Financial Statements of

TREZ CAPITAL MORTGAGE INVESTMENT CORPORATION

Years ended December 31, 2017 and 2016

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Trez Capital Mortgage Investment Corporation

We have audited the accompanying financial statements of Trez Capital Mortgage Investment Corporation, which comprise the statements of financial position as at December 31, 2017 and 2016, the statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trez Capital Mortgage Investment Corporation as at December 31, 2017 and 2016, and the results of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 to the financial statements. A plan to wind up Trez Capital Mortgage Investment Corporation was approved by shareholders on June 16, 2016. Subsequent to that date, the Company has pursued the process of monetizing its portfolio of mortgage investments in an orderly manner and distributing the net proceeds to its shareholders.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 22, 2018

TREZ CAPITAL MORTGAGE INVESTMENT CORPORATION

Statements of Financial Position

December 31, 2017 and 2016

	Notes	2017	2016
Assets			
Investments in mortgages	5	$ 48,133,697	$ 94,868,684
Cash and cash equivalents		7,219,217	45,543,146
Amounts receivable	5(c)	100,000	-
Total assets		$ 55,452,914	$ 140,411,830
Liabilities and Shareholders' Equity			
Dividends payable	6	$ 691,726	$ 961,964
Accounts payable and accrued liabilities		89,725	180,539
Management fee payable	7,9	68,206	159,778
Incentive fee provision	8	486,416	545,545
Total liabilities		1,336,073	1,847,826
Shareholders' equity	6	54,116,841	138,564,004
Total liabilities and shareholders' equity		$ 55,452,914	$ 140,411,830

Subsequent events (note 15)

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

Approved on behalf of the Board:

"Alexander Manson"
(Signed) Alexander Manson
Director

"Greg Vorwaller"
(Signed) Greg Vorwaller
Director

TREZ CAPITAL MORTGAGE INVESTMENT CORPORATION

Statements of Income (Loss) and Comprehensive Income (Loss)

Years ended December 31, 2017 and 2016

	Notes	2017	2016
Revenue:			
Interest and fee income		$ 4,715,783	$ 12,271,647
Interest expense on mortgage syndications		-	(431,807)
		4,715,783	11,839,840
Expenses:			
Management fees	7, 9	1,227,870	2,224,511
Performance fees	7, 9	-	187,464
Incentive fees	8	233,732	1,000,000
Realized mortgage investment loss	5	8,622,490	-
Fair value adjustments on investments in mortgages	5	(7,599,749)	9,516,249
General and administrative expenses		604,550	2,222,229
		3,088,893	15,150,453
Income (loss) from operations		1,626,890	(3,310,613)
Financing costs:			
Interest on bank indebtedness		-	95,186
Net income (loss) and comprehensive income (loss) for the year		$ 1,626,890	$ (3,405,799)
Earnings (loss) per share:			
Basic and diluted	10	$ 0.13	$ (0.19)

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

TREZ CAPITAL MORTGAGE INVESTMENT CORPORATION

Statements of Changes in Shareholders' Equity

Years ended December 31, 2017 and 2016

2017	Notes	Common shares	Deficit	Total
Shareholders' equity at December 31, 2016		$ 160,345,187	$ (21,781,183)	$ 138,564,004
Net income (loss) and comprehensive income (loss) for the year		-	1,626,890	1,626,890
Dividends to shareholders	6	-	(48,518,414)	(48,518,414)
Repurchases of shares	6	(37,555,639)	-	(37,555,639)
Shareholders' equity at December 31, 2017		$ 122,789,548	$ (68,672,707)	$ 54,116,841

2016	Notes	Common shares	Deficit	Total
Shareholders' equity at December 31, 2015		$ 183,418,077	$ (5,604,603)	$ 177,813,474
Net income (loss) and comprehensive income (loss) for the year		-	(3,405,799)	(3,405,799)
Dividends to shareholders	6	-	(12,770,781)	(12,770,781)
Repurchases of shares	6	(23,072,890)	-	(23,072,890)
Shareholders' equity at December 31, 2016		$ 160,345,187	$ (21,781,183)	$ 138,564,004

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

TREZ CAPITAL MORTGAGE INVESTMENT CORPORATION

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	Notes	2017	2016
Cash provided by (used in):			
Operations:			
Net income (loss) and comprehensive income (loss) for the year		$ 1,626,890	$ (3,405,799)
Non-cash adjustments:			
Interest income earned		(4,105,132)	(11,576,114)
Interest expense incurred		-	95,186
Realized mortgage investment loss		8,622,490	-
Fair value adjustments on investment in mortgages		(7,599,749)	9,516,249
Incentive fee		233,732	1,000,000
Incentive fee paid		(292,861)	(454,455)
Interest received		3,774,144	9,904,171
		2,259,514	5,079,238
Changes in non-cash operating items:			
Amounts receivable		140,790	-
Accrued fees receivable		205,862	(9,013)
Management fees payable		(91,572)	(49,975)
Performance fees payable		-	(442,891)
Accounts payable and accrued liabilities		(90,814)	116,451
Cash flows from operating activities before undernoted		2,423,780	4,693,810
Funding of investments in mortgages		(5,956,742)	(26,479,906)
Principal repayments or sold investments in mortgages		51,553,324	107,706,838
		48,020,362	85,920,742
Financing:			
Interest paid		-	(120,954)
Repurchase of shares		(37,555,639)	(23,072,890)
Dividends to shareholders		(48,788,652)	(12,930,297)
		(86,344,291)	(36,124,141)
Increase (decrease) in cash during the year		(38,323,929)	49,796,601
Cash and cash equivalents (bank indebtedness), beginning of year		45,543,146	(4,253,455)
Cash and cash equivalents, end of year		$ 7,219,217	$ 45,543,146

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

1. Operations:

Trez Capital Mortgage Investment Corporation (the “Company”) is a non-bank lender providing residential and commercial short-term bridge and conventional real estate financing, including construction and mezzanine mortgages. Trez Capital Mortgage Investment Corporation was incorporated on April 18, 2012 under the Canada Business Corporations Act. The Company is managed by Trez Capital Fund Management Limited Partnership (the “Manager”). The Mortgage Broker for the Company is Trez Capital Limited Partnership.

The shares of the Company are publicly listed on the Toronto Stock Exchange under the symbol TZZ. The Company is a Canadian mortgage investment corporation and the registered office of the Company is 1700-745 Thurlow Street, Vancouver, BC, V6E 0C5.

On May 9, 2016, the Special Committee of the Board of Directors announced the completion of its strategic review process and a plan for the orderly wind-up of the Company’s assets and the return of capital to shareholders (the “Orderly Wind-Up Plan”). The Orderly Wind-Up Plan in its entirety was approved by shareholders at the Company’s annual and special meeting of shareholders held on June 16, 2016.

Under the Orderly Wind-Up Plan, the Company has ceased originating new loans and all mortgage renewal activity, subject to contractual rights, and its assets are being monetized over time. Management has estimated the value of its mortgage portfolio based on its best judgment as to the eventual cash flows that it expects to receive in the normal course of business. Eventual cash flows could vary by a material amount as outlined in note 5. The Orderly Wind-Up Plan has been implemented and capital is being returned to shareholders under the supervision of the Board of Directors with the assistance of the Manager. In addition, the Manager and its affiliates has ceased providing any financial support in respect to any of the mortgages held in the Company’s portfolio, except for instances as disclosed in note 9. The fees to the Manager have been restructured as outlined in note 7 and 8.

In addition, an Investment & Capital Management Committee was formed and its mandate is: (i) the management of the normal course issuer bid (“NCIB”); and (ii) the management and oversight of the Orderly Wind-Up Plan.

In the first quarter of 2017, as a result of a cash outlay in relation to cancellation of shares and monetization of residential mortgages related to the Orderly Wind–Up Plan, the Company ceased to maintain its status as a Mortgage Investment Corporation pursuant to the Income Tax Act (Canada) and consequently is no longer able to deduct dividends paid to shareholders from its taxable income. However, the Company expects its non-capital losses carried forward from prior years are sufficient to offset any future taxable income, as further outlined in note 14.

2. Basis of presentation:

(a) Statement of compliance:

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

These financial statements were approved by the Board of Directors on March 22, 2018.

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(c) Use of estimates and judgments:

The preparation of 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.

The most significant estimates that the Manager is required to make relate to the fair value of the investments in mortgages.

The estimate of fair value of the investments in mortgages may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances and other factors affecting the investments in mortgages and underlying security of the mortgages.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. By their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

3. Significant accounting policies:

(a) Cash and cash equivalents:

The Company considers highly liquid investments with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, to be cash equivalents.

(b) Investments in mortgages:

Investments in mortgages are designated at fair value through profit and loss, with any changes in fair value reflected in the statement of income (loss) and comprehensive income (loss). The fair value of investments in mortgages is calculated based on a discounted cash flow analysis of the future expected cash flows from the period end to the maturity of the investment.

3. Significant accounting policies (continued):

(b) Investments in mortgages (continued):

The discount rate used to discount the future expected cash flows of each applicable investment is the aggregate rate given by taking an appropriate Bank of Canada Treasury bill rate at the period end and applying the inherent credit spread of each mortgage.

When the Manager considers the collection of principal on a particular mortgage investment to be no longer reasonably assured, the fair value of the mortgage is not greater than the estimated fair value of the collateral securing the mortgage loans.

(c) Class A shares:

The Class A shares are non-redeemable. The Company classifies financial instruments issued as either financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Accordingly, the non-redeemable Class A shares are classified as equity.

Dividends payable to holders of Class A shares are recognized, when declared, in the statement of changes in shareholders' equity.

(d) Interest income:

Interest income is recognized in the statement of income (loss) and comprehensive income (loss) on an accrual basis.

(e) Income taxes:

In the first quarter of 2017, as part of the Orderly Wind Up process the Board of Directors authorized a return of capital by offering to purchase for cash $35,000,000 in value of its Class A shares. As a result of the cash outlay and monetization of residential mortgages, the Company went below the threshold requiring a Mortgage Investment Corporation to have 50% or more of its capital held in residential mortgages and cash. This compliance failure resulted in the Company ceasing to maintain its status as a Mortgage Investment Corporation pursuant to the Income Tax Act (Canada) and consequently is no longer be able to deduct dividends paid to shareholders from its taxable income. The Manager believes the Company's non-capital losses carried forward are sufficient to offset any future taxable income.

(f) Financial instruments:

Financial instruments are classified as one of the following: (*i*) fair value through profit and loss ("FVTPL"); (*ii*) loans and receivables; (*iii*) held-to-maturity; (*iv*) available-for-sale; or (*v*) other liabilities. Financial instruments are recognized initially at fair value, plus in the case of financial instruments not at FVTPL any incremental direct transaction costs. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income.

3. Significant accounting policies (continued):

(f) Financial instruments (continued):

The Company has classified its financial instruments as follows:

	Classification	Measurement
Financial assets:		
Investments in mortgages	FVTPL	Fair value
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Financial liabilities:		
Dividends payable	Other financial liabilities	Amortized cost
Management fee payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

(g) De-recognition:

(*i*) Financial assets:

The Company 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 Company 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 Company is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (*i*) the consideration received (including any new asset obtained less any new liability assumed) and (*ii*) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the statement of income (loss) and comprehensive income (loss).

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

3. Significant accounting policies (continued):

(g) De-recognition (continued):

(*ii*) Financial liabilities:

The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

(h) Future changes in accounting policies:

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company 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 Company 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 Company 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.

3. Significant accounting policies (continued):

(h) Future changes in accounting policies (continued):

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

The IASB issued 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 Company does not expect the new standard to have a material impact on the financial statements.

4. Credit facility:

On August 8, 2012, (last amended on September 25, 2014), the Company entered into a credit facility (the "Facility") with HSBC Bank Canada for an amount of up to $31,000,000. The Facility renewed annually and was subject to an interest rate equal to the bank's prime rate of interest plus 1.3%. The Facility was secured by a general security agreement over the Company's assets. As a result of the Orderly Wind-Up Plan the credit facility was cancelled effective June 23, 2016

5. Investments in mortgages:

(a) Mortgages:

	2017		2016	
Property type	Number	Amount	Number	Amount
Residential	7	$ 27,256,040	12	$ 42,506,739
Office	2	24,422,329	5	50,847,894
Retail		-	1	11,542,752
	9	51,678,369	18	104,897,385
Accrued interest and fees receivable		291,828		1,407,548
Fair value adjustments on investments in mortgages		(3,836,500)		(11,436,249)
		$ 48,133,697		$ 94,868,684

Subsequent to December 31, 2017, three mortgages with principal balances in aggregate of $8,247,822 were repaid in full and one mortgage with principal of $4,000,000 was sold to a related entity under common management.

5. Investments in mortgages (continued):

(a) Mortgages (continued):

A reconciliation of fair value adjustments on investments in mortgages for the year ended December 31, 2017 is as follows:

Opening balance, December 31, 2016		$ 11,436,249
Fair value adjustment recognized (note 5(b)(*i*))		441,500
Previous fair value adjustments recognized:		
Resolved default mortgage (note 5(c)(*i*))	$1,921,749	
Resolved default mortgage (note 5(c)(*ii*))	3,774,500	
Resolved default mortgage (note 5(c)(*iv*))	2,345,000	(8,041,249)
Net fair value adjustments on investments in mortgages		(7,599,749)
Ending balance, December 31, 2017		$ 3,836,500

Realized mortgage investment losses	
Resolved default mortgage (note 5(c)(*i*))	$1,921,749
Resolved default mortgage (note 5(c)(*ii*))	3,935,809
Resolved default mortgage (note 5(c)(*iv*))	2,764,932
Realized 2017 mortgage investment losses	$ 8,622,490

Fair value adjustments on investments in mortgages	
Defaulted mortgage (note 5(b)(*i*))	$441,500
Defaulted mortgage (note 5(b)(*ii*)	3,395,000
Ending balance, December 31, 2017	$ 3,836,500

	2017		2016	
Property location	Number	Amount	Number	Amount
Alberta	1	$ 4,000,000	4	$ 20,669,761
Ontario	3	26,768,743	8	57,682,735
New Brunswick	-	-	1	7,646,211
Nova Scotia	5	20,909,626	5	18,898,678
	9	$ 51,678,369	18	$ 104,897,385

5. Investments in mortgages (continued):

(a) Mortgages (continued):

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 3.4% (2016 - 5.8%) and mature between 2018 and 2019. The mortgage agreements stipulate a minimum interest rate and a variable interest rate based on the Prime
Rate for Canadian dollar loans established by HSBC ("Prime Rate"). Current premiums to the Prime Rate range from plus 1.8% to plus 6.5% (in 2016 between 1.8% to plus 7.4%) with the current minimum rates ranging from 5.0% to 9.7% (in 2016 between 4.5% to 10.1%) excluding loans in default.

Principal repayments based on contractual maturity dates are as follows:

	2017		2016	
	Number	Amount	Number	Amount
Past due	2	$ 6,362,007	4	$ 12,694,136
2017	-	-	4	17,669,873
2018	4	12,247,822	8	43,249,133
2019 and beyond	3	33,068,540	2	31,284,243
	9	$ 51,678,369	18	$ 104,897,385

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

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

For those investments which have not met the de-recognition criteria, the participation transactions have resulted in the Company recognizing the participating mortgages and corresponding mortgage syndication liabilities on its statements of financial position. Included in investments in mortgages are mortgage syndication liabilities of nil (2016 - nil).

As part of the assessment of fair value, the Manager routinely reviews each mortgage for changes in estimated cash flows and credit risk to determine whether or not fair value of a mortgage should be adjusted for the change in credit risk.

5. Investments in mortgages (continued):

(a) Mortgages (continued):

At December 31, 2017, the Manager estimated the changes in credit risk for its mortgages, including mortgages in default as explained below, and has accrued an unrealized losses on the fair value of its investments in mortgages totaling $3,836,500 (2016 - $11,436,249).

Management has estimated the value of its mortgage portfolio based on its best judgment as to the eventual cash flows that it expects to receive. However, given the illiquid nature of the assets, the time frame to realize any expected cash flows and the inherent credit risk of the underlying security, the eventual value to be realized could vary by a material amount. Furthermore, management's estimates are based on the assumption that it will continue to realize value from the Company's investments in the normal course of business. Any change in management's intended course of action would have a significant impact on the value eventually realized.

(b) Default or past due mortgages:

A mortgage is considered in default when a payment has not been received by the contractual due date, or a term in the mortgage agreement has been breached.

The following mortgages were in default or past due as at December 31, 2017:

(*i*) Two mortgages with the same borrower with an aggregate carrying amount of $6,362,007 (December 31, 2016 - $6,539,448) were not performing and were past due on their maturity dates. Subsequent to the year end, the borrower made an offer which the Manager accepted where the borrower made a $600,000 loan repayment in January 2018, and agreed to repay the loan in full with interest on March 8, 2018. The borrower has asked for an extension of the March 8 date, which the Manager is currently considering. Currently there is a fair value provision on the properties totaling $441,500 (December 31, 2016 - nil).

(*ii*) A loan previously classified as in default was resolved through acquisition of the property by an affiliate of the Company for the total consideration of $23,030,559. On February 5, 2016, the affiliate of the Manager sold the property to a third party for $24,900,000, which was partially financed by a vender take-back ("VTB") in the amount of $23,400,000. At the time, an affiliate of the Manager also agreed to supplement the interest rate to be 6.5% for the first three years. As a result of the Orderly Wind-Up, the affiliate of the Manager ceased to supplement interest on the VTB. On September 1, 2016, the Manager issued a demand on the loan due to unpaid legal fees and property taxes. Subsequently, the Manager entered into a forbearance agreement with the borrower on the basis that all loan payments and property taxes in arrears are brought up to date. The borrower made all interest and principal payments up to July 2017 but has since breached the agreement and the Manager took legal action. The Manager appointed a receiver, who enlisted a broker to market the property for sale with bids to be submitted by February 27, 2018. Management is reviewing and considering the offers received to date. The total fair value adjustment recorded on the property is $3,395,000 (December 31, 2016 - $3,395,000).

5. Investments in mortgages (continued):

(c) Resolved default mortgages:

Since January 1, 2016, the following default mortgages have been resolved:

(*i*) A borrower in respect of a mortgage with a carrying amount of $5,048,578 at December 31, 2016 plus accrued interest of $598,038 was in breach of its mortgage terms. The mortgage also had collateral against a first mortgage held by a related entity under common management with the Manager. On March 22, 2016, the property under first mortgage was sold and part of these proceeds reduced the outstanding balance of the mortgage by $423,616. A court appointed receiver sold the remaining property on February 2, 2017. The final proceeds, net of fees, did not cover the outstanding principal and accrued interest and consequently the Company realized a loss on sale totaling $1,921,748.

(*ii*) In early 2016, the Company resolved a mortgage with a carrying amount of $10,809,992 that was previously in default where the Company put the property into receivership. The total outstanding principal amount of the mortgage including other Trez-affiliated participants co-invested in the mortgage was $11,513,077. On February 3, 2016, the property was sold to the third party at a price of $12,100,000, which was partly financed by vendor take back mortgage (“VTB”) provided to the Company in the amount of $11,400,000. In addition, an affiliate of the Manager had agreed to supplement the interest rate on the VTB at 5% for the first six months, where otherwise it was interest free. As a result of the Orderly Wind-Up Plan, the affiliate of the Manager ceased supplementing the interest rate on the VTB. The Company subsequently classified the loan as being in default due to missed payments for property taxes and other amounts and a receiver was appointed. On May 17, 2017, the Manager accepted an offer to purchase the property with the expected closing date of August 30, 2017. The property was sold in September and the Company received $6,908,612 in sales proceeds. The Manager is pursuing the guarantor for the loan shortfall which is currently estimated to total approximately $160,000. The total fair value adjustment previously recognized and totaling $3,774,500 (December 31, 2016 - $3,774,500) was reclassified as realized mortgage investment loss since the final sales proceeds were not enough to cover the outstanding principal. In addition, the Company recognized additional $160,000 realized loss in the fourth quarter of 2017. Included in amounts receivable is $100,000 due from the receiver for final proceeds to be collected on the sale.

(*iii*) In the year ended December 31, 2017, a mortgage in default with a carrying amount of $1,106,110 as at December 31, 2016 was repaid in full from sales of its underlying properties.

5. Investments in mortgages (continued):

(c) Resolved default mortgages (continued):

(*iv*) A mortgage with an entity related to the Manager (note 9(e)) with a carrying amount $5,942,846 at December 31, 2016 was sold to a third party in the fourth quarter of 2017. The sale was partially financed by the Company in the form of a mortgage to the buyer in the amount of $5,000,000. The proceeds from the sale were insufficient to cover the outstanding principal. In addition to reclassifying previously recorded fair value adjustment totaling $2,696,548 (December 31, 2016 - $2,345,000) as realized mortgage investment loss, the Company recognized a further $68,384 in realized mortgage investment loss in the fourth quarter of 2017.

6. Class A shares:

As at December 31, 2017 and 2016, there were an unlimited number of Class A common shares and an unlimited number of Class B common shares authorized. As at December 31, 2017, there were 11,864,941 Class A shares outstanding (December 31, 2016 - 19,236,354).

The holders of the Class A shares are entitled to receive dividends as and when declared by the Board of Directors of the Company.

(a) Dividends:

The Company makes dividend payments to Class A shareholders on a monthly basis on or about the 15th day of each month. The Company intends to pay dividends to Class A shareholders, within 90 days after the year end, for an amount equal to at least 100% of the taxable income from operations of the Company determined in accordance with the Income Tax Act (Canada), subject to certain adjustments. The dividends have constituted a return of capital since and including the distribution paid on August 15, 2016.

For the year ended December 31, 2017, the Company had declared regular monthly dividends totaling $8,744,490 or $0.70 per share (December 31, 2016 - $12,770,781 or $0.70 per share) of which $691,726 is payable at December 31, 2017 (December 31, 2016 - $961,964).

In addition to the regular distribution, the Company paid two special distributions in 2017 which constituted a return of capital pursuant to the winding-up of the Company's business. The first special distribution totaling $29,775,670, or $2.46 per Class A share outstanding at August 15, 2017, was paid on August 28, 2017. The second special distribution totaling $9,998,254, or $0.838 per Class A share outstanding at November 24, 2017, was paid on December 11, 2017.

Effective August 30, 2016, the Company's shareholder distribution reinvestment plan (the "DRIP") was terminated. As a result, the DRIP was not available in connection with monthly distributions beginning with the distribution paid on September 15, 2016. Shareholders, including those who had previously participated in the DRIP, will continue to be entitled to monthly cash distributions as and when declared by the Board of Directors of the Company.

6. Class A shares (continued):

(b) Normal course issuer bid:

On May 17, 2017 the Company announced it received approval from the Toronto Stock Exchange (“TSX”) for the renewal of its normal course issuer bid (“NCIB”), which enables it to purchase, from time to time over a period of 12 months up to an aggregate maximum of 1,210,345 Class A Shares, representing approximately 10% of its issued and outstanding Class A shares. The Company purchased 418,430 Class A shares through NCIB during the year ended December 31, 2017 at a weighted average price of $6.11 per share

Under the previous NCIB that commenced on May 19, 2016 and expired on May 18, 2017, the Company purchased 736,116 Class A Shares at a weighted average price of $8.25 per share.

Prior to that, pursuant to a bid that expired on January 11, 2016, the Company acquired a total of 314,900 shares at a weighted average price of $6.65 per share.

All purchases under the NCIB were made through the facilities of the TSX at market prices and in accordance with the rules of the TSX.

(c) Substantial issuer bids (“SIB”):

On September 20, 2016, the Company repurchased 2,000,000 shares at a price of $8.50 per share under substantial issuer bid (“SIB”) for a total consideration of $17,000,000. The shares purchased under the SIB represented 10.7% of the shares outstanding as at August 15, 2016.

On January 10, 2017, the Company issued a circular offering to purchase for cancellation Class A shares for an aggregate purchase price not to exceed $35 million. Pursuant to the Second Offer, the Company purchased 4,216,867 shares at $8.30 per Share for total consideration of $35,000,000 on February 14, 2017. As a result of the purchase, the Company ceased to maintain its status as a mortgage investment corporation pursuant to the Income Tax Act (Canada).

7. Management fees:

The Manager is responsible for the day-to-day operations, including administration of the Company's mortgage portfolio. Pursuant to the Management Agreement dated May 25, 2012, (amended November 30, 2013) the Manager is entitled to a fee of 1.25% per annum of the gross assets of the Company (the “Management Fee”), plus applicable taxes, calculated monthly and paid monthly in arrears.

7. Management fees (continued):

Prior to approval on June 16, 2016 of the Orderly Wind-Up Plan by the shareholders, the Manager was also entitled to a performance fee. In any calendar year where the Company had a net return in excess of the Hurdle Rate (Hurdle Rate is defined as the average two-year Government of Canada Bond Yield for the 12 month period then ended plus 450 basis points), the Manager was entitled to receive from the Company a performance fee equal to 20% of the net return of the Company over the Hurdle Rate (the "Performance Fee"). The Manager calculated the final Performance Fee in respect of a completed calendar year based on the audited financial statements for that year. The Performance Fee in respect of a calendar year was payable to the Manager within 15 days of the issuance of the Company's audited financial statements for that year.

As part of the Orderly Wind-Up Plan, the Manager had agreed to waive the performance fee beginning May 1, 2016. For the year ended December 31, 2017 the fees related to the performance fee were nil (2016 - $187,464) and payable of nil (December 31, 2016 - nil).

8. Incentive fees:

The Manager has agreed to assist in the Orderly Wind-Up Plan and to certain amendments to the Company's management agreement to facilitate the Orderly Wind-Up Plan. Pursuant to those amendments, the Manager has agreed to provide the full asset management services necessary to support the Orderly Wind-Up Plan. In addition to waiving the Performance Fee, the Manager has also waived its rights, if any, to early termination fees in exchange for an incentive fee calculated as the greater of the following:

(a) 20% of the amount by which the sum of:

- (*i*) The aggregate realized proceeds: and
- (*ii*) The Company's unrestricted cash as at April 30, 2016 exceeds $163,509,009; and

(b) $1,000,000.

Aggregate realized proceeds are defined as the amount of proceeds on the sale, repayment or maturity of mortgages or any other transaction resulting in the monetization of the mortgages under the Orderly Wind-Up Plan.

Unrestricted cash is defined as the amount of Company's cash derived from the proceeds on the sale, repayment or maturity of mortgages or any other transaction resulting in the monetization of the mortgages on or prior to April 30, 2016.

8. Incentive fees (continued):

At December 31, 2017, the estimated total amount of the incentive fee is $1,233,732 (December 31, 2016 - $1,000,000) of which $747,317 (2016 - $454,455) has been paid with the future incentive fee obligation totaling $486,415. This amount is a percentage of the lower threshold level, determined by adding the sum of total realized proceeds received to the period end, plus the unrestricted cash as at April 30, 2016, divided by the upper threshold. As at December 31, 2017, cumulative realized proceeds totaled $117,307,507 (December 31, 2016 - $69,974,743).

A reconciliation of incentive fee provision for the year ended December 31, 2017 is as follows:

Opening balance, December 31, 2016	$	545,545
Increase in provision		233,732
Incentive fees realized & paid		(292,861)
Incentive fee provision, December 31, 2017	$	486,416

9. Related party transactions and balances:

The following are related party transactions not disclosed elsewhere in these financial statements:

(a) The Company is managed by the Manager, a related party by virtue of common management. Pursuant to the Management Agreement referred to in note 7, during the year ended December 31, 2017 the Company incurred management fees in the amount of $1,227,870 (2016 - $2,224,511), and performance fees in the amount of nil (2016 - $187,464,). At December 31, 2017, $68,206 (December 31, 2016 - $159,778) in management fees, nil (December 31, 2016 - nil) in performance fees were outstanding.

(b) As at December 31, 2017, the Company has co-invested in four mortgage investments (December 31, 2016 - 10 mortgage investments) with other funds managed by the Manager. The total amount of the mortgage investment is $42,963,687 of which the Company's share is $32,961,499 (December 31, 2016 - $122,498,753, of which the Company's share was $65,359,926). During the year ended December 31, 2017, the Company purchased investments in mortgages from entities under common management of nil (2016 - nil) and sold investments in mortgages of $7,822,416 (2016 - $26,929,866) to entities under common management.

(c) As at December 31, 2017, the Company had a receivable of nil (December 31, 2016 - $205,863) from the Manager for commitment fees for funded mortgages, which is included within investments in mortgages.

9. Related party transactions and balances (continued):

(d) As discussed in the note 5(b)(*ii*), an affiliate of the Manager of the Company agreed to supplement the interest for the first six months of 2016 at 5% on the VTB for property sold to the third party. For the year ended December 31, 2017, the Company recognized nil (2016 - $137,404) in income from the affiliate of the Manager. As a result of the Orderly Wind-Up Plan, the affiliate of the Manager ceased to provide any interest supplement. The loan was repaid in the fourth quarter of 2017.

(e) As discussed in the note 5(b)(*iv*), the Company had one mortgage, where property securing the mortgage was acquired by the related entity after the previous owner defaulted on the mortgage in October 2015. The loan was sold to a third party in the fourth quarter of 2017 (December 31, 2017 - $5,942,846). For the year ended December 31, 2017, the Company recognized $301,011 (December 31, 2016 - $587,079) in interest income from the affiliate of the Manager and had accrued interest receivable of nil as at December 31, 2017 (December 31, 2016 - $46,326).

(f) The Company had one mortgage with an entity affiliated with the Manager which was repaid in the fourth quarter of 2017 (December 31, 2017 - $1,357,277). The mortgage, which was previously in default, was initially assigned to an affiliate of the Manager of the Company on October 1, 2015. Subsequently, another affiliate of the Manager obtained legal ownership title to the remaining properties on April 3, 2017. For the year ended December 31, 2017, the Company recognized $110,294 (December 31, 2016 - $138,350) in interest income from the affiliate of the Manager and had accrued interest receivable of nil (December 31, 2016 - $11,282).

(g) As discussed in the note 5(b)(*ii*), on February 5, 2016, the security on a mortgage held by an affiliate of the Manager was sold to a third party for $24,900,000 which was partially financed by a 42 month VTB in the amount of $23,400,000. The affiliate of the Manager agreed to supplement the interest rate on the VTB to be 6.5% during the term. As a result of the Orderly Wind-Up Plan, the affiliate of the Manager has ceased to provide any interest supplement. The Company recognized nil in interest income from the affiliate of the Manager for the year ended December 31, 2017 (December 31, 2016 - $156,358) which includes nil (December 31, 2016 - $102,865) in supplemental interest on the VTB subsequent to the sale to the third party.

All related party transactions are measured at the amount of consideration established and agreed to by the related parties. The Company invests in mortgages on a participation basis with parties related to the Manager. Titles to mortgages are held by Computershare Canada, (the “Custodian”), on behalf of the beneficial owners of the mortgages. In addition, mortgage broker duties are performed by the Mortgage Broker. The Manager and the Mortgage Broker are related to the Company through common control.

10. Earnings (loss) per share:

Basic and diluted earnings (loss) per share are calculated by dividing net income (loss) attributable to common shares by the weighted average number of common shares during the year:

Year ended December 31, 2017

Net income for the year	$	1,626,890
Weighted average number of common shares (basic and diluted)		12,499,271
Earnings per share (basic and diluted)	$	0.13

Year ended December 31, 2016

Net loss for the year	$	(3,405,799)
Weighted average number of common shares (basic and diluted)		18,254,404
Loss per share (basic and diluted)	$	(0.19)

11. Capital management:

As a result of the Orderly Wind-Up Plan, the Company's objective has shifted away from maintaining to be a going concern and generating returns to a more increased focus on monetization of its current asset base. It has ceased originating new loans and all mortgage renewal activity, subject to contractual rights, and its assets are being monetized over time. The Orderly Wind-Up Plan has been implemented and capital is being returned to shareholders under the supervision of the Board of Directors with the assistance of the Manager. The Company's primary objective with respect to capital management is to ensure sufficient cash resources to maintain operations and facilitate the Orderly Wind Up process. The Company is not subject to externally imposed capital requirements.

12. Fair value of financial instruments and risk management:

(a) Fair value of financial instruments:

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. All of the Company's assets and liabilities are financial instruments. The Company's investments in mortgages and mortgage syndication liabilities are carried at fair value in the financial statements. The carrying value of the Company's other financial instruments approximate fair value due to their short term to maturity.

12. Fair value of financial instruments and risk management (continued):

(a) Fair value of financial instruments (continued):

The following table shows a hierarchy for disclosing fair value based on inputs used to value the Company's investments in mortgages and mortgage syndication liabilities. 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).

The Company's assets and liabilities recorded at fair value have been categorised as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
Investments in mortgages	$ -	$ -	$ 48,133,697	$ 48,133,697

December 31, 2016	Level 1	Level 2	Level 3	Total
Investments in mortgages	$ -	$ -	$ 94,868,684	$ 94,868,684

There were no transfers between Level 1 and Level 2 during the year.

A reconciliation of Level 3 assets at December 31, 2017 is as follows:

Opening balance	$ 94,868,684
Funding of investment in mortgages	5,956,742
Interest capitalized to investment in mortgages	642,806
Change in accrued interest and fees receivable	(517,680)
Principal repayments on investment in mortgages	(51,553,324)
Fair value adjustments on investments in mortgages	7,599,749
Realized mortgage investment loss	(8,622,490)
Reclassification to amounts receivable	(240,790)
Investment in mortgages, December 31, 2017	$ 48,133,697

12. Fair value of financial instruments and risk management (continued):

(a) Fair value of financial instruments (continued):

A reconciliation of Level 3 assets at December 31, 2016 is as follows:

Opening balance	$ 198,282,837
Funding of investment in mortgages	26,479,906
Change in syndicated mortgages	(14,351,929)
Interest capitalized to investment in mortgages	2,400,675
Change in accrued interest and fees receivable	(719,718)
Principal repayments on investment in mortgages	(107,706,838)
Fair value adjustments on investments in mortgages	(9,516,249)
Investment in mortgages, December 31, 2016	$ 94,868,684

The key valuation techniques used in measuring the fair values of default mortgages include:

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Discounted cash flow model	The adjusted credit risk premium based on the change in the borrower's credit risk utilizing the knowledge gained since the loan was originated.	The estimate of fair value would increase (decrease) if: - The adjusted risk premium rate was lower (higher)
	Assessment of fair value of collateral of mortgages in default where payments expected from sale of property.	- Estimated fair value of collateral was (lower) higher
	The projected length of time the mortgage will remain in default without the underlying property being liquidated or foreclosed upon.	- The term of the mortgage was shortened (or extended)

12. Fair value of financial instruments and risk management (continued):

(a) Fair value of financial instruments (continued):

At December 31, 2017, a 25 basis point increase in the credit risk premium would decrease the fair value by $96,017 (December 31, 2016 - $344,778) and a 25 basis point decrease in the credit risk premium would increase the fair value by $96,329 (December 31, 2016 - $346,467).

The fair values of cash and cash equivalents, bank indebtedness, dividends payable, accounts payable and accrued liabilities, performance fee payable and management fees payable approximate their carrying amounts due to their short-term nature.

(b) Risk management:

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

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

(*i*) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. This risk arises principally from the mortgages held, and also from other receivables. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as loan-to-value, sector risk, location risk, and individual obligor default risk).

The Company's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out by the Manager's Credit Committee.

Credit risk is monitored on an on-going basis by the Manager in accordance with policies and procedures in place. The Company's credit risk is monitored on a quarterly basis by the Board of Directors.

The Company'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 statement of financial position.

(*ii*) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

12. Fair value of financial instruments and risk management (continued):

(b) Risk management (continued):

(*ii*) Liquidity risk (continued):

The Company's liquidity risk is managed on an ongoing basis by the Manager in accordance with the policies and procedures in place. The Company's overall liquidity is monitored on a quarterly basis by the Board of Directors.

The following are the contractual maturities of financial liabilities as at December 31, 2017:

	Carrying values	Contractual cash flows	Within a year
Dividends payable	$ 691,726	$ 691,726	$ 691,726
Accounts payable and accrued liabilities	89,725	89,725	89,725
Management fees payable	68,206	68,206	68,206
Realized incentive fee	121,669	121,669	121,669
	$ 971,326	$ 971,326	$ 971,326

(*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 Company'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 Company's market risk is managed on a daily basis by the Manager in accordance with policies and procedures in place.

(A) Interest rate risk:

The Company is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Company's interest-bearing financial instruments, the Company's policy was to transact in financial instruments that mature in the short term, i.e., no longer than 36 months and the mortgage investment agreements for all mortgages held by the Company stipulate an interest rate floor for the respective mortgage. Accordingly, the Company would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

12. Fair value of financial instruments and risk management (continued):

(b) Risk management (continued):

(*iii*) Market risk (continued):

(A) Interest rate risk (continued):

A 0.50% decrease in interest rates, with all other variables held constant, would decrease income from operations by $97,335, arising mainly as a result of lower interest income on the cash and cash equivalents. A 0.50% increase in interest rates, with all other variables held constant, would increase income from operations by $97,335, arising mainly as a result of higher interest income generated on variable rate mortgage investments and term deposits.

(B) Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not currently exposed to currency risk.

(C) Other price risk:

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. The Company is exposed to price risk because of its investments in mortgages. The risk arises from changes in the real estate market and could be local, national, and global in nature. Deteriorating real estate values increase the Company's risk. The Company manages the risk by actively maintaining strong borrower relationship and active monitoring of all loans. Further, the Company has diversified its portfolio of investments in mortgages geographically to manage this risk.

13. Key management personnel compensation:

The Company paid $165,653 (2016 - $233,155) to the members of the Board of Directors and Independent Review Committee for their services to the Company. The compensation to the senior management of the Manager is paid through the management fees paid to the Manager (note 7 and 8).

14. Income taxes:

In the first quarter of 2017, as a result of the cash outlay in relation to the SIB for cancellation of shares and monetization of residential mortgages, the Company ceased to maintain its status as a Mortgage Investment Corporation pursuant to the Income Tax Act (Canada) and consequently is no longer able to deduct dividends paid to shareholders from its taxable income. However, the Company expects non-capital losses carried forward from prior years will be sufficient to offset all future taxable income, if any. Furthermore, the Company does not expect to realize any further taxable income as the Orderly Wind-Up progresses.

14. Income taxes (continued):

As at December 31, 2017, the Company has non-capital losses carried forward for income tax purposes of $19,704,285 (2016 - $12,915,590), which will expire between 2032 and 2036 if not used and the Company has net capital losses carried forward for income tax purposes of nil (2016 - nil).

The Company makes estimates in respect of the composition of the deferred income tax asset. Income projections for the Company taking into consideration expected interest income, expenses, dividend payments and timing of mortgage maturities. Estimates of all amounts are prepared for future years in order to determine anticipated taxable income which might be offset by tax losses carried forward. As at December 31, 2017, as the Company expects no future taxable income, the deferred income tax asset is nil (December 31, 2016 - nil).

15. Subsequent events:

(a) On January 24, 2018, the Board of Directors declared a distribution of $0.0583 per Class A share (or $0.70 or annualized basis) to be paid on February 15, 2018 to Class A shareholders of record on January 31, 2018. The distribution constitutes a return of capital.

(b) On February 17, 2018, the Board of Directors declared a distribution of $0.0583 per Class A share (or $0.70 or annualized basis) to be paid on March 15, 2018 to Class A shareholders of record on February 28, 2018. The distribution constitutes a return of capital.

(c) On March 21, 2018, the Board of Directors declared a distribution of $0.0583 per Class A share (or $0.70 or annualized basis) to be paid on April 16, 2018 to Class A shareholders of record on March 29, 2018. The distribution constitutes a return of capital.

(d) On March 22, 2018, the Board of Directors approved a special distribution of $1.52 per Class A share of the Company. The special distribution, which constitutes a return of capital pursuant to the winding-up of the Company's business as approved by Shareholders on June 16, 2016, will be paid on April 20, 2018 to holders of Class A shares of record on April 9, 2018.

The Board of Directors has also determined to suspend regular monthly distributions commencing with the April 2018 distribution (which would have ordinarily been paid on May 15, 2018), until further notice. The March 2018 regular monthly distribution detailed in note 15 (c) above, will be paid as announced.