Financial Statements
(Expressed in Canadian dollars)

TREZ CAPITAL PRIME TRUST

Year ended December 31, 2015

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Trez Capital Prime Trust

We have audited the accompanying financial statements of Trez Capital Prime Trust, which comprise the statement of financial position as at December 31, 2015, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trez Capital Prime Trust as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

April 4, 2016
Vancouver, Canada

TREZ CAPITAL PRIME TRUST

Statement of Financial Position
(Expressed in Canadian dollars)

December 31, 2015, with comparative information for 2014

	Notes	2015	2014
Assets			
Cash		$ 3,738,712	$ 3,275,019
Due from related party	9	-	1,866,713
Other assets		2,133	12,204
Investments in mortgages	4	38,902,340	26,504,504
		$ 42,643,185	$ 31,658,440
Liabilities and Net Assets Attributable To Holders of Redeemable Units			
Loans payable	6	$ 831,500	$ 954,000
Accounts payable and accrued liabilities		78,020	373,140
Distribution payable to holders of redeemable units	8	794,671	371,956
Mortgage syndication liabilities	4	1,390,240	-
		3,094,431	1,699,096
Net assets attributable to holders of redeemable units	7	39,548,754	29,959,344
		$ 42,643,185	$ 31,658,440
Net assets attributable to holders of redeemable units:			
Series A		$ 6,811,998	$ 5,244,572
Series F		27,171,030	24,714,772
Series I		5,565,726	-

Subsequent events 1

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

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

Director

Director

TREZ CAPITAL PRIME TRUST

Statement of Comprehensive Income
(Expressed in Canadian dollars)

Years ended December 31, 2015, with comparative information for 2014

	Notes	2015	2014
Revenue:			
Interest income		$ 2,170,503	$ 1,905,954
Interest expense on non-recourse mortgage syndication		(9,661)	-
		2,160,842	1,905,954
Expenses:			
Commission and trailer fees		200,227	183,403
Governance fees		23,445	23,011
Administration fees	9	16,629	-
General administrative expenses		34,997	37,085
Professional fees		90,514	73,814
Provision for credit losses on investments in mortgages	4	-	186,500
Loss on restructuring of mortgage in default	4	25,492	-
Bank charges		33,026	13,255
		424,330	517,068
Income from operations		1,736,512	1,388,886
Financing costs:			
Interest expense		44,998	59,760
Distributions to holders of redeemable units	7	1,691,514	1,329,126
		1,736,512	1,388,886
Increase in net assets attributable to holders of redeemable units, from operations		$ -	$ -

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

TREZ CAPITAL PRIME TRUST

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

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Balance, beginning of year	$ 29,959,344	$ 21,917,554
Increase in net assets attributable to holders of redeemable units, from operations	-	-
Contributions and redemptions by holders of redeemable units:		
Issuance of units	14,848,254	9,059,872
Reinvestment of distributions on redeemable units	803,727	720,783
Redemptions	(6,062,571)	(1,738,865)
Increase in net assets attributable to holders of redeemable units	9,589,410	8,041,790
Balance, end of year	$ 39,548,754	$ 29,959,344

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

TREZ CAPITAL PRIME TRUST

Statement of Changes in Cash Flows
(Expressed in Canadian dollars)

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Increase in net assets attributable to holders of redeemable units, from operations	$ -	$ -
Items not involving cash:		
Provision for credit losses on investments in mortgages	-	186,500
Loss on restructuring of mortgage in default	25,492	-
Interest income earned	(2,170,503)	(1,905,954)
Distributions to holders of redeemable units	1,691,514	1,329,126
Interest expense incurred	44,998	59,760
Interest received	1,561,081	1,770,699
Changes in non-cash operating working items:		
Other assets	10,071	63,327
Accounts payable and accrued liabilities	(295,120)	320,092
	867,533	1,823,550
Investing activities:		
Funding of investments in mortgages	(41,682,793)	(22,513,124)
Principal repayments	31,259,647	14,598,871
Due from related party	1,866,713	(1,866,713)
	(8,556,433)	(9,780,966)
Financing activities:		
Distributions paid	(465,072)	(451,787)
Interest paid	(45,518)	(61,718)
Repayments on loans payable	(122,500)	(461,000)
Proceeds on issuance of units	14,848,254	9,059,872
Redemption of units	(6,062,571)	(1,738,865)
	8,152,593	6,346,502
Increase (decrease) in cash	463,693	(1,610,914)
Cash, beginning of year	3,275,019	4,885,933
Cash, end of year	$ 3,738,712	$ 3,275,019

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

1. General:

Trez Capital Prime Trust (formerly Bison Prime Mortgage Fund) (the “Trust”) is an unincorporated trust established under the laws of British Columbia pursuant to a Trust Agreement dated January 5, 2006 which has been subsequently amended including the most recent amendment on April 1, 2013.

Trez Capital Fund Management Limited Partnership is the Manager (the “Manager”), Trez Capital Limited Partnership is the mortgage broker (the “Mortgage Broker”) and Bison Income Services Ltd is the trustee (the “Trustee”) of the Trust.

The Trust has been created for the purpose of generating a stream of income from interests acquired in a portfolio of prime mortgages, which are first mortgages that secure loans with less than or equal to 75% of the value of the real property at the time of funding, related to any and all types of real property within Canada.

On March 7, 2016, the Unitholders voted to approve a transition to a non-investment fund primarily in response to fund raising regulatory changes becoming effective April 30, 2016. These changes are administrative in nature. A new Declaration of Trust aligns with the current regulatory requirements, and other trusts managed by the Manager. In addition, the Unitholders voted to approve amending the investment objectives of the Trust to also permit the Trust to make investments in prime mortgages secured by property in the United States.

The principal place of business of the Trust is located at 1550 - 1185 West Georgia Street, Vancouver, British Columbia, V6E 4C6.

2. Basis of preparation:

(a) Statement of compliance:

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

The financial statements were authorized for issue by the Board of Governors on April 4, 2016.

(b) Functional and presentational currency:

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

(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.

In making estimates, the Manager relies on external information and observable inputs where possible supplemented by internal analysis as required.

2. Basis of preparation (continued):

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

The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the financial statements are as follows:

(*i*) Investments in mortgages:

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

3. Significant accounting policies:

(a) Cash:

Cash consists of cash held at financial institutions.

(b) Redeemable units:

All of the Units of the Trust are redeemable on demand at the unitholder’s option and are thus classified as financial liabilities and presented as “net assets attributable to holders of redeemable units” in the statement of financial position.

(c) Revenue recognition:

Interest income is recognized in the statement of comprehensive income in the period in which it is earned on an effective interest rate basis.

(d) Distributions on redeemable units:

Distributions to unitholders of each class are made on a quarterly basis, in arrears, in the amount of 100% of the Trust’s net income and net realized capital gains for the year less any reserves that the Manager deems appropriate and less any previous distributions made in that year. Distributions are accrued as finance expense in the period to which they relate.

3. Significant accounting policies (continued):

(e) Financial instruments:

(*i*) Recognition and classification:

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

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

The Trust has classified its financial instruments as follows:

Asset / Liability	Classification	Subsequent measurement
Cash	Loans and receivables	Amortized cost
Due from related party	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Investments in mortgages	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Mortgage syndication liabilities	Other financial liabilities	Amortized cost
Distribution payable to holders of redeemable units	Other financial liabilities	Amortized cost
Net assets attributable to holders of redeemable units	Other financial liabilities	Amortized cost

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

3. Significant accounting policies (continued):

(e) Financial instruments (continued):

(*ii*) De-recognition:

Financial assets:

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

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

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

Financial liabilities:

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

3. Significant accounting policies (continued):

(e) Financial instruments (continued):

(iii) Impairment:

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

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

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

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

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

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

3. Significant accounting policies (continued):

(f) Future changes in accounting policies:

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

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

The IASB issued a new standard, IFRS 9, which will ultimately replace International Accounting Standard 39, *Financial Instruments - Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and is available for early application.

IFRS 15, *Revenue Recognition*:

The IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

(g) Segmented information:

The Trust's operations consist of the investment in mortgages secured by real property in Canada, which constitutes a single operating segment.

4. Investments in mortgages:

The Trust holds mortgages on the following properties:

	2015			2014		
Property type	Number		Amount	Number		Amount
Industrial	4	$	8,464,849	5	$	9,514,699
Office	-		-	1		218,819
Residential	9		16,514,595	5		6,683,448
Retail	5		12,639,080	3		7,738,480
Other	-		-	1		2,500,000
	18		37,618,524	15		26,655,446
Accrued interest			225,076			180,558
Less provision for mortgage losses			(331,500)			(331,500)
Mortgage syndication liabilities			1,390,240			-
		$	38,902,340		$	26,504,504

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

4. Investments in mortgages (continued):

	2015		2014	
Property location	Number	Amount	Number	Amount
British Columbia	3	$ 3,021,704	5	$ 7,222,810
Alberta	9	18,349,077	7	15,251,554
Ontario	4	10,008,993	3	4,181,082
Quebec	2	6,238,750	-	-
	18	37,618,524	15	26,655,446
Accrued interest		225,076		180,558
Less provision for mortgage losses		(331,500)		(331,500)
Mortgage syndication liabilities		1,390,240		-
		$ 38,902,340		$ 26,504,504

The following table presents the reconciliation of mortgages as at December 31, 2015 and 2014:

	2015	2014
Investments in mortgages, beginning of year	$ 26,504,504	$ 18,641,496
Funding of investments in mortgages	41,682,793	22,513,124
Interest capitalized to investments in mortgages	565,424	80,498
Repayments of mortgages	(31,259,647)	(14,598,871)
Loss on restructuring of mortgage in default	(25,492)	-
Change in accrued interest	44,518	54,757
Changes in loss provision for mortgage losses	-	(186,500)
Mortgage syndications	1,390,240	-
Investments in mortgages, end of year	$ 38,902,340	$ 26,504,504

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

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 7.85% (2014 - 6.10%) and mature between 2016 and 2019, as illustrated in the table below. 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”).

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

4. Investments in mortgages (continued):

Principal payments, net of mortgage syndication liabilities, are due based on contractual maturities of each loan as follows:

Maturity period	Number	Amount
Past due	1	$ 641,987
2016	11	23,692,457
2017	5	11,384,777
2018 and beyond	1	1,899,303
	18	$ 37,618,524

The Trust has entered into certain mortgage participation agreements with third party lenders, whereby, the third party lenders take the senior position and the Trust retains the subordinated position, all of which is secured by first mortgage positions. The Trust 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 non-recourse mortgage syndication liability. The interest earned on the transferred participation interests and the related interest expense is recognized in the statement of loss and comprehensive loss.

For those investments which have not met the derecognition criteria, the participation transactions have resulted in the Trust 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 $1,390,240 (2014 - nil).

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. For mortgages that are in default but are fully secured and collection efforts are reasonably expected to result in repayment of principal plus all associated costs and accrued interest, no credit loss provision is recorded.

As at December 31, 2015, the Trust had one (2014 - three) mortgage that was in default in the total amount of $641,987 (2014 - $4,849,798). No contractual interest is accruing on this loan and the loan is considered to be impaired. The Trust has recorded an impairment on this loan in the amount of $331,500 (2014 - $331,500) to reflect the Manager's estimate of the change in the net recoverable amount of the mortgage.

4. Investments in mortgages (continued):

During September 2015, a loan that was previously in default was restructured when the property secured by the loan was sold to a third party. The sale was financed by cash and a four year vendor take back mortgage ("VTB") bearing interest at 4% in year one and 6% in years two through four. An affiliate of the Manager has also agreed to supplement the interest rate on the VTB to be 6.5% for the duration of the term. The VTB was measured at its fair value on inception and the difference between the fair value of the VTB and the carrying amount of the loan in default of $25,492 was recognized as a loss in the statement of comprehensive income. The Trust has recognized interest income of $11,838 relating to the affiliate of the Manager's supplemental interest on the VTB.

Subsequent to December 31, 2015, a borrower defaulted on three (2014 - one) mortgages that are cross-defaulted in the amount of $5,162,090 (2014 - $2,000,000) plus interest receivable of $22,086 (2014 - $13,250). The Manager estimates the value of the properties is sufficient to cover the outstanding principal and accrued interest.

5. Bank indebtedness:

The Trust has a credit facility with a Canadian bank providing for borrowings up to $2,950,000 by way of a demand revolving loan. The amount available under the credit facility is further limited by a margin requirement. As at December 31, 2015, the maximum borrowing available under the credit facility is $2,950,000 (2014 - $3,000,000). Interest is calculated at the bank's prime rate plus 1.3% per annum and a standby fee is calculated on the undrawn portion of the facility at 0.35% per annum. As at December 31, 2015 and 2014, nil has been drawn down against the credit facility.

The credit facility has financial tests and other covenants with which the Trust must comply. The Trust shall not, without the prior written consent of the bank:

(a) permit its ratio of bank debt to tangible net worth at any time to exceed 0.75 to 1.0; or

(b) permit its tangible net worth at any time to be less than $15,000,000; or

(c) permit its ratio of bank debt to EBITDA at any time to exceed 3.0 to 1.0.

These covenants place restrictions on, among other things, the ability of the Trust to incur additional indebtedness, and to sell or otherwise dispose of assets.

During the year ended December 31, 2015 and 2014, the Trust was in compliance with all of the related covenants.

The credit facility is collateralized by a general security agreement creating a first priority security interest over all personal property of the Trust and a floating charge over all of the Trust's real property, and an assignment of the Trust's beneficial interest in all mortgages held.

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

6. Loans payable:

The loans payable balance is comprised of various demand promissory notes bearing interest at 5%, repayable upon 30-days' notice by the lender.

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

Net assets are represented by the redeemable units issued and outstanding. As at December 31, 2015 and 2014, the Trust has authorized an unlimited number of redeemable non-transferable $10 units. The unitholders are entitled to one vote per unit. The units are retractable on demand by the unitholder. The retractions may be subject to penalty.

	2015			2014		
Series A units	Number		Amount	Number		Amount
Issued and outstanding, beginning of period	524,457	$	5,244,572	241,206	$	2,412,062
Issued for cash	159,921		1,599,210	294,856		2,948,559
Issued for reinvested distributions	7,540		75,396	5,150		51,503
Redeemed for cash	(10,718)		(107,180)	(16,755)		(167,552)
Issued and outstanding, end of period	681,200	$	6,811,998	524,457	$	5,244,572

	2015			2014		
Series F units	Number		Amount	Number		Amount
Issued and outstanding, beginning of period	2,471,477	$	24,714,772	1,950,549	$	19,505,492
Issued for cash	768,332		7,683,318	611,131		6,111,313
Issued for reinvested distributions	72,833		728,330	66,928		669,280
Redeemed for cash	(595,539)		(5,955,390)	(157,131)		(1,571,313)
Issued and outstanding, end of period	2,717,103	$	27,171,030	2,471,477	$	24,714,772

	2015			2014		
Series I units	Number		Amount	Number		Amount
Issued and outstanding, beginning of period	-	$	-	-	$	-
Issued for cash	556,573		5,565,726	-		-
Issued for reinvested distributions	-		-	-		-
Redeemed for cash	-		-	-		-
Issued and outstanding, end of period	556,573	$	5,565,726	-	$	-

For the year ended December 31, 2015, the Trust recognized distribution's totaling $1,691,514 (2014 - $1,329,126) of which $794,671 is payable as at December 31, 2015 (2014 - $371,956).

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

8. Distribution payable to holders of redeemable units:

The fourth quarter distribution payable at December 31, 2015 is to be distributed to the unitholders subsequent to year-end as follows:

	2015	2014
Paid in cash	$ 287,894	$ 150,039
Reinvested as Trust units	506,777	221,917
	$ 794,671	$ 371,956

9. Related party transactions and balances:

The Trust invests in prime mortgages alone or on a participation basis with parties related to the Manager. Title to mortgages is held by TCC Mortgage Holdings Inc., a bare trustee, or Computershare Trust Company of Canada, on behalf of the beneficial owners of the mortgages. In addition, certain duties are performed by the Mortgage Broker. These companies are related to the Manager and the Trust through common control. In cases where mortgages are held on a participation basis:

- The Trust's rights are as outlined in the Trust Agreement and a Mortgage Participation and Servicing Agreement with the Mortgage Broker. The Trustee holds the Trust's interest in the mortgages and underlying security.
- Pursuant to this agreement, the Mortgage Broker administers and services the mortgages on behalf of the Trustee and other investees. The Mortgage Broker acts as the Trust's loan originator, underwriter, servicer and syndicator.
- The Mortgage Broker performs certain duties including registering title to the mortgages, arranging for title searches, and holding all title papers and other security documentation related to the mortgages.
- The Mortgage Broker delivers cash payments for interest and principal to the Trustee.

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

During the year, the Trust purchased investments in mortgages of $26,397,190 (2014 - $6,400,000) from, and sold investments in mortgages of $10,159,120 (2014 - $4,000,000) to entities under common management. All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Related party transactions and balances (continued):

Pursuant to the terms and conditions of the Trust Agreement, the Manager in entitled to receive from the Trust in respect of each class of units an annual fee (the “Administration Fee”) payable quarterly. For Class A Units and Class F Units this is equal to 1.5% of the proportionate share of the average gross assets of the Trust plus applicable taxes. For Class I Units this is equal to a percentage, to be negotiated between the Manager and the Unitholder, of the proportionate share of the average gross assets of the Trust plus applicable taxes. The average gross assets of the Trust are calculated using a simple moving average of the month end value of all assets, excluding mortgage syndication liabilities, of the Trust. For each class of units of the Trust, the Manager also receives an additional fee (the “Incentive Fee”) equal to 10% of net earnings and capital gains but prior to the deduction for the Incentive Fee, payable annually.

During the year, the Trust incurred Administration Fees of $16,629 (2014 - nil) and Incentive Fees of nil (2014 - nil) to the Manager. The Incentive Fees were waived by the Manager in 2015 and 2014.

Due from related party includes nil (2014 - $1,866,713) cash held by the Mortgage Broker for principal and interest payments on mortgages not distributed to the Trust at December 31, 2015.

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

10. Income taxes:

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

The Trust allocates to its unitholders net earnings and net realized gains that would otherwise attract tax in the Trust. Accordingly, no provision for income taxes is reflected in its financial statements.

11. Financial instruments and risk management:

(a) Fair values of financial instruments held at amortized cost using the fair value hierarchy:

The carrying values of cash, financial assets and financial liabilities not measured at fair values, such as accrued interest receivable, accounts payable and accrued liabilities, distributions payable, and loans payable approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand. The carrying values of the investments in mortgages approximate their fair values because the Manager doesn’t expect any significant changes in interest rates or credit risk.

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

11. Financial instruments and risk management (continued):

(a) Fair values of financial instruments held at amortized cost using the fair value hierarchy (continued):

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

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

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Carrying value		
December 31, 2015	Loans and receivable	Other financial liabilities	Fair value
Assets not measured at fair value:			
Investments in mortgages	$ 38,902,340	$ -	$ 38,902,340
Other assets		2,133	2,133
Due from related party		-	-
Cash		3,738,712	3,738,712
Financial liabilities not measured at fair value:			
Loans payable		831,500	831,500
Distribution payable to holders of redeemable units		794,671	794,671
Accounts payable and accrued liabilities		78,020	78,020
Mortgage syndication liabilities		1,390,240	1,390,240

	Carrying value		
December 31, 2014	Loans and receivable	Other financial liabilities	Fair value
Assets not measured at fair value:			
Investments in mortgages	$ 26,504,504	$ -	$ 26,504,504
Other assets	12,204	-	12,204
Due from related party	1,866,713	-	1,866,713
Cash	3,275,019	-	3,275,019
Financial liabilities not measured at fair value:			
Loans payable	-	954,000	954,000
Distribution payable to holders of redeemable units	-	371,956	371,956
Accounts payable and accrued liabilities	-	373,140	373,140

11. Financial instruments and risk management (continued):

(a) Fair values of financial instruments held at amortized cost using the fair value hierarchy (continued):

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

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

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

(*ii*) Other financial assets and liabilities:

The fair values of cash, other assets, loans payable, and accounts payable and accrued liabilities and distributions payable to holders of redeemable units approximate their carrying value due to their short-term maturities.

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

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

There were no transfers between Level 1, Level 2 and Level 3 during the years ended December 31, 2015 and 2014.

(b) Financial risk management:

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

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

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

11. Financial instruments and risk management (continued):

(b) Financial risk management (continued):

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

(*i*) Credit risk:

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

The Trust mitigates the risk of credit loss by ensuring that its mix of mortgages is diversified, and by limiting its exposure to any specific borrower or sector. Furthermore, the Trust manages its credit risk through extensive initial due diligence and careful monitoring of its mortgage portfolio, active communications with borrowers and the institution of aggressive enforcement procedures on defaulting mortgages by its Mortgage Broker, and by matching the cash flow profile of the assets and liabilities. All mortgage investments are approved by the Credit Committee comprised of senior management of the Mortgage Broker. The Mortgage Broker's Credit Committee reviews its policies regarding its lending limits on an ongoing basis. Minimal credit risk also arises from cash deposits. This is mitigated by holding deposits in Canada with major financial institutions.

As at December 31, 2015, the largest mortgage investment in the Trust's mortgage portfolio was $4,000,000 (2014 - $3,622,130) which is 10.11% (2014 - 12.1%) of the Trust's net asset value, and 10.34% (2014 - 13.6%) of its mortgage portfolio.

The Trust's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at December 31, 2015 and 2014 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 of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Trust's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities (primarily unit redemptions and distributions) when due. Liquidity risk is managed by ensuring that the sum of: (*i*) availability under the Trust's bank borrowing line; and (ii) projected repayments under the existing mortgage portfolio exceeds projected needs (including funding of further advances under existing and new mortgage investments).

11. Financial instruments and risk management (continued):

(b) Financial risk management (continued):

(*ii*) Liquidity risk (continued):

As at December 31, 2015, 64.3% of the Trust's mortgage portfolio, being 25,082,697 , is due on or before December 2016 (2014 - 56.5% or $15,055,648 due before December 2015), excluding the one mortgages (2014 - three) that is past due.

All other liabilities are short term in nature and repayable within a year, while the Trust's units do not have a set maturity date, they are redeemable on demand by the unitholders.

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

(*iii*) Market risk:

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

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

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

(A) Interest rate risk:

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

The Trust's interest rate risk is primarily attributable to its return on investments in mortgages relative to its resources to fund the mortgages. The Trust manages interest rate risk by generally investing in short term variable rate mortgages with floor rates which are greater than the rate charged by its lenders.

A 0.25% increase in interest rates with all other variables held constant would increase the Trust's income an estimated $100,486 arising mainly as a result of higher interest income generated on variable rate mortgage investments.

A 0.25% decrease in interest rates with all other variables held constant would decrease income an estimated $7,268.

(B) Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Trust is not directly exposed to currency risk as all transactions and investments are carried out in Canadian dollars.

11. Financial instruments and risk management (continued):

(b) Financial risk management (continued):

(*iii*) Market risk (continued):

(C) Other price risk:

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

12. Capital management:

The Trust considers net assets attributable to holders of redeemable units to be capital, which as at December 31, 2015 is $39,548,754 (2014 - $29,959,344).

The Trust's objective when managing capital is to maintain its ability to continue as a going concern and ensure that it has sufficient resources in order to be able to generate returns for its investors. To secure the additional capital necessary to pursue these plans, the Trust may attempt to raise additional funds through the issuance of additional units. The Trust is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Trust document.