

TITANSTAR PROPERTIES INC.

FORM 51-102F1

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended April 30, 2014

TITANSTAR PROPERTIES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2014

This Management's Discussion and Analysis ("MD&A") dated August 21, 2014 is in respect of the year ended April 30, 2014, and should be read in conjunction with the audited consolidated financial statements for the year ended April 30, 2014, together with the audited consolidated financial statements and appended notes and MD&A for the year ended April 30, 2013.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements with respect to TitanStar Properties Inc. (the "**Company**"), including statements that reflect management's expectations regarding the Company's real property assets, the Company's sources of funding, ongoing occupancy levels with respect to the Company's current real estate assets, the local economies in which the Company's real estate assets are located, ongoing capitalization rates and lease rates in such local economies, and the Deer Springs Property asset. Wherever possible, words such as "anticipates," "will," "in the process of" and "on track to" or similar words or phrases have been used to identify such forward-looking statements. Such forward-looking statements are not historical facts, but instead reflect management's current beliefs, expectations and estimates based on information currently available to management. Such forward-looking statements include statements with respect to the potential value of the Company's assets, the Company's anticipated sources of funding, the general climate and growth of the local economies in which the Company's real estate assets are located, decreasing capitalization rates and increasing lease rates in such local economies, and anticipated plans with respect to the Deer Springs Property.

Forward-looking statements are subject to significant risks, uncertainties and assumptions. Although management of the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that the expectations represented in such forward-looking statements will prove to be correct. Some of the factors and risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include the impact of general economic conditions, industry conditions, interest rate fluctuations, changes in currency exchange rates, tax-related risk factors, governmental regulation, environmental risks competition from other industry participants, and the risk of fluctuation and variation in actual operating results, which variation may be material.

There can be no assurance that forward-looking statements will prove to be accurate, as actual events and future events could differ materially from those anticipated. Accordingly, readers should not place undue reliance on forward-looking statements. The forward looking-statements in this communication are made as of the date indicated above. The Company does not undertake any obligation to update any forward-looking information or statements except as and to the extent required by applicable Canadian securities laws.

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OVERVIEW OF THE COMPANY

TitanStar Properties Inc. (formerly "DPVC Inc.") was incorporated under the *Canada Business Corporations Act* on June 3, 2008 and is a real estate holding company trading on the TSX Venture Exchange (the "Exchange"). The Company issued share capital and commenced operations on June 30, 2008. On September 27, 2010, the Company's shareholders passed a special resolution approving a change in the Company's name from "DPVC Inc." to "TitanStar Properties Inc." As at April 30, 2014, the Company held a 38.4% interest in Adam's Dairy Landing located in Blue Springs, Missouri, and 50% interest in four properties under co-ownership accounted for on an equity basis; Deer Springs Crossing and Sahara Crossing, both located in Las Vegas, Nevada; Swanway Plaza, located in Tucson, Arizona; and, San Tan Plaza, located in Chandler, Arizona.

The sole business of the Company is the ownership of real property interests, consistent with a well-established investment policy. The Company seeks to create a portfolio of stabilized income producing real estate assets primarily in the United States southwest area with value to be maximized through the acquisition of well-positioned, quality assets where management believes there will be lease rate increases in the future and decreasing capitalization rates which with each contribute to value creation.

The initial focus is on necessity-based, nationally-anchored retail/commercial properties and community centers.

In prior reporting periods, the Company made the following investments, either directly or through a subsidiary, in its interests in joint ventures and associates:

- 50% interest in each of two Nevada limited partnerships, Deer Springs Crossing, LP ("DSC LP") and LV Loan Holdings, LP ("LVLH LP").

DSC LP owns certain lands located in Las Vegas, Nevada (the "Deer Springs Property") and LVLH LP owns a promissory note (with respect to a loan related to the Deer Springs Property) and certain related security documents (the "Deer Springs Note").

- 50% interest in a Nevada limited partnership, Sahara Crossing, LP ("Sahara LP").

Sahara LP was formed by the Company and Sahara Crossing Development Company, LLC ("SCDC"), a related party of Juliet Companies LLC ("Juliet") and completed its acquisition of a commercial retail property located in Las Vegas, Nevada (the "Sahara Property"). The property is now 100% leased and it is anticipated that distributions will commence in the latter half of 2014. Net proceeds from Sahara LP will be firstly applied to repay each of the Company and SCDC's respective capital accounts, and lastly distributed to the Company and SCDC equally.

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- 50% interest in a Nevada limited partnership, TSP LP I LP (“TSP LPI”).

TSP LPI was formed by the Company and Romspen Investment Corporation (“Romspen”) and completed its acquisition of a commercial retail property located in Tucson, Arizona (the “Swanway Plaza”). The Swanway Plaza is a 55,790 square foot retail shopping centre covering a total site area of 5.47 acres. It is currently 97% leased.

- 50% interest in a Nevada limited partnership, TSP LP II LP (“TSP LPII”).

TSP LPII was formed by the Company and Romspen and completed its acquisition of a commercial retail property located in Chandler, Arizona (the “San Tan Plaza”). The San Tan Plaza is a 29,945 square foot retail shopping centre covering a total site area of 6.76 acres. It is currently 100% leased.

On September 27, 2013, the Company acquired a US\$6,000,000 38.4% interest in a retail shopping center known as Adam’s Dairy Landing (Adam’s Dairy) located in Blue Springs, Missouri. The Company’s interest is through two wholly owned subsidiaries, TSP LP Holdings Inc. (37.5% limited partnership interest in Blue Springs Partners LP) and TSP GP Holdings Inc. (0.9% general partnership interest in Blue Springs Development II LLC).

The first stage purchase price was funded by the Company with its acquisition bridge loan facility.

The Company had an option to acquire an additional 51.6% interest in Adams Dairy for an additional amount of US \$8,062,500 on or before February 18, 2014 (“Second Closing Date”) with two extensions to March 17, 2014 and April 16, 2014 at a cost of US \$150,000 each. The Company elected to execute its right to acquire the additional 51.6% beneficial interest and paid the extension fees on February 18, 2014 and March 17, 2014 respectively. The Second Closing Date was extended to May 2, 2014 at no additional cost. The Second Closing Date was not achieved by the Company and accordingly, the deposits became non-refundable and the buy-back right is in effect. The Company is currently pursuing a reinstatement of the terms to acquire up to 100% interest in Adams Dairy in conjunction with its strategic partnership with Hoche Partners International and Inovalis S.A as announced in a May 28, 2014 press release.

If the event that the Company did not acquire the additional 51.6% by the Second Closing Date, the seller has a buy back right at the original sale value (US \$6,000,000) on the 38.4% interest within six months of the Second Closing Date.

The Second Closing Date was not achieved by the Company and accordingly, the deposits became non-refundable and the buy-back right is in effect.

The Company is currently pursuing a reinstatement of the terms to acquire up to 100% interest in Adams Dairy in conjunction with its strategic partnership with Hoche Partners International (“**Hoche**”) and Inovalis S.A (“**Inovalis**”) as announced in a May 28, 2014 press release.

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A detailed description of each property interest owned by such joint ventures and associates follows below.

During the year ended April 30, 2014, the Company completed a public offering of 8.5% convertible redeemable unsecured subordinated debentures (the "**Debentures**"). An aggregate principal amount of \$5.36 million of Debentures were issued. See "Financing and Capital Resources" below.

REAL ESTATE PORTFOLIO

Overview

As at April 30, 2014 and as at the date of this MD&A, the Company's real estate portfolio consisted of five properties. The details of each property as at the date of this MD&A are as follows:

Property	Date Acquired	%	Purchase Price (USD) ⁽¹⁾	Lot Size (acres)	Gross Leasable Area (sq ft)	Built/renovated	Major Tenants	Occupancy
Deer Springs Property ⁽²⁾ (Las Vegas, NV)	April 2010	50%	10.50 million	20.7	N/A ⁽³⁾	-	N/A ⁽³⁾	N/A ⁽³⁾
Sahara Property ⁽⁴⁾ (Las Vegas, NV)	October 2010	50%	5.34 million	6.15	61,125	1996	<ul style="list-style-type: none"> • Goodwill Industries • Habitat for Humanity Las Vegas, Inc. • UClean 	100%
Swanway Plaza ⁽⁵⁾ (Tucson, AZ)	December 2012	50%	10.26 million	6.76	55,790	2001	<ul style="list-style-type: none"> • Walgreens • Ace Hardware • Guitar Center • Anna's Linens • Catherines 	97%
San Tan Plaza ⁽⁶⁾ (Chandler, AZ)	January 2013	50%	3.65 million	5.47	29,945	2006	<ul style="list-style-type: none"> • Bedmart • Desert Hot Tubs • Happy Harvesters • Planet Fitness 	100%
Adam's Dairy Landing ⁽⁷⁾⁽⁸⁾ (Blue Springs, MO)	September 2013	38.4%	58.3 million	33.32	261,151	2008	<ul style="list-style-type: none"> • Gordmans • TJ Maxx • Home Goods • Ross Dress for Less • Michaels 	86%

Notes:

- (1) Subject to customary closing adjustments.
- (2) The Deer Springs Property is owned directly by Deer Springs Crossing LP, a Nevada limited partnership of which the Company owns a 50% beneficial interest. The remaining 50% beneficial interest is beneficially owned by Juliet Companies, LLC ("**Juliet**"). The Deer Springs Property is managed by Juliet through Diamond Property Company.
- (3) The Deer Springs Property is an approximate 901,692 square feet parcel that is available for, but not currently under, development.
- (4) The Sahara Property is owned directly by the Sahara Crossing LP, a Nevada limited partnership of which the Company owns a 50% beneficial interest. Juliet beneficially owns the remaining 50% interest. Juliet is also the manager of the Sahara Property.
- (5) The Swanway Plaza is owned directly by TSP LP I, L.P., a Nevada limited partnership of which the Company owns a 50% beneficial interest. The remaining 50% beneficial interest is owned by Romspen Investment Corporation.
- (6) The San Tan Plaza is owned directly by TSP LP II, L.P., a Nevada limited partnership of which the Company owns a 50% beneficial interest. The remaining 50% beneficial interest is owned by Romspen Investment Corporation.
- (7) The Adam's Dairy Landing is owned directly by Blue Springs Partners LP, a Delaware limited partnership. The Company owns a 38.4% beneficial interest through its wholly owned subsidiaries TSP LP Holdings Inc. and TSP GP Holdings Inc. The remaining 61.6% is owned by Blue Springs Development Two LLC (GP) and Blue Springs Development Three Inc. (LP).
- (8) Blue Springs Development Two LLC (GP) and Blue Springs Development Three Inc. (LP) have provided a lease guarantee for 100% of proforma revenues on any unleased space until September 30, 2014 making the effective occupancy 100% until that date.

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Deer Springs Property

The Deer Springs Property is currently an approximately 20.7 acre (901,692 sq. ft.) parcel of property located in Las Vegas, Nevada, with 2.2 acres of the original property having been sold to third parties as described below. The property is located near the I-215/North Fifth interchange in North Las Vegas. When initially acquired, the Deer Springs Property was partially improved with concrete curbs, gutters, sidewalks, street lights, asphalt-paved parking areas and other improvements.

The property is commercially zoned, and the site is available for, but not currently under, development for an approximately 325,000 square foot retail centre or such other development that management of the Company believes will create value and benefit to its shareholders.

In June 2010, the Company announced that it had entered into a ground lease with McDonalds USA LLC ("McDonalds") for 38,000 square feet of land on the Deer Springs Property, with an annual ground rental rate of US \$135,000. The site work which was required has been completed, and McDonalds began to construct its approximately 5,000 square foot restaurant at its own expense. In November 2011, the Deer Springs Crossing LP (the "Deer Springs LP") sold the 38,000 square feet of land under long term lease to McDonalds to a private individual at arm's length to the Company and Deer Springs LP for a purchase price of approximately US \$2.36 million. In January 2013, 7-Eleven, Inc. purchased a 52,875 square feet development pad, located on 1.2 acres of land within the Deer Springs Property, on which it intends to build a store and gas bar. In consideration, the Deer Springs LP received US \$819,562.50.

Additionally, the Company owns a beneficial 50% interest in LV Loan Holdings, LP ("LVLH LP"). The remaining 50% interest in LVLH LP is beneficially owned by Juliet. LVLH LP owns a promissory note evidencing debt owing under the Deer Springs LP to it. As at April 30, 2014, the amount of indebtedness owing under the Deer Springs Note is approximately US \$9.4 million, with interest accruing at a rate of 0.67% per annum, to be adjusted every three years, and maturing on April 15, 2020. Interest payments are to be made on annual basis. The debt is secured by a deed of trust, assignment of rents, security agreement and fixture filing that encumbers the fee interest in the Deer Springs Property and all buildings and other improvements to the Deer Springs Property. The Company and Juliet have agreed to maintain the debt for income tax purposes.

As at the date of this MD&A, the Company anticipates that the Deer Springs Property will be further developed as a regional power centre for approximately 300,000 square feet of leasable space for lease to quality national or regional tenants. Alternatively, individual pads may be sold or leased to third parties. At this time, the Company and Juliet are analyzing all possible options and no development plans are currently underway.

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Sahara Property

The Sahara Property consists of one building (approximately 61,125 sq. ft.) located on 6.15 acres of land, located near the Sahara Avenue and Decatur Boulevard intersection in Las Vegas, Nevada. The concrete tilt-up retail building and related sitework were designed and constructed in 1996. The Sahara Property is now completely leased on a long-term basis. Goodwill Industries leased 17,000 square feet of space on a long-term basis commencing in October 2012. Habitat for Humanity Las Vegas Inc. (“Habitat for Humanity”) leased 13,590 square feet of space commencing December 2013 for an initial term of ten years, with an option to renew for three consecutive five-year periods thereafter. Habitat for Humanity leased an additional 13,352 square feet of space commencing January 2014 with similar terms as the initial lease. U-Clean LLC, a Nevada based company, also leased 17,326 square feet of space commencing April 2014 for an initial term of ten years, with an option to renew for two consecutive five-year periods thereafter.

Swanway Plaza

The Swanway Plaza is a 55,790 square foot retail shopping centre located at the Broadway Boulevard and Swan Road intersection in Tucson, Arizona, covering a total site area of 5.47 acres. As at the date of this MD&A, the shopping centre is 97% leased and has a variety of retail clients, anchored by two well-known US national retail chains: Walgreens (for 15,120 square feet) and Ace Hardware (for 13,000 square feet). Additional tenants include Guitar Centre, a US national music equipment retail chain, Anna’s Linens, a US national home furnishing retail chain, and Catherines, a US national women’s clothing retail chain.

Prior to May 1, 2013, Swanway Plaza was managed by Progressive Property Management LLC (“Progressive”) pursuant to an agreement dated December 1, 2012 between the manager and the former owner of Swanway Plaza. In consideration of its management services, Progressive received a management fee equal to the greater of: (a) US \$1,320 per month, or (b) 4% of the gross monthly collections of revenue (including any free rent concessions, security deposits, and other monies collected) from the Swanway Plaza.

Since May 1, 2013, the Swanway Plaza has been managed by Juliet through Juliet Realty, LLC pursuant to a management agreement dated April 5, 2013. In consideration, Juliet receives a monthly fee equal to 2.5% of the monthly gross income received from operating the Swanway Plaza. Juliet has agreed with Barclays Bank PLC that, in the event that TSP LP I, L.P. (“TSP LP I”) is in default of a loan (the “Barclays loan”) made by Barclays Bank PLC to TSP LP I and TSP LP II, L.P. (“TSP LP II”), it will not be entitled to receive any management fees for and during the period of such default.

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Pursuant to the terms of the acquisition, the vendors received a total of approximately US \$10.26 million, of which approximately US \$5.16 million was funded by way of vendor take back financing accruing interest at 4% per annum. The vendor take back financing was subsequently repaid by TSP LP I using proceeds from the Barclays Loan. The remainder of the acquisition cost was funded in cash, and the Company funded its portion of such cash payment by drawing an amount of US \$2.6 million from a revolving credit facility (the “Romspen Facility”) provided by Romspen Investment Corporation (“Romspen”), which was subsequently repaid from proceeds of the Debenture offering completed in August 2013. The cash invested at closing was subsequently effectively reduced by the increased amount of funding available from the Barclays Loan. The vendors were at arm’s length to the Company, Juliet and Romspen.

San Tan Plaza

The San Tan Plaza is a 29,945 square foot retail shopping centre covering a total site area of 6.76 acres, located directly adjacent to Loop 202 in Chandler, Arizona. The property was built in 2006, and as of the date of this MD&A is 100% leased, shadow anchored by the well-known US retail chain Kohl’s Department Store. Other tenants include Bedmart, Desert Hot Tubs, Happy Harvesters and Planet Fitness.

The San Tan Plaza is managed by Juliet Realty, LLC, pursuant to a management agreement dated January 21, 2013, as amended. In consideration, Juliet a monthly fee equal to 3% of monthly gross income received from operating the San Tan Plaza. Juliet has agreed with Barclays that, in the event TSP LP II is in default of the Barclays Loan, it will not be entitled to receive any management fees for and during the period of such default.

Pursuant to the terms of the acquisition, the vendors received a total of US \$3.6 million. Of this amount, US \$2 million was borrowed by TSP LP II under the Barclays Loan, with the remaining US \$1.65 million funded in cash. The Company funded its portion of such cash payment by drawing an amount of US \$825,000 from the Romspen Facility, which was subsequently been repaid from proceeds of the Debenture offering. The vendors were at arm’s length to the Company, Juliet and Romspen.

Adam’s Dairy Landing

Adam’s Dairy Landing is a 254,036 square foot retail shopping centre and as at the date of this MD&A is 86% leased and has a variety of retail clients, shadow anchored by two US national retail chains: Target (for 131,630 square feet) and Kohl’s (for 64,015 square feet). Additional tenants include Gordmans, a US apparel and home fashion retailer; TJ Maxx/Home Goods, a US national home furnishing retail chain; Ross, a US off-price apparel and home fashion retail chain; Michaels, a US arts and crafts retail chain; and ULTA Beauty, a US beauty product and services retailer. The income stream to the Company is guaranteed at 100% of proforma to September 27, 2014 regardless of actual occupancy.

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The asset is owned through Blue Springs Partners, LP, a Delaware limited partnership in which the Company has acquired a beneficial 0.9% general partner interest and a 37.5% limited partner interest. The remaining general partnership interest is owned by Blue Springs Development Two, LLC and the remaining limited partnership interest is owned by Blue Springs Development Three, Inc., both of which are at arm’s length to the Company. In consideration of its beneficial partnership interests in Blue Springs Partners, LP, the Company paid approximately US \$6.0 million in the aggregate, which was drawn by the Company from the Romspen Facility.

As detailed on page 3 of this MD&A, the Company intends to pursue completion of 100% of this acquisition over the next few months.

SELECTED FINANCIAL INFORMATION

A summary of selected financial information for the three and twelve months ended April 30, 2014 and April 30, 2013 is as follows:

	Three months ended April 30, 2014	Three months ended April 30, 2013
Share of income (loss) of joint ventures and associates	\$ (247,290)	\$ (32,902)
Net income (loss)	(2,631,834)	(380,296)
Comprehensive income (loss)	(2,365,268)	(250,266)
Net income (loss) per share, basic and diluted	(0.08)	0.0
Total assets	\$ 20,108,833	\$ 11,848,436

	Twelve months ended April 30, 2014	Twelve months ended April 30, 2013
Share of income (loss) of joint ventures and associates	\$ 124,828	\$ 60,974
Net income (loss)	(4,297,891)	(589,211)
Comprehensive income (loss)	(2,843,217)	(381,939)
Net income (loss) per share, basic and diluted	(0.12)	(0.02)
Total assets	\$ 20,108,833	\$ 11,848,436

The Company experienced a higher comprehensive loss in the year ended April 30, 2014 than in the comparable period in 2013 as a result of increased expenses, \$4,380,300 offset by currency translation adjustment income of joint ventures and associates of \$1,454,674 and other income items totaling \$82,409.

Total assets as at April 30, 2014 included \$16,168,074 of interests in joint ventures and associates, \$3,026,127 of advances to joint ventures and associates, \$213,496 of amounts receivable, \$545,020 of cash, \$68,526 of short-term investments, and \$87,590 of prepaid expenses and deposits.

A comparative of the Company’s financial condition as at April 30, 2014 and 2013 is as follows:

	April 30, 2014	April 30, 2013
Total Assets	\$ 20,108,833	\$ 11,848,436
Working Capital	\$ (12,375,212)	\$ (1,483,557)

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The working capital deficiency is largely comprised of the current portion of long-term debt under the Romspen line-of-credit facility of \$6,563,304 and a greater than normal balance of accounts payable of \$1,378,679 relating to the previously planned REIT conversion and subscription receipts financing.

Results of Operations

A summary of selected financial information for the three and twelve months ended April 30, 2014 and April 30, 2013 is as follows:

	Three months ended April 30, 2014	Three months ended April 30, 2013
Revenue	\$ -	\$ -
General and administrative expense	1,916,682	175,486
Finance costs	435,532	156,592
Share-based compensation	11,429	484
Total expenses	\$ 2,363,643	\$ 332,562
Share of income (loss) of joint ventures and associates	(247,290)	(32,902)
Interest income	8	-
Foreign exchange gain (loss)	(20,909)	(14,832)
Total other items	\$ (268,191)	\$ (47,734)
Net income (loss)	\$ (2,631,834)	\$ (380,296)

	Twelve months ended April 30, 2014	Twelve months ended April 30, 2013
Revenue	\$ -	\$ -
General and administrative expense	2,726,068	333,008
Finance costs	1,638,409	303,786
Share-based compensation	15,823	1,036
Total expenses	\$ 4,380,300	\$ 637,830
Share of income (loss) of joint ventures and associates	124,828	60,974
Interest income	532	-
Foreign exchange gain (loss)	(42,951)	(12,355)
Total other items	\$ 82,409	\$ 48,619
Net income (loss)	\$ (4,297,891)	\$ (589,211)

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Expenses incurred by the Company during the three and twelve months ended April 30, 2014 consisted primarily of professional fees, filing fees, financing costs, REIT and prospectus related expenses, and write-off of potential projects.

The Company experienced a higher net loss in the three and twelve months ended April 30, 2014 compared to the same period in 2013. Part of the increase in net loss was a result of higher financing costs of \$1,638,409 as the Company acquired more debenture and line of credit debt to finance new property acquisitions. The Company also incurred extraordinary general and administrative expenses largely related to the previously planned REIT conversion, \$691,028, and prospectus related expenses, \$550,611, due to withdrawal of the previously planned subscription receipts offering. Other extraordinary general and administrative expenses were due to potential project costs written off, \$1,032,773, for properties that were not able to be financed due to the withdrawal of the subscription receipts offering. In coming months, the Company intends to continue to pursue the purchase of some of these viable potential projects under the strategic partnership with Inovalis and Hoche announced on May 28, 2014.

Selected Quarterly Financial Information

A summary of selected quarterly financial information for the most recent eight quarters is as follows:

	Quarter Ended April 30, 2014	Quarter Ended January 31, 2014	Quarter Ended October 31, 2013
Net income (loss)	\$ (2,631,834)	\$ (1,075,355)	\$ (290,729)
Comprehensive income (loss)	\$ (2,365,268)	\$ (381,110)	\$ (22,717)
Net income (loss) per share, basic and diluted	\$ (0.08)	\$ (0.03)	\$ (0.01)

	Quarter Ended July 31, 2013	Quarter Ended April 30, 2013	Quarter Ended January 31, 2013
Net income (loss)	\$ (299,973)	\$ (380,296)	\$ 14,930
Comprehensive income (loss)	\$ (74,122)	\$ (250,266)	\$ (289)
Net income (loss) per share, basic and diluted	\$ (0.01)	\$ (0.01)	\$ 0.00

	Quarter Ended October 31, 2012*	Quarter Ended July 31, 2012
Net income (loss)	\$ (200,646)	\$ (23,199)
Comprehensive income (loss)	\$ (185,248)	\$ 53,864
Net income (loss) per share, basic and diluted	\$ (0.01)	\$ 0.00

*In the prior quarter, the Company incurred significant expenditures that related to the acquisition costs of two new investment properties acquired in the current quarter. These costs should have been incurred by the acquiring limited partnerships. As a result, an adjustment was made to move the costs from the Company to the corresponding limited partnerships of which the Company holds a 50% indirect interest in each.

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In the quarter ended July 31, 2012, expenses primarily included professional fees. The increase in net income was primarily due to the Company's share of income of joint ventures and associates. Currency fluctuations in the quarter ended July 31, 2012 resulted in cumulative translation gains compared to losses in prior quarters, resulting in a comprehensive income compared to net loss.

In the quarter ended October 31, 2012, expenses primarily included professional fees and financing costs. The increase in net loss was primarily due to the significant increase in professional fees and financing costs incurred during the quarter and the Company's share of losses in joint ventures and associates. Currency fluctuations in the quarter ended October 31, 2012 resulted in cumulative translation gains, resulting in a decreased comprehensive loss compared to net loss.

In the quarter ended January 31, 2013, expenses primarily included professional fees and financing fees. The increase in net income was primarily due to the Company's share of income of joint ventures and associates, which was higher than previous quarters due to the sale of a portion of DSC LP land. Currency fluctuations in the quarter ended January 31, 2013 resulted in cumulative translation loss compared to gains in prior quarters, resulting in a comprehensive loss.

In the quarter ended April 30, 2013, expenses primarily included professional fees, filing fees, financing costs and interest and interests on long term debt incurred during the quarter. The increase is a result of the need to externally finance the Company's acquisition of additional investment properties and interest in joint ventures and associates. The Company experienced a lower comprehensive loss in the quarter ended April 30, 2013 as a result of a strengthening of the US dollar throughout the fiscal year.

In the quarter ended July 31, 2013, expenses primarily included professional fees, financing costs, interest on long term debt and filing fees. The expenses for the period were higher than the corresponding period in the prior year as a result of additional professional fees and financing costs incurred during the current period related to the Company's efforts to acquire new investment properties and interests in joint ventures and associates.

In the quarter ended October 31, 2013, expenses primarily included professional fees, financing costs, interest on long term debt and filing fees. The expenses for the period were higher than the corresponding period in the prior year as a result of additional professional fees and financing costs incurred during the current period related to the Company's efforts to acquire new investment properties and interests in joint ventures and associates.

In the quarter ended January 31, 2014, expenses primarily included professional fees, financing costs, interest on long term debt, REIT related expenses, write-off of potential projects, travel and filing fees. The expenses for the period were higher than the corresponding period in the prior year as a result of the process of converting the Company into a Real Estate Investment Trust (currently on hold) and prospectus costs for the then planned sub-receipts financing.

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The results for the quarter ended April 30, 2014 are previously described under Results of Operations.

Financing and Capital Resources

On October 15, 2012, the Company received \$500,000 from two directors of the Company and, in exchange, the Company issued a \$500,000 promissory note payable to those directors. In addition, as consideration for those directors granting the loans to the Company, the Company issued 500,000 bonus shares to those directors and recognized financing costs of \$100,000, representing the fair value of those shares as at that date. These loans were subsequently settled in June 2013. As full repayment of the loans, the Company issued each of the directors 833,333 common shares (for 1,666,666 common shares in the aggregate), representing a settlement rate of one common share for every \$0.30 of indebtedness owing.

On January 1, 2013, the Company entered into a \$25 million revolving equity bridge loan facility with Romspen. Pursuant to a loan facility agreement, the Company may, from time to time, draw down on the loan facility for the purposes of acquiring new real estate assets, subject to the terms and conditions thereto. Any indebtedness under the loan facility will incur interest at 10% per annum, and will be secured against the Company's interest in such new real estate assets, a second-ranking general assignment of all present and future rents with respect to leases in such real estates, a first-ranking all-assets general security agreement, and a specific assignment of the Company's interest in material agreements pertaining to such real estate assets. Additionally, the Company has pledged its interest in any holding subsidiary or limited partnership through which its existing or any future real estate assets are held. The credit facility has a term of two years, and the Company must, within the first year of such term, repay 50% of any amounts drawn down within that year. Romspen will receive a fee equal to 3% of any advance drawn from the loan facility, and will be reimbursed for its reasonable expenses in connection therewith.

On May 27, 2013, the Company received \$200,000 in loan proceeds from one of its directors. The loan is payable on demand, with interest accruing at 6% per annum. In addition, the Company issued 200,000 bonus common shares to the same director. This loan was subsequently settled on June 5, 2014. As full repayment of the loan, the Company issued 2,461,538 common shares to the director in lieu of cash for the settlement of this loan.

On June 11, 2013, the President, CEO and director of the Company as well as a second director of the Company, received shares of the Company in lieu of cash for the repayment of a previous loan owed to them in the amounts of \$500,000. Each individual received 833,333 common shares of the Company as payment of the debt.

On August 8, 2013, the Company closed a short form prospectus with respect to an offering of \$4,500,000 of 8.5% convertible, redeemable, unsecured subordinated debentures ("Debentures"), at a price of \$1,000 per Debenture. Proceeds of the Debentures were used to repay the Company's outstanding revolving bridge loan facility with Romspen. The Debentures will bear interest at a rate of 8.5% per annum payable quarterly in arrears, in cash,

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on March 31, June 30, September 30 and December 31 of each year, with the first payment occurring on September 30, 2013, and will have a maturity date of September 30, 2018. The agents involved were issued 3,323,076 non-transferrable compensation options. Each compensation option entitles the holder to purchase 1 additional share at \$0.08125 per share up to August 8, 2015. An additional 553,846 non-transferrable compensation options with the same terms noted above have been issued to the Lead Agent.

On August 27, 2013, \$105,000 convertible debentures were converted resulting in the issue of 1,292,307 common shares at a price of \$0.08125 according to the terms of trust indenture.

On September 4, 2013, the Company closed a second tranche of the 8.5% convertible debentures on identical terms as referenced on the above convertible debentures closed on August 8, 2013. The agents involved were issued 635,076 non-transferrable compensation options. Each compensation option entitles the holder to purchase 1 additional share at \$0.08125 per share up to August 8, 2015. An additional 105,846 non-transferrable compensation options with the same terms noted above have been issued to the Lead Agent.

On September 4, 2013, the Company issued additional stock options under its stock option plan (the "Plan") in order to directors, officers and a consultant to advance the interests of the Company and recognize completion of the recently completed convertible debenture offering. The total number of options granted was 630,000 at a price of \$0.0975. The option vest annually over three years and have a term of five years in accordance with the terms of the Plan. The value, if any, of these options will be reflected as share based compensation in accordance with the accounting policy contained in note 2.g) of these financial statements.

On September 24, 2013, the Company amended the Sahara Crossing limited partnership agreement, previously requiring additional contributions of US \$874,295 by December 31, 2013. The new contribution requirement was reduced and completely funded in the amount of \$631,890 on September 24, 2013 and no other funds are owing to the partnership.

On September 30, 2013, the Company acquired a \$6,704,099 38.4% interest in a third retail shopping center known as Adam's Dairy Landing ("Adam's Dairy") located in Blue Springs, Missouri. The purchase price was funded by the Company with its acquisition bridge loan facility. Please see previous comments under "Overview of the Company" on page 3 for further details.

On December 11, 2013, \$2,000 convertible debentures were converted resulting in the issue of 24,615 common shares at a price of \$0.08125 according to the terms of trust indenture.

On December 20, 2013, the Company received an aggregate amount \$1,000,000 in loan proceeds. The loans were advanced by three separate lenders, two of which are companies in which a director of the Company holds beneficial interest, and the third of whom is at arm's length to the Company. Each of the loans accrues interest at a rate of 6% per annum, and are payable upon demand. In connection with the loans, the Company issued an aggregate total of 2,461,539 common shares at \$0.08125 per share. On June 5, 2014, the President, CEO and

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director of the Company as well as a second director of the Company, received shares of the Company in lieu of cash for the settlement of the previous loan owed to them in the amount of \$800,000. An aggregate of 9,846,152 of common shares of the Company were issued as payment of debt.

Currently, the Company's capital structure consists of one class of common shares and two classes (A and B) of non-voting preferred shares. No preferred shares have been issued to date.

During the year ended April 30, 2014, options were explored to raise equity by way of preferred securities and preferred shares. After consultation with the Company's investment bankers and various participants in the capital markets, none of these options was determined to be viable. A third option was implemented to allow the Company to convert to a REIT and shareholder and court approval was received to allow this. A preliminary prospectus for an equity raise of between \$20 million and \$45 million was filed and subsequently withdrawn. The offering was to have been for subscription receipts convertible into TitanStar Focus Retail REIT trust units. The preliminary prospectus was withdrawn when capital markets determined that the resulting equity raise was not of sufficient size to allow liquidity in the event that investors wished to sell their trust units. On May 28, 2014 the company announced the withdrawal of the preliminary prospectus in conjunction with the planned strategic alliance with Inovalis and Hoche. The Company plans to move forward in this alliance by raising equity through private placements with these partners.

As at the date of this MD&A, the Company does not have any commitments for capital expenditures.

Liquidity

As at April 30, 2014, the Company had a working capital deficiency of \$12,375,212. This deficiency will be eliminated by possible future equity raises under the Inovalis & Hoche strategic partnership. This decrease in working capital from April 30, 2013 was a result of the Company entering into a revolving bridge loan facility of which \$6,760,972 is repayable in the short term. The remaining decrease in the working capital is largely a result of a significant amount of accounts payable related to filing and professional fees incurred for REIT conversion and sub-receipts financing, and the write-off of previously prepaid projects.

The Company receives ongoing revenue from its interests in the real estate assets described above (see "Real Estate Portfolio"), and anticipates that it may complete further equity or debt financings for additional capital in the future. In the event that the occupancy rate decreases substantially at any one of the Company's real estate assets, the Company's revenue will correspondingly decrease. The Company may not be able to complete further equity or debt financings on terms favorable to the Company or at all. In these events, the Company may not receive the cash flow or liquidity necessary to comply with its obligations to lenders or under the Debentures.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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Transactions with Related Parties

On April 16, 2010, the Company entered into an asset management agreement with TitanStar Capital Corp. (the "Asset Manager"), pursuant to which the Asset Manager will provide management advisory, asset management and administrative services to the Company and its subsidiaries. TitanStar Capital Corp. is a corporation owned by TitanStar Investment Group Inc., which is owned by T. Richard Turner, Chief Executive Officer of the Company. The Company has the right to terminate the asset management agreement at any time upon 60 days' notice. The Asset Manager is entitled to an advisory fee of \$1,000 plus GST per month. On the date on which the Company attains an asset base with a gross book value of \$200 million the Asset Manager is entitled to an annual advisory fee of 0.3% of the gross book value of the assets, payable monthly.

Also on April 16, 2010, the Company granted the Asset Manager options to purchase 100,000 common shares. Each option will allow the Asset Manager to purchase one common share at a price of \$0.35 per share from the date of issuance until the fifth anniversary of the issuance of such options.

On October 15, 2012, the Company received \$500,000 in loan proceeds from two of its directors, each at \$250,000. Each loan is payable on demand, with interest accruing at 6% per annum. In addition, 500,000 bonus common shares at a value of \$100,000 were issued to the directors for no additional consideration. These loans were subsequently settled in June 2013. As full repayment of the loans, the Company issued each of the directors 833,333 common shares (for 1,666,666 common shares in the aggregate), representing a settlement rate of one common share for every \$0.30 of indebtedness owing.

On May 27, 2013, the Company borrowed an additional \$200,000 from a director of the Company, repayable upon demand. In consideration of making the loan, the Company issued 200,000 bonus shares to the director at a deemed price of \$0.10 per share. This loan was subsequently settled on June 5, 2014. As full repayment of the loan, the Company issued 2,461,538 common shares to the director in lieu of cash for the settlement of this loan.

On June 11, 2013, the Company issued common shares of the Company to the President, CEO and director of the Company as well as second director of the Company. Each individual received 833,333 common shares in lieu of cash for the repayment of previous loan owed to them in the amounts of \$500,000.

On December 20, 2013, the Company received an aggregate amount of \$1,000,000 in loan proceeds. The loans were advanced by three separate lenders, two of which are companies in which a director of the Company holds beneficial interest, and the third of whom is at arm's length to the Company. Each of the loans accrues interest at a rate of 6% per annum, and are payable upon demand. In connection with the loans, the Company issued an aggregate total of 2,461,539 common shares at \$0.08125 per share. On June 5, 2014, the President, CEO and director of the Company as well as a second director of the Company, received shares of the Company in lieu of cash for the settlement of the previous loan owed to them in the amount of

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\$800,000. An aggregate of 9,846,152 of common shares of the Company were issued as payment of debt.

For the year ended April 30, 2014, the Company paid \$12,000 plus GST, to the Asset Manager for management fees pursuant to the asset management agreement (2013 - \$12,000 plus HST).

For the year ended April 30, 2014, the Company paid \$25,500 (2013 - \$15,000) of interest on amounts due to related parties.

For the year ended April 30, 2014, the Company paid \$49,000 (2013 - \$nil) of service fees to the CFO.

Management of the Company does not receive any other fee than that described above. The Company's CEO and CFO are entitled to receive incentive stock options under the Company's incentive stock option plan. The other directors of the Company also do not receive any cash fee, and are entitled only to participate in the Company's incentive stock option plan. As such, the management and the directors of the Company will generally benefit only as shareholders and incentive stock option holders of the Company, benefitting only as other shareholders will benefit.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, short-term investments, amounts receivable, advances to joint ventures, accounts payable, promissory note payable, due to related parties, long-term debt, and convertible debentures. It is management's opinion that the Company is not exposed to significant liquidity or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows or fair value associated with some financial instruments. The Company is exposed to interest rate risk, through its interests in joint ventures and associates, as Sahara LP has a mortgage payable which is impacted by changes in the prime rate.

For a review of the interest rate risk exposure, please see the section entitled Interest Fluctuations and Financing Risk in the Risk and Uncertainty section below.

Foreign exchange risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company is exposed to foreign exchange risk as its joint venture and associate investments undertake their economic activities in U.S. currency. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company may enter into forward exchange contracts to manage part of the foreign exchange risk exposures denominated in U.S. currency, but has no forward contracts as at April 30, 2014.

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For a review of the foreign exchange risk exposure on US dollar denominated monetary assets and liabilities of the Company, please see the section entitled Foreign Currency in the Risk and Uncertainty section below.

Additional Disclosure for Venture Issuers without Significant Revenue

As the Company has not had significant revenue from operations in the last two financial years, the following is a breakdown of the material costs incurred:

Material Components	Three months ended April 30, 2014	Three months ended April 30, 2013
General and administrative expenses	\$ 1,916,682	\$ 175,486
Consisting of:		
- Insurance	5,460	5,202
- Bank charges	780	566
- Filing fees	(32,739)	15,954
- Office costs	6,565	3,175
- Management fees	3,150	3,290
- Professional fees	31,097	57,920
- REIT related expenses	419,861	-
- Marketing and promotion	-	5,354
- Sub-receipts & prospectus	550,611	-
- Travel	29,485	16,851
- Potential project costs	902,412	67,171

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Material Components	Twelve months ended April 30, 2014	Twelve months ended April 30, 2013
General and administrative expenses	\$ 2,726,068	\$ 333,008
Consisting of:		
- Insurance	22,281	20,621
- Bank charges	3,150	1,505
- Filing fees	107,149	40,357
- Office costs	19,951	4,609
- Management fees	12,600	13,850
- Professional fees	230,085	154,043
- REIT related expenses	691,028	-
- Sub-receipts & prospectus	550,611	-
- Marketing and promotion	-	7,298
- Travel	56,440	23,554
- Potential project costs	1,032,773	67,171

Disclosure of Outstanding Share Data

As at April 30, 2014 and the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	As at April 30, 2014	As at the date of this MD&A
Voting or equity securities authorized	Unlimited	Unlimited
Securities convertible or exercisable into voting or equity securities – share options	Share options to acquire up to 10% of outstanding common shares	Share options to acquire up to 10% of outstanding common shares
Voting or equity securities issued and outstanding	36,847,470 common shares	64,453,617 common shares
Securities convertible or exercisable into voting or equity securities – asset manager’s share options	100,000	100,000
Securities convertible or exercisable into voting or equity securities – directors and officers share options	1,480,000	1,480,000
Securities convertible or exercisable into voting or equity securities – agent’s warrants	4,617,844	4,617,844
Total voting or equity securities issuable on conversion or exchange of outstanding securities	6,197,844	6,197,844

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Additional Disclosure for Venture Issuers with Significant Equity Investees

The following table summarizes the assets, liabilities and results of operations of the Company's equity investees, DSC LP, LVLH LP, Sahara LP, TSP LPI and TSP LPII, for which the Company holds a 50% indirect interest in each and Adam's Dairy Landing for which the Company holds a 38.4% interest. All figures are translated to Canadian dollars at the rate of exchange in effect at the quarter end date for net assets and at average rates prevailing during the period for net income.

	April 30, 2014	April 30, 2013
Total assets	\$ 103,515,684	\$ 33,012,154
Total liabilities	\$ 67,379,426	\$ 14,876,050
Net assets	\$ 36,136,258	\$ 18,136,104
TitanStar's share of net assets	\$ 16,168,074	\$ 9,068,052

	Twelve months ended April 30, 2014	Twelve months ended April 30, 2013
Revenue and gains	\$ 6,124,702	\$ 1,176,083
Expenses	\$ 7,154,253	\$ 1,054,135
Lease termination fee	\$ 1,171,649	\$ -
Net income (loss)	\$ 142,098	\$ 121,948
TitanStar's share of net income	\$ 124,828	\$ 60,974

Additional information regarding the Company's proportionate interest in the significant equity investees is disclosed in note 5 in the April 30, 2014 consolidated financial statements.

RISKS AND UNCERTAINTIES

General Business Risks

The Company will be subject to general business risks and to risks inherent in the commercial real estate industry, including the ownership of real property. These risks include general economic and market factors, tenant credit risk, local real estate conditions, competition, changes in government regulation, interest rates, the availability of equity and debt financing, environmental and tax related matters, availability of specialized trades people and reliance on key personnel. Any one of, or a combination of, these factors may adversely affect the financial position of the Company.

Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, the attractiveness of the properties to residents, supply and demand for space, and competition from other available space and various other factors.

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The performance of the economy in the area in which the Deer Springs Property, Sahara Property, Swanway Plaza, San Tan Plaza and Adam's Dairy Landing (collectively called the "Properties") are located affects occupancy, market rental rates and expenses. These factors consequently can have an impact on the future share of income/(loss) attributable to the Company from the Properties, and the value of the underlying investments in the joint ventures and associates.

Other factors may further adversely affect the future share of income/(loss) from joint ventures and associates and value of the Properties. These factors include local conditions in the areas in which the Properties are located, such as an oversupply of commercial real estate properties or a reduction in the demand for commercial real estate properties, the attractiveness of the Properties to tenants, competition from other properties and the Company's ability to provide adequate facilities, maintenance, services and amenities. Operating costs, including real estate taxes, insurance and maintenance costs, and mortgage payments, if any, do not, in general, decline when circumstances cause a reduction in income from a property. The Company could sustain a loss as a result of foreclosure on the Properties if they are mortgaged to secure payment of indebtedness and the Company or its wholly-owned subsidiaries, as applicable, were unable to meet their mortgage payments. In addition, applicable laws, including tax laws, interest rate levels and the availability of financing also affect revenues from properties and real estate values generally.

Asset and Development Strategy

It is intended that the Company's business strategy will involve expansion through acquisitions that are in addition to the Properties. These activities require the Company to identify acquisition candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The Company may not be successful in identifying commercial real estate properties that meet its acquisition criteria or in completing acquisitions or investments on satisfactory terms. Failure to identify or complete acquisitions will slow the Company's growth. The Company could also face significant competition for acquisitions opportunities. Some of the Company's competitors have greater financial resources than the Company and, accordingly, have a greater ability to borrow funds to acquire and develop properties. These competitors may also be willing and/or able to accept more risk than the Company can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices. This competition for investments may reduce the number of suitable investment opportunities available to the Company and may increase acquisition costs in certain areas where the Company's facilities are located or in areas targeted for growth and, as a result, may adversely affect the Company's operating results.

Even if the Company were successful in identifying suitable acquisitions projects, newly acquired properties may fail to perform as expected and management of the Company may underestimate the costs associated with the integration of the acquired properties. In addition, any expansions the Company undertakes in the future are subject to a number of risks, including, but not limited to, construction delays or cost overruns that may increase project costs, financing risks, the failure to meet anticipated occupancy or rent levels, failure to receive required zoning,

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land use and other governmental permits and authorizations and changes in applicable zoning and land use laws. If any of these problems occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed. In deciding whether to acquire or expand a particular property, the Company will make certain assumptions regarding the expected future performance of that property. If the Company's acquisition or expansion of properties fails to perform as expected or incurs significant increases in projected costs, the joint ventures' and associates' net income could be lower than expected, resulting in the Company recognizing a lower than expected share of income from joint ventures and associates, or potentially a share of loss from joint ventures and associates.

It is intended that the Company will invest in new developments which carry a certain risk that projected financial returns may not be achieved and that cost overruns, or start-up losses may require further equity injections. The Company manages this risk through detailed evaluation of each development separately and ensuring certain criteria have been met, including an extensive supply and demand analysis and establishing capital participants.

Dependence on and Relationship with Asset Manager

The financial performance of the Company will depend in part on the performance of the Asset Manager. The success of the Company is dependent on the services of certain management personnel, including T. Richard Turner, the Chief Executive Officer of the Company. The loss of the services of such personnel could have an adverse effect on the Company.

Joint Venture and Associate Investments

The Company has a 50% interest in LV Loan Holdings GP Inc. and LVLH LP and, through its wholly-owned subsidiary, TitanStar DSC Holding Inc., has a 50% interest in each of the Deer Springs Property (through DSC LP) and the Sahara Crossing Property (through Sahara LP). The Company also has a 50% interest in each of the Swanway Plaza (through TSP LPI) and the San Tan Plaza (through TSP LPII). The Company also has a 38.4% interest in Adam's Dairy Landing. The Company may also enter into further arrangements with respect to other properties in the future. In any such arrangement, the Company may not be in a position to exercise sole decision-making authority regarding the properties owned through these arrangements. Investments may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that investment partners might become bankrupt or fail to fund their share of required capital contributions. Investment partners may have business interests or goals that are inconsistent with the Company's business interests or goals and may be in a position to take actions contrary to the Company's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the Company nor the investment partner would have full control over the arrangement. Any disputes that may arise between the Company and its investment partners could result in litigation or arbitration that could increase the Company's expenses and distract its officers and/or directors from focusing their time and effort on the Company's business. In addition, the Company might in certain circumstances be liable for the actions of its investment partners.

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Investment Concentration

The Company will be susceptible to adverse markets in Las Vegas, Nevada, Tucson, Arizona Chandler, Arizona and Blue Springs, Missouri, the four markets in which it is operating, such as changing demographics and other factors. Presently, the Company's interests in the Deer Springs Property and Sahara Property, located in Nevada, account for 43% of the Company's total real property assets. The Company's interests in the Swanway Plaza and San Tan Plaza, located in Arizona, account for 18% of the Company's total real property assets. And the Company's interest in Adam's Dairy Landing located in Missouri, account for 39% of the Company's real property assets. As a result of this concentration of assets, the Company will be particularly susceptible to adverse market conditions in these regions. Any adverse economic or real estate markets in the areas in which the Properties are located, or in the future in any of the other markets in which the Company operates, or any decrease in demand for commercial real estate resulting from the local economy or demographics could adversely affect the rental revenues of the joint ventures and associates. This effect could impair the ability of the joint ventures and associates to service their debt obligations and generate stable positive cash flow from operations to generate a return for the Company.

Illiquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity in the joint ventures may tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions.

Uninsured Losses

DSC LP, Sahara LP, TSP LPI, TSP LPII and Adam's Dairy Landing will carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for properties similar to the Properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from the Properties.

Environmental Risk

As an indirect owner of real property in the United States, the Company is subject to various federal, state and municipal laws relating to environmental matters. Such laws provide that the Company could be liable for the costs of removal of certain hazardous substances and repair of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the Company's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the Company.

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Management is not aware of any material non-compliance with environmental laws with respect to the Properties. The Company is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the Properties. However, The Company cannot guarantee that any material environmental conditions do not or will not otherwise exist with respect to the Properties.

Public Market Risk

It is not possible to predict the price at which the Shares will trade and there can be no assurance that an active trading market for the Shares will be sustained. The Shares will not necessarily trade at values determined solely by reference to the value of the underlying business of the Company or its assets. Accordingly, the Shares may trade at a premium or a discount to the value implied by the value of the Company's assets. The market price for the Shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Company.

Debt Financing

The Company and joint ventures and associates have incurred and may incur indebtedness in the future in connection with the acquisition or expansion of facilities and its business. The joint ventures and associates may incur unsecured debt or mortgage debt by obtaining loans secured by some or all of their real estate properties or assets. The Company's and/or joint ventures' and associates' debt may harm the Company's business and operating results by:

- requiring the joint ventures and associates to use a substantial portion of their cash flow from operations to pay principal and interest, which will reduce the amount of cash available for generating a return to the Company, and thus, other purposes;
- limiting the Company's ability to borrow more money for operating or capital needs or to finance acquisitions in the future; and
- making the Company more vulnerable to economic and industry downturns and reducing its flexibility in responding to changing business and economic conditions.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that the Company's or the joint ventures' and associates' cash flow will be insufficient to meet required payments of principal and interest, the Company will also be subject to the risk that the joint ventures and associates will not be able to refinance potential future indebtedness on their properties and that the terms of any refinancing they could obtain would not be as favourable as the terms of their existing indebtedness. If the joint ventures and associates are not successful in refinancing debt when it becomes due, the Company may be forced to dispose of its interest in the joint ventures and associates on disadvantageous terms, which might adversely affect its ability to service other debt and to meet its other obligations. In addition, the financing arrangements of the Company may contain covenants that will restrict its ability to operate its business in certain ways. If the Company fails to comply with the

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restrictions in its financing arrangements, its lenders may be able to accelerate related debt as well as any other debt to which a cross-default or cross-acceleration provision applies. A default could also allow creditors to foreclose, sell or realize on the property securing such debt or exercise other remedies against the Company. Credit facilities also typically require repayment of funds or cash flow sweeps when certain coverage ratios are not met. In connection with its financing arrangements, the Company expects that it will grant security interests over substantially all of its assets. If the Company is not able to meet its debt service obligations, it risks the loss of some or all of its assets to foreclosure or sale.

Interest Fluctuations and Financing Risk

The Company may finance future acquisitions in part with debt borrowings, which could bear interest at fixed or variable rates. The interest expense on any variable rate indebtedness of the Company will increase when interest rates increase. Interest rates are currently low relative to historical levels and may increase significantly in the future. A significant increase in interest expense could adversely affect the Company's results of operations.

There is interest rate risk associated with the loan payable in the joint ventures and associates as the interest is impacted by changes in the prime rate. If interest rates would have been 1% higher (or lower) for the year ended April 30, 2014, the Company would have higher (or lower) share of income (loss) of joint ventures and associates included in net income or loss of approximately \$15,200 (2013 - \$17,300).

Failure to Obtain Additional Financing

The Company may require additional financing in order to grow and expand its operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. Future financing may take many forms, including debt or equity financing, which could alter the debt-to-equity ratio of the Company or which could be dilutive to Shareholders.

Dilution

The number of Shares that the Company is authorized to issue is unlimited. The directors of the Company will have the discretion to issue additional Shares in order to raise additional capital or in connection with future acquisitions, which may have a dilutive effect on Shareholders.

Potential Volatility of Share Price

It is not possible to predict the price at which the Shares will trade and there can be no assurance that an active trading market for the Shares will be sustained. The market price of the Shares may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: (i) actual or anticipated fluctuations in the Company's results of operations; (ii) changes in estimates of the Company's future results of operations by management or securities analysts; and (iii) general industry changes. In addition, the financial markets have in the past

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experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many venture and real estate issuers and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the real estate industry specifically, may adversely affect the market price of the Shares.

Limited Prior Public Market

The Shares have a limited record of trading publicly on the Exchange. The Company cannot predict at what price the Shares will trade and there can be no assurance that an active trading market will be maintained. A publicly traded real estate company will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Shares may trade at a premium or a discount to values implied by valuations.

Proposed Acquisitions

There can be no assurance that the Company will complete further acquisitions of real property interests. Acquisitions of properties by the Company are subject to normal commercial risks and satisfaction of closing conditions that may include, among other things, lender approval, receipt of estoppel certificates and obtaining title insurance. Such acquisitions may not be completed or, if completed, may not be on the terms that are exactly the same as initially negotiated. In the event that the Company does not complete an acquisition, it may have an adverse effect on the operations and results of the Company in the future. There can also be no assurance that the Company will be able to identify and acquire additional real property interests on competitive terms or at all.

Potential Conflicts of Interest

Situations may arise where the interests of directors and officers may conflict with the interests of the Company. Conflicts, if any, will be subject to the procedures and remedies provided by the *Canadian Business Corporations Act*.

In connection with real estate acquisitions, the Company has engaged, and may in the future engage, third parties to provide due diligence and valuation services in relation to the subject properties and the Company has paid, and may in the future pay, such advisers a success fee in connection with the completion of such acquisitions. In particular, the Company has paid such a success fee to Juliet in connection with the Company's acquisition of each of the Swanway Plaza and the San Tan Plaza. There is a risk that the payment of a success fee could result in such advisers recommending that the Company complete real estate acquisitions that such advisers would not recommend completing in the absence of a success fee.

Juliet is the manager of certain properties of the Company (including the Deer Springs Property, the Sahara Crossing Property, the San Tan Plaza and Swanway Plaza), and may in the future manage further properties acquired by the Company. There is a risk that the expectation of being engaged as the manager of a property could result in an adviser recommending that the Company

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complete real estate acquisitions that such adviser would not recommend completing in the absence of such an expectation.

Foreign Currency

The results of operations of the Company are reported in Canadian dollars. The Company's operations are anticipated to be conducted almost exclusively in the United States. Any fluctuations in the value of the US dollar relative to the Canadian dollar may result in variations in the share of income/loss from joint ventures and associates and the net income of the Company. The Company does not plan on undertaking any hedging in order to mitigate its foreign currency risks.

At April 30, 2014, the Canadian dollar equivalent of monetary assets and liabilities that are denominated in U.S. dollars are as follows:

	<u>April 30, 2014</u>	<u>April 30, 2013</u>
Cash	\$ 222,021	\$ 19,291
Short term investments	68,526	62,969
Amounts receivable	213,496	57,430
Advances to joint ventures	3,026,127	2,232,877
Accounts payable	278,257	115,727

If the Canadian dollar had strengthened 5 percent against the U.S. dollar with all other variables held constant, the Company would have additional loss from foreign exchange included in net income (loss) for the year ended April 30, 2014 of approximately \$11,200 (2013 loss of \$1,000) and additional loss from currency translation adjustments of joint ventures and associates included in other comprehensive income or loss for the year ended April 30, 2014 of approximately \$960,000 (2013 loss of \$565,500). If the Canadian dollar had weakened 5 percent against the U.S. dollar with all other variables held constant, the Company would have additional income from foreign exchange included in net income (loss) for the year ended April 30, 2014 of approximately \$11,200 (2013 income of \$1,000) and additional income from currency translation adjustments of joint ventures and associates included in other comprehensive income or loss for year ended April 30, 2014 of approximately \$960,000 (2013 income of \$565,500). The foreign currency exchange rate sensitivity in comprehensive income or loss is attributable to a change in the translation of monetary assets and liabilities, and interest in joint ventures and associates, denominated in U.S. dollars.

Foreign Political Risk

The Properties are located in the United States and, as such, a substantial portion of the Company's business will be exposed to various degrees of political, economic and other risks and uncertainties. The Company's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of governmental orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on foreign ownership, inability to

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obtain or delays in obtaining necessary permits, opposition to property development from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation.

Inability to Resell Shares

There can be no assurance that an active and liquid market for the Shares will be developed and, if developed, will be maintained; and a holder of Shares may find it difficult to resell those Shares.

Critical Accounting Estimates

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in preparation of the financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Changes to Significant Accounting Policies

Effective May 1, 2013, the Company adopted IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of Interest in Other Entities and IFRS 13 – Fair Value Measurements. The adoption of IFRS 10 did not result in any change to the consolidation of any of the Company's subsidiaries. The adoption of IFRS 11 did not result in any changes in the accounting methods for the Company's joint ventures and associates. The disclosures required by IFRS 12 are included in the consolidated financial statement for the years ended April 1, 2014 and 2013. The adoption of IFRS 13 did not require any changes to the valuation techniques used by the Company to measure fair value and did not result in changes to fair values as at May 1, 2013.

The following new or amended standards have been issued by the IASB:

IFRS 9 – Financial Instruments replaces IAS 39 – Financial Instruments: Recognition and Measurement, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The standard is effective for fiscal years beginning on or after January 1, 2018.

IFRIC 21 – Levies, clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in relevant legislation that triggers payment of the levy, effective for years beginning on or after January 1, 2014.

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The IASB and the Financial Accounting Standards Board have completed their joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15 – Revenue from Contracts with Customers. The standard establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The effective date of the standard is January 1, 2017. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

The Company is currently evaluating the impact of these standards on its financial statements.

Other MD&A Requirements

Additional information relating to the Company is available on SEDAR at www.sedar.com.