Consolidated Financial Statements
(Expressed in United States dollars)

TREZ CAPITAL YIELD TRUST US

Year ended December 31, 2017

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Trez Capital Yield Trust US

We have audited the accompanying consolidated financial statements of Trez Capital Yield Trust US, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of net income (loss), changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Trez Capital Yield Trust US as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 15, 2018

TREZ CAPITAL YIELD TRUST US

Consolidated Statement of Financial Position
(Expressed in United States dollars)

December 31, 2017 with comparative information for 2016

	Notes	2017	2016
Assets			
Cash and cash equivalents		$ 1,700,673	$ 6,870,896
Restricted cash		1,524,750	3,372,083
Investment in joint ventures	5	1,991,393	-
Investment held at fair value	6	6,790,354	-
Property under development for sale	5	-	9,676,280
Foreign currency derivatives	10	38,227	-
Investments in mortgages	4	90,471,916	201,031,435
Promissory notes receivable	8	820,364	-
Other assets		220,747	2,408,126
Total assets		$ 103,558,424	$ 223,358,820
Equity			
Non-controlling interests	11(e)	$ -	$ 286,466
Liabilities and Net Assets Attributable to Holders of Redeemable Units			
Bank indebtedness	12	$ 1,666,539	$ 4,766,515
Loans payable	13	-	1,986,037
Accounts payable and accrued liabilities		736,128	2,250,479
Due to related parties	11(c)	-	109,288
Mortgage syndication liabilities	4(a)	9,825,958	7,106,577
Foreign currency derivatives	10	-	655,866
Management fees payable	11(a)	1,129,280	1,480,966
Distributions payable to holders of redeemable units	7(b)	760,781	3,618,148
		14,118,686	21,973,876
Net assets attributable to holders of redeemable units	7	89,439,738	201,098,478
		$ 103,558,424	$ 223,072,354
Total liabilities and net assets attributable to holders of redeemable units and equity		$ 103,558,424	$ 223,358,820
Net assets attributable to holders of redeemable units:	7		
USD Series A		$ 8,784,498	$ 7,185,586
USD Series F		80,655,240	81,155,318
CDN Series A		-	10,694,425
CDN Series F		-	58,208,081
CDN Series I		-	43,855,068
		$ 89,439,738	$ 201,098,478

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board of the General Partner of the Manager,
Trez Capital Fund Management Limited Partnership:

"Alexander Manson"
(*Signed*) *Alexander Manson*
Director

"Ken Lai"
(*Signed) Ken Lai*
Director

TREZ CAPITAL YIELD TRUST US

Consolidated Statement of Net Income (Loss)
(Expressed in United States dollars)

Year ended December 31, 2017, with comparative information for 2016

	Notes	2017	2016
Revenue:			
Interest income		$ 9,306,580	$ 19,848,221
Other income		190,815	(53,632)
Interest expense on mortgage syndication		(233,045)	(303,301)
		9,264,350	19,491,288
Expenses:			
Commissions		285,779	941,445
Management fees	11(a)	2,148,564	2,746,016
General and administrative expenses		844,278	1,217,656
		3,278,621	4,905,117
Equity earnings from investment in joint ventures	5	382,920	-
Fair value gains on embedded derivatives	4(c)	245,966	1,414,966
Fair value gains on investments held at fair value	6	40,354	-
Income from operations		6,654,969	16,001,137
Financing costs:			
Interest expense		166,778	761,681
Distributions to holders of redeemable units	7(b)	6,488,191	20,366,478
		6,654,969	21,128,159
Net income (loss) for the year		$ -	$ (5,127,022)
Attributable to:			
Holders of redeemable units		$ -	$ (5,127,715)
Non-controlling interests		-	693
		$ -	$ (5,127,022)

The accompanying notes are an integral part of these consolidated financial statements.

TREZ CAPITAL YIELD TRUST US

Consolidated Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
(Expressed in United States dollars)

Year ended December 31, 2017, with comparative information for 2016

	Notes	2017	2016
Balance, beginning of the year		$ 201,098,478	$ 132,170,036
Loss attributable to holders of redeemable units		-	(5,127,715)
Contributions and redemptions:			
Issuance of units		16,687,452	81,688,997
Reinvestment of distributions on redeemable units		3,636,008	12,513,988
Redemptions		(19,224,626)	(20,146,828)
Transfer of units as part of reorganization	1, 16	(112,757,574)	-
Net contributions (redemptions/transfers)		(111,658,740)	74,056,157
Balance, end of year		$ 89,439,738	$ 201,098,478

The accompanying notes are an integral part of these consolidated financial statements.

TREZ CAPITAL YIELD TRUST US

Consolidated Statement of Cash Flows
(Expressed in United States dollars)

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ -	$ (5,127,022)
Items not involving cash:		
Interest income, net of interest expense on syndications	(9,073,536)	(19,544,918)
Equity earnings from investments in joint ventures	(382,920)	-
Fair value gains on investments held at fair value	(40,354)	-
Fair value gains on embedded derivatives	245,966	(1,414,966)
Distributions to holders of redeemable units	6,488,191	20,366,478
Unrealized gain on forward currency derivatives	(21,595)	736,190
Interest received	2,066,096	6,060,867
Changes in non-cash operating working items:		
Restricted cash	(582,843)	(2,266,348)
Other assets	780,032	(1,936,445)
Management fee payable	482,913	(1,179,811)
Accounts payable and accrued liabilities	233,249	1,326,310
Operating cash flows before undernoted	195,199	(2,979,665)
Funding of investments in mortgages	(82,661,274)	(164,736,162)
Repayments on investments in mortgages	92,729,047	126,912,466
	10,262,972	(40,803,361)
Investing activities:		
Transfer of cash from Reorganization (note 16)	(4,273,464)	-
Net distributions (contributions) from investment in joint ventures	2,211,788	-
Contributions to investments held at fair value	(6,750,000)	-
Funding of property under development for sale	-	(2,363,970)
Distributions to non-controlling interests	-	(863,952)
	(8,811,676)	(3,227,922)
Financing activities:		
Distributions paid on redeemable units	(3,670,541)	(12,444,003)
Repayments on loans payable	-	(4,259,926)
Issuance of units	16,687,452	81,688,997
Redemption of units	(19,224,626)	(20,146,828)
Decrease in bank indebtedness	(413,804)	(3,524,596)
Decrease in due to related parties	-	(429,191)
	(6,621,519)	40,884,453
Decrease in cash and cash equivalents	(5,170,223)	(3,146,830)
Cash and cash equivalents, beginning of year	6,870,896	10,017,726
Cash and cash equivalents, end of year	$ 1,700,673	$ 6,870,896

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of business:

Trez Capital Yield Trust US (the “Trust”) is an unincorporated trust established under the laws of British Columbia pursuant to a Declaration of Trust dated January 10, 2013, and amended various times with latest amendment dated December 9, 2016 (the “Declaration of Trust”).

Trez Capital Fund Management Limited Partnership is the Trust’s manager (the “Manager”), Trez Capital Limited Partnership is the mortgage broker (the “Mortgage Broker”) and Computershare Trust Company of Canada is the trustee (the “Trustee”) of the Trust.

The Trust has been created for the purpose of generating a stream of income from interests acquired in a portfolio of mortgages related to any and all types of real property and from limited equity profit sharing arrangements through limited partnerships within the United States (“U.S.”)

On March 7, 2016, the unitholders of the Trust (“Unitholders”) voted to approve a transition to a non-investment fund primarily in response to fundraising regulatory changes which became effective April 30, 2016. These changes were administrative in nature. The amended Declaration of Trust aligns with the current regulatory requirements, and other trusts managed by the Manager. The change in regulatory regime is not expected to have any impact on the continuing operations of the Trust. In addition, the Unitholders voted to approve amending the investment objectives of the Trust to also permit the Trust to make limited investments in mezzanine lending, which involves loans to developers secured by the developer’s interest in the developing entity, rather than security on real property.

On December 9, 2016, the Unitholders approved a reorganization of the Trust to restructure the Trust and its assets and liabilities such that holders of Units denominated in Canadian dollars would hold their interests in the Trust’s net assets through a newly established Trust known as the Trez Capital Yield Trust US (Canadian $) (the “CAD Trust”), while holders of Units denominated in US dollars would continue to hold their interests in the Trust's net assets through the Trust (the “Reorganization”).

On January 1, 2017 pursuant to the Reorganization, the three series of Canadian dollar denominated units of the Trust, being the Series A (C$) Units, Series F (C$) Units and Series I (C$) Units (collectively, the “CAD Units”) were redeemed and exchanged for Units of a corresponding series of the CAD Trust. Accordingly, the prior holders of Canadian dollar denominated Units now hold units of the CAD Trust and the holders of the US dollar denominated units of the US Trust continue to hold such units in the Trust. A proportionate interest of 56.36% of the Trust’s total assets and liabilities were transferred to the CAD Trust as part of the Reorganization (see note 16).

The principal place of business of the Trust is located at 1700 - 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements of the Trust have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Governors on March 15, 2018.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, except for embedded derivative instruments, investments held at fair value, and foreign currency derivatives which are measured at fair value.

(c) Functional and presentation currency:

These consolidated financial statements are presented in U.S. dollars, which is also the functional currency of the Trust.

(d) Use of estimates and judgments:

The preparation of consolidated financial statements requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In making estimates, the Manager relies on external information and observable inputs where possible, supplemented by internal analysis as required. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the financial statements are as follows:

(*i*) Investments in mortgages:

The Trust is required to make an assessment of the impairment of investments in mortgages. Mortgage investments are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary by a material amount.

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued):

(*ii*) Embedded derivatives included in investments in mortgages:

Included in the investments in mortgages are certain profit participation mortgages which, in addition to interest at a stipulated rate, provide the Trust with an entitlement to future profits based on estimates of probabilities from the project. Should the underlying assumptions change, the estimated future cash flows and income could vary by a material amount.

3. Significant accounting policies:

(a) Basis of presentation:

The Trust has interests in a number of development joint ventures, which are accounted for using the equity method. The Trust has interests in a number of development investments, which are accounted for at fair value.

The Trust holds investments in other trusts and limited partnerships for the purpose of investing in real estate development projects. In certain cases, the Trust's investments are held through intermediary holding entities.

Where the Trust has assessed that it has joint control over the investees, the investments are initially recognized at cost and are adjusted thereafter for the post-acquisition change in the Trust's share in the investee's net assets. The Trust's share of investee's profit or loss is included in the Trust's statement of net income (loss).

(b) Cash and cash equivalents:

Cash consists of cash held at financial institutions and cash equivalents include securities with maturities of three months or less when purchased.

(c) Restricted cash:

Restricted cash relates to margin deposits made on foreign currency swap transactions and cash held by a related party.

(d) Promissory notes receivable:

Promissory notes are recorded at amortized cost using the effective interest rate method less any impairment.

3. Significant accounting policies (continued):

(e) Redeemable units:

All units of the Trust are redeemable at the Unitholder's option and have different distribution features between the classes and accordingly are classified as financial liabilities and presented as "net assets attributable to holders of redeemable units" in the consolidated statement of financial position. Units redeemed are accounted for in the period during which the redemption is effective. Resultant gains on redemption are recognized in the consolidated statement of net income (loss) in the same period.

(f) Revenue recognition:

Interest income is recognized in the consolidated statement of net income (loss) in the period in which it is earned on an effective interest rate basis. Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(g) Distributions on redeemable units:

Distributions to Unitholders on each series of redeemable units are made on a quarterly basis, in arrears. The total distributions to be made in respect of the December 31 year end will equal at least 100% of the Trust's taxable income for the year. Distributions on redeemable units are treated as an expense within the consolidated statement of net income (loss), following the units' classification as liabilities. Distributions are accrued in the period to which they relate.

(h) Financial instruments:

(*i*) Recognition and classification:

The Trust recognizes financial instruments in its consolidated statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

Financial instruments are classified as one of five categories: fair value through profit and loss ("FVTPL"), loans and receivables, held-to-maturity, available for sale and other financial liabilities. Financial instruments are initially at fair value, plus, in the case of financial instruments not at FVTPL, any incremental direct transaction costs. Transaction costs on FVTPL financial instruments are recognized in profit and loss in the period in which they were incurred.

3. Significant accounting policies (continued):

(h) Financial instruments (continued):

(*i*) Recognition and classification (continued):

The Trust has classified its financial instruments as follows:

Asset / Liability	Classification	Subsequent measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Foreign currency derivatives	FVTPL	Fair value
Investments held at fair value	FVTPL	Fair value
Investments in mortgages	Loans and receivables	Amortized cost
Embedded derivatives included in investments in mortgages	FVTPL	Fair value
Promissory notes receivable	Loans and receivables	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Mortgage syndication liabilities	Other financial liabilities	Amortized cost
Management fees payable	Other financial liabilities	Amortized cost
Distribution payable to holders of redeemable units	Other financial liabilities	Amortized cost
Net assets attributable to holders of redeemable units	Other financial liabilities	Amortized cost

Financial instruments subsequently measured at amortized cost are done so using the effective interest method, less any impairment losses. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

3. Significant accounting policies (continued):

(h) Financial instruments (continued):

(ii) De-recognition:

(A) Financial assets:

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire; or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Trust neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets. Any interest in such transferred financial assets that qualify for de-recognition that is created or retained by the Trust is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset, and the sum of: (i) the consideration received; and (ii) any cumulative gain or loss that had been recognized is recognized in the consolidated statement of net income (loss).

The Trust enters into transactions whereby it transfers mortgage investments recognized on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred mortgage investments or a portion of them. If all or substantially all risks and rewards are retained, then the transferred mortgage or loan investments are not derecognized. In transactions in which the Trust neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Trust continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In circumstances where the Trust retains all or substantially all risks and rewards of a transferred mortgage, the transferred mortgage is not derecognized and the transferred mortgage is recognized as a mortgage syndication liability on the consolidated statement of financial position.

(B) Financial liabilities:

The Trust derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

(iii) Impairment:

The mortgage investments are assessed on each reporting date to determine whether there is objective evidence of impairment. A financial asset is considered to be impaired only if objective evidence indicates that one or more loss events have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset.

3. Significant accounting policies (continued):

(h) Financial instruments (continued):

(*iii*) Impairment (continued):

The Trust considers evidence of impairment for mortgage and loan investments at both a specific asset and collective level. All individually significant mortgage and loan investments are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identifiable at an individual mortgage level. Mortgage investments that are not individually significant are collectively assessed for impairment by grouping together mortgage and loan investments with similar risk characteristics.

In assessing collective impairment, the Trust reviews historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of specific mortgage investments is calculated as the difference between its carrying amount including accrued interest and the present value of the estimated future cash flows discounted at the investment's original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account against the mortgage and loan investments. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

For financial assets other than investments in mortgages, the Manager assesses at each reporting date whether a financial asset or group of assets is deemed to be impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(i) Properties under development for sale:

Properties under development for sale include land lots being developed for future resale.

Properties under development are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less costs to complete the development and selling costs. Costs include all those directly attributable to the building and development of the property as well as borrowing costs incurred that are directly attributable to the construction and development of the property.

3. Significant accounting policies (continued):

(j) Future changes in accounting policies:

The Trust has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Trust has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 9, *Financial Instruments*, ("IFRS 9"):

The Trust will adopt IFRS 9 *Financial Instruments* ("IFRS 9"), which will ultimately replace International Accounting Standard 39, *Financial Instruments - Recognition and Measurement* ("IAS 39") for the annual period beginning on January 1, 2018. IFRS 9 must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. Some of the key changes are summarized below.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPTL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard will eliminate the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward looking "expected credit loss" model. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IFRS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, whereas under IFRS 9 the amount of change in fair value attributable to changes in the credit risk of the liability is presented in OCI and the remaining amount of change in fair value is in profit or loss.

The Trust has commenced the evaluation of the impact of this standard on each of its financial instruments. Based upon the Trust's existing financial instruments and related accounting policies at December 31, 2017, the principal areas impacted will be the classification of financial assets, and the Trust's evaluation of impairment of financial assets.

IFRS 15, *Revenue Recognition*:

The IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Trust does not expect the new standard to have a material impact on the financial statements.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

4. Investments in mortgages:

The Trust holds mortgages on the following types of properties:

	2017		2016	
Property type	Number	Amount	Number	Amount
Residential	54	$ 78,651,611	52	$ 189,264,406
Retail	1	1,057,450	1	2,352,876
	55	79,709,061	53	191,617,282
Mortgage syndications		9,825,958		7,106,577
				198,723,859
Accrued interest		936,897		2,307,576
Investment in mortgages		$ 90,471,916		$ 201,031,435

	2017		2016	
Property location	Number	Amount	Number	Amount
Texas	45	$ 70,439,388	51	$ 179,620,242
Colorado	4	5,999,595	1	9,246,988
Tennessee	1	1,139,286	1	2,750,052
Georgia	1	784,871		
North Carolina	1	550,130		
Arizona	1	408,175		
Florida	2	387,616		
Total mortgages	55	$ 79,709,061	53	$ 191,617,282

The following table presents the reconciliation of mortgages as at December 31, 2017 and 2016:

	2017	2016
Investments in mortgages, beginning of year	$ 201,031,435	$ 144,179,421
Transfer of mortgages as part of Reorganization (note 16)	(113,157,152)	-
Funding of investments in mortgages	82,661,274	164,736,162
Interest capitalized to investments in mortgages	7,077,569	12,828,131
Principal repayments, including capitalized interest of investments in mortgages	(92,729,047)	(126,912,466)
Increase in syndicated loans	6,724,295	4,129,300
Increase (decrease) in fair value of embedded derivatives	(245,966)	1,414,966
Transfer to unsecured note receivable (note 4(b))	(820,364)	-
Change in accrued interest	(70,128)	655,921
Investments in mortgages, end of year	$ 90,471,916	$ 201,031,435

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 11.65% (2016 - 12.53%).

4. Investments in mortgages (continued):

All mortgages are conventional uninsured mortgages which contain a prepayment option, whereby the borrower may repay the principal and accrued interest, at any time prior to maturity without penalty or yield maintenance.

(a) Mortgage syndication liabilities:

The Trust has entered into certain mortgage participation agreements with third party lenders, whereby, the third party lenders take the senior position and the Trust retains the subordinated position, all of which is secured by first mortgage positions. As a result, the senior lenders' position is recorded as a non-recourse mortgage syndication liability. The interest earned on the transferred participation interests and the related interest expense is recognized in the consolidated statement of net income (loss). The Trust also retains an option, not the obligation, to repurchase the senior position at a price equal to the outstanding principal amount of the senior lenders' share together with accrued interest.

For those investments which have not met the de-recognition criteria, the participation transactions have resulted in the Trust recognizing the participating mortgages and corresponding mortgage syndication liabilities on its consolidated statement of financial position. The carrying value, which the Manager believes equates to the fair value, of the transferred assets and corresponding liabilities is $ 9,825,958 (2016 - $7,106,577).

(b) Mortgages in default:

As at December 31, 2017, the Trust had no mortgages that were past due (2016 - one, which was fully repaid in 2017).

During 2017, an affiliated company to the Trust foreclosed on the property that was in default in the previous year. The foreclosure occurred due to the borrower's missed mandatory principal payment and their failure to cure that default. The Property consists of 66 Lots that are complete and ready to have homes built on them. The Trust now holds an unsecured interest-free note from the affiliated Company in the amount $820,364 (note 8).

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

4. Investments in mortgages (continued):

(c) Profit participation mortgages:

Included in the investments in mortgages are certain profit participation mortgages which, in addition to interest at a stipulated rate, provide the Trust with an entitlement to future profits from the projects as set in the terms of the mortgage agreement. The profit participation features are considered embedded derivatives and are recognized at fair value with changes in fair value reported in the consolidated statement of net income (loss). The fair value of the embedded derivatives at December 31, 2017 is $1,265,740 (2016 - $3,587,312).

	2017	2016
Balance, beginning of year	$ 3,587,312	$ 1,208,106
Transfer as part of Reorganization, included in investments in mortgages	(2,021,631)	-
Change in fair value	(299,941)	2,379,206
Balance, end of year	$ 1,265,740	$ 3,587,312

As part of the Reorganization, $2,021,631 of the fair value of the embedded derivatives was transferred to the CAD Trust on January 1, 2017 (note 16). The principal amount of the mortgages with profit participation features transferred as part of the Reorganization was $16,660,604.

As at December 31, 2017 and 2016, the Trust had the following mortgages with profit participation loans:

	2017		2016	
	Number	Amount	Number	Amount
Profit participation mortgages	4	$ 8,386,648	7	$ 30,413,200

Management has estimated the fair value of the embedded derivative based on a probability weighted average of management's best estimate of the eventual profits to be realized and discounted using a risk-free interest rate.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

4. Investments in mortgages (continued):

(d) Land development mortgages:

Included in investments in mortgages at December 31, 2016 were four secured financing arrangements in the aggregate amount of $9,931,813 to provide financing to land development projects in Texas. The Trust has been assigned title to land lots under the financing arrangement, and the borrower has the option to re-acquire these land lots, based on a fixed pricing schedule. These transactions were considered secured financing arrangements and are classified as investments in mortgages as at December 31, 2016. As a result of the Reorganization, the US Trust no longer consolidates these financing arrangements as described in note 5. However, mortgages between the Trust and entities in which the joint ventures wholly own that were previously eliminated upon consolidation, are now separately presented as mortgages within investments in mortgages. During the year ended December 31, 2017, three of these financing arrangements were either sold or repaid, and the carrying amount of the remaining one at December 31, 2017 was $3,297,459.

(e) Schedule of maturity of investments in mortgages:

Principal payments are due based on contractual maturities of each loan as follows:

Maturity period	Number	Amount
2018	16	$ 16,325,573
2019	29	51,664,300
2020	7	3,844,411
2021 and beyond	3	7,874,777
	55	$ 79,709,061

5. Investments in joint ventures:

	Equity investment December 31, 2016	Impact of Reorganization (note 16)	Net contributions (distributions)	Shares of earnings	Equity investment December 31, 2017
TC/M Oak Creek Trust (a)	$ -	$ 738,202	$ -	$ 31,983	$ 770,185
TC/LT Conroe Trust (b)	-	954,773	120,144	146,291	1,221,208
TC/LT Arcadia Ridge Trust (a)	-	974,099	(1,014,248)	40,149	-
TC/LT Blackhawk Trust (a)	-	458,717	(473,890)	15,173	-
TC/LT Canyon Lakes Trust (a)	-	129,506	(108,819)	(20,687)	-
TC/LT Leander Crossing Trust (a)	-	342,893	(529,295)	186,402	-
TC/LT Trinity Falls Trust (a)	-	222,071	(205,680)	(16,391)	-
Total	$ -	$ 3,820,261	$ (2,211,788)	$ 382,920	$ 1,991,393

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

5. Investments in joint ventures (continued):

(a) Land development mortgages:

As described in note 4(d), included in investments in mortgages as at December 31, 2016 were secured financing arrangements to provide financing to land development projects in Texas. As a result of the Reorganization, the US Trust no longer consolidates these financing arrangements and the Trust and the CAD Trust are now considered to have joint control over this entity and equity accounting is now applied. The joint venture has been assigned title to land lots under the financing arrangement, and the borrower has the option to re-acquire these land lots, based on a fixed pricing schedule. These transactions are considered secured financing arrangements. Mortgages between the Trust and entities in which the joint ventures wholly own that were previously eliminated upon consolidation, are now separately presented as mortgages within investments in mortgages. During 2017, all but one of these arrangements were either sold or repaid and only the investment in TC/M Oak Creek Trust remains as at December 31, 2017. The Trusts holds a 43.64% interest in TC/M Oak Creek Trust and the other partner is a related entity due to common management.

(b) TC/LT Conroe Trust:

The investment in TC/LT Conroe Trust is a lot development project in Texas for future sale.

Prior to the Reorganization, TC/LT Conroe Trust was consolidated as the Trust held 100% of the trust units. As a result of the Reorganization, 56.36% of the trust units in TC/LT Conroe Trust were transferred to the CAD Trust and the Trust now holds 43.64% of the trust units in TC/LT Conroe Trust. As a result, the Trust's investment in TC/LT Conroe Trust is now considered a joint venture with the CAD Trust as the Declaration of Trust for TC/LT Conroe Trust requires unanimous consent from all trust unitholders for any significant decisions.

The following table shows the impact of the Reorganization on the Trust's investment in TC/LT Conroe Trust as a result of the change in consolidation of LT/LT Conroe Trust as at December 31, 2016 to an investment in joint venture as at December 31, 2017:

	2017	2016
Property under development for sale	$ -	$ 9,676,280
Non-controlling interest	-	(286,466)
Loans payable	-	(875,000)
Other assets	-	1,938,455
Cash	-	19,953
Accounts payable and accrued liabilities	-	(739,080)
Investment in joint ventures	1,221,208	-

5. Investments in joint ventures (continued):

The summary below shows 100% of the investees' total assets, total liabilities, revenue, expenses and net income on aggregate basis for its joint ventures.

Total assets	$ 19,414,171
Total liabilities	(16,174,539)
Revenue	6,084,953
Expenses	(5,973,638)
Net income	111,314

6. Investments held at fair value:

The summary below lists the Trust's investments held at fair value, their name, type and percentage of ownership:

	Balance, December 31, 2016	Additions to investments	Change in fair value	Distributions paid	Balance, December 31, 2017
TT/M Apartment Fund Blocker LP	$ -	$ 6,750,000	$ 40,354	$ -	$ 6,790,354

During 2017, the Trust, through its wholly-owned subsidiary, T/TM Apartment Fund Trust, made an investment in TT/M Apartment Blocker LP in which it holds a 34.4% interest. TT/M Apartment Fund Blocker LP has entered into two real estate projects in Texas with an established property developer to enable the Trust to benefit from local real estate expertise while pursuing returns from its investments. The two real estate projects are apartment renovation project in Texas for future sale. The lead developer assumes the development risk associated with the project in that cost overruns are to be borne by them. Any additional capital contributions are funded on a pro-rata basis in accordance with the terms of the agreement.

7. Redeemable units, representing net assets attributable to holders of redeemable units:

(a) As at December 31, 2017, the Trust has authorized an unlimited number of Series A, Series F and Series I redeemable, non-transferrable Units. The $10 Units are issued in U.S. dollars in accordance with the Offering Memorandum of the Trust, dated February 10, 2017

All classes of units have the same objectives, strategies and restrictions, but differ with respect to one or more of their features, such as fees and distributions. The Trust's Units do not meet the exception criteria in IAS 32 for classification as equity due to the redemption terms of the Units and the dissimilarity of features between classes. As a result, the Units have been reclassified as financial liabilities under IFRS.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

7. Redeemable units, representing net assets attributable to holders of redeemable units (continued):

(a) (continued):

On January 1, 2017, as part of the Reorganization (Note 1) the Trust fully transferred all Canadian dollar denominated units to the CAD Trust. The Trust no longer holds or issues Canadian dollar denominated units.

Total distributions for each Unitholder are determined relative to the proportion of the year the Unitholder was invested in the Trust. The holders of Series A Units, Series F Units and Series I Units (collectively, the "Units") are entitled to one vote per unit. The Units are redeemable on demand of the Unitholder in stipulated increments. If notice is received by the Manager, the redemption will occur within thirty days subsequent to the receipt of the redemption notice. Redemptions may be subject to a penalty if redeemed prior to the first anniversary.

	2017		2016	
USD Class A units	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	718,559	$ 7,185,586	739,470	$ 7,027,800
Issued for cash	236,500	2,365,000	178,411	1,784,105
Issued for reinvested distributions	30,707	307,070	35,569	355,688
Redeemed for cash	(85,652)	(856,507)	(206,322)	(2,063,215)
Transfer between classes	(21,665)	(216,651)	(31,469)	(314,691)
Decrease in net assets attributable to redeemable units, from operations	-	-	-	(410,816)
Issued for top up - 2015	-	-	39,590	395,899
Consolidation of units - 2015	-	-	(36,690)	-
Issued for top up - 2016	-	-	41,082	410,816
Consolidation of units - 2016	-	-	(41,082)	-
Issued and outstanding, end of year	878,449	$ 8,784,498	718,559	$ 7,185,586

	2017		2016	
USD Class F units	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	8,115,532	$ 81,155,318	7,684,723	$ 72,983,317
Issued for cash	1,432,245	14,322,452	1,477,838	14,778,380
Issued for reinvested distributions	332,894	3,328,939	400,307	4,003,068
Redeemed for cash	(919,735)	(9,197,352)	(1,548,763)	(15,487,629)
Transfer between classes	(895,412)	(8,954,117)	31,469	314,691
Decrease in net assets attributable to redeemable units, from operations	-	-	-	(4,716,899)
Issued for top up - 2015	-	-	456,349	4,563,491
Consolidation of units - 2015	-	-	(386,391)	-
Issued for top up - 2016	-	-	471,690	4,716,899
Consolidation of units - 2016	-	-	(471,690)	-
Issued and outstanding, end of year	8,065,524	$ 80,655,240	8,115,532	$ 81,155,318

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

7. Redeemable units, representing net assets attributable to holders of redeemable units (continued):

(a) (continued):

	2017		2016	
CDN Class A units	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	1,435,915	$ 10,694,425	341,259	$ 2,445,944
Transfer out – Reorganization (note 1)	(1,435,915)	(10,694,425)	-	-
Issued for cash	-	-	1,214,364	9,119,430
Issued for reinvested distributions	-	-	63,667	474,174
Redeemed for cash	-	-	(21,092)	(157,083)
Transfer between classes	-	-	(163,160)	(1,215,164)
Issued for top up - 2015	-	-	3,642	27,124
Consolidation of units - 2015	-	-	(2,765)	-
Issued and outstanding, end of year	-	$ -	1,435,915	$ 10,694,425

	2017		2016	
CDN Class F units	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	7,815,220	$ 58,208,081	2,461,338	$ 17,490,901
Transfer out – Reorganization (note 1)	(7,815,220)	(58,208,081)	-	-
Issued for cash	-	-	5,240,024	39,564,019
Issued for reinvested distributions	-	-	245,961	1,831,840
Redeemed for cash	-	-	(308,250)	(2,295,744)
Transfer between classes	-	-	163,160	1,215,164
Issued for top up - 2015	-	-	53,963	401,901
Consolidation of units – 2015	-	-	(40,976)	-
Issued and outstanding, end of year	-	$ -	7,815,220	$ 58,208,081

	2017		2016	
CDN I units	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	5,888,038	$ 43,855,068	4,500,500	$ 32,222,074
Transfer out – Reorganization (note 1)	(5,888,038)	(43,855,068)	-	-
Issued for cash	-	-	1,386,235	11,315,347
Issued for reinvested distributions	-	-	7,420	55,262
Redeemed for cash	-	-	(19,222)	(143,156)
Issued for top up - 2015	-	-	54,452	405,541
Consolidation of units - 2015	-	-	(41,347)	-
Issued and outstanding, end of year	-	$ -	5,888,038	$ 43,855,068

7. Redeemable units, representing net assets attributable to holders of redeemable units (continued):

(b) All series are of the same class and have the same objectives, strategies and restrictions, but differ with respect to one or more of their features, such as fees and distributions. Distributions allocable to each series of units will differ as a result of the deduction of the amounts payable in respect of trailer fees, as defined in the Declaration of Trust, for the Series A Units and the lower administration fee payable in respect of the Series I Units.

The total distribution to be made in respect of the December 31 year end will equal at least 100% of the Trust's taxable income including gains and losses for tax purposes relating to fluctuations of the U.S. dollar relative to the Canadian dollar as explained in note 9, less any reserves that the Manager deems appropriate. For the year ended December 31, 2017, the taxable income of the Trust was $1,754,560 and the Trust has declared distributions totaling $6,488,191 which is equal to net income prior to distributions on the statement of net income (loss). The difference between distributions declared and taxable income of $4,733,631 is considered a return of capital for tax purposes. The return of capital arises in part from foreign exchange arising due to the fact that taxable income must be computed in Canadian dollars.

The fourth quarter distribution declared and payable as at December 31, 2017 and 2016 was distributed to the Unitholders subsequent to year end as follows:

	2017	2016
Paid out in cash	$ 760,781	$ 3,618,148
Reinvested as Trust units	-	-
	$ 760,781	$ 3,618,148

8. Promissory note:

	2017	2016
Unsecured, interest-free promissory note due from a private entity (note 4(b))	$ 820,364	$ -

9. Income taxes:

The Trust qualifies as a mutual fund trust under the *Income Tax Act (Canada)* (the "Tax Act").

The Trust allocates to its Unitholders taxable income including taxable capital gains that would otherwise attract tax in the Trust. Accordingly, no provision for Canadian income taxes is reflected in its financial statements.

9. Income taxes (continued):

For purposes of the Tax Act, the Trust is required to compute its Canadian tax results using Canadian currency. Where an amount that is relevant in computing the Trust's Canadian tax results is expressed in U.S. dollars, such amount must be converted to Canadian currency, generally using the rate of exchange on the day such amount arose. As a result, the Trust may realize gains and losses for tax purposes by virtue of the fluctuation of the value of the U.S. dollar relative to Canadian dollar. Any net gain accrued by the Trust for a particular taxation year may be made payable to Unitholders and is thus required to be included in computing Unitholders' income for Canadian tax purposes. The Trust intends to distribute at least 100% of the Trust's taxable income including capital gains for the 2017 fiscal tax period.

10. Foreign currency derivatives:

The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange on the Trust's bank indebtedness denominated in Canadian dollars. The Trust has entered into foreign exchange derivative contracts to manage this foreign exchange exposure. As at December 31, 2017, the Trust was participating in forward exchange contracts to sell Canadian dollars totaling $1,707,381_(2016 - $112,679,878). The foreign currency derivatives are marked-to-market on the consolidated statement of financial position and the fair value as at December 31, 2017 is an asset of $38,227_(2016 – liability of $655,866). The foreign currency derivatives are entered into by the Mortgage Broker on behalf of the Trust with third party financial institutions and entered directly by the Trust with third party financial institutions.

11. Related party transactions and balances:

The Trust invests in mortgages alone or on a participation basis with parties related to the Manager. Title to mortgages is held by nominee corporations as trustee, on behalf of the beneficial owners of the mortgages. In addition, certain duties are performed by the Mortgage Broker.

The Manager and Mortgage Broker are related to the Trust through common control. In cases where mortgages are held on a participation basis:

— The Trust's rights are as outlined in the Declaration of Trust and a Mortgage Participation and Servicing Agreement with the Mortgage Broker.

— Pursuant to this agreement, the Mortgage Broker agrees to administer and service the mortgages on behalf of the Trustee and other investees. The Mortgage Broker acts as the Trust's underwriter, servicer and syndicator.

— The Mortgage Broker performs certain duties including registering the mortgages, arranging for title searches, and holding all title papers and other security documentation related to the mortgages.

11. Related party transactions and balances (continued):

(a) Management fees:

The Trust is managed by the Manager pursuant to the terms and conditions of the Declaration of Trust, a summary of which is set out in the most current Offering Memorandum. The Manager may, pursuant to the terms of the Declaration of Trust, delegate its power to third parties where it deems advisable.

Each series of units of the Trust is deemed to be entitled to its proportionate share of the average annual gross assets, as defined in the Declaration of Trust. The Manager will be entitled to receive an annual fee (the "Administration Fee") equal to 1.5% of the proportionate share of the Series A Units and the Series F Units of the average annual gross assets and an annual fee equal to 1.15% of the proportionate share of the Series I Units of the average annual gross assets (calculated by using a simple moving average of the month end value of all assets, excluding mortgage syndications, of the Trust) plus applicable taxes, payable quarterly. For each series of units of the Trust, the Manager also receives an additional fee (the “Incentive Fee”) equal to 10% of net earnings and capital gains plus applicable taxes but prior to the deduction for the Incentive Fee, payable annually.

During 2017, the Trust incurred management and incentive fees in the amount of $2,148,564 (2016 - $2,746,016). For the year ended December 31, 2017, the Manager has agreed to waive any incentive fees which would cause distributions of cash to exceed net accounting income prior to distributions. No fees were waived in 2017 and 2016. The Manager retains the right to distribute units to ensure that all taxable income is distributed. At December 31, 2017, $ 1,129,280 (2016 - $1,480,966) in management and incentive fees were owing to the Manager.

The Manager is responsible for the expenses of the initial offering of units, other than brokerage fees, as well as employment expenses of its personnel, rent and other office expenses. The Manager is not responsible for any taxes payable by the Trust or to which the Trust may be subject. The Trust will reimburse the Manager for all expenses incurred in the management of the Trust except as previously noted.

(b) Other operating expenses:

The Trust will pay for all expenses incurred in connection with its operation and administration. The Trust also will be responsible for commissions and other costs of portfolio transactions, and all liabilities and any extraordinary expenses which it may incur from time to time.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

11. Related party transactions and balances (continued):

(c) Transfer of investments in mortgages:

The Trust generally invests in an interest in a mortgage at the time the mortgage is funded. However, at any time during the term of the mortgage, it may acquire an interest from or sell its interest in a mortgage to parties related to the Manager, Trustee and Mortgage Broker. Purchases from and sales to related parties are transacted at unpaid principal plus accrued interest due at the date of the transaction which, in the opinion of the Manager, represent the estimated fair values of the related mortgages.

During 2017, the Trust purchased investments in mortgages of $9,139,460 (2016 - $26,254,063) from, and sold investments in mortgages of $22,715,205 (2016 - $17,342,952), not including $113,157,152 in mortgages transferred as a result of the Reorganization, to entities under common management.

Included in mortgages sold to related entities are $16,660,604 (2016 - $1,700,000) of mortgages that contain profit participation features and included in mortgages acquired from related entities are $121,461 (2016 - nil) of mortgages that contain profit participation features.

As at December 31, 2017, included in due to related parties is nil (2016 - $109,287) relating to professional fees paid by a related party.

(d) Co-investments in mortgages:

The Trust has invested in a mortgage portfolio with a balance at December 31, 2017 of $79,709,061 (2016 - $191,617,282), virtually all of which are made on a participation basis with related funds and parties.

(e) Acquisition of subsidiary:

During 2016, the Trust owned 100% of a subsidiary, TC/LT Conroe Trust. The subsidiary has a 50% interest in Wedgewood Forest Ltd. On January 1, 2017, as a result of the Reorganization, 56.36% of the subsidiary's Trust units were transferred to CAD Trust. The remaining 43.64% is now accounted for as an investment in joint ventures (see note 5).

12. Bank indebtedness:

	2017	2016
Canadian dollar indebtedness from a bank with maximum indebtedness of $3,491,596 bearing interest at 6.5% per annum compounded and payable monthly and with maturity date of January 17, 2018. The full amount was repaid subsequent to year end.	$ 1,666,539	$ 4,766,515
Total bank indebtedness	$ 1,666,539	$ 4,766,515

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

12. Bank indebtedness:

As part of the Reorganization, $2,686,172 of bank indebtedness was transferred to the CAD Trust on January 1, 2017.

The Canadian dollar indebtedness requires the Trust to maintain net investment in mortgages plus cash of no less than $65,000,000.

During the year, the Trust was in compliance with all such covenants.

13. Loans payable:

		2017		2016
U.S. dollar demand loan from a private investor, repayable on demand upon 30 days' notice	$	-	$	875,000
U.S. dollar demand loan from a financial institution, bearing interest at Prime plus 5.5% per annum, repayable on demand upon 30 days' notice		-		1,111,037
Total loans payable	$	-	$	1,986,037

The U.S. dollar demand loan from a private investor relates to the Trust's consolidated investment in TC/LT Conroe Trust as described in note 5. As a result of the Reorganization, the Trust no longer consolidates its investment in TC/LT Conroe Trust.

The U.S. dollar demand loan from a financial institution relates to the Trust's consolidated investment in TC/G Leander Crossing Trust as described in note 5. As a result of the Reorganization, the Trust no longer consolidates its investment in TC/G Leander Crossing Trust.

During the year, the Trust incurred interest charges of $nil (2016 - $66,905) relating to loans payable.

14. Financial instruments and risk management:

(a) Fair values:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The carrying value of all of the Trust's financial instruments approximates their fair value.

The carrying values of the investments in mortgages and syndicated loans payable approximate their fair values because the Manager does not expect any significant changes in interest rates or credit risk.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

14. Financial instruments and risk management (continued):

(a) Fair values (continued):

The following table shows a hierarchy for disclosing fair value based on inputs used to value the Trust's assets or liabilities that are measured at fair value or for which fair value disclosure is required. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

— Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);

— Inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and

— Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Carrying value			
December 31, 2017	Loans and receivable	FVTPL	Other financial liabilities	Fair value
Assets not measured at fair value				
Investments in mortgages	$ 90,471,916	$ -	$ -	$ 90,471,916
Promissory notes receivable	820,364	-	-	820,364
Cash and cash equivalents	1,700,673	-	-	1,700,673
Restricted cash	1,524,750	-	-	1,524,750
Assets measured at fair value				
Foreign currency derivatives	-	38,277	-	38,277
Investments held at fair value	-	6,790,354	-	6,790,354
Embedded derivatives, included in profit participation mortgages				
Financial liabilities not measured at fair value				
Bank indebtedness	-	-	1,666,539	1,666,539
Mortgage syndication liabilities	-	-	9,825,958	9,825,958
Management fees payable	-	-	1,129,280	1,129,280
Distributions payable to holders of redeemable units	-	-	760,781	760,781
Accounts payable and accrued liabilities	-	-	736,128	736,128

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

14. Financial instruments and risk management (continued):

(a) Fair values (continued):

	Carrying value			
December 31, 2016	Loans and receivable	FVTPL	Other financial liabilities	Fair value
Assets not measured at fair value				
Investments in mortgages	$ 201,031,435	$ -	$ -	$ 201,031,435
Promissory notes	-	-	-	-
Cash and cash equivalents	6,870,896	-	-	6,870,896
Restricted cash	3,372,083	-	-	3,372,083
Assets measured at fair value				
Embedded derivatives, included in profit participation mortgages	-	3,587,312	-	-
Financial liabilities not measured at fair value				
Bank indebtedness	-	-	4,766,515	4,766,515
Loans payable	-	-	1,986,037	1,986,037
Mortgage syndication liabilities	-	-	7,106,577	7,106,577
Management fees payable	-	-	1,480,966	1,480,966
Due to related party	-	-	109,288	109,288
Distributions payable to holders of redeemable units	-	-	3,618,148	3,618,148
Accounts payable and accrued liabilities	-	-	2,250,479	2,250,479
Liabilities measured at fair value				
Foreign currency derivatives	-	655,866	-	-

The valuation techniques and inputs used for the Trust's financial instruments are as follows:

(*i*) Investments in mortgages and mortgage syndication liabilities:

There is no quoted price in an active market for the mortgage investments or mortgage syndication. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments approximate their carrying value given the amounts consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on Level 3 inputs.

(*ii*) Investments held at fair value:

There is no quoted price in an active market for the investments held at fair value as the investments are held in private entities. For the year ended December 31, 2017, the investments' carrying amounts approximate fair value as the investments were made at the end of 2017.

14. Financial instruments and risk management (continued):

(a) Fair values (continued):

(*iii*) Embedded derivatives:

Included in the investments in mortgages are certain profit participation mortgages. The valuation techniques and inputs used to fair value the embedded derivatives are described in note 4. As a result, the fair value of embedded derivatives is based on the use of Level 3 inputs.

(*iv*) Foreign currency derivatives:

The Trust has entered into foreign exchange contracts to mitigate the impact from fluctuations in foreign exchange rates. The Manager determines the fair value of foreign currency derivatives with reference to quotations from third party derivative dealers and accepts the amount as fair value for the derivatives. As a result, the fair value of foreign currency derivatives is based on Level 2 inputs.

(*v*) Other financial assets and liabilities:

The carrying values of financial assets and financial liabilities not measured at fair values, such as cash, other assets, due from related parties, promissory notes, accounts payable and accrued liabilities, syndicated mortgage liabilities, management fees payable, distribution payable to holders of redeemable units, and net assets attributable to holders of redeemable units approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

(*vi*) Net assets attributable to holders of redeemable units:

The Trust routinely redeems and issues redeemable units at the amount equal to the proportionate share of net assets of the Trust at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of the net assets attributable to the holders of redeemable units approximates their fair value and are based on Level 2 inputs

There were no transfers between Level 1, Level 2 and Level 3 during the years ended December 31, 2017 and 2016.

14. Financial instruments and risk management (continued):

(b) Financial risk management:

The Trust has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

Management's risk management policies are typically performed as a part of the overall management of the Trust's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Trust may be exposed to a number of risks that could affect its operating performance. Management's close involvement in operations will help to identify risks and variations from expectations. The Trust has not designated any transactions as hedging transactions to manage risk.

As a part of the overall operation of the Trust, management considers the avoidance of undue concentrations of risk. The risk and the actions taken to manage them include the following:

(*i*) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation that it has entered into with the Trust, resulting in a financial loss to the Trust. This risk arises principally from the investments in mortgages, promissory notes, and other receivables. For risk management reporting purposes the Trust considers and consolidates all elements of credit risk exposure (such as loan-to-value, sector risk, location risk, and individual obligor default risk).The Trust manages its credit risk through extensive initial due diligence and careful monitoring of its mortgage portfolio, active communications with borrowers and the institution of aggressive enforcement procedures on defaulting mortgages by its Mortgage Broker, and by matching the cash flow profile of the assets and liabilities. All mortgage investments are approved by the Credit Committee comprised of senior management of the Mortgage Broker. The Mortgage Broker's Credit Committee reviews its policies regarding its lending limits on an ongoing basis. Minimal credit risk also arises from cash deposits. This is mitigated by holding deposits in Canada with major financial institutions.

As at December 31, 2017, the largest mortgage investment in the Trust's mortgage portfolio was $6,845,439 (2016 - $21,758,472) which is 7.65% (2016 - 10.82%) of the Trust's net asset value, and 8.59% (2016 - 11.36%) of its mortgage portfolio.

The Trust's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at December 31, 2017 and 2016 is represented by the respective carrying amounts of the relevant financial assets in the consolidated statement of financial position.

14. Financial instruments and risk management (continued):

(b) Financial risk management (continued):

(*ii*) Liquidity risk:

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Trust's liquidity requirements relate to its obligations under its loans payable, accounts payable and accrued liabilities, syndicated loan liability, distributions payable to holders of redeemable units, redeemable units, loans payable and its obligations to make future advances under its existing mortgage portfolio. Liquidity risk is managed by ensuring that the sum of: (i) availability under the Trust's bank borrowing line; (ii) the sourcing of other borrowing facilities; and (iii) projected repayments under the existing mortgage portfolio, exceeds projected needs (including funding of further advances under existing and new mortgage investments).

As at December 31, 2017, 20.48% of the Trust's mortgage portfolio, being $16,325,573, is due on or before December 31, 2018 (2016 – 41.75% or $80,003,719 was due on or before December 31, 2017). The Trust had no mortgages that were overdue on December 31, 2017.

In Management’s opinion, the Trust has sufficient resources to meet its current cash flow requirements.

(*iii*) Market risk:

Market risk is the risk that changes in market factors, such as interest rates, currency and other price risks will affect the Trust’s income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The Trust’s strategy for the management of market risk is driven by the Trust’s investment objective which is to invest in a diversified portfolio of mortgages on real property located within the United States that preserves capital and generates returns in order to permit the Trust to pay quarterly distribution to its unit holders.

The Trust’s market risk is managed on a regular basis by the Manager in accordance with policies and procedures in place.

14. Financial instruments and risk management (continued):

(b) Financial risk management (continued):

(*iii*) Market risk (continued):

(A) Interest rate risk:

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Trust's interest rate risk is primarily attributable to its return on investments in mortgages relative to its resources to fund the mortgages. As described in note 7, units are redeemable by the unit holders upon 30 days' notice. A significant rise in interest rates may cause unit holders to redeem their Units and could cause a shortfall in funds available to meet such redemptions. The Trust charges a 1% prepayment penalty on redemptions made prior to the first anniversary from the units' issuance.

As at December 31, 2017, all the Trust Mortgage investments had a fixed rate of return, therefore an increase or decrease in interest rates would not have had an impact on the Trust' net income. A 0.25% increase or decrease in the interest rates with all other variables held constant would increase or decrease the Trust's income by approximately $20,967 (2016 - $32,980) arising from income generated on the trusts cash deposits.

(B) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust's functional currency is U.S dollars.

(C) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust is exposed to price risk because of its investment in mortgages. These risks arise from changes in the real estate market and could be local or national in nature. Deteriorating real estate values increase the Trust's risk. The Trust manages these risks by actively maintaining strong borrower relationship and active monitoring of all loans.

15. Capital management:

The Trust considers net assets attributable to holders of redeemable units to be capital, which at December 31, 2017 was $ 89,439,738 (2016 - $201,098,478).

The Trust's objective when managing capital is to maintain its ability to continue as a going concern and ensure that it has sufficient cash resources to invest in mortgages in order to provide a return to its Unitholders. The Trust manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Trust may issue new units. The Trust is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Trust document.

16. Reorganization of the Trust:

Pursuant to the Reorganization (note 1), the Trust's CAD Units were redeemed and exchanged for Units of a corresponding series of the CAD Trust. Accordingly, a proportionate interest of 56.36% of the Trust's assets and liabilities were transferred to the CAD Trust. The following schedule discloses the statement of financial position of the Trust as at December 31, 2016, the amount of the Trust's assets and liabilities transferred to the USD Trust as a result of the Reorganization, and the statement of financial position of the Trust immediately following the Reorganization on January 1, 2017.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

16. Reorganization of the Trust (continued):

	December 31, 2016	Impact of reorganization	January 1, 2017
Assets			
Cash and cash equivalents	$ 6,870,896	$ (4,273,464)	$ 2,597,432
Restricted cash	3,372,083	(2,430,176)	941,907
Investments in joint ventures	-	3,820,261	3,820,261
Property under development for sale	9,676,280	(9,676,280)	-
Foreign currency derivatives	-	16,632	16,632
Investments in mortgages	201,031,435	(113,157,152)	87,874,283
Other assets	2,408,126	(1,407,347)	1,000,779
	$ 223,358,820	$ (127,107,526)	$ 96,251,294
Equity			
Non-controlling interests	$ 286,466	$ (286,466)	$ -
Liabilities and Net Assets Attributable to Holders of Redeemable Units			
Bank indebtedness	$ 4,766,515	$ (2,686,172)	$ 2,080,343
Loans payable	1,986,037	(1,986,037)	-
Accounts payable and accrued liabilities	2,250,479	(1,747,600)	502,879
Due to related parties	109,288	(109,288)	-
Mortgage syndication liabilities	7,106,577	(4,004,915)	3,101,662
Foreign currency derivatives	655,866	(655,866)	-
Management fees payable	1,480,966	(834,599)	646,367
Distributions payable to holders of redeemable units	3,618,148	(2,039,009)	1,579,139
	21,973,876	(14,063,486)	7,910,390
Net assets attributable to holders of redeemable units	201,098,478	(112,757,574)	88,340,904
	$ 223,072,354	$ (126,821,060)	$ 96,251,294

	December 31, 2016	Impact of reorganization	January 1, 2017
Net assets attributable to holders of redeemable units:			
USD Series A	$ 7,185,586	$ -	$ 7,185,586
USD Series F	81,155,318	-	81,155,318
CDN Series A	10,694,425	(10,694,425)	-
CDN Series F	58,208,081	(58,208,081)	-
CDN Series I	43,855,068	(43,855,068)	-
	$ 201,098,478	$ (112,757,574)	$ 88,340,904