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**CERJ GROUP**

**COMBINED FINANCIAL STATEMENTS**

December 31, 2017

**GBCO**

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300-2000 West 12th Ave  
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## NOTICE TO READER

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On the basis of information provided by management, we have compiled the combined balance sheet of CERJ Apartments Ltd., CERJ Investments Ltd. and CERJ Shopping Centers Ltd. as at December 31, 2017 and the combined statement of earnings and retained earnings for the year then ended.

We have not performed an audit or a review engagement in respect of these combined financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these combined statements may not be appropriate for their purposes.

*Galloway Botteselle & Company*

Chartered Professional Accountants  
Vancouver, BC  
May 14, 2018

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# CERJ GROUP

## COMBINED STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the year ended December 31, 2017

*Unaudited - see notice to reader*

	2017	%	2016	%
Revenue				
Rental - CERJ Apartments	\$ 574,604	57.5	\$ 627,832	86.2
Investment - CERJ Investments	8,745	0.9	8,713	1.2
Rental - CERJ Shopping Centers	416,551	41.7	91,808	12.6
	<b>999,900</b>	<b>100.0</b>	<b>728,353</b>	<b>100.0</b>
Expenses				
Advertising and promotion	375	0.0	105	0.0
Amortization - buildings and equipment	212,639	21.3	130,951	18.0
Amortization - deferred charges	16,889	1.7	-	0.0
Bad debts	1,692	0.2	386	0.1
Bank charges and interest	215,620	21.6	111,237	15.3
Insurance	23,369	2.3	24,253	3.3
Management fees	83,108	8.3	52,846	7.3
Management salaries	66,160	6.6	54,011	7.4
Office	12,563	1.3	2,919	0.4
Professional services	16,350	1.6	15,951	2.2
Property taxes	108,239	10.8	77,793	10.7
Utilities	45,223	4.5	53,460	7.3
Repairs and maintenance	151,122	15.1	245,266	33.7
Travel	2,845	0.3	2,689	0.4
	<b>956,194</b>	<b>95.6</b>	<b>771,867</b>	<b>106.0</b>
Earnings before income taxes	43,706	4.4	(43,514)	(6.0)
Income tax recovery	9,422	0.9	27,336	3.8
Net earnings	53,128	5.3	(16,178)	(2.2)
Retained earnings, beginning of year	705,036		801,214	
Dividends paid	(80,000)		(80,000)	
Retained earnings, end of year	\$ 678,164		\$ 705,036	

*See accompanying notes*

# CERJ GROUP

## COMBINED BALANCE SHEET

As at December 31, 2017

*Unaudited - see notice to reader*

	2017	2016
<b>ASSETS</b>		
Property and buildings (note 1)	\$ 15,813,212	\$ 14,156,738
Deferred charges (note 2)	238,421	151,689
Cash	376,868	90,700
Accounts receivable	30,359	24,180
GST receivable	-	65,772
Income taxes receivable	74,105	104,267
Computer equipment	2,047	-
Investments (note 3)	117,808	117,808
	<b>\$ 16,652,820</b>	<b>\$ 14,711,154</b>
<b>LIABILITIES</b>		
Debt on property and buildings (note 4)	\$ 8,654,367	\$ 6,998,017
Accounts payable and accrued liabilities	184,532	57,728
GST payable	67,846	-
Security deposits and prepaid rent	74,051	68,478
Due to shareholders and related parties (note 5)	6,993,755	6,881,790
	<b>15,974,551</b>	<b>14,006,013</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 6)	105	105
Retained earnings	678,164	705,036
	<b>678,269</b>	<b>705,141</b>
	<b>\$ 16,652,820</b>	<b>\$ 14,711,154</b>

*See accompanying notes*

Approved:

\_\_\_\_\_  
Rob Chetner Director

# CERJ GROUP

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2017

Unaudited - see notice to reader

### 1. Property and buildings

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 4,362,650	\$ -	\$ 4,362,650	\$ 4,362,650
Building - Heritage House	3,068,092	1,157,527	1,910,565	1,990,172
Building - Jubilee	1,353,655	247,120	1,106,535	1,152,641
Building - Lakeview shopping center	5,488,727	86,926	5,401,801	-
Building - Lakeview office	2,899,830	-	2,899,830	-
Deferred development costs	131,831	-	131,831	6,651,275
	\$ 17,304,785	\$ 1,491,573	\$ 15,813,212	\$ 14,156,738

Buildings are amortized using the annual rates allowed under the *Income Tax Act*.

### 2. Deferred charges

	2017	2016
Deferred leasing costs	\$ 142,937	\$ 151,689
Tenant inducement	95,484	-
	\$ 238,421	\$ 151,689

Deferred charges are amortized over the terms of tenant leases.

### 3. Investments

	2017	2016
RBC Investments		
Consists of investments in listed securities and money market funds. Fair market value \$225,917 (2016 - \$410,662).	\$ 101,808	\$ 101,808
Lornex Capital Inc.	16,000	16,000
	\$ 117,808	\$ 117,808

# CERJ GROUP

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2017

Unaudited - see notice to reader

### 4. Debt on property and buildings

Mortgage loans for Heritage House and Jubilee financed by TD Canada Trust are repayable monthly inclusive of principal and interests. Security consists of assignments of rents, first charges on Revenue Producing Property and general security agreements. Three demand loan facilities financed by TD Canada Trust to fund property development of CERJ Shopping Centers Ltd. are repayable monthly on an interest only basis. Security consists of assignment of rents and construction contracts, a general security agreement representing a first charge over all personal property, guarantees of advances from CERJ Investments Ltd., CERJ Apartments Ltd. and Rob Chetner (limited to \$2,000,000), and collateral mortgage over all properties, postponement and assignment of claims executed by Heritage Homes Ltd. and CERJ Apartments Ltd. in the amount of \$1,613,950.

	2017	2016
Heritage House mortgage - bearing interest at 3.17% per annum maturing on October 1, 2027	\$ 1,555,268	\$ 1,627,760
Jubilee mortgage - bearing interest at 3.33% per annum maturing on December 1, 2024	796,198	820,419
Demand loan facility 1 - bearing interest rate at prime plus 0.5% per annum maturing on November 30, 2018	1,179,000	1,832,000
Demand loan facility 2 - bearing interest rate at prime plus 1% per annum maturing on November 30, 2018	4,611,901	2,414,838
Demand loan facility 3 - bearing interest rate at prime plus 0.5% per annum maturing on November 30, 2018	512,000	303,000
	<b>\$ 8,654,367</b>	<b>\$ 6,998,017</b>

### 5. Due to shareholders and related parties

Amounts due to shareholders and the Estate of Dov Chetner are without interest or fixed terms of repayment.

	2017	2016
Cindy Chetner	\$ 551,594	\$ 511,594
Esther Chetner	512,188	512,188
Rob Chetner	134,059	102,094
Judy Chetner	746,188	706,188
Arlein Chetner	975,000	975,000
Estate of Dov Chetner	462,166	462,166
Chetner Holdings Limited (Dov)	3,612,560	3,612,560
	<b>\$ 6,993,755</b>	<b>\$ 6,881,790</b>



# CERJ GROUP

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2017

Unaudited - see notice to reader

### 6. Share capital

		2017		2016
Issued:				
100	CERJ Apartments Ltd.	\$ 100	\$	100
1	CERJ Shopping Centers Ltd.	1		1
4	CERJ Investments Ltd.	4		4
		\$ 105	\$	105

### 7. Commitments

The Company has issued letters of credit to the District of West Kelowna to secure its obligations as follows:

		2017		2016
Landscaping phase 1	\$	10,251	\$	10,251
Works and servicing		176,148		493,876
Landscaping phase 2		45,950		45,950
Engineering works		323,950		323,950
Water works		58,871		58,871
	\$	615,170	\$	932,898

### 8. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.



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May 15, 2018

**PRIVATE AND CONFIDENTIAL**

**CERJ Apartments Ltd.**  
2827 West 43rd Avenue  
Vancouver, BC V6N 3H9

Dear Rob:

We have now completed our review of the Company's financial statements for the year ended December 31, 2017. To bring the year end financial accounting requirements to a close, the following items require your attention:

**ENCLOSURES REQUIRING SIGNATURES**

After reviewing the financial statements, please sign the following documents and return them to our office:

- Copy of the financial statements. Please note the Review Engagement Report attached to the financial statements. It describes the level of our involvement with the statements, as outlined in our engagement letter.
- Letter from the Company making certain representations about the accuracy and completeness of the financial statements and underlying records.
- Form T183 authorizing us to electronically file the Company's tax return.
- Form AT1 authorization us to electronically file the Company's Alberta tax return.

**TAX RETURNS**

**Corporate Income Tax Return**

We will e-file the corporation income tax return on receipt of the signed form T183.

The tax return shows a **\$39,645** refund.

If you receive a Notice of Assessment that differs from your return please inform our office as soon as possible so that we can review the changes and ensure they are correct. If the return has been assessed incorrectly we have 90 days to dispute the assessment with Canada Revenue Agency.

**Alberta Tax Return**

We have netfiled the Alberta corporation income tax return on your behalf, a copy of the return is included at Tab 5. The tax return shows a \$7,145 refund.

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**CORPORATE INCOME TAX PAYMENTS REQUIRED**

A schedule of suggested instalment amounts and dates is enclosed at **Tab 3** for your reference. Failure to make the instalment payments will likely result in non-deductible interest charges being assessed by Canada Revenue Agency.

**ACCOUNTING INFORMATION**

Canada Revenue Agency requires you to keep your accounting information for up to seven years. We do not keep a copy of your Company's detailed accounting transactions in our files. You should ensure that you save your accounting information so it is available if Canada Revenue Agency requests it.

If you are using accounting software you should ensure you maintain a proper backup of prior year's data. You should also conduct regular data integrity checks to ensure the data is not damaged. Please contact us if you require any assistance.

**RECOMMENDATIONS AND NOTES**

Please contact us should you have any questions. We appreciate your business and hope that our services have been helpful to you.

Yours truly,



**E. Albert Botteselle, CPA, CGA**

direct tel: 604-909-8687  
email: abotteselle@gbco.ca

EAB/sk  
Encls.

**CERJ APARTMENTS LTD.**

*A Canadian-Controlled Private Corporation*

**FINANCIAL STATEMENTS**

December 31, 2017

**GBCO**

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## INDEX TO FINANCIAL STATEMENTS

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## INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

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To the Shareholders of CERJ Apartments Ltd.

We have reviewed the accompanying financial statements of CERJ Apartments Ltd. that comprise the balance sheet as at December 31, 2017, and the statements of earnings and retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of CERJ Apartments Ltd. as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Chartered Professional Accountants  
Vancouver, BC  
April 10, 2018

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# CERJ APARTMENTS LTD.

## STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the year ended December 31, 2017

*Unaudited - see review engagement report*

	2017	%	2016	%
Revenue	\$ 574,604	100.0	\$ 627,832	100.0
Expenses				
Amortization	125,713	21.9	130,951	20.9
Bad debts (recovery)	(505)	(0.1)	386	0.1
Bank charges, interest and financing	103,077	17.9	111,053	17.7
Insurance	14,182	2.5	14,357	2.3
Management fees	44,995	7.8	47,895	7.6
Office	2,188	0.4	1,133	0.2
Professional services	5,250	0.9	5,250	0.8
Property taxes	53,742	9.4	49,815	7.9
Repairs and maintenance	89,635	15.6	214,830	34.2
Travel	2,845	0.5	1,966	0.3
Utilities	30,260	5.3	24,352	3.9
Wages and benefits	66,160	11.5	54,011	8.6
	537,542	93.5	655,999	104.5
Earnings before income taxes	37,062	6.5	(28,167)	(4.5)
Income taxes (note 3)	17,893	3.1	-	0.0
Net earnings	19,169	3.3	(28,167)	(4.5)
Retained earnings, beginning of year	282,921		311,088	
Retained earnings, end of year	\$ 302,090		\$ 282,921	

*See accompanying notes*

# CERJ APARTMENTS LTD.

## BALANCE SHEET

As at December 31, 2017

*Unaudited - see review engagement report*

	2017	2016
<b>ASSETS</b>		
Revenue producing property (note 4)	\$ 4,817,100	\$ 4,942,813
Cash	102,589	75,832
Accounts receivable	3,072	2,465
Income taxes receivable	46,790	76,931
Due from related companies (note 5)	599,207	554,819
	<b>\$ 5,568,758</b>	<b>\$ 5,652,860</b>
<b>LIABILITIES</b>		
Debt on revenue producing property (note 6)	\$ 2,351,466	\$ 2,448,179
Accounts payable and accrued liabilities (note 7)	26,421	30,697
Tenant deposits and deferred revenue	47,648	49,930
Due to related companies (note 5)	2,841,033	2,841,033
	<b>5,266,568</b>	<b>5,369,839</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 8)	100	100
Retained earnings	302,090	282,921
	<b>302,190</b>	<b>283,021</b>
	<b>\$ 5,568,758</b>	<b>\$ 5,652,860</b>

*See accompanying notes*

Approved:

\_\_\_\_\_  
Rob Chetner Director



# CERJ APARTMENTS LTD.

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

*Unaudited - see review engagement report*

	2017	2016
Cash used for:		
Operating activities		
Net earnings (loss)	\$ 19,169	\$ (28,167)
Non-cash item:		
Amortization	125,713	130,951
	144,882	102,784
Net change in non-cash working capital items:		
Accounts receivable	(607)	(1,691)
Income taxes	30,141	(123,592)
Due from related companies	(44,388)	(39,230)
Accounts payable and accrued liabilities	(4,276)	16,978
Cash flows from operating activities	125,752	(44,751)
Financing activities		
Debt on revenue producing property	(96,713)	(90,660)
Tenant deposits and deferred revenue	(2,282)	(6,540)
Cash flows from financing activities	(98,995)	(97,200)
Net increase (decrease) in cash	26,757	(141,951)
Cash, beginning of year	75,832	217,783
Cash, end of year	\$ 102,589	\$ 75,832

*See accompanying notes*

# CERJ APARTMENTS LTD.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

*Unaudited - see review engagement report*

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### 1. Nature of operations

CERJ Apartments Ltd. (the "Company"), was incorporated under the Business Corporations Act of Alberta on May 9, 2005. The Company operates two multi-unit residential complexes in Calgary, Alberta.

### 2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The significant policies are detailed as follows:

#### Revenue recognition

The Company records rental revenue on a monthly basis in accordance with the rental agreements.

Rents received in advance of due date are recorded as deferred revenue.

#### Income taxes

The Company accounts for income taxes using the taxes payable method. The taxes payable and provision for income taxes are based on the corporate income tax returns filed. There is no adjustment for income taxes related to temporary differences and no recognition of the benefit of income tax losses carried forward.

#### Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

#### Revenue producing property

Revenue producing properties are carried at the lower of amortized cost or net recoverable amount. If events or circumstances indicate that the carrying value of the revenue producing property may be impaired, a recoverability analysis is performed based on estimated discounted cash flows generated from the revenue producing property.

If the analysis indicates that the carrying value of a revenue producing property is not recoverable from future cash flows, the revenue producing property is written down to its net recoverable amount and an impairment loss is recognized.

The carrying cost of the revenue producing property includes acquisition costs, construction costs and improvements. The Company expenses all costs related to management, general and administrative expenses when incurred.

Revenue producing property are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

# CERJ APARTMENTS LTD.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Unaudited - see review engagement report

### 2. Summary of significant accounting policies — continued

#### Financial instruments

##### Initial and subsequent measurement

The Company initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Company subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in net income in the period incurred.

Financial assets measured at amortized cost on a straight-line basis include cash, accounts receivable, due from shareholders and due from related companies.

Financial liabilities measured at amortized cost on a straight-line basis include debt on revenue producing properties, accounts payable and accrued liabilities and due to related companies.

#### Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

### 3. Income taxes

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 50.67% (2016 - 50.67%) to the earnings for the years as follows:

	2017	2016
<u>Earnings for the year before income taxes</u>	<u>\$ 37,062</u>	<u>\$ (28,167)</u>
Anticipated income tax (recovery)	\$ 18,779	\$ (14,272)
Tax effect of the following:		
Effect of items not deductible for tax purposes	(156)	245
CCA in excess of amortization	(561)	14,027
Non-capital loss carryforward	(169)	-
<u>Income tax expense</u>	<u>\$ 17,893</u>	<u>\$ -</u>

# CERJ APARTMENTS LTD.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Unaudited - see review engagement report

### 4. Revenue producing property

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Heritage House - 2020 Urquhart Rd NW				
Land	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 1,000,000
Building	3,068,092	1,157,527	1,910,565	1,990,172
	4,068,092	1,157,527	2,910,565	2,990,172
Jubilee - 721 15th Ave SW				
Land	800,000	-	800,000	800,000
Building	1,353,655	247,120	1,106,535	1,152,641
	2,153,655	247,120	1,906,535	1,952,641
	\$ 6,221,747	\$ 1,404,647	\$ 4,817,100	\$ 4,942,813

### 5. Due from/to related companies

	2017	2016
Due from related company		
CERJ Shopping Centers Ltd.	\$ 599,207	\$ 554,819
Due to related companies		
CERJ Investments Ltd.	\$ 83,473	\$ 83,473
Chetner Holdings Limited	2,757,560	2,757,560
	\$ 2,841,033	\$ 2,841,033

CERJ Shopping Centers Ltd. and CERJ Investments Ltd. are related by virtue of common ownership. Chetner Holdings Limited is related by virtue of related party ownership.

The balances due from and to related parties are unsecured, non-interest bearing with no specific terms of repayment.

# CERJ APARTMENTS LTD.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Unaudited - see review engagement report

### 6. Debt on revenue producing property

The Company has the following mortgages with TD Canada Trust, which are secured by assignments of rents, first charges on Revenue Producing Property and general security agreements:

	2017	2016
Heritage House - 2020 Urquhart Road NW, Calgary Repayable in monthly instalments of \$11,045 including interest at 3.17% per annum maturing on October 1, 2027	<b>\$ 1,555,268</b>	\$ 1,627,760
Jubilee - 721 - 15th Avenue SW, Calgary Repayable in monthly instalment of \$4,249 including interest at 3.33% per annum maturing on December 1, 2024	<b>796,198</b>	820,419
	<b>\$ 2,351,466</b>	\$ 2,448,179

Minimum principal repayments are as follows:

2018	\$ 109,814
2019	113,364
2020	117,028
2021	120,810
2022	124,715
Subsequent years	1,765,735
	<b>\$ 2,351,466</b>

### 7. Accounts payable and accrued liabilities

	2017	2016
Accounts payable and accrued liabilities	<b>\$ 24,721</b>	\$ 28,997
Due to government agency	<b>1,700</b>	1,700
	<b>\$ 26,421</b>	\$ 30,697

# CERJ APARTMENTS LTD.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

*Unaudited - see review engagement report*

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### 8. Share capital

Authorized:

Unlimited	Class "A" common shares without par value
Unlimited	Class "B" common shares without par value
Unlimited	Class "C" common shares without par value
Unlimited	Class "D" preferred shares with a par value of \$0.01
Unlimited	Class "E" preferred shares with a par value of \$100.00

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		2017		2016
Issued:				
	100 Class "A" common	\$ 100	\$	100

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### 9. Financial risk management

The Company is exposed to interest rate risk. Interest rate risk is the risk that the Company has interest rate exposure on its bank indebtedness, which are variable based on the bank's prime rates. This exposure may have an effect on its earnings in future periods. The Company reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

**CERJ APARTMENTS LTD.**  
 SCHEDULES TO FINANCIAL STATEMENTS  
 For the year ended December 31, 2017

*Unaudited - see review engagement report*

**Schedule 1 - Net Rental Earnings**

	2020 Urquhart	721 15th Ave	2017	2016
Revenue	\$ 434,534	\$ 140,070	\$ 574,604	\$ 627,832
Expenses				
Amortization	79,607	46,106	125,713	130,951
Bad debts (recovery)	(505)	-	(505)	386
Bank charges, interest and financing	76,109	26,968	103,077	111,053
Insurance	9,305	4,877	14,182	14,357
Management fees	33,441	11,554	44,995	47,895
Office	1,499	689	2,188	1,133
Professional services	5,250	-	5,250	5,250
Property taxes	42,558	11,184	53,742	49,815
Repairs and maintenance	69,161	20,474	89,635	214,830
Travel	2,845	-	2,845	1,966
Utilities	21,567	8,694	30,261	24,352
	<b>340,836</b>	<b>130,546</b>	<b>471,382</b>	<b>601,988</b>
Rental earnings, before wage expense	\$ 93,698	\$ 9,524	\$ 103,222	\$ 25,844

*See accompanying notes*



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gbc0.ca

May 15, 2018

**PRIVATE AND CONFIDENTIAL**

**CERJ Investments Ltd.**  
2827 West 43rd Avenue  
Vancouver, BC V6N 3H9

Dear Robert:

We have now completed our compilation of the Company's financial statements for the year ended December 31, 2017. To bring the year end financial accounting requirements to a close, the following items require your attention:

**ENCLOSURES REQUIRING SIGNATURES**

After reviewing the financial statements, please sign the following documents and return them to our office:

- Copy of the financial statements. Please note the Notice to Reader attached to the financial statements. It describes the level of our involvement with the statements, as outlined in our engagement letter.
- Letter from the Company making certain representations about the accuracy and completeness of the financial statements and underlying records.
- Form T183 authorizing us to electronically file the Company's tax return.

**TAX RETURNS**

**Corporation Income Tax Return**

We will e-file the corporation income tax return on receipt of the signed form T183.

The tax return shows a **\$27,315** refund.

**Alberta Tax Return**

The corporation is exempt from filing the Alberta tax return for the year ended December 31, 2017.

If you receive a Notice of Assessment that differs from your return please inform our office as soon as possible so that we can review the changes and ensure they are correct. If the return has been assessed incorrectly we have 90 days to dispute the assessment with Canada Revenue Agency.

**GALLOWAY  
BOTTESELLE  
& COMPANY**  
Chartered Professional Accountants

Accounting for  
what matters™



**SHAREHOLDERS' REMUNERATION AND LOANS**

In accordance with our planning discussions to optimize your overall tax position, the following non-eligible dividends have been recorded:

Class C	Cindy Chetner	\$	40,000
Class D	Judy Chetner		40,000

These amounts should be included in their 2017 personal income and were credited to the shareholders' loans, taxes payable are to be paid by the Company. The details of the shareholders' loan balances are available at Tab 3.

Please contact us should you have any questions. We appreciate your business and hope that our services have been helpful to you.

Yours truly,



**E. Albert Botteselle, CPA, CGA**

direct tel: 604-909-8687  
email: abotteselle@gbco.ca

EAB/sk  
Encls.

**CERJ INVESTMENTS LTD.**

*A Canadian-Controlled Private Corporation*

**FINANCIAL STATEMENTS**

December 31, 2017

**GBCO**

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## INDEX TO FINANCIAL STATEMENTS

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300-2000 West 12th Ave  
Vancouver, BC V6J 2G2  
604 736.6581  
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---

## NOTICE TO READER

---

On the basis of information provided by management, we have compiled the balance sheet of CERJ Investments Ltd. as at December 31, 2017 and the statement of earnings and retained earnings for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

*Galloway Botteville & Company*

Chartered Professional Accountants  
Vancouver, BC  
March 29, 2018

GALLOWAY  
BOTTESELLE  
& COMPANY  
Chartered Professional Accountants

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# CERJ INVESTMENTS LTD.

## STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the year ended December 31, 2017

*Unaudited - see notice to reader*

	2017	2016
Investment earnings		
Dividend income	\$ 8,745	\$ 8,690
Interest income	-	23
	<b>8,745</b>	<b>8,713</b>
Expenses		
Bank charges and interest	-	1
Professional services	2,100	1,738
	<b>2,100</b>	<b>1,739</b>
Earnings before income taxes	<b>6,645</b>	6,974
Income tax recovery	<b>27,315</b>	27,336
Net earnings	<b>33,960</b>	34,310
Retained earnings, beginning of year	<b>461,809</b>	507,499
Dividends	<b>(80,000)</b>	(80,000)
Retained earnings, end of year	<b>\$ 415,769</b>	\$ 461,809

*See accompanying notes*

# CERJ INVESTMENTS LTD.

## BALANCE SHEET

As at December 31, 2017

*Unaudited - see notice to reader*

	2017	2016
<b>ASSETS</b>		
Current		
Cash	\$ 26,776	\$ 18,030
Income taxes receivable	27,315	27,336
	<b>54,091</b>	45,366
Investments (note 1)	117,808	117,808
Due from affiliates (note 2)	2,112,304	2,084,968
	<b>\$ 2,284,203</b>	\$ 2,248,142
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 4,200	\$ 2,099
Due to shareholders and related parties (note 3)	1,864,230	1,784,230
	<b>1,868,430</b>	1,786,329
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 4)	4	4
Retained earnings	415,769	461,809
	<b>415,773</b>	461,813
	<b>\$ 2,284,203</b>	\$ 2,248,142

*See accompanying notes*

Approved:

\_\_\_\_\_  
*Rob Chetner* Director

# CERJ INVESTMENTS LTD.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Unaudited - see notice to reader

### 1. Investments

	2017	2016
RBC Investments		
Consists of investments in listed securities and money market funds. Fair market value \$225,917 (2016 - \$410,662).	\$ 101,808	\$ 101,808
Lornex Capital Inc.	16,000	16,000
	<b>\$ 117,808</b>	<b>\$ 117,808</b>

### 2. Due from affiliates

Due from CERJ Apartments Ltd.	\$ 83,473	\$ 83,473
Due from CERJ Shopping Centre Ltd.	2,028,831	2,001,495
	<b>\$ 2,112,304</b>	<b>\$ 2,084,968</b>

Amounts due from affiliates are unsecured, non-interest bearing and without fixed terms of repayment.

### 3. Due to shareholders and related parties

Amounts due to shareholders and the Estate of Dov Chetner are without interest or fixed terms of repayment.

	2017	2016
Cindy Chetner	\$ 551,594	\$ 511,594
Esther Chetner	412,188	412,188
Rob Chetner	2,094	2,094
Judy Chetner	746,188	706,188
Estate of Dov Chetner	152,166	152,166
	<b>\$ 1,864,230</b>	<b>\$ 1,784,230</b>

# CERJ INVESTMENTS LTD.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

*Unaudited - see notice to reader*

### 4. Share capital

	2017	2016
Issued:		
1 Class "A" voting common shares	\$ 1	\$ 1
1 Class "B" voting common shares	1	1
1 Class "C" voting common shares	1	1
1 Class "D" voting common shares	1	1
	<b>\$ 4</b>	<b>\$ 4</b>



# CERJ INVESTMENTS LTD.

## SHAREHOLDERS' LOANS SUMMARY

For the year ended December 31, 2017

	Cindy	Esther	Robert	Judy	Estate of Dov	Total
<i>Summary 2002 - 2013:</i>						
Shares issued	\$ (1)	(1)	(1)	(1)	-	(4)
Capital dividends	188,925	188,925	188,925	188,925	-	755,700
Taxable dividends	390,500	98,000	248,477	299,650	-	1,036,627
Drawings	<u>(754,236)</u>	<u>(99,736)</u>	<u>(659,729)</u>	<u>(176,386)</u>	<u>152,166</u>	<u>(1,537,921)</u>
	(174,812)	187,188	(222,328)	312,188	152,166	254,402
<i>Transactions 2014:</i>						
Capital dividends	225,000	225,000	225,000	225,000	-	900,000
Taxable dividends	<u>530,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>630,000</u>
	580,188	412,188	2,672	637,188	152,166	1,784,402
<i>Transactions 2015:</i>						
Taxable dividends	40,000	-	-	40,000	-	80,000
Drawings (personal taxes)	<u>(146,000)</u>	<u>-</u>	<u>(578)</u>	<u>(11,000)</u>	<u>-</u>	<u>(157,578)</u>
	474,188	412,188	2,094	666,188	152,166	1,706,824
<i>Transactions 2016:</i>						
Taxable dividends	40,000	-	-	40,000	-	80,000
Drawings (personal taxes)	<u>(2,594)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,594)</u>
	511,594	412,188	2,094	706,188	152,166	1,784,230
<i>Transactions 2017:</i>						
Taxable dividends	40,000	-	-	40,000	-	80,000
	\$ 551,594	\$ 412,188	\$ 2,094	\$ 746,188	\$ 152,166	1,864,230

# CERJ INVESTMENTS LTD.

## SHAREHOLDERS' LOANS SUMMARY - *Partially Equalized*

For the year ended December 31, 2017

	Cindy	Esther	Robert	Judy	Estate of Dov	Total
<i>Summary 2002 - 2013:</i>						
Shares issued	\$ (1)	(1)	(1)	(1)	-	(4)
Capital dividends	188,925	188,925	188,925	188,925	-	755,700
Taxable dividends	390,500	98,000	248,477	299,650	-	1,036,627
Drawings	<u>(754,236)</u>	<u>(99,736)</u>	<u>(659,729)</u>	<u>(176,386)</u>	152,166	<u>(1,537,921)</u>
	<u>(174,812)</u>	<u>187,188</u>	<u>(222,328)</u>	<u>312,188</u>	<u>152,166</u>	<u>254,402</u>
<i>Transactions 2014:</i>						
Capital dividends	225,000	225,000	225,000	225,000	-	900,000
Taxable dividends	<u>530,000</u>	-	-	<u>100,000</u>	-	<u>630,000</u>
	755,000	225,000	225,000	325,000	-	1,530,000
<i>Transactions 2015:</i>						
Taxable dividends	40,000	-	-	40,000	-	80,000
Drawings (personal taxes)	<u>(146,000)</u>	-	<u>(578)</u>	<u>(11,000)</u>	-	<u>(157,578)</u>
	649,000	225,000	224,422	354,000	-	1,452,422
<i>Transactions 2016:</i>						
Taxable dividends	40,000	-	-	40,000	-	80,000
Drawings (personal taxes)	<u>(2,594)</u>	-	-	-	-	<u>(2,594)</u>
	686,406	225,000	224,422	394,000	-	1,529,828
<i>Transactions 2017:</i>						
Taxable dividends	<u>40,000</u>	-	-	<u>40,000</u>	-	<u>80,000</u>
	726,406	225,000	224,422	434,000	-	1,609,828
<i>Equalize 2014 - 17</i>						
	<u>(323,949)</u>	<u>177,457</u>	<u>178,035</u>	<u>(31,543)</u>	-	-
	402,457	402,457	402,457	402,457	-	1,609,828
	\$ 227,645	589,645	180,129	714,645	152,166	1,864,230

# CERJ INVESTMENTS LTD.

## SHAREHOLDERS' LOANS SUMMARY - Fully Equalized

For the year ended December 31, 2017

	Cindy	Esther	Robert	Judy	Estate of Dov	Total
<i>Summary 2002 - 2013:</i>						
Shares issued	\$ (1)	(1)	(1)	(1)	-	(4)
Capital dividends	188,925	188,925	188,925	188,925	-	<b>755,700</b>
Taxable dividends	390,500	98,000	248,477	299,650	-	<b>1,036,627</b>
Drawings	<u>(754,236)</u>	<u>(99,736)</u>	<u>(659,729)</u>	<u>(176,386)</u>	152,166	<b>(1,537,921)</b>
	(174,812)	187,188	(222,328)	312,188	152,166	<b>254,402</b>
Equalize 2002- 13	<u>(131,343)</u>	<u>161,157</u>	<u>10,680</u>	<u>(40,493)</u>	-	-
	<u>(306,155)</u>	<u>348,345</u>	<u>(211,648)</u>	<u>271,695</u>	152,166	<b>254,402</b>
 <i>Transactions 2014:</i>						
Capital dividends	225,000	225,000	225,000	225,000	-	<b>900,000</b>
Taxable dividends	<u>530,000</u>	-	-	<u>100,000</u>	-	<b>630,000</b>
	755,000	225,000	225,000	325,000	-	<b>1,530,000</b>
 <i>Transactions 2015:</i>						
Taxable dividends	40,000	-	-	40,000	-	<b>80,000</b>
Drawings (personal tax)	<u>(146,000)</u>	-	<u>(578)</u>	<u>(11,000)</u>	-	<b>(157,578)</b>
	649,000	225,000	224,422	354,000	-	<b>1,452,422</b>
 <i>Transactions 2016:</i>						
Taxable dividends	40,000	-	-	40,000	-	<b>80,000</b>
Drawings (personal tax)	<u>(2,594)</u>	-	-	-	-	<b>(2,594)</b>
	686,406	225,000	224,422	394,000	-	<b>1,529,828</b>
 <i>Transactions 2017:</i>						
Taxable dividends	<u>40,000</u>	-	-	<u>40,000</u>	-	<b>80,000</b>
	726,406	225,000	224,422	434,000	-	<b>1,609,828</b>
Equalize 2014 - 17	<u>(323,949)</u>	<u>177,457</u>	<u>178,035</u>	<u>(31,543)</u>	-	-
	402,457	402,457	402,457	402,457	-	<b>1,609,828</b>
	<u>\$ 96,302</u>	<u>750,802</u>	<u>190,809</u>	<u>674,152</u>	152,166	<b>1,864,230</b>



300-2000 West 12th Ave  
Vancouver, BC V6J 2G2  
604 736.6581  
gbc0.ca

May 15, 2018

**PRIVATE AND CONFIDENTIAL**

**CERJ Shopping Centers Ltd.**  
2827 West 43rd Avenue  
Vancouver, BC V6N 3H9

Dear Rob:

We have now completed our compilation of the Company's financial statements for the year ended December 31, 2017. To bring the year end financial accounting requirements to a close, the following items require your attention:

**ENCLOSURES REQUIRING SIGNATURES**

After reviewing the financial statements, please sign the following documents and return them to our office:

- Copy of the financial statements. Please note the Notice to Reader attached to the financial statements. It describes the level of our involvement with the statements, as outlined in our engagement letter.
- Letter from the Company making certain representations about the accuracy and completeness of the financial statements and underlying records.
- Form T183 authorizing us to electronically file the Company's tax return.

**CORPORATE INCOME TAX RETURN**

We will e-file the corporation income tax return on receipt of the signed form T183.

The tax return shows neither a balance payable nor refundable.

If you receive a Notice of Assessment that differs from your return please inform our office as soon as possible so that we can review the changes and ensure they are correct. If the return has been assessed incorrectly we have 90 days to dispute the assessment with Canada Revenue Agency.

**ACCOUNTING INFORMATION**

Canada Revenue Agency requires you to keep your accounting information for up to seven years. We do not keep a copy of your Company's detailed accounting transactions in our files. You should ensure that you save your accounting information so it is available if Canada Revenue Agency requests it.

If you are using accounting software you should ensure you maintain a proper backup of prior year's data. You should also conduct regular data integrity checks to ensure the data is not damaged. Please contact us if you require any assistance.

**GALLOWAY  
BOTTESELLE  
& COMPANY**  
Chartered Professional Accountants

Accounting for  
what matters™

Please contact us should you have any questions. We appreciate your business and hope that our services have been helpful to you.

Yours truly,

A handwritten signature in black ink, appearing to read 'E. Botteselle', written in a cursive style.

**E. Albert Botteselle, CPA, CGA**

direct tel: 604-909-8687  
email: abotteselle@gbco.ca

EAB/sk  
Encls.

**CERJ SHOPPING CENTERS LTD.**

*A Canadian-Controlled Private Corporation*

**FINANCIAL STATEMENTS**

December 31, 2017

**GBCO**

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Vancouver, BC V6J 2G2  
604 736.6581  
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## NOTICE TO READER

---

On the basis of information provided by management, we have compiled the balance sheet of CERJ Shopping Centers Ltd. as at December 31, 2017 and the statement of loss and deficit for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

*Galloway Botteselle & Company*

Chartered Professional Accountants  
Vancouver, BC  
May 14, 2018

GALLOWAY  
BOTTESELLE  
& COMPANY  
Chartered Professional Accountants

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# CERJ SHOPPING CENTERS LTD.

## STATEMENT OF LOSS AND DEFICIT

For the year ended December 31, 2017

*Unaudited - see notice to reader*

	2017	%	2016	%
Rental revenue	\$ 416,551	100.0	\$ 91,808	100.0
Expenses				
Amortization - buildings and equipment	86,926	20.9	-	0.0
Amortization - deferred charges	16,889	4.1	-	0.0
Bad debts	2,197	0.5	-	0.0
Bank charges and interest	112,543	27.0	182	0.2
Insurance	9,187	2.2	9,896	10.8
Management fees	38,114	9.1	4,951	5.4
Office	10,791	2.6	1,892	2.1
Professional services	9,000	2.2	8,963	9.8
Property taxes	54,497	13.1	27,977	30.5
Repairs and maintenance	61,446	14.8	30,437	33.2
Travel	-	0.0	723	0.8
Utilities	14,962	3.6	29,108	31.7
	416,552	100.0	114,129	124.3
Loss	(1)		(22,321)	(24.3)
Deficit, beginning of year	(39,693)		(17,372)	
Deficit, end of year	\$ (39,694)		\$ (39,693)	

*See accompanying notes*

# CERJ SHOPPING CENTERS LTD.

## BALANCE SHEET

As at December 31, 2017

*Unaudited - see notice to reader*

	2017	2016
<b>ASSETS</b>		
Property and buildings (note 1)	\$ 10,996,112	\$ 9,213,925
Cash	247,503	-
Accounts receivable	27,287	21,715
GST receivable	-	65,772
Deferred charges (note 2)	238,421	151,689
Computer equipment	2,047	-
	<b>\$ 11,511,370</b>	<b>\$ 9,453,101</b>
<b>LIABILITIES</b>		
Debt on property and buildings (note 3)	\$ 6,302,901	\$ 4,549,838
Bank indebtedness	-	3,163
Accounts payable and accrued liabilities (note 4)	153,910	24,930
Deposits	26,403	18,548
GST payable	67,846	-
Due to shareholders and related parties (note 5)	5,000,003	4,896,314
	<b>11,551,063</b>	<b>9,492,793</b>
<b>SHARE CAPITAL AND DEFICIT</b>		
Share capital (note 6)	1	1
Deficit	(39,694)	(39,693)
	<b>(39,693)</b>	<b>(39,692)</b>
	<b>\$ 11,511,370</b>	<b>\$ 9,453,101</b>

*See accompanying notes*

Approved:

\_\_\_\_\_  
Rob Chetner Director

# CERJ SHOPPING CENTERS LTD.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Unaudited - see notice to reader

### 1. Property and buildings

Lakeview Shopping Centre: 851 - 891 Anders Road, West Kelowna

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,562,650	\$ -	\$ 2,562,650	\$ 2,562,650
Building - shopping center	5,488,727	86,926	5,401,801	-
Building - office	2,899,830	-	2,899,830	-
Deferred development costs	131,831	-	131,831	6,651,275
	\$ 11,083,038	\$ 86,926	\$ 10,996,112	\$ 9,213,925

Buildings are amortized using the annual rates allowed under the *Income Tax Act*.

### 2. Deferred charges

	2017	2016
Deferred leasing costs	\$ 142,937	\$ 151,689
Tenant inducement	95,484	-
	\$ 238,421	\$ 151,689

Deferred charges are amortized over the terms of tenant leases.

### 3. Debt on property and buildings

Three demand loan facilities with TD Canada Trust, with monthly payments on interests only, maturing on November 30 2018. Security consists of assignment of rents and construction contracts, a general security agreement representing a first charge over all personal property, guarantees of advances from CERJ Investments Ltd., CERJ Apartments Ltd. and Rob Chetner (limited to \$2,000,000), and collateral mortgage over all properties, postponement and assignment of claims executed by Heritage Homes Ltd. and CERJ Apartments Ltd. in the amount of \$1,613,950.

	2017	2016
Facility 1 - bearing interest rate at prime plus 0.5% per annum	\$ 1,179,000	\$ 1,832,000
Facility 2 - bearing interest rate at prime plus 1% per annum	4,611,901	2,414,838
Facility 3 - bearing interest rate at prime plus 0.5% per annum	512,000	303,000
	\$ 6,302,901	\$ 4,549,838

# CERJ SHOPPING CENTERS LTD.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Unaudited - see notice to reader

### 4. Accounts payable and accrued liabilities

	2017	2016
Accounts payable	\$ 146,910	\$ 20,430
Accrued liabilities	7,000	4,500
	<b>\$ 153,910</b>	<b>\$ 24,930</b>

### 5. Due to shareholders and related parties

	2017	2016
CERJ Apartments Ltd.	\$ 599,207	\$ 554,819
CERJ Investments Ltd.	2,028,831	2,001,495
Esther Chetner	100,000	100,000
Rob Chetner	131,965	100,000
Arlein Chetner	975,000	975,000
Estate of Dov Chetner	310,000	310,000
Chetner Holdings Limited (Dov)	855,000	855,000
	<b>\$ 5,000,003</b>	<b>\$ 4,896,314</b>

Amounts due to related parties are unsecured, non-interest bearing and without fixed terms of repayment.

### 6. Share capital

Authorized:

Unlimited	Class "A" common shares without par value
Unlimited	Class "B" common shares without par value
Unlimited	Class "C" common shares without par value
Unlimited	Class "D" preferred shares with a par value of \$0.01 each
Unlimited	Class "E" preferred shares with a par value of \$100.00 each

	2017	2016
Issued:		
400 Class "A"	\$ 0.40	\$ 0.40
400 Class "B"	0.40	0.40
	<b>\$ 0.80</b>	<b>\$ 0.80</b>

# CERJ SHOPPING CENTERS LTD.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

*Unaudited - see notice to reader*

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### 7. Commitments

The Company has issued letters of credit to the District of West Kelowna to secure its obligations as follows:

	2017	2016
Landscaping phase 1	\$ 10,251	\$ 10,251
Works and servicing	176,148	493,876
Landscaping phase 2	45,950	45,950
Engineering works	323,950	323,950
Water works	58,871	58,871
	<b>\$ 615,170</b>	<b>\$ 932,898</b>

### 8. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.