



## **PARKIT ENTERPRISE INC.**

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION FOR  
THE THREE AND SIX MONTHS ENDED APRIL 30, 2018



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This Management's Discussion and Analysis ("MD&A") is prepared as of June 26, 2018 and outlines the business strategy, risk profile, business outlook and analysis of financial performance and financial position of Parkit Enterprise, Inc. ("Parkit," or "the Company") for the three and six months ended April 30, 2018. This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes for the three and six months ended April 30, 2018 (the "Interim Financial Statements").

This MD&A is based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are in Canadian dollars ("CAD"), unless otherwise stated.

## SECTION 1

### FORWARD LOOKING STATEMENTS

Certain statements contained in this Management Discussion & Analysis ("MD&A") constitute forward-looking statements. These statements reflect, among other things, management's expectations regarding the Company and the Company's business. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or event to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements are current only as of the date of the MD&A. The Company disclaims any obligation to publicly update or revise such statements to reflect any change in expectations, events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those in the forward looking statements, except as required by National Instrument 51-102.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- Establishment and expansion of business segments
- Capital and general expenditures;
- Projections of market prices and costs;
- Expectations regarding the ability to raise capital; and
- Treatment under governmental regulatory regimes.

Actual results could differ materially from those anticipated in this MD&A as a result of the risk factors set forth below and elsewhere in the MD&A:

- Liabilities inherent in our operations;
- Uncertainties associated with estimated market demand and sector activity levels;
- Competition for, among other things, capital, acquisitions and skilled personnel;
- Fluctuations in foreign exchange or interest rates and stock market volatility; and
- The other factors discussed under "Risk Factors".

These factors should not be construed as exhaustive.



## NON-IFRS MEASURES

Certain terms used in the MD&A such as “Earnings Before Interest, Tax, Depreciation and Amortization” (“EBITDA”), “Net Operating Income” (“NOI”), “Funds From Operations (“FFO”), “Yield”, “Occupancy”, “Gross Book Value”, “Appraised Value”, “Capitalisation (Cap) Rates”, “Investor Rate of Return” and any related per Unit amounts used by management to measure, compare and explain the operating results and financial performance of the Company are not recognized terms under IFRS, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. Management believes that these terms are relevant measures in comparing the Company’s performance to industry data, and the Company’s ability to earn cash from, and invest cash in parking real estate. These terms are defined in this MD&A. Such terms do not have standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publically traded companies.

EBITDA is a non-IFRS measure commonly used as a measurement tool in Canadian businesses. For the purposes of this MD&A, EBITDA is calculated as earnings determined under IFRS less amounts included for interest, taxes, depreciation and amortization included in the IFRS financial statements.

NOI is a non-IFRS measure commonly used as a measurement tool in real estate businesses. For the purposes of this MD&A, NOI is calculated as earnings determined under IFRS less amounts included for corporate expenses, other expenses, interest, taxes, depreciation and amortization included in the IFRS financial statements.

## SECTION 2

### EXECUTIVE SUMMARY

A summary of the financial and operational highlights follows:

	Three months ended April 30, 2018	Three months ended April 30, 2017	Six months ended April 30, 2018	Six months ended April 30, 2017
<b>Summary of Company’s Operations</b>				
Net income (loss)	\$ 154,785	\$ 537,763	\$ (106,976)	\$ 426,826
Earnings per share – basic and diluted	\$ 0.00	\$ 0.02	\$ (0.00)	\$ 0.01

<b>Summary of Company’s Financial Position</b>	As at April 30, 2018	As at January 31, 2018	As At October 31, 2017
Cash	\$ 1,958,094	\$ 2,200,584	\$ 2,200,195
Working Capital	\$ 2,380,470	\$ 2,412,923	\$ 2,467,969
Net assets	\$ 17,277,791	\$ 17,123,006	\$ 17,384,767

- Book value increased \$154,785 for the quarter from \$17,123,006 to \$17,277,791, and represents approximately \$0.54 per share.
- Cash represents approximately \$0.06 per share.
- The Company’s participation in its joint venture generated a profit of \$97,226 for Q2 2018 compared to \$10,728 profit for Q1 2018, and \$225,889 profit to the same period in prior year.
  - Roadwork construction surrounding Canopy Denver was completed in December 2017; however, there is increased competition from two new parking facilities that have opened in the area. Strategies

- have been put in place to incentivize parkers displaced during construction to return to Canopy and recruit first-time users to the facility.
  - The Company's 50% interest in the Fly-A-Way Parking facility in Nashville experienced softness in 2017 and the traditionally slow first quarter in 2018. Cost control and marketing initiatives are being implemented to restore profit growth. The Company remains confident in the long term potential of this asset.
  - The Company has received cash distributions from PAVE LLC of \$174,436 for the six months ended April 30, 2018 as compared with \$520,233 compared against the prior year comparable period.
- The Company remains focused on pursuing acquisitions and has conducted due diligence on potential opportunities, particularly in Canada that include parking assets and services as well as opportunities that function and have similar dynamics to parking.
- On May 11, 2018, Leonite Capital LLC announced that it had filed an early warning report in respect of (i) its acquisition of 619,660 common shares of the Company and (ii) the entering into of voting support agreements with certain shareholders holding an aggregate of 4,250,400 common shares. Pursuant to the terms of the voting support agreements the shareholders have agreed to vote in favour of the board nominees that may be proposed by the Acquiror at the next meeting of shareholders of the Issuer. Following the transactions described herein Leonite, acting jointly, has ownership of 5,815,987 common shares of the Company, representing approximately 18% of the issued and outstanding shares of the Company. When the 5,815,987 common shares is combined with the 4,250,400 common shares held by the shareholders who have entered into voting support agreements the Acquiror's holdings together with joint actors is 10,808,687 common shares representing approximately 33.45% of the issued and outstanding common shares of the Company.
- On May 31, 2018, the Company announced the retirement of Joel Dumaresq and David Mullen effective May 29, 2018 in order to create vacancies for the appointment of two persons nominated by a group of the Company's shareholders led by Leonite Capital. On May 30, 2018, the Board appointed Avi Geller and David Delaney as directors of the Company.
- On June 7, 2018, the Company announced that it has increased the size of its board of directors from five to six and that it has appointed Elie Norowitz to fill the additional seat. The Company also announced that Brad Dunkley has agreed to serve as Chairman of the Board, replacing Joel Dumaresq, who recently resigned.
- Subsequent to April 30, 2018, Propark advised that there is a purchase and sale contract for one of the smaller properties in the joint venture for a purchase price estimated to be approximately US\$1.18 million above the original cost of the property to the joint venture. The original cost of the property was US\$6.4 million. The due diligence period per the original purchase and sale contract has expired, and the Company is awaiting confirmation from Propark of final closing.

Any future distributions associated with this property disposition will be distributed to members of OP Holdings as detailed in the joint venture agreement. The joint venture agreement details a multi-staged priority payment waterfall for the distribution to members on any Initial Property Capital Proceeds. The Company will be entitled to receive future distributions on any Initial Property Capital Proceeds as the various requirements of the distribution waterfall are achieved. Distributions from this property disposition will be applied to first stage of the waterfall, which is allocated 100% to the Majority Member (Och-Ziff Real Estate) until the first IRR hurdle of 15% is met. The Company will start receiving 100% of the distributions from property dispositions in the joint venture in the second stage of the waterfall after the 15% IRR hurdle is met. Thereafter, distributions are allocated among the members as defined in each subsequent stage of the waterfall. Parkit views this sale as very positive as it will contribute towards the company receiving larger cash distributions from the Joint Venture more expeditiously.



## BUSINESS OVERVIEW

Parkit Enterprise Inc. is an alternative real estate investment firm engaged in the acquisition, optimization, and asset management of income-producing parking facilities across the United States and Canada. As asset manager and investor, the Company has multiple sources of revenue (management fees, acquisition fees, and earnings in equity). Parkit will aggregate a large portfolio of assets, the market value of which will benefit from yield improvement and scale premium. Upon disposition, Parkit will realize capital gains and incentive distributions.

As a listed asset manager and investor, the combination of income streams and gains in intrinsic value (unrealized capital gains) provide Parkit shareholders a rare opportunity for leveraged returns alongside institutional private equity.

The Company's primary asset and source of revenue is an effective 24.39% equity interest in OP Holdings JV LLC ("OP Holdings," or "the joint venture"). On April 22, 2015, the Company entered into a joint arrangement with Parking Real Estate, LLC ("PRE") and Och-Ziff Real Estate to form OP Holdings JV, LLC ("OP Holdings") (the "Transaction"). Upon closing the Transaction, OP Holdings acquired six assets, including two in which Parkit held equity, Espresso Airport Parking ("Espresso") and Canopy Airport Parking ("Canopy"). The majority member of OP Holdings is Och-Ziff Real Estate ("Och-Ziff"), a division of an institutional asset manager. OP Holding's goal at inception was to acquire an aggregate of US\$500 million of parking real estate located in North America over a three to year five period. To date none of the opportunities reviewed have met the investment objectives of the Company or its joint venture partners. However, OP Holdings continues its efforts to source and assess potential new investment opportunities, and potential sale opportunities for the existing portfolio.

As part of the Transaction, the Company's subsidiary, Greenswitch America and PRE jointly created separate legal entities, Parking Acquisition Ventures, LLC ("PAVe LLC") and PAVe Admin, LLC to manage and oversee the parking assets of OP Holdings as an administrator. The Company has an 82.83% economic interest in PAVe LLC, which is a 29.45% equity member of OP Holding. PAVe Admin is an entity created for legal purposes and hold no assets or liabilities.

In addition, the Company holds an investment in Fly-Away Airport Parking ("Fly-Away Parking"), servicing the Nashville International Airport, in which PAVe LLC acquired a 50% interest on October 30, 2015.

Parkit and its strategic partner, PRE, are responsible for the asset management activities of OP Holdings and Fly-Away Parking. PRE is comprised of senior executives at Propark America, Inc. ("Propark"), an established parking manager with a three-decade history of managing and developing parking facilities.

Parkit's shares trade on the TSX-Venture Exchange under the symbol PKT, and the OTCQX under the symbol PKTEF.

Additional information related to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## STRATEGIC DIRECTION

Parkit's investment strategy is to maximize shareholder value through growing income streams, and increasing the intrinsic value of portfolio assets. Investments provide income growth through management fees, incentive fees and returns on invested equity. Targeted acquisitions will have 2% to 3% yield improvement potential, and portfolio scale will allow for aggregation premium on sale. Combined, these factors increase the Company's intrinsic value significantly over time. While Parkit's assets are not marked-to-market, and gains in intrinsic value are not recognized in the Company's financial statements, this value is ultimately monetized on disposition.

The Company believes that a geographically diversified parking real estate portfolio possesses excellent potential to generate attractive risk-adjusted returns. On a macro level, both the improving fundamentals of the US economy and the continued strength of the US dollar should provide positive long-term benefits for shareholder value.



Parkit's primary investment is in a joint venture, OP Holdings, alongside with Och-Ziff Real Estate and Parking Real Estate LLC. This joint venture brings together best-of-class alternative real estate investment expertise and parking management expertise. Along with asset level debt financing, OP Holdings has access to sufficient equity capital to grow the portfolio.

As its initial contribution towards the joint venture, Parkit divested substantially all of its equity in Canopy Airport Parking, Denver ("Canopy") and Espresso Airport Parking, Oakland, into OP Holdings. Concurrently, as part of a larger acquisition strategy, the joint venture invested in four additional assets, for a total asset value of \$82.6 million, assuming the full repayment of all associated conditional earn-outs.

Since acquisition, the yield on this portfolio has decreased slightly by 0.2%, which has been adversely impacted by the recent performance of Canopy, effected by major ongoing road works that started in 2016 and continued up to December 2017. The completion of the roadwork construction should lead to revenue improvements in upcoming quarters. Strategies have been put in place to incentivize parkers displaced during construction to return to Canopy and recruit first-time users to the facility. In addition to the underlying growth in net operating income, the Company believes that capitalization rates have declined since the formation of the joint venture. The Company remains confident in the long term potential of this asset, a position reinforced by an updated third party appraisals completed in July 2017 as part of the OP Holdings portfolio debt refinancing completed in October 2017.

As with Fly-Away Parking, Parkit will also acquire assets independent of OP Holdings, either outright or jointly, with the objective of incubating or optimizing assets for sale into the joint venture or elsewhere.

To more fully take advantage of the North America wide joint venture agreement, the Company has initiated discussions with potential strategic partners to assist in the provision of deal flow for future acquisitions of parking assets and related businesses.

The Company has recently expanded its evaluation of new investment opportunities, particularly in Canada, to include parking assets and services, as well as opportunities that function and have similar dynamics to parking.

Deal flow has increased and management is hopeful that these efforts will lead to the completion of one or more acquisitions during the current fiscal year.

For further information visit the Company's website at [www.parkitenterprise.com](http://www.parkitenterprise.com).



## SECTION 3

### SUMMARY OF OPERATIONS

A summary of the results of operations for the three and six month periods ended April 30, 2018 and 2017 follows:

	Three months ended April 30, 2018	Three months ended April 30, 2017	Six months ended April 30, 2018	Six months ended April 30, 2017
Fee income	\$ 50,769	\$ 66,235	\$ 103,290	\$ 132,353
Share of profit from associate	37,884	327,550	76,714	426,686
Share of profit from joint ventures	97,226	225,889	107,954	406,119
General and administrative expenses	(185,972)	(234,398)	(380,688)	(561,290)
<b>Income (loss) from operations</b>	<b>(93)</b>	<b>385,276</b>	<b>(92,730)</b>	<b>403,868</b>
Foreign exchange income (loss)	153,513	164,716	(16,372)	68,914
Finance income	2,324	833	3,085	1,636
Loss on disposal of equipment	-	(12,054)	-	(12,054)
<b>Income (loss) before tax</b>	<b>155,744</b>	<b>538,771</b>	<b>(106,017)</b>	<b>462,364</b>
Income tax expense	(959)	(1,008)	(959)	(35,538)
<b>Net income (loss) for the period</b>	<b>\$ 154,785</b>	<b>\$ 537,763</b>	<b>\$ (106,976)</b>	<b>\$ 426,826</b>

#### ***Discussion of results for the three-month period ended April 30, 2018***

For the three-month period ended April 30, 2018 (“Q2 2018”), the Company reported a net income of \$154,785 (Q2 2017 - \$537,763). The more significant items are discussed below.

#### ***Fee income***

The Company receives service fees as the asset manager of OP Holdings. In Q2 2018, the Company earned fees of \$50,769 (Q2 2017 – \$66,235). Q2 2018 reflects the second and final re-set of the asset management fees to a lower rate effective on the two year anniversary in April 2017 of the OP Holdings transaction.

#### ***Share of profit from associate***

The Company’s share of profit from associate represents its equity participation of income in Green Park Denver whose only significant asset is an earnings-based contingent receivable from OP Holdings. The associate recognizes changes in fair value of the contingent consideration receivable through other comprehensive income except for interest calculated using the effective interest method, which includes the accretion of the discounted value over time as well as the reversal of any impairment for achievement risk. The second tranche of the consideration receivable of \$2,343,655 was earned paid in 2017 upon achievement of maximum performance targets as of April 22, 2017. The third and final tranche of the consideration receivable is payable upon disposition of certain assets in OP Holdings. The reduction of the accretion recognized during Q2 2018 compared to Q2 2017 reflects the reduction in the remaining consideration receivable balance.



### *Share of profit from joint ventures*

The Company recorded \$97,226 (Q2 2017 - \$225,889) in book profits from joint ventures, which reflects the Company's share of profits from PAVe LLC (OP Holdings and Fly-Away Parking).

The Company's participation in OP Holdings generated a profit \$117,528 in Q2 2018 (Q2 2017 - \$252,667), a decrease of \$135,139.

- OP Holdings portfolio revenues in Q2 2018 was comparable against the prior year period while NOI contracted by 14.9%. The operations of Canopy Denver is the largest of the six properties in the OP Holdings portfolio. Roadwork construction surrounding Canopy Denver was completed in December 2017, however, there is increased competition from two new parking facilities that have opened in the area. In order place to incentivize parkers displaced during construction to return to Canopy and recruit first-time users to the facility, Canopy has increased advertising and offered more discounts.
- Interest, depreciation and amortization expense in OP Holdings increased by 19.2% against the prior year period reflecting the 21% increase in the debt held from the portfolio refinancing completed in October, 2017.

The Company's participation in Fly-Away Parking generated a loss of \$20,302 in Q2 2018 (Q2 2017 - \$26,778), a decrease in loss of \$6,476. Management continues to monitor the performance of Fly-Away Parking. PRE has advised the Company of cost control and marketing initiatives being implemented to help restore profit growth at Fly-Away Parking.

All revenues, operating expenses and share of profit from joint venture are in US dollars and translated to CAD dollars for the financial statements. Thus quarter-on-quarter comparisons are subject to variation in foreign exchange fluctuation. See the commentary in "Investments" later in this section 3 for commentary of the results of the joint venture in USD.

### *General and administrative expenses*

	Three months ended April 30, 2018	Three months ended April 30, 2017
Management salaries and fees	\$ 73,801	\$ 67,125
Director fees	24,600	18,256
Professional fees	51,947	96,794
Other administrative expenses	35,624	52,223
<b>Total</b>	<b>\$ 185,972</b>	<b>\$ 234,398</b>

Management, salaries and fees increased \$6,676 reflecting an increase in personnel. In March 2017, the Company engaged Mr. Pace Goldman, a director of the Company since 2013 to assist Company management in strategy, business development and analysis.

Director fees increased \$6,344 reflecting an increase in the number of directors. On May 25, 2017, the Company announced the appointment of Mr. Brad Dunkley to the Board as an independent director.

Professional fees decreased \$44,847 reflecting a reduction in audit fees, tax consulting, and accounting services required.

Other administrative expenses decreased \$16,599 reflecting a reduction in rent and moving expenses incurred Q2 2017. At the end of February 2017, the Company moved to smaller premises.

### *Foreign exchange*

In Q2 2018, the Company recorded a foreign exchange gain of \$153,513 (Q2 2017 - \$164,716) which reflects the impact of the weakening of the C\$ against the US\$ during the quarter on the translation of the Company's US\$ cash balances and US\$ receivables.



***Income tax expense***

The Company recorded an income tax expense in Q2 2018 and Q2 2017 in connection with state tax filing fees.

**Discussion of results for the six-month period ended April 30, 2018**

For the six-month period ended April 30, 2018 (“6M 2018”), the Company reported a net loss of \$106,976 (6M 2017 – net income of \$426,826). The more significant items are discussed below

***Fee income***

The \$29,063 reduction in fee income in 6M 2018 reflects the second and final re-set of the asset management fees to a lower rate effective on the two year anniversary in April 2017 of the OP Holdings transaction.

***Share of profit from associate***

The \$349,972 reduction of the accretion recognized in 6M 2018 compared to 6M 2017 reflects the reduction in the remaining consideration receivable balance. See “***Discussion of results for the three-month period ended April 30, 2018***” for further details.

***Share of profit from joint ventures***

The Company recorded \$107,954 (6M 2017 - \$406,119) in book profits from joint ventures, a decrease of \$298,165.

- The Company’s participation in OP Holdings generated a profit of \$223,811 in 6M 2018 (6M 2017 - \$500,163), a decrease of income of \$276,352.
- The Company’s participation in Nashville generated a loss of \$108,004 in 6M 2018 (6M 2017 - \$91,783), an increase of loss of \$16,221.
- The Company’s share of the joint venture’s corporate expenses was \$7,853 in 6M 2018 (6M 2017 - \$2,261), an increase of loss of \$5,592.

Explanations of the main drivers of the six month variances are consistent with those for the three month analysis. See “***Discussion of results for the three-month period ended April 30, 2018***” for further details.

***General and administrative expenses***

	Six months ended April 30, 2018	Six months ended April 30, 2017
Management salaries and fees	\$ 146,554	\$ 122,449
Director fees	49,200	36,942
Share-based payments	-	149,778
Professional fees	106,323	155,514
Other administrative expenses	78,611	96,607
<b>Total</b>	<b>\$ 380,688</b>	<b>\$ 561,290</b>

6M 2017 includes share-based payments expense for 750,000 stock options issued on January 9, 2017 to directors, officers and a consultant of the Company. Each option vested on the grant date. No stock options were issued in 6M 2018.

Explanations of the main drivers of the six month variances for the remaining general and administrative expenses are consistent with those for the three month analysis. See “***Discussion of results for the three-month period ended April 30, 2018***” for further details.



### *Foreign exchange*

In 6M 2018, the Company recorded a foreign exchange loss of \$16,372 (6M 2017 – gain of \$68,914) which reflects the impact of the strengthening (6M 2017 – weakening) of the C\$ against the US\$ during the six month period on the translation of the Company’s US\$ cash balances and US\$ receivables.

### *Income tax expense*

6M 2017 tax expense of \$35,538 reflects the payment of state income tax installments that were owing.

## FINANCIAL POSITION

The following table presents consolidated information for the latest interim period and the two most recently completed fiscal years:

	April 30, 2018	October 31, 2017	October 31, 2016
Current Assets	\$ 2,388,376	\$ 2,477,221	\$ 1,890,948
Long Term Receivable <sup>(1)</sup>	1,232,256	1,261,965	1,554,295
Investment in Associate	1,222,768	1,146,054	2,985,393
Investment in Joint Venture	12,442,297	12,508,779	10,583,266
Equipment	-	-	14,554
<b>Total Assets</b>	<b>\$ 17,285,697</b>	<b>\$ 17,394,019</b>	<b>\$ 17,028,456</b>
Current Liabilities	\$ 7,906	\$ 9,252	\$ 272,890
Total Equity	\$ 17,277,791	\$ 17,384,767	\$ 16,755,566
<b>Total Liabilities and Equity</b>	<b>\$ 17,285,697</b>	<b>\$ 17,394,019</b>	<b>\$ 17,028,456</b>

(1) As at April 30, 2018 management estimated a current portion of the long term receivable of \$187,357 (October 31, 2017 - \$205,257 ; October 31, 2016 - \$213,404) which is included with current assets.

As at April 30, 2018, Current Assets are composed of \$2.0 million of cash and cash equivalents and \$0.4 million of accounts receivables and prepaid expenses and deposits. The cash and cash equivalent assets are retained by the corporate entity for operational expenses and future investment. The accounts receivable balance includes asset management fees, withholding taxes receivable and the short-term portion of the Long-Term Receivable owing to Parkit from Parking Real Estate (“PRE”). Prepaid and deposits includes a \$0.1 million deposit on a potential asset purchase. This deposit was returned to the Company subsequent to April 30, 2018.

The Long Term Receivable represents advances (net of repayments) made by Parkit to PRE for the purpose of PRE’s funding of investments in income producing properties and related costs of acquisition. This advance does not receive interest. As at April 30, 2018, the aggregate of the current and non-current portions of the Long Term Receivable balance was \$1.42 million (US\$1.11 million) of which \$0.19 million (US\$0.15 million) is to be repaid from the assignment of certain distributions due to PRE and the balance of \$1.23 million (US\$0.96 million) is to be repaid upon a disposition of properties from OP Holdings or an exit from OP Holdings.

Investment in Associate is the Company’s equity share of assets held in Green Park Denver, and represents the remaining fair value of conditional consideration to be received from the sale of Canopy. The decrease in the Investment in Associate balance in 2017 is substantially attributable to contingent consideration of \$2.34 million earned during the period, which is partly offset by the accretion recognized during the period of the discounted value of the remaining earn-out consideration amount and the reversal of the risk impairment relating to the second earn-



out contingent consideration. The third and final tranche of the contingent consideration receivable is payable following the disposition of certain assets in OP Holdings.

Investment in Joint Ventures decreased to \$12.44 million as at April 30, 2018 from \$12.51 million as at October 31, 2017. This decrease is as a result of cash distributions of \$0.17 million, which is partially offset by an increase from the Company's share of the book profits of \$0.11 million. Properties in the portfolio are not marked-to-market.

## INVESTMENTS

### **\*ALL INVESTMENTS ARE IN THE UNITED STATES. ALL RESULTS IN THE INVESTMENT SECTION DISCUSSION ARE IN US DOLLARS\***

#### Parking Acquisition Ventures LLC ("PAVe LLC" or "PAVe")

The Company has an investment in a joint venture, PAVe LLC, which holds the Company's investments in OP Holdings and Fly-Away Parking.

PAVe LLC has different classes of membership units, and the entitlements to distributions from these investments are different among each class. The Company is currently entitled to an 82.83% economic allocation of distributions from OP Holdings to PAVe LLC. However, the Company determined it does not control PAVe LLC as control is shared jointly with PRE, and accordingly it accounts for the entity as a joint venture.

Following the Company's reinvestment of a portion of the first tranche of the contingent consideration in 2016, PAVe LLC's equity interest in OP Holdings increased from 25% to 26.12%, and the Company's equity interest in PAVe LLC increased from 86.67% to 88.84%. Following the Company's and PRE's reinvestment of a portion of the second tranche of the contingent consideration in 2017, PAVe LLC's equity interest in OP Holdings increased to 29.45% and the Company's equity interest in PAVe LLC decreased to 82.83%. (See "OP Holdings" below).

The Company has established that through PAVe LLC's role as an administrator and equity member of OP Holdings, PAVe LLC is able to exert significant influence over OP Holdings and accordingly PAVe LLC accounts for its 29.45% interest in OP Holdings as an investment in associate.

On October 30, 2015, the Company invested US\$677,865 in PAVe LLC for the acquisition of Fly-Away Parking by PAVe Nashville, LLC ("Nashville"). Nashville is held by PAVe LLC directly, and is not part of OP Holdings. The Company is entitled to a 50% economic allocation of distributions from Nashville to PAVe LLC.

Equity earnings for Q2 2017 from the PAVe joint venture was US\$76,220 (Q2 2017 - US\$169,638), which includes earnings from OP Holdings of US\$92,136 (Q2 2017 - US\$189,747), a net loss from Fly-Away Parking of US\$15,916 (Q2 2017- net loss of \$20,109) as well as PAVe expenses of US\$ Nil (Q2 2017 - US\$ nil).

#### OP Holdings (Investment in Joint Venture)

OP Holdings is an investment vehicle that will seek to acquire and aggregate up to US\$500 million in income producing parking assets. Parkit acquired a 21.67% membership in OP Holdings (through its PAVe joint venture) for US\$6.2 million in April 2015 and pursuant to the joint venture agreement, contributed a further US\$1.4 million of the first earn-out consideration and, at the end of April 2017, a further US\$1.5 million of the second earn-out consideration. PAVe LLC currently holds a 29.45% membership in OP Holdings, with Parkit holding a net 24.39% membership in OP Holding through its 82.83% holding in PAVe. The majority member of the joint venture is Och-Ziff Real Estate, a real estate private equity firm based in the United States.



In April 2015, OP Holdings acquired six assets at an 8% cap rate, for a total of US\$82.6 million, assuming full payment of associated conditional earn-outs. The initial property portfolio includes two assets in which Parkit held equity, Canopy and Espresso, as well as four additional facilities described below.

- ‘Chapel Square’ located in New Haven, Connecticut (Commercial/business district)
- ‘Terra Park’ located in Jacksonville, Florida (Commercial/business district)
- ‘Riccio Lot’ located in New Haven, Connecticut (University and medical facility)
- ‘Z Parking’ located in East Granby, Connecticut (Bradley International Airport)

Going forward, Parkit will provide 5% of the equity component of future acquisitions made by OP Holdings. To date, pursuant to the OP Holdings joint venture and the PAVe LLC operating agreements, contributions of US\$1,652,000 have been made by PAVe LLC in respect of any future capital commitments of the Company, of which the Company contributed US\$725,000, representing the excess contributions made by the Company from the first and second earn-out contingent consideration earned.

In October 2017, OP Holdings successfully finalized the refinancing of the debt portfolio of the six parking facilities that was to be used to retire all existing senior debt with excess funds payable to members of OP Holdings. As part of the refinancing, updated appraisals of the six properties were obtained in July 2017. The increase in the appraised value of the properties allowed OP Holdings to increase the amount of the debt facility. The loan-to-value on the new financing agreement was approximately equal to the loan-to-value of the prior financing entered into in April 2015. The net excess proceeds received in OP Holdings from the debt refinancing was deemed a capital event and US\$8.62 million was distributed to the majority member pursuant to the terms of the joint venture agreement. The joint venture agreement details a multi-staged priority payment waterfall for the distribution to members on any Initial Property Capital Proceeds. The Company will be entitled to receive future distributions on any Initial Property Capital Proceeds as the various requirements of the distribution waterfall are achieved.

As a result of the retiring the old debt facilities, OP Holdings was also able to distribute the release of escrow funds. The release of these funds were separate from the capital funds distributed per the above paragraph, and the Company received a cash distribution of US\$129,773 in October 2017 for its share from the release of escrow funds.

Also, as a result of this refinancing, OP Holdings recognized additional one-time expenses and the write-off of deferred financing costs associated with extinguishment of the old debt. The Company’s share of these additional costs amounted to approximately US\$196,000.

During the Q2 2018, the Company earned portfolio asset management fees from OP Holdings of US\$39,800 (Q2 2017 – US\$49,500). Pursuant to the joint venture agreement, the asset management fees were reset to a lower rate following the first and second anniversaries of the closing of the OP Holdings transaction in April 2015.

Over the term of investment in OP Holdings, the Company has targeted yield optimization of 2-3%. The yield optimization achieved to date has decreased slightly by 0.2%, which has been adversely impacted by the recent performance of Canopy, effected by major ongoing road works that started in 2016 and continued up to December 2017.

Equity earnings for Q2 2018 from the OP Holdings joint venture was US\$92,136 (Q2 2017 - US\$189,747). OP Holdings recognized an increase of 19.2% against the prior year period in interest, depreciation and amortization expenses reflecting the 21% increase in the debt held from the portfolio refinancing completed in October, 2017.

During Q2 2018, the Company received cash distributions from OP Holdings of US\$ Nil (Q2 2017 - \$155,590).

Total cash distributions of US\$2.1 million have been received since inception in April 22, 2015 to April 30, 2018, resulting an annual cash yield for the investment of approximately 7.6% [Distributions of US\$2.1 million received from April 22, 2015 to April 30, 2018 / 1,104 days investment held \* 365 days / the Company’s total contributions to date total of US\$9.05 million]. This cash yield does not include principal repayments on the properties.



A central component of the Parkit strategy is to realize capital gains on the assets upon an exit. However, the accounting rules do not allow the Company to carry its joint venture investments on its balance sheet at a fair value that reflects any appreciation in value beyond that initially recognized at the time of the acquisition and as adjusted for the earn-out consideration. Therefore, any unrealized gain that may arise after the date of acquisition, and taking into account any payment of the earn-out consideration paid, is not reflected on the statement of operations, or in the carrying value on the balance sheet. Further, the carrying value of the joint venture investments is reduced by the amount of any cash distributions to the Company and increased by the amount related book profits attributable to the Company. To the extent distributions exceed book profits the carrying value is reduced. These factors combine to provide a book value that the Company believes is lower than the current fair value of its joint ventures, and supports a premium per-share intrinsic value for Parkit shareholders.

### Nashville Fly-Away Parking

On October 30, 2015, the Company invested US\$677,865 in PAVe LLC for the acquisition of Fly-Away Parking (“Fly-Away Parking”) by PAVe Nashville, LLC (“Nashville”). Fly-Away Parking is a 1,140 stall, 8.5 acre facility servicing the Nashville International Airport. The US\$8.0 million acquisition was completed with US\$5.4 million of financing at LIBOR plus 230 basis points, amortizing for periods up to 25 years. In addition, US\$1.2 million of vendor financing was utilized at 4% amortizing over 5 years.

In Q2 2018, Fly-Away Parking generated a loss for the Company of US\$15,916 (Q2 2017- net loss of \$20,109). Management is concerned by the underperformance at Fly-Away Parking and is monitoring developments. PRE has advised the Company of recent cost control and marketing initiatives being implemented to help restore profit growth at Fly-Away Parking. The Company commissioned an updated third party appraisal that was completed in February 2018, and the Company concluded that no impairment was required to be recognized.



## CASH FLOW SUMMARY

A summary of the Company's consolidated cash flows for the six months ended April 30, 2018 and 2017 is as follows:

<b>FOR THE SIX MONTH PERIOD ENDED</b>	<b>April 30, 2018</b>	<b>April 30, 2017</b>
Cash used in operating activities	\$ (447,588)	\$ (832,755)
Cash provided by investing activities	214,309	987,316
Increase in cash and cash equivalents	(233,279)	154,561
Foreign exchange effect on cash	(8,822)	33,067
Cash balance, beginning of the period	2,200,195	1,552,160
<b>Cash balance, end of period</b>	<b>\$ 1,958,094</b>	<b>\$ 1,739,788</b>

### Operating Activities:

Net cash used in operating activities for the six months ended April 30, 2018 was \$447,588, compared to \$832,755 for the six months ended April 30, 2017. Included in significant changes in non-cash working capital items in 6M 2017 is a \$337,151 increase in the second earn-out contingent receivable, which is subsequently reversed in the fourth quarter upon settlement.

### Investing Activities:

Net cash provided by investing activities for the six months April 30, 2018 was \$214,309, compared to \$987,316 for the six months ended April 30, 2018. The cash provided by investing activities in 6M 2018 and 6M 2017 includes the assignment by PRE to the Company of its management fee received during the period to repay a portion of the PRE loan receivable, and distributions from its PAVe LLC joint venture. 6M 2017 also includes the distribution from associate of the second earn-out contingent consideration, and the contribution of a portion of the second earn-out contingent consideration earned to PAVe (OP Holdings).

### Financing Activities:

The Company did not undertake any financing activities during the six month periods ended April 30, 2018 and 2017.

## SECTION 4

### LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2018, the Company had a working capital of \$2,380,470 (October 31, 2017 - \$2,467,969), and current liabilities of \$7,906 (October 31, 2017 - \$9,252). The working capital includes cash and cash equivalents of \$1,958,094 (October 31, 2017 - \$2,200,195). The Company expects to settle its current liabilities through existing cash resources, fee income generated from operations and cash distributions received from PAVe. The Company does not currently anticipate any additional debt or equity financings to fund current operations.

The Company believes that based on its current cash flow projections, that it will be able to meet its liquidity requirements for the foreseeable future.



## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company's total future aggregate minimum office lease payments over the remaining lease term to February 28, 2019 are as follows:

	<b>April 30, 2018</b>
Not later than one year	\$ 37,779

The Company has a commitment to contribute 5% of any capital call made by the joint venture. Capital calls will be made for the purpose of acquiring new parking real estate assets as jointly agreed by the members, and at other times as the joint venture may require capital. Management estimates this commitment to be US\$7.5 million based on investment targets set out at the inception of the joint venture in April 2015. Pursuant to the OP Holdings joint venture and the PAVe LLC operating agreements, member contributions to OP Holdings in respect of any future capital commitments approximate US\$1,652,000, of which the Company's contribution is approximately US\$725,000.

In connection with the acquisition of Fly-Away Parking, Greenswitch America together with PAVe and two other parties (collectively the "Borrowers") entered into a loan and security agreement pursuant to which the Borrowers received a bank loan in the principal amount of US\$5,460,000 as partial consideration for the acquisition (the "Loan"). In connection with the Loan, the Borrowers have each granted a security interest in all of their present and future assets and property including the property and assets of Fly-Away Parking. The loan bears interest at LIBOR plus 235 basis points and matures on October 30, 2020.

There are no other sources of financing that the Company has arranged but not yet utilized.

## CONTINGENCIES

On August 12, 2016, the Company terminated the employment of its former Chief Executive Officer without notice and without payment of any compensation in lieu of notice. On December 6, 2016, counsel for the former Chief Executive Officer made a demand for compensation, which was rejected by the Company. The Company believed, and it continues to believe, that it has no liability to have given any notice or to pay any severance to the former Chief Executive Officer. The Company is unable to predict the outcome or potential liability, if any, arising from the termination of the former Chief Executive Officer at this time and no amount has been accrued in the financial statements.

## OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## PROPOSED TRANSACTIONS

As the Company continues to explore opportunities in Canada, it will from time to time enter into non-binding contracts for the purpose of conducting due diligence on proposed transactions. As of this date the Company has not entered into any binding contracts.

## OUTSTANDING SHARE DATA

As at the date of this report, the Company has 32,310,796 issued and outstanding common shares, 1,745,000 common share stock options outstanding, and no common share purchase warrants outstanding.



## SECTION 5

### SELECTED QUARTERLY INFORMATION

The following table sets forth the selected financial information of the Company on a consolidated basis for each of the eight most recent financial quarters:

Financial (\$000's)	April 30, 2018	January 31, 2018	October 31, 2017	July 31, 2017
Fee income	\$ 51	\$ 53	\$ 47	\$ 48
Share of profit from associate	38	38	38	39
Share of profit from joint venture	97	11	43	385
Expenses <sup>(2)</sup>	(186)	(195)	(210)	(160)
Share-based payments	-	-	-	-
Foreign exchange gain (loss)	154	(170)	117	(318)
Net income (loss) for the period	155	(262)	36	(5)
Per share – basic	\$ 0.00	\$ (0.01)	\$ 0.00	\$ (0.00)

Financial (\$000's)	April 30, 2017	January 31, 2017	October 31, 2016	July 31, 2016
Fee income	\$ 66	\$ 66	\$ 46	\$ 69
Share of profit from associate	328	99	397 <sup>(1)</sup>	76 <sup>(1)</sup>
Share of profit from joint venture	226	180	348	263
Expenses <sup>(2)</sup>	(235)	(210)	(573)	(492)
Share-based payments	-	(150)	-	-
Loss on disposal of office equipment	(12)	-	-	-
Foreign exchange gain (loss)	165	(96)	86	107
Net income (loss) for the period	538	(111)	304	25
Per share – basic and diluted	\$ 0.02	\$ (0.00)	\$ 0.01	\$ 0.00

Note (1): Balance has been reclassified to conform with presentation for the current periods.

(2): Expenses include general and administrative expenses (excluding share-based payments) and tax expense/recovery

Variations in the reported share of profits from the joint venture (PAVE) are impacted by the seasonality effect on the parking business. The share of profits in PAVE was also negatively impacted by the reduction in profit reported by OP Holding starting in the quarter ended October 31, 2017. OP Holdings successfully refinanced its debt portfolio in October 2017. However, as result of this refinancing, OP Holdings recognized additional one-time expenses and the write-off of deferred financing costs associated with extinguishment of the old debt. The Company's share of these additional costs amounted to approximately \$245,000 and is the main driver of the reduction of the Company's share of profit in joint ventures recorded for both the quarter and year ended October 31, 2017.

Additionally, the US\$ - C\$ exchange rate movements during the quarters give rise to foreign exchange gains and losses, which can have a significant impact on the net income or loss reported for the period.



## SECTION 6

### RELATED PARTY TRANSACTIONS

#### Compensation of key management personnel

Senior management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. Senior management personnel include the Company's executive officers and members of the Board of Directors.

	Six months ended April 30, 2018	Six months ended April 30, 2017
Total for all senior management		
Short-term benefits	\$ 153,600	\$ 134,850
Share based payments	-	109,837
	\$ 153,600	\$ 244,687
Total for all directors		
Short-term benefits	\$ 49,200	\$ 38,650
Share based payments	-	29,956
	\$ 49,200	\$ 68,606
Total	\$ 202,800	\$ 313,293

Included in accounts payable and accrued liabilities as of April 30, 2018 is \$2,366 in amounts due to related parties for expense reimbursements.

## SECTION 7

### SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in Notes 2 and 3 of the Company's Financial Statements for the year ended October 31, 2017.

#### New accounting policies

There were no new accounting policies adopted during the period and the accounting policies adopted in the Company's Interim Financial Statements are consistent with those adopted in the Company's Consolidated Financial Statements for the year ended October 31, 2017.

#### Critical judgments and estimates in applying accounting policies

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgment uncertainty that management has made at the end of the reporting period may result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made.



In preparing the Interim Financial Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those in the Company's Consolidated Financial Statements for the year ended October 31, 2017.

## SECTION 8

### RISKS AND UNCERTAINTIES

Readers should carefully consider the risks and uncertainties described in the Company's MD&A for the year ended October 31, 2017 (available on the SEDAR website at [www.sedar.com](http://www.sedar.com)) before deciding whether to invest in the common shares of the Company.

## SECTION 10

### CONTROLS AND PROCEDURES

For the purposes of National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the Company is a Venture Issuer and has made no representations relating to the design and evaluations of the disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") and it has not completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.