dream alternatives

Q1 | 2020

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MANAGEMENT’S DISCUSSION AND ANALYSIS

(All dollar amounts in our tables are presented in thousands of Canadian dollars, except unit and per unit amounts, unless otherwise stated)

1. OVERVIEW AND OVERALL FINANCIAL PERFORMANCE

1.1 OVERVIEW OF THE TRUST

Dream Hard Asset Alternatives Trust ("Dream Alternatives" or the "Trust") is an open-ended trust focused on hard asset alternative investments. The Trust’s portfolio is comprised of exceptional real estate development opportunities, real estate lending and income properties. In the Trust’s reportable operating segments, these investments are classified between development and those which generate recurring income. The Trust is managed by Dream Asset Management Corporation ("DAM" or the "Asset Manager"), a subsidiary of Dream Unlimited Corp. ("Dream") (TSX: DRM), which is one of Canada’s leading real estate companies, and has approximately $9 billion of assets under management in North America and Europe. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "DRA.UN". On January 1, 2018, Dream acquired control of the Trust, for accounting purposes, based on Dream's increased exposure to variable returns resulting from increased ownership through units held in the Trust and from new real estate joint venture agreements. The ultimate controlling party of the Trust is Michael Cooper, President and Chief Responsible Officer of DAM and Dream.

This Management's Discussion and Analysis ("MD&A") is dated as of, and reflects all material events up to, May 4, 2020, the date on which this MD&A was approved by the Board of Trustees. This MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2019 and the unaudited condensed consolidated financial statements for the three months ended March 31, 2020, which can be found in the Trust’s filings on the System for Electronic Document Analysis and Retrieval (“SEDAR”) (www.sedar.com). Certain disclosures herein are non-IFRS measures. Refer to the “Non-IFRS Measures and Other Disclosures” section of this MD&A for further details. The financial statements underlying this MD&A, including 2019 comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS").

When we refer to terms such as "we", "us" and "our", we are referring to the Trust, Dream Alternatives Master LP and its subsidiaries. When we refer to the term "units" we are referring to the units of the Trust. When we refer to "unitholders" we are referring to holders of the units of the Trust.

As at March 31, 2020, our operating segments consist of the following:

- **Development** — participating mortgages receivable, a hospitality asset under redevelopment, and direct and indirect investments in residential and mixed-use developments;
- **Recurring income** — interest-paying mortgages, mezzanine and corporate loans, and a portfolio of office and commercial real estate income properties in the Greater Toronto Area ("GTA").

We have redefined our segment information to better reflect how we manage our business. Comparative information has been reclassified in accordance with our new segment presentation.

1.2 FORWARD-LOOKING DISCLAIMER

FORWARD-LOOKING DISCLAIMER

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation, including, but not limited to, statements relating to the Trust’s objectives and strategies to achieve those objectives; the Trust’s beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth and drivers thereof, results of operations, performance, business prospects and opportunities, market conditions, acquisitions or divestitures, leasing transactions, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, litigation and the real estate and lending industries in general, in each case, that are not historical facts, as well as statements regarding our strategic plan; our unit buyback program (including the amounts to be deployed, and the timing, price and size of any offers to unitholders); our commitment to maintaining the current distribution policy; our expectations regarding future purchases of units by the Trust under our normal course issuer bid ("NCIB"), including the number of units to be acquired and the timing thereof; our commitment to maintain an annual distribution of $0.40; our plans and proposals for current and future development and investment holdings projects, including equity accounted investments and income properties redevelopment projects, including projected sizes, densities, uses, costs and manner of funding, and development milestones; development timelines on current and future development and investment holdings projects, including equity accounted investments and income properties redevelopment projects, including expected commencement, completion and occupancy dates; anticipated returns and profits from our development and investment holdings projects, including equity accounted investments, as well as their future contributions to net asset value ("NAV")[1] and unitholder value and their ability to drive the Trust's growth; timing of distributions or future cash return from our development and investment holdings portfolio; our targeted return on equity (levered and unlevered), income and cash flow growth, NAV growth and targeted pre-tax internal rate of return ("IRR"); our methodologies for valuing investments, including market value adjustments, and timing of appraisals; anticipated effect of our developments on our NAV, unitholders' equity, growth and cash flows in future periods; expected profits from our development projects; our expectations of changes in our NAV in future periods; the anticipated future variability in our results of operations, including cash from operating activities and net income; expected debt financings and the timing thereof; and our expectations regarding the Trust's income tax expense/ recovery and deferred tax liabilities/assets. Forward-looking statements generally can be identified by words such as "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "could", "likely", "plan", "project", "continue" or similar expressions suggesting future outcomes or events. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Trust's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. The assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein as well as assumptions relating to general and local economic and business conditions; the regulatory environment; the real estate market in general; the financial condition of tenants and borrowers; interest and mortgage rates; timing and amount of future loan financings and deposit commitments; leasing risks, including those associated with the ability to lease vacant space; and the development, construction and operation of our real estate projects on anticipated terms.

All the forward-looking statements contained in this MD&A are based on what we believe are reasonable assumptions; there can be no assurance that actual results will be consistent with these forward-looking statements. Factors or risks that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, adverse changes in general economic and market conditions; the impact of the novel coronavirus (COVID-19) pandemic on the Trust; changes to the regulatory environment; environmental risks; local real estate conditions, including the development of properties in close proximity to the Trust's properties and changes in real estate values; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' and borrowers' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; dependence on our partners in the development, construction and operation of our real estate projects; uncertainty surrounding the development and construction of new projects and delays and cost overruns in the design, development, construction and operation of projects; our ability to execute strategic plans and meet financial obligations; interest and mortgage rates and regulations; inflation; availability of equity and debt financing; foreign exchange fluctuations; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of May 4, 2020. Dream Alternatives does not undertake to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators. Certain filings are also available on our website at www.dreamalternatives.ca.

In addition, certain disclosures incorporated by reference into this report including, but not limited to, information regarding our development and investment holdings' development partners were obtained from publicly available information. We have not independently verified any such information.

1.3 OUR OBJECTIVES

Our fundamental objectives are to:

- provide investors with a portfolio of high-quality real estate development opportunities and alternative assets, concentrated in core geographic markets;
- balance growth and stability of the portfolio, increasing cash flow, unitholders' equity and NAV over time;
- provide predictable cash distributions to unitholders on a tax-efficient basis; and
- leverage access to an experienced management team and strong partnerships, to generate investment opportunities, capitalize on strong market fundamentals and generate attractive returns for investors.

[1] For the Trust's definition of the following non-IFRS measures: NAV, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

1.4 FINANCIAL OVERVIEW - FIRST QUARTER 2020

For the three months ended March 31, 2020, the Trust reported net income of $5.2 million, up significantly from $0.7 million in the comparative period. The increase in net income was primarily attributable to a foreign currency gain of $4.4 million on the Trust's investment in the Hard Rock/Virgin Hotels Las Vegas ("Hard Rock"), a deferred compensation recovery of $1.4 million relating to the Trust's deferred unit incentive plan ("DUIP"), as well as lower asset management fees incurred in the period. Both the DUIP and asset management fees are measured at the Trust's unit price which has declined in the period to the benefit of the Trust's operating results. These items have been partially offset by a decrease in income from the lending portfolio due to fewer loans outstanding, higher deferred income tax and a decrease in income from the renewable power portfolio, which was sold by the Trust in the fourth quarter of 2019.

In light of the ongoing COVID-19 pandemic, we have performed an in-depth risk analysis on the Trust’s operations and underlying investments, including the collectability of scheduled loan repayments and the collection of receivables from tenants within our income properties. The Trust, through its property manager Dream Office Real Estate Investment Trust ("Dream Office REIT"), has been working closely with tenants significantly impacted by COVID-19, assessing rent deferrals on a case-by-case basis. Over 95% of April rent has been collected from tenants of the Trust’s income properties. As a result of COVID-19 measures, certain development projects of the Trust temporarily ceased construction as mandated by provincial governments. At this point in time, there is no indication that these temporary measures will result in future cost increases or capital injections not previously contemplated by the Trust. In the three months ended March 31, 2020, there was no impairment recorded on the Trust's assets.

As at March 31, 2020, the Trust had $101.7 million of cash as well as $5.5 million of funds available under its revolving credit facility, which remains undrawn. The Trust’s debt-to-total asset value as at March 31, 2020 was 13.2%, up slightly from 12.8% as at December 31, 2019. The Trust’s debt-to-total asset value as at March 31, 2020 was 47%, inclusive of project-level debt and assets within our development and investment holdings and equity accounted investments. As at March 31, 2020, the Trust's nearest debt maturity occurs in early 2021 and the Trust has ample cash on hand to fund normal course debt repayments, cash requirements for its development investments and ongoing unitholders' distributions, over the next year. As at May 1, 2020, the Trust had $96.9 million of cash-on-hand.

As contemplated in the Trust’s strategic plan, first announced in February 2019, we committed to narrowing the gap between the trading price of the Trust’s units and NAV, while continuing to build the underlying value of our business. As part of the strategic plan, the Trust suspended its distribution reinvestment and unit purchase plan (the “DRIP”) and agreed to satisfy the asset management fees payable to DAM in units of the Trust. Both of these initiatives have supported the Trust's commitment to maintain the existing distribution policy at $0.40 per unit on an annual basis. Additionally, under the strategic plan, the Trust was prepared to deploy $100.0 million towards the Trust’s unit buyback program over a three-year period. In August 2019, we successfully completed the repurchase of $32.0 million of units. In the three months ended March 31, 2020, a subsequent offer to acquire an additional $33.0 million of units was terminated as a result of the failure to satisfy certain conditions of the offer due to the COVID-19 pandemic, and, the resulting market instability and volatility in the Trust’s unit price, which closed at $4.77 per unit as at May 1, 2020, down 40% from our 52-week high of $7.94. We believe that the current market price of our units does not reflect the intrinsic value of the Trust and the units represent an attractive investment opportunity. Subsequent to the termination of the second offer, the Trust has repurchased 338,987 units through its normal course issuer bid at an average price of $4.34 per unit. In the last 15-month period, since announcing the strategic plan, the Trust repurchased 5.2 million units for aggregate proceeds of $39.4 million.

KEY ACHIEVEMENTS

During the three months ended March 31, 2020, the Trust invested $16.1 million, including transaction costs, into its development projects which have continued to progress towards key milestones and/or completion. In 2020, management currently expects to invest an additional $25.0 to $35.0 million of capital towards existing projects. The Trust's portfolio currently has 3.8 million square feet ("sf") in its development pipeline (inclusive of income-producing assets with redevelopment potential) and over 10,000 condominium or purpose-built rental units (at the project-level). Refer to section 1.6, "Summary of Portfolio Assets" in our MD&A as at March 31, 2020. Notable highlights for the Trust’s development projects are detailed below.

In the three months ended March 31, 2020, Kanaal, Zibi's first residential condominium building in Ottawa, Ontario, commenced occupancy. The 71-unit condominium building was over 50% occupied, with further occupancies and closings anticipated in 2020. Zibi is a 34-acre mixed-use waterfront development situated along the Ottawa River in Gatineau, Quebec and Ottawa, Ontario, which will comprise 1,800 residential units and 2.5 million sf of retail and commercial gross leasable area ("GLA") upon completion. In aggregate, there are over 630,000 sf of residential rental, retail and commercial space in various planning/development stages at Zibi. Dream Alternatives has a 40% investment in the project.

During the three months ended March 31, 2020, the Hard Rock closed to the public and commenced construction on the redevelopment/conversion to The Virgin Hotels Las Vegas. Construction is currently underway and remains on schedule with the grand re-opening of The Virgin Hotels Las Vegas slated for late 2020 which will include 1,504 suites, a 60,000 sf fully renovated casino and world-class restaurants. Dream Alternatives has a 10% investment in the project.

As at March 31, 2020, Empire Lakeshore, a high-rise condominium development that includes two towers, the Water Tower and Sky Tower, was substantially complete, with 92% of units occupied and final closings anticipated in 2020. Dream Alternatives has an 80% economic interest in the project and as at March 31, 2020, the Trust's total investment in the project, including fair value adjustments, was $84.9 million.

Development projects are key drivers of future growth for the Trust and are expected to generate attractive returns and future cash flows as milestones are achieved. The Trust expects its development projects will provide attractive profits to the Trust upon their respective completion dates and will contribute to increased value for unitholders over the longer term. The Trust has historically targeted a pre-tax IRR of at least 15-20% on new equity investments in residential and mixed-use development projects.

RESULTS HIGHLIGHTS

Effective this quarter we have redefined our segment information to better reflect how we view and manage the business. A summary of our results by segment is described below.

DEVELOPMENT

In the three months ended March 31, 2020, the development segment generated net income of $4.1 million, relative to a net loss of $0.1 million in the comparative period. As previously discussed, results included a foreign currency gain on the Trust's investment in the Hard Rock of $4.4 million, as well as occupancy income from Zibi. These items were partially offset by a cost-to-complete adjustment realized in the period relating to a closed project in 2019, with no comparable activity in the prior year. Due to the long-term nature of projects in the development segment, results will fluctuate from period-to-period due to the various construction timelines. As our development projects progress towards completion and achieve various milestones, the Trust will expect an increase in income and cash flows from this segment over time.

RECURRING INCOME

During the three months ended March 31, 2020, the Trust's recurring income segment generated net income of $2.7 million, down from $4.7 million in the comparative period. The decrease was primarily related to a lower loan balance outstanding on the Trust's lending portfolio. During the three months ended March 31, 2020, the Trust received a scheduled lump sum repayment of $8.0 million on a loan related to a property located in the Greater Vancouver Area.

OTHER[1]

In the three months ended March 31, 2020, the Other segment recorded a net loss of $1.6 million relative to a loss of $4.4 million in the comparative period. The improvement of $2.8 million was driven by a lower asset management fee due to a reduction in the asset base fee and the settlement of fees in Trust units, in addition to a deferred compensation recovery in the current period. Effective April 2019, Dream Alternatives and DAM agreed to satisfy management fees payable to DAM in units of the Trust. The Trust units are valued at $8.74 per unit, equal to the NAV as at December 31, 2018, for purposes of determining the number of units to be issued. For accounting purposes, the asset management fees are recorded at the Trust's trading price on the date of settlement, which was $4.92 for the three months ended March 31, 2020. As a result, the Trust's asset management fee recognized in the period is $1.6 million lower relative to the prior year, to the benefit of the Trust.

[1] Includes other Trust amounts not specifically related to the segments.

FINANCIAL HIGHLIGHTS OF THE TRUST

For the three months ended March 31,		2020		2019
Consolidated results of operations				
Net income	**$**	**5,152**	$	714
Net income from continuing operations		**5,152**		174
Net operating income ("NOI")[1]		**2,828**		5,962
Cash generated from operating activities from continuing operations		**394**		3,465
Net income per unit[1]		**0.07**		0.01
Net income from continuing operations per unit[1]		**0.07**		N/A
Cash generated from operating activities from continuing operations per unit[1]		**0.01**		0.05
Distributions declared and paid per unit		**0.10**		0.10
Units outstanding – end of period		**69,121,551**		72,148,991
Units outstanding – weighted average		**69,076,108**		72,562,572

(1) For the Trust's definition of the following non-IFRS measures: NOI, net income per unit, net income from continuing operations per unit, and cash generated from operating activities from continuing operations per unit, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

As at		March 31, 2020		December 31, 2019
Consolidated financial position				
Total unitholders' equity	**$**	**568,788**	$	567,551
Total unitholders' equity per unit[1]		**8.23**		8.25
Total debt		**89,051**		89,269
Total assets		**676,906**		696,141
Cash		**101,746**		117,787
Debt-to-asset value[1]		**13.2%**		12.8%

(1) For the Trust's definition of the following non-IFRS measures: total unitholders' equity per unit, and debt-to-asset value, please refer to the Non- IFRS Measures and Other Disclosures section of this MD&A.

SEGMENTED RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31, 2020

	Development	Recurring income	Other[(1)]	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	$ 4,421	$ —	$ —	**$ 4,421**
Lending portfolio interest income and lender fees	—	1,486	—	**1,486**
Income properties revenue	—	4,403	—	**4,403**
Share of loss from equity accounted investments	(730)	(181)	—	**(911)**
TOTAL INCOME	**3,691**	**5,708**	**—**	**9,399**
EXPENSES				
Income properties, operating	—	(2,150)	—	**(2,150)**
Interest expense	—	(782)	(9)	**(791)**
General and administrative	—	—	(822)	**(822)**
TOTAL EXPENSES	**—**	**(2,932)**	**(831)**	**(3,763)**
OPERATING INCOME (LOSS)	**3,691**	**2,776**	**(831)**	**5,636**
Interest and other income	368	6	431	**805**
Transaction costs	—	(45)	(13)	**(58)**
EARNINGS (LOSS) BEFORE INCOME TAX RECOVERY (EXPENSE)	**4,059**	**2,737**	**(413)**	**6,383**
INCOME TAX EXPENSE				
Deferred income tax expense	—	—	(1,231)	(1,231)
TOTAL INCOME TAX EXPENSE	**—**	**—**	**(1,231)**	**(1,231)**
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**$ 4,059**	**$ 2,737**	**$ (1,644)**	**$ 5,152**

(1) Includes other Trust amounts not specifically related to the segments.

SEGMENTED RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31, 2019

	Development	Recurring income	Other[(1)]	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	$ (343)	$ —	$ —	**$ (343)**
Lending portfolio interest income and lender fees	—	3,536	—	**3,536**
Income properties revenue	—	6,024	—	**6,024**
Share of loss from equity accounted investments	(52)	(392)	—	**(444)**
TOTAL INCOME	**(395)**	**9,168**	**—**	**8,773**
EXPENSES				
Income properties, operating	—	(3,321)	—	**(3,321)**
Interest expense	—	(1,195)	(86)	**(1,281)**
General and administrative	—	—	(4,194)	**(4,194)**
TOTAL EXPENSES	**—**	**(4,516)**	**(4,280)**	**(8,796)**
OPERATING INCOME (LOSS)	**(395)**	**4,652**	**(4,280)**	**(23)**
Interest and other income	338	5	297	**640**
Transaction costs	—	15	—	**15**
EARNINGS (LOSS) BEFORE INCOME TAX RECOVERY (EXPENSE)	**(57)**	**4,672**	**(3,983)**	**632**
INCOME TAX EXPENSE				
Deferred income tax expense	—	—	(458)	**(458)**
TOTAL INCOME TAX EXPENSE	**—**	**—**	**(458)**	**(458)**
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**$ (57)**	**$ 4,672**	**$ (4,441)**	**$ 174**

(1) Includes other Trust amounts not specifically related to the segments.

1.5 HIGHLIGHTS BY REPORTABLE OPERATING SEGMENTS FROM CONTINUING OPERATIONS

The table below summarizes our consolidated net assets as at March 31, 2020 by geographic allocation, excluding cash and the Trust's other consolidated working capital, including tax.

GEOGRAPHIC ALLOCATION

As at	**March 31, 2020**	December 31, 2019
Toronto and GTA	**71.0%**	71.3%
Ottawa/Gatineau	**12.9%**	11.5%
United States	**11.0%**	10.4%
British Columbia	**2.3%**	4.0%
Saskatchewan	**2.6%**	2.6%
Other Ontario	**0.2%**	0.2%
Total	**100.0%**	100.0%

SUMMARY OF DEVELOPMENT AND INVESTMENT HOLDINGS PARTNERS

We continue to leverage our relationships and expertise to attract world-class partners and investment opportunities. As a result of our partners and relationships, the Trust has access to unparalleled investment opportunities across North America. The table below provides an overview of some of the Trust's key partners within its development/redevelopment investments:

Project	Partners	Partner since
Empire Lakeshore & Brampton	Empire Communities	2014
Lakeshore East development	Dream Unlimited, Great Gulf Residential	2016
Brightwater development	Dream Unlimited, Kilmer Van Nostrand Co. Ltd., Diamond Corp., FRAM + Slokker	2017
Zibi development	Dream Unlimited, Theia Partners	2017
Frank Gehry development	Dream Unlimited, Great Gulf Residential, Westdale Construction Co Ltd.	2017
Seaton development	Fieldgate Homes, Mattamy Homes, Paradise Developments, TACC Construction Ltd.	2018
Hard Rock/Virgin Hotels Las Vegas	Juniper Capital Partners, Fengate Real Asset Investments, Virgin Hotels	2018
100 Steeles	Dream Unlimited, Westdale Construction Co. Ltd.	2018
West Don Lands	Dream Unlimited, Kilmer van Nostrand Co. Ltd., Tricon Capital Group	2018

1.6 SUMMARY OF PORTFOLIO ASSETS

The following table includes supplementary information on certain assets in our portfolio as at March 31, 2020. Please refer to section 10.1 of this MD&A for additional information on each of these investments.

Project/Property	Entity	DAT Ownership	Status	Property type	Total commercial and retail GLA [1] (at 100%)	In-place/ committed commercial occupancy	Occupancy/ stabilization date
Recurring income							
Downtown Toronto & Greater Toronto Area (GTA)							
Commercial:							
50 & 90 Burnhamthorpe Road West (Sussex Centre)	Dream Office REIT/DAT	50.1%	Income property	Office/retail	655,000	90.4%	
49 Ontario	DAT	100.0%	Redevelopment	Office	88,000	91.5%	
Queen and Mutual	DAT	9.0%	Income property	Office/retail	24,000	84.4%	
10 Lower Spadina	DAT	100.0%	Income property	Office/retail	61,000	100.0%	
349 Carlaw	DAT	100.0%	Income property	Office	34,000	100.0%	
Plaza Imperial	DAT	40.0%	Income property	Office/retail	35,000	100.0%	
Plaza Bathurst	DAT	40.0%	Income property	Office/retail	24,000	100.0%	
100 Steeles Avenue West	Dream/DAT	37.5%	Redevelopment	Retail	59,000	97.1%	
Total Downtown Toronto & GTA				**—**	**980,000**	**92.3%**	
Total recurring income				**—**	**980,000**	**92.3%**	

Project/Property	Type	Entity	DAT Ownership	Status	Total residential units at completion (at 100%) [2]	Total commercial and retail GLA [1] (at 100%)	In-place/ committed commercial occupancy	Occupancy/ stabilization date
Development segment								
Downtown Toronto & GTA								
Residential and Mixed-Use:								
Canary Block 10	Various	Dream/DAT	25.0%	Planning	445	25,000		TBD
WDL Block 8	Build to hold	Dream/DAT	25.0%	Under construction	770	4,000		2023
WDL Block 3/4/7	Build to hold	Dream/DAT	25.0%	Planning	834	37,000		2025
WDL Block 20	Build to hold	Dream/DAT	25.0%	Planning	272	280,000		TBD
Lakeshore East	TBD	Dream/DAT	37.5%	Planning	1,100	32,000		TBD
Frank Gehry	Build to sell	Dream/DAT	18.8%	Planning	1,500	260,000		TBD
Empire Lakeshore	Build to sell	DAT	80.0%	In occupancy	106	55,000	100.0%	2019-2020
Brightwater	Build to sell	Dream/DAT	23.3%	Planning	3,000	400,000		2023-2032
Ivy	Build to sell	Dream/DAT	75.0%	Planning	253	—		TBD
Seaton	Build to sell	DAT	7.0%	Planning	TBD	TBD		TBD
Total Downtown Toronto & GTA					**8,280**	**1,093,000**	**n/a**	
Zibi (Ottawa/Gatineau):								
Kanaal	Build to sell	Dream/DAT	40.0%	In occupancy	30	8,500		2020
Block 2-3	Build to hold	Dream/DAT	40.0%	Under construction	—	55,000	79.7%	2020
Block 208	Build to hold	Dream/DAT	40.0%	Under construction	—	34,000	75.8%	2020
Block 10	Build to hold	Dream/DAT	40.0%	Under construction	162	1,500		2022
Block 211	Build to hold	Dream/DAT	40.0%	Under construction	—	185,000	85.4%	2021
Future blocks	Various	Dream/DAT	40.0%	Planning	1,558	2,226,000		TBD
Total Zibi Ottawa/Gatineau					**1,750**	**2,510,000**	**83.1%**	
U.S.								
Hard Rock/Virgin Hotel Las Vegas	Build to sell	DAT	10.0%	Under construction	—	TBD		2023
Total U.S.					**—**	**—**		
Total development					**10,030**	**3,603,000**		
Total DAT platform					**10,030**	**4,583,000**		

Summary by Geography

Location	Current GLA (at 100%)	Future GLA under development (at 100%)	Residential units at completion (at 100%)
Downtown Toronto & GTA	980,000	1,093,000	8,253
Ottawa/Gatineau	—	2,510,000	1,750
U.S.	n/a	n/a	n/a
Total	**980,000**	**3,603,000**	**10,003**

[1] Total commercial and retail GLA includes planned GLA which are subject to change pending various development approvals.

[2] Residential units and GLA are at 100% project level and include planned units and GLA which are subject to change pending various development approvals. Planned residential units may be developed as condominium units or purpose-built rentals as supported by market demand, targeted studies and return objectives. For projects currently in occupancy, residential units reflect remaining units in inventory to be occupied in future periods.

2. REPORTABLE OPERATING SEGMENTS RESULTS OF OPERATIONS

2.1 DEVELOPMENT

Our development segment includes development and investment holdings, and numerous partnerships created for the purpose of developing residential and mixed-use projects. Development holdings relate to the Trust's participating loans secured by Empire-related development projects (referred to as Empire Lakeshore and Empire Brampton). Investment holdings primarily relate to the Trust's investment in the Hard Rock, in which we have a 10% interest in the project. The Trust's development assets, which are primarily located in the GTA and Ottawa, are in various planning and construction phases and classified as equity accounted investments. A large proportion of these assets are held at cost and will contribute meaningfully to the Trust's earnings in future periods as properties are developed and completed.

As at March 31, 2020, the development segment had a carrying value of $279.1 million, representing 49.1% of the Trust's net assets, which will comprise over 10,000 condominium and purpose-built rental units and 3.6 million sf of retail and commercial density upon completion (at 100% project-level interest). Refer to Section 1.6, "Summary of Portfolio Assets", for further details on the Trust's development interests.

The table below provides a continuity of the Trust's development and investment holdings, including equity accounted investments:

For the three months ended March 31, 2020	Development holdings	Investment holdings	Equity accounted investments	Total
Balance as at December 31, 2019	$ 66,211	$ 48,736	$ 165,396	**$ 280,343**
Advances/investments/share of income	—	—	11,549	**11,549**
Distribution/capital repayment	—	—	(17,215)	**(17,215)**
Foreign exchange gain	—	4,421	—	**4,421**
Balance as at March 31, 2020	**$ 66,211**	**$ 53,157**	**$ 159,730**	**$ 279,098**

As at March 31, 2020, approximately $87.0 million of the Trust's total assets were advanced to Empire projects inclusive of debt representing approximately 12.9% of the Trust's total assets. This excludes the Trust's financial guarantee associated with Empire Lakeshore, which is discussed in Note 20 of the condensed consolidated financial statements.

Empire Lakeshore is a high-rise condominium development that includes two towers, the Water Tower and Sky Tower, at 49 and 66 storeys, respectively. As at March 31, 2020, the towers were substantially complete with 92% of units occupied and final closings anticipated in 2020. Subsequent to unit closings and the repayment of the project's construction facility, the Trust will receive cash distributions and the repayment of the outstanding loan.

Empire Brampton completed development in 2017. As at March 31, 2020, the Trust had cumulatively received $30.9 million from the project, of which $12.0 million represented profit to the Trust in excess of its initial contribution. The timing of the remaining cash distributions of $2.2 million on the project represents customary holdbacks and are expected to be released during 2020.

During the three months ended March 31, 2020, contributions of $12.7 million were made to certain equity accounted investments, primarily related to Zibi, West Don Lands, and Brightwater. Offsetting the contributions were distributions of $17.2 million recognized in the current period, which had been advanced to the Trust throughout 2019 upon completion of a condominium project.

A summary of the development segment results is below:

For the three months ended March 31,	2020	2019
Net income - development holdings	**$ 368**	$ 637
Share of net loss - development holdings included in equity accounted investments	**$ (730)**	$ (52)
Net income (loss) - investment holdings	**4,421**	(642)
Total net income (loss) - development	**$ 4,059**	$ (57)

In the three months ended March 31, 2020, the development segment generated net income of $4.1 million relative to a net loss of $0.1 million in the comparative period. The increase relative to the prior year was due to the foreign currency gain of $4.4

million on the Trust's investment in the Hard Rock and occupancy income from Zibi, partially offset by a cost-to-complete adjustment realized in the period relating to a closed project in 2019.

2.2 RECURRING INCOME

The Trust's recurring income segment includes its lending portfolio and income properties.

The Trust's lending portfolio includes investments in mortgages and loans secured by all types of residential and commercial real estate property that represent an acceptable underwriting risk. Working within these risk parameters, the Trust also invests in higher-yielding development and construction loans, bridge loans and mezzanine loans, where we are comfortable with the underlying security, guarantees and covenants of the borrower.

The Trust's income properties consist of wholly owned and co-owned office properties as well as certain equity accounted investments that are income-producing, with future redevelopment potential. Revenue from these income properties includes base rents, operating expenses and property tax recoveries, lease termination fees, parking income, and ancillary income. 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 is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period that the corresponding costs are incurred and collectability is reasonably assured. Other revenues are recorded as earned.

A summary of the recurring income segment results are as follows:

For the three months ended March 31,		2020		2019
Net income - lending portfolio	$	**1,455**	$	3,533
Net income - income properties		**1,463**		1,531
Share of net loss - income properties included in equity accounted investments		**(181)**		(392)
Net income - recurring income	$	**2,737**	$	4,672

A further breakdown of results for income properties results are as follows:

For the three months ended March 31,		2020		2019[1]
Income properties revenue	$	**4,403**	$	6,024
NOI[2]		**2,253**		2,703
Net income		**1,463**		1,531

(1) Results for the three months ended March 31, 2019 includes results from non-core income properties that were sold during the year ended December 31, 2019. Results from the non-core income properties for the three months ended March 31, 2019 included revenue of $1.9 million, NOI of $0.8 million and net income of $0.5 million.
(2) For the Trust's definition of the following non-IFRS measures: NOI and a reconciliation of NOI to net income (loss), please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

During the three months ended March 31, 2020, the Trust recognized net income of $2.7 million, down from $4.7 million in the comparative period. The decrease of $2.0 million was primarily related to a lower loan balance outstanding on the Trust's lending portfolio. In the three months ended March 31, 2020, the Trust received a scheduled lump sum repayment of $8.0 million on a loan related to a property located in the Greater Vancouver Area.

During the three months ended March 31, 2020, results from revenue, NOI and net income from income properties increased slightly relative to the prior year after normalizing for non-core income properties which were sold in the second half of 2019. The increase was the result of higher in-place and committed occupancy rates on the core income properties, compared to the prior year.

As at March 31, 2020, the Trust assessed its assumptions related to the fair value of its income properties, including its cash flow assumptions, and noted no significant impact on the fair value of its income properties. For further details, refer to section 8, "Risks and Risk Management", of this MD&A.

LENDING PORTFOLIO

The table below provides a continuity of the lending portfolio balance for the periods indicated:

For the periods ended		March 31, 2020		December 31, 2019
Balance, beginning of period	**$**	**64,705**	$	144,095
Add (deduct):				
Lending portfolio advances		**—**		119
Changes in accrued interest balance, lender fees, and extension fees received		**43**		272
Provision for lending portfolio losses		**—**		(2,350)
Interest capitalized to lending portfolio balance		**1,074**		5,029
Premium on lending portfolio		**205**		752
Principal repayments at maturity, contractual repayments and prepayments		**(8,026)**		(83,212)
Balance, end of period[1]	**$**	**58,001**	$	64,705
Less: current portion		**44,199**		51,216
Non-current portion of lending portfolio	**$**	**13,802**	$	13,489

As at	March 31, 2020	December 31, 2019
Number of loans outstanding	**6**	7
Weighted average effective interest rate (period-end)	**9.4%**	9.1%
Security allocation (1st mortgages/other)	**40.2% / 59.8%**	47.7% / 52.3%
Weighted average face interest rate (period-end)	**6.8%**	6.9%
Weighted average remaining term to maturity (period-end) (years)	**0.99**	0.80

(1) Lending portfolio balance included a loan of $7.5 million (December 31, 2019 - $7.3 million) that is classified as FVTPL.

During the three months ended March 31, 2020, scheduled loan repayments of $8.0 million were received by the Trust.

INCOME PROPERTIES

The table below provides a continuity of the income properties balance for the periods indicated:

For the periods ended		March 31, 2020		December 31, 2019
Balance, beginning of period	**$**	**200,869**	$	224,310
Add (deduct):				
Building improvements		**126**		4,195
Lease incentives and initial direct leasing costs		**963**		3,266
Amortization of lease incentives		**(203)**		(1,626)
Fair value adjustments to income properties		**—**		15,064
Disposition of properties		**—**		(44,340)
Balance, end of period	**$**	**201,755**	$	200,869
Amortized balance of mortgage payable	**$**	**88,791**	$	88,988

Operating statistics for core income properties portfolio are as follows:

As at	March 31, 2020	December 31, 2019	March 31, 2019
Total core income properties portfolio[1]			
Number of properties	**4**	4	10
Owned GLA (in millions of sf)	**0.5**	0.5	0.6
Occupancy rate (period-end) - including committed	**92.4%**	92.1%	88.8%
Occupancy rate (period-end) - in-place	**90.8%**	89.8%	87.5%
Average tenant size (in sf)	**9,131**	8,972	9,261
Average in-place and committed base rent per sf (period-end)	**18.21**	18.27	16.94
Weighted average remaining lease term (years)	**5.5**	5.6	5.1

(1) Core income properties are those that the Trust plans to hold for the long-term and non-core income properties are considered non-strategic to management's long-term business plan. During the year ended December 31, 2019, the Trust sold its remaining non-core income properties.

As at March 31, 2020, the in-place occupancy rate for core income properties was 90.8%, compared to 89.8% at December 31, 2019, due to new leasing arrangements which, on average, occupied larger spaces.

Income properties are measured at fair value using the income approach, which is derived from the overall capitalization rate method or discounted cash flow method. Certain of the Trust's income properties were valued using the discounted cash flow method with the overall capitalization rate method used to corroborate the fair values recorded. The fair values of these income properties were determined by using discount rates of 6.0% to 7.3% (December 31, 2019 – 6.0% to 7.3%) and capitalization rates of 5.0% to 6.3% (December 31, 2019 – 5.0% to 6.3%), resulting in a weighted average capitalization rate of 5.9% (December 31, 2019 – 5.9%).

A wholly owned office property, whose highest and best use is considered the asset's redevelopment potential due to its recent rezoning application submitted in 2019, was valued using the direct comparison approach. The direct comparison approach considered recent activity for similar development and redevelopment sites.

2.3 CONSOLIDATED TRUST REVIEW OF TOTAL COMPREHENSIVE INCOME (LOSS)

The table below presents summarized consolidated statements of comprehensive income (loss) for the periods indicated:

For the three months ended March 31,	2020	2019
TOTAL INCOME	**$ 9,399**	$ 8,773
TOTAL EXPENSES	**(3,763)**	(8,796)
OPERATING INCOME	**5,636**	(23)
Interest and other income	**805**	640
Transaction costs	**(58)**	15
EARNINGS BEFORE INCOME TAX EXPENSE	**6,383**	632
INCOME TAX EXPENSE		
Deferred income tax expense	**(1,231)**	(458)
TOTAL INCOME TAX EXPENSE	**(1,231)**	(458)
NET INCOME FROM CONTINUING OPERATIONS	**5,152**	174
NET INCOME FROM DISCONTINUED OPERATIONS	**—**	540
NET INCOME	**5,152**	714
Other comprehensive income from discontinued operations	**—**	12
TOTAL COMPREHENSIVE INCOME	**$ 5,152**	$ 726

TOTAL INCOME FROM CONTINUING OPERATIONS

Total income from continuing operations for the three months ended March 31, 2020 was $9.4 million, an increase of $0.6 million from the comparative period. The increase was mainly due to the foreign currency gain of $4.4 million on the Hard Rock investment, compared to a foreign currency loss of $0.8 million in the comparative period. This increase was offset by lower income generated from the lending portfolio as a result of fewer loans outstanding, as well as certain non-core income properties which were disposed of in the latter half of 2019.

TOTAL EXPENSES

During the three months ended March 31, 2020, total expenses of $3.8 million decreased by $5.0 million from prior year, of which $1.6 million was driven by a reduction in asset management expense due to a lower fee base and the settlement of fees in Trust units, in addition to a deferred compensation recovery in the current period. Effective April 2019, Dream Alternatives and DAM agreed to satisfy management fees payable to DAM in units of the Trust, valued at $8.74 per unit, for purposes of determining the number of units to be issued. For accounting purposes, these fees are recorded at the Trust's trading price on the date of settlement.

INCOME TAX EXPENSE

For the three months ended March 31, 2020, income tax expense was $1.2 million an increase from $0.5 million in the comparative period. The period-over-period variance was primarily due to higher net income in the three months ended March 31, 2020.

Due to the Trust’s diversified asset mix and active asset management strategy, we expect some degree of variability in current and deferred income tax expense recognized each quarter through the condensed consolidated statement of net income (loss) resulting in an income tax expense (recovery) position. The Trust intends to actively manage the portfolio in a tax-efficient manner.

We are subject to income taxes both federally and provincially in Canada and the United States. Significant judgments and estimates are required in the determination of the Trust's tax balances. Our income tax expense/recovery and deferred tax liabilities/assets reflect management's best estimate of current and future taxes to be paid/recovered. The Trust is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the interpretation and application of tax laws taken by the Trust in its tax filings.

TAX ATTRIBUTES

INCOME PROPERTIES

We deduct mortgage interest and available tax depreciation on our buildings from our Canadian income properties that generate taxable net operating income. These deductions contribute to the overall tax efficiency of our structure and the tax depreciation helps provide the Trust with tax-sheltered cash flow. Any change in the fair value of income properties is not recognized in the determination of current taxes until the sale of the asset.

2.4 RELATED PARTY TRANSACTIONS

The Trust and its subsidiaries enter into transactions with related parties that are disclosed in Note 18 of the condensed consolidated financial statements.

3. DISTRIBUTION MEASURES

In any given period, the Trust anticipates that actual distributions paid and payable may differ from cash generated from (utilized in) operating activities from continuing operations. This difference is driven by a number of factors including the impact of leasing incentives and initial direct leasing costs which can fluctuate with lease maturities, renewal terms and the type of asset being leased; changes in non-cash working capital; cash flow from certain development holdings; and the longer-term nature and investment return profile of development holdings.

Due to the Trust's portfolio composition and the long-term nature of projects in the development segment, the Trust expects that for the foreseeable future, cash generated from (utilized in) operating activities from continuing operations will fluctuate from period-to-period and may differ from distributions paid and payable in a single reporting period. However, these cash flows are relevant in the determination of distributions, as cash flows relating to a development project will ultimately be fully received at project completion. The Trust considers these factors among others in evaluating its distribution policy as well as its assessment of cash generated from (utilized in) operating activities from continuing operations over the longer term.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following tables outline the differences between cash generated from operating activities from continuing operations, and distributions paid and payable in accordance with the guidelines:

For the three months ended March 31,		2020		2019
Cash generated from operating activities from continuing operations	$	**394**	$	3,465
Distributions paid and payable		**6,918**		7,325
Shortfall of cash from operating activities from continuing operations over distributions paid and payable	$	**(6,524)**	$	(3,860)

For the three months ended March 31, 2020, distributions paid and payable exceeded cash generated from operating activities from continuing operations by $6.5 million (three months ended March 31, 2019 – distributions paid and payable exceeded cash generated from operating activities from continuing operations by $3.9 million).

The following table summarizes net income (loss) from continuing operations and total distributions paid and payable for the periods indicated:

For the three months ended March 31,		2020		2019
Net income from continuing operations	$	**5,152**	$	174
Distributions paid and payable		**6,918**		7,325
Shortfall of net income from continuing operations over distributions paid and payable	$	**(1,766)**		(7,151)

For the three months ended March 31, 2020, the Trust's distributions paid and payable exceeded net income from continuing operations by $1.8 million (three months ended March 31, 2019 – distributions paid and payable exceeded net income from continuing operation by $7.2 million).

Certain assets and liabilities are recognized at fair value in the condensed consolidated financial statements. Unrealized fair value adjustments and other non-cash items are included in net income (loss) from continuing operations and can fluctuate from period-to-period. As a result, the Trust anticipates that distributions declared will, in the foreseeable future, continue to vary from net income (loss) from continuing operations. The total unrealized fair value adjustments and other non-cash items included in net income (loss) from continuing operations in the condensed consolidated financial statements for the periods indicated are summarized in the following table:

For the three months ended March 31,		2020		2019
Total adjustments to fair values and other non-cash items included in net income from continuing operations	$	**(3,631)**	$	1,973

The total adjustments to fair values and other non-cash items included in net income (loss) from continuing operations comprise: deferred income tax recovery (expense), fair value adjustments in development and investment holdings, share of income (loss) from equity accounted investments, deferred compensation expense, and other non-cash items.

To the extent that there are shortfalls in cash flows relative to distributions paid and payable, the Trust may use its existing cash and revolving credit facility as a source of funding. The use of the Trust's revolving credit facility may involve risks as compared to using cash on hand as a source of funding, such as the risk that interest rates may rise in the future, which may make it more expensive for the Trust to borrow under its revolving credit facility, and the risk associated with increasing the overall indebtedness of the Trust. The Trust will review its distribution policy over time to ensure the distribution policy is reflective of the Trust's business and asset profile. Based on current liquidity, the Trust does not anticipate cash distributions will be suspended in the foreseeable future. Accordingly, distributions are considered an economic return of capital until cash distributions from completed development projects are received in future years. The Asset Manager reviews the estimated annual distributable cash flow with the Board of Trustees to assist the Board in determining the targeted distribution amount, taking into consideration the duration of the current assets within the Trust's portfolio and the future investment strategy.

4. CAPITAL RESOURCES AND LIQUIDITY

Our financial position is summarized below:

As at		March 31, 2020		December 31, 2019
Consolidated financial position				
Total unitholders' equity	$	**568,788**	$	567,551
Total unitholders' equity per unit[1]		**8.23**		8.25
Total debt payable		**89,051**		89,269
Total assets		**676,906**		696,141
Cash		**101,746**		117,787

[1] For the Trust's definition of the following non-IFRS measure: total unitholders' equity per unit, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

The Trust's primary sources of financing are cash generated from operating activities, lending activities, debt financing and refinancing, and project financing. Our primary uses of capital include: investments in development and investment holdings, equity accounted investments, debt principal repayments, interest payments, mortgage lending, distributions, costs of attracting and retaining tenants, recurring property maintenance, and major property improvements. It is the Trust's objective to meet all our ongoing obligations with current cash, cash flows generated from operating activities, cash from maturing lending portfolio investments, and cash from financing and refinancing activities. The Trust's revolving credit facility provides additional liquidity and flexibility in support of operations.

SUMMARY OF DEBT

As at March 31, 2020 and December 31, 2019, total debt comprised the following:

As at		March 31, 2020		December 31, 2019
Total debt payable	$	**89,051**	$	89,269
Unamortized balance of deferred financing costs		**(260)**		(281)
Total debt	$	**88,791**	$	88,988

As at March 31, 2020, total debt was $88.8 million, a decrease of $0.2 million from December 31, 2019, due to regular mortgage repayments.

We use the following cash flow performance and debt level indicators to assess our ability to meet or refinance our debt obligations:

As at		March 31, 2020		December 31, 2019
Weighted average effective interest rate (period-end)(1)		**3.6%**		3.6%
Weighted average face rate of interest (period-end)		**3.6%**		3.6%
Debt due within one year	**$**	**11,189**	$	878
Total assets	**$**	**676,906**	$	696,141
Debt-to-asset value(2)		**13.2%**		12.8%
Debt – average term to maturity (years)		**2.05**		2.54

(1) Weighted average effective interest rate is calculated as the weighted average face rate of interest, net of financing costs of interest-bearing debt, weighted by the size of the respective interest-bearing debt instruments in the portfolio.
(2) For the Trust's definition of the following non-IFRS measures: debt-to-asset value, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

The debt-to-asset value as at March 31, 2020 was 13.2%, up slightly from 12.8% at December 31, 2019.

Principal repayments and maturity balances on total debt to be repaid each year are as follows:

Debt maturities		Outstanding balance due at maturity		Scheduled principal repayments		Total maturity balance and principal repayments	% of total debt maturities and principal repayments	Weighted average interest rate (face)
Mortgages payable								
2020	$	—	$	660	$	660	0.7%	3.2%
2021		10,329		646		10,975	12.4%	3.1%
2022		77,318		98		77,416	86.9%	3.7%
Subtotal before undernoted	$	87,647	$	1,404	$	89,051	100.0%	3.6%
Unamortized balance of deferred financing costs (net)		(260)		—		(260)		
Total debt	**$**	**87,387**	**$**	**1,404**	**$**	**88,791**		

As at March 31, 2020, no funds were drawn on the revolving credit facility (December 31, 2019 – $nil) and the funds available under the facility were $5.1 million (December 31, 2019 – $8.9 million), net of $0.4 million (December 31, 2019 – $0.4 million) of letters of credit issued against the facility. The revolving credit facility is available to the Trust up to a formula-based maximum not to exceed $50,000.

For the three months ended March 31, 2020, regular repayments of mortgages payable totalled $0.2 million.

FINANCIAL COVENANTS

The revolving credit facility, the financial guarantees and certain mortgages on income properties contain financial covenants that require the Trust and/or its subsidiaries to meet certain financial ratios and financial condition tests. A failure to meet these tests could result in default and, if not cured or waived, could result in an acceleration of the repayment in the underlying financing.

The following are financial covenants required to be met by Dream Alternatives Master LP ("DAM LP"), a wholly owned subsidiary of the Trust, under the terms of the revolving credit facility, as at March 31, 2020:

Financial covenant	Financial covenant requirement
Unitholders' equity	≥ $450,000
Interest service coverage ratio(1)	> 2.00
Debt-to-total assets	≤ 50.0%

(1) Calculated on a rolling four fiscal-quarter basis.

As at March 31, 2020, the Trust was in compliance with these financial covenants.

TOTAL EQUITY

As at March 31, 2020, the Trust had 69,121,551 units outstanding and a total unitholders' equity balance of $568.8 million.

	March 31, 2020		December 31, 2019	
As at	**Number of units**	**Amount**	Number of units	Amount
Unitholders' equity	**69,121,551**	**$ 562,373**	68,763,987	$ 559,370
Retained earnings		**6,415**		8,181
Total unitholders' equity	**69,121,551**	**$ 568,788**	68,763,987	$ 567,551

The following table summarizes the changes in the outstanding units and unitholders' equity:

	Units	**Unitholders' equity**
As at December 31, 2019	68,763,987	$ 559,370
Deferred units exchanged for Trust units	67,985	532
Cancellation of Trust units	(69,291)	(303)
Units issued as settlement of asset management fee	358,870	2,774
Total units outstanding on March 31, 2020	**69,121,551**	**$ 562,373**

As at May 4, 2020, 69,098,261 Trust units were outstanding.

The Deferred Unit Incentive Plan ("DUIP") provides for the grant of deferred trust units ("DTUs") to trustees of the Trust, officers and employees, as well as affiliates, including the Asset Manager. DTUs are granted at the discretion of the trustees of the Trust and receive distributions in the form of income deferred trust units as they are declared and paid by the Trust. As at March 31, 2020, up to a maximum of 3.0 million DTUs were issuable under the DUIP. Distributions on the unvested DTUs are paid in the form of units converted at the market price on the date of distribution. As at March 31, 2020, there were 506,122 deferred trust units and income deferred trust units outstanding (December 31, 2019 – 477,605 units). As at May 4, 2020, 509,643 deferred trust units and income deferred trust units were outstanding.

During the year ended December 31, 2019, the Trust announced that until December 31, 2020, management fees payable to DAM pursuant to the asset management agreement ("Management Agreement") will be satisfied in Trust units. The Trust units will be valued at $8.74, the NAV per unit as at December 31, 2018, for purposes of determining the number of units to be issued. DAM agreed to accept units in satisfaction of the management fees in order to increase its ownership stake in the Trust and to preserve the business' cash to support the cash distributions by the Trust while the Trust executes on its strategic plan. During the three months ended March 31, 2020, 358,870 Trust units were issued as settlement of these asset management fees. Subsequent to March 31, 2020, the Trust settled its management fee payable to DAM with the issuance of 246,406 units.

DISTRIBUTIONS

The distributable cash flow and amount of monthly distributions to unitholders are determined by the Board of Trustees of the Trust based on distributions received from DAM LP, net of general and administrative expenses, operating and other expenses, and income tax expenses. The Asset Manager forecasts the annual distributable cash flow from the Trust's operating segments to assist the Board of Trustees in determining the targeted distribution amount.

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust, which allows for any unforeseen expenditures. As at March 31, 2020, our monthly distribution rate was $0.033 per unit.

	2020	2019				2018		
As at	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Annualized distribution amount	**$ 0.400**	$ 0.400	$ 0.400	$ 0.400	$ 0.400	$ 0.400	$ 0.400	$ 0.400
Monthly distribution amount	**0.033**	0.033	0.033	0.033	0.033	0.033	0.033	0.033
Annualized distribution rate of return[(1)]	**9.2%**	5.2%	5.3%	5.2%	5.6%	6.4%	5.9%	5.8%
DRIP units issued during the quarter	—	—	—	—	271,552	383,952	362,693	360,287

(1) Annualized distribution rate of return is calculated as the annualized distribution amount divided by the closing price per unit on the TSX at the period specified.

During the year ended December 31, 2019, as previously mentioned, the Trust announced an agreement to satisfy the asset management fees payable to DAM in units of the Trust until December 2020, confirming its commitment to maintain the existing distribution policy at $0.40 per unit on an annual basis.

UNIT BUYBACK PROGRAM

The following table summarizes the Trust's unitholders' equity activity under its unit buyback program for the periods ended as indicated:

For the periods ended March 31,		2020		2019
Units repurchased (number of units)		**69,291**		765,148
Total cash consideration	**$**	**303**	$	5,255

During and subsequent to the three months ended March 31, 2020, the Trust repurchased 338,987 units under the NCIB at a weighted average price of $4.34 for a total cost of $1.5 million. From the inception of the Trust's unit buyback program in December 2014 to May 4, 2020, the Trust purchased 9.2 million units for cancellation for a total cost of $63.8 million. From 2014 to May 4, 2020, the Trust's asset manager, DAM, purchased an aggregate of 16.1 million of the Trust's units, including 1.3 million units repurchased under the DRIP and the rest in the open market for its own account, representing approximately 24% of the total units outstanding.

In the three months ended March 31, 2020, the Trust announced a second substantial issuer bid to acquire an additional $33.0 million of units which was terminated as a result of the failure to satisfy certain conditions of the offer due to the COVID-19 pandemic and the resulting market instability and decline in the Trust's unit price.

In the three months ended March 31, 2020, the Trust received acceptance of its Notice of Intention to renew its prior NCIB from the TSX on January 16, 2020. The bid commenced on January 20, 2020 and will remain in effect until the earlier of January 19, 2021 or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid the Trust has the ability to purchase for cancellation up to a maximum of 5,256,231 units (representing 10% of the Trust's public float of 52,562,317 units at the time of entering the bid through the facilities of the TSX). Daily purchases will be limited to 8,281 units which equals 25% of the average daily trading volume during the last six calendar months (being 33,126 units per day), other than purchases pursuant to applicable block purchase exceptions.

During the three months ended March 31, 2020, the Trust renewed its automatic securities repurchase plan (the "Plan") in order to facilitate purchases of its units under the NCIB. The Plan allows for purchases by Dream Alternatives of units at any time including, without limitation, times when the Trust would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Trust based upon the parameters prescribed by the TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the units may also be purchased in accordance with management's discretion. The Plan will terminate on January 19, 2021.

LIQUIDITY

The following table summarizes the Trust's condensed consolidated statements of cash flows from continuing operations for the periods indicated:

For the periods ended March 31,		2020		2019
Cash generated from operating activities	**$**	**394**	$	3,465
Cash utilized in investing activities		**(9,008)**		(6,078)
Cash utilized in financing activities		**(7,427)**		(11,091)

Cash generated from operating activities for the three months ended March 31, 2020, was $0.4 million, compared with $3.5 million in the comparative period. The decrease in cash generated from operations was due to changes in non-cash working capital as well as the receipt of cash distributions related to the Trust's investment in Empire Brampton with no similar cash distributions received in the current period.

Cash utilized in investing activities for the three months ended March 31, 2020, was $9.0 million, compared with $6.1 million in the comparative period. The increase in cash utilized was primarily due to cash advances and contributions made on our development projects, partially offset by repayments from the lending portfolio in the three months ended March 31, 2020.

Cash utilized in financing activities for the three months ended March 31, 2020, was $7.4 million, compared to $11.1 million in the comparative period. The variance was primarily attributable to a decrease in the cancellation of Trust units in the three months ended March 31, 2020, partially offset by the suspension of the DRIP in February 2019.

COMMITMENTS AND CONTINGENCIES

Dream Alternatives and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of the Asset Manager, any liability that may arise from such contingencies would not have a material adverse effect on the condensed consolidated financial statements of Dream Alternatives.

OTHER COMMITMENTS

During the three months ended March 31, 2020, the Trust, through a subsidiary, continued to provide a guarantee for up to $45.0 million (December 31, 2019 - $45.0 million) pursuant to the requirements of a senior construction loan associated with the Empire Lakeshore residential project. The guarantee will be in place for the term of the construction loan and will proportionately scale down as the construction loan is repaid and units close. Guarantees of the other underlying development project loan amounts of third parties are $39.9 million (December 31, 2019 - $34.4 million). As at March 31, 2020, the Trust is contingently liable under guarantees that are issued on certain debt assumed by purchasers of income properties up to an amount of $2.7 million (December 31, 2019 - $2.7 million).

The Trust is contingently liable for letters of credit in the amount of $0.4 million (December 31, 2019 - $0.4 million) that have been provided to support third-party performance.

The Trust may also be contingently liable for certain obligations of joint venture partners. However, the Trust would have available to it the other joint venture partners' share of assets to satisfy any obligations that may arise.

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $0.1 million (December 31, 2019 - $0.1 million).

5. QUARTERLY FINANCIAL INFORMATION

	2020	2019[(1)]				2018[(1)]		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total income	**$ 9,399**	$ 15,404	$ 14,574	$ 15,703	$ 8,773	$ 13,453	$ 9,676	$ 4,791
Net income (loss) from continuing operations	**5,152**	24,133	(576)	4,246	174	7,293	(158)	(1,354)
Total net income	**5,152**	19,923	2,855	8,839	714	6,995	1,008	115
Net income per unit[(2)]	**0.07**	0.29	0.04	0.12	0.01	0.10	0.01	—
Net income (loss) from continuing operations per unit[(2)]	**0.07**	0.35	(0.01)	0.06	—	0.10	—	(0.02)

(1) Certain prior period comparative results have been reclassified to conform to the current year's condensed consolidated financial statement presentation.

(2) For the Trust's definition of the following non-IFRS measures: net income (loss) per unit, and net income (loss) from continuing operations per unit, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

As a result of the Trust's implementation of its long-term strategy to expand its development segment, the Trust expects that the quarterly/annual results of operations will fluctuate from period-to-period. This is due to the long-term nature of projects in the Trust's development segment.

6. NON-IFRS MEASURES AND OTHER DISCLOSURES

We have presented certain non-IFRS measures because we believe these non-IFRS measures are important in evaluating the Trust's underlying operating performance, debt management and our ability to earn and pay cash distributions to unitholders. These non-IFRS measures do not have standardized meanings prescribed by IFRS and may not be comparable with similar measures presented by other issuers. Investors are cautioned not to view non-IFRS measures as alternatives to financial measures calculated in accordance with IFRS.

"Cash generated from (utilized in) operating activities from continuing operations per unit" represents cash generated from (utilized in) operating activities from continuing operations of the Trust divided by the number of units outstanding at the end of the period.

For the three months ended March 31,	**2020**	2019
Cash generated from operating activities from continuing operations	**$ 394**	$ 3,465
Units outstanding – end of period	**69,121,551**	72,148,991
Cash generated from operating activities from continuing operations per unit	**0.01**	0.05

"Debt-to-asset value" represents the total debt payable for the Trust divided by the asset value of the Trust as at the applicable reporting date. This non-IFRS measure is an important measure in evaluating the amount of debt leverage; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A calculation of debt-to-asset value can be found in the Capital Resources and Liquidity section of this MD&A under the heading "Summary of Debt".

"Debt-to-total asset value, inclusive of project-level debt" represents the Trust's total debt payable plus the debt payable within our development and investment holdings and equity accounted investments divided by the asset value of the Trust plus the debt payable within our development and investment holdings and equity accounted investments as at the applicable reporting date. This non-IFRS measure is an important measure in evaluating the amount of debt leverage inclusive of project level debt within our development and investment holdings and equity accounted investments, however it is not defined by IFRS, does not have a standardized meaning and many not be comparable with similar presented by other issuers.

For the three months ended March 31,		**2020**
Total assets	$	**676,906**
Debt payable within our development and investment holdings, and equity accounted investments		**437,410**
Total assets, inclusive of project-level debt		**1,114,316**
Total debt payable		**89,051**
Debt payable within our development and investment holdings, and equity accounted investments		**437,410**
Total debt, inclusive of project-level debt		**526,461**
Debt-to-total asset value, inclusive of project-level debt		**47.2%**

"Internal rate of return ("IRR")" for residential development projects is calculated based on the estimated net pre-tax cash flow expected to be generated from each project considering real estate development revenues, expenditures, construction timeline and sale dates; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. This non-IFRS measure is an important measure used by the Trust in evaluating the performance of its investments.

"Market value" represents the carrying value as per the condensed consolidated statements of financial position adjusted for external appraisal values or a discounted cash flow methodology, incorporating expected future cash flows, discount rates, other applicable market information and the reduction in the risk profile of the equity accounted investments as they are developed or achieve completion milestones by the Trust. The Trust believes that incorporating this adjustment in determining the market value of the asset is a more useful measure to value the equity investments that would not ordinarily be captured within IFRS and the Trust's condensed consolidated financial statements. This non-IFRS measure is an important measure used by the Trust in evaluating the Trust's and Asset Manager's performance as it is an indicator of the intrinsic value of the Trust; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

"Net asset value ("NAV")", a non-IFRS measure, annually used by the Trust, represents total unitholders' equity per the condensed consolidated financial statements, adjusted for market value adjustments for equity accounted investments (including applicable deferred income tax adjustments) and the unamortized balance of the mortgages payable premiums. A market value adjustment for equity accounted investments is included to address the reduction in risk profile as each project progresses toward completion and/or reflect information from recent market transactions that indicate a change in the equity investment market value (subject to appraisals). The mortgages payable premiums represent the current unamortized balance of fair value adjustments recorded for these instruments at the Trust's listing date. Since the Trust intends to repay the mortgages at maturity, this historical fair value adjustment is removed for the calculation of the NAV. The Trust believes that incorporating a market value adjustment is a more useful measure to value equity accounted investments that would not ordinarily be captured within IFRS and the Trust's condensed consolidated financial statements. The market value adjustments account for the applicable deferred income tax estimates considering the timing of their realization and, if appropriate, will be incorporated into the determination of the NAV. The applicable deferred income tax estimates related to the market value adjustments are calculated either based on income or capital gain rates or a combination thereof. The income tax rates used to determine NAV are dependent on various factors such as anticipated development plans, stage of development and current market trends applicable to the future development plans and will be reviewed on a regular basis and are subject to change. Excluded from the NAV calculation are any market value adjustments with respect to liabilities as well as commitments/contracts that are not otherwise recorded as liabilities on the Trust's balance sheet. The Trust has not appraised the lending portfolio, as the Trust intends to hold the investments in the lending portfolio until maturity and its term to maturity is within one year; as such, this portfolio is considered fairly liquid and fair value approximates amortized cost.

"Net asset value ("NAV") per unit" represents the net asset value attributable to unitholders of the Trust divided by the number of units outstanding at the end of the period. This non-IFRS measure is an important measure used by the Trust in evaluating the Trust's performance as it is an indicator of the intrinsic value of the Trust; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

"Net income (loss) per unit" represents net income (loss) of the Trust divided by the number of units outstanding at the end of the period.

For the three months ended March 31,	2020	2019
Net income	$ 5,152	$ 714
Units outstanding – end of period	69,121,551	72,148,991
Net income per unit	0.07	0.01

"Net income (loss) from continuing operations per unit" represents net income (loss) from continuing operations of the Trust divided by the number of units outstanding at the end of the period.

For the three months ended March 31,	2020	2019
Net income from continuing operations	$ 5,152	$ 174
Total units outstanding	69,121,551	72,148,991
Net income per unit from continuing operations	0.07	N/A

"Net operating income ("NOI")" is defined by the Trust as net income (loss) per the condensed consolidated financial statements adjusted for: income tax expense (recovery), interest expense net of other interest income, transaction costs, general and administrative expenses, and fair value adjustments to development and investment holdings. This non-IFRS measure is an important measure used by the Trust in evaluating operating performance; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

For the three months ended March 31, 2020	Development	Recurring Income - income properties	Recurring income - lending portfolio	Other[1]	Total
NET INCOME (LOSS)	$ 4,059	$ 1,282	$ 1,455	$ (1,644)	$ 5,152
Add (deduct):					
Income tax expense	—	—	—	1,231	1,231
Interest expense net of other interest income	(368)	776	—	(422)	(14)
Transaction costs	—	14	31	13	58
General and administrative expenses	—	—	—	822	822
Fair value adjustments to development and investment holdings	(4,421)	—	—	—	(4,421)
NET OPERATING INCOME	$ (730)	$ 2,072	$ 1,486	$ —	$ 2,828

For the three months ended March 31, 2019	Development	Recurring Income - income properties	Recurring income - lending portfolio	Other[1]	Total
NET INCOME (LOSS)	$ (57)	$ 1,139	$ 3,533	$ (4,441)	$ 174
Add (deduct):					
Income tax expense	—	—	—	458	458
Interest expense net of other interest income	(338)	1,190	—	(211)	641
Transaction costs	—	(18)	3	—	(15)
General and administrative expenses	—	—	—	4,194	4,194
Fair value adjustments to development and investment holdings	510	—	—	—	510
NET OPERATING INCOME	$ 115	$ 2,311	$ 3,536	$ —	$ 5,962

[1] Includes other Trust amounts not specifically related to the segments.

"Total unitholders' equity per unit" represents the total unitholders' equity of the Trust divided by the number of units outstanding at the end of the period.

For the three months ended March 31,	**2020**	2019
Total unitholders' equity	**$ 568,788**	$ 580,291
Units outstanding – end of period	**69,121,551**	72,148,991
Total unitholders' equity per unit	**8.23**	8.04

7. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Trust does not have a Chief Executive Officer. At March 31, 2020, the President and Chief Responsible Officer of DAM and interim Chief Financial Officer of Dream Alternatives Master GP (the "Certifying Officers"), are responsible for and, along with the assistance of senior management of the Asset Manager, have designed or caused to be designed under the Certifying Officer’s supervision, disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109, “Certification of Disclosure in Issuers’ Annual and Interim Filings” to provide reasonable assurance that material information relating to the Trust is made known to the Certifying Officers in a timely manner and information required to be disclosed by the Trust is recorded, processed, summarized and reported within the time periods specified in securities legislation, and have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the condensed consolidated financial statements in accordance with IFRS.

During the three months ended March 31, 2020, there have not been any changes that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

8. RISKS AND RISK MANAGEMENT

For information concerning Risks and Risk Management please refer to the 2019 Annual Report and the 2019 Annual Information Form, which are found on our website at www.dreamalternatives.ca and filed electronically on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Except as disclosed below, the Trust's risk exposures have not changed significantly since December 31, 2019.

Credit risk related to income properties and certain investment holdings arises from the possibility that tenants may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks from its tenants by attracting tenants of sound financial standing and by diversifying its tenant mix. COVID-19 and the measures to contain it have created significant uncertainty in the general economy. A deterioration in the economy may impact the ability of tenants to meet their obligations under their leases or contracts due to the negative impact of the outbreak of COVID-19. The Trust has assessed the effect of the current economic conditions on the credit risk of our tenants and counterparties which included the review of the risk profiles of its tenant base. Subsequent to March 31, 2020, the Trust received over 95% of its April rental revenue from tenants related to its income properties.

Credit risk may also arise from a borrower that may not be able to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Trust. Credit risk related to financial guarantees provided by the Trust arises from the possibility that counterparties default on their financial obligations. The Trust mitigates these risks by actively monitoring the mortgage receivables, loan investment and financial guarantees, and initiating recovery procedures in a timely manner when required. The Trust assessed various scenarios that would impact the lending portfolio through its Expected Credit Loss ("ECL") model and noted no further provision required as at the reporting date.

The maximum exposure to credit risk at March 31, 2020, was the fair value of the Trust's development holdings and the contractual value of its lending portfolio which, including interest receivable, was $124.2 million (December 31, 2019 - $130.9 million). The Trust has recourse under these investments in the event of default by the borrower, in which case the Trust would have a claim against the underlying collateral.

As a result of the economic impact of COVID-19, the Trust has performed additional procedures to assess the fair value of its development and investment holdings, income properties, and certain loan investments to ensure the Trust applied sound judgment with respect to the various assumptions impacting the valuation. The procedures included scenario testing to evaluate downside risk, borrowers' creditworthiness and risk characteristics of its underlying developments, which impact the underlying valuation of the asset. The Trust took into consideration the market conditions existing at the reporting date and will continue to monitor changes in the market and assumptions used to determine the fair value of the Trust's assets.

The Trust is exposed to the variability in market interest rates on maturity debt payable to be renewed. As at March 31, 2020, 100% of the Trust's outstanding debt on our condensed consolidated statements of financial position was fixed, of which $11.2 million will come due in the next 12 months.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations as they become due. As at March 31, 2020, the working capital balance was $129.5 million, which includes cash of $101.7 million. Additionally, the Trust has $5.1 million available under the facility, net of $0.4 million of letters of credit which remains undrawn. Based on our current liquidity position as at March 31, 2020, the Trust has sufficient cash available to cover obligations as they become due in the next year.

Although we believe that the above noted risk factors, along with the risk factors described in our 2019 Annual Report and in our 2019 Annual Information Form, are the most material risks that we will face, they are not the only risks. Additional risk factors not presently known to us or that we currently believe are immaterial could also materially adversely affect our investments, future prospects, cash flows, results of operations or financial condition, and our ability to make cash distributions to unitholders and thereby adversely affect the value of our units. The occurrence of any of such risks could materially and adversely affect our investments, future prospects, cash flows, results of operations or financial condition, and our ability to make cash distributions to unitholders.

9. SIGNIFICANT ACCOUNTING POLICIES

9.1 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. The critical accounting judgments, estimates and assumptions applied during the quarter are consistent with those set out in Note 4 to the Trust's audited annual consolidated financial statements for the year ended December 31, 2019.

During the three months ended March 31, 2020, the World Health Organization declared COVID-19 a global pandemic, and the ensuing responses by governments, including the closure of non-essential businesses and social distancing requirements, increased the level of uncertainty and judgment in the economy. The Trust assessed this impact on its business, including recoverability of its lending portfolio, recoverability of accounts receivable, timing and amount of revenue recognized from income properties, and the fair value of certain loan investments classified as FVTPL, income properties, development and investment holdings.

The significant global uncertainty has impacted the availability of reliable market metrics and, accordingly, the Trust performed additional risk-based procedures to assess the fair value of its development and investments holdings, income properties and certain loan investments to ensure the Trust applied sound judgment with respect to the various assumptions impacting the valuation. The Trust took into consideration the market conditions existing at the reporting date. The additional risk-based procedures included scenario testing to evaluate downside risk, reviewing risk profiles of its tenant base, borrowers' creditworthiness and risk characteristics of its underlying developments.

The Trust assessed the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, equity accounted investments and the lending portfolio. The estimates and judgments primarily relate to the timing and amount of future cash flows. In determining whether the Trust's financial assets require a provision for impairment, the Trust reviewed its ECL model including the following various factors: the borrowers credit risk, term to maturity, status of the underlying project and market risk.

The amounts recorded in the condensed consolidated financial statements are based on the best estimate at the reporting date.

9.2 ADOPTION OF ACCOUNTING STANDARDS

The Trust has adopted the following revised standards, along with any consequential amendments, effective January 1, 2020.

BUSINESS COMBINATIONS

IFRS 3 "Business Combinations" ("IFRS 3") sets out to emphasize that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amended definition of a business is effective on or after January 1, 2020, with earlier application permitted. These amendments will apply to the Trust's future business combinations.

10. ADDITIONAL INFORMATION

10.1 SUMMARY OF DEVELOPMENT AND RECURRING INCOME ASSETS

DEVELOPMENT (Total assets of $279.1 million)

Empire Lakeshore (Etobicoke, Ontario)
Empire Lakeshore, in which the Trust has an 80% interest in relation to participating loans, is a condominium development located in Etobicoke, Ontario. The development consists of two towers: the Water Tower and the Sky Tower, at 49 and 66 storeys, respectively. The project is substantially complete with 92% of units occupied and final closings expected in late 2020.

Empire Brampton (Brampton, Ontario)
Empire Brampton, in which the Trust has an interest of 78.8%, is a low-rise project that is substantially completed. Amounts outstanding pertaining to this investment represent customary cash hold backs expected to be released in 2020.

Hard Rock/Virgin Hotels Las Vegas (Las Vegas, Nevada)
The Hard Rock in Las Vegas, Nevada, in which the Trust has a 10% interest, is planning to open as a re-conceptualized and revitalized Virgin Hotels Las Vegas in late 2020. The hotel will include 1,504 suites, a 60,000 sf fully renovated casino and world-class restaurants. The property is located at 4455 Paradise Road in Las Vegas on 30 acres of land and is situated 1 mile east of the strip and 2 miles from the McCarran International Airport.

Canary Block 10 (Toronto, Ontario)
The Trust's investment in Canary Block 10 includes a proposed 239-unit residential rental building, located within the Canary District, adjacent to the West Don Lands and Distillery District in downtown Toronto.

Zibi Development (Ottawa, Ontario)
Zibi is a 34-acre mixed-use waterfront development along the Ottawa River in Gatineau, Quebec and Ottawa, Ontario. The project is a multi-phase development that includes over 4.0 million sf of density consisting of over 1,800 residential units (inclusive of purpose-built rental units) and over 2.0 million sf of commercial space. Land servicing on both the Ontario and Quebec lands continues and construction is underway on the project's first commercial and residential rental buildings. In total, there are over 630,000 sf of residential rental, retail and commercial space in various planning/development stages at Zibi, of which 83% of the retail and commercial space has been pre-leased as at March 31, 2020.

Brightwater Development (Mississauga, Ontario)
Brightwater is a 72-acre waterfront property for development in Mississauga's Port Credit area, with plans to transform the site into a complete, vibrant and diverse waterfront community. The site is expected to be redeveloped into a large master-planned residential/mixed-use community. Highlights of the draft master plan proposal include nearly 3,000 residential units and 400,000 sf of retail and commercial space. The source remediation program is now complete and vertical construction is expected to commence in 2021.

Frank Gehry Development (Toronto, Ontario)
The Frank Gehry development, designed by renowned architect Frank Gehry, is slated to comprise two landmark residential towers, each in excess of 80 storeys. The project will consist of over 260,000 sf of office space and multi-level luxury retail opportunities, including a potential hotel component and an art gallery. The development is located at the intersection of King Street West and Duncan Street in downtown Toronto.

Lakeshore East Development (Toronto, Ontario)
The Lakeshore East development is a 5.3-acre waterfront property in downtown Toronto adjacent to a planned investment by Sidewalk Labs, a sister company of Google. The project is in the pre-development and planning stages and has approximately 1 million sf of density to be realized.

West Don Lands (Toronto, Ontario)
West Don Lands is a purpose-built multi-family rental apartment community in Toronto's downtown east end adjacent to the Distillery District and the Canary District. The development will feature approximately 1,800 rental units including an affordable component, as well as ancillary retail and potential office space. The first fully-zoned block for development (Block 8) commenced construction in the fall of 2019 and features 770 rental units and 4,000 sf of retail space.

Seaton Development (Pickering, Ontario)
The Seaton development is a fully-zoned 395-acre land and housing development in the city of Pickering, Ontario.

IVY Condominiums (Toronto, Ontario)
IVY Condominiums is located in downtown Toronto's Garden District close to the Eaton Centre, Dundas subway station and many restaurants.

RECURRING INCOME (Total assets of $281.3 million)

49 Ontario Street (Toronto, Ontario)
49 Ontario Street is an office property wholly owned by the Trust. The 88,000 sf income property is located in downtown Toronto close to the Financial District in an area undergoing extensive redevelopment.

10 Lower Spadina (Toronto, Ontario)
10 Lower Spadina is an office property wholly owned by the Trust. This 61,000 sf, 7-storey building is located on Toronto's prime waterfront, in close proximity to the Financial District and transit, with redevelopment potential.

349 Carlaw (Toronto, Ontario)
349 Carlaw is an office property wholly owned by the Trust. This 34,000 sf, 3-storey building is located in a mixed commercial and residential neighbourhood in close proximity to Toronto's Queen Street neighbourhood.

Sussex Centre (Mississauga, Ontario)
Sussex Centre is a 50.1% co-owned income property with Dream Office REIT. The 655,000 sf centre includes two buildings located in Mississauga, Ontario, offering prime office and retail space.

100 Steeles (Toronto, Ontario)
100 Steeles is currently a 59,000 sf income-producing retail property that is 97.1% leased, located north of Toronto, steps away from the proposed Yonge-North subway extension. 100 Steeles is planned for much higher density beyond current zoning that would include over 1 million sf of residential and mixed-use development.

Plaza Bathurst Development (Toronto, Ontario)
The Plaza Bathurst investment includes two properties which are located at 6035 Bathurst Street and 388-390 Dupont Street in the GTA. The Bathurst property is a 6,000 sf commercial property and the Dupont property is a 18,000 sf fully leased distribution centre.

Plaza Imperial Development (Toronto, Ontario)
The Plaza Imperial investment includes two properties which are located at 25 Imperial Street and 374 Dupont Street. The Imperial Street property is a 23,000 sf office property and the Dupont Street property is a 12,000 sf fully leased commercial property.

Queen & Mutual (Toronto, Ontario)
Queen & Mutual is a mixed-use condominium development, located in downtown Toronto. The building is designed by IBI Architects and is expected to include approximately 356 residential condo units, retail uses and community space. The investment acquired various retail investment properties located at the Mutual Street and Queen Street East intersection.

10.2 TAX INFORMATION

The Trust pays a monthly distribution to its unitholders of which only a portion is taxable. A taxable Canadian holder of the Trust units is required to include the taxable portion of the distribution in income. Any amount in excess of the after-tax net income of the Trust payable to the unitholder will generally not be included in the unitholders' income for the year. The non-taxable portion of the distribution received by a unitholder will reduce the unitholders' tax cost of their investment. On an annual basis, the unitholders will be provided with information relating to the tax treatment of the monthly distributions.

The Trust has determined that the distributions should be treated in the following manner:

	2019	2018	2017	2016	2015
Non-eligible dividends	—%	0.02%	0.06%	—%	—%
Eligible dividends	—%	—%	—%	—%	28.60%
Return of capital	92.83%	95.00%	99.94%	100.00%	71.40%
Foreign non-business income	7.17%	4.98%	—%	—%	—%

10.3 ADDITIONAL INFORMATION

Additional information relating to Dream Hard Asset Alternatives Trust, including the Trust's Annual Information Form and audited consolidated financial statements and accompanying notes is available on SEDAR at www.sedar.com. The Trust's voting units trade on the TSX under the symbol "DRA.UN".

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(in thousands of Canadian dollars)	Note	March 31, 2020	December 31, 2019
ASSETS			
NON-CURRENT ASSETS			
Development and investment holdings	6	**$ 119,368**	$ 114,947
Lending portfolio	7	**13,802**	13,489
Income properties	8	**201,755**	200,869
Other non-current assets		**7,524**	1,789
Equity accounted investments	9	**181,262**	186,713
TOTAL NON-CURRENT ASSETS		**523,711**	517,807
CURRENT ASSETS			
Lending portfolio	7	**44,199**	51,216
Amounts receivable		**7,134**	9,119
Income tax receivable		**—**	58
Prepaid expenses and other current assets		**116**	154
Cash		**101,746**	117,787
TOTAL CURRENT ASSETS		**153,195**	178,334
TOTAL ASSETS		**$ 676,906**	$ 696,141
LIABILITIES			
NON-CURRENT LIABILITIES			
Debt	10	**77,602**	88,110
Deferred income taxes	16	**5,746**	4,515
Deferred units incentive plan		**1,077**	2,961
TOTAL NON-CURRENT LIABILITIES		**84,425**	95,586
CURRENT LIABILITIES			
Debt	10	**11,189**	878
Amounts payable and accrued liabilities	11	**12,497**	32,126
Income tax payable		**7**	—
TOTAL CURRENT LIABILITIES		**23,693**	33,004
TOTAL LIABILITIES		**108,118**	128,590
UNITHOLDERS' EQUITY			
Unitholders' equity		**562,373**	559,370
Retained earnings		**6,415**	8,181
TOTAL UNITHOLDERS' EQUITY		**568,788**	567,551
TOTAL LIABILITIES AND EQUITY		**$ 676,906**	$ 696,141

See the accompanying notes to the condensed consolidated financial statements.
Commitments and contingencies (Note 20).

On behalf of the Board of Trustees of Dream Hard Asset Alternatives Trust:

"Amar Bhalla"

Amar Bhalla
Chair

"Karine MacIndoe"

Karine MacIndoe
Trustee

CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME
(unaudited)

(in thousands of Canadian dollars)	Note	2020	2019
INCOME			
Fair value adjustments and operating cash distributions in development and investment holdings		**$ 4,421**	$ (343)
Lending portfolio interest income and lender fees		**1,486**	3,536
Income properties revenue	13	**4,403**	6,024
Share of loss from equity accounted investments	9	**(911)**	(444)
TOTAL INCOME		**9,399**	8,773
EXPENSES			
Income properties, operating		**(2,150)**	(3,321)
Interest expense	14	**(791)**	(1,281)
General and administrative	15	**(822)**	(4,194)
TOTAL EXPENSES		**(3,763)**	(8,796)
OPERATING INCOME		**5,636**	(23)
Interest and other income		**805**	640
Transaction costs		**(58)**	15
EARNINGS BEFORE INCOME TAX EXPENSE		**6,383**	632
INCOME TAX EXPENSE			
Deferred income tax expense	16	**(1,231)**	(458)
TOTAL INCOME TAX EXPENSE		**(1,231)**	(458)
NET INCOME FROM CONTINUING OPERATIONS		**5,152**	174
Net income from discontinued operations before income tax expense		**—**	756
Income tax expense from discontinued operations - current		**—**	(1)
Income tax expense from discontinued operations - deferred		**—**	(215)
NET INCOME FROM DISCONTINUED OPERATIONS		**—**	540
NET INCOME		**$ 5,152**	$ 714
NET INCOME ATTRIBUTABLE TO			
Unitholders		**$ 5,152**	$ 473
Non-controlling interests - discontinued operations		**—**	241
NET INCOME		**$ 5,152**	$ 714

See the accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in thousands of Canadian dollars)		**2020**		2019
NET INCOME	**$**	**5,152**	$	714
OTHER COMPREHENSIVE INCOME				
Other comprehensive income - discontinued operations	**$**	**—**	$	12
TOTAL COMPREHENSIVE INCOME	**$**	**5,152**	$	726
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Unitholders	**$**	**5,152**	$	485
Non-controlling interests - discontinued operations		**—**		241
TOTAL COMPREHENSIVE INCOME	**$**	**5,152**	$	726
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Continuing operations	**$**	**5,152**	$	174
Discontinued operations		**—**		552
TOTAL COMPREHENSIVE INCOME	**$**	**5,152**	$	726

See the accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

For the three months ended March 31, 2020

(in thousands of Canadian dollars, except for number of units)	Note	**Number of units**	**Unitholders' equity**	**Retained earnings (deficit)**	**Total**
Balance as at January 1, 2020		**68,763,987**	**$ 559,370**	**$ 8,181**	**$ 567,551**
Net income for the period		—	—	5,152	**5,152**
Distributions paid and payable	12	—	—	(6,918)	**(6,918)**
Deferred units exchanged for Trust units		67,985	532	—	**532**
Cancellation of Trust units	12	(69,291)	(303)	—	**(303)**
Units issued as settlement of asset management fees	18	358,870	2,774	—	**2,774**
Balance as at March 31, 2020		**69,121,551**	**$ 562,373**	**$ 6,415**	**$ 568,788**

For the three months ended March 31, 2019

(in thousands of Canadian dollars, except for number of units)	Note	**Number of units**	**Unitholders' equity**	**Retained earnings (deficit)**	**Accumulated other comprehensive income (loss)**	**Non-controlling interests**	**Total**
Balance as at January 1, 2019		72,592,822	$ 591,094	$ 3,143	$ (3,979)	$ 1,669	$ 591,927
Net income for the period		—	—	473	—	241	714
Other comprehensive income		—	—	—	12	—	12
Distributions paid and payable	12	—	—	(7,325)	—	—	(7,325)
Distribution Reinvestment Plan	12	271,552	1,779	—	—	—	1,779
Deferred units exchanged for Trust units		49,765	349	—	—	—	349
Cancellation of Trust units	12	(765,148)	(6,413)	1,158	—	—	(5,255)
Distributions to non-controlling interests		—	—	—	—	(586)	(586)
Balance as at March 31, 2019		**72,148,991**	**$ 586,809**	**$ (2,551)**	**$ (3,967)**	**$ 1,324**	**$ 581,615**

See the accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

For the three months ended March 31, *(in thousands of Canadian dollars)*	Note	2020	2019
Net income			
Continuing operations		**$ 5,152**	$ 174
Discontinued operations		**—**	540
Net income		**$ 5,152**	$ 714
Non-cash and other items:			
Amortization and depreciation	19	**(8)**	147
Other adjustments	19	**(4,769)**	(806)
Change in non-cash working capital	19	**(2,206)**	3,459
Investment in lease incentives and initial direct leasing costs		**(549)**	(747)
Asset management fee settled in units		**2,774**	—
Cash distributions from development and investment holdings	6	**—**	1,238
Generated from operating activities - continuing operations		**$ 394**	$ 3,465
Generated from operating activities - discontinued operations		**$ —**	$ 1,429
Generated from operating activities - all operations		**$ 394**	$ 4,894
Investments in building improvements		**(954)**	(828)
Cash advances to equity accounted investments		**(3,405)**	—
Principal repayments received from lending portfolio	7	**8,026**	3,500
Investments in equity accounted investments		**(12,675)**	(8,750)
Utilized in investing activities - all operations		**$ (9,008)**	$ (6,078)
Cancellation of Trust units	12	**(303)**	(5,255)
Mortgage repayments	10	**(218)**	(275)
Distributions paid on units	12	**(6,906)**	(5,561)
Utilized in financing activities - continuing operations		**$ (7,427)**	$ (11,091)
Utilized in financing activities - discontinued operations		**$ —**	$ (934)
Utilized in financing activities - all operations		**$ (7,427)**	$ (12,025)
Foreign exchange on cash held in foreign currency - discontinued operations		**$ —**	$ 4
Increase (decrease) in cash		**(16,041)**	(13,205)
Cash, beginning of the period		**117,787**	46,730
Cash, end of the period		**$ 101,746**	$ 33,525

See the accompanying notes to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, all dollar amounts are presented in thousands of Canadian dollars, except for unit and per unit amounts, unless otherwise stated)

1. ORGANIZATION

Dream Hard Asset Alternatives Trust ("Dream Alternatives" or the "Trust") is an open-ended trust established under the laws of the Province of Ontario by a Declaration of Trust dated April 28, 2014, amended and restated on July 8, 2014. The condensed consolidated financial statements of Dream Alternatives include the accounts of Dream Alternatives and its condensed consolidated subsidiaries. The Trust was formed by and is managed by Dream Asset Management Corporation ("DAM" or the "Asset Manager"), a wholly owned subsidiary of Dream Unlimited Corp. ("Dream"). On January 1, 2018, Dream acquired control of the Trust, based on Dream's increased exposure to variable returns resulting from increased ownership through units held in the Trust and from new real estate joint venture agreements. Dream is the ultimate parent company of the Trust. The ultimate controlling party of the Trust is Michael Cooper, President and Chief Responsible Officer of DAM and Dream.

The Trust is focused on hard asset alternative investments comprising real estate development, real estate lending, and income-producing real estate.

The Trust's registered office is 30 Adelaide Street East, Suite 301, Toronto, Ontario, Canada, M5C 3H1. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "DRA.UN". Dream Alternatives' condensed consolidated financial statements for the three months ended March 31, 2020 were authorized for issuance by the Board of Trustees on May 4, 2020.

For simplicity, throughout the notes, reference is made to the units of the Trust as follows:
- "units" meaning Trust voting units, and
- "unitholders" meaning holders of Trust voting units.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The condensed 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 ("IASB"). Accordingly, certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed. The condensed consolidated financial statements should be read in conjunction with the Trust's annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS.

Certain comparative figures in the condensed consolidated financial statements have been reclassified to conform to the current period presentation.

3. ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

These condensed consolidated financial statements have been prepared using the same significant accounting policies and methods as those used in the Trust's annual financial statements for the year ended December 31, 2019.

4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. The critical accounting judgments, estimates and assumptions applied during the quarter are consistent with those set out in Note 4 to the Trust's audited annual consolidated financial statements for the year ended December 31, 2019.

During the three months ended March 31, 2020, the World Health Organization declared COVID-19 a global pandemic ("COVID-19"), and the ensuing responses by governments, including the closure of non-essential businesses and social distancing requirements, increased the level of uncertainty and judgment in the economy. The Trust assessed this impact on its business, including recoverability of its lending portfolio, recoverability of accounts receivable, timing and amount of revenue recognized from income properties, and the fair value of certain loan investments classified as FVTPL, income properties, development and investment holdings.

The significant global uncertainty has impacted the availability of reliable market metrics and, accordingly, the Trust performed additional risk-based procedures to assess the fair value of its development and investments holdings, income properties and certain loan investments to ensure the Trust applied sound judgment with respect to the various assumptions impacting the valuation. The Trust took into consideration the market conditions existing at the reporting date. The additional risk-based procedures included scenario testing to evaluate downside risk, reviewing risk profiles of its tenant base, borrowers' creditworthiness and risk characteristics of its underlying developments.

The Trust assessed the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, equity accounted investments and the lending portfolio. The estimates and judgments primarily relate to the timing and amount of future cash flows. In determining whether the Trust's financial assets require a provision for impairment, the Trust reviewed its Expected Credit Loss ("ECL") model including the following various factors: the borrowers credit risk, term to maturity, status of the underlying project and market risk.

The amounts recorded in the condensed consolidated financial statements are based on the best estimate at the reporting date.

5. ADOPTION OF ACCOUNTING STANDARDS

CURRENT ACCOUNTING POLICY CHANGES

The Trust has adopted the following revised standards, along with any consequential amendments, effective January 1, 2020.

BUSINESS COMBINATIONS

IFRS 3 "Business Combinations" ("IFRS 3") sets out to emphasize that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amended definition of a business is effective on or after January 1, 2020, with earlier application permitted. These amendments will apply to the Trust's future business combinations.

6. DEVELOPMENT AND INVESTMENT HOLDINGS

The table below provides a continuity of development and investment holdings:

	Investment holdings	Development holdings	Total development and investment holdings
Balance as at January 1, 2019	$ 53,844	$ 64,765	**$ 118,609**
Acquisitions	10,795	2,750	**13,545**
Distributions/capital repayment	—	(1,778)	**(1,778)**
Dispositions	(10,307)	—	**(10,307)**
Fair value adjustments/foreign exchange gain (loss)	(5,596)	474	**(5,122)**
Balance as at December 31, 2019	**$ 48,736**	**$ 66,211**	**$ 114,947**
Foreign exchange gain	4,421	—	**4,421**
Balance as at March 31, 2020	**$ 53,157**	**$ 66,211**	**$ 119,368**

As at March 31, 2020, development and investment holdings include two long-term participating loans secured by real property comprising two residential assets under development and a hospitality asset, respectively. These assets are recorded as FVTPL.

During the three months ended March 31, 2020, the Trust recorded a foreign exchange gain of $4,421 driven by the appreciation of the U.S. dollar, related to the Trust's investment in the Hard Rock Hotel & Casino in Las Vegas, Nevada. As at March 31, 2020, the cash paid continues to approximate fair value, adjusted for foreign currency translation.

The fair value methodologies applied have been consistent with the prior period. For development and investment holdings recently acquired, or where certain bids have been obtained, the fair value is based on the purchase or bid price. The fair value methodologies and material assumptions for each respective category, other than the above noted, are summarized in the table below:

As at	Method	Unobservable inputs	March 31, 2020 Range	December 31, 2019 Range
Development holdings				
Residential assets under development	Discount future anticipated proceeds from unit closings	Discount rates	**7.0% - 8.0%**	7.0% - 8.0%

If the discount rates applied for residential assets under development were to increase by 1%, the fair value of the residential assets under development would decrease by $300. If the discount rate were to decrease by 1%, the fair value would increase by $300.

7. LENDING PORTFOLIO

For the periods ended		March 31, 2020		December 31, 2019
Balance, beginning of period	**$**	**64,705**	$	144,095
Add (deduct):				
Lending portfolio advances		**—**		119
Changes in accrued interest balance		**16**		(111)
Provision for lending portfolio losses		**—**		(2,350)
Interest capitalized to lending portfolio balance		**1,074**		5,029
Premium on lending portfolio		**205**		752
Lender fees and extension fees received		**27**		383
Principal repayments at maturity, contractual repayments and prepayments		**(8,026)**		(83,212)
Balance, end of period[1]	**$**	**58,001**	$	64,705
Less: current portion		**44,199**		51,216
Non-current portion of lending portfolio	**$**	**13,802**	$	13,489

[1] Lending portfolio balance includes a loan of $7,488 (December 31, 2019 - $7,301) that is classified as FVTPL.

The table below provides a summary of the Trust's lending portfolio:

As at		March 31, 2020		December 31, 2019
Weighted average interest rate (period-end)		**9.4%**		9.1%
Security allocation (1st mortgages/other)		**40.2% / 59.8%**		47.7% / 52.3%
Maturity dates		**2020 - 2025**		2020 - 2025
Balance of accrued interest	**$**	**146**	$	130
Loans with prepayment options		**31,803**		30,877

During the three months ended March 31, 2020, a loan investment classified as FVTPL, aggregating $7,488 (December 31, 2019 - $7,301), was measured at fair value using a discounted cash flow method. The fair value was determined by discounting the expected cash flows of the loan using an interest rate of 17.5% (December 31, 2019 - 17.5%), which took into consideration similar instruments with corresponding maturity dates plus a credit adjustment in accordance with the borrowers' creditworthiness, as well as the risk profile of the underlying securities. Generally, under this method, a decrease in the market rate will result in an increase to the fair value and an increase in the market rate will result in a decrease to the fair value. If the weighted average market rate was to increase by 25 basis points ("bps"), the fair value of the loan investments would decrease by $100. If the weighted average market rate was to decrease by 25 bps, the fair value would increase by $100.

During the year ended December 31, 2019, an increase in the existing provision for the lending portfolio resulted in a loss of $2,350. The full provision related to one loan, the value of which was determined based on the net realizable value of the underlying real estate properties, net of related transaction costs based on internal valuations. The provision for impairment on this loan was established based on the credit adjusted approach ECL model which results in expected credit losses calculated considering an estimate of default over the life of the asset. In the three months ended March 31, 2020, the ECL model was reassessed and there were no further provisions recorded on the lending portfolio.

8. INCOME PROPERTIES

For the periods ended		**March 31, 2020**		December 31, 2019
Balance, beginning of period	**$**	**200,869**	$	224,310
Add (deduct):				
Building improvements		**126**		4,195
Lease incentives and initial direct leasing costs		**963**		3,266
Amortization of lease incentives		**(203)**		(1,626)
Fair value adjustments to income properties		**—**		15,064
Disposition of properties		**—**		(44,340)
Balance, end of period	**$**	**201,755**	$	200,869
Change in unrealized gains included in net income for the period				
Change in fair value of income properties	**$**	**—**	$	21,194

As at March 31, 2020, the Trust's income properties consisted of three wholly owned office properties and an interest in an office property co-owned with Dream Office Real Estate Investment Trust ("Dream Office REIT"), which is accounted for as a joint operation.

Income properties are measured at fair value using the income approach, which is derived from the overall capitalization rate method or discounted cash flow method. Certain of the Trust's income properties were valued using the discounted cash flow method with the overall capitalization rate method used to corroborate the fair values recorded. The fair values of these income properties were determined by using discount rates of 6.0% to 7.3% (December 31, 2019 – 6.0% to 7.3%) and capitalization rates of 5.0% to 6.3% (December 31, 2019 – 5.0% to 6.3%), resulting in a weighted average capitalization rate of 5.9% (December 31, 2019 – 5.9%).

A summary of assumptions used in the valuation of income properties using the discounted cash flow method as at March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020		December 31, 2019	
	Range	**Weighted average**	Range	Weighted average
Discount rates (%)	**6.00-7.25**	**7.01**	6.00 - 7.25	7.01
Terminal cap rates (%)	**5.00-6.75**	**6.38**	5.00 - 6.75	6.38
Market rents (in dollars per square foot)[1]	**$ 18.75 - 25.00**	**$ 19.67**	$ 18.75 - 25.00	$ 19.67

[1] Market rents represent year one rates in the discounted cash flow model. Market rents include office space only and exclude retail space.

The following sensitivity table outlines the potential impact on the fair value of income properties, assuming a change in the weighted average discount rates and terminal capitalization rates by a respective 25 bps as at March 31, 2020:

	Impact of changes to weighted average discount rates		**Impact of changes to weighted average terminal cap rates**	
	+25 bps	**-25 bps**	**+25 bps**	**-25 bps**
Increase (decrease) in value	$ (2,911)	$ 2,984	$ (3,688)	$ 4,007

Generally, under the overall cap rate method, an increase in stabilized NOI will result in an increase to the fair value. An increase in the capitalization rate will result in a decrease to the fair value. The capitalization rate magnifies the effect of a change in stabilized NOI. If the weighted average capitalization rate was to increase by 25 bps, the fair value of income properties would decrease by $5,800. If the weighted average capitalization rate was to decrease by 25 bps, the fair value would increase by $6,400.

As at March 31, 2020, the Trust assessed its assumptions related to the fair value of its income properties, including its cash flow assumptions, and noted no significant impact on the fair value of its income properties. For further details, refer to Note 21 "Financial Instruments - Risk Management".

As at March 31, 2020, all of the income properties, with a fair value of $201,755 (December 31, 2019 – $200,869), were pledged as security for mortgages.

9. EQUITY ACCOUNTED INVESTMENTS

The Trust participates in various partnerships with other parties for the purpose of investing in various residential and mixed-use investment property developments, which are accounted for using the equity investment method. These partnerships are either considered joint ventures or investments in associates. A joint venture is an arrangement entered into in the form of jointly controlled entities whereby the parties have joint control and have rights to the net assets of the arrangement. Investments in associates are those in which the Trust has significant influence over the arrangement. As at March 31, 2020, the carrying value of these arrangements was $181,262 (December 31, 2019 - $186,713).

During the three months ended March 31, 2020, the Trust recorded $17,215 in distributions related to the completion of the Axis Condominiums project, which had been received as cash advances in 2019.

Each equity accounted investment is subject to a shareholder or limited partnership agreement that governs distributions from these investments. In addition, distributions must also comply with the respective credit agreements.

The following tables summarize the Trust's proportionate share of the net assets of the equity accounted investments:

As at March 31, 2020	**Ownership interest**		**Net assets**
Development			
Frank Gehry	18.75%	$	23,041
Brightwater	23.25%		38,398
Zibi	40.00%		62,399
Lakeshore East	37.50%		14,099
West Don Lands	25.00%		9,358
Other[1]	7.00% - 75.00%		12,435
Total development		**$**	**159,730**
Recurring income			
100 Steeles	37.50%		8,230
Other[2]	9.00% - 40.00%		13,302
Total recurring income		**$**	**21,532**
Total		**$**	**181,262**

[1] Other equity accounted investments include Axis Condominiums, IVY Condominiums, Seaton development, and Canary Block 10.

[2] Other equity accounted investments include Plaza Bathurst, Plaza Imperial, and Queen & Mutual.

As at December 31, 2019	**Ownership interest**		**Net assets**
Development			
Frank Gehry	18.75%	$	23,189
Brightwater	23.25%		38,108
Zibi	40.00%		53,772
Lakeshore East	37.50%		14,081
West Don Lands	25.00%		8,797
Axis Condominiums	28.00%[1]		18,381
Other[2]	7.00% - 75.00%		9,068
Total development		**$**	**165,396**
Recurring income			
100 Steeles	37.50%	$	8,095
Other[3]	9.00% - 40.00%		13,222
Total recurring income		**$**	**21,317**
Total		**$**	**186,713**

[1] Effective economic interest of 14.7% based on milestone achieved per partnership agreement.

[2] Other equity accounted investments include IVY Condominiums, Seaton development, and Canary Block 10.

[3] Other equity accounted investments include Plaza Bathurst, Plaza Imperial, and Queen & Mutual.

The following tables summarize the Trust's proportionate share of revenue and net income (loss) from equity accounted investments:

For the three months ended March 31, 2020	Ownership interest		Revenue		Net income (loss)
Development					
Frank Gehry	18.75%	$	89	$	(147)
Brightwater	23.25%		—		(59)
Zibi	40.00%		7,765		550
Lakeshore East	37.50%		72		15
West Don Lands	25.00%		21		(6)
Other[1]	7.00% - 75.00%		4		(1,083)
Total development		**$**	**7,951**	**$**	**(730)**
Recurring income					
100 Steeles	37.50%		240		(128)
Other[2]	9.00% - 40.00%		197		(53)
Total recurring income		**$**	**437**	**$**	**(181)**
Total		**$**	**8,388**	**$**	**(911)**

[1] Other equity accounted investments include Axis Condominiums, IVY Condominiums, Seaton development, and Canary Block 10.
[2] Other equity accounted investments include Plaza Bathurst, Plaza Imperial, and Queen & Mutual.

For the three months ended March 31, 2019	Ownership interest		Revenue		Net income (loss)
Development					
Frank Gehry	18.75%	$	94	$	(71)
Brightwater	23.25%		—		(5)
Zibi	40.00%		131		(26)
Lakeshore East	37.50%		35		23
West Don Lands	25.00%		50		28
Other[1]	7.00% - 75.00%		—		(1)
Total development		**$**	**310**	**$**	**(52)**
Recurring income					
100 Steeles	37.50%	$	241	$	(355)
Other[2]	9.00% - 40.00%		349		(37)
Total recurring income		**$**	**590**	**$**	**(392)**
Total		**$**	**900**	**$**	**(444)**

[1] Other equity accounted investments include Axis Condominiums, IVY Condominiums and the Seaton development.
[2] Other equity accounted investments include Plaza Bathurst, Plaza Imperial, and Queen & Mutual.

10. DEBT

As at		March 31, 2020		December 31, 2019
Total debt before undernoted	**$**	**89,051**	$	89,269
Unamortized balance of deferred financing costs		**(260)**		(281)
Total	**$**	**88,791**	$	88,988
Less: current portion		**11,189**		878
Total non-current long-term debt	**$**	**77,602**	$	88,110

MORTGAGES PAYABLE

Mortgages payable are secured by charges on specific income properties, bear interest at a weighted average face rate of 3.6% (December 31, 2019 – 3.6%) and mature between 2021 and 2022. During the three months ended March 31, 2020, there were no lump sum principal repayments (year ended December 31, 2019 – $27,008). During the three months ended March 31, 2020, regular mortgage principal repayments were $218 (year ended December 31, 2019 – $1,013).

REVOLVING CREDIT FACILITY

A demand revolving credit facility (the "facility") is available to the Trust up to a formula-based maximum not to exceed $50,000. The available credit under the facility, as determined by the formula, was $5,139, net of $360 (December 31, 2019 - $8,894, net of $360) of letters of credit issued against the facility. The facility is in the form of rolling one-month Bankers' Acceptance ("BA") rates and bears interest at the BA rate plus 2.0%, or at the bank's prime rate plus 1.0% (2.45% as at March 31, 2020 and 3.95% as at December 31, 2019), payable monthly. The facility is secured by a general security agreement over all assets of Dream Alternatives Lending Services LP and Dream Alternatives Master LP, which are subsidiaries of the Trust.

FINANCIAL COVENANTS

The revolving credit facility, the financial guarantees, and certain mortgages on income properties contain financial covenants that require the Trust to meet certain financial ratios and financial condition tests. A failure to meet these tests could result in default and, if not cured or waived, could result in an acceleration of the repayment in the underlying financing. As at March 31, 2020, the Trust was in compliance with these financial covenants.

11. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

As at		**March 31, 2020**		December 31, 2019
Accrued liabilities and other payables	**$**	**8,253**	$	27,644
Other liabilities		**500**		500
Distributions payable		**2,304**		2,292
Accrued interest		**232**		232
Rent received in advance		**1,208**		1,458
Total	**$**	**12,497**	$	32,126

12. UNITHOLDERS' EQUITY

DREAM ALTERNATIVES UNITS

Dream Alternatives is authorized to issue an unlimited number of units and an unlimited number of Special Trust Units ("STUs"). Each unit represents an undivided beneficial interest in the Trust. Each unit is transferable and entitles the holder thereof to:

- an equal participation in distributions of the Trust;
- rights of redemption; and
- one vote at meetings of unitholders.

The STUs may only be issued to holders of exchangeable securities and entitle the holder to exchange the exchangeable securities for units. The STUs have a nominal redemption value, entitle the holder to vote at the Trust level and do not receive distributions. At March 31, 2020, there were no STUs issued and outstanding.

DISTRIBUTIONS

Pursuant to its Declaration of Trust, Dream Alternatives expects to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is determined by the Trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. The Trustees may declare distributions out of the income, net realized capital gains and capital of the Trust to the extent such amounts have not already been paid, allocated or distributed. The following table provides details of the distribution payments:

For the three months ended		**March 31, 2020**		March 31, 2019
Paid in cash	**$**	**6,906**	$	5,561
Paid by way of reinvestment in units		**—**		1,779
Payable at beginning of period		**(2,292)**		(2,420)
Payable at end of period		**2,304**		2,405
Total	**$**	**6,918**	$	7,325

On March 20, 2020, the Trust announced a cash distribution of $0.033 per unit for the month of March 2020. The monthly distribution for March 2020 was paid on April 15, 2020. On April 21, 2020, the Trust announced a cash distribution of $0.033 per unit for the month of April 2020, which will be paid on May 15, 2020 to unitholders of record as at April 30, 2020.

UNIT BUYBACK PROGRAM

During the three months ended March 31, 2020, the Trust received acceptance of its Notice of Intention to renew its prior NCIB from the TSX on January 16, 2020. The bid commenced on January 20, 2020 and will remain in effect until the earlier of January 19, 2021 or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid the Trust has the ability to purchase for cancellation up to a maximum of 5,256,231 units (representing 10% of the Trust's public float of 52,562,317 units at the time of entering the bid through the facilities of the TSX). Daily purchases were limited to 8,281 units which equals 25% of the average daily trading volume during the last six calendar months (being 33,126 units per day), other than purchases pursuant to applicable block purchase exceptions. As at May 4, 2020, the number of issued and outstanding units was 69,098,261.

During the three months ended March 31, 2020, the Trust announced a substantial issuer bid to purchase for cancellation up to 4.0 million units of the Trust from unitholders at a price of $8.25 per unit for an aggregate purchase price of $33,000. The offer expired on March 16, 2020, as the conditions of the bid were not satisfied as of the expiration time.

The following table summarizes the Trust's unitholders' equity activity under its unit buyback program for the periods ended as indicated:

For the three months ended March 31,		**2020**		2019
Units repurchased (number of units)		**69,291**		765,148
Total cash consideration	**$**	**303**	$	5,255

During the three months ended March 31, 2020, the Trust renewed its automatic securities repurchase plan (the "Plan") in order to facilitate purchases of its units under the NCIB. The Plan allows for purchases by Dream Alternatives of units at any time including, without limitation, times when the Trust would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Trust based upon the parameters prescribed by the TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the units may also be purchased in accordance with management's discretion. The Plan will terminate on January 19, 2021.

13. INCOME PROPERTIES REVENUE

For the three months ended March 31,		2020		2019
Rental revenue	$	**2,687**	$	3,426
CAM and parking services revenue		**1,716**		2,598
Total	$	**4,403**	$	6,024

14. INTEREST EXPENSE

For the three months ended March 31,		2020		2019
Interest expense incurred, at contractual rate of debt and other bank charges	$	**770**	$	1,225
Amortization of deferred financing costs		**21**		56
Total	$	**791**	$	1,281

15. GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31,		2020		2019
Salary and other compensation	$	**340**	$	228
Deferred compensation expense (recovery)		**(1,353)**		728
Trust, service and professional fees		**692**		416
General office and other		**136**		71
Asset management and other third-party service fees		**1,007**		2,751
Total	$	**822**	$	4,194

During the three months ended March 31, 2020, deferred compensation recovery of $1,353 (three months ended March 31, 2019 - deferred compensation expense of $728), as a result of the fluctuation in the Trust's unit price, related to the deferred unit incentive plan.

16. INCOME TAXES

During the three months ended March 31, 2020, the Trust recognized an income tax expense of $1,231 (income tax expense for the three months ended March 31, 2019 – $674).

For the three months ended March 31,		2020		2019
Deferred income tax recovery (expense):				
Origination of temporary differences		**(1,278)**		(497)
Impact of changes in income tax rates		**47**		39
Deferred income tax expense	$	**(1,231)**	$	(458)
Total income tax expense from continuing operations	$	**(1,231)**	$	(458)
Total income tax expense from discontinued operations	$	**—**	$	(216)
Income tax expense	$	**(1,231)**	$	(674)

The income tax expense amount on pre-tax earnings differs from the income tax expense amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.5% for the three months ended March 31, 2020 (March 31, 2019 – 26.9%), as illustrated in the table below:

For the three months ended March 31,		2020		2019
Earnings before income tax expense for the period	**$**	**6,383**	$	632
Combined federal and provincial tax rate		**26.5%**		26.9%
Income tax expense before the undernoted	**$**	**(1,691)**	$	(170)
Effect on taxes of:				
Adjustment in expected future tax rates		**47**		39
Non-deductible expenses		**(53)**		(148)
Non-taxable income items		**413**		—
Difference between Canadian rates and rates in foreign jurisdiction		**22**		(7)
Rate differences		**31**		(172)
Total income tax expense	**$**	**(1,231)**	$	(458)

The movement in the deferred income tax assets and liabilities during the three months ended March 31, 2020 and the net components of the Trust's net deferred income tax asset (liability) are illustrated in the following table:

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other	Hedge	Loss carry-forward	Total
Balance as at January 1, 2019	$ (3,561)	$ (3,787)	$ 751	$ (466)	$ (989)	$ 623	$ 7,752	**$ 323**
(Charged) credited to:								
(Loss) Earnings for the period	(7,387)	3,644	(509)	3,248	(1,073)	—	(2,281)	**(4,358)**
Charge to gain on sale	—	143	—	—	—	—	—	**143**
Other comprehensive income	—	—	—	—	—	(623)	—	**(623)**
Balance as at December 31, 2019	**$ (10,948)**	**$ —**	**$ 242**	**$ 2,782**	**$ (2,062)**	**$ —**	**$ 5,471**	**$ (4,515)**
(Charged) credited to:								
(Loss) Earnings for the period	**(187)**	**—**	**9**	**(1,176)**	**(5)**	**—**	**128**	**(1,231)**
Balance as at March 31, 2020	**$ (11,135)**	**$ —**	**$ 251**	**$ 1,606**	**$ (2,067)**	**$ —**	**$ 5,599**	**$ (5,746)**

17. SEGMENTED INFORMATION

As a result of the sale of the renewable power segment and other non-core assets in 2019, the Trust has redefined its operating segments to better reflect how the business is managed and evaluated by the chief operating decision maker, the Trust's Portfolio Manager. This change is effective January 1, 2020, and comparatives have been reclassified to conform to the new segment presentation.

For the three months ended March 31, 2020 and March 31, 2019, the majority of income tax (expense) recoveries and general and administrative expenses were not allocated to the segment expenses as these costs are not specifically managed on a segmented basis.

SEGMENTED RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31, 2020

	Development	Recurring income	Other[1]	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	$ 4,421	$ —	$ —	**$ 4,421**
Lending portfolio interest income and lender fees	—	1,486	—	**1,486**
Income properties revenue	—	4,403	—	**4,403**
Share of loss from equity accounted investments	(730)	(181)	—	**(911)**
TOTAL INCOME	**3,691**	**5,708**	**—**	**9,399**
EXPENSES				
Income properties, operating	—	(2,150)	—	**(2,150)**
Interest expense	—	(782)	(9)	**(791)**
General and administrative	—	—	(822)	**(822)**
TOTAL EXPENSES	**—**	**(2,932)**	**(831)**	**(3,763)**
OPERATING INCOME (LOSS)	**3,691**	**2,776**	**(831)**	**5,636**
Interest and other income	368	6	431	**805**
Transaction costs	—	(45)	(13)	**(58)**
EARNINGS (LOSS) BEFORE INCOME TAX RECOVERY (EXPENSE)	**4,059**	**2,737**	**(413)**	**6,383**
INCOME TAX EXPENSE				
Deferred income tax expense	—	—	(1,231)	(1,231)
TOTAL INCOME TAX EXPENSE	**—**	**—**	**(1,231)**	**(1,231)**
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**$ 4,059**	**$ 2,737**	**$ (1,644)**	**$ 5,152**

[1] Includes other Trust amounts not specifically related to the segments.

SEGMENTED RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31, 2019

	Development	Recurring income	Other[1]	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	$ (343)	$ —	$ —	**$ (343)**
Lending portfolio interest income and lender fees	—	3,536	—	**3,536**
Income properties revenue	—	6,024	—	**6,024**
Share of loss from equity accounted investments	(52)	(392)	—	**(444)**
TOTAL INCOME	**(395)**	**9,168**	**—**	**8,773**
EXPENSES				
Income properties, operating	—	(3,321)	—	**(3,321)**
Interest expense	—	(1,195)	(86)	**(1,281)**
General and administrative	—	—	(4,194)	**(4,194)**
TOTAL EXPENSES	**—**	**(4,516)**	**(4,280)**	**(8,796)**
OPERATING INCOME (LOSS)	**(395)**	**4,652**	**(4,280)**	**(23)**
Interest and other income	338	5	297	**640**
Transaction costs	—	15	—	**15**
EARNINGS (LOSS) BEFORE INCOME TAX RECOVERY (EXPENSE)	**(57)**	**4,672**	**(3,983)**	**632**
INCOME TAX EXPENSE				
Deferred income tax expense	—	—	(458)	**(458)**
TOTAL INCOME TAX EXPENSE	**—**	**—**	**(458)**	**(458)**
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**$ (57)**	**$ 4,672**	**$ (4,441)**	**$ 174**

(1) Includes other Trust amounts not specifically related to the segments.

SEGMENTED ASSETS AND LIABILITIES – AS AT MARCH 31, 2020

As at March 31, 2020	Development	Recurring income	Other[1]	Total
ASSETS				
Total non-current assets	$ 284,740	$ 238,058	$ 913	**$ 523,711**
Total current assets	6,180	49,771	97,244	**153,195**
TOTAL ASSETS	**$ 290,920**	**$ 287,829**	**$ 98,157**	**$ 676,906**
LIABILITIES				
Total non-current liabilities	$ —	$ 77,602	$ 6,823	**$ 84,425**
Total current liabilities	—	18,056	5,637	**23,693**
TOTAL LIABILITIES	**$ —**	**$ 95,658**	**$ 12,460**	**$ 108,118**

(1) Includes the Trust and other segment level cash and net working capital balances.

SEGMENTED ASSETS AND LIABILITIES – AS AT DECEMBER 31, 2019

As at December 31, 2019	Development	Recurring income	Other[1]	Total
ASSETS				
Total non-current assets	$ 280,343	$ 236,585	$ 879	**$ 517,807**
Total current assets	7,929	57,672	112,733	**178,334**
TOTAL ASSETS	**$ 288,272**	**$ 294,257**	**$ 113,612**	**$ 696,141**
LIABILITIES				
Total non-current liabilities	$ —	$ 88,110	$ 7,476	**$ 95,586**
Total current liabilities	17,142	8,950	6,912	**33,004**
TOTAL LIABILITIES	**$ 17,142**	**$ 97,060**	**$ 14,388**	**$ 128,590**

(1) Includes the Trust and other segment level cash and net working capital balances.

18. RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, the Trust and its subsidiaries enter into transactions with related parties that are contracted under commercial terms. On January 1, 2018, Dream acquired control of the Trust, based on Dream's increased exposure to variable returns resulting from increased ownership through units held in the Trust and from new real estate joint venture agreements. DAM, which is a wholly owned subsidiary of Dream Unlimited Corp. (TSX: DRM), is the Trust's Asset Manager and is a related party and provides management personnel services to the Trust under the terms of the management agreement.

ASSET MANAGEMENT AGREEMENT

On July 8, 2014, the Trust entered into a management agreement (the "Management Agreement") with DAM, pursuant to which DAM provides a broad range of asset management services to the Trust for a base annual management fee, acquisition/origination fee, and disposition fee.

In addition, the Trust will reimburse DAM for reasonable out-of-pocket costs and expenses incurred in connection with the performance of the management services described in the Management Agreement and the costs and expenses incurred in providing such other services that the Trust and DAM agree to in writing that are to be provided from time to time by DAM.

Pursuant to the Management Agreement, the Trust incurred the following amounts:

For the three months ended March 31,		**2020**		2019
Fees paid/payable by the Trust under the Management Agreement:				
Base annual management fee	**$**	**1,057**	$	2,642
Acquisition/origination fee and disposition fees		**16**		110
Expense recoveries relating to financing arrangements and other		**207**		142
Total	**$**	**1,280**	$	2,894

Effective April 1, 2019, the Trust agreed to settle the asset management fees payable pursuant to the Management Agreement in units of the Trust, until December 31, 2020. The Trust units will be valued at $8.74, for purposes of determining the number of units to be issued. During the period ended March 31, 2020, the Trust settled the asset management fee payable through the issuance of 358,870 units (three months ended March 31, 2019 - cash settlement of $2,642). The asset management fee is recorded based on the market price on the date of settlement of the units. Subsequent to March 31, 2020, the Trust settled its management fee to DAM with the issuance of 246,406 units.

PROPERTY MANAGEMENT AGREEMENT

The Trust's co-owned office property is managed by Dream Office Management Corporation ("DOMC"). Effective February 1, 2018, the Trust's wholly owned office properties, previously managed by DAM, are now managed by DOMC. DOMC is owned by Dream Office REIT. As a result of Dream acquiring control of the Trust, as at January 1, 2018, Dream Office REIT is a related party to the Trust. Pursuant to the property management agreements, DOMC will perform property management services including tenant administration, accounting, etc., for a fee of 3.5% of income property revenues. Additionally, DOMC will perform services with respect to the leasing and construction management of the office properties for a fee equal to expenses incurred or a percentage of the expenses incurred for each property. The property management agreement can be terminated upon an unremedied default by the property manager, DOMC, or if there is a change in the ownership of the property.

SERVICE AGREEMENT

The Trust entered into a services agreement ("Service Agreement") with DOMC on July 8, 2014. The Service Agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the Service Agreement is terminated in accordance with its terms or by mutual agreement of the parties. The Service Agreement was renewed on July 8, 2015. Pursuant to the Service Agreement, DOMC provides administrative and support services including the use of office space, office equipment, communication services and computer systems, and the provision of personnel in connection with accounts payable, human resources, taxation and other services. DOMC receives a monthly fee sufficient to reimburse it for the expenses incurred in providing these services.

FRAMEWORK AGREEMENT

Effective January 1, 2018, the Trust entered into a Framework Agreement with DAM with respect to their management of development investments. Pursuant to the Framework Agreement, DAM will manage certain development investments that are co-owned by the Trust and DAM. The Framework Agreement can be terminated by either party upon 60 days prior written notice. On a project by project basis, the development fee that the Trust will pay to DAM in respect of projects exclusive to the Trust and DAM will be equal to 3.75% of total net revenues of the development investment projects. For projects involving third parties, the development fee will be negotiated on a case by case basis with the parties involved. For rental properties, the development fee is expected to be based on the fair value of the project at substantial completion rather than net revenues. The commencement of such fees will vary depending on certain milestones being met, such as construction or sales commencement. During the three months ended March 31, 2020, $34 of development fees were paid to DAM in accordance with the Framework Agreement (December 31, 2019 - $34).

AMOUNTS DUE TO RELATED PARTIES

Amounts payable and accrued liabilities due to DAM at March 31, 2020 were $1,387 (December 31, 2019 - $2,650).

As at December 31, 2017, the Trust had entered into various project level development management agreements with DAM, and its third-party co-developers where applicable, in which the Trust has equity ownership interests. Pursuant to these agreements, DAM provides development management services. The corresponding development management fees are shared among the partners within each development project. Under these agreements, during the three months ended March 31, 2020, fees of $785 were incurred at the project level, at the Trust's share (three months ended March 31, 2019 - $450). As at March 31, 2020, at the Trust's share, $1,297 was owed to DAM from the projects in respect of these fees (December 31, 2019 - $3,065).

During the three months ended March 31, 2020, fees incurred pursuant to the property management agreements were $543 (three months ended March 31, 2019 – $748). Amounts payable and accrued liabilities as at March 31, 2020 included $91 (December 31, 2019 – $73) related to these agreements.

For the three months ended March 31, 2020, fees incurred pursuant to the Service Agreement were $84 (three months ended March 31, 2019 – $94). Amounts payable and accrued liabilities as at March 31, 2020 included $44 (December 31, 2019 – $29) related to the Service Agreement.

19. SUPPLEMENTARY CASH FLOW INFORMATION

Amortization and depreciation includes:

		2020		2019
Lease incentives	**$**	**203**	$	383
Lender fees		**(27)**		(113)
Premium on lending portfolio		**(205)**		(179)
Deferred financing costs		**21**		56
Total	**$**	**(8)**	$	147

Other adjustments include:

		2020		2019
Straight-line rent adjustment	**$**	**(63)**	$	(47)
Deferred interest income		**—**		(1,125)
Share of loss from equity accounted investments		**911**		444
Fair value adjustments to development and investment holdings		**(4,421)**		509
Interest capitalized to lending portfolio balance		**(1,074)**		(1,773)
Deferred unit compensation expense (recovery)		**(1,353)**		728
Deferred income tax expense		**1,231**		458
Total	**$**	**(4,769)**	$	(806)

Non-cash working capital includes cash generated from (utilized in):

		March 31, 2020		March 31, 2019
Lending portfolio interest income accrual	**$**	**(16)**	$	(90)
Other non-current assets		**(2,267)**		(273)
Amounts receivable		**1,985**		566
Prepaid expenses and other current assets		**38**		36
Amounts payable and accrued liabilities		**(2,011)**		1,563
Income tax payable/receivable		**65**		1,657
Total	**$**	**(2,206)**	$	3,459

During the three months ended March 31, 2020, cash interest paid was $719 (three months ended March 31, 2019 - $1,573) and cash taxes paid was $nil (three months ended March 31, 2019 – $nil). For the same period, investments in building improvements included non-cash transactions of $828 (March 31, 2019 – non-cash transactions of $134) and investments in lease incentives and initial direct leasing costs included settlement of payables of $414 (March 31, 2019 – settlement of payables of $60).

20. COMMITMENTS AND CONTINGENCIES

Dream Alternatives and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of the Asset Manager, any liability that may arise from such contingencies would not have a material adverse effect on the condensed consolidated financial statements of Dream Alternatives.

OTHER COMMITMENTS

During the three months ended March 31, 2020, the Trust, through a subsidiary, continued to provide a guarantee for up to $45,000 (December 31, 2019 - $45,000) pursuant to the requirements of a senior construction loan associated with the Empire Lakeshore residential project. The guarantee will be in place for the term of the construction loan and will proportionately scale down as the construction loan is repaid as unit closings begin to occur. Guarantees of the other underlying development project loan amounts of third parties are $39,937 (December 31, 2019 - $34,423). As at March 31, 2020, the Trust is contingently liable under guarantees that are issued on certain debt assumed by purchasers of income properties up to an amount of $2,696 (December 31, 2019 - $2,729).

The Trust is contingently liable for letters of credit in the amount of $360 (December 31, 2019 - $360) that have been provided to support third-party performance.

The Trust may also be contingently liable for certain obligations of joint venture partners. However, the Trust would have available to it the other joint venture partners' share of assets to satisfy any obligations that may arise.

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $121 (December 31, 2019 - $121).

21. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Trust previously disclosed its risk exposures in the Trust's annual consolidated financial statements for the year ended December 31, 2019. Except as disclosed below, the Trust's risk exposures have not changed significantly since December 31, 2019.

Credit risk related to income properties and certain investment holdings arises from the possibility that tenants may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks from its tenants by attracting tenants of sound financial standing and by diversifying its tenant mix. COVID-19 and the measures to contain it have created significant uncertainty in the general economy. A deterioration in the economy may impact the ability of tenants to meet their obligations under their leases or contracts due to the negative impact of the outbreak of COVID-19. The Trust has assessed the effect of the current economic conditions on the credit risk of our tenants and counterparties which included the review of the risk profiles of its tenant base. Subsequent to March 31, 2020, the Trust received over 95% of its April rental revenue from tenants related to its income properties.

Credit risk may also arise from a borrower that may not be able to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Trust. Credit risk related to financial guarantees provided by the Trust arises from the possibility that counterparties default on their financial obligations. The Trust mitigates these risks by actively monitoring the mortgage receivables, loan investment and financial guarantees, and initiating recovery procedures in a timely manner, when required. The Trust assessed various scenarios that would impact the lending portfolio through its ECL model and noted no further provision required as at the reporting date.

The maximum exposure to credit risk at March 31, 2020 was the fair value of the Trust's development holdings and the contractual value of its lending portfolio which, including interest receivable, was $124,212 (December 31, 2019 - $130,916). The Trust has recourse under these investments in the event of default by the borrower, in which case the Trust would have a claim against the underlying collateral.

As a result of the economic impact of COVID-19, the Trust has performed additional procedures to assess the fair value of its development and investment holdings, income properties, and certain loan investments to ensure the Trust applied sound judgment with respect to the various assumptions impacting the valuation. The procedures included scenario testing to evaluate downside risk, borrowers' creditworthiness and risk characteristics of its underlying developments, which impact the underlying valuation of the asset. The Trust took into consideration the market conditions existing at the reporting date and will continue to monitor changes in the market and assumptions used to determine the fair value of the Trust's assets.

The Trust is exposed to the variability in market interest rates on maturity debt payable to be renewed. As at March 31, 2020, 100% of the Trust's outstanding debt on our condensed consolidated statements of financial position was fixed, of which $11,189 will come due in the next 12 months.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations as they become due. As at March 31, 2020, the working capital balance was $129,502, which includes cash of $101,746. Additionally, the Trust has $5,139 available under the facility, net of $360 of letters of credit which remains undrawn. Based on our current liquidity position as at March 31, 2020, the Trust has sufficient cash available to cover obligations as they become due in the next year.

22. FAIR VALUE MEASUREMENTS

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the three months ended March 31, 2020, no transfers were made between Levels 1, 2 and 3. The following tables summarize fair value measurements recognized or disclosed in the consolidated financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the fair value measurements.

		Fair value		
As at March 31, 2020	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Recurring measurements				
Development and investment holdings	**$ 119,368**	**$ —**	**$ —**	**$ 119,368**
Income properties	**201,755**	**—**	**—**	**201,755**
Lending portfolio - FVTPL	**7,488**	**—**	**—**	**7,488**

		Fair value		
As at December 31, 2019	Carrying value	Level 1	Level 2	Level 3
Recurring measurements				
Development and investment holdings	$ 114,947	$ —	$ —	$ 114,947
Income properties	200,869	—	—	200,869
Lending portfolio - FVTPL	7,301	—	—	7,301

Financial instruments carried at amortized cost are noted below:

		Fair value		
As at March 31, 2020	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Fair values disclosed				
Lending portfolio - amortized cost	**$ 50,513**	**$ —**	**$ —**	**$ 50,513**
Debt	**88,791**	**—**	**—**	**91,510**

		Fair value		
As at December 31, 2019	Carrying value	Level 1	Level 2	Level 3
Fair values disclosed				
Lending portfolio - amortized cost	$ 57,404	$ —	$ —	$ 57,195
Debt	88,988	—	—	89,608

At March 31, 2020, amounts receivable, cash, deposits, amounts payable and accrued liabilities, and distributions payable were carried at amortized cost, which approximates fair value due to their short-term nature.

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