

# Glen Road Trust

## Financial Statements

As at December 31, 2019

### Financial Statements

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# Independent Auditor's Report

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## To the Unitholders of Glen Road Fund Trust

### *Opinion*

We have audited the financial statements of Glen Road Trust (the "Trust"), which comprise the statement of net assets as at December 31, 2019, and the statements of income and comprehensive income, changes in net assets attributable to redeemable unitholders, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Ontario  
February 13, 2020

*MNP LLP*

Chartered Professional Accountants  
Licensed Public Accountants

## Glen Road Trust

### Statement of Net Assets (\$ Canadian)

As at December 31, 2019

	December 31, 2019	December 31, 2018
<b>Assets</b>		
Current assets		
Cash	\$ 68,495	\$ 7,433
Distributions receivable	282,180	139,412
Other current assets	2,480	2,790
	<b>353,155</b>	149,635
Investments (Note 3)	<b>9,318,000</b>	4,874,000
<b>Total assets</b>	<b>\$ 9,671,155</b>	<b>\$ 5,023,635</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,278	\$ 4,280
<b>Total current liabilities</b>	<b>6,278</b>	4,280
Trust units (Note 4)	<b>9,348,314</b>	4,883,008
Accumulated earnings	<b>316,563</b>	136,347
	<b>9,664,877</b>	5,019,355
<b>Net assets attributable to redeemable unitholders</b>	<b>\$ 9,671,155</b>	<b>\$ 5,023,635</b>

Signed on the Trust's behalf by:

(signed)  
Glen Road Management Inc., Administrator of the Trust

The accompanying notes are an integral part of these financial statements

**Glen Road Trust**

**Statement of Income and Comprehensive Income (\$ Canadian)**

**For the Year Ended December 31, 2019**

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	December 31, 2019	December 31, 2018
Income from associates (note 3)	\$ 1,059,666	\$ 443,751
Operating Expenses		
Professional fees	6,449	3,828
Insurance	4,030	930
General and administrative costs	10,227	8,547
	<u>20,706</u>	<u>13,305</u>
Net income and comprehensive income	<u>\$ 1,038,960</u>	<u>\$ 430,446</u>

The accompanying notes are an integral part of these financial statements

## Glen Road Trust

### Statement of Changes in Net Assets Attributable to Redeemable Unitholders (\$ Canadian) For the Year Ended December 31, 2019

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	Trust Units (after giving effect to the unit split referred to in Note 4) #	Trust Units \$	Accumulated Earnings \$	Total \$
Net assets attributable to redeemable unitholders, December 31, 2017	348,600	3,192,346	80,740	3,273,086
Units issued (Note 4)	191,186	1,690,662	-	1,690,662
Net income and comprehensive income	-	-	430,446	430,446
Distribution of income to unitholders	-	-	(374,839)	(374,839)
Net assets attributable to redeemable unitholders, December 31, 2018	539,786	\$ 4,883,008	\$ 136,347	\$ 5,019,355
Units issued (Note 4)	618,552	5,665,304	-	5,665,304
Units bought (Note 4)	(129,032)	(1,199,998)	-	(1,199,998)
Net income and comprehensive income	-	-	1,038,960	1,038,960
Distribution of income to unitholders	-	-	(858,744)	(858,744)
<b>Net assets attributable to redeemable unitholders, December 31, 2019</b>	<b>1,029,306</b>	<b>\$ 9,348,314</b>	<b>\$ 316,563</b>	<b>\$ 9,664,877</b>

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The accompanying notes are an integral part of these financial statements

**Glen Road Trust**  
**Statement of Cash Flows (\$ Canadian)**  
**For the Year Ended December 31, 2019**

	<b>December 31, 2019</b>	December 31, 2018
<b>Cash provided by (used in)</b>		
Operating activities		
Net income and comprehensive income for the period	\$ 1,038,960	\$ 430,446
Changes not involving cash		
Net change in distributions receivable	(142,768)	(139,412)
Net change in other current assets	310	(2,537)
Net change in accounts payable and accrued liabilities	1,998	1,440
	<b>898,500</b>	<b>289,937</b>
Financing activities		
Net proceeds from units issued	\$ 5,665,304	\$ 1,690,662
Purchase of units	(1,199,998)	-
Distributions to unitholders	(858,744)	(374,839)
	<b>3,606,562</b>	<b>1,315,823</b>
Investing activities		
Increase in investments	\$ (4,444,000)	\$ (1,777,000)
Net increase in cash	<b>61,062</b>	<b>(171,240)</b>
Cash, beginning of period	<b>7,433</b>	<b>178,673</b>
Cash, end of period	<b>\$ 68,495</b>	<b>\$ 7,433</b>

The accompanying notes are an integral part of these financial statements

# Glen Road Trust

## Notes to the Financial Statements (\$ Canadian)

December 31, 2019

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### 1. Nature of Operations

Glen Road Trust (“GRT” or “the Trust”) is an open-ended, unincorporated investment trust formed under the laws of Ontario on March 6, 2017. The trustees of the Trust are Stephen Meehan, Christopher Dingle, Kelly Klatik and David Feather. The Trust is governed by the Declaration of Trust between Carlo Pannella as settlor, the trustees, and the unitholders, as beneficiaries, which establishes the rights and obligations of the unitholders and the trustees.

The principal office of GRT is located at 1267 Cornwall Road, Suite 202, Oakville, Ontario, L6L 3Z9.

### 2. Significant Accounting Policies

#### (i) Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and interpretations of the IFRS Interpretations Committee (“IFRIC”). These financial statements were authorized for issuance by the Administrator of the Trust, Glen Road Management Inc., on February 13, 2020.

#### (ii) Basis of Measurement

The financial statements have been prepared under the historical cost convention. The Trust’s functional currency is the Canadian dollar and it has no foreign currency assets, liabilities or transactions.

#### (iii) Use of Judgments, Estimates and Assumptions

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that are significant for the years ended December 31, 2019 and 2018:

Accounting for investment in Glen Road Fund 1 LP (Note 4)  
Classification of the trust units (Note 4)

In the preparation of these financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

#### (iv) Financial Instruments

##### *Initial Recognition*

At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

## Glen Road Trust

### Notes to the Financial Statements (\$ Canadian)

December 31, 2019

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## 2. Significant Accounting Policies (Continued)

### (iv) Financial Instruments (Continued)

#### *Financial Assets*

When an entity first recognizes a financial asset, it classifies it based on the entity's business model for managing the asset and the asset's contractual cash flow characteristics as follows:

1. A financial asset is measured at amortized cost if both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs and subsequently measured at the effective interest rate method, net of any allowance for expected credit losses. Financial assets under this category consist of cash and distributions receivable.
2. Financial assets are classified and measured at fair value through other comprehensive income ("FVOCI") if they are held in a business whose objective is achieved by both collecting contractual cash flows and selling financial assets. There are no financial assets classified under this category.
3. Any other financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss ("FVTPL"). There are no financial assets classified under this category.

#### *Impairment of Financial Assets*

Allowances for expected credit losses ("ECL") are recognized on all financial assets that are classified either at amortized cost or FVOCI and for all loan commitments and financial guarantees that are not measured at FVTPL. Allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

ECL allowances are measured at amounts equal to either: (i) 12-month ECL (also referred to as Stage 1 ECL) which comprises an allowance for all non-impaired financial instruments which have not experienced a significant increase in credit risk ("SICR") since initial recognition; or (ii) lifetime ECL (also referred to as Stage 2 ECL) which comprises an allowance for those financial instruments which have experienced a SICR since initial recognition; or where there is objective evidence of impairment. Lifetime ECL is recognized for Stage 2 financial instruments compared to 12-month ECL for Stage 1 financial instruments.

#### *Financial Liabilities*

Financial liabilities are measured at amortized cost or fair value through profit or loss ("FVTPL") when they are held for trading. Financial liabilities can be designated at FVTPL if managed on a fair value basis or if doing so eliminates or reduces a measurement or recognition inconsistency that would otherwise arise from measuring liabilities or recognizing the gains and losses on them on different bases.

## Glen Road Trust

### Notes to the Financial Statements (\$ Canadian)

December 31, 2019

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#### 2. Significant Accounting Policies (Continued)

##### (iv) Financial Instruments (Continued)

For financial liabilities designated as at FVTPL using the fair value option, the element of gains or losses attributable to changes in the entity's own credit risk should normally be recognized in other comprehensive income ("OCI"), with the remainder recognized in profit or loss. These amounts recognized in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. However, if presentation of the fair value change in respect of the liability's credit risk in OCI creates or enlarges a recognition or measurement inconsistency in profit or loss (for example if an entity expects the effect of the change in the liability's credit risk to be offset by the fair value of a financial asset), gains and losses must be entirely presented in net income or loss.

The Partnership has classified its accounts payable and accrued liabilities and distributions payable as financial liabilities at amortized cost.

##### (v) Investments in Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

The Company assesses at each year end whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal or value in use) and charged to the consolidated statement of loss and comprehensive loss.

#### 3. Investments

Investments consist of acquired units of Glen Road Fund No. 1 LP ("GRF"). GRF is a limited partnership which uses available funds to make secured loans to EWA Capital Partners Inc. ("EWA"). EWA is a private Ontario corporation in the business of, among other things, indirectly acquiring streams of revenue from advisor books of business.

Significant influence arises because as at December 31, 2019, the Trust owns 77% (2018 – 75%) of the outstanding units of the Fund. These investments are accounted for under the equity method.

During the year ended December 31, 2019, the Trust acquired 5,244 units of GRF (2018 – 1,777), at a price of \$1,000 per unit, for a total investment of \$5,244,000 (2018 – \$1,777,000). During the year ended December 31, 2019, the Trust sold 800 units of GRF (2018 – nil), at a price of \$1,000 per unit, for total proceeds of \$800,000 (2018 – \$nil). As at December 31, 2019, the Trust held 9,318 units of GRF (2018 – 4,874) for a total investment of \$9,318,000 (2018 – \$4,874,000). During the year ended December 31, 2019, the investment in GRF yielded \$1,059,666 in distributions to the Trust (2018 – \$443,751).

## Glen Road Trust

### Notes to the Financial Statements (\$ Canadian)

December 31, 2019

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#### 3. Investments (Continued)

Summary Financial Information of Glen Road Fund No 1. LP:

	<b>December 31, 2019</b>	December 31, 2018
Total assets	<b>12,632,808</b>	6,758,357
Total liabilities	<b>494,808</b>	264,357
Total revenue	<b>1,769,773</b>	859,446
Total expenses	<b>6,779</b>	6,815

#### 4. Unitholders' Equity

On March 28, 2018, the Trust executed a unit split on a 1:100 basis such that each 1 Unit of the Trust prior to the split represented 100 Units after the split.

During the year ended December 31, 2018, the Trust raised gross proceeds of \$291,137 through the issuance of 31,305 Units at a price of \$9.30 per unit, and \$1,598,810 through the issuance of 159,881 Units at a price of \$10.00 per unit. Costs relating to the issuances totaled \$199,285 and were applied against the gross proceeds of the issuances and charged against Unitholders' equity.

During the year ended December 31, 2019, the Trust raised gross proceeds of \$5,680,924 through the issuance of 610,852 Units at a price of \$9.30 per unit, and \$77,000 through the issuance of 7,700 Units at a price of \$10.00 per unit. Costs relating to the issuances totaled \$92,620 and were applied against the gross proceeds of the issuances and charged against Unitholders' equity.

On October 23, 2019, the Trust purchased and cancelled 129,032 Units at a price of \$9.30 per unit, for a total purchase price of \$1,199,998.

The Trust distributed its quarterly net income to unitholders based on holdings and length of time that the units were held. During the year ended December 31, 2019, \$858,744 (2018 – \$374,839) was distributed to unitholders, and as at December 31, 2019, \$316,564 (2018 – \$136,347) remained undistributed.

#### 5. Related Party Transactions

The Trust considers its related parties to consist of key members and senior officers, including their close family members, and companies controlled or significantly influenced by such individuals, and reporting shareholders and their affiliates which may exert significant influence over the Trust's activities.

## Glen Road Trust

### Notes to the Financial Statements (\$ Canadian)

December 31, 2019

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#### 5. Related Party Transactions (Continued)

##### *Bellwether Alternative Income Fund*

Bellwether Alternative Income Fund (“BAIF”) is a fund managed by Bellwether Investment Management Inc. (“BIM”). BIM is a wholly-owned subsidiary of Lorne Park Capital Partners Inc. (“LPC”). LPC is a Tier II issuer on the TSX-V. Stephen Meehan, a trustee of the Trust, is on the Board of LPC and also directly and indirectly holds shares of LPC. Christopher Dingle, the Chairman of the trustees of the Trust, is also Chairman of the Board of LPC. As such, the Trust considers BAIF to be a related party.

During the year ended December 31, 2019, the Trust raised gross proceeds of \$4,852,405 through the issuance of 521,764 Units at a price of \$9.30 per unit from BAIF, and on October 23, 2019 the Trust purchased and cancelled 129,032 Units at a price of \$9.30 per unit from BAIF, for total purchase price of \$1,199,998. There were no issuances or purchases during the year ended December 31, 2018. During the year ended December 31, 2019, the Trust distributed \$514,347 (2018 – \$205,472) of income to BAIF.

##### *Glen Road Capital Partners Inc.*

Glen Road Capital Partners Inc. (“GRCP”) is a corporation that is beneficially owned by Stephen Meehan, and as such the Trust considers GRCP to be a related party.

The Trust and GRCP agreed that any initial setup costs and marketing support costs relating to the Trust would be borne and paid by GRCP, and GRCP will in turn charge to the Trust a pro-rata amount of those costs based on the maximum offering anticipated by the Trust. It was also agreed that the amount charged back to the Trust by GRCP will not be marked up, and GRCP will assume any risk of recovery of those Trust costs in the event that the maximum offering is not achieved by the Trust.

During the year ended December 31, 2019, GRCP incurred a total of \$nil (2018 – \$54,455) in costs relating to the Trust. As at December 31, 2019, since inception, GRCP incurred a total of \$351,741 in costs relating to the Trust.

During the year ended December 31, 2019, of those costs incurred by GRCP, \$62,097 (2018 – \$25,402) was billed to the Trust and is included as a cost relating to issuances and charged against Unitholders’ Equity.

As at December 31, 2019, the total costs incurred by GRCP relating to the Trust, net of amounts billed to the Trust was \$228,403 (2018 - \$315,500).

##### *Glen Road Fund No. 1 LP*

Glen Road Fund No. 1 LP (“GRF”) is a limited partnership which uses available funds to make secured loans to EWA Capital Partners Inc. (“EWA”). EWA is a private Ontario corporation in the business of, among other things, indirectly acquiring streams of revenue from advisor books of business. Glen Road Management Inc. (“GRM”) is the General Partner of GRF, and GRCP owns all of the outstanding shares of GRM. Stephen Meehan is also a director and officer of EWA. As such, the Trust considers GRF to be a related party.

## Glen Road Trust

### Notes to the Financial Statements (\$ Canadian)

December 31, 2019

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#### 5. Related Party Transactions (Continued)

As detailed in Note 3, during the year ended December 31, 2019, the Trust acquired 5,244 (2018 – 1,777) units of GRF, at a price of \$1,000 per unit, for a total investment amount of \$5,244,000 (2018 – \$1,777,000). During the year ended December 31, 2019, the Trust sold 800 (2018 – nil) units of GRF, at a price of \$1,000 per unit, for total proceeds of \$800,000 (2018 – \$nil). The total investment in GRF as at December 31, 2019 was \$9,318,000 (2018 – \$4,874,000). During the year ended December 31, 2019, the investment in GRF yielded \$1,059,666 (2018 – \$443,751) in distributions to the Trust, which was included in revenues.

#### 6. Fair Value of Financial Instruments

The fair value of the Company's financial instruments consists of financial assets and liabilities which approximate their carrying value due to the short-term nature, as further explained in Note 2(iv). There have been no transfers between fair value hierarchy levels during the year. The Company's obligations with respect to its financial liabilities as at December 31, 2019 mature in 2020.

#### 7. Financial Risk Factors

The Company is exposed to various risks through its financial instruments, as follows:

**(i) Credit risk**

Credit risk arises from deposits with banks and the receivable, and it is determined by an assessment of lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. The maximum exposure to credit risk approximated the amount recognized on the balance sheet, and no allowance has been recognized in the financial statements.

**(ii) Liquidity risk**

The Company's exposure to liquidity risk is dependent on the collection of the receivable from GRF; and the raising of funds to expand operations. The Company controls liquidity risk by management of capital and cash flows.

**(iii) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises other price risk.

**Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is indirectly exposed to other price risk due to the nature of its relationship with, and the distributions it receives from GRF, as well as indirectly with GRF through the loan receivable from EWA and how EWA uses those funds.

**Glen Road Trust**

**Notes to the Financial Statements (\$ Canadian)**

**December 31, 2019**

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**7. Financial Risk Factors (Continued)**

**(iii) Market risk (Continued)**

**Other price risk (Continued)**

EWA's ability to repay EWA Loans made by GRF depends in large part on identifying suitable acquisition or investment opportunities, pursuing such opportunities and consummating acquisitions and investments. There is a risk that advisor books acquired by EWA will fail to perform as expected due to those revenues being directly related to the market value of the investments being managed for clients. A change in market indices could have a significant impact on the revenues generated by the advisor book of business.

Any failure by the advisor book of business to generate and pay the amounts expected may adversely affect EWA's ability to meet its payment obligations to GRF under the EWA Loans. Any failure by EWA to repay the EWA Loans would adversely impact GRF's ability to pay distributions in the amounts expected, or at all.