership would increase to 24.7% (December 31, 2022 – 24.6%) if Penguin were to exercise all remaining Earnout options.

Omnibus Agreement between the Trust and Penguin

The Trust and Penguin amended the development management agreements in November 2020. Effective December 9, 2020, pursuant to an omnibus agreement between the Trust and Penguin (the "Omnibus Agreement"), Penguin has the option to extend all Earnouts by two years from the previous expiry date, and the Trust has been given a right of first offer in connection with the sale of the economic and financial benefits and rights of any such development parcel during any extended period. In addition, this agreement provides for the payment of certain outstanding amounts between the parties.

d) Leasehold property interest

At June 30, 2023, the Trust had lease obligations for the 14 leasehold interests without bargain purchase options and one leasehold interest with bargain purchase options with Penguin. See Note 4(c).

e) Loans receivable issued

Four loans receivable were issued to Penguin, either pursuant to development management agreement or in connection with acquisitions of land parcels. See Note 6(b).

f) Future land development obligations

The future land development obligations represent payments required to be made to Penguin for certain undeveloped lands acquired. See Note 12, "Accounts and other payables".

g) Other agreements with Penguin

The Trust entered into various agreements with Penguin in November 2020 coincident with the extension of the term of the Voting Top-Up Right. For further details, see the Trust's management information circular dated November 6, 2020, filed on SEDAR+ and below.

Supplement to Development Services Agreement between the Trust and its Affiliates and Penguin ("Development and Services Agreement")

The following represent the key elements of this agreement which is effective from July 1, 2020 until December 31, 2025:

- i) Penguin shall be reimbursed for 50% of disposition fees otherwise payable pursuant to the Development Services Agreement related to Penguin's interest in properties sold by the Trust,
- ii) for future SmartVMC commercial phases and certain properties currently owned by Penguin (for which the Trust has historically assisted with development and planning requirements), all development fees are payable to Penguin and all other fees (management, leasing, etc.) are payable to the Trust,
- iii) when Penguin utilizes employees of the Trust to assist with its development projects, Penguin will pay for these services provided by employees of the Trust based on annual estimates of time billings related to these projects, charged at estimated total cost, including compensation,
- iv) for Penguin's 50% interest in a property in Toronto co-owned with Revera to develop a retirement home, Penguin will pay 50% of the development fees it earns to the Trust for the development services provided by the Trust, and
- v) the Trust will continue to manage and develop all other Penguin properties.

Support services are provided for a fee based on an allocation of the Trust's relevant costs of the support services to Penguin. Such relevant costs include: office administration, human resources, information technology, insurance, legal and marketing.

Penguin Services Agreement

The amended and restated services agreement entered into on November 5, 2020 (the "Penguin Services Agreement"), and effective from February 2018 reflects the additional services provided by Penguin since that time. Under the agreement, Penguin provides specified services to the Trust in connection with the development of its projects. In return for those services, Penguin is entitled to receive: i) a fixed quarterly fee of \$1,000 (subject to inflation-related increments after 2018) and ii) an annual variable fee between \$1,500 and \$3,500 (also inflation-adjusted after 2018) that is based on the achievement of the Trust-level targets for "New Development Initiatives" and "New Projects" that the Trust uses to measure the performance of its executive officers and other annual targets (other than such Trust-level targets) of a similar nature that the Trust uses to measure the performance of its executive officers as determined by the Board of Trustees from time to time.

Mezzanine Loan Amending Agreements between the Trust and its Affiliates and Penguin ("Mezzanine Loan Agreements")

Effective November 5, 2020, all loan maturity dates have been extended to August 31, 2028, with a new rate structure for the extension period of each mortgage receivable (see also Note 6, "Mortgages, loans and notes receivable"). The Trust's purchase option periods have been extended and because these properties may now be subject to mixed-use development projects, the agreements provide that the parties establish a new framework for the purchase options for the Trust related to mixed-use development.

Non-Competition Agreement

Effective November 2020, a non-competition agreement with Penguin replaced and superseded the previous non-competition agreement extending the term by five years and broadening restricted competing initiatives to include various forms of mixed-use development.

Executive Employment Agreement

This agreement confirms Mr. Goldhar's position as Executive Chairman of the Trust for the period from February 14, 2018 to December 31, 2025, for which Mr. Goldhar receives a salary, bonus, customary benefits, and is eligible to participate in the Trust's Deferred Unit Plan and the Equity Incentive Plan.

In January 2021, the Trust granted 900,000 performance units to Mitchell Goldhar pursuant to the EIP adopted by Unitholders effective December 9, 2020. See also Note 11, "Other financial liabilities".

h) Summary of transactions and balances with Penguin

The following tables summarize related party transactions and balances with Penguin:

	Note	Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	2023	2022
Related party transactions with Penguin					
Acquisitions and Earnouts:					
Earnouts	3	1,993	—	7,657	7,363
Revenues:					
Service and other revenues:					
Management fee and other services revenue pursuant to the Development and Services Agreement		2,128	662	5,756	1,234
Supplement to the Development and Services Agreement fees – time billings		—	1,274	—	2,548
Support services		397	266	695	532
		2,525	2,202	6,451	4,314
Interest income from mortgages and loans receivable		1,302	2,020	2,625	3,673
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up of \$84 (three months ended June 30, 2022 – \$74))		781	254	1,552	366
		4,608	4,476	10,628	8,353
Expenses and other payments:					
Fees paid pursuant to the Penguin Services Agreement – capitalized to properties under development		1,949	1,819	3,290	3,642
EIP – capitalized to properties under development		1,298	1,172	2,645	2,559
Development fees and interest expense – capitalized to investment properties		27	—	68	—
Opportunity fees pursuant to the development management agreements – capitalized to properties under development ⁽¹⁾		15	15	30	30
Marketing and other costs – included in general and administrative expense and property operating costs		17	1	36	1
Disposition fees pursuant to the Development and Services Agreement – included in general and administrative expense		79	—	497	48
		3,385	3,007	6,566	6,280

(1) These amounts include prepaid land costs that will offset the purchase price of future Earnouts.

As at	Note	June 30, 2023	December 31, 2022
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable and other ⁽¹⁾	9	14,253	18,734
Mortgages receivable	6(a)	24,818	39,456
Loans receivable	6(b)	82,412	100,280
Notes receivable	6(c)	2,924	2,924
Total receivables		124,407	161,394
Payables and other accruals:			
Accounts payable and accrued liabilities	12	2,130	3,504
Future land development obligations	12	17,857	17,646
Total payables and other accruals		19,987	21,150

(1) Excludes amounts receivable presented below as part of balances with equity accounted investments. This amount includes amounts receivable of \$6,737 and other of \$7,516 (December 31, 2022 – amounts receivable of \$11,899 and other of \$6,835).

Transactions and Agreements with the Trust's equity accounted investments**a) Supplemental Development Fee Agreements**

In accordance with the Supplemental Development Fee Agreements, the Trust invoiced PCVP and certain joint ventures a net amount related to associated development fees. See Note 5, "Equity accounted investments".

b) Loans receivable issued

A loan receivable was provided to PCVP pursuant to a loan agreement. Loans receivable were issued to certain joint ventures partnered with SmartStop pursuant to a master credit loan agreement. See Note 6(b).

c) Other unsecured debt

Other unsecured debt pertains to loans received from equity accounted investments in connection with either the 700 Applewood purchase or contribution agreements relating to joint ventures. See Note 10(b)(iv).

d) Summary of transactions and balances with the Trust's equity accounted investments

The following table summarizes related party transactions and balances with PCVP:

	Note	Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	2023	2022
Related party transactions with PCVP					
Revenues:					
Supplemental Development Fee		1,484	1,097	6,228	2,174
Interest income from mortgages and loans receivable	6	765	327	1,368	649
Expenses and other payments:					
Rent and operating costs (included in general and administrative expense and property operating costs)	17, 18	674	740	1,375	1,344

The following table summarizes the related party balances with the Trust's equity accounted investments:

As at	Note	June 30, 2023	December 31, 2022
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable ⁽¹⁾	9	7,062	616
Loans receivable ⁽²⁾	6(b)	171,108	164,628
Other unsecured debt ⁽³⁾	10(b)(iv)	131,807	141,131

(1) Amounts receivable includes Penguin's portion, which represents \$220 (December 31, 2022 – \$29) relating to Penguin's 50% investment in the PCVP and 50% in Residences (One) LP.

(2) Loans receivable includes Penguin's portion, which represents \$24,950 (December 31, 2022 – \$24,266) relating to Penguin's 50% investment in the PCVP.

(3) Other unsecured debt does not consist of Penguin's portion as at June 30, 2023 (December 31, 2022 – included \$163 relating to Penguin's 25% investment in the Residences LP).

Other related party transactions

The following table summarizes other related party transactions:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Legal fees incurred from a law firm in which a partner is a Trustee:				
Capitalized to investment properties	319	539	554	1,122
Included in general and administrative expense	148	121	620	685
	467	660	1,174	1,807

21. Key management and Trustees' compensation

The following table presents the compensation relating to key management:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Salaries and other short-term employee benefits	675	692	1,287	1,385
Deferred unit plan	646	679	1,250	1,338
EIP	(416)	(893)	1,659	2,590
LTIP	—	19	3	44
	905	497	4,199	5,357

The following table presents the compensation relating to Trustees:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Trustees' fees	172	168	364	337
Deferred unit plan	172	168	364	337
	344	336	728	674

22. Segmented information

As at June 30, 2023, the Trust has one reportable segment, which comprises the development, ownership, management and operation of investment properties located in Canada. In measuring performance, the Trust does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

The Trust's major tenant is Walmart, accounting for 24.2% of the Trust's annualized rentals from investment properties for the six months ended June 30, 2023 (six months ended June 30, 2022 – 25.4%).

23. Risk management

The Trust analyzes its interest rate exposure on a regular basis. The Trust monitors the historical movement of 10-year Government of Canada bonds and performs a sensitivity analysis to identify the possible impact on net income of an interest rate shift. The simulation is performed on a regular basis to ensure the maximum loss potential is within the limit acceptable to management. Management performs the simulation for secured debt, unsecured debt, revolving operating facilities, and mortgages and loans receivable:

Change in interest rate of:	-1.50%	-1.00%	-0.50%	+0.50%	+1.00%	+1.50%
Net income increase (decrease) from variable-rate debt	9,879	6,586	3,293	(3,293)	(6,586)	(9,879)
Net income increase (decrease) from variable-rate mortgages and loans receivable	(2,413)	(1,609)	(804)	804	1,609	2,413

The Trust is managing risks arising from the interest rate benchmark reform through: i) managing the maturities of its debt agreements, ii) designating successor rates, and iii) holding onto CDOR and LIBOR rates for as long as practicable, prior to transitioning its financial and debt instruments to successor rates.

From time to time, the Trust may enter into interest rate swaps as part of its strategy for managing certain interest rate risks. The Trust recognizes any change in fair value associated with interest rate swap agreements in the unaudited interim condensed consolidated statements of income and comprehensive income.

The sensitivity analysis in the table below reflects the fair value gain (loss) on interest rate swap agreements from possible changes in interest rates.

Change in interest rate of:	-1.50%	-1.00%	-0.50%	+0.50%	+1.00%	+1.50%
Fair value gain (loss) on interest rate swap agreements	(38,885)	(25,070)	(11,418)	15,405	28,584	41,614

The Trust's exposure to interest rate risk is monitored by management on a regular basis (see also Note 10, "Debt").

24. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 128,000 square feet (December 31, 2022 – 121,000 square feet) of development space from Penguin and others, based on a pre-negotiated formula, as more fully described in Note 4, “Investment properties”. As at June 30, 2023, the carrying value of these obligations and commitments included in properties under development was \$60,074 (December 31, 2022 – \$54,847). The timing of completion of the purchase of the Earnouts, and the final prices, cannot be readily determined because they are a function of future tenant leasing.

The Trust has also entered into various other development construction contracts totalling \$15,303 (December 31, 2022 – \$20,669) and commitments relating to equity accounted investments that total \$59,533 (December 31, 2022 – \$200,956), of which the Trust’s share is \$29,168 (December 31, 2022 – \$90,161), see Note 5, “Equity accounted investments”, that will be incurred in future periods.

The Trust entered into agreements with Penguin in which the Trust will lend funds in the form of mortgages receivable, as disclosed in Note 6(a). The maximum amount that may be provided under the agreements totals \$174,782 (December 31, 2022 – \$190,720) (see also Note 6, “Mortgages, loans and notes receivable”), of which \$24,818 has been provided as at June 30, 2023 (December 31, 2022 – \$39,456).

As at June 30, 2023, letters of credit totalling \$49,297 (December 31, 2022 – \$48,312) – including letters of credit drawn down under the revolving operating facilities described in Note 10(c) – have been issued on behalf of the Trust by financial institutions as security for debt and for maintenance and development obligations to municipal authorities.

The Trust carries insurance and indemnifies its Trustees and officers against any and all claims or losses reasonably incurred in the performance of their services to the Trust to the extent permitted by law.

The Trust, in the normal course of operations, is subject to a variety of legal and other claims. Management and the Trust’s legal counsel evaluate all claims on their apparent merits and accrue management’s best estimate of the likely cost to satisfy such claims. Management believes the outcome of current legal and other claims filed against the Trust, after considering insurance coverage, will not have a significant impact on the Trust’s unaudited interim condensed consolidated financial statements.