TREZ CAPITAL
JUNIOR MIC

Management Discussion and Analysis
First Quarter 2018
March 31, 2018

Management's Discussion and Analysis

Basis of Presentation

This Management's Discussion and Analysis ("MD&A") has been prepared and includes material financial information as of May 9, 2018. This MD&A should be read in conjunction with the audited financial statements of Trez Capital Junior Mortgage Investment Corporation ("Company") for the year ended December 31, 2017 and unaudited condensed interim financial statements for the three months ended March 31, 2018 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board.

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. 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 fees to the Manager have been restructured as outlined in notes 6 and 7 to the Company's unaudited condensed interim financial statements.

In addition, an Investment & Capital Management Committee was formed in June 2016. Its mandate is to: (i) manage the normal course issuer bid ("NCIB"); and (ii) manage and oversee the Orderly Wind-Up Plan, including any related substantial issuer bids ("SIB").

In the first quarter of 2017, as a result of a $35 million cash outlay in relation to a Substantial Issuer Bid ("SIB") for the 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 all future taxable income.

All dollar amounts in this MD&A are in Canadian dollars.

Additional information related to the Company, including the Company's financial statements and annual information form for the year ended December 31, 2017 and financial statements for the three months ended March 31, 2018, is available on SEDAR at www.sedar.com or www.trezcapital.com.

Forward-Looking Statements

This MD&A may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified by expressions like “believe”, “expects”, “anticipates”, “would”, “will”, “intends”, “projected”, “in our opinion” and other similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that: (i) the Company will have sufficient capital under management to effect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results as intended, (iii) the markets will react and perform in a manner consistent with the investment strategies and (iv) the Company is able to invest in mortgages or loans of a quality that will generate returns that meet and or exceed the Company’s targeted investment returns.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in and the risks detailed from time to time in the Company’s public disclosures.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Company and Trez Capital Fund Management LP (the “Manager”) do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Non-IFRS Financial Measures

The Company prepares and releases its audited annual financial statements and unaudited condensed interim financial statements in accordance with IFRS. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and which do not have standard meanings prescribed by IFRS. These measures include the following:

- Mortgage portfolio – represents investments in mortgages net of accrued interest and fees receivable, mortgage syndications and fair value adjustments on investments in mortgages;
- Average mortgage investment – represents the mortgage portfolio divided by the total number of mortgage investments at the reporting date;
- Weighted average interest rate – represents the weighted average effective interest rate on the mortgage portfolio at the reporting date;
- Loan-to-value (“LTV”) – a measure of advanced and un-advanced mortgage commitments on mortgage investment, including priority or pari-passu debt on the underlying real estate, as a percentage of the fair value of the underlying real estate collateral of the mortgage investment.

For construction and redevelopment mortgage investments, fair value of the underlying real property is measured on an 'as completed' basis. Weighted average LTV is the dollar weighted average of mortgage LTVs in a portfolio;

- Dividend yield – represents the annualized yield on the Company's equity capitalization computed as the annual dividend divided by the closing price of the Company's share price as at the period end date;
- Average mortgage portfolio – represents the total of the monthly mortgage portfolio divided by the number of months in the reporting period; and
- Yield on average mortgage portfolio - represents an annualized percentage of interest revenue divided by the average mortgage portfolio during a period.

Non-IFRS measures should not be construed as alternatives to net income (loss) or comprehensive income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of the Company's performance.

Review and Approval by the Board of Directors

The Board of Directors (the "Board") approved the content of this MD&A on May 9, 2018.

Financial Highlights and Key Performance Indicators

($000s unless otherwise noted)	Three months ended March 31		Year ended December 31	
	2018	2017	2017	2016
FINANCIAL				
Revenue	448	1,595	4,716	11,840
Income (loss) from operations	137	882	1,627	(3,311)
Cash flow from operations	12,907	4,943	48,020	85,921
Dividends paid*	2,074	2,640	48,789	12,930
EPS (basic and diluted)	0.01	0.07	0.13	(0.19)
PORTFOLIO				
Mortgage portfolio	39,164	99,493	51,678	104,897
Total number of mortgage investments	5	17	9	18
Average mortgage investment	7,833	5,853	5,742	5,828
Weighted average interest rate	2.25%	6.28%	3.44%	5.78%
Weighted average loan to value	92.68%	83.21%	79.88%	79.66%
Average mortgage portfolio	39,242	101,122	77,243	152,761
Yield on average mortgage portfolio	1.14%	6.31%	6.09%	7.58%

*The dividends paid have constituted returns of capital since August 15, 2016.

For the three months ended March 31, 2018, revenue decreased by $1.1 million compared to the same period in 2017 as a result of decrease in interest income. The reduction in interest income resulted from a decrease in the mortgage portfolio by $60.3 million for the three months ended March 31, 2018 as compared to March 31 2017, driven by an initial pause, and effective June 2016, the cessation in mortgage funding activity as part of the Orderly Wind-Up Plan of the Company.

For the three months ended March 31, 2018, income from operation decreased by $0.7 million compared to the same period in 2017. The decrease in income resulted from a combination of above noted reduction in revenue of $1.1 million. This was partially offset by a decrease in expenses of $0.4 million for the three months ended March 31, 2018 compared to the same period in 2017. The reduction in expenses was primarily due to decreased fair value adjustments on investments in mortgages, lower general and administration expenses, as well as lower management and incentive fees.

Cash flows from operations increased by $8.0 million compared to the same period in 2017. The movement was primarily the result of increased principal repayments of investments in mortgages of $7.9 million and decreased funding of investments in mortgages of $0.3 million for the three months ended March 31, 2018 compared to the same period in 2017.

Commencing May 19, 2017, the Company was authorized to purchase for cancellation a maximum 1,210,345 common shares during the following twelve months under the normal course issuer bid ("NCIB"). Previously, the Company was authorized to purchase for cancelation a maximum 1,808,610 common shares during the period from May 19, 2016 and May 18, 2017, and 1,952,321 common shares during the period from January 12, 2015 to January 11, 2016. During the three months ended March 31, 2018, the Company has purchased 21,450 shares for cancellation. Since inception of the initial NCIB, the Company has bought back 1,490,896 shares at an average price of $7.25.

In connection with the Orderly Wind-Up, on July 21, 2016 and December 5, 2016, the Board of Directors of the Company authorized substantial issuer bids ("SIB") to purchase for cancellation Class A Shares, by way of a modified "Dutch auctions", for an aggregate purchase price not to exceed $20 million and $35 million, respectively. On September 20, 2016, the Company repurchased 2,000,000 shares at a price of $8.50 per share for a total consideration of $17 million, and on February 15, 2017, the Company purchased 4,216,867 shares at a price of $8.30 per share for a total consideration of $35 million. As a result of the cash outlay and liquidation of residential mortgages, in the first quarter of 2017 the Company intentionally went below the required threshold which requires a Mortgage Investment Corporation to have 50% or more of its' capital in residential mortgages and cash. This 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 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.

Total dividends paid to shareholders decreased by $0.6 million for the three months ended March 31, 2018 as compared to the same period in 2017, due to continuing reduction of shares outstanding through the NCIB. Monthly dividends per share remained unchanged at $0.70 per share annually. Beginning with the distribution paid on August 15, 2016 to holders of Class A shares of record on July 31, 2016, the distributions have constituted a return of capital pursuant to the winding-up of the Company's business as approved by Shareholders on June 16, 2016.

On March 23rd, 2018 the Company announced that its Board of Directors had declared a special distribution of $1.52 per Class A shares of the Company. The special distribution, which constituted a return of capital and totaling $17.9 million, was paid on April 20th 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.

During the three months ended March 31, 2018, $12.5 million of investments in mortgages, were either partially or fully repaid, or sold. During the same period, the Company had no significant additional fundings to existing mortgages.

Business Update in Quarter 1

On April 20th, the Company paid a special distribution of $1.52 per Class A shares, totaling $17.9 million. The Orderly Wind-Up of the Company commenced in June 2016. At June 30, 2016 the Company had total investments in mortgages of approximately $165.2 million comprised of 31 mortgages. This compares to the current total investments in mortgages of approximately $39.2 million comprised of 5 mortgages remaining at March 31, 2018. The Board will continue to assess all possible means to ensure the efficient wind-up of the Company to maximize shareholder value.

Mortgage Portfolio

As at March 31, 2018, the Company's mortgage portfolio was comprised of 5 mortgage investments (December 31, 2017 - 9), with a weighted average interest rate of 2.25% (December 31, 2017 – 3.44%) and an average mortgage investment of $7.8 million (December 31, 2017 - $5.7 million).

($000s unless otherwise noted)	**March 31, 2018**	**December 31, 2017**
Mortgage portfolio	$39,164	$51,678
Accrued interest and fees receivable	228	292
Fair value adjustments on investments in mortgages	(3,836)	(3,836)
Investments in mortgages	$35,556	$48,134

Asset Type

A summary of the Company's mortgage portfolio by asset type is presented below:

($000s unless otherwise noted)		**March 31, 2018**			**December 31, 2017**	
	Number	**$ Amount**	**% of Portfolio**	**Number**	**$ Amount**	**% of Portfolio**
Residential (multi-residential)	4	$18,710	47.8%	7	$27,256	52.7%
Office	1	20,454	52.2%	2	24,422	47.3%
Total	5	$39,164	100.0%	9	$51,678	100.0%

At March 31, 2018, 47.8% of the Company's mortgage portfolio was secured by residential projects (December 31, 2017 – 52.7%) and 52.2% was secured by office projects (December 31, 2017 – 47.3%).

Mortgage Investment Size

A summary of the Company's mortgage portfolio by size is presented below:

($000s unless otherwise noted)		**March 31, 2018**			**December 31, 2017**	
	Number	**$ Amount**	**% of Portfolio**	**Number**	**$ Amount**	**% of Portfolio**
$0-$2,500,000	1	$1,346	3.4%	3	$3,698	7.2%
$2,500,001 - $5,000,000	1	5,000	12.8%	2	9,000	17.4%
$5,000,001 - $7,500,000	2	12,364	31.6%	2	10,912	21.1%
$7,500,001 - $10,000,000	-	-	-	1	7,646	14.8%
$10,000,001+	1	20,454	52.2%	1	20,422	39.5%
Total	5	$39,164	100.0%	9	$51,678	100.0%

Mortgage allocation by investment size changed slightly during the three months ended March 31, 2018 reflecting mortgage repayments and sales guided by the Orderly Wind-Up Plan. Further reductions in the mortgage portfolio are expected as the Company winds up.

Security

A summary of the Company's mortgage portfolio by priority of security is presented below:

($000s unless otherwise noted)	March 31, 2018			December 31, 2017		
	Number	$ Amount	% of Portfolio	Number	$ Amount	% of Portfolio
First	3	$32,802	83.8%	6	$41,316	80.0%
Second	1	1,346	3.4%	2	5,346	10.3%
Blanket	1	5,016	12.8%	1	5,016	9.7%
Total	5	$39,164	100.0%	9	$51,678	100.0%

The Company's mortgage portfolio continues to be substantially concentrated in first mortgages with 83.8% of the mortgage portfolio made up of first mortgages (December 31, 2017 – 80.0%). As loans continue to be re-paid or sold due to the Orderly Wind-Up, the allocation of mortgages according to priority of security exhibited an increase in proportion of first and blanket mortgages and a slight decrease in second mortgages at March 31, 2018 as compared to December 31, 2017. Further fluctuations by priority of security are expected as the Orderly Wind-Up Plan progresses.

Loan-to-Value

The Company's LTV Investment Guidelines state that the LTV on an individual mortgage will not exceed 85% and the weighted average LTV of the mortgage portfolio will not exceed 75% at the time of funding. During the life of a mortgage, appraised values of the underlying security may be updated for changes in circumstances such as new loan participants and refinancing.

A summary of the Company's mortgage portfolio by current LTV is presented below:

($000s unless otherwise noted)	March 31, 2018			December 31, 2017		
	Number	$ Amount	% of Portfolio	Number	$ Amount	% of Portfolio
65% or less	-	$-	-%	-	$-	-%
66-70%	-	-	-	1	4,000	7.8%
71-75%	-	-	-	1	1,458	2.8%
76-80%	1	7,348	18.8%	2	8,539	16.5%
81-85%	-	-	-	-	-	-%
86%+	4	31,816	81.2%	5	37,981	72.9%
Total	5	$39,164	100.0%	9	$51,978	100.0%

As at March 31, 2018, the current weighted average LTV for the mortgage portfolio was 92.7% (December 31, 2017 – 79.9%). At the time of initial funding, all mortgages had LTV below 85% as prescribed by the Investment Guidelines.

Maturity

A summary of the Company's mortgage portfolio by maturity date is presented below:

($000s unless otherwise noted)	March 31, 2018			December 31, 2017		
	Number	**$ Amount**	**% of Portfolio**	**Number**	**$ Amount**	**% of Portfolio**
Past due	2	$6,362	16.2%	2	$6,362	12.3%
2018	-	-	-	4	12,248	23.7%
2019 and beyond	3	32,802	83.8%	3	33,068	64.0%
Total	5	$39,164	100.0%	9	$51,678	100.0%

Two of the investments in the mortgage portfolio were past due at March 31, 2018 [December 31, 2017 - two].

The following mortgages were in default or past due as at March 31, 2018**:**

(*i*) Two mortgages with the same borrower with an aggregate carrying amount of $6.4 million (December 31, 2017 - $6.4 million) 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 $0.6 million loan repayment in January 2018, and agreed to repay the loan in full with interest by the end of March. The borrower asked for an extension of the March date to allow additional time to arrange alternative financing, an expected repayment date of May has been set. Currently there is a fair value provision on the properties totaling $0.4 million (December 31, 2017 - $0.4 million).

(ii) In the second quarter of 2017, a mortgage went into default when a borrower breached the terms of a forbearance agreement. The Manager took legal action and a receiver was appointed. The property was marketed for sale and bids were accepted in Q1 of 2018. Management reviewed the offers and is currently pursuing and negotiating the most attractive offer. The total fair value adjustment recorded on the property is $3.4 million (December 31, 2017 - $3.4 million).

Interest Rate

A summary of the Company's mortgage portfolio by effective interest rate is presented below:

($000s unless otherwise noted)	March 31, 2018			December 31, 2017		
	Number	**$ Amount**	**% of Portfolio**	**Number**	**$ Amount**	**% of Portfolio**
7.00% or less	4	$31,816	81.2%	4	$31,784	61.6%
7.01% - 8.00%	1	7,348	18.8%	2	13,543	26.2%
8.01% - 9.00%	-	-	-	2	5,458	10.5%
9.01% – 10.00%	-	-	-	1	893	1.7%
Total	5	$39,164	100.0%	9	$51,678	100.0%

The weighted average interest rate at March 31, 2018 was 2.25% (December 31, 2017 – 3.44%). The decrease was a result of a combination of repayments or sale of several mortgages with rates greater than the weighted average interest rate.

Geographic Diversification

A summary of the Company's mortgage portfolio by province is presented below:

($000s unless otherwise noted)	March 31, 2018			December 31, 2017		
	Number	**$ Amount**	**% of Portfolio**	**Number**	**$ Amount**	**% of Portfolio**
Alberta	-	$-	-%	1	4,000	7.7%
Ontario	3	26,800	68.4%	3	26,769	51.8%
Nova Scotia	2	12,364	31.6%	5	20,909	40.5%
Total	5	$39,164	100.0%	9	$51,678	100.0%

During the three months ended March 31, 2018, diversification of mortgages by province changed slightly as a result of repayments or sales of mortgages in accordance with the Orderly Wind-Up Plan. Most notably, the percentage of mortgages located in Nova Scotia declined from 40.5% to 31.6%, and the percentage of mortgages located in Ontario increased from 51.8% to 68.4% due to a decline in mortgages held in the other provinces. Further fluctuations in diversification are expected as the Orderly Wind-Up Plan progresses.

Results from Operations

($000s unless otherwise noted)	Three months ended March 31		Year ended December 31	
	2018	**2017**	**2017**	**2016**
Revenue	$448	$1,595	$4,716	$11,840
Expenses	(311)	(713)	(3,089)	(15,151)
Income (loss) from operations	137	882	1,627	(3,311)
Financing costs	-	-	-	(95)
Deferred Income Tax Recovery	-	135	-	-
Net and comprehensive income (loss)	137	1,017	$1,627	$(3,406)
Earnings (loss) per share (basic and diluted)	0.01	0.07	0.13	(0.19)

Revenue

Revenue consists of interest income, for the three months ended March 31, 2018, revenue decreased by $1.1 million compared to the same period in 2017. The decrease in interest income resulted from a systemic reduction in the mortgage portfolio guided by the Orderly Wind-Up Plan.

Expenses

Expenses are comprised of six major items: (i) management fees, (ii) performance fees, (iii) incentive fees, (iv) general and administrative costs, (v) unrealized fair value adjustments on investments in mortgages (vi) realized mortgage investment losses.

For the three months ended March 31, 2018, total expenses decreased by $0.4 million compared to the same period in 2017.

($000s unless otherwise noted)	**Three months ended March 31**		**Year ended December 31**	
	2018	**2017**	**2017**	**2016**
Management fees	$177	$395	$1,228	$2,225
Performance fees	-	-	-	188
Incentive fees	-	7	234	1,000
General and administration	134	164	605	2,222
Fair value adjustment on investments in mortgages	-	(1,775)	(7,600)	9,516
Realized mortgage investment loss	-	1,922	8,622	-
Total	$311	$713	$3,089	$15,151

Management Fees

Management fees are calculated as 1.25% of total assets, excluding mortgage syndications, and are paid monthly in arrears. For the three months ended March 31, 2018, the management fees decreased by $0.2 million compared to the same period in 2017 due to reduction in the mortgage portfolio as a result of the Orderly Wind-Up Plan. The Manager is currently providing the full asset management services necessary to support the Orderly Wind-Up Plan. As part of the amendments to the management agreement the Manager has waived the Performance Fee, the Manager has also waived its rights, if any, to early termination fees in exchange for the incentive fee described below.

Performance Fees

Performance fees were calculated as 20% of the amount by which the Company's income before performance fees exceeded a hurdle rate that was based on the Government of Canada bond yield plus 450 basis points. Performance fees were paid annually and accrued monthly based on the year-to-date performance.

As part of the approval of the Orderly Wind-Up Plan, the Manager agreed to waive the performance fee beginning May 1, 2016.

Incentive Fees

Incentive fees were introduced during the second quarter in line with the Orderly Wind-Up Plan and are calculated as the greater of:

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

(A) The aggregate Realized Proceeds: and

(B) The Company’s Unrestricted Cash as at April 30, 2016

Exceeds $163,509,009; and

(ii) $1,000,000.

At March 31, 2018 the remaining estimated amount of the future incentive fee obligation is $0.5 million. The provision has been estimated using the projected realized proceeds at the current fair value of investments in mortgages and management’s best estimate of expected repayment dates.

General and Administrative Costs

General administration costs are generally comprised of public company costs, board of directors fees, and professional fees relating to legal and audit.

For the three months ended March 31, 2018, general and administrative expenses decreased by $30 thousand compared to the same period in 2017. The decrease was primarily the result of lower estimated cost of audit.

Fair Value Adjustments on Investments in Mortgages, net of Realized Mortgage investment Loss

The fair value adjustment on investments in mortgages represents adjustments to the carrying value of mortgage investments to reflect Management’s view of the investments’ fair value. A realized mortgage investment loss represents a loss that is the result of a settlement of a mortgage or sale of property securing a defaulted mortgage. Upon realization, any fair value adjustment previously recorded in relation to the mortgage is reversed.

For the three months ended March 31, 2018, fair value adjustments on investment in mortgages net of realized losses were nil as compared to $0.1 million during the same period in 2017.

Deferred Income Tax Recovery

As a result of losing its status as a Mortgage Investment Corporation, the Company is no longer able to deduct dividends paid to shareholders from its taxable income. However, the Company expects that non-capital losses carried forward from prior years are sufficient to offset all future taxable income. Income projections for the Company taking into consideration expected interest income, expenses, dividend payments and timing of mortgage maturities were forecast to determine expected income and tax liabilities against which the non-capital losses could be utilized. The deferred tax assets for the three months ended March 31, 2018 is nil compared to $0.1 million for the same period in 2017.

Financial Condition

Liquidity and Capital Resources

Modified due to the Orderly Wind-Up Plan, the liquidity needs of the Company arise from working capital requirements, distributions to shareholders, and the Company's purchases of its common shares under the normal course issuer bid, substantial issuer bids, and Orderly Wind-Up plan.

Cash flows from the Company's mortgage investments and cash-on-hand represent the primary sources of liquidity. Cash flow from operations are dependent upon interest payments and principal repayments from borrowers.

As a result of the Orderly Wind-Up Plan, the Company's objective has shifted away from maintaining its operations on a going concern and generating returns to a 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.

Shareholders' Equity

Common Shares

As at March 31, 2018, the Company had 11,843,491 (March 31, 2017 – 12,283,371) common shares outstanding.

Dividends

On March 23, 2018, the Company announced that its board of directors suspended regular monthly distributions commencing with the April 2018 distribution which would otherwise be paid on May 15, 2018. The decision to suspend distribution was premised on a review of the last remaining mortgages and cash requirements. The Company also announced that its Board of Directors had declared a special distribution of $1.52 per Class A shares of the Company. The special distribution, which constitutes a return of capital and totals $17.9 million, was paid on April 20th to holders of Class A shares of record on April 9, 2018.

All the distributions have constituted a return of capital since and including the distribution paid on August 15, 2016.

For the three months ended March 31, 2018, the Company had declared regular monthly dividends totaling $2.1 million or $0.70 per share annually (March 31, 2017 – $2.4 million or $0.70 per share annually) and a special distribution totaling $17.7 million or $1.52 per Class A share (March 31, 2017 – nil).

Normal Course Issuer Bid

On May 17, 2017, the Company announced that it had renewed the NCIB and was authorized to purchase for cancelation a maximum 1,210,345 common shares during the period from May 19, 2017 to May 18, 2018.

From May 17, 2016, the Company was authorized to purchase for cancellation a maximum 1,808,610 common shares during the following twelve months under certain rules pursuant to the NCIB. Previously, it was authorized to purchase for cancelation a maximum 1,952,321 common shares during the period from January 12, 2015 to January 11, 2016.

The activity under the NCIB programs was as follows:

	Average Price	Volume	Total $'000
Q1 2015	$6.85	47,800	$327
Q2 2015	$6.83	29,700	$203
Q3 2015	$6.59	237,400	$1,564
Q4 2015	-	-	-
Q1 2016	-	-	-
Q2 2016	$8.44	350,548	$2,959
Q3 2016	$8.47	120,788	$1,023
Q4 2016	$7.90	264,780	$2,091
Q1 2017	-	-	-
Q2 2017	$7.55	80,530	$608
Q3 2017	$7.35	109,080	$802
Q4 2017	$5.01	228,820	$1,146
Q1 2018	$3.94	21,450	$84
Total	$7.25	1,490,896	$10,807

Substantial Issuer Bid ("SIB")

On September 20, 2016, the Company repurchased 2,000,000 shares at a price of $8.50 per share under SIB for a total consideration of $17.0 million. The shares purchased under the bid 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 under a second SIB. Pursuant to the Second Offer, the Company purchased 4,216,867 Shares at $8.30 per Share for total consideration of $35.0 million 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).

Statement of Cash Flows

Cash flows for the three months ended March 31, 2018 are as follows:

($000s unless otherwise noted)	Three months ended March 31		Year ended December 31	
	2018	2017	2017	2016
Net change in cash related to				
Operating	$12,907	$4,943	48,020	85,921
Financing	(2,425)	(37,640)	(86,344)	(36,124)
Increase (decrease) in cash	$10,482	$(32,697)	$(38,324)	$49,797

The increase (decrease) in net cash flow for the three months ended March 31, 2018 compared to the same period in 2017 was the result of the following factors:

- Operating – For the three months ended March 31, 2018, cash flow from operations increased by $8.0 million compared to the same period in 2017. The movement was primarily the result of increased principal repayments of investments in mortgages of $7.9 million and decreased funding of investments in mortgages of $0.3 million for the three months ended March 31, 2018 compared to the same period in 2017.
- Financing – For the three months ended March 31, 2018, cash flow from financing activities increased by $35.2 million compared to the same period in 2017. The reduction was primarily the result of a decrease in repurchase of shares of $34.9 million and decrease in dividends paid of $0.6 million which was offset by a $0.3 million reduction of cash held in trust.

Quarterly Financial Information

The following is a quarterly summary of the Company's results for the eight most recently completed quarters:

($000s unless otherwise noted)	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Average mortgage portfolio ($millions)	39.2	54.7	67.2	85.9	101.1	112.4	146.7	169.3
Revenue	448	753	841	1,526	1,595	1,889	2,646	3,416
Expenses	(311)	(781)	(470)	(1,125)	(713)	(4,664)	(2,257)	(7,210)
Income (loss) from operations	137	(28)	371	401	882	(2,775)	389	(3,794)
Deferred Income Tax Recovery (Reversal)	-	-	-	(135)	135	-	-	-
Net income (loss) and comprehensive income	137	(28)	371	266	1,017	(2,775)	389	(3,794)
Earnings (loss) per share (basic and diluted)	$0.01	$(0.002)	$0.03	$0.02	$0.07	$(0.19)	$0.02	$(0.20)

Related Party Transactions

The following are related party transactions not disclosed elsewhere:

(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 6 of the financial statements, during the three months ended March 31, 2018 the Company incurred management fees in the amount of $0.2 million (March 31, 2017 - $0.4 million). At March 31, 2018, $0.2 million (December 31, 2017 - $68 thousand) in management fees and $78 thousand in incentive fees were outstanding.

(b) As at March 31, 2018, the Company has co-invested in three mortgage investments (December 31, 2017 – four mortgage investments) with other funds managed by the Manager. The total amount of the mortgage investment is $37.7 million of which the Company's share is $32.8 million (December 31, 2017 - $43.0 million of which the Company's share was $33.0 million). During the three months ended March 31, 2018, the Company purchased investments in mortgages from entities under common management of $nil (2017 - nil) and sold investments in mortgages of $4.0 million (2017 - $7.8 million) to entities under common management.

(c) The Company had one mortgage, where property securing the mortgage was acquired by a 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, 2016 - $5.9 million). For the three months ended March 31, 2018, the Company recognized nil (March 31, 2017 - $0.1 million) in interest income from the affiliate of the Manager and has accrued interest receivable of nil as at March 31, 2018 (December 31, 2017 - nil).

(d) The Company had one mortgage with an entity affiliated with the Manager which was repaid in the fourth quarter of 2017 (December 31, 2016 - $1.4 millioin). 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 three months ended March 31, 2018, the Company recognized nil (2017 - $29 thousand) in interest income from the affiliate of the Manager and had accrued interest receivable of nil (December 31, 2017 - nil).

Critical Accounting Estimates

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. These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, the adjusted credit risk premium based on the change in the borrower's credit risk, 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.

Liquid credit markets and volatile equity markets have combined to increase the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature, estimates of impairment 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.

Risks and Uncertainties

The risks associated with investing in the Company are as disclosed in the Company's Annual Information Form dated March 29, 2018 and filed on SEDAR at www.sedar.com. There are additional risks associated with the Orderly Wind-Up plan which are disclosed in the Company's Management Information Circular dated May 17, 2016.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as such terms are defined in National Instrument 52 - 109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52 - 109").

DC&P are those controls and other procedures that are designed to provide reasonable assurance that all material information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are those controls and other procedures that are designed to ensure that material information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company has adopted the Internal Control – Integrated Framework (published 1992, amended 2013) published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its ICFR for the three months ended March 31, 2018.

As required by NI 52 - 109, the Company's CEO and CFO have evaluated the design of the Company's DC&P and ICFR. Based on such evaluations, they have concluded that the Company's DC&P and ICFR, as applicable, are adequately designed, as at March 31, 2018. No changes were made in the Company's design of ICFR during the three months ended March 31, 2018, that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

In designing such controls, it should be recognized that due to inherent limitations, any controls or control systems, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected or prevented. These inherent limitations include, without limitation, (i) the possibility that management's assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances, or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.