

## **BUSINESS ACQUISITION REPORT**

### **Item 1 - Identity of Company**

#### **1.1 Name and Address of Company**

CHC Realty Capital Corp. (“CHC”)  
53 Yonge Street, 5<sup>th</sup> Floor  
Toronto, Ontario M5E 1J3

#### **1.2 Executive Officer**

Mark Hansen  
President and Chief Executive Officer  
(647) 288-9355

### **Item 2 - Details of Acquisition**

#### **2.1 Nature of Business Acquired**

CHC acquired a student housing property (land and building) located at 335 Barrie Street in Kingston, Ontario (the “Property”). The Property is located in close proximity to Queen’s University and is a 10,882 square foot, three-storey building (ground floor commercial space and two-storeys of student housing) built in 2009 and comprised of 18 student beds and 1,108 square feet of ground floor commercial space. CHC acquired the Property indirectly through its wholly-owned subsidiary limited partnership, CHC Student Housing Acquisition Limited Partnership.

#### **2.2 Acquisition Date**

April 3, 2014.

#### **2.3 Consideration**

The purchase price for the Property was \$2,500,000, which CHC satisfied through the assumption of an existing mortgage on the Property in the principal amount of \$1,260,253 and the payment to the vendor of the balance of the purchase price of \$1,239,747 in cash from CHC’s existing funds.

#### **2.4 Effect on Financial Position**

The acquisition of the Property formed part of CHC’s strategy to acquire high quality student housing properties in close proximity to universities and colleges in primary and well-understood secondary markets. The acquisition did not result in any change to CHC’s corporate or capital structure. The effects of the acquisition on the financial position of CHC are detailed in the pro forma statement of financial position attached hereto.

#### **2.5 Prior Valuations**

CHC did not obtain an appraisal of the Property, and CHC is not aware of any prior valuations of the Property.

## **2.6 Parties to Transaction**

The Property was purchased from Q4 Realty Inc., a corporation incorporated under the laws of Ontario, which is arm's length and not related to CHC or any of its informed persons, associates or affiliates.

## **2.7 Date of Report**

June 16, 2014.

## **Item 3 - Financial Statements and Other Information**

The following financial statements and the related notes thereto are attached hereto:

- (i) Appendix 1 - audited financial statements of the Property as at and for the year ended December 31, 2013; and
- (ii) Appendix 2 - unaudited pro forma financial statements of CHC reflecting the acquisition of the Property as at and for the year ended December 31, 2013.

**APPENDIX 1**

**FINANCIAL STATEMENTS OF THE PROPERTY**

*Financial Statements of*

**335 Barrie Street, Kingston, Ontario**

December 31, 2013

## Independent Auditor's Report

To the Shareholders of CHC Realty Capital Corp.

We have audited the accompanying financial statements of 335 Barrie Street, Kingston, Ontario (the "Property"), which comprise the balance sheet as at December 31, 2013, and the statement of income and comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Property as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
March 21, 2014

# 335 Barrie Street, Kingston Ontario

## Balance Sheet

| December 31 (CDN\$)                     | Notes | 2013             | 2012             |
|---|-------|------------------|------------------|
| <b>Assets</b>                           |       |                  |                  |
| <b>Non-current assets</b>               |       |                  |                  |
| Investment property                     | 4     | 2,500,000        | 2,270,000        |
| <b>Current assets</b>                   |       |                  |                  |
| Accounts receivable                     |       | 12,280           | 20,700           |
| Prepaid assets                          |       | 1,653            | 1,572            |
|   |       | 13,933           | 22,272           |
| <b>Total assets</b>                     |       | <b>2,513,933</b> | <b>2,292,272</b> |
| <b>Liabilities</b>                      |       |                  |                  |
| <b>Non-current liability</b>            |       |                  |                  |
| Property debt                           | 5     | -                | 1,272,529        |
| <b>Current liability</b>                |       |                  |                  |
| Property debt                           |       | 1,272,526        | 36,640           |
| <b>Total liabilities</b>                |       | <b>1,272,526</b> | <b>1,309,169</b> |
| <b>Net assets</b>                       |       | <b>1,241,407</b> | <b>983,103</b>   |
| <b>Total liabilities and net assets</b> |       | <b>2,513,933</b> | <b>2,292,272</b> |

*See accompanying notes to the financial statements.*

335 Barrie Street, Kingston Ontario

## Statement of Income and Comprehensive Income

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| Year ended December 31 (CDN\$)             | Notes | 2013              | 2012              | 2011              |
|--|-------|-------------------|-------------------|-------------------|
|  |       |                   | (Unaudited)       | (Unaudited)       |
| Property revenues                          | 7     | \$ 231,468        | \$ 217,792        | \$ 209,992        |
| Property expenses                          | 8     | 81,801            | 75,592            | 74,056            |
|  |       | 149,667           | 142,200           | 135,936           |
| Interest expense                           | 5     | 59,147            | 60,783            | 62,348            |
| Fair value gains                           | 6     | 230,000           | 240,000           | 121,490           |
| <b>Net income and comprehensive income</b> |       | <b>\$ 320,520</b> | <b>\$ 321,417</b> | <b>\$ 195,078</b> |

*See accompanying notes to the financial statements.*

## Statement of Changes in Net Assets

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| Year ended December 31 (CDN\$)      | 2013             | 2012           | 2011           |
|-------------------------------------|------------------|----------------|----------------|
|                                     |                  | (Unaudited)    | (Unaudited)    |
| Net assets, beginning of year       | 983,103          | 687,492        | 513,883        |
| Net income and comprehensive income | 320,520          | 321,417        | 195,078        |
| Distributions                       | (62,216)         | (25,806)       | (21,469)       |
| <b>Net assets, end of year</b>      | <b>1,241,407</b> | <b>983,103</b> | <b>687,492</b> |

*See accompanying notes to the financial statements.*

## 335 Barrie Street, Kingston Ontario

### Statement of Cash Flows

| Year ended December 31 (CDN\$)              | 2013      | 2012        | 2011        |
|---|-----------|-------------|-------------|
|   |           | (Unaudited) | (Unaudited) |
| <b>Operating activities</b>                 |           |             |             |
| Net income                                  | 320,520   | 321,417     | 195,078     |
| Adjustments:                                |           |             |             |
| Fair value gains                            | (230,000) | (240,000)   | (121,490)   |
| Working capital                             | 8,339     | (20,607)    | (166)       |
| Cash flows provided by operating activities | 98,859    | 60,810      | 73,422      |
| <b>Investing activities</b>                 |           |             |             |
| Capital expenditures                        | -         | -           | (18,510)    |
| Cash flows used in investing activities     | -         | -           | (18,510)    |
| <b>Financing activities</b>                 |           |             |             |
| Property debt repayments                    | (36,643)  | (35,004)    | (33,443)    |
| Distributions                               | (62,216)  | (25,806)    | (21,469)    |
| Cash flows used in financing activities     | (98,859)  | (60,810)    | (54,912)    |
| Increase (decrease) increase in cash        | -         | -           | -           |
| Cash, beginning of year                     | -         | -           | -           |
| <b>Cash, end of year</b>                    | -         | -           | -           |

*See accompanying notes to the financial statements.*

# 335 Barrie Street, Kingston Ontario

## Notes to the Financial Statements

December 31, 2013

### NOTE 1: GENERAL

These financial statements represent the assets, liabilities, revenues and expenses of the 335 Barrie Street, Kingston, Ontario (the "Property") and do not include all the assets, liabilities, revenues or expenses of Q4 Realty Inc. (the "Owner"). The Property is owned 100% by the Owner.

The principal business of the Property is to earn rental income from its residential and commercial tenants.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The financial statements of the Property are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### (b) Basis of presentation

The financial statements are prepared on a going concern basis and have been presented in Canadian dollars. The accounting policies set out below have been applied consistently in all material respects.

The principal accounting policies are set out below.

#### (c) Investment property

Investment property includes property held to earn rental income or for capital appreciation or both. Investment property is carried at fair value, determined based on available market evidence, at the balance sheet date. Related fair value gains and losses are recorded in net income in the year in which they arise.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of the Property.

#### (d) Revenue recognition

The Property has retained substantially all of the risks and benefits of ownership of its investment property and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received.

Additional rent includes recoveries of operating expenses, including property taxes, for commercial tenants only. Additional rent is recognized in the period that recoverable costs are chargeable to tenants.

#### (e) Financial instruments

The following summarizes the Property's classification and measurement of financial instruments:

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| <b>Financial assets and liabilities</b> | <b>Classification</b> | <b>Measurement</b> |
|---|-----------------------|--------------------|
| Accounts receivable                     | Loans and receivables | Amortized cost     |
| Property debt                           | Other liabilities     | Amortized cost     |

#### (f) Critical accounting estimates and assumptions

The Property makes estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Actual results could differ from estimates. The critical estimates and assumptions underlying the valuation of investment property are set out in Note 4.

#### (g) Cash

The Property does not have a separate bank account. Any cash receipts or disbursements are deposited to or made from a bank account of the Owner on behalf of the Property and are recorded as contributions or distributions, respectively, in net assets.

**335 Barrie Street, Kingston Ontario**  
**Notes to the Financial Statements**  
**December 31, 2013**

**(h) Income taxes**

The Property is not subject to Federal or Provincial income taxes; accordingly, the Property makes no provision for income taxes in its financial statements. Taxable income or loss is reportable by the Owner.

**(i) Fair Value Measurement**

The Property adopted IFRS 13, "Fair Value Measurement" effective January 1, 2013. IFRS 13 establishes a single source for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value, establishes a framework for measuring fair value, and required disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRS's require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The Property has assessed its fair value measurement framework and concluded that no change to the current treatment was required.

**NOTE 3: FUTURE ACCOUNTING CHANGES**

**Financial Instruments**

This standard, which replaces IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. While determination is made at initial recognition, classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The date of application has not been determined.

**Levies**

IFRIC 21, "Levies" clarifies that a liability for a levy is recognized when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

Management will continue to evaluate the impact of these standards.

**NOTE 4: INVESTMENT PROPERTY**

|                              | Dec. 31, 2013 | Dec. 31, 2012<br>(Unaudited) |
|------------------------------|---------------|------------------------------|
| Balance at beginning of year | \$ 2,270,000  | \$ 2,030,000                 |
| Fair value gains             | 230,000       | 240,000                      |
| Balance at end of year       | \$ 2,500,000  | \$ 2,270,000                 |

The fair value of the Property is determined based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable balance sheet dates, less future cash outflow in respect of such leases. Fair values were determined by applying an overall capitalization rate to the Property's net operating income. The fair value of the Property was determined by Management.

**335 Barrie Street, Kingston Ontario**  
**Notes to the Financial Statements**  
**December 31, 2013**

**NOTE 5: PROPERTY DEBT**

At December 31, 2013, the balance of the property debt was \$ 1,272,526 (December 31, 2012 - \$1,309,169(unaudited)). The debt is secured by the Property, bears interest at 4.62% and matures on June 1, 2014.

For the year ended December 31, 2013, interest expense of \$59,147 (December 31, 2012 - \$60,783; December 31, 2011 - \$62,438 (unaudited)) was recorded on the property debt.

The fair value of property debt is determined by discounting contractual principal and interest payments at estimated current market interest rates for the instrument. Current market interest rates are determined with reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk. As of December 31, 2013, the fair value of property debt is \$1,275,000 (December 31, 2012 - \$1,290,000 (unaudited)).

The Property is exposed to interest rate risk on refinancing of the property debt. It manages this risk by using long-term borrowings at fixed rates. A 50 basis point change in the interest rate on the property debt as of the date of refinancing the property debt would cause a \$6,400 change in interest expense.

**NOTE 6: FAIR VALUE GAINS**

The Property recognized fair value gains of \$230,000 (December 31, 2012 - \$240,000 (unaudited); December 31, 2011 - \$121, 490(unaudited)). Fair value gains and losses are the result of movements in projected net operating income and capitalization rates.

**NOTE 7: PROPERTY REVENUES**

The following property revenues were earned during the year:

|                  | <b>Dec. 31, 2013</b> | Dec. 31, 2012     | Dec. 31, 2011     |
|------------------|----------------------|-------------------|-------------------|
|                  |                      | (Unaudited)       | (Unaudited)       |
| Residential rent | \$ 191,534           | \$ 180,659        | \$ 174,977        |
| Commercial rent  | 13,140               | 13,140            | 13,140            |
| Additional rent  | 21,314               | 19,390            | 17,645            |
| Parking          | 5,480                | 4,603             | 4,230             |
|                  | <b>\$ 231,468</b>    | <b>\$ 217,792</b> | <b>\$ 209,992</b> |

**NOTE 8: PROPERTY EXPENSES**

The following property expenses were incurred during the year.

|                         | <b>Dec. 31, 2013</b> | Dec. 31, 2012    | Dec. 31, 2011    |
|-------------------------|----------------------|------------------|------------------|
|                         |                      | (Unaudited)      | (Unaudited)      |
| Repairs and maintenance | \$ 6,797             | \$ 6,290         | \$ 6,437         |
| Utilities               | 3,290                | 2,723            | 3,073            |
| Management services     | 16,165               | 15,508           | 15,157           |
| Payroll                 | 16,869               | 15,376           | 14,392           |
| Insurance               | 4,878                | 4,810            | 4,830            |
| Property tax            | 33,802               | 30,884           | 30,167           |
|                         | <b>\$ 81,801</b>     | <b>\$ 75,592</b> | <b>\$ 74,056</b> |

**335 Barrie Street, Kingston Ontario**  
**Notes to the Financial Statements**  
**December 31, 2013**

**NOTE 9: RELATED PARTY TRANSACTIONS**

The following related party amounts were earned or incurred during the periods.

|                     | <b>Dec. 31, 2013</b> | Dec. 31, 2012 | Dec. 31, 2011 |
|---------------------|----------------------|---------------|---------------|
|                     |                      | (Unaudited)   | (Unaudited)   |
| Commercial rent     | \$ 5,930             | \$ 5,930      | \$ 5,930      |
| Additional rent     | 11,033               | 9,984         | 9,036         |
| Management services | 16,165               | 15,508        | 15,157        |
| Payroll             | 16,869               | 15,376        | 14,392        |

All related party amounts were earned from or incurred to an affiliate of the Owner.

Accounts receivable in the amounts of \$12,280 (December 31, 2012; \$20,700 (unaudited) were owing from an affiliate of the owner for commercial and additional rents.

**NOTE 10: SUBSEQUENT EVENT**

The Owner entered into an Agreement of Purchase and Sale on January 9, 2014 with an arm's length party to sell the Property at a price of \$2,500,000, subject to customary adjustments. The transaction is expected to close in 2014.

**NOTE 11: AUTHORIZATION AND APPROVAL**

The Financial Statements along with the notes have been approved and authorized for issue by Management on March 21, 2014.

**APPENDIX 2**

**PRO FORMA FINANCIAL STATEMENTS OF CHC**

**CHC REALTY CAPITAL CORP.**  
**Pro Forma Statement of Financial Position**  
**As at December 31, 2013**  
**(Unaudited)**

|   | CHC Realty<br>Capital Corp.    | 335 Barrie<br>Street<br>Kingston,<br>Ontario | Note<br>Ref. | Pro Forma<br>Adjustments | Pro Forma<br>Consolidated |
|---|--------------------------------|--|--------------|--------------------------|---------------------------|
|   | <i>As at<br/>Dec. 31, 2013</i> | <i>As at<br/>Dec. 31, 2013</i>               |              |                          |                           |
|   | \$                             | \$   |              | \$                       | \$                        |
| <b>Assets</b>                                       |                                |  |              |                          |                           |
| <b>Current Assets</b>                               |                                |  |              |                          |                           |
| Cash  | 4,747,127                      | -  | 2(a)         | (1,346,631)              | 3,400,496                 |
| Accounts receivable                                 | 18,148                         | 12,280                                       | 2(b)         | (12,280)                 | 18,148                    |
| Prepaid assets                                      | -                              | 1,653  | 2(b)         | (1,653)                  | -                         |
| <b>Total current assets</b>                         | <u>4,765,275</u>               | <u>13,933</u>                                |              | <u>(1,360,564)</u>       | <u>3,418,644</u>          |
| Investment property                                 | -                              | 2,500,000                                    |              |                          | 2,500,000                 |
| <b>Total Assets</b>                                 | <u>4,765,275</u>               | <u>2,513,933</u>                             |              | <u>(1,360,564)</u>       | <u>5,918,644</u>          |
| <b>Liabilities and Equity</b>                       |                                |  |              |                          |                           |
| <b>Current Liabilities</b>                          |                                |  |              |                          |                           |
| Accounts payable and accrued liabilities            | 13,721                         | -  |              | -                        | 13,721                    |
| Property debt – current                             | -                              | 1,272,526                                    |              | -                        | 1,272,256                 |
| <b>Total current liabilities</b>                    | <u>13,721</u>                  | <u>1,272,526</u>                             |              | <u>-</u>                 | <u>1,286,247</u>          |
| <b>Total Liabilities</b>                            | <u>13,721</u>                  | <u>1,272,526</u>                             |              | <u>-</u>                 | <u>1,286,247</u>          |
| <b>Equity</b>                                       |                                |  |              |                          |                           |
| Share capital                                       | 4,713,716                      | -  |              | -                        | 4,713,716                 |
| Contributed Surplus                                 | 362,000                        | -  |              | -                        | 362,000                   |
| Deficit   | (324,162)                      | -  | 2(a)         | (119,157)                | (443,319)                 |
| Net Assets  | -                              | 1,241,407                                    |              | (1,241,407)              | -                         |
| <b>Total equity</b>                                 | <u>4,751,554</u>               | <u>1,241,407</u>                             |              | <u>(1,360,564)</u>       | <u>4,632,397</u>          |
| <b>Total Liabilities and Equity /<br/>Net Asset</b> | <u>4,765,275</u>               | <u>2,513,933</u>                             |              | <u>(1,360,564)</u>       | <u>5,918,644</u>          |

**CHC REALTY CAPITAL CORP.**  
**Pro Forma Statement of Income and Comprehensive Income**  
**Year Ended December 31, 2013**  
**(Unaudited)**

|  | CHC Realty<br>Capital<br>Corp. | 335 Barrie<br>Street<br>Kingston,<br>Ontario | Note<br>Ref. | Pro Forma<br>Adjustments | Pro Forma<br>Consolidated |
|--|--------------------------------|--|--------------|--------------------------|---------------------------|
|  | \$                             | \$   |              | \$                       | \$                        |
| Property revenues                                    | -                              | 231,468                                      |              |                          | 231,468                   |
| Property expenses                                    | -                              | 81,801                                       | 2(c)         | (843)                    | 80,958                    |
|  |                                | 149,667                                      |              | (843)                    | 150,510                   |
| Interest expense                                     | -                              | (59,147)                                     |              |                          | (59,147)                  |
| Compensation expense                                 | (309,000)                      | -  |              |                          | (309,000)                 |
| General and administrative expenses                  | (10,162)                       | -  | 2(a)         | (120,000)                | (130,162)                 |
| Organization costs                                   | (5,000)                        | -  |              |                          | (5,000)                   |
| Fair value gains                                     | -                              | 230,000                                      |              |                          | 230,000                   |
| Net income (loss) and comprehensive<br>income (loss) | (324,162)                      | 320,520                                      |              | (119,157)                | (122,799)                 |

**CHC Realty Capital Corp.**  
**Notes to Pro Forma Financial Statements for the Year Ended December 31, 2013**  
**(Unaudited)**

**1. Basis of Presentation**

The accompanying unaudited pro forma financial statements of CHC Realty Capital Corp. (“CHC”) have been prepared by management and give effect to the transactions described in note 2 as if they occurred on December 31, 2013.

The unaudited pro forma financial statements have been prepared from information derived from and should be read in conjunction with the following:

1. the audited financial statements of CHC as at and for the period from April 12, 2013 (incorporation) to December 31, 2013; and
2. the audited financial statements of the student housing and commercial property located at 335 Barrie Street in Kingston, Ontario (the “QT Property”) as at and for the year ended December 31, 2013.

The unaudited pro forma financial statements have been prepared using accounting policies that are in accordance with International Financial Reporting Standards (“IFRS”) and, in the opinion of management, include all adjustments necessary for fair presentation.

The unaudited pro forma financial statements have been prepared for illustration purposes only and may not be indicative of the financial position and results of CHC had the transactions indicated in note 2 been in effect at the date indicated.

**2. Pro Forma Assumptions and Adjustments**

The unaudited pro forma financial statements give effect to the following transaction:

- (a) CHC acquired the QT Property from Q4 Realty Inc. (the “Vendor”) on April 3, 2014 pursuant to the terms of a purchase and sale agreement dated January 9, 2014 between CHC and the Vendor. The purchase of the QT Property (the “Acquisition”) served as CHC’s Qualifying Transaction pursuant to Policy 2.4 of the TSX Venture Exchange. Pursuant to the Acquisition, CHC acquired the QT Property for an aggregate purchase price of \$2,500,000. The purchase price was satisfied by way of the assumption of an existing mortgage secured by the QT Property in the amount of \$1,260,253 and the payment of the balance of the purchase price in the amount of \$1,239,747 in cash from CHC’s existing funds.

The investment property has been recorded in the pro forma statement of financial position at its acquisition cost. Estimated acquisition-related costs of \$120,000 have been expensed.

The pro forma effective income tax rate applicable to the operations will be approximately 26.5%.

- (b) The accounts receivable of the QT property represents an intercompany amount that was not transferred upon acquisition. The prepaid balance relates to the prior owner’s insurance.
- (c) Following the completion of the Acquisition, CHC retained a third party property manager (the “Property Manager”) to manage the QT Property pursuant to a property management agreement. Under the terms of the property management agreement, the Property Manager will receive a management fee (the “Management Fee”) in the amount of 8.0% of net effective rent (gross rental revenue less vacancies) from the residential portion of the QT Property (commercial space rent not included). A pro forma adjustment in the amount of \$843 has been made to reflect the difference between the expense recorded for management services in the financial statements of the QT Property and the amount that would be payable in respect of

the Management Fee based on the revenues from the residential portion of the QT Property recorded in the financial statements of the QT Property.

### 3. Pro Forma Share Capital

As CHC's Qualifying Transaction consisted only of the Acquisition, there were no changes in the capital structure of CHC as a result of the Qualifying Transaction and its pro forma share capital after giving effect to the Acquisition as if it occurred on December 31, 2013 is as follows:

|  | <u>Number</u> | <u>Amount<br/>(\$)</u> |
|--|---------------|------------------------|
| CHC common shares issued and outstanding as at December 1, 2013 (net of equity issuance costs) | 55,000,000    | 4,713,716              |
| Pro forma share capital as at December 31, 2013  | 55,000,000    | 4,713,716              |