Consolidated Financial Statements
(Expressed in Canadian dollars)

TREZ CAPITAL YIELD TRUST US (CANADIAN $)

Year ended December 31, 2017

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Trez Capital Yield Trust US (Canadian $)

We have audited the accompanying consolidated financial statements of Trez Capital Yield Trust US (Canadian $), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of comprehensive income, changes in net assets attributable to holders of redeemable units, accumulated other comprehensive income 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 consolidated financial position of Trez Capital Yield Trust US (Canadian $) as at December 31, 2017, and its consolidated financial performance and its consolidated 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 (CANADIAN $)

Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

December 31, 2017 with comparative information for 2016

	Notes	2017	2016
Assets			
Cash and cash equivalents		$ 7,563,473	$ 10
Restricted cash		7,561,283	-
Foreign currency derivatives	10	3,018,708	-
Investments in mortgages	4	278,579,934	-
Investments in joint ventures	5	3,224,071	-
Investments held at fair value	6	16,238,698	-
Promissory notes receivable	8	1,296,162	-
Other assets		420,978	-
Total assets		$ 317,903,307	$ 10
Equity			
Accumulated other comprehensive income		$ (35,695)	$ -
Liabilities and Net Assets Attributable to Holders of Redeemable Units			
Bank indebtedness	12	$ 2,705,235	$ -
Accounts payable and accrued liabilities		1,264,883	-
Mortgage syndication liabilities	4(a)	21,802,545	-
Management fees payable	11(a)	925,321	-
Distributions payable to holders of redeemable units	7(b)	3,143,575	-
		29,841,559	-
Net assets attributable to holders of redeemable units	7	288,097,443	10
		$ 317,939,002	$ 10
Total liabilities and net assets attributable to holders of redeemable units and equity		$ 317,903,307	$ 10
Net assets attributable to holders of redeemable units:	7		
CDN Series A		$ 23,214,791	$ -
CDN Series F		165,495,429	10
CDN Series I		99,387,223	-
		$ 288,097,443	$ 10

The accompanying notes are an integral part of these 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 (CANADIAN $)

Consolidated Statement of Comprehensive Income
(Expressed in Canadian dollars)

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

	Notes	2017	2016
Revenue:			
Interest income		$ 25,415,138	$ -
Interest expense on mortgage syndication		(496,203)	-
		24,918,935	-
Expenses:			
Commissions		1,274,415	-
Management fees	11(a)	3,388,926	-
Foreign exchange		1,976,883	-
General and administrative expenses		979,250	-
		7,619,474	-
Equity earnings from investment in joint ventures	5	587,504	-
Fair value gains on embedded derivatives	4(c)	1,228,930	-
Fair value gains on investments held at fair value	6	54,547	-
Income from operations		19,170,442	-
Financing costs:			
Interest expense		277,060	-
Distributions to holders of redeemable units	7(b)	18,857,687	-
		19,134,747	-
Net income for the period before other comprehensive income		35,695	-
Other comprehensive income:			
Translation adjustment to arrive at presentation currency of Canadian dollars	2(c)	(35,695)	-
Comprehensive income attributable to holders of redeemable units		$ -	$ -

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

TREZ CAPITAL YIELD TRUST US (CANADIAN $)

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

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

	Notes	2017	2016
Balance, beginning of the year		$ 10	$ -
Income attributable to holders of redeemable units		35,695	-
Contributions and redemptions:			
Issuance of units		138,843,633	10
Reinvestment of distributions on redeemable units		7,340,571	-
Redemptions		(9,522,061)	-
Transfer of units as part of reorganization	1, 15	151,399,595	-
Net contributions (redemptions/transfers)		288,061,738	10
Balance, end of year		$ 288,097,443	$ 10

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

TREZ CAPITAL YIELD TRUST US (CANADIAN $)

Consolidated Statement of Accumulated Other Comprehensive Income
(Expressed in Canadian dollars)

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

	Notes	2017	2016
Beginning of period		$ -	$ -
Foreign currency translation differences		(35,695)	-
		$ (35,695)	$ -

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

TREZ CAPITAL YIELD TRUST US (CANADIAN $)

Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

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

	2017	2016
Cash provided by (used in):		
Operating activities:		
Income for the year	$ 35,695	$ -
Items not involving cash:		
Interest income, net of interest expense on syndications	(24,918,935)	-
Equity earnings from investments in joint ventures	(642,051)	-
Fair value gains on investments held at fair value	(1,228,930)	-
Unrealized foreign exchange	289,733	-
Distributions to holders of redeemable units	18,857,687	-
Unrealized gain on forward currency derivatives	(3,921,672)	-
Interest received	7,986,570	-
Changes in non-cash operating working items:		
Restricted cash	(4,298,285)	-
Other assets	(70,312)	-
Management fee payable	(195,295)	-
Accounts payable and accrued liabilities	(679,138)	-
Operating cash flows before undernoted	(8,784,933)	-
Funding of investments in mortgages	(235,507,731)	-
Repayments on investments in mortgages	142,567,055	-
	(101,725,609)	-
Investing activities:		
Transfer of cash as part of Reorganization (note 15)	4,503,207	-
Investment in joint ventures	3,661,250	-
Contributions to investments held at fair value	(16,184,151)	-
	(8,019,694)	-
Financing activities:		
Distributions paid on redeemable units	(11,111,318)	-
Issuance of units	138,843,633	10
Redemption of units	(9,522,061)	-
Decrease in bank indebtedness	(901,488)	-
	117,308,766	-
Increase in cash and cash equivalents	7,563,463	10
Cash and cash equivalents, beginning of year	10	-
Cash and cash equivalents, end of year	$ 7,563,473	$ 10

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

1. Nature of business:

Trez Capital Yield Trust US (Canadian $) (the “Trust”) is an unincorporated trust established under the laws of British Columbia pursuant to a Declaration of Trust dated December 8, 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.”).

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

On January 1, 2017 pursuant to the Reorganization, the three series of Canadian dollar denominated units of the USD Trust, being the Series A (C$) Units, Series F (C$) Units and Series I (C$) Units (collectively, the “CAD Units”) were redeemed and the redemption price satisfied by the issuance of an equal number of corresponding Units of the Trust. Accordingly, the prior holders of CAD Units in the USD Trust now hold Units of the Trust and the holders of the US dollar denominated units of the USD Trust continue to hold such units in the USD Trust. A proportionate interest of 56.36% of the USD Trust’s total net assets and liabilities were also transferred to the Trust as part of the Reorganization. Refer to note 14 for schedule disclosing the statement of financial position of the Trust immediately after the reorganization has occurred.

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.

2. Basis of preparation (continued):

(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:

The Trust's functional currency is the U.S. dollar. Foreign currency monetary assets and liabilities are translated into U.S. dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates.

The Trust is using the Canadian dollar as its presentation currency. All assets and liabilities are translated using the exchange rate at the reporting date. Revenue and expenses are translated using the average rate for the period. Equity accounts are translated using the historical rate. The translation differences from the Trust's functional currency of U.S. dollars to the presentation currency of Canadian dollars are recorded in other comprehensive income.

(d) Measurement uncertainty (use of estimates):

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

2. Basis of preparation (continued):

(d) Measurement uncertainty (use of estimates) (continued):

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.

(*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).

3. Significant accounting policies (continued):

(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.

(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 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 statement of comprehensive income in the same period.

(f) Revenue recognition:

Interest income is recognized in the statement of comprehensive income 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 statement of comprehensive income, following the units' classification as liabilities. Distributions are accrued in the period to which they relate.

3. Significant accounting policies (continued):

(h) Financial instruments:

(*i*) Recognition and classification:

The Trust recognizes financial instruments in its 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.

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
Accounts payable and accrued liabilities	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 statement of net income (loss).

The Trust enters into transactions whereby it transfers mortgage investments recognized on its 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 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.

3. Significant accounting policies (continued):

(i) 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 Canadian 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	60	$ 250,886,025	-	$ -
Retail	2	3,090,573	-	-
	62	253,976,598	-	-
Mortgage syndications		21,802,545	-	-
		275,779,143	-	-
Accrued interest		2,800,791	-	-
Investment in mortgages		$ 278,579,934	-	$ -

	2017		2016	
Property location	Number	Amount	Number	Amount
Texas	51	$ 218,423,396	-	$ -
Colorado	4	24,189,902	-	-
Arizona	2	5,287,908	-	-
Tennessee	1	1,849,231	-	-
Florida	2	1,656,785	-	-
Georgia	1	1,385,705	-	-
North Carolina	1	1,183,671	-	-
Total mortgages	62	$ 253,976,598	-	$ -

The following table presents the reconciliation of mortgages for the year ended December 31, 2017:

Investments in mortgages, beginning of year	$ -
Transfer of mortgages as part of Reorganization (note 15)	152,348,978
Funding of investments in mortgages	235,507,731
Interest capitalized to investments in mortgages	9,263,865
Principal payments of investments in mortgages	(142,567,055)
Increase in mortgage syndications	21,802,545
Increase in embedded derivatives	794,032
Accretion income	(74,791)
Change in accrued interest	2,800,791
Transfer to unsecured note (note 4(b))	(1,296,162)
Investments in mortgages, end of period	$ 278,579,934

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 11.74 %.

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 statement of comprehensive income. 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 statement of financial position. The carrying value, which the Manager believes equates to the fair value, of the transferred assets and corresponding liabilities is $21,802,545.

(b) Mortgages in default:

As at December 31, 2017, the Trust had no mortgages that were past due or in default.

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 $1,296,162 (note 8).

(c) Profit participation mortgages:

Included in 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 statement of comprehensive income. The fair value of the embedded derivatives at December 31, 2017 is $3,335,366.

As part of the Reorganization, $2,541,393 of the fair value of the embedded derivatives was transferred to the Trust on January 1, 2017 (note 15).

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

4. Investments in mortgages (continued):

(c) Profit participation mortgages (continued):

As at December 31, the Trust had the following mortgages with profit participation loans.

	Number	Amount
Profit participation mortgages	4	$ 21,219,342

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.

(d) 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	19	$ 77,439,352
2019	29	133,537,734
2020	10	21,707,151
2021 and beyond	4	21,292,361
	62	$ 253,976,598

5. Investments in joint ventures:

	Equity investment December 31, 2016	Impact of Reorganization (note 15)	Net contributions (distributions)	Shares of earnings	Impact of foreign exchange	Equity investment December 31, 2017
TC/M Oak Creek Trust (a)	$ -	$ 1,279,833	$ -	$ 53,627	$ (83,334)	$ 1,250,126
TC/LT Conroe Trust (b)	-	1,655,303	192,504	245,297	(119,159)	1,973,945
TC/LT Arcadia Ridge Trust (a)	-	1,688,810	(1,644,295)	10,952	(55,467)	-
TC/LT Blackhawk Trust (a)	-	795,284	(794,606)	25,442	(26,120)	-
TC/LT Canyon Lakes Trust (a)	-	224,527	(182,465)	(34,688)	(7,374)	-
TC/LT Leander Crossing Trust (a)	-	594,480	(887,508)	314,357	(21,329)	-
TC/LT Trinity Falls Trust (a)	-	385,008	(344,880)	(27,483)	(12,645)	-
Total	$ -	$ 6,623,245	$ (3,661,250)	$ 587,504	$ (325,428)	$ 3,224,071

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

5. Investments in joint ventures (continued):

(a) Land development mortgages:

Included in investments in mortgages as at December 31, 2016 in the USD Trust were secured financing arrangements to provide financing to land development projects in Texas. As a result of the Reorganization, the USD Trust no longer consolidates these financing arrangements and the USD Trust and the 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 Trust holds a 56.36% 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 USD 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 Trust and the USD 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 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	$ 24,404,992
Total liabilities	(20,332,544)
Revenue	7,901,920
Expenses	(7,757,367)
Net income	144,553

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	$ -	$16,184,151	$ 54,547	$ -	$16,238,698

During 2017, the Trust, through its wholly-owned subsidiary, Trez Capital Yield Trust (US) (Canadian$) Sub-Trust, made an investment in TT/M Apartment Fund Blocker LP in which it holds a 65.6% 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 Canadian dollars in accordance with the Offering Memorandum of the Trust, dated February 10, 2017.

On January 1, 2017, as part of the Reorganization the USD Trust fully transferred all Canadian dollar denominated units to the Trust.

Total distributions for each Unitholder are determined relative 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 first anniversary.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

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

(a) (continued):

CDN Class A units	Number	Amount
Issued and outstanding, beginning of year	-	$ -
Transfer in as part of Reorganization (note 15)	1,435,940	14,359,404
Issued for cash	863,836	8,638,361
Issued for reinvested distributions	90,843	908,425
Redeemed for cash	(58,224)	(582,243)
Transfer between classes	(11,202)	(112,017)
Increase in net assets	-	2,861
Issued and outstanding, end of period	2,321,193	23,214,791
Accumulated other comprehensive income	-	(2,861)
	2,321,193	$ 23,211,930

CDN Class F units	Number	Amount
Issued and outstanding, beginning of year	1	$ 10
Transfer in as part of Reorganization (note 15)	7,815,599	78,155,990
Issued for cash	9,075,059	90,750,591
Issued for reinvested distributions	539,618	5,396,179
Redeemed for cash	(893,982)	(8,939,818)
Transfer between classes	11,202	112,017
Increase in net assets	-	20,460
Issued and outstanding, end of period	16,547,497	165,495,429
Accumulated other comprehensive income	-	(20,460)
	16,547,497	$ 165,474,969

CDN Class I units	Number	Amount
Issued and outstanding, beginning of year	-	$ -
Transfer in as part of Reorganization (note 15)	5,888,420	58,884,200
Issued for reinvested distributions	103,597	1,035,969
Issued for cash	3,945,468	39,454,680
Increase in net assets	-	12,374
Issued and outstanding, end of period	9,937,485	99,387,223
Accumulated other comprehensive income	-	(12,374)
	9,937,485	$ 99,374,849

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

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 at least equal 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. For the period ended December 31, 2017, the taxable income of the Trust was $18,163,158 and the Trust has declared distributions totaling $18,857,687 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 $694,529 is considered a return of capital for tax purposes. The return of capital arises in part due to timing differences relating to the equity investments.

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

Paid out in cash	$ 3,143,575
Reinvested as Trust units	-
Accrued as of December 31, 2017	$ 3,143,575

8. Promissory notes receivable:

	2017	2016
Unsecured, interest free promissory note due from a private entity	$ 1,296,162	$ -

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 foreign exchange gains and losses, 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 realized 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 holds certain investments in joint ventures based in the US. These investments in associates and joint ventures are held by wholly-owned subsidiaries, which are required to pay income taxes to the US Internal Revenue Service based on their determination of taxable income for US tax purposes. Accordingly, current income tax recognized in the consolidated statement of net income is based on the subsidiaries US taxable income for the year. Current tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Trust intends to distribute at least 100% of the Trust's taxable income, including foreign exchange gains/losses for the 2017 fiscal period.

10. Foreign currency derivatives:

The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange as the Trust has entered into foreign exchange contracts to manage most of its foreign exchange exposure. As at December 31, 2017, the Trust was participating in forward exchange contracts to sell Canadian dollars totaling $284,807,469. The foreign currency derivatives are marked-to-market on the statement of financial position and the fair value as at December 31, 2017 is an asset of $3,018,708. The foreign currency derivatives are 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.

11. Related party transactions and balances (continued):

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.

(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 Confidential 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.

For the year ended December 31, 2017, the Manager has agreed to waive any incentive fees and management fees which would cause distributions of cash to exceed net accounting income prior to distributions. During the year ended December 31, 2017, the Trust incurred management fees in the amount of $3,388,926 after the entire portion of the incentive fees in the amount of $1,849,864 and management fees of $86,229 were waived by the Manager in 2017. At December 31, 2017, $925,321 in management fees were owing to the Manager. The Manager retains the right to distribute units to ensure that all taxable income is distributed.

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.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

11. Related party transactions and balances (continued):

(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.

(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 the year ended December 31, 2017, the Trust purchased investments in mortgages of $2,453,341 from, and sold investments in mortgages of $35,694,838 to entities under common management. As part of the Reorganization, $152,348,979 in mortgages were transferred from entities under common management.

Included in the mortgages transferred from related entities are $nil of mortgages that contain profit participation features.

(d) Co-investments in mortgages:

The Trust has invested in a mortgage portfolio with a balance at December 31, 2017 of $253,976,598, virtually all of which are made on a participation basis with related funds and parties.

12. Bank indebtedness:

Canadian dollar indebtedness from a bank with maximum indebtedness of $4,508,404 , 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.	$ 2,705,235

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

The Trust was in compliance with all such covenants.

13. 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 mortgage syndication liabilities approximate their fair values because the Manager does not expect any significant changes in interest rates or credit risk.

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).

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

13. Financial instruments and risk management (continued):

(a) Fair values (continued):

	Carrying value			
December 31, 2017	Loans and receivable	FVTPL	Other financial liabilities	Fair value
Assets not measured at fair value				
Investments in mortgages	$ 278,579,934	$ -	$ -	$ 278,579,934
Due from related parties	420,978	-	-	420,978
Cash and cash equivalents	7,563,473	-	-	7,563,473
Restricted cash	7,561,283	-	-	7,561,283
Promissory notes receivable	1,296,162	-	-	1,296,162
Assets measured at fair value				
Foreign currency derivatives	-	3,018,708	-	3,018,708
Investments held at fair value	-	16,238,698	-	16,238,698
Embedded derivatives, included in profit participation mortgages	-		-	
Financial liabilities not measured at fair value				
Bank indebtedness	-	-	2,705,235	2,705,235
Mortgage syndication liabilities	-	-	21,802,545	21,802,545
Management fees payable	-	-	925,321	925,321
Distributions payable to holders of redeemable units	-	-	3,143,575	3,143,575
Accounts payable and accrued liabilities	-	-	1,264,883	1,264,883

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.

13. 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, interest receivable, due from related parties, promissory notes receivable, accounts payable and accrued liabilities, bank indebtedness, mortgage syndication liabilities, management fees payable, and distribution payable 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 year ended December 31, 2017.

13. 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 $22,638,120 which is 7.92% of the Trust's net asset value, and 8.91% of its mortgage portfolio.

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

13. 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 bank indebtedness, loans payable, accounts payable and accrued liabilities, mortgage syndication liabilities, distributions payable to holders of redeemable units, redeemable units, 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, 30.49% of the Trust's mortgage portfolio, being $77,439,352, is due on or before December 31, 2018. 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.

13. Financial instruments and risk management (continued):

(b) Financial risk management (continued):

(*iii*) Market risk (continued):

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

(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 6, 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 of the Trust's investments in mortgages have a fixed rate of return, therefore an increase or decrease in interest rates would not have had an impact on the Trust's 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 $38,685 arising from income generated on the Trust's 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.

The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange on the Trust's obligation to redeem Canadian series units in Canadian dollars as explained in note 9.

(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.

14. Capital management:

The Trust considers net assets attributable to holders of redeemable units to be capital, which at December 31, 2017 was $288,097,443.

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.

15. Reorganization of the Trust:

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

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

15. Reorganization of the Trust (continued):

	December 31, 2016	Impact of Reorganization	January 1, 2017
Assets			
Cash and cash equivalents	$ 10	$ 4,503,207	$ 4,503,217
Restricted cash	-	3,262,998	3,262,998
Foreign currency derivatives	-	-	-
Investments in mortgages	-	152,348,979	152,348,979
Investments in joint ventures	-	6,623,245	6,623,245
Due from related parties	-	-	-
Other assets	-	350,666	350,666
	$ 10	$ 167,089,095	$ 167,089,105
Equity			
Accumulated other comprehensive income	$ -	$ -	$ -
Liabilities and Net Assets Attributable to Holders of Redeemable Units			
Bank indebtedness	$ -	$ 3,606,723	$ 3,606,723
Accounts payable and accrued liabilities	-	1,944,021	1,944,021
Mortgage syndication liabilities	-	5,377,399	5,377,399
Foreign currency derivatives	-	902,964	902,964
Management fees payable	-	1,120,616	1,120,616
Distributions payable to holders of redeemable units	-	2,737,777	2,737,777
	-	15,689,500	15,689,500
Net assets attributable to holders of redeemable units	10	151,399,595	151,399,605
	$ 10	$ 167,089,095	$ 167,089,105
Net assets attributable to holders of redeemable units:			
CDN Series A	$ -	$ 14,359,405	$ 14,359,405
CDN Series F	10	78,155,990	78,156,000
CDN Series I	-	58,884,200	58,884,200
	$ 10	$ 151,399,595	$ 151,399,605