Slate Retail REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2020

(Unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited - in thousands of United States dollars, unless otherwise stated

	Note	March 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Properties	4, 5	$ 1,223,712	$ 1,288,536
Equity investment	6	4,881	5,049
Interest rate swaps	7	—	1,761
Other assets	8	2,093	2,293
		$ 1,230,686	**$ 1,297,639**
Current assets			
Other assets	8	1,952	786
Prepaids		2,163	2,518
Accounts receivable	9	11,252	11,725
Cash		3,472	2,412
		$ 18,839	**$ 17,441**
Total assets		**$ 1,249,525**	**$ 1,315,080**
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Debt	10	$ 730,375	$ 708,940
Interest rate swaps	7	42,768	21,582
Other liabilities		2,594	2,780
Exchangeable units of subsidiaries	11	5,188	10,926
Deferred income taxes	12	56,730	62,259
		$ 837,655	**$ 806,487**
Current liabilities			
Debt	10	4,831	80,455
Accounts payable and accrued liabilities	13	20,260	21,397
Distributions payable	18	3,029	3,029
Taxes payable		285	285
		$ 28,405	**$ 105,166**
Unitholders' equity		**$ 383,465**	**$ 403,427**
Total liabilities and unitholders' equity		**$ 1,249,525**	**$ 1,315,080**

Slate Retail REIT

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited - in thousands of United States dollars, unless otherwise stated)

		Three months ended March 31,	
	Note	2020	2019
Rental revenue	14	$ 32,042	$ 36,416
Property operating expenses		(22,496)	(25,392)
Other expenses	15	(2,585)	(2,632)
Interest expense and other financing costs, net	16	(8,657)	(9,302)
Share of (loss) income in equity investment	6	(168)	35
Disposition costs	4, 17	(2,122)	(2,092)
Change in fair value of financial instruments	7	(20)	—
Change in fair value of properties	5	4,210	8,501
Net income before income taxes and unit income (expense)		**$ 204**	**$ 5,534**
Deferred income tax expense	12	(468)	(847)
Unit income (expense)	11, 18	6,083	(3,086)
Net income		**$ 5,819**	**$ 1,601**

Slate Retail REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(unaudited - in thousands of United States dollars, unless otherwise stated)

		Three months ended March 31,	
	Note	2020	2019
Net income		$ 5,819	$ 1,601
Items to be subsequently reclassified to profit or loss:			
Loss on cash flow hedges of interest rate risk, net of tax	7	(17,617)	(5,255)
Reclassification of cash flow hedges of interest rate risk to income	7	690	(651)
Other comprehensive loss		(16,927)	(5,906)
Comprehensive loss		**$ (11,108)**	**$ (4,305)**

Slate Retail REIT
CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY
(in thousands of United States dollars, unless otherwise stated)

	Note	REIT units	Retained earnings	Accumulated other comprehensive loss ("AOCI")	Capital reserve	Total
Balance, December 31, 2019		$ 407,551	$ 8,700	$ (11,400)	$ (1,424)	**$ 403,427**
Net income and comprehensive loss		—	5,819	(16,927)	—	**(11,108)**
Distributions	11, 18	—	(8,854)	—	—	**(8,854)**
Balance, March 31, 2020		**$ 407,551**	**$ 5,665**	**$ (28,327)**	**$ (1,424)**	**$ 383,465**

	Note	REIT units	Retained earnings	AOCI	Capital reserve	Total
Balance, December 31, 2018		$ 419,008	$ 18,141	$ 2,078	$ (1,424)	**$ 437,803**
Net income and comprehensive loss		—	1,601	(5,906)	—	**(4,305)**
Distributions	11, 18	—	(8,852)	—	—	**(8,852)**
Repurchases	11	(3,481)	—	—	—	**(3,481)**
Balance, March 31, 2019		**$ 415,527**	**$ 10,890**	**$ (3,828)**	**$ (1,424)**	**$ 421,165**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(unaudited - in thousands of United States dollars, unless otherwise stated)

	Note	Three months ended March 31, 2020	2019
Operating Activities			
Net income		$ 5,819	$ 1,601
Items not affecting cash:			
Straight-line rent	5	(414)	(784)
Change in fair value of financial instruments	7	20	—
Change in fair value of properties	5	(4,210)	(8,501)
IFRIC 21 property tax adjustment	5	12,875	14,372
Deferred income tax expense	12	468	847
Unit (income) expense	18	(6,083)	3,086
Share of loss (income) in equity investment	6	168	(35)
Interest expense and other financing costs	16	8,657	9,302
Cash interest paid, net		(8,000)	(8,917)
Changes in working capital items		403	(3,176)
		$ 9,703	**$ 7,795**
Investing Activities			
Dispositions	4	60,060	28,124
Contributions to equity investment	4, 6	—	(3,281)
Proceeds from equity investment	4	—	10,026
Funds held in escrow		(1,153)	(151)
Capital	5	(562)	(1,184)
Leasing costs	5	(332)	(279)
Tenant improvements	5	(1,104)	(2,003)
Development and expansion capital	5	(1,579)	(2,157)
		$ 55,330	**$ 29,095**
Financing Activities			
Revolver advances, net	10, 24	164,755	16,716
Term loan financing costs	10, 24	(1,783)	—
Mortgage advances	10, 24	81,648	—
Revolver, term loan and mortgage repayments	10, 24	(299,506)	(39,261)
Repurchases of REIT units	11	—	(3,481)
REIT units distributions, net of DRIP units issued	18	(8,854)	(8,974)
Exchangeable units of subsidiaries distributions	18	(233)	(474)
		$ (63,973)	**$ (35,474)**
Increase in cash		**1,060**	**1,416**
Cash, beginning of the period		**2,412**	**1,110**
Cash, end of the period		**$ 3,472**	**$ 2,526**

1. DESCRIPTION OF THE REIT AND OPERATIONS

Slate Retail REIT (the "REIT") is an unincorporated, open-ended mutual fund trust under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate properties (the "properties") in the United States of America (the "U.S.") with a focus on grocery-anchored retail properties.

The class U units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbols SRT.U and SRT.UN. The principal, registered, and head office of the REIT is 121 King Street West, Suite 200, Toronto, Ontario, M5H 3T9.

The objectives of the REIT are to:

i. provide unitholders with stable cash distributions from a portfolio of diversified revenue-producing commercial real estate properties in the U.S. with a focus on grocery-anchored retail properties;

ii. enhance the value of the REIT's assets in order to maximize long-term unitholder value through active management; and

iii. expand the asset base of the REIT and increase the REIT's earnings on a per unit basis, including through accretive acquisitions.

2. BASIS OF PREPARATION

i. Statement of compliance

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

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on May 12, 2020.

iii. Basis of measurement

These consolidated financial statements have been prepared on a going concern basis and measured at historical cost except for properties and certain financial instruments, which are measured at fair value.

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

iv. Functional and presentation currency

These consolidated financial statements are presented in U.S. dollars, which is the REIT's functional currency and the functional currency of all of its subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is included in note 3 *Significant accounting policies* of the audited comparative consolidated financial statements of the REIT as at and for the year ended December 31, 2019. These consolidated financial statements follow the same accounting policies and methods of computation as used in the REIT's most recent annual consolidated financial statements, except for the adoption of the new accounting policy disclosed below.

These consolidated financial statements do not include all the information and disclosures required in the annual financial statements prepared under International Financial Reporting Standards ("IFRS") and should be read in conjunction with the REIT's audited comparative consolidated financial statements as at and for the year ended December 31, 2019.

i. Application of IFRS 3, Business Combinations ("IFRS 3")

The REIT has adopted the amendments to IFRS 3 on January 1, 2020. The amendments have narrowed and clarified the definition of a business. The objective of the amendment is to assist companies in determining whether an acquisition made is of a business or a group of assets. It also permits a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The adoption of the amended standard did not have an impact on the REIT's consolidated financial statements. These amendments will be applied to the REIT's future acquisition transactions.

(unaudited - in thousands of United States dollars, unless otherwise stated)

4. DISPOSITIONS AND TRANSACTION COSTS

The REIT disposed of four properties during the three month period ended March 31, 2020 as follows:

Property	Disposition date	Location		Sales price
Douglas Commons	January 17, 2020	Douglasville, Georgia	$	13,550
Meres Town Center	January 24, 2020	Tarpon Springs, Florida		6,990
Mitchellville Plaza	January 31, 2020	Mitchellville, Maryland		34,730
Armstrong Plaza	March 25, 2020	Wausau, Wisconsin		4,880
Total			**$**	**60,150**

Sales price	$	60,150
Disposition costs		(2,122)
Working capital items		(90)
Total	**$**	**57,938**

5. PROPERTIES

On March 31, 2020, the REIT owned 72 properties. The change in properties is as follows:

		Three months ended March 31,			
	Note		2020		2019
Beginning of the period		$	1,288,536	$	1,382,955
Capital			562		1,184
Leasing costs			332		279
Tenant improvements			1,104		2,003
Development and expansion capital			1,579		2,157
Straight-line rent			414		784
Dispositions	4		(60,150)		(28,165)
IFRIC 21 property tax adjustment			(12,875)		(14,372)
Change in fair value			4,210		8,501
End of the period		**$**	**1,223,712**	**$**	**1,355,326**

Valuation assumptions used to estimate the fair value of the REIT's properties are as follows:

		March 31, 2020		December 31, 2019
Capitalization rate range		6.00% – 9.50%		6.00% – 9.50%
Weighted average capitalization rate		7.41%		7.45%
Impact on fair value due to a 25 basis point change in capitalization rates	$	43,042	$	44,800
Impact on fair value due to a $100,000 change in underlying annual stabilized income	$	1,348	$	1,341

Under the fair value hierarchy, the fair value of the REIT's properties is determined primarily using the overall income capitalization method using Level 3 inputs. The REIT uses the sales price when a firm contract for the sale of a property exists.

6. EQUITY INVESTMENT

The REIT accounts for its investment in Windmill Plaza, a grocery-anchored shopping centre located in Sterling Heights, Michigan, using the equity method. On January 25, 2019, the REIT acquired a 50% partnership interest in Windmill Plaza, in a joint-venture partnership with The Kroger Company for $7.3 million, before transaction costs. Consideration for the partnership interest included settlement of the REIT's note receivable in the amount of $9.4 million and interest receivable of $2.2 million, net of assumed debt and cash on hand.

(unaudited - in thousands of United States dollars, unless otherwise stated)

The change in the REIT's equity investment is as follows:

	Three months ended March 31, 2020	2019
Beginning of the period	$ 5,049	$ —
Contribution of note receivable and accrued interest	—	11,644
Cash contributions	—	3,131
Distribution of financing proceeds	—	(2,551)
Proceeds from partner investment	—	(7,475)
Net cost of equity investment	**$ 5,049**	**$ 4,749**
Capital contributions	—	150
Share of (loss) income in equity investment	(168)	35
End of the period	**$ 4,881**	**$ 4,934**

The financial position of the REIT's equity investment is as follows:

	March 31, 2020	December 31, 2019
Assets		
Property	$ 23,574	$ 22,454
Current assets	1,478	1,296
	$ 25,052	**$ 23,750**
Liabilities		
Debt [1]	$ 13,431	$ 11,466
Other non-current liabilities	15	15
Current liabilities	1,844	2,171
	$ 15,290	**$ 13,652**
Net assets at 100%	**$ 9,762**	**$ 10,098**
At the REIT's 50% interest	**$ 4,881**	**$ 5,049**

[1] Bears interest at a rate of 4.40% at March 31, 2020 and has a maturity date of January 28, 2022.

The following is a summary of income of the REIT's equity investment:

	Three months ended March 31, 2020	2019
Rental revenue	$ 244	$ 16
Property operating expenses	(252)	(86)
Other expenses	—	(12)
Interest expense and other financing costs, net	(166)	(52)
Change in fair value of property	(162)	204
Net (loss) income and comprehensive (loss) income at 100%	**$ (336)**	**$ 70**
At the REIT's 50% interest	**$ (168)**	**$ 35**

(unaudited - in thousands of United States dollars, unless otherwise stated)

Management fees

Pursuant to the terms of the property management and leasing agreement and the development services agreement the REIT provides property, leasing and development management services for Windmill Plaza. In return for its services, the REIT receives the following fees:

- property management fees calculated based on gross income of each tenant;
- development fees for the management of the construction in adherence with the property's development plan; and
- leasing commissions for all executed leases.

Total management fees earned by the REIT under the agreement were $0.2 million for the three month period ended March 31, 2020 (March 31, 2019 – nil).

7. INTEREST RATE SWAPS

The REIT has entered into certain pay-fixed receive-float interest rate swap contracts to hedge the cash flow risk associated with monthly U.S. LIBOR based interest payments on the REIT's floating rate debt.

The terms of the interest rate swaps are as follows:

					Total/ Weighted average
Pay-fixed rate	1.104%	1.411%	2.884%	2.925%	**2.205%**
Notional amount	$ 150,000	$ 100,000	$ 175,000	$ 175,000	**$ 600,000**
Receive-floating rate	One-month LIBOR	One-month LIBOR	One-month LIBOR	One-month LIBOR	
Maturity date	February 26, 2021	September 22, 2022	August 22, 2023	August 22, 2025	
Remaining term (years)	0.9	2.5	3.4	5.4	**3.2**

On February 4, 2020, the REIT terminated $150.0 million of its $300.0 million interest rate swap, with an effective date of November 2, 2016. The realized gain as a result of the termination was blended into the pay-fixed rate of the REIT's $100.0 million interest rate swap, with a maturity date of September 22, 2022, which was reduced to 1.41% and resulted in an increase to the weighted average pay-fixed rate of the REIT's swap portfolio to 2.205%.

A reconciliation of the change in the fair value of the interest rate swaps and related deferred tax impact is as follows:

	Note	Fair value of interest rate swaps	Deferred income tax	Net impact after tax
Balance, December 31, 2019		(19,821)	5,193	$ (14,628)
Change in fair value of cash flow hedges of interest rate risk included in the carrying amount of the hedged item		(23,861)	6,244	(17,617)
Cumulative loss arising on cash flow hedges to profit or loss		(20)	5	(15)
Net payments made	16	935	(245)	690
Balance, March 31, 2020		**$ (42,767)**	**$ 11,197**	**$ (31,570)**

	Note	Fair value of interest rate swaps	Deferred income tax	Net impact after tax
Balance, December 31, 2018		$ 2,818	$ (740)	$ 2,078
Change in fair value of cash flow hedges of interest rate risk included in the carrying amount of the hedged item		(7,122)	1,867	(5,255)
Net payments received	16	(882)	231	(651)
Balance, March 31, 2019		**$ (5,186)**	**$ 1,358**	**$ (3,828)**

(unaudited - in thousands of United States dollars, unless otherwise stated)

A reconciliation of the interest rate swap asset and liability fair value positions is as follows:

	March 31, 2020	December 31, 2019
Fair value asset position included in the carrying amount of the hedged item	$ —	$ 1,761
Fair value liability position included in the carrying amount of the hedged item	(42,768)	(21,582)
Total	**$ (42,768)**	**$ (19,821)**

8. OTHER ASSETS

Other assets are comprised of the following:

	March 31, 2020	December 31, 2019
Current		
TIF notes receivable	$ 385	$ 372
Funds held in escrow	92	140
Other [1]	1,475	274
	$ 1,952	**$ 786**
Non-current		
TIF notes receivable	2,068	2,268
Funds held in escrow	25	25
	$ 2,093	**$ 2,293**
Total	**$ 4,045**	**$ 3,079**

[1] Other mainly includes deposits and transaction costs.

TIF notes receivable are issued by the City of St. Paul and by the City of Brainerd in Minnesota, related to the REIT's Phalen Retail Centre and East Brainerd Mall properties, respectively. The TIF notes obligate each municipality to pay certain tax increments resulting from increases, if any, from a reference amount in the taxable valuation of the respective property to the REIT.

9. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	March 31, 2020	December 31, 2019
Rent receivable	$ 7,217	$ 3,475
Allowance for doubtful accounts	(665)	(673)
Accrued recovery income	2,876	5,751
Other receivables	1,824	3,172
Total	**$ 11,252**	**$ 11,725**

Rent receivable consists of base rent and operating expense recoveries billed to tenants. Accrued recovery income represents amounts that have not been billed to the tenants and are generally billed and paid subsequent to the year in which they were incurred. Other receivables is primarily comprised of the gross amount of consideration for property taxes paid directly by tenants.

The change in allowance for doubtful accounts is as follows:

	Three months ended March 31,	
	2020	2019
Beginning of the period	$ (673)	$ (741)
Allowance for doubtful accounts	(96)	(99)
Bad debt write-off	38	127
Bad debt recovery	66	76
End of the period	**$ (665)**	**$ (637)**

(unaudited - in thousands of United States dollars, unless otherwise stated)

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

The aging analysis of not credit-impaired rent receivable, net of allowance for doubtful accounts, is as follows:

	March 31, 2020	December 31, 2019
Current to 30 days	$ 5,292	$ 1,629
31 to 60 days	332	273
61 to 90 days	540	190
Greater than 90 days	388	710
Total	**$ 6,552**	**$ 2,802**

10. DEBT

Debt held by the REIT at March 31, 2020 is as follows:

	Maturity	Remaining extension options	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [1]
Revolver [1 2]	March 21, 2024	Two six-month	L+185 bps [3 4]	N/A [5]	N/A [5]	$ 300,000	$ 92,371	$ 207,629
Term loan [1]	March 21, 2025	None	L+175 bps [3 4]	N/A [5]	N/A [5]	225,000	225,000	—
Term loan 2 [1]	February 9, 2023	None	L+175 bps [3 4]	N/A [5]	N/A [5]	250,000	250,000	—
Mortgage	January 1, 2025	None	3.80%	3	80,645	43,142	43,142	—
Mortgage	July 1, 2025	None	4.14%	5	78,860	41,317	41,317	—
Mortgage	January 1, 2031	None	5.50%	1	22,225	7,399	7,399	—
Mortgage	March 18, 2031	None	3.48%	8	142,145	83,250	83,250	—
Total						**$ 950,108**	**$ 742,479**	**$ 207,629**

[1] Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% Consolidated Total Indebtedness to Gross Asset Value. The calculation of Consolidated Total Indebtedness to Gross Asset Value is provided in note 20 *Capital Management*. The revolver, term loan and term loan 2 provide for different spreads over one-month U.S. LIBOR depending on the ratio of Consolidated Total Indebtedness to Gross Asset Value.

[2] The revolver requires a stand-by fee to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.

[3] "L" means LIBOR and "bps" means basis points.

[4] The applicable spread for the revolver where Consolidated Total Indebtedness to Gross Asset Value is; (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 145 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (iv) greater than 60% is 205 bps. The applicable spread for the term loan and term loan 2 where Consolidated Total Indebtedness to Gross Asset Value is; (i) less than or equal to 45% is 125 bps; (ii) greater than 45% but less than or equal to 50% is 140 bps; (iii) greater than 50% but less than or equal to 55% is 150 bps (iv) greater than 55% but less than or equal to 60% is 175 bps; and (iv) greater than 60% is 195 bps.

[5] The revolver, term loan and term loan 2 are secured by a general pledge of equity of certain subsidiaries of the REIT. Collectively, those subsidiaries hold an interest in 53 of the REIT's properties.

The carrying value of debt held by the REIT at March 31, 2020 is as follows:

	Effective rate [1]	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments and costs [2]	Carrying amount	Current	Non-current
Revolver	3.40%	$ 92,371	$ (1,761)	$ 43	$ 90,653	$ —	$ 90,653
Term loan	3.49%	225,000	(1,353)	25	223,672	—	223,672
Term loan 2	3.49%	250,000	(2,270)	813	248,543	—	248,543
Mortgage	3.80%	43,142	(1,549)	725	42,318	1,066	41,252
Mortgage	4.14%	41,317	(1,079)	610	40,848	1,784	39,064
Mortgage	5.50%	7,399	127	(7)	7,519	1,467	6,052
Mortgage	3.48%	83,250	(1,602)	5	81,653	514	81,139
Total		**$ 742,479**	**$ (9,487)**	**$ 2,214**	**$ 735,206**	**$ 4,831**	**$ 730,375**

[1] The effective interest rate for the revolver, term loan and term loan 2 includes the impact of unamortized financing costs not yet recorded in interest expense under the effective interest method. The revolver, term loan and term loan 2 effective rates are based on the applicable U.S. LIBOR rate under borrowings as at March 31, 2020.
[2] Excludes the impact of any available extension options not yet exercised.

During the period ended March 31, 2020, the REIT made principal repayments, net of drawdowns totaling $52.4 million on the REIT's revolver and mortgages funded by cash received from the disposal of four properties and cash from operations.

On February 21, 2020, the REIT refinanced its existing revolving credit facility and term loan (the “credit facility”) for four and five-year terms, respectively, for an aggregate of $525.0 million. The REIT has also reduced pricing on its credit facility and $250.0 million term loan. The revolver, term loan and term loan 2 bears interest at U.S. LIBOR plus an applicable margin.

On March 18, 2020, The REIT entered into an $83.3 million 10-year mortgage loan, bearing interest of 3.48%. The loan is secured by a pool of eight properties and is non-recourse to the REIT. Proceeds from the loan were used to reduce borrowings on the REIT's revolver.

On March 20, 2020 the REIT extinguished a mortgage of $10.1 million, bearing interest of 5.75% with borrowings from the REIT's revolver. The REIT recognized a $0.3 million gain on the settlement of the mortgage's deferred financing costs and mark-to-market adjustment.

11. REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

At March 31, 2020, the REIT has the following REIT units issued and outstanding, in thousands of units:

	Class A	Class I	Class U
Authorized for issue	Unlimited	Unlimited	Unlimited
Issued and outstanding	217	282	40,493

Each class of the exchangeable units issued by the REIT's subsidiaries are presented as financial liabilities in accordance with IAS 32, *Financial Instruments: Presentation*.

Each REIT unit confers the right to one vote at any meetings of REIT unitholders. The REIT is also authorized to issue an unlimited number of special voting units. Special voting units are only issued in tandem with the issuance of securities redeemable for or exchangeable into REIT units. The special voting units do not have any economic entitlement in the REIT with respect to distributions but provide the holder with the same voting rights in the REIT as a holder of REIT units. The GAR B exchangeable units are accompanied by an equivalent number of special voting units.

Each REIT unit entitles the holder to the same rights and obligations as any other REIT unitholder and no REIT unitholder is entitled to any privilege, priority or preference in relation to any other holder of REIT units of class A units, class I units and class U units of the REIT to participate in distributions made by the REIT including distributions of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. REIT units will be fully paid and non-assessable when issued and are transferable.

The REIT's Declaration of Trust grants holders of class A units and class I units of the REIT the right to convert all or any portion of their class A units and class I units of the REIT, at any time (the “conversion date”), into class U units by giving written notice to the REIT. On the applicable conversion date, the REIT will deliver to the class A unitholder or class I unitholder the applicable number of class U units for each class A unit or class I unit converted by such unitholder.

With certain restrictions, the unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

Exchangeable units of subsidiaries

Exchangeable units of subsidiaries are redeemable at the option of the holder, for cash or class U units of the REIT as determined by the REIT. Distributions paid on exchangeable units of subsidiaries are recorded as unit expense in the period in which they become payable.

Exchangeable units of subsidiaries are re-measured based on the quoted closing price of REIT units into which they are exchangeable with changes in fair value recognized in net income as unit expense.

Normal course issuer bid

The REIT has a normal course issuer bid (“NCIB”) which was most recently renewed on May 26, 2019. The NCIB remains in effect until the earlier of May 25, 2020 or the date on which the REIT has purchased an aggregate of 3.9 million class U units, representing 10% of the REIT's public float of 38.5 million class U units at the time of entering the NCIB through the facilities of the TSX.

For the three month period ended March 31, 2020, no class U units have been purchased and subsequently canceled under the NCIB.

Substantial issuer bid

On January 16, 2019, the REIT commenced a substantial issuer bid (the "offer"), pursuant to which the REIT offered to purchase up to 4.2 million class U units at a purchase price of C$12.54 (USD$9.51). On February 20, 2019, the offer expired and the REIT had taken up and paid for 0.3 million class U units for an aggregate cost of $3.2 million or C$4.2 million, excluding fees and expenses related to the offer. The class U units purchased for cancellation under the offer represents 0.8% of the diluted class U units outstanding, immediately prior to the expiry of the offer.

REIT units and exchangeable units of subsidiaries outstanding during the period and their respective class U equivalent amounts if converted is as follows, in thousands of units:

	REIT units			Exchangeable units of subsidiaries			Total class U units equivalent
Class / type	U	A	I	SR1 [1]	SR2 [1]	GAR B	
Balance, December 31, 2019	40,463	247	282	28	920	132	42,072
Exchanged	30	(30)	—	—	—	—	—
Class U units equivalent, March 31, 2020	**40,493**	**217**	**282**	**28**	**920**	**132**	**42,072**

	REIT units			Exchangeable units of subsidiaries			Total class U units equivalent
Class / type	U	A	I	SR1 [1]	SR2 [1]	GAR B	
Balance, December 31, 2018	41,524	292	282	220	1,603	388	44,309
Repurchased	(337)	—	—	—	—	—	(337)
Exchanged	34	(34)	—	—	—	—	—
Class U units equivalent, March 31, 2019	**41,221**	**258**	**282**	**220**	**1,603**	**388**	**43,972**

[1] "SR1" and "SR2" mean Slate Retail One exchangeable units and Slate Retail Two exchangeable units, respectively.

The change in the carrying amount of exchangeable units of subsidiaries is as follows:

	Three months ended March 31, 2020	2019
Beginning of the period	$ 10,926	$ 19,045
Change in fair value	(5,738)	2,482
End of the period	**$ 5,188**	**$ 21,527**

Deferred unit plans

Trustees of the REIT who are not members of management may elect to receive all or a portion of their trustee fees in the form of deferred units that vest immediately upon grant.

The REIT also has a DUP for officers of the REIT whereby officers may elect to receive deferred class U units, which represent a right to receive class U units, in lieu of an equivalent amount of asset management fees for management services rendered by Slate Asset Management L.P. (the "Manager").

The deferred units are equivalent in value to REIT units and accumulate additional deferred units at the same rate that distributions are paid on REIT units in relation to the market value of REIT units.

The change in deferred units is as follows, in thousands of units:

	Three months ended March 31,	
	2020	2019
Beginning of the period	135	115
Reinvested distributions	3	4
Issuances	12	5
Redemption	(19)	—
End of the period	**131**	**124**
Fair value of units [1]	**$ 629**	**$ 1,206**

[1] At the respective period end date.

Weighted average class U units outstanding

The following is the weighted average number of class U units outstanding on a fully diluted basis, in thousands of units:

	March 31, 2020	December 31, 2019
Class U units	40,478	41,361
Class A units	231	256
Class I units	282	282
Exchangeable units of subsidiaries	1,081	1,880
Deferred units	124	127
Total	**42,196**	**43,906**

Class U units outstanding

The following is the total number of class U units outstanding, if all other units of the REIT, its subsidiaries and its DUP, were converted or exchanged, as applicable, for class U units of the REIT, in thousands of units:

	March 31, 2020	December 31, 2019
Class U units	40,493	40,463
Class A units	217	247
Class I units	282	282
Exchangeable units of subsidiaries	1,080	1,080
Deferred units	131	135
Total	**42,203**	**42,207**

12. INCOME TAXES

The REIT qualifies as a mutual fund trust for Canadian income tax purposes. The REIT intends to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for Canadian income tax purposes. Accordingly, no provision for current income taxes payable is required, except for amounts incurred in Investment L.P.

(unaudited - in thousands of United States dollars, unless otherwise stated)

Investment L.P. and GAR B made an election to be classified as corporations for U.S. federal tax purposes. Investment L.P. and GAR B are subject to U.S. federal and state income taxation on their allocable shares in Slate Retail One L.P., a subsidiary of the REIT, and any subsidiary limited partnership thereof.

The REIT is therefore subject to U.S. federal income taxation on its allocable share of rental income derived directly or indirectly through such subsidiary limited partnerships, on a net basis taking into account allowable deductions. Investment L.P. and GAR B are each subject to a combined federal and state income tax rate of 26.17% (December 31, 2019 – 26.20%). To the extent U.S. taxes are paid by Investment L.P. and GAR B such amounts will be creditable against an investor's Canadian federal income tax liability to the extent permitted by Canadian tax law.

Branch profit tax is tax imposed on U.S. earned income that is repatriated to Canada.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

		March 31, 2020		December 31, 2019
Trade payables and accrued liabilities	$	13,589	$	11,366
Prepaid rent		3,064		5,126
Tenant improvements payable		103		103
Other payables		3,504		4,802
Total	**$**	**20,260**	**$**	**21,397**

Included in trade payables and accrued liabilities are operating expenses, property taxes, and capital and leasing expenses. Other payables include trustee fees, accrued interest payable and other non-operating items.

14. REVENUE

Revenue is comprised of the following:

	Three months ended March 31,			
		2020		2019
Rental revenue	$	23,636	$	26,746
Common area maintenance recoveries		3,061		3,644
Property tax and insurance recoveries		4,543		5,081
Percentage rent		271		235
Other revenue [1]		531		710
Total	**$**	**32,042**	**$**	**36,416**

[1] Other revenue includes straight-line rent, ground rent, termination fees, storage rent, and non-rental income.

The REIT enters into long-term lease contracts with tenants for space in the REIT's properties. Leases generally provide for the tenant to pay base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating costs and realty tax recoveries. Certain leases have limitations or escalation restrictions on the amount of recoveries or cost reimbursements, which the tenant is obligated to pay regardless of the actual costs incurred by the REIT to operate and maintain the properties.

The REIT's existing leases have a weighted average outstanding term of 5.0 years (December 31, 2019 – 5.0 years) certain of which include clauses to enable periodic upward revisions in rental rates.

The future minimum lease payments from the REIT's non-cancellable operating leases as a lessor are as follows:

		March 31, 2020		December 31, 2019
In one year or less	$	92,845	$	97,221
In more than one year but not more than five years		249,122		264,653
In more than five years		116,671		109,326
Total	**$**	**458,638**	**$**	**471,200**

(unaudited - in thousands of United States dollars, unless otherwise stated)

15. OTHER EXPENSES

Other expenses are comprised of the following:

		Three months ended March 31,	
	Note	2020	2019
Asset management fees	22	$ 1,308	$ 1,397
Bad debt expense		164	15
Professional fees and other		898	700
Franchise and business taxes		215	520
Total		**$ 2,585**	**$ 2,632**

16. INTEREST EXPENSE AND OTHER FINANCING COSTS, NET

Interest expense and other financing costs, net are comprised of the following:

		Three months ended March 31,	
	Note	2020	2019
Interest on debt and finance charges	10	$ 7,065	$ 9,823
Interest rate swaps, net settlement	7	935	(882)
Foreign exchange forward contract, net settlement		—	(24)
Interest income		(3)	(4)
Interest income on notes receivable		—	(51)
Amortization of finance charges	10	1,106	571
Amortization of MTM premium	10	(409)	(89)
Interest income on TIF notes receivable		(15)	(20)
Amortization of deferred gain on TIF notes		(22)	(22)
Total		**$ 8,657**	**$ 9,302**

17. DISPOSITION COSTS

Disposition costs for the three month period ended March 31, 2020 were $2.1 million (three month period ended March 31, 2019 – $2.1 million), and relate to costs of the disposition of properties.

18. UNIT (INCOME) EXPENSE

Unit (income) expense is comprised of the following:

		Three months ended March 31,	
	Note	2020	2019
Exchangeable units of subsidiaries distributions	11	233	473
Change in fair value of DUP		(578)	131
Change in fair value of exchangeable units of subsidiaries	11	(5,738)	2,482
Total		**$ (6,083)**	**$ 3,086**

(unaudited - in thousands of United States dollars, unless otherwise stated)

Unit distributions

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the board of trustees.

The following table summarizes the REIT's distributions and reconciliation to distributions paid or settled:

		Three months ended March 31,	
	Note	2020	2019
Declared			
REIT units distributions		$ 8,854	$ 8,951
Exchangeable units of subsidiaries distributions	11	233	473
		$ 9,087	**$ 9,424**
Add: Distributions payable, beginning of period		3,029	3,157
Less: Distributions payable, end of period		(3,029)	(3,133)
Distributions paid		**$ 9,087**	**$ 9,448**

(unaudited - in thousands of United States dollars, unless otherwise stated)

19. FINANCIAL INSTRUMENTS

Except as noted, the carrying value of financial assets and financial liabilities approximate their fair values because of the short period until receipt or payment of cash. The fair values in other financial liabilities are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

The carrying amounts and fair values of the REIT's financial instruments are as follows:

	March 31, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash	$ 3,472	$ 3,472	$ 2,412	$ 2,412
Accounts receivable	11,252	11,252	11,725	11,725
Interest rate swaps	—	—	1,761	1,761
TIF notes receivable	2,453	2,520	2,640	2,703
Financial assets within other assets [1]	117	117	165	165
Total financial assets	**$ 17,294**	**$ 17,361**	**$ 18,703**	**$ 18,766**
Financial liabilities				
Accounts payable and accrued liabilities	$ 20,260	$ 20,260	$ 21,397	$ 21,397
Distributions payable	3,029	3,029	3,029	3,029
Interest rate swaps	42,768	42,768	21,582	21,582
Revolver	90,653	92,371	76,800	76,899
Term loan	223,672	225,000	361,776	362,500
Term loan 2	248,543	250,000	248,872	250,000
Mortgages	172,338	175,108	101,947	103,414
Financial liabilities within other liabilities [2]	2,594	2,594	2,780	2,780
Exchangeable units of subsidiaries	5,188	5,188	10,926	10,926
Total financial liabilities	**$ 809,045**	**$ 816,318**	**$ 849,109**	**$ 852,527**

[1] Relates to funds held in escrow included in other assets.
[2] Relates to rental security deposits included in other liabilities.

(unaudited - in thousands of United States dollars, unless otherwise stated)

The fair value hierarchy of financial assets and financial liabilities is as follows:

March 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	$ 3,472	$ —	$ —	$ 3,472
Accounts receivable	—	11,252	—	11,252
TIF notes receivable	—	—	2,520	2,520
Financial assets within other assets [1]	117	—	—	117
Total financial assets	**$ 3,589**	**$ 11,252**	**$ 2,520**	**$ 17,361**
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ 20,260	$ —	$ 20,260
Distributions payable	—	3,029	—	3,029
Interest rate swaps	—	42,768	—	42,768
Revolver	—	92,371	—	92,371
Term loan	—	225,000	—	225,000
Term loan 2	—	250,000	—	250,000
Mortgages	—	175,108	—	175,108
Financial liabilities within other liabilities [2]	2,594	—	—	2,594
Exchangeable units of subsidiaries	5,188	—	—	5,188
Total financial liabilities	**$ 7,782**	**$ 808,536**	**$ —**	**$ 816,318**

[1] Relates to funds held in escrow included in other assets.
[2] Relates to rental security deposits included in other liabilities.

20. CAPITAL MANAGEMENT

The REIT's capital management objectives are to:

i. ensure compliance with the REIT's Declaration of Trust;

ii. ensure compliance with restrictions in debt agreements; and

iii. provide sufficient liquidity to operate the REIT's properties, fund obligations as they become due and build unitholder value.

Procedures to monitor compliance with the Declaration of Trust and debt agreements are performed as a part of the overall management of operations and periodically by review of the REIT's board of trustees and reporting to the REIT's lender. In order to maintain or adjust the capital structure, the REIT may issue trust units, debentures or mortgage debt, adjust the amount of distributions paid to unitholders, return capital to unitholders, or reduce or increase debt.

(unaudited - in thousands of United States dollars, unless otherwise stated)

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

	March 31, 2020	December 31, 2019
Debt	$ 735,206	$ 789,395
Exchangeable units of subsidiaries	5,188	10,926
Unitholders' equity	383,465	403,427
Total	**$ 1,123,859**	**$ 1,203,748**

The Declaration of Trust provides that the REIT is not permitted to exceed financial leverage in excess of 65% of gross book value, as defined by the Declaration of Trust, and is calculated as follows:

	March 31, 2020	December 31, 2019
Gross book value	$ 1,249,525	$ 1,315,080
Debt	735,206	789,395
Leverage ratio	**58.8%**	**60.0%**

Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

The REIT's revolver, term loan and term loan 2 are subject to financial and other covenants. The following are the primary financial covenants, with all terms defined by the respective lending agreement:

	Threshold	March 31, 2020	December 31, 2019
Maximum leverage ratio: Consolidated Total Indebtedness shall not exceed 65% of Gross Asset Value	< 65%	58.6%	58.8%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x [1]	> 1.50x	2.23x	2.25x

[1] Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization, as defined by the Amended and Restated Credit Agreement for the revolver and term loan, and the Credit Agreement for term loan 2.

21. RISK MANAGEMENT

The REIT's risk management policies are established to identify, analyze and manage the risks faced by the REIT and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the REIT's activities and to ensure applicability.

In the normal course of business, the main risks arising from the REIT's use of financial instruments include credit risk, liquidity risk and market risk. These risks, and the actions taken to manage them, include:

i. Credit risk

Credit risk is the risk of financial loss to the REIT associated with the failure of a tenant or other party to meet its contractual obligations related to lease agreements, including future lease payments and loan arrangements and TIF receivables. The risk is mitigated by carrying out appropriate credit checks and related due diligence on the significant tenants.

As of March 31, 2020, one individual tenant accounted for 8.8% (December 31, 2019 – 8.3%) of the REIT's base rent.

ii. Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they fall due. The REIT's approach to managing liquidity is to ensure sufficient financial resources are available to meet its liabilities as they become due. This includes monitoring of cash, current receivables, current payables, and non-current liabilities as they become current.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to the demand for and the perceived desirability of such investments. Such illiquidity can limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were required to liquidate a real property investment promptly, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

(unaudited - in thousands of United States dollars, unless otherwise stated)

The REIT's contractual commitments as at March 31, 2020 are as follows:

	Total contractual cash flow	In one year or less	In more than one year but not more than three years	In more than three years but not more than five years	In more than five years
Accounts payable and accrued liabilities	$ 20,260	$ 20,260	$ —	$ —	$ —
Revolver [1]	92,371	—	—	92,371	—
Revolver interest payable [1 2]	10,242	2,559	5,053	2,630	—
Term loan [1]	225,000	—	—	225,000	—
Term loan interest payable [1]	23,216	4,744	9,331	9,141	—
Term loan 2 [3]	250,000	—	250,000	—	—
Term loan 2 interest payable [3]	14,905	5,271	9,634	—	—
Mortgages [4]	175,108	4,685	10,537	48,801	111,085
Mortgage interest payable [4]	26,022	2,745	5,581	5,339	12,357
Letters of credit	393	393	—	—	—
Interest rate swap, net of cash outflows	42,768	11,081	20,144	9,962	1,581
Exchangeable units of subsidiaries	5,188	—	—	—	5,188
Total	**$ 885,473**	**$ 51,738**	**$ 310,280**	**$ 393,244**	**$ 130,211**

[1] Revolver and term loan interest payable is calculated on $92.4 million and $225.0 million (balance outstanding) using an estimated "all in" interest rate of 2.21% and 2.11% respectively under the "less than one year" column. The long-term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the term loan resulting in an anticipated increase to the "all-in" interest rate to 2.20%. The total revolver and term loan interest payable is calculated until maturity of the initial term.
[2] Includes stand-by fee on the revolver to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.
[3] Term loan 2 interest payable is calculated on $250.0 million (balance outstanding) using an estimated "all in" interest rate of 2.11% under the "less than one year" column. The long-term average interest rate is based on the 30-day LIBOR curve plus the specified margin for the LIBOR rate option under the term loan 2 and results in an anticipated decrease to the "all-in" interest rate to 2.07%. The total term loan 2 interest payable is calculated until maturity.
[4] Includes the REIT's share of its equity investment.

iii. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will vary as a result of changes in market interest rates. The REIT manages its financial instruments with the objective of mitigating any potential interest rate risks. For the revolver, term loan and term loan 2 interest rate on the loans will vary depending on changes in base rate and/or U.S. LIBOR rate. The REIT is subject to interest rate risks mainly from non-current debt that has variable interest rate. The REIT manages these cash flow interest rate risks using pay-fixed received-float interest rate swap contracts to swap the floating-rate payments on the credit facility for fixed rate payments.

Assuming all fixed-rate debt remain outstanding, there is no impact to the annual interest expense.

Interest rate benchmark reform

The REIT is exposed to U.S. LIBOR interest rate, which is subject to the interest rate benchmark reform. The REIT has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority ("FCA") and the US Commodity Futures Trading Commission) regarding the transition away from U.S. LIBOR to the Secured Overnight Financing Rate ("SOFR"). The FCA has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR.

In response to the announcements, the REIT is in the process of developing a transition program. The aim of the program is to understand where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to an alternative benchmark rate. The REIT aims to have its transition and fall back plans in place by the middle of 2020.

For the REIT's floating rate debt, the REIT has started discussions with its lenders to amend U.S. LIBOR bank loans so that the reference benchmark interest rate will change to SOFR. The REIT aims to finalize this amendment in the second half of 2020.

The REIT will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the REIT is exposed ends. The REIT has assumed that this uncertainty will not end until the REIT's contracts that reference U.S. LIBOR are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will in part, be dependent on the introduction of fall back clauses which have yet to be added to the REIT's contracts and the negotiation with lenders.

(unaudited - in thousands of United States dollars, unless otherwise stated)

Cash flow sensitivity analysis

The interest rate profile of variable rate interest bearing debt and associated interest rate sensitivity to changes in interest rates is as follows:

	March 31, 2020	December 31, 2019
Variable-rate instruments		
Revolver	$ 92,371	$ 76,899
Term loan	225,000	362,500
Term loan 2	250,000	250,000
Effect of interest rate swaps	(600,000)	(750,000)
Total effective floating rate debt	**$ (32,629)**	**$ (60,601)**
Effective fixed rate debt as a total of all debt	**104.4%**	**107.6%**
Annual impact of a 25 bps change on interest rates	**$ —**	**$ —**

iv. Unit price risk

The REIT is exposed to unit price risk in net income as a result of its exchangeable units of subsidiaries. Exchangeable units of subsidiaries have been classified as liabilities and measured at fair value based on market trading prices. Exchangeable units of subsidiaries negatively impact net income when the unit price rises and positively impact net income when unit prices decline. An increase of $1.00 in the underlying price of exchangeable units of subsidiaries results in an increase to liabilities and a decrease in net income of $1.1 million.

v. Currency risk

Currency risk is associated with a fluctuation in the value of the U.S. dollar relative to other foreign currencies. Although not material, the REIT is exposed to currency risk as certain of the REIT's expenses are denominated in Canadian dollars.

22. RELATED PARTIES

Pursuant to the terms of a management agreement dated April 15, 2014, the Manager provides all management services to the REIT. The Manager agreed to provide certain services in connection with the business of the REIT, including: the structuring of the REIT, liaising with legal and tax counsel; identifying properties for acquisition; maintaining ongoing relationships with the lenders in respect of the mortgage loans for the properties; conducting continuous analysis of market conditions; and advising with respect to the disposition of the properties. In return for its service, the Manager receives the following fees:

i an asset management fee equal to 0.4% of the total assets of the REIT;

ii an acquisition fee in an amount equal to 0.75% of the gross purchase price of each property (or interest in a property), including the price, due diligence costs, closing costs, legal fees, and additional capital costs for all properties indirectly acquired by the REIT; and

iii an annual incentive fee, calculated in arrears, in an aggregate amount equal to 15% of the REIT's funds from operation per class U unit as derived from the annual financial statements of the REIT in excess of $1.34, subject to ordinary course adjustments for certain transactions affecting the class U units and increasing annually by 50% of the increase in the U.S. consumer price index.

Related party transactions incurred and payable to the Manager for the three month period ended March 31, 2020 amounted to $1.3 million (three month period ended March 31, 2019 – $1.4 million). These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established under contract and as approved by the REIT's Board of Trustees.

Trustee fees

The REIT's key personnel include trustees and officers of the REIT. For the three month period ended March 31, 2020 Trustee fees amounted to $0.1 million (three month period ended March 31, 2019 – $0.1 million).

23. SEGMENTS

The REIT has only one business segment. The REIT owns and operates properties in the U.S. The REIT identifies each property as an individual segment and has aggregated them into a single segment based on similarity in the nature of the tenants and operational processes.

(unaudited - in thousands of United States dollars, unless otherwise stated)

24. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities are as follows:

	Revolver [1]	Term Loan [1]	Term Loan 2	Mortgages	Exchangeable units of subsidiaries	**Total**
Balance, December 31, 2019	$ 76,800	$ 361,776	$ 248,872	$ 101,947	$ 10,926	
Cash flows						
Advances, net	164,755	—	—	81,648	—	**246,403**
Financing costs	—	(1,353)	(430)	—	—	**(1,783)**
Debt repayments	(151,044)	(137,500)	—	(10,962)	—	**(299,506)**
Non-cash changes						
Amortization of MTM adjustments and costs	142	749	101	(295)	—	**697**
Change in fair value	—	—	—	—	(5,738)	**(5,738)**
Balance, March 31, 2020	**$ 90,653**	**$ 223,672**	**$ 248,543**	**$ 172,338**	**$ 5,188**	

[1] Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 7 *Interest rate swaps* for more detail.

25. SUBSEQUENT EVENTS

i. The COVID-19 pandemic is having an impact on the global economy and financial markets. These impacts may affect the REIT's future financial position, financial performance and cash flows, the measurement of which is not currently determinable.

ii. On April 8, 2020, the REIT completed the disposition of Waterbury Plaza, located in Waterbury, Connecticut. The property was sold for $21.0 million.

iii. On April 13, 2020, the REIT completed the disposition of National Hills, located in Augusta, Georgia. The property was sold for $26.0 million.

iv. On April 15, 2020, the REIT declared monthly distributions of $0.072 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive an equivalent distribution.