dream alternatives

2016 Annual Report

Dream Hard Asset Alternatives Trust (“DAT”) is a mutual fund trust focused on hard asset alternative investments comprising real estate, real estate lending, real estate development and infrastructure including renewable power.

Letter to Unitholders

Michael J. Cooper
Portfolio Manager

We were pleased with our operational and financial results for the year. Even though we do not have all of the Trust's equity currently producing our targeted returns, the 29% year-over-year per unit growth in AFAD achieved in 2016 demonstrates the solid progress that is being made from our active management of the portfolio. In 2016, we achieved AFAD of $0.43 per unit, which was in excess of our distributions. We are committed to unlocking the equity within the legacy portfolio so that we can grow our AFAD and net asset value per unit through our strategy of investing in yield and growth assets. Repatriating and redeploying capital from legacy assets will continue to be a key part of our strategy in 2017.

Earlier in 2016, Dream Office REIT announced a strategic plan which involved a target to sell at least $1.2 billion of assets that they believed would realize attractive pricing in the private markets relative to IFRS values. To date, Dream Office has successfully sold or has under contract approximately $1.5 billion of properties with the intent to sell more assets over and above this, to concentrate on operating its highest and best quality properties. Dream Alternatives is of a similar view and a portion of the future disposition pool identified by Dream Office includes some of the Trust's co-owned office assets located in the suburban Greater Toronto Area, and single co-owned office assets held in smaller cities or secondary markets across Canada that are fairly liquid but do not fit the longer term objectives or targeted returns of the Trust. As a result, the Trust has set a target to repatriate approximately $140-150 million of equity from the sale of these non-core co-owned properties over the next two to three years. We intend to work closely with Dream Office to maximize value from the portfolio and will consider all opportunities that benefit the Trust and align with our long term strategy. Given the REIT's success in 2016 with respect to asset sales, we are optimistic we will be able to achieve our set targets. Subsequent to 2016, Dream Alternatives acquired the remaining 40% interests in 10 Lower Spadina Ave., and 49 Ontario Street, for full ownership of both assets. Both properties are located in downtown Toronto, currently operated as income properties and are expected to have considerable redevelopment potential in future years, aligning with the Trust's longer term objectives.

We are seeing incredible opportunities to invest in residential and mixed-use development projects. With a strong balance sheet and covenant and a unique competitive advantage under the Dream brand, reputation and track record, we are a desirable partner for many high quality developers and as a result, have had the opportunity to increase our investment in new residential and mixed-use developments.

In addition to the two Empire residential developments, we now have interests in several other larger scale developments. During 2016, we invested $11.5 million for a 37.5% equity investment in a 5.3-acre waterfront property in downtown Toronto located at 351-369 Lakeshore Boulevard East ("Lakeshore East Development"). The Lakeshore East Development represents an exceptional waterfront development site which is planned for a mixed-use development with potential for over one million square feet of density.

We also entered into an agreement to purchase a 23.25% ownership interest in a 74-acre waterfront property in Mississauga's Port Credit area. The site, currently a decommissioned oil refinery owned by Imperial Oil, will be redeveloped into a large master-planned residential / mixed-use community. The site is one of the only properties we have seen that has over 1,500 feet of exceptional waterfront development opportunity. The transaction is expected to close in the first quarter of 2017.

Looking ahead to 2017, we expect to reach our first significant development milestone as the Empire Brampton project will be the first residential development scheduled to reach completion and begin to pay cash distributions to the Trust.

Development projects are expected key drivers of future growth and are expected to provide the Trust with attractive returns on equity. Value creation to the Trust is expected to begin to occur as planning milestones such as the completion of re-zoning are met over the next two to three years with respect to the aforementioned sites.

When we look ahead to the future profits from exceptional development opportunities we have invested in, we expect AFAD per unit to cumulatively exceed our distributions over the next four years, with improving prospects from the recent aforementioned investments when they begin to contribute to income.

We are pleased with the business, its prospects and our progress to date. Once again, we thank you for continued interest in and support for the business.

Sincerely,

Michael J. Cooper
Portfolio Manager

February 27, 2017

Axis Condos, 411 Church Street
Toronto, Ontario
Development

APPROXIMATELY

$1 billion*

IN TOTAL ASSETS

80%*

OF THE LEGACY LOAN PORTFOLIO HAS BEEN REPAID

Annualized AFAD Return on Average Trust Net Assets**	DEC 31, 2016	DEC 31, 2015
Income Properties	2.4%	2.7%
Lending Portfolio	2.1%	1.8%
Development and Investment Holdings	1.3%	1.3%
Renewable Power	1.2%	0.4%
Trust Expenses and Income Taxes	-2.2%	-2.3%
Annualized AFAD Return on Average Trust Net Assets**	4.8%	3.9%

Financial Highlights	DEC 31, 2016	DEC 31, 2015
Total Income	$98,931	$90,114
AFAD**	$31,026	$26,299
AFAD per Unit (Basic and Fully Diluted)**	$0.43	$0.36
AFAD per Unit (Basic and Fully Diluted), Excluding after tax disposition gains**	$0.43	$0.33

* As of Dec. 31, 2016

** For the above Non-IFRS measures, please refer to the Non-IFRS measures and Other Disclosures section of the MD&A.

INVESTED OR COMMITTED APPROXIMATELY

$279 million*

OF EQUITY SINCE LISTING
AT A WEIGHTED AVERAGE EXPECTED
YIELD OF 10.6%

Endurance
United Kingdom
Wind Portfolio

351 - 369 Lakeshore Blvd. East
Toronto, Ontario
Development

20.9 MW*

INSTALLED CAPACITY

$0.43*

AFAD PER UNIT, AN INCREASE
OF **29%** FROM 2015

Ivy Condos, Mutual Street
Toronto, Ontario
Development

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(All dollar amounts in our tables are presented in thousands of Canadian dollars, except rental rates, unit, per unit and MW amounts, unless otherwise stated)

1. OVERVIEW AND OVERALL FINANCIAL PERFORMANCE

1.1 OVERVIEW OF THE TRUST

Dream Hard Asset Alternatives Trust ("Dream Alternatives" or the "Trust") is an open-ended trust focused on hard asset alternative investments comprising real estate, real estate lending, real estate development, and renewable power. In the Trust's reportable operating segments, these investments are referred to as income properties, lending portfolio, development and investment holdings, and renewable power, respectively. The Trust is managed by Dream Asset Management Corporation ("DAM" or the "Asset Manager"), the 70% owned subsidiary of Dream Unlimited Corp. (TSX: DRM) which is one of Canada's leading real estate companies, with approximately $14.0 billion of assets under management in North America and Europe. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "DRA.UN".

This Management's Discussion and Analysis ("MD&A") reflects all material events up to February 27, 2017, the date on which this MD&A was approved by the Board of Trustees. This MD&A should be read in conjunction with the Trust's audited consolidated financial statements and the accompanying notes for the year ended December 31, 2016 along with the 2015 comparative figures, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain comparative results have been reclassified to conform to the presentation adopted in the current period.

The Basis of Presentation section of this MD&A includes important information concerning certain information found in this MD&A that contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities laws. Readers are encouraged to read the Basis of Presentation and Risks and Risk Management sections of this MD&A for a discussion of the risks and uncertainties regarding this forward-looking information as there are a number of factors that could cause actual results to differ materially from those disclosed or implied by such forward-looking information.

Our operating segments consist of the following:

- **Income properties** — a portfolio of office, industrial and retail commercial real estate properties in Canada, a majority of which are co-owned;
- **Lending portfolio** — interest-paying mortgages, mezzanine and corporate loans;
- **Development and investment holdings** — participating mortgages receivable and indirect investments in developments and income-producing properties and direct investments in development projects; and
- **Renewable power** — solar and wind power projects in Canada and the United Kingdom ("U.K.").

1.2 OUR OBJECTIVES

Our objectives are to:

- provide an opportunity to invest in hard asset alternative investments, including real estate, real estate lending, real estate development, and infrastructure, including renewable power, managed by an experienced team with a successful track record in these areas;
- build and maintain a growth-oriented portfolio;
- provide predictable and sustainable cash distributions to unitholders on a tax efficient basis; and
- grow and reposition the portfolio to increase both AFAD[1] and NAV per unit[1] over time.

[1] For the Trust's definition of the following non-IFRS measures: AFAD and NAV per unit, please refer to the Non-IFRS measures and Other Disclosures section of this MD&A

1.3 PORTFOLIO OBJECTIVES AND ASSET CLASS CHARACTERISTICS

The following table indicates the objectives and attributes applicable to each of our main operating segment

	Income Properties	Lending Portfolio	Development Holdings	Renewable Power
Stability of Cash Flow	General long-term stable cash-flow from diversified tenant base from retail, office and industrial assets subject to market dynamics ✓	Fixed rate loans to strong borrowers backed by hard assets ✓	Development projects do not contribute to cash flow until they are completed	20-yr fixed term contracts backed by government & regulated utility Power Purchase Agreements ("PPAs") ✓
Tax Attributes	Depreciation of real estate properties shelters rental income ✓	Income from the lending portfolio is fully taxable at corporate rate	Income from participating mortgages is fully taxable; equity investments in properties/developments are sheltered by depreciation	Renewable power assets qualify for accelerating tax depreciation rate, which shelters income ✓
Income Growth (Increased AFAD)	Proactive asset management to help increase rent and occupancy over the long term, near term AFAD could be impacted by market dynamics ✓	Interest income from the loan portfolio contributes to growth in AFAD ✓	Development projects can materially increase cash flow from operations when completed ✓	Once operational, contracts are expected to achieve consistent annual yields over the term of the PPA ✓
NAV Growth	Proactive asset management to help increase rent and occupancy over the long-term, which should improve the value of our buildings, contributing to NAV growth ✓	Interest income from the loan portfolio preserves NAV ✓	The value of the development projects increases as the projects move closer to the completion date and project milestones are achieved ✓	Value of renewable power projects under construction increases once projects become operational as the risk profile of the asset changes ✓
Liquidity	Active market for real estate in Canada. Assets can require additional capital funding to maintain returns and remain competitive. ✓	Average term to maturity of less than 1 year provides liquidity to the Trust ✓	Limited liquidity prior to completion date	Active market for operational renewable power projects in Canada ✓
Inflation Protection	Investing in real estate is generally considered a hedge against inflation. Lease agreements may contain step-ups tied to inflation ✓	The short-term nature of the loans provides the ability to redeploy the proceeds helping to offset inflation	Investing in real estate is generally considered a hedge against inflation ✓	Renewable power PPA's may be indexed to inflation ✓
Non-Correlation to Public Markets	Hard assets generally have lower correlation to traditional equity and fixed income investments ✓	Short-term loans are less correlated with interest rate changes ✓	Hard assets generally have lower correlation to traditional equity and fixed income investments ✓	Hard assets generally have lower correlation to traditional equity and fixed income investments ✓
Investment Opportunities	Dream's brand and platform presents many interesting and diversified real estate opportunities ✓	By finding inefficiencies in the lending market and capitalizing on Dream's expertise and relationships especially in the development sector ✓	Dream's brand and platform present many interesting and diversified real estate development opportunities ✓	Leverage the Dream expertise and track record of developing $1.5 billion in renewable projects ✓
Targeted Return on Equity (Levered)	7% - 10%	N/A	15% - 20 %	10% - 13%
Targeted Return on Equity (Unlevered)	5% - 7%	7% - 10%	N/A	7% - 10%

1.4 FINANCIAL OVERVIEW - FOURTH QUARTER AND YEAR ENDED 2016

ADJUSTED FUNDS AVAILABLE FOR DISTRIBUTION ("AFAD"[1]) of $0.43 PER UNIT UP SIGNIFICANTLY FROM THE PRIOR YEAR

For the year ended December 31, 2016, AFAD of $0.43 per unit was up 29% or $0.10 per unit from the prior year, excluding disposition gains. Including prior year disposition gains, AFAD was up 18.0% or $0.07 per unit from the prior year. For the three months ended December 31, 2016, AFAD of $0.10 per unit was up 11.1%, or $0.01 per unit when compared to the same period in the prior year.

The improvement of the overall performance of the Trust year over year reflects the impact of the execution of the underlying portfolio strategy and, to varying degrees, the impact of underlying market trends. For the year ended December 31, 2016, the renewable power portfolio contributed $0.07 per unit of the increase as the Trust benefited from a full year's performance from acquisitions and projects completed late in 2015 and from projects becoming operational throughout 2016. Construction of all renewable power projects is now complete and upon closing of the final tranches of project term debt financing expected in the first quarter of 2017, the Trust is targeting to achieve a 11% to 12% annual yield on expected stabilized equity[(1)] of approximately $65 million. AFAD from the development and investment holdings, excluding any one-time disposition gains, increased by $0.03 per unit due to increased cash distributions relating to completed retail developments, interest earned on additional contributions to the Trust's residential development holdings and guarantee fee income. AFAD from the lending portfolio also increased by $0.02 per unit from a net increase in lender fees from renewals and extensions and lower allocated expense. AFAD from the income properties declined by $0.03 per unit mainly as a result of lower net operating income ("NOI"[1]) from a general decrease in in-place occupancy by 690 basis points ("bps") year over year, which included the expected vacancy at 219 Laurier Ave. W. as certain premises within the property are readied for occupancy in the fourth quarter of 2017 and an occupancy decline in the Greater Toronto Area ("GTA") suburban market, consistent with general market trends. The remaining $0.01 per unit year over year improvement resulted primarily from lower current tax expense.

For the three months ended December 31, 2016, AFAD of $0.10 per unit was up $0.01 per unit when compared to the prior year. In contrast to the full year results, AFAD for the renewable power segment declined by $0.01 per unit mainly as a result of debt service costs. For the three months ended December 31, 2016, and coincident with the commencement of principal payments on the renewable power term debt, AFAD now includes a deduction for the principal portion of the debt service. While this had the effect of decreasing AFAD when compared to the same period in the prior year, the net impact after considering the repatriation of equity is expected to be an improved return on equity on a total portfolio basis. AFAD from the development and investment holdings increased by $0.01 per unit, for the reasons outlined above in the full year analysis. The results of the lending portfolio were comparable to the prior year. Consistent with the overall annual performance trend, AFAD from the income properties segment declined by $1.1 million ($0.02 per unit) when compared to the same period last year. The cost of carrying vacant space at 219 Laurier Ave. W. and lease termination and other income received in the same quarter last year, which did not recur in the current period, contributed to the decline. Lower current tax expense contributed the remaining $0.03 per unit year over year improvement.

While the Trust continues to pursue repatriation and redeployment of capital from some of the more challenging legacy assets of the portfolio, which are contributing lower than targeted returns on equity, the year over year per unit growth in AFAD demonstrates the progress that is being made from active asset management of the portfolio and asset repositioning activities. Overall, management was pleased with the Trust's AFAD per unit results during the year ended December 31, 2016, which was also in excess of distributions.

NET ASSET VALUE ("NAV"[1])

NAV per unit of $9.09 was at December 31, 2016, a 3.7% decrease from $9.44 per unit at September 30, 2016 and 5.7% decline from $9.64 per unit as at December 31, 2015. A decline in the fair value of our co-owned office properties was the largest component of the decline in NAV. During the three months ended December 31, 2016, independent third party appraisals were undertaken with a focus on a select group of assets located within the GTA given the assets' suburban market location and operating performance. The resulting fair value losses reflect changes in various leasing assumptions, and an increase in the discount rates. Income properties with a fair value of approximately $313.0 million were valued by an external appraiser during the year ended December 31, 2016.

(1) For the Trust's definition of the following non-IFRS measure of AFAD, stabilized equity, NOI and NAV, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

Of these, approximately $168.0 million related to the aforementioned select group of assets located within the GTA. Management is of the view that the current IFRS values of the co-owned properties at December 31, 2016 are reflective of current market conditions, including factors such as vacancy, time to stabilization and required capital expenditures, before considering transaction costs.

Fair value increases within the Trust's Empire residential development holdings were recognized throughout 2016, partially offsetting the aforementioned losses as a result of these developments progressing towards completion and successfully achieving critical project milestones as discussed below.

During the year ended December 31, 2016, the Trust repurchased for cancellation 534,392 units for $2.9 million under its normal course issuer bid ("NCIB") program. Since the inception of the Trust's NCIB program in December 2014 to February 27, 2017, the Trust has purchased for cancellation 1.9 million units for a total cost of $11.4 million. Subsequent to year end, the Trust renewed its NCIB which expires on January 12, 2018.

INVESTMENT & TRANSACTION HIGHLIGHTS - INCREASING INVESTMENT IN TORONTO CONDOMINIUM AND MIXED-USE DEVELOPMENTS

Development and Investment Holdings

The Empire Brampton low-rise project continues to progress well with all units fully sold out, of which 61% had closed by the end of the fourth quarter of 2016. This compares to 91% sold and 30% closed as at December 31, 2015. The project is anticipated to be completed in phases commencing in the first quarter of 2017 with the last phase being scheduled for completion by the third quarter of 2017. Cash distributions from the project to the Trust are expected to commence in the first quarter of 2017.

The Empire Lakeshore high-rise condominium development project also continues to progress on schedule, having successfully secured both the construction loan and mezzanine debt financing during 2016. Sales continue to progress exceptionally well with 98% of the 1,285 units sold by the end of the fourth quarter of 2016, compared to 86% as at December 31, 2015. A limited selection of exclusive premium terrace units were released for sale late in 2016 which are selling well and generating a higher price per square foot, which is expected to generate higher profit margins. Construction is well underway and the project is expected to be completed in phases from the fourth quarter of 2019 to the second quarter of 2020.

The Trust recognized fair value increases for each of the Empire projects during 2016 commensurate with a decrease in the projects' risk profiles as significant milestones were met and as the projects advanced steadily to completion and payout.

Sales programs for two residential condominium development projects, Church/Wood Residences ("Axis Condominiums") and the Mutual Street Development ("IVY Condominiums"), located in downtown Toronto, Ontario in which the Trust invested a total of approximately $7.3 million earlier in the year were launched in late 2016 / early 2017 and the results have been positive. To February 27, 2017, 90% of the 572 units at Axis Condominiums are already sold and 86% of 253 units at IVY Condominiums have been sold.

Additional capital investments into Toronto condominium and mixed-use development projects continued during the three months ended December 31, 2016 as the Trust successfully secured an $11.5 million investment in a development partnership for a 37.5% equity investment in a 5.3 acre waterfront property in downtown Toronto located at 351-369 Lakeshore Boulevard East ("Lakeshore East Development"). The Trust's Asset Manager, who will also act as co-developer, owns a 12.5% equity interest in the development partnership. Great Gulf Residential, an award winning builder and developer of new homes and condominiums in the GTA with 40 years of experience, is the residual third party partner/co-developer. The Lakeshore East Development represents an exceptional waterfront development site. The property is planned for a mixed-use development with potential for over one million square feet of density across three development blocks bisected by an extension of Queens Quay East to Cherry Street, which will include LRT transportation running through a dedicated centre lane. The site is subject to several policy and planning initiatives designed to shape a new waterfront community for Toronto.

In the three months ended December 31, 2016, the Trust entered into an agreement to purchase a 23.25% ownership interest in a 74-acre waterfront property in Mississauga's Port Credit area, to be redeveloped into a large master-planned residential / mixed-use community. The site is currently a decommissioned oil refinery owned by Imperial Oil. The transaction is expected to close in the first quarter of 2017, at which time more details of the project will be disclosed. Dream Alternatives and its partners intend on working closely with the City of Mississauga to develop a community that will fulfill important city building objectives through positive public engagement, inspirational design and major public realm space. Dream Alternatives expects its share of cash equity commitment upon closing on the property to approximate $19-20 million, conditional upon successfully securing a land loan and finalizing terms of required Letter of Credit commitments, which are currently in progress. As at December 31, 2016, the Trust had funded $1.9 million with respect to the above investment.

The aforementioned development projects are expected key drivers of future growth with the Trust targeting attractive returns on equity (measured by pre-tax internal rate of return("IRR")) of between 15-20% and strong future cash flows upon completion. The targeted returns on the development are within the Trust's strategy to pursue NAV accretive opportunities over the long term. Value creation to the Trust is expected to begin to occur as planning milestones such as the completion of re-zoning are met over the next two to three years.

Lending Portfolio

During the three months ended December 31, 2016, approximately $12.7 million of legacy loans were repaid, resulting in 80% of the total original loan portfolio being repatriated, compared to 69% at the beginning of the year. The overall loan portfolio continues to be very liquid with a weighted average term to maturity at December 31, 2016 of 0.85 years. During the three months ended December 31, 2016, further to sale proceedings on certain of the underlying real estate assets in the original loan portfolio, the Trust increased its loan loss provisions by $3.6 million. Total loan loss provisions taken during the year ended December 31, 2016 totaled $6.3 million (December 31, 2015 - $2.0 million) and represent approximately 4% of the contractual loan amounts outstanding.

Renewable Power

As at December 31, 2016, the construction of the ten Ontario Ground Mount Solar projects was complete. During 2016, the Trust closed on the first tranche of financing on four of these projects for gross proceeds of approximately $22.1 million of 19.5 year non-recourse debt, representing a loan-to-value ratio of approximately 74%. The impact of the hedge settlement costs associated with this first tranche of term financing resulted in an effective interest rate of 4.9%. Financing for two of the remaining projects was completed subsequent to December 31, 2016 for gross proceeds of $11.1 million, while the financing (expected to be approximately $21 million in gross proceeds) on the final four projects is expected to be completed by the end of the first quarter of 2017.

During 2016, the Trust acquired seven additional wind projects within the U.K. for cash consideration of $3.2 million including transaction costs. As at December 31, 2016, the Trust had $132.8 million of renewable power assets and $48.9 million of related project financing.

Income Properties

During 2016, the Trust sold its 60% interest in 2010 Winston Park Drive in Oakville, Ontario for gross proceeds of $11.8 million and netted $4.2 million of proceeds, after repayment of the associated mortgage.

Subsequent to year end, the Trust acquired from Dream Office Real Estate Investment Trust ("Dream Office REIT"), a 40% interest in two co-owned properties, 10 Lower Spadina Ave. and 49 Ontario Street, in which it already held a 60% interest, for gross consideration of $18.4 million. This acquisition effectively increases the Trust's ownership interest in these two properties to 100%. Both properties are located in downtown Toronto and are currently operated as income properties, with a combined in-place and committed occupancy of 100% and a weighted average remaining lease term to maturity of 5.5 years and are expected to have considerable redevelopment potential in future years, aligning with the Trust's longer term objectives.

Disposition Strategy for Office Properties: Earlier in 2016, Dream Office REIT (TSX: D.UN) announced a strategic plan which involved a target to sell at least $1.2 billion of non-core assets that they believed would realize attractive pricing in the private markets relative to IFRS values. To date, Dream Office REIT has successfully sold or has under contract approximately $1.5 billion of properties with the intent to sell more assets over and above this, to concentrate on operating its highest and best quality properties. The Trust is of similar view and a portion of the future disposition pool identified by Dream Office REIT includes some of the Trust's co-owned office assets located in the suburban Greater Toronto Area ("GTA"), Ontario and single co-owned office assets held in smaller cities or secondary markets across Canada that are fairly liquid but do not fit the longer term objectives or targeted returns of the Trust. As a result, the Trust has set a target to repatriate approximately $140-150 million of equity from the sale of these non-core co-owned properties over the next two to three years. We intend to work closely with Dream Office REIT to maximize value from the portfolio and will consider all opportunities that benefit the Trust and align with our long term strategy. Given Dream Office REIT's success in 2016 with respect to asset sales, we are optimistic we will be able to achieve our set targets.

FINANCIAL HIGHLIGHTS OF THE TRUST

For the periods ended	Three months ended December 31, 2016	Three months ended December 31, 2015	Year-ended December 31, 2016	Year-ended December 31, 2015
Consolidated results of operations				
Total income	**$ 26,380**	$ 27,326	**$ 98,931**	$ 90,114
Adjusted total income(1)	**20,131**	21,906	**84,478**	82,087
Net income (loss)	**(15,379)**	4,292	**(13,364)**	18,930
Net operating income ("NOI")(1)	**11,809**	13,954	**51,591**	51,418
Adjusted EBITDA(1)	**10,815**	15,998	**44,766**	43,564
AFAD	**7,183**	6,559	**31,026**	26,299
AFAD excluding after tax disposition gains(2)	**7,183**	6,559	**31,026**	23,977
Annualized AFAD return on average Trust net assets(1)	**4.4%**	3.8%	**4.8%**	3.9%
Annualized AFAD return on average Trust net assets excluding after tax disposition gains(2)	**4.4%**	3.8%	**4.8%**	3.4%
Trust unit information				
Distributions declared and paid per unit	**0.10**	0.10	**0.40**	0.40
Units outstanding – end of period	**72,351,722**	72,562,487	**72,351,722**	72,562,487
Units outstanding – weighted average	**72,312,566**	72,991,548	**72,276,832**	73,373,619

(1) For the Trust's definition of the following non-IFRS measures: adjusted total income, NOI, adjusted EBITDA, and annualized AFAD return on average Trust's net assets, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

(2) The after tax disposition gain on the Castlepoint development, during the year ended December 31, 2015, was $2.3 million (net of tax of $0.8 million)

AFAD AND AFAD PER UNIT BY OPERATING SEGMENTS

For the periods ended	Three months ended December 31, 2016		Three months ended December 31, 2015		Year-ended December 31, 2016		Year-ended December 31, 2015	
Income properties	**$ 3,704**	**$ 0.05**	$ 4,797	$ 0.07	**$ 16,224**	**$ 0.22**	$ 18,641	$ 0.25
Lending portfolio	**3,515**	**0.05**	3,382	0.05	**13,837**	**0.19**	12,612	0.17
Development and investment holdings	**2,155**	**0.03**	1,362	0.02	**8,369**	**0.12**	8,940	0.12
Renewable power	**673**	**0.01**	1,688	0.02	**7,117**	**0.10**	2,531	0.03
Trust expenses, net(1)	**(2,864)**	**(0.04)**	(4,670)	(0.07)	**(14,521)**	**(0.20)**	(16,425)	(0.21)
AFAD	**$ 7,183**	**$ 0.10**	$ 6,559	$ 0.09	**$ 31,026**	**$ 0.43**	$ 26,299	$ 0.36
AFAD excluding after tax disposition gains	**$ 7,183**	**$ 0.10**	$ 6,559	$ 0.09	**$ 31,026**	**$ 0.43**	$ 23,977	$ 0.33

(1) Trust expenses, net represent costs not allocated to the other operating segments, such as general and administrative costs and income taxes, and are net of interest income earned on our cash balances

FINANCIAL HIGHLIGHTS OF THE TRUST

As at	December 31, 2016	September 30, 2016(3)	December 31, 2015
Consolidated financial position			
Total Unitholders' Equity	**$ 645,738**	$ 667,324	$ 693,167
NAV	**657,454**	682,624	699,309
NAV per unit	**9.09**	9.44	9.64
Total contractual debt payable(1)(2)	**308,361**	310,914	269,404
Total assets	**991,598**	1,021,778	997,555
Cash	**11,757**	17,402	20,764
Debt-to-gross asset value(1)(3)	**31.2%**	30.6%	27.0%

(1) For the Trust's definition of the following non-IFRS measures: debt-to-gross asset value, gross asset value and total contractual debt payable, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

(2) Includes $15.0 million construction loan facility as at December 31, 2015

(3) Certain comparative results have been reclassified to conform to the presentation adopted in the current period

NET ASSET VALUE PER UNIT

As at		**December 31, 2016**		September 30, 2016		December 31, 2015
Income properties	**$**	**3.34**	$	3.63	$	3.66
Lending portfolio		**1.96**		2.22		2.22
Development and investment holdings		**2.86**		2.61		2.26
Renewable power[1]		**1.21**		1.19		1.45
Cash and other Trust consolidated working capital[2]		**(0.28)**		(0.21)		0.05
NAV per unit	**$**	**9.09**	$	9.44	$	9.64

(1) Net asset value for the renewable power as at December 31, 2016 includes a fair value gain of $4.5 million and excludes $35.8 million of gross proceeds received from debt financing for the year ended December 31, 2016

(2) Cash and other Trust consolidated working capital includes Trust level cash and net working capital balances not attributable to the other operating segments and includes a $15.0 million draw on the revolving credit facility.

1.5 NORMAL COURSE ISSUER BID AND INSIDER ACTIVITY

Since the inception of the Trust's NCIB program in December 2014 to February 27, 2017, the Trust has purchased for cancellation 1.9 million units for a total cost of $11.4 million.

The Trust received acceptance of its Notice of Intention to renew its prior NCIB from the TSX on January 11, 2017. The bid commenced on January 13, 2017 and will expire on January 12, 2018. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 6,595,470 units (representing 10% of the Trust’s public float of 65,954,706 units at the time of entering the bid through the facilities of the TSX).

Since 2014 to February 27, 2017, the Trust’s asset manager, DAM, has purchased to date an aggregate of 6.3 million units in the open market for its own account, representing approximately 9% of total units outstanding.

2. REPORTABLE OPERATING SEGMENTS RESULTS OF OPERATIONS

2.1 HIGHLIGHTS BY REPORTABLE OPERATING SEGMENTS

The tables below summarize our consolidated net assets attributable to unitholders of the Trust[1] as at December 31, 2016 by operating segment and geographical allocation, excluding cash and other Trust consolidated working capital.

OPERATING SEGMENT ALLOCATION

As at	**December 31, 2016**	December 31, 2015
Income properties	**35.8%**	37.8%
Lending portfolio	**21.0%**	23.7%
Development and investment holdings[2]	**30.9%**	23.3%
Renewable power	**12.3%**	15.2%
Total	**100.0%**	100.0%

[1] For the Trust's definition of net assets attributable to unitholders of the Trust, please refer to the Non-IFRS Measures and Other Disclosures section this MD&A

[2] As at December 31, 2016, this segment includes under development and completed investments of 26.7% (December 31, 2015 - 19.3%) and income-producing investments of 4.2% (December 31, 2015 - 4.0%)

GEOGRAPHIC ALLOCATION

As at	**December 31, 2016**	December 31, 2015
GTA & Southwestern Ontario	**71.7%**	71.1%
Eastern Canada	**12.2%**	13.0%
British Columbia	**8.6%**	8.5%
Other Western Canada[1]	**2.3%**	2.3%
Saskatchewan	**3.0%**	2.9%
United Kingdom	**2.2%**	2.2%
Total	**100.0%**	100.0%

[1] The Trust's investment in assets located in Alberta as at December 31, 2016 was less than 1% of consolidated assets

ANNUALIZED AFAD RETURN ON AVERAGE TRUST NET ASSETS

	Three months ended		Year-ended	
For the periods ended	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015
Income properties	**2.3 %**	2.8 %	**2.4 %**	2.7 %
Lending portfolio	**2.1 %**	1.9 %	**2.1 %**	1.8 %
Development and investment holdings	**1.3 %**	0.8 %	**1.3 %**	1.3 %
Renewable power	**0.4 %**	1.0 %	**1.2 %**	0.4 %
Trust expenses and income taxes, net[1]	**(1.7)%**	(2.7)%	**(2.2)%**	(2.3)%
Annualized AFAD return on average Trust net assets	**4.4 %**	3.8 %	**4.8 %**	**3.9 %**
Annualized AFAD return on average Trust net assets excluding after tax realized disposition gains[2]	**4.4 %**	3.8 %	**4.8 %**	**3.4 %**

[1] Trust expenses and income taxes, net represent costs not allocated to the other operating segments, such as general and administrative costs and income taxes, and are net of interest income earned on our cash balances

[2] The after tax disposition gain on the Castlepoint development during the year ended December 31, 2015 was $2.3 million (net of tax of $0.8 million)

2.2 INCOME PROPERTIES

Revenue from income properties includes base rents, operating expenses and property tax recoveries, lease termination fees, parking income, and ancillary income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period that the corresponding costs are incurred and collectability is reasonably assured. Other revenues are recorded as earned.

Our office and retail commercial properties are co-owned with Dream Office REIT, with the exception of one wholly-owned property. Our industrial real estate properties are co-owned with Dream Industrial REIT (TSX: DIR.UN). Michael Cooper, the Portfolio Manager of the Trust, who is also an officer and director of Dream Alternatives Master LP, is a director of and acts as Chief Responsible Officer of DAM, our asset manager, acts as a Trustee and Chair of Dream Office REIT, and is a Trustee of Dream Industrial REIT. DAM also acts as an asset manager for Dream Industrial REIT and provides management services to Dream Office REIT.

	Three months ended		Year-ended	
For the periods ended	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015
Income properties revenue	**$ 13,819**	$ 15,048	**$ 56,775**	$ 60,341
NOI	**6,206**	7,691	**26,690**	30,481
AFAD	**3,704**	4,797	**16,224**	18,641
Segment net income	**(22,416)**	(1,905)	**(21,329)**	13,192
AFAD per unit	**0.05**	0.07	**0.22**	0.25

During 2016, the Trust continued to actively manage the portfolio by disposing of a non-core co-owned office property, committing to a plan of sale of another co-owned office property which was reclassified as assets held-for-sale and investing in longer term leases for good quality tenants, both in the way of capital and also by absorbing the nearer term loss of revenue from temporary downtime at 219 Laurier Ave. W. in Ottawa. The operating results reflect the impact of these events as well as softness in the office market, particularly in the GTA West node. As a result, AFAD of $3.7 million for the three months ended December 31, 2016 was $1.1 million lower when compared to the prior year and AFAD of $16.2 million for the year ended December 31, 2016, decreased by $2.4 million when compared to the same period in the prior year. The lease termination and other income received during 2015 also contributed to both of the year over year decreases.

Operating statistics for the total income properties portfolio for the indicated periods are as follows:

As at	**December 31, 2016**	September 30, 2016[3]	December 31, 2015
Total portfolio			
Number of properties	**25**	25	26
Owned GLA (in millions of sq.ft.)	**2.2**	2.2	2.2
Occupancy rate (period-end) — including committed[1][2]	**85.0%**	85.7%	89.2%
Occupancy rate (period-end) — in-place[1][2]	**81.0%**	81.6%	87.9%
Average tenant size (in sq.ft.)	**11,085**	11,124	11,893
Average in-place and committed base rent per sq.ft. (period-end)	**14.14**	14.29	14.67
Weighted average remaining lease term (years)	**5.5**	5.5	5.1

(1) Comparative property in-place occupancy and committed as at December 31, 2016 was 85.4% (September 30, 2016 - 86.3%, December 31, 2015 - 88.6%)
(2) Occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized
(3) Revised from previously reported

In-place occupancy for the total income property portfolio was 81.0% at December 31, 2016, down from 87.9% at December 31, 2015, including the impact of temporary downtime at 219 Laurier Ave. W. in Ottawa, where vacant space representing approximately 3.5% of total owned Gross Leasable Area ("GLA") is being prepared for lease to a new long term 15-year government tenant, for which rent will commence in the third quarter of 2017. Vacancies at this property occurred throughout 2016 up until the third quarter of 2016 and accordingly account for a large portion of the decrease in in-place occupancy for the total income portfolio. The decline in in-place occupancy also included the impact of the early termination of a tenant occupying approximately 1.3% of total owned GLA. This early termination was part of a broader tenant retention strategy which included the extension of approximately 117,321 sq.ft. or 5.4% of the portfolio. This space previously had an expiry date of January 2019 and was extended to April 2022 at a higher rental rate.

NET OPERATING INCOME

The NOI included in the consolidated financial statements includes comparative properties NOI[4], NOI from properties acquired after or disposed after January 1, 2015 or undergoing significant repositioning (219 Laurier Ave. W.), and certain other amounts such as lease termination fees and other, straight-line rent and amortization of lease incentives.

(4) For the Trust's definition of comparative properties NOI, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

NOI and comparative properties NOI for the most recent eight quarters is summarized in the table below:

For the three months ended	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15
Comparative properties NOI	**$ 6,417**	$ 6,254	$ 6,429	$ 6,458	$ 6,591	$ 6,929	$ 6,755	$ 6,801
Lease termination fees and other	**(74)**	62	(21)	10	321	8	76	5
Straight-line rent	**16**	9	48	(49)	89	101	115	72
Amortization of lease incentives	**(254)**	(217)	(185)	(163)	(159)	(125)	(116)	(73)
NOI from properties acquired, disposed and under repositioning	**101**	469	403	977	849	856	730	656
Total NOI	**$ 6,206**	$ 6,577	$ 6,674	$ 7,233	$ 7,691	$ 7,769	$ 7,560	$ 7,461
Comparative properties in-place occupancy	**85.0%**	85.7%	85.7%	85.4%	87.4%	88.4%	89.0%	89.2%
Total income properties in-place occupancy	**81.0%**	82.6%	83.4%	85.4%	87.9%	89.1%	89.4%	89.4%

Comparative properties NOI for the three months and year ended December 31, 2016 decreased by 2.6% and 5.6%, respectively, when compared to the comparable prior year periods. The year over year declines are primarily attributable to lower in-place occupancy and lower in-place base rents including the impact of one specific property located in the GTA West node which experienced a pronounced increase in vacancies during 2016.

For the three months and year ended December 31, 2016, the decline in overall NOI of 19.3% and 12.4%, respectively when compared to the same periods in the prior year, which resulted from lower comparative properties NOI, the impact of the sale of a non-core co-owned office property, and the loss of NOI from planned downtime at 219 Laurier Ave. W., in addition to lower lease termination and other income and partially offset by the NOI contribution from the industrial income properties and the office property both acquired during 2015.

The leasing environment within the GTA West node is challenging and requires the Trust to look for new ways to retain tenants, attract new ones and increase revenue. A key to this strategy is investing capital in the properties that improve the value and attractiveness to existing and prospective tenants as well as reducing operating costs. In addition, the Trust continues to work closely with Dream Office REIT, the property manager, in order to improve the amenities and tenant offerings to respond to evolving tenant expectations and requirements with a better experience at these properties, which should lead to improved tenant retention, quicker leasing of available space and realization of higher rental rates. The Trust and the property manager continue to drive efforts focused on improving the overall quality of the buildings as well as the services offered to tenants in order to retain existing tenants and attract prospective tenants to these properties. During 2016, interior renovations were completed at one of the larger properties in the GTA West node, which the Trust expects should help to attract tenants to the asset on a go forward basis.

LEASING ACTIVITY AND INITIAL DIRECT LEASING COST AND LEASE INCENTIVES

Initial direct leasing costs include leasing fees and related costs and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces and cash allowances paid to tenants. Initial direct leasing costs and lease incentives incurred by the Trust are influenced by asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases, and leasing costs associated with office space are generally higher than costs associated with industrial and retail spaces.

During the three months ended December 31, 2016, approximately $0.9 million (December 31, 2015 - $0.5 million) of initial direct leasing costs and leasing incentives were attributable to leases that commenced during the period, representing an average cost of $19.45 per sq.ft. (December 31, 2015 - $14.55 per sq.ft.). During the year ended December 31, 2016, approximately $2.9 million (December 31, 2015 - $3.3 million) of initial direct leasing costs and leasing incentives were attributable to leases that commenced during the period, representing an average cost of $16.61 per sq.ft. (December 31, 2015 - $17.28 per sq.ft.).

Expiries net of committed renewals of income properties in thousands of square feet and as a percentage of total in-place and committed occupancy as at December 31, 2016 are as follows:

(GLA in sq.ft.)	2017	2018	2019	2020	2021	2022+	Total
Total portfolio							
Expiries[1]	(382,541)	(404,726)	(122,745)	(181,999)	(279,834)	(982,100)	**(2,353,945)**
Expiries committed for occupancy[1][2]	227,957	148,896	3,260	—	125,937	—	**506,050**
Expiries, net of committed renewals	**(154,584)**	**(255,830)**	**(119,485)**	**(181,999)**	**(153,897)**	**(982,100)**	**(1,847,895)**
Percentage of total in-place and committed occupancy	8.0%	14.0%	7.0%	10.0%	8.0%	53.0%	**100.0%**

[1] Expiries include current in-place expiries and future expiries committed for renewals
[2] Expiries committed for occupancy include renewals and relocation of tenants

A summary of investment in income properties is included in the table below:

As at	**December 31, 2016**	December 31, 2015
NAV[1]	**$ 241,585**	$ 265,426
NAV per unit	**3.34**	3.66
Income properties at IFRS fair value[2]	**479,401**	520,395
Amortized balance of mortgages payable[3]	**243,939**	256,490
Debt-to-gross asset value (income properties)	**49.6%**	48.2%

[1] NAV includes $4.2 million of assets held-for-sale and $2.3 million of liabilities related to the assets held-for-sale as at December 31, 2016
[2] Excludes $4.1 million of assets held-for-sale as at December 31, 2016
[3] Excludes $2.3 million of mortgages payable related to assets held-for-sale as at December 31, 2016

NAV as at December 31, 2016 was $241.6 million, a decrease of $23.8 million from December 31, 2015 mainly as a result of $40.2 million fair value decreases as more fully discussed below, partially offset by capital additions of $15.6 million.

INCOME PROPERTIES FAIR VALUES AND CONTINUITY

The table below provides a continuity of the income properties balance for the periods indicated:

For the periods ended December 31, 2016	**For the three months ended**	**For the year-ended**
Balance, beginning of period	**$ 501,641**	**$ 520,395**
Add (deduct):		
Building improvements – recoverable	**1,881**	**4,121**
Building improvements – non-recoverable	**210**	**3,588**
Lease incentives and initial direct leasing costs	**2,631**	**7,871**
Dispositions of properties	**—**	**(11,466)**
Reclassified to assets held for sale	**—**	**(4,055)**
Amortization of lease incentives	**(291)**	**(866)**
Fair value adjustments to income properties	**(26,671)**	**(40,187)**
Balance, end of period	**$ 479,401**	**$ 479,401**

The Asset Manager estimates the fair value of each income property using the most appropriate valuation methodology determined for each property on a highest and best use basis which, for the year ended December 31, 2016, may include the overall capitalization method or the discounted cash flow method.

The overall capitalization method applies a capitalization rate ("cap rate") to stabilized NOI[1], which incorporates a market vacancy rate and adjustments to market rental rates. The resulting capitalized value is further adjusted for extraordinary costs, such as lease-up costs, non-recoverable capital expenditures, straight-line rents, the present value of above or below market rental rates over their respective terms, and other non-recurring items, where applicable. The cap rates used by the Trust represent the Asset Manager's estimate of the market-determined cap rates, which are applied to stabilized NOI to determine a capitalized market value for the income properties. These values are adjusted as described above and cannot be compared to an implied cap rate determined from the Trust's financial statement results. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, and uses discount rates and terminal cap rates specific to each property.

[1] For the Trust's definition of the non-IFRS measure of stabilized NOI, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

On a quarterly basis, selected properties and key assumptions used in valuations are reviewed by the Asset Manager's internal valuation team. The Asset Manager's objective is to have each property valued by an independent valuator at least once every three years. For properties subject to an independent valuation report, the valuations team verifies all major inputs to the valuation and reviews the results with the independent valuators. Discussion of valuation processes, key inputs and results are held between the Trust and the valuations team at least once every quarter, in line with the Trust's reporting policies. During the year ended December 31, 2016, seven of the 18 income properties co-owned with Dream Office REIT, with a value of $313.5 million, were valued by an external appraiser. Income properties with an approximate value of $180.3 million were appraised during the year ended December 31, 2015.

The fair values of income properties were determined by using cap rates of 5.0% to 8.0% (December 31, 2015 – 5.5% to 7.8%), resulting in a weighted average cap rate of 6.4% (December 31, 2015 – 6.5%) and discount rates of 5.8% to 9.0% (December 31, 2015 – 5.8% to 8.5%). Fair value losses on income properties incurred during the year ended December 31, 2016 were $40.2 million (year ended December 31, 2015 - $9.3 million). The majority of the fair value adjustments in the year ended December 31, 2016 primarily related to certain income properties in the Trust's suburban GTA portfolio. In particular the fair value adjustments for these properties was primarily as a result of changes in leasing assumptions which included an increase in vacancy rates consistent with the market trend and decline in market rents.

During the year ended December 31, 2016, the Trust classified a non-core income property with a carrying value of $4.1 million, held through a 50.1% co-ownership interest, as assets held-for-sale. On April 1, 2016, the Trust sold its 60% interest in 2010 Winston Park Drive, previously classified as assets held-for-sale, for gross proceeds of $11.8 million. Net proceeds were $4.2 million after repayment of the associated mortgage.

Income properties with a fair value of $478.2 million as at December 31, 2016 (December 31, 2015 – $520.4 million) are pledged as security for related mortgages.

Subsequent to December 31, 2016, the Trust acquired from Dream Office REIT, a 40% interest in two co-owned properties, (10 Lower Spadina Ave. and 49 Ontario Street), in which it already held a 60% interest, for gross consideration of $18.4 million. The purchase price was funded through the assumption of mortgages payable, up financing of a maturing mortgage and cash on hand. This acquisition effectively increases the Trust's ownership interest in these two properties to 100%. Both properties are located in downtown Toronto and are currently operated as income properties, with a combined in-place and committed occupancy of 100% and a weight average remaining lease term to maturity of 5.5 years and are expected to have considerable redevelopment potential in future years, aligning with the Trust's longer term objectives.

TENANT BASE PROFILE

Our total portfolio tenant base includes municipal, provincial and federal governments, as well as a wide range of high-quality large international corporations and various recognizable businesses operating across Canada. As at December 31, 2016, the Trust has 286 tenants and an average tenant size at the Trust's share of 11,085 sq.ft. (December 31, 2015 – 11,893 sq.ft.). The following table outlines the top five tenants based on the percentage of total GLA square feet they represent.

Top five tenants	Number of buildings	GLA (in sq.ft.)(1)	% of Total GLA	% of Total income properties revenue(2)	Remaining lease term (years)	Credit rating(3)
TD Canada Trust	2	235,907	10.8%	9.0%	6.6	AA-
SNC-Lavalin Inc.	3	146,185	6.7%	8.2%	5.0	BBB
Government of Canada	1	76,987	3.5%	3.5%	15.7	AAA
Government of British Columbia	1	61,920	2.8%	2.0%	3.2	B
Technicolor Creative Services	1	50,262	2.3%	3.0%	6.8	B
Total		**571,261**	**26.1%**	**25.7%**	**7.0**	

(1) GLA is stated at the Trust's owned share

(2) Annualized based on billing rates as of December 31, 2016

(3) Credit ratings were obtained from Standard & Poor's, which may reflect the parent's or a guarantor's credit rating

2.3 LENDING PORTFOLIO

We invest in mortgages and loans secured by all types of residential and commercial real estate property that represent an acceptable underwriting risk to the Trust. Working within our risk parameters, we also invest in higher-yielding development and construction loans, bridge loans, and mezzanine loans, where we are comfortable with the underlying security, guarantees and covenants of the borrower.

We record lending portfolio investments initially at fair value, including up-front lender fees. Subsequent to initial recognition, lending portfolio investments are measured at amortized cost using the effective interest rate method less any impairment losses. A lending portfolio investment is considered to be impaired if there has been a deterioration of credit quality subsequent to its initial recognition such that we no longer have reasonable assurance as to the timely collection of the full amount of principal and interest.

	Three months ended		Year-ended	
For the periods ended	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015
Lending portfolio interest income and lender fees	**$ 3,334**	$ 3,503	**$ 13,332**	$ 13,940
Adjusted EBITDA	**(262)**	3,433	**7,020**	11,501
AFAD	**3,515**	3,382	**13,837**	12,612

As at	**December 31, 2016**	December 31, 2015
Number of loans outstanding	**15**	23
Lending portfolio loan balance at amortized cost[1]	**$ 141,956**	$ 161,283
NAV	**141,784**	161,194
NAV per unit	**1.96**	2.22
Security allocation (1st mortgages/other)	**52.0% / 48.0%**	66.6% / 33.4%
Weighted average effective interest rate (period-end)	**8.6%**	7.8%
Weighted average face interest rate (period-end)	**8.0%**	7.7%
Weighted average remaining term to maturity (period-end) (years)	**0.85**	0.80

[1] Lending portfolio loan balances at amortized cost includes interest income receivable and differs from the NAV because it excludes loan services fees payable

AFAD of $3.5 million for the three months ended December 31, 2016 increased by $0.1 million when compared to the same period in the prior year. For the year ended December 31, 2016, AFAD was $13.8 million, an improvement of $1.2 million when compared to the prior year driven by a net increase in lender fees from renewals and extensions and lower allocated expense.

During the three months ended December 31, 2016, approximately $12.7 million of legacy loans were repaid, resulting in 80% of the total original loan portfolio being repatriated, compared to 69% at the beginning of the year. The overall loan portfolio continues to be very liquid with a weighted average term to maturity at December 31, 2016 of 0.85 years. During the three months ended December 31, 2016, further to sale proceedings on certain of the underlying real estate assets in the original loan portfolio, the Trust increased its loan loss provisions by $3.6 million. Total loan loss provisions taken during the year ended December 31, 2016 totaled $6.3 million (December 31, 2015 - $2.0 million) and represent approximately 4% of the contractual loan amounts outstanding.

The Trust has established a methodology for determining the adequacy of its loan loss provisions within the lending portfolio that is consistent with industry practices. The adequacy of the loan loss provision is assessed on a quarterly basis, taking into considerations factors such as:

- Delays in the collection of principal and interest;
- Value of the underlying security;
- The amount expected to be ultimately recovered, taking into account the probability of different outcomes and any legal or third party costs that may be incurred in the recovery process;
- Factors specific to the property, borrower, economic and real estate market conditions relevant to the loan; and
- Any other specific factors that may apply to the particular loan based on our judgment and/or historical experience.

During the year ended December 31, 2016, the Trust funded $13.6 million as part of a syndicated mezzanine loan secured by the Empire Lakeshore project in which the Trust has an existing investment. For additional details on Empire Lakeshore refer to page 19.

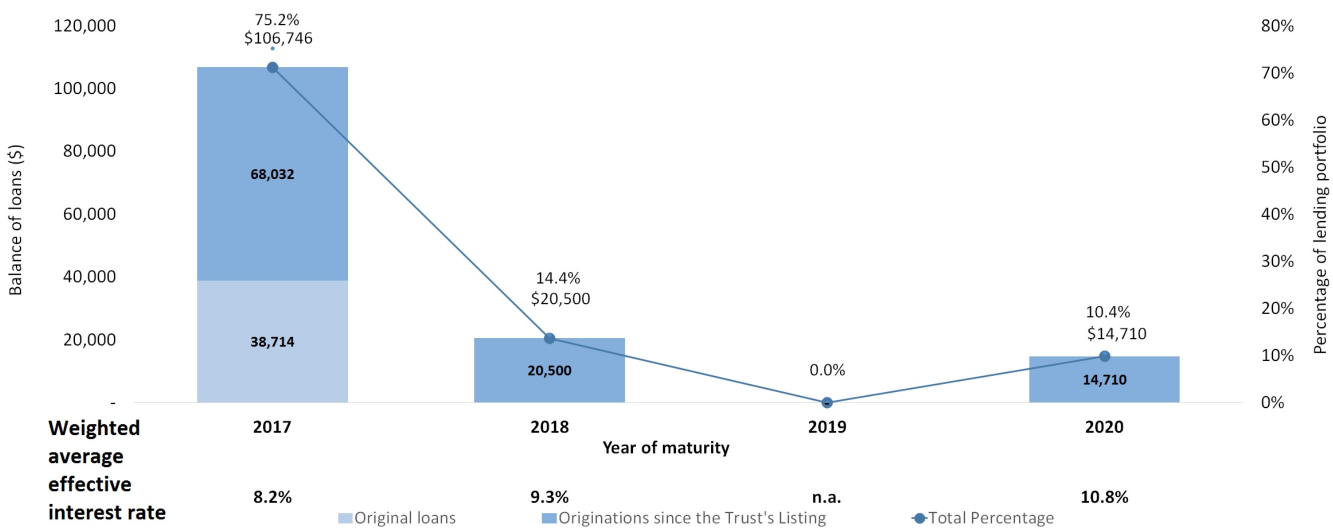
As at December 31, 2016, the lending portfolio consisted of 15 mortgages, real property loans and a corporate loan, aggregating to a total outstanding lending portfolio balance of $142.0 million.

The table below provides a continuity of the lending portfolio balance at amortized cost for the periods indicated:

For the periods ended December 31, 2016		For the three months ended		For the year-ended
Balance, beginning of period	$	**163,095**	$	**161,283**
Add (deduct):				
Lending portfolio advances		**8,665**		**39,843**
Changes in accrued interest receivable		**377**		**(72)**
Provision for lending portfolio losses		**(3,596)**		**(6,312)**
Interest capitalized to lending portfolio balance		**1,235**		**3,572**
Lender fees and extension fees received, net of amortization		**36**		**(72)**
Principal repayments at maturity and contractual repayments and prepayments		**(27,856)**		**(56,286)**
Balance, end of period	$	**141,956**	$	**141,956**

The $39.8 million of lending portfolio advances at a weighted average effective interest rate of 8.9% compared to a weighted average effective interest rate of 6.8% on $56.3 million of principal repayments at maturity and contractual repayments and prepayments.

We continue to leverage our relationships and expertise to identify opportunities with attractive yields to balance the longer term returns within the lending portfolio. The Asset Manager actively manages the lending portfolio and may decide to renew and extend loans, including those with a maturity date of twelve months from the balance sheet date, in the normal course of business. The chart below summarizes the maturity profile dates of the lending portfolio at amortized cost:



The following table illustrates the number and proportion of the lending portfolio investments by property type based on amortized cost.

	December 31, 2016			December 31, 2015		
	No. of individual mortgages outstanding	**% of Total**	**Weighted average effective interest rate**	No. of individual mortgages outstanding	% of Total	Weighted average effective interest rate
Loans secured by development assets:						
Residential development[1]	**6**	**40.4%**	**9.0%**	6	32.9%	7.1%
Corporate loan/other[2]	**1**	**18.0%**	**10.7%**	1	14.7%	10.0%
Land[1]	**2**	**13.9%**	**8.6%**	6	19.8%	8.3%
Loans secured by income-producing assets:						
Hospitality	**2**	**6.0%**	**6.0%**	4	7.7%	6.7%
Industrial/Self storage	**1**	**13.1%**	**7.7%**	2	12.1%	7.6%
Retirement home	**1**	**4.5%**	**—%**	1	7.3%	7.0%
Retail	**1**	**1.6%**	**6.8%**	2	3.3%	7.2%
Office	**1**	**2.5%**	**9.5%**	1	2.2%	9.5%
Total	**15**	**100.0%**	**8.6%**	23	**100.0%**	**7.8%**

(1) Residential development mortgages were previously included in Land

(2) Includes an unsecured corporate loan outstanding to MMS Enterprise Holdings Inc. with an amortized cost, as at December 31, 2016, of $25.3 million. MMS Investments Inc. is the parent company of award-winning home builder Empire, which was established in 1993. The loan is guaranteed by Empire Communities ("Empire")

Since the Trust's inception, the strategic focus of the Asset Manager has been to diversify and reduce the risk profile of the Trust's original portfolio. Development loans have historically provided very attractive returns. We believe that we benefit from the Asset Manager's position as an active developer, such that our risk associated with originating development loans is reduced to a certain extent. As a result, the Trust's exposure to residential development loans has increased since inception. Traditional real estate lending continues to be valuable by providing a base return while we seek opportunities with more desirable risk-adjusted returns.

2.4 DEVELOPMENT AND INVESTMENT HOLDINGS, INCLUDING EQUITY ACCOUNTED INVESTMENTS

As at December 31, 2016, our development and investment holdings and equity accounted investments consisted of approximately $206.1 million of assets including:

Investment	Sector	Accounting Treatment	Status	Expected Completion[1]	Asset Value December 31, 2016	Asset Value December 31, 2015	% Sold or Leased / Occupied	Units (#) or sq. ft. (000s)
Investment holdings								
Villarboit Income Producing	Retail	Fair Value	Income Producing	N/A	$ 12,113	$ 12,194	96.6%	316 sq.ft.
Bayfield	Retail	Fair Value	Income Producing	N/A	13,982	13,937	75.8%	1,155 sq.ft.
Hotel Pur	Hospitality	Fair Value	Income Producing[2]	N/A	2,452	2,452	49.7%	242 units
Total investment holdings					**$ 28,547**	$ 28,583		
Development holdings								
Empire Brampton	Residential	Fair Value	Construction	Q1 2017 - Q3 2017	$ 34,345	$ 28,885	100.0%	685 units
Empire Lakeshore	Residential	Fair Value	Construction	Q4 2019 - Q2 2020	61,801	44,371	97.7%	1,285 units
Villarboit Under Development	Retail	Fair Value		Q3 2018 - Q3 2019	62,602	62,180	21.6%	877 sq.ft.
Total development holdings					**$ 158,748**	$ 135,436		
Total development and investment holdings					**$ 187,295**	$ 164,019		
Equity accounted investments								
Axis Condominiums	Residential	Equity Accounted	Pre-construction	2020	$ 5,072	$ —	87.6%	572 units
IVY Condominiums	Residential	Equity Accounted	Pre-construction	2020	2,211	—	N/A	253 units
Lakeshore East	Residential	Equity Accounted	Pre-construction	N/A	11,540	—	N/A	N/A
Total equity accounted investments					**$ 18,823**	$ —		
Total development and investment holdings and equity accounted investments					**$ 206,118**	$ 164,019		
NAV per unit					**$ 2.86**	$ 2.26		

(1) The final completion dates are estimated by the Asset Manager based on information provided by the development project manager regarding the expected completion dates and development status as at December 31, 2016 and are subject to change

(2) Currently under renovations; % occupied based on quarterly average for the three months ended December 31, 2016

The tables below detail the results of operations and financial condition for the development and investment holdings segment:

For the periods ended	Three months ended December 31, 2016	Three months ended December 31, 2015	Year-ended December 31, 2016	Year-ended December 31, 2015
Results of operations				
AFAD – development holdings and equity accounted investments	**$ 1,846**	$ 1,088	**$ 6,927**	$ 4,999
AFAD – investment holdings	**309**	274	**1,442**	829
AFAD – disposition gains	—	—	—	3,112
Total AFAD	**$ 2,155**	$ 1,362	**$ 8,369**	$ 8,940
AFAD per unit	**$ 0.03**	$ 0.02	**$ 0.12**	$ 0.12
AFAD per unit excluding disposition gains	**$ 0.03**	$ 0.02	**$ 0.12**	$ 0.09

AFAD for the three months ended December 31, 2016 was $2.2 million an increase of $0.8 million when compared to the same period last year mainly as a result of interest earned on the $8.1 million additional advance in the Empire Lakeshore residential participating mortgage investment made during the first quarter of 2016 and fees earned on the financial guarantee granted in the second quarter of 2016, which is discussed in further detail on page 19.

AFAD for the year ended December 31, 2016 was $8.4 million, an increase of $2.5 million when compared to the same period in the prior year, excluding the impact of disposition gains. Increased operating cash distributions from certain of the Trust's operational investment holdings, interest earned on the additional advance and the guarantee fees as discussed above, and the receipt of a one-time lease termination payment from the Bayfield Mill Woods investment, all contributed to this increase.

DEVELOPMENT HOLDINGS AND EQUITY ACCOUNTED INVESTMENTS

The tables below provide a continuity of the development holdings and equity accounted investments balance for the periods indicated:

	Residential		Retail			
For the three months ended December 31, 2016	Empire Brampton	Empire Lakeshore	Development Holdings - Retail	Subtotal	Equity accounted investments	Total
Balance as at September 30, 2016	$ 33,257	$ 56,604	$ 62,336	**$ 152,197**	$ 7,323	**$ 159,520**
Advances/Investments/Share of Income	—	—	345	**345**	11,500	**11,845**
Fair value adjustments	1,088	5,197	(79)	**6,206**	—	**6,206**
Balance as at December 31, 2016	**$ 34,345**	**$ 61,801**	**$ 62,602**	**$ 158,748**	**$ 18,823**	**$ 177,571**

	Residential		Retail			
For the year-ended December 31, 2016	Empire Brampton	Empire Lakeshore	Development Holdings - Retail	Subtotal	Equity accounted investments	Total
Balance as at December 31, 2015	$ 28,885	$ 44,371	$ 62,180	**$ 135,436**	**$ —**	**$ 135,436**
Advances/Investments/Share of Income	—	8,059	776	**8,835**	**18,823**	**27,658**
Fair value adjustments	5,460	9,371	(354)	**14,477**	**—**	**14,477**
Balance as at December 31, 2016	**$ 34,345**	**$ 61,801**	**$ 62,602**	**$ 158,748**	**$ 18,823**	**$ 177,571**

DEVELOPMENT HOLDINGS - RESIDENTIAL

The Empire Brampton low-rise project continues to progress well with 100% of the 685 units sold, of which 61% had closed by December 31, 2016. This compares to 91% sold and 30% closed as at December 31, 2015. The project is anticipated to be completed in phases commencing in the first quarter of 2017 with the last phase being scheduled for completion by the third quarter of 2017. Cash distributions are expected to commence in the first quarter of 2017.

During the year ended December 31, 2016, the two-tower Empire Lakeshore high-rise condominium development project in Toronto successfully achieved two major financing milestones which included the closing of a significant construction loan ("Construction Loan") with a syndicate of Canadian financial institutions and a mezzanine loan. On closing of these two financings, the project is expected to be fully financed to completion. The Trust contributed an additional $8.1 million to its existing participating loan to Empire Lakeshore, pursuant to the requirements of the Construction Loan and together with an amendment to the terms of its existing participating loan investment, the Trust provided a financial guarantee for up to $45.0 million of the Construction Loan (through Dream Alternatives Master LP). The Trust also participated in a share of the mezzanine loan to the project in the initial amount of $13.6 million, which is included as part of the Trust’s lending portfolio segment. There are no further expected funding or financial requirements from the Trust as related to Empire Lakeshore.

Sales and construction of the Empire Lakeshore condominium development continue to progress exceptionally well. As at December 31, 2016, Empire had sold 98% of the 1,285 units total projected condominium units, up from 86% at December 31, 2015. A limited selection of exclusive premium terrace units were recently released for sale which are selling well and generating higher price per square foot which is expected to result in higher profit margins. Construction is well underway and the project is expected to be completed in phases from the fourth quarter of 2019 to the second quarter of 2020. As at December 31, 2016, the Trust’s IFRS value of its participating loan investment in Empire Lakeshore was $61.8 million, which is expected to continue to appreciate over time as the project progresses towards completion and there is a reduction in risk profile of the asset as further major development milestones are met.

Given the progress of each of the Empire Brampton and Empire Lakeshore projects, the Trust recognized fair value increases during 2016 commensurate with the decrease in the projects' risk profiles as they advanced steadily to completion and payout. The net fair value adjustments for the three months and year ended December 31, 2016 for development holdings of $6.2 million and $14.5 million, respectively are mainly due to fair value increases on the Empire projects due to the aforementioned reasons.

We continue to make progress in achieving our share of profitability from our Empire developments, which are expected to deliver an IRR[(1)] of approximately 12% to the Trust on a combined basis, based on the Trust’s fair value as at December 31, 2016. Since the Trust's inception, to December 31, 2016 $28.4 million of cumulative fair value gains have been recognized from the Empire developments.

[(1)]For the Trust's definition of the non-IFRS measure of IRR, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

As at December 31, 2016, approximately $136.1 million of the Trust's total assets were advanced to Empire-related development projects or debt representing approximately 13.7% of the Trust's total assets in percentage terms.

EQUITY ACCOUNTED INVESTMENTS

During the year ended December 31, 2016, the Trust invested $2.2 million, including transaction costs, in a 50% equity interest in a limited partnership formed for the development of a residential condominium, IVY Condominiums located in downtown Toronto, Ontario. The project is currently in the pre-construction phase and will be co-managed by the Asset Manager and a third party developer. Subsequent to year end, the sales program was launched and was received with strong demand. Approximately 86% of 253 units have been sold to February 27, 2017. The investment is considered to be a joint venture, and accordingly, the equity method of accounting was applied.

During the year ended December 31, 2016, the Trust also purchased for $5.1 million, including transaction costs, a 28% interest in a limited partnership, from a fund related to DAM. This investment relates to Axis Condominiums, a development project for a residential condominium in downtown Toronto, Ontario, and is managed by a third party developer. During 2016, zoning approval was obtained and the project entered into the site plan and working drawing phases of development. The sales program, which launched late in 2016, was met with strong demand. As at December 31, 2016, 86% of 572 units had been sold and approximately 90% has been sold to February 27, 2017. Given the ownership percentage and decision making abilities of the Trust pursuant to the partnership agreements, the Trust is considered to have significant influence over this investment and accordingly, the equity method of accounting was applied.

During the three months ended December 31, 2016, the Trust successfully secured an $11.5 million investment in a development partnership for a 37.5% equity investment in a 5.3 acre waterfront property in downtown Toronto located at 351-369 Lakeshore Boulevard East ("Lakeshore East Development"). The Trust's Asset Manager, who will also act as co-developer, owns a 12.5% equity interest in the development partnership. Great Gulf Residential, an award winning builder and developer of new homes and condominiums in the GTA with 40 years of experience, is the residual third party partner/co-developer. The Lakeshore East Development represents an exceptional waterfront development site. The property is planned for a mixed-used development with potential for over one million square feet of density across three development blocks bisected by an extension of Queens Quay East to Cherry Street, which will include LRT transportation running through a dedicated centre lane. The site is subject to several policy and planning initiatives designed to shape a new waterfront community for Toronto.

Development projects are key drivers of future growth for the Trust and are expected to generate attractive returns and future cash flows as milestones are achieved. The Trust expects all the above development projects will provide attractive profits to the Trust upon their respective completion dates, and will contribute to growth in our NAV per unit. The trust generally targets a pre-tax IRR of approximately 15-20% on equity investments in residential development projects.

DEVELOPMENT HOLDINGS - RETAIL

During 2015, the Trust issued notices of default to the borrower relating to the four retail development participating loans. The borrower was entitled to 90 business days to cure the default, which expired during the first quarter of 2016. The Trust is in the process of preparing a court application so as to determine available remedies that will ensure the best course of action and achieve the best possible outcome. Given the technical nature of the default, there was no impact to the fair value of these loans as at December 31, 2016.

Two of the four retail assets under development with a fair value of $18.3 million were valued by an external appraiser during the year ended December 31, 2016.

INVESTMENT HOLDINGS

The tables below provide a continuity of the investment holdings balance for the periods indicated:

For the three months ended December 31, 2016	Bayfield Retail and Mill Wood	Villarboit Investment Holdings[1]	Hotel Pur	Total
Balance as at September 30, 2016	$ 13,995	$ 12,120	$ 2,452	$ 28,567
Fair value adjustments	(13)	(7)	—	(20)
Balance as at December 31, 2016	**$ 13,982**	**$ 12,113**	**$ 2,452**	**$ 28,547**

For the year-ended December 31, 2016	Bayfield Retail and Mill Wood	Villarboit Investment Holdings[1]	Hotel Pur	Total
Balance as at December 31, 2015	$ 13,937	$ 12,194	$ 2,452	$ 28,583
Fair value adjustments	45	(81)	—	(36)
Balance as at December 31, 2016	**$ 13,982**	**$ 12,113**	**$ 2,452**	**$ 28,547**

(1) Includes $1,091 of available-for-sale investments as at December 31, 2016 (December 31, 2015 - $1,172)

DEVELOPMENT AND INVESTMENT HOLDINGS FAIR VALUES

The fair values of the development holdings residential assets under development as at December 31, 2016 are determined by discounting the expected cash flows from each participating mortgage based on its projected future share of anticipated proceeds from unit sales, at rates between 9.5% - 12.5%. The Asset Manager approximates the fair value of development holdings retail assets under development as at December 31, 2016 by using a blended approach which includes calculating the current value by applying the direct cap rate method (cap rates used were in the range of 6.0% - 6.9%) to in place net operating income and the direct comparison approach. Any residual land value associated with the development holdings retail assets under development is based on comparable market sales. Investments in one of the retail development assets, due to the current status of development, has been valued primarily based on the land value based on comparable market sales, and represents approximately 49% of the total Villarboit retail development holdings fair value as at December 31, 2016.

The fair value methodologies applied have been consistent with the prior year with the exception of the retail assets under development. At December 31, 2015, the methodology used for the retail assets under development was to calculate the future value by applying the direct capitalization method and discounting this future value to the reporting date at a discount rate of 15%. The change in methodology at December 31, 2016 is in line with the methodology used by the third party appraisals and had minimal impact to the fair values.

The fair values of the investment holdings retail assets completed and operational are calculated by using the direct cap rate method (weighted average cap rate used was 6.3%).

In determining discount rates, the Asset Manager considers market conditions, time to completion of the development, the percentage of space leased, units sold, and other publicly available information. The discount rates used were higher than the underlying interest rates of the participating mortgages of 8.0% to 13.0%, and reflect a risk premium due to the uncertainty regarding the timing of payments and the longer-term horizon of the developments.

The fair values of the Bayfield LP investment income-producing retail properties are determined using the direct cap rate method with cap rates between 6.4% - 7.8%.

The fair value of the Hotel PUR investment is calculated using a discounted cash flow approach using a discount rate of 13%.

Distributions from the participating mortgages, as described under the headings Villarboit Development Corporation and Empire Communities in the Development and Investment Holdings Partners and Supplemental Information section of this MD&A, are paid subject to the development project's or investment's cash available for distribution. Additional distributions may not be received until after the development completion dates or the unit sale closing dates.

2.5 RENEWABLE POWER

Our renewable power segment includes a solar rooftop portfolio, a solar ground-mount portfolio, and two wind power portfolios. All projects within these portfolios have a 20-year initial term with the government or regulated utility PPA, allowing the sale of generated electricity at a fixed contract rate above the market rate, resulting in stable and predictable rates for all electricity generated.

The operating results of the renewable power segment are subject to significant seasonal variations. Wind production typically is best in the winter months while solar production tends to generate higher output in the summer months.

Increase in revenue during the year ended December 31, 2016 resulted from a number of projects which became operational during the period and from acquisitions. Project level term financing was also secured on various projects during the year ended December 31, 2016 as more fully described in the Capital and Liquidity section of this MD&A.

A summary of the renewable power segment results follows:

	Three months ended		Year-ended	
For the periods ended	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015
Renewable power revenue	**$ 2,712**	$ 2,493	**$ 12,906**	$ 3,632
Adjusted EBITDA	**2,003**	1,898	**10,104**	2,779
Adjusted EBITDA margin %[1]	**73.9%**	76.1%	**78.3%**	76.5%
AFAD	**$ 673**	$ 1,688	**$ 7,117**	$ 2,531
AFAD per unit	**0.01**	0.02	**0.10**	0.03

[1]For the Trust's definition of the non-IFRS measure of Adjusted EBITDA margin please refer to the Non-IFRS Measures and Other Disclosures Section of this MD&A

As at	**December 31, 2016**	December 31, 2015
Renewable power assets[1]	**$ 132,794**	$ 120,521
NAV	**87,697**	105,031
NAV per unit	**1.21**	1.45
Installed capacity (in construction) (MW)[2][3]	**—**	4.4
Installed capacity (operational) (MW)[2][3]	**20.9**	16.0

[1] Renewable power assets as at December 31, 2016 and December 31, 2015 exclude non-controlling interests

[2] Installed capacity (MW) is the maximum amount of electrical power in megawatts that the renewable power projects held by the Trust are capable of generating once operational

[3] Prorated based on the Trust's ownership percentage or economic interest

AFAD for the three months ended December 31, 2016 was $0.7 million, down $1.0 million when compared to the prior year mainly as a result of increased debt service costs of $0.9 million. For the three months ended December 31, 2016, and coincident with the commencement of principal payments on the renewable power term debt, AFAD now includes a deduction for the principal portion of the debt service. While this had the effect of decreasing AFAD when compared to the same period in the prior year, the net impact after considering the repatriation of equity from permanent financing proceeds, is expected to be an improved return on equity on a total portfolio basis. Foreign exchange losses of approximately $0.1 million also contributed to the year over year decrease.

AFAD for the year ended December 31, 2016 was $7.1 million, up $4.6 million when compared to the same period in the prior year. Full year production of the wind portfolios, additional projects becoming operational and acquisitions during 2016 all contributed to the AFAD increase. Construction of all renewable power projects is now complete and upon closing of the final tranches of project term debt financing expected in the first quarter of 2017, the Trust is targeting to achieve a 11% to 12% annual yield on expected stabilized equity of approximately $65 million.

During the year ended December 31, 2016, the Trust invested in seven additional wind projects within the U.K. Wind power portfolio for cash consideration of GBP 1.8 million (CAD $3.2 million). The investment is expected to provide the Trust with a low double digit unlevered cash yield over approximately 20 years, consistent with the prior acquisitions within the U.K. Wind power portfolio.

The tables below provide a continuity of the renewable power asset balance for the periods indicated:

For the three months ended December 31, 2016	Equipment Solar power	Wind power	Total
Balance as at September 30, 2016	$ 80,643	$ 50,219	$ 130,862
Acquisitions/Additions	3,103	351	3,454
Depreciation	(577)	(534)	(1,111)
Foreign currency loss	—	(411)	(411)
Balance as at December 31, 2016	**$ 83,169**	**$ 49,625**	**$ 132,794**

For the year-ended December 31, 2016	Equipment Solar power	Wind power	Total
Balance as at December 31, 2015	$ 69,043	$ 51,478	$ 120,521
Acquisitions/Additions	15,943	3,408	19,351
Depreciation	(1,817)	(2,129)	(3,946)
Foreign currency loss	—	(3,132)	(3,132)
Balance as at December 31, 2016	**$ 83,169**	**$ 49,625**	**$ 132,794**

NAV was $87.7 million as at December 31, 2016, down from $105.0 million as at December 31, 2015. Approximately $28.2 million of the total financing proceeds received during the year ended December 31, 2016 pursuant to the Ontario Ground Mount Solar project and the Nova Scotia wind project, are not included within the renewable power net assets as at December 31, 2016, as proceeds were redeployed to other investments. An unrealized foreign exchange adjustment in the amount of $3.1 million related to the assets in the U.K. as a result of decrease in the value of the British Pound relative to the Canadian Dollar and depreciation of $3.9 million also contributed to the decline. Additions of $19.4 million partially offset the impact of these declines.

As more fully described below, NAV for renewable power includes a fair value gain of $4.5 million (or $0.06 per unit) as a result of fair valuing the Nova Scotia wind project during the year ended December 31, 2016.

RENEWABLE POWER FAIR VALUE INCLUDED IN NAV - METHODOLOGY

The Trust records its renewable power wind and solar assets at cost less accumulated depreciation and impairment charges within its consolidated financial statements. In determining NAV, the Trust reflects at fair value the renewable power projects developed by the Trust once they become operational and long-term financing is arranged. The Trust deems this information as relevant to users as the risk profile of the asset decreases when a renewable power project under construction becomes operational.

In the year ended December 31, 2016, the Trust reflected a net fair value gain within NAV as related to the Nova Scotia Wind project. The fair value adjustment was calculated using a discounted cash flow approach and the following assumptions:

- discount rate of 10% on pre-tax equity cash flows, determined by reference to implied yields of comparable market transactions for Canadian wind assets, and
- a residual value to factor in the longevity of equipment and escalating current electricity spot pricing with the consumer price index until after the expiration of the 20 year PPAs

This methodology is generally consistent with industry practices. Overall, this fair value gain will be amortized over the term of the respective PPAs. The fair value gain of $4.5 million for the year ended December 31, 2016 represented an approximately 13.5% fair value increase to the carrying value of the project including debt. The fair value gain was generated mainly from a decline in the risk profile of the asset as it moved from the pre-construction stage, through the remainder of the development and construction phases, to the operating phase. An Enterprise Value ("EV")/earnings before interest, tax and depreciation ("EBITDA") multiple approach was also considered as an alternative valuation methodology to help corroborate the fair value of the asset. Based on comparable assets and trading valuation of public wind companies, the implied valuation is within a reasonable range, given a minor multiple discount for smaller scale projects.

The Trust intends to apply a consistent valuation methodology to the projects and currently expects to recognize fair value increases of between 3% to 5% of the carrying value of the projects, including debt. The fair value gain is expected to be lower than the Nova Scotia Wind project primarily due to the Trust entering into the investments at a later stage, and reflects the lower risk profile at the time of acquisition.

RENEWABLE POWER PROJECTS

Below is a summary of our renewable power projects:

	Number of Projects	Economic interest	Installed Capacity (MW)[1]	Weighted average remaining PPA (years)	Commercial operational date[4]	Carrying value[2]	Fair value adjustments included in NAV	Debt, net of unamortized financing fees
Operational projects								
Ontario Rooftop Solar	10	100%	3.1	18.0	Q2 2014 – Q3 2015	$ 13,886	$ —	$ —
United Kingdom Wind	32	91%	2.5	17.9	Q2 2013 – Q3 2016	16,149	—	—
Nova Scotia Wind	3	80%	10.5	18.8	Q4 2015	33,476	4,523	27,713
Ontario Ground Mount Solar[3]	10	100%	4.8	19.6	Q4 2015 - Q4 2016	69,283	—	21,162
Total as at December 31, 2016			**20.9**	**18.7**		**$ 132,794**	**$ 4,523**	**$ 48,875**
Total as at December 31, 2015			**20.4**	**19.6**		**$ 120,521**	**$ —**	**$ 14,534**

(1) Prorated based on the Trust's ownership percentage or economic interest

(2) Carrying value represents the renewable power assets as reflected on the consolidated statement of financial position and therefore is presented, including the non-controlling interest, net of accumulated amortization where applicable

(3) Our investment in the Ontario Ground Mount Solar project is expected to generate a return in line with our renewable power segment weighted average expected yield (please refer to Non-IFRS Measures and Other Disclosures Section of this MD&A for the Trust's definition of expected yield) of approximately 11% to 12% over the life of the project

(4) Commercial operational date is based on the commencement of the PPA agreement

2.6 CONSOLIDATED TRUST REVIEW OF TOTAL COMPREHENSIVE INCOME (LOSS)

The table below presents a summarized consolidated statement of comprehensive income (loss) for the periods indicated:

	Three months ended		Year-ended	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
TOTAL INCOME	**$ 26,380**	$ 27,326	**$ 98,931**	$ 90,114
TOTAL EXPENSES	**(19,345)**	(14,381)	**(68,408)**	(56,036)
Fair value adjustments to income properties	**(26,671)**	(7,542)	**(40,187)**	(9,334)
OPERATING INCOME (LOSS)	**(19,636)**	5,403	**(9,664)**	24,744
Other interest income	**523**	81	**1,572**	549
Transaction costs	**—**	—	**(3,475)**	—
Share of income from equity accounted investment	**(42)**	—	**24**	—
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	**(19,155)**	5,484	**(11,543)**	25,293
INCOME TAX (EXPENSE) RECOVERY				
Current	**2**	(1,491)	**284**	(3,239)
Deferred	**3,774**	299	**(2,105)**	(3,124)
TOTAL INCOME TAX (EXPENSE) RECOVERY	**3,776**	(1,192)	**(1,821)**	(6,363)
NET INCOME (LOSS)	**(15,379)**	4,292	**(13,364)**	18,930
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**685**	(1,249)	**(3,698)**	(1,977)
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ (14,694)**	$ 3,043	**$ (17,062)**	$ 16,953

TOTAL INCOME

Total income for the three months ended December 31, 2016 of $26.4 million decreased by $0.9 million or 3% when compared to the same period in the prior year mainly as a result of a decrease in occupancy in income properties. Total income for the year ended December 31, 2016 of $98.9 million increased by $8.8 million or 10% when compared to the same period in the prior year mainly from an increase in renewable power revenue as discussed previously in the Reportable Operating Segments Results of Operations - Renewable Power section of this MD&A. Increases in the fair value adjustments and operating cash distributions in development and investment holdings, predominantly as a result of the aforementioned fair value increases on the Empire projects also contributed to the year over year increase.

TOTAL EXPENSES

Total expenses in the consolidated statement of comprehensive income include income properties operating expenses, renewable power operating expenses, interest expense, provision for lending portfolio losses and general and administrative expenses.

Total expenses for the three months ended December 31, 2016 of $19.3 million increased by $5.0 million or 35% when compared to the same period in the prior year mainly as a result of an increase in the provision for lending portfolio losses as explained in Reportable Operating Segments Results of Operations - Lending Portfolio section of this MD&A. Total expenses for the year ended December 31, 2016 of $68.4 million increased by $12.4 million or 22% and include an increase of $6.8 million in expenses in the renewable power segment as a result of an increase in the number of operational projects and an increase of $6.3 million in the provision for lending portfolio losses.

The change in total expenses can be further explained by the change in the various components as follows:

INTEREST EXPENSE

Interest expense for the three months and year ended December 31, 2016 of $2.7 million and $10.2 million was $0.4 million and $1.6 million higher, respectively, when compared to the same periods in the prior year. The increase was mainly due to higher interest expense related to higher average debt balance associated with renewable power project financing and increased drawings on the credit facility.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ended December 31, 2016 were $3.6 million, a $0.2 million increase from the same quarter in the prior year. For the year ended December 31, 2016, general and administrative expenses were $15.0 million, a $1.1 million increase from the same period in the prior year, predominantly as a result of an increase in resources to support the level of activity within the portfolio.

FAIR VALUE ADJUSTMENTS TO INCOME PROPERTIES

Fair value losses for the three months ended December 31, 2016 were $26.7 million, an increase of $19.1 million from the same quarter in the prior year. For the year ended December 31, 2016, fair value losses were $40.2 million, an increase of $30.9 million from the same period in the prior year. For additional details, refer to the Reportable Operating Segments Results of Operations - Income Properties section of this MD&A.

TRANSACTION COSTS

Transaction costs during the year ended December 31, 2016 were $3.5 million and represent management's best estimate of certain costs applicable to the transaction underlying the formation of the Trust in 2014, which was treated as a business combination pursuant to the applicable IFRS pronouncements. The amount is considered to be a non-recurring transaction cost and is therefore excluded when calculating AFAD for the year ended December 31, 2016.

INCOME TAX EXPENSE

Due to the Trust’s diversified asset mix and active asset management strategy, we expect some degree of variability in current and deferred income tax expense recognized each quarter through the income statement.

For the three months ended December 31, 2016, income tax recovery was $3.8 million, which related to deferred income taxes and compares to an income tax expense of $1.2 million for the same period in the prior year. For the year ended December 31, 2016, the Trust recognized an income tax expense of $1.8 million, a decrease in total income tax expense of $4.5 million over the prior year. The year over year difference in total income tax expense mainly resulted from a change in estimate of the tax rate at which temporary differences for the development and investment holdings are expected to reverse and fair value losses to income properties.

The Trust intends to actively manage the portfolio in a tax efficient manner.

TAX ATTRIBUTES

INCOME PROPERTIES

We deduct mortgage interest and available tax depreciation on our buildings from our Canadian income properties that generate taxable net operating income. These deductions contribute to the overall tax efficiency of our structure and, in particular, the tax depreciation helps provide the Trust with tax-sheltered cash flow. Any change in the fair value of income properties is not recognized in the determination of current taxes until the sale of the asset.

RENEWABLE POWER

The *Income Tax Act* (Canada) makes available "green" energy tax incentives to the renewable energy sector. Certain pre-development and soft costs that are not normally deductible, known as Canadian renewable and conservation expenses ("CRCE"), are deductible against other sources of income in the year they are incurred. Non-CRCE project costs that are not otherwise currently deductible are included in the cost of the depreciable property and are eligible for maximum tax depreciation rates of between 30% and 50%, which can be used to help offset income for approximately 8 to 12 years once the project becomes operational.

TOTAL OTHER COMPREHENSIVE INCOME (LOSS)

Total other comprehensive income for the three months ended December 31, 2016 of $0.7 million was $1.9 million higher when compared to the same period last year. The fair value adjustments to the derivative financial liabilities were favourable when compared to the same period last year as a result of changes in market interest rates. Total other comprehensive loss for the year ended December 31, 2016 of $3.7 million was $1.7 million higher when compared to the same period in the prior year. The increased loss was mainly due to an increase in unrealized foreign currency losses on the renewable power net investment in the U.K. as a result of the devaluation of the British pound relative to the Canadian dollar.

2.7 RELATED PARTY TRANSACTIONS

The Trust and its subsidiaries enter into transactions with related parties that are disclosed in Note 25 to the consolidated financial statements. Pursuant to the management agreement entered into with DAM, the asset management fees were $2.8 million and $10.5 million for the three months and year ended December 31, 2016, respectively (three months and year ended December 31, 2015 – $2.4 million and $11.0 million). In addition, the Trust incurred expense recoveries relating to financing arrangements and other of $0.5 million and $1.9 million for the three months and year ended December 31, 2016, respectively (three months and year ended December 31, 2015 – $0.6 million and $1.8 million).

During the year ended December 31, 2016, the Trust entered into various related party transactions concerning development projects as disclosed in Note 11 of the consolidated financial statements.

During the three months ended December 31, 2015, the Trust acquired a 100% interest in an office property for $8.7 million, including transaction costs of $0.3 million. The property was acquired on an unencumbered basis and was financed subsequent to the year ended December 31, 2016 through a $4.5 million five-year interest only fixed rate mortgage at 3.55%. A subsidiary of DAM had a partial interest in the property prior to acquisition and DAM provides property management services for this property. The purchase price of the initial transaction was determined by reference to an independent appraisal.

2.8 SELECTED ANNUAL INFORMATION

The Trust's consolidated financial statements have been prepared in accordance with IFRS and are presented in Canadian dollars.

	Year ended		Six months ended
For the periods ended December 31,	**2016**	2015	2014
TOTAL INCOME	**$ 98,931**	$ 90,114	$ 36,146
NET INCOME (LOSS)	**(13,364)**	18,930	119,747
TOTAL NET INCOME ATTRIBUTABLE TO			
Unitholders	**$ (13,694)**	$ 18,976	$ 119,753
Non-controlling interest	**330**	(46)	(6)
TOTAL NET INCOME (LOSS)	**$ (13,364)**	$ 18,930	$ 119,747

For the year ended December 31,	**2016**	**2015**	**2014**
Total assets	**$ 991,598**	$ 997,555	$ 997,260
Total non-current liabilities	**223,034**	239,536	177,428
Annualized distributions per unit	**0.40**	0.40	0.40

The financial results for the first six months of 2014 represent the results for ROI Canadian High Income Mortgage Fund ("CHIM" or the "Acquiror Fund"), one of the seven funds previously managed by Return on Innovation Advisors Ltd.("ROI") whose assets were indirectly acquired in connection with the Trust's initial public offering (hereinafter referred to as the "Trust's Listing") (July 8, 2014). In accordance with the relevant IFRS pronouncements, CHIM was selected as the Acquiror Fund for accounting purposes, thus its financial results represent the historical financial results of the Trust for periods prior to the Trust's Listing. Results prior to the Trust's Listing are excluded from the selected annual information as the historical results of the Acquiror Fund for the period prior to the Trust's Listing are not comparable to the financial results and the business of the Trust subsequent to the Trust's Listing.

Since the inception of the Trust, approximately 38% of the original portfolio has been repatriated, including 80% of the original lending portfolio. In addition, since the Trust's inception, a significant investment was made in the renewable power segment, which generated approximately 13% of total Trust income for the year ended December 31, 2016, compared to a negligible amount for the six months ended December 31, 2014. There has been a general decline in the value of income properties, with the most pronounced decline occurring during the year ended December 31, 2016, mainly attributable to assets located in the GTA West node.

3. DISTRIBUTION MEASURES

In any given period, actual distributions paid and payable may differ from cash generated from operating activities primarily as a result of timing of payments and receipts, as well as the impact of leasing incentives and initial direct leasing costs which can fluctuate with lease maturities, renewal terms and the type of asset being leased and changes in non-cash working capital. These fluctuations are funded from our cash on hand and, if necessary, with our existing revolving credit facility. In addition, the Trust is engaged in development activities, both through its investments in development and investment holdings and various development and corporate loans in its lending portfolio. Because of the long term nature of these development assets, the cash generated from operating activities may not occur until later in their operating life cycle and can also result in fluctuations in cash from operations from one period to the next. However, these are relevant in the determination of distributions as cash relating to the income recognized on an accrual basis through multiple periods will ultimately be received at project completion and/or loan maturity. The Trust evaluates its distribution policy considering these factors, among others and its assessment of AFAD. AFAD is a non-IFRS measure. It does not represent cash generated from operating activities, as defined by IFRS, and as such does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A detailed reconciliation of AFAD to cash generated from operating activities is included in the Non-IFRS Measures and Other Disclosures section of this MD&A under the heading Reconciliation of Cash Generated from Operating Activities to AFAD. AFAD includes certain adjustments for non-cash amounts related to development holdings and development loans including: interest accrued on development holdings; and capitalized interest on development and corporate loans in the lending portfolio. Because actual leasing incentives and initial direct leasing costs and changes in non-cash working capital are funded from our cash on hand and/or the existing revolving credit facility, they are also excluded from the determination of AFAD. AFAD does, however, include a normalized estimated reserve for leasing incentives and initial direct leasing costs to reflect longer term recurring costs.

The Trust anticipates that, in any given period, distributions paid and payable will vary from total comprehensive income (loss) as a result of certain non-cash items. These non-cash items do not impact cash flows and, accordingly, the Trust does not use total comprehensive income (loss) as a proxy for distributions or to determine its distribution policy.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following tables outline the differences between cash generated from operating activities and distributions paid and payable, as well as the differences between total comprehensive income (loss) and distributions paid and payable, in accordance with the guidelines. AFAD is included in the table for reference for the aforementioned reasons.

	Three months ended		Year-ended	
For the periods ended	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015[1]
Cash generated from operating activities	**$ 7,874**	$ 4,972	**$ 13,980**	$ 16,817
Distributions paid and payable	**$ 7,247**	$ 7,304	**$ 28,972**	$ 29,386
Excess (Shortfall) of cash generated from (utilized in) operating activities over distributions paid and payable	**$ 627**	$ (2,332)	**$ (14,992)**	$ (12,569)

[1] Comparative results have been reclassified to conform to the presentation adopted in the current period, see Note 3 to the consolidated financial statements

	Three months ended		Year-ended	
For the periods ended	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015
AFAD	**$ 7,183**	$ 6,559	**$ 31,026**	$ 26,299
Distributions paid and payable	**$ 7,247**	$ 7,304	**$ 28,972**	$ 29,386
Excess (Shortfall) of AFAD over distributions paid and payable	**$ (64)**	$ (745)	**$ 2,054**	$ (3,087)

For the three months ended December 31, 2016, cash generated from operating activities exceeded distributions paid and payable by $0.6 million (three months ended December 31, 2015 – $2.3 million shortfall). For the year ended December 31, 2016, the Trust's distributions paid and payable exceeded cash generated from operating activities by $15.0 million (year ended December 31, 2015 - $12.6 million).

The Trust believes cash generated from operating activities does not take into consideration certain relevant factors and adjustments for the nature of the portfolio and timing and receipt of cash flows, as discussed above. Management believes its annual distributions are sustainable based on AFAD over time, considering the nature of the Trust's portfolio and in particular, the development holdings. In making this determination, the Trust has considered, among other things, that it is appropriate to exclude investment in lease incentives and initial direct leasing costs net of a long term, normalized reserve and changes in non-cash working capital in determining the sources of cash available to fund distributions since these are funded from our cash on hand and, if necessary, with the existing revolving credit facility.

The following table summarizes total comprehensive income (loss) and total distributions paid and payable for the periods indicated:

For the periods ended	Three months ended December 31, 2016	Three months ended December 31, 2015	Year-ended December 31, 2016	Year-ended December 31, 2015
Total comprehensive income (loss)	**$ (14,694)**	$ 3,043	**$ (17,062)**	$ 16,953
Distributions paid and payable	**$ 7,247**	$ 7,304	**$ 28,972**	$ 29,386
Excess (Shortfall) of total comprehensive loss over distributions paid and payable	**$ (21,941)**	$ (4,261)	**$ (46,034)**	$ (12,433)

For the three months ended December 31, 2016, the Trust's distributions paid and payable exceeded total comprehensive income by $21.9 million (three months ended December 31, 2015 – $4.3 million). For the year ended December 31, 2016, the Trust's distributions paid and payable exceeded total comprehensive income by $46.0 million (year ended December 31, 2015 – $12.4 million).

Certain assets and liabilities are recognized at fair value in the consolidated financial statements. Unrealized fair value adjustments and other non-cash items are included in total comprehensive income (loss) and can fluctuate from period to period. As a result, the Trust anticipates that distributions declared will, in the foreseeable future, continue to vary from total comprehensive income (loss). The total unrealized fair value adjustments and other non-cash items included in total comprehensive income (loss) in the consolidated financial statements for the periods indicated are summarized in the table below:

For the periods ended	Three months ended December 31, 2016	Three months ended December 31, 2015	Year-ended December 31, 2016	Year-ended December 31, 2015
Total adjustments to fair values and other non-cash items included in total comprehensive income (loss)	**$ 19,615**	$ 2,998	**$ 41,326**	$ 6,521

The total adjustments to fair values and other non-cash items included in total comprehensive income (loss) are comprised of: unrealized fair value adjustments to derivative financial liabilities net of tax, deferred income tax expense, unrealized foreign currency translation losses, unrealized fair value losses on income properties, provision for lending portfolio losses, transaction costs and fair value adjustments in development and investment holdings.

The Trust funds its working capital needs and investment in lease incentives and initial direct leasing costs with cash on hand and its existing revolving credit facility. As at December 31, 2016, the Trust had cash on hand of $11.8 million and $23.0 million of undrawn credit capacity on its revolving credit facility. To the extent that there are shortfalls in cash flow, the Trust may use the existing revolving credit facility as a source of funding. The use of the Trust's revolving credit facility may involve risks as compared with using cash on hand as a source of funding, such the risk that interest rates may rise in the future which may make it more expensive for the Trust to borrow under its revolving credit facility, and the risk associated with increasing the overall indebtedness of the Trust. The Trust does not anticipate cash distributions will be suspended in the foreseeable future but does expect that there could be timing differences as a result of the development holdings and development and corporate loans in the lending portfolio as discussed above which do not contribute to cash flow from operating activities until they are completed. Accordingly, distributions could be considered an economic return of capital until cash distributions from completed development projects and development and corporate loans in the lending portfolio are received in future years. The Asset Manager reviews the estimated annual distributable cash flow with the Board of Trustees to assist the Board in determining the targeted distribution amount.

4. CAPITAL RESOURCES AND LIQUIDITY

Our financial position is summarized below:

As at	December 31, 2016	December 31, 2015
Consolidated financial position		
Total Unitholders' Equity	**$ 645,738**	$ 693,167
NAV	**657,454**	699,309
NAV per unit	**9.09**	9.64
Total contractual debt payable[1]	**308,361**	269,404
Total assets	**991,598**	997,555
Cash	**11,757**	20,764

[1] The included revolving credit facility matures July 31, 2017

The Trust's primary sources of financing are cash generated from operating activities, lending activities, credit facilities, mortgage financing and refinancing, and project financing. Our primary uses of capital include the payment of: costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt principal repayments, interest payments, property acquisitions, mortgage lending, investments in development and investment holdings, equity accounted investments and investments in renewable power assets, and distributions. It is the Trust's objective to meet all of our ongoing obligations with current cash, cash flows generated from operating activities, cash from maturing lending portfolio investments, cash from renewable power project financing and conventional mortgage refinancing. The Trust's revolving credit facility provides additional short term liquidity and flexibility in support of operations.

SUMMARY OF DEBT

As at December 31, 2016 and December 31, 2015, total debt was comprised of the following:

As at	December 31, 2016	December 31, 2015
Mortgages payable	**$ 243,261**	$ 254,404
Term loans	**50,100**	—
Revolving credit facility	**15,000**	—
Subtotal	**$ 308,361**	$ 254,404
Construction loan facility	**—**	15,000
Total contractual debt payable	**$ 308,361**	$ 269,404
Note payable	**—**	310
Unamortized balance of premium on mortgages payable	**1,183**	2,623
Unamortized balance of deferred financing costs	**(1,745)**	(1,003)
Total debt	**$ 307,799**	$ 271,334

Total debt payable increased by $36.5 million during the year ended December 31, 2016 mainly as a result of an increase in renewable power debt and an increase in funds drawn on the revolving credit facility, net of the discharge of the mortgage payable associated with the sale of a non-core co-owned income property and regular principal repayments.

We use the following cash flow performance and debt level indicators to assess our ability to meet our financing obligations:

As at	December 31, 2016	December 31, 2015
Weighted average effective interest rate (period-end)[1]	**3.5%**	3.2%
Weighted average face rate of interest (period-end)[1]	**3.8%**	3.8%
Debt due within one year	**$ 91,284**	$ 33,977
Interest coverage ratio[2][3] (times)	**3.65**	3.39
Debt-to-gross asset value	**31.2%**	27.0%
Debt – average term to maturity (years)	**5.15**	2.90

[1] Weighted average effective interest rate is calculated as the weighted average face rate of interest, net of amortization of debt premiums and financing costs of interest-bearing debt weighted by the size of the respective interest bearing debt instruments in the portfolio
[2] For the Trust's definition and reconciliation of the non-IFRS measure of interest coverage ratio, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A
[3] Calculated for the rolling four fiscal quarter basis as at December 31, 2016 and December 31, 2015

The weighted average effective interest rate as well as the average term to maturity of debt increased when compared to December 31, 2015, mainly as a result of the new long term project financing of renewable power debt.

The Trust expects to refinance the debt due within one year in the normal course as the underlying mortgages and the credit facility mature. The debt-to-gross asset value as at December 31, 2016 is 31.2%, which management believes is a conservative position and increased when compared to December 31, 2015 as a result of higher debt levels on the renewable power portfolio, as was expected.

Principal repayments and maturity balances on total debt to be repaid each year are as follows:

Debt maturities	Outstanding balance due at maturity	Scheduled principal repayments	Total maturity balance and principal repayments	% of Total debt maturities and principal repayments	Weighted average effective interest rate on balance due at maturity	Weighted average face rate on balance due at maturity
Mortgages Payable and Term Loans						
2017	$ 66,599	$ 8,870	$ 75,469	25.7%	3.1%	4.8%
2018	63,393	6,688	70,081	23.9%	3.2%	3.5%
2019	2,239	5,782	8,021	2.7%	3.2%	2.6%
2020	60,706	5,546	66,252	22.6%	3.2%	3.1%
2021	29,747	3,046	32,793	11.2%	3.1%	3.0%
2022 and thereafter	—	40,745	40,745	13.9%	5.0%	4.5%
Subtotal before undernoted	$ 222,684	$ 70,677	$ 293,361	100.0%	3.5%	3.8%
Revolving Credit Facility(1)	15,000	—	15,000			
Unamortized balance of mortgages payable premiums and deferred financing costs (net)	(562)		(562)			
Total debt	**$ 237,122**	**$ 70,677**	**$ 307,799**			

(1) This revolving credit facility matures July 31, 2017

During the year ended December 31, 2016:

- a construction loan facility against the Nova Scotia Wind Power project of $14.5 million net of deferred financing fees of $0.5 million was converted to 19.5 year term debt at a fixed rate of 4.7% and the Trust received $13.5 million, net of deferred financing fees of $0.2 million of cash proceeds relating to the closing of the second tranche of this project financing,
- the Trust closed the first tranche of long term permanent financing for four of the ten Ontario Ground Mount Solar projects for proceeds of $21.6 million, net of deferred financing fees of $0.5 million. The financing was secured on a non-recourse basis at a fixed face interest rate of 4.0% and amortizes over a 19.5 year term,
- a net amount of $15 million was drawn on the revolving credit facility,
- total mortgages payable of $19.1 million matured and were refinanced for a weighted average 4.7 year term and at a weighted average rate of 2.8%, an improvement of 110 basis points ("bps"), and for $1.6 million of additional proceeds,
- a mortgage payable of $0.8 million matured and was repaid,
- a property that was acquired late in 2015 on an unencumbered basis was financed through a $4.5 million five year interest only loan at a fixed rate of 3.3%,
- a mortgage payable of $2.3 million was reclassified to liabilities related to assets held-for-sale, and
- a mortgage payable previously included in liabilities related to assets held-for-sale of $6.8 million was discharged upon sale of the property.

Subsequent to year end, in conjunction with the Trust's acquisition of Dream Office REIT's 40% interest in 49 Ontario Street and 10 Lower Spadina Ave., $6.5 million of mortgages payable were assumed. A new $20.0 million mortgage payable at a 3.20% fixed face rate was secured for a five year term on one of the properties which replaced a $9.2 million maturing mortgage at a 5.7% fixed face rate generating an additional $10.8 million of additional gross proceeds to the Trust. The net impact is that approximately $0.8 million of cash on hand was used to fund the purchase of these two interests. In addition, the Trust closed on a second tranche of long term permanent financing for two of the ten Ontario Ground Mount Solar projects for proceeds of $11.0 million, net of deferred financing fees of $0.1 million. The financing was secured on a non-recourse basis at a fixed rate of 4.5% and amortizes over a 19.5 year term.

REVOLVING CREDIT FACILITY

A demand revolving credit facility (the "facility") is available up to a formula-based maximum not to exceed $50 million. The available credit under the revolving credit facility, as determined by the formula, declined to $43 million as at December 31, 2016 from $50.0 million as at December 31, 2015). The facility is in the form of a rolling one-month Bankers' Acceptance ("BA"), and bears interest at the BA rate plus 2.0% or at the bank's prime rate plus 1.0% (2.7% as at December 31, 2016, 2.7% as at December 31, 2015), payable monthly. The facility is secured by a general security agreement over all assets of Dream Alternatives Lending Services LP and Dream Alternatives Master LP which are subsidiaries of the Trust. This facility matures on July 31, 2017.

As at December 31, 2016, available liquidity under this facility was $23.0 million (December 31, 2015 – $44.2 million) after deducting amounts drawn, outstanding letters of credit and unrealized obligations on derivative financial liabilities.

TOTAL EQUITY

As at December 31, 2016, the Trust had 72,351,722 units outstanding and a Unitholders' equity balance of $645.7 million. The number of units outstanding declined from December 31, 2015 as a result of the repurchase of units pursuant to the normal course issuer bid as more fully discussed below, net of deferred units exchanged for Trust units and units issued under the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

	December 31, 2016		December 31, 2015	
As at	**Number of units**	**Amount**	**Number of units**	**Amount**
Unitholders' equity	**72,351,722**	**$ 593,911**	72,562,487	$ 596,541
Retained earnings		**56,977**		98,078
Accumulated other comprehensive income		**(5,150)**		(1,452)
Total Unitholders' equity	**72,351,722**	**$ 645,738**	72,562,487	$ 693,167
Non-controlling interests		**1,588**		1,893
Total equity		**$ 647,326**		$ 695,060

The following table summarizes the changes in the outstanding units:

	Units
Total units outstanding on December 31, 2015	72,562,487
Units issued pursuant to the DRIP	303,325
Deferred units exchanged for Trust units	20,302
Cancellation of Trust's units	(534,392)
Total units outstanding on December 31, 2016	**72,351,722**

As at February 27, 2017, 72,370,389 Trust units were outstanding.

The deferred unit incentive plan ("DUIP") provides for the grant of deferred trust units ("DTUs") to trustees of the Trust, officers and employees as well as affiliates and their service providers, including the Asset Manager. DTUs are granted at the discretion of the trustees of the Trust and receive distributions in the form of income deferred trust units as they are declared and paid by the Trust. As at December 31, 2016, up to a maximum of 3.0 million DTUs were issuable under the DUIP. Distributions on the unvested DTUs are paid in the form of units converted at the market price on the date of distribution. As at December 31, 2016, there were 299,683 deferred trust units and income deferred trust units outstanding (December 31, 2015 – 190,158 units outstanding). As at February 27, 2017, 302,773 deferred trust units and income deferred trust units were outstanding.

DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The DRIP entitles unitholders to reinvest all cash distributions into additional units. Participants electing to reinvest cash distributions in units pursuant to the DRIP will receive a further "bonus" distribution equal to 4% of the amount of each cash distribution they reinvest, on which further distributions are also reinvested in units. Participants may also purchase additional units pursuant to the optional cash purchase feature of the DRIP, subject to a minimum investment amount of one thousand dollars and a maximum investment amount of two hundred and fifty thousand dollars per calendar year. Participants in the DRIP will not receive a bonus distribution of units in connection with any optional cash purchases. The Trust may amend, suspend or terminate the DRIP at any time.

DISTRIBUTIONS

The distributable cash flow and amount of monthly distributions to unitholders are determined by the Board of Trustees of the Trust based on distributions received from Dream Alternatives Master LP, net of general and administrative expenses, operating and other expenses, and income tax expenses. The Asset Manager forecasts the annual distributable cash flow from the Trust's operating segments to assist the Board of Trustees in determining the targeted distribution amount.

As at December 31, 2016, our monthly distribution rate was $0.033 per unit. Approximately 5.9% (December 31, 2015 - 5.5%) of total units were enrolled in the DRIP.

	2016				2015			
As at	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Annualized distribution amount	**$ 0.400**	$ 0.400	$ 0.400	$ 0.400	$ 0.400	$ 0.400	$ 0.400	$ 0.400
Monthly distribution amount	**0.033**	0.033	0.033	0.033	0.033	0.033	0.033	0.033
Annualized distribution rate of return[1]	**6.4%**	6.7%	6.7%	7.5%	7.0%	6.7%	6.1%	5.9%
DRIP units issued during the quarter	**79,102**	73,846	72,894	77,483	65,065	59,743	52,113	40,326

[1] Annualized distribution rate of return is calculated as the annualized distribution amount divided by the closing price per unit on the TSX at the date specified

NORMAL COURSE ISSUER BID

On January 6, 2016, the TSX accepted the Trust's Notice of Intention to renew the prior bid. Under this bid, the Trust had the ability to purchase for cancellation up to a maximum of 7,029,230 Units (representing 10% of the Trust's public float of 70,292,303 Units at the time of entering the current bid through the facilities of the TSX). Daily purchases under the current bid were limited to 14,222 Units, other than purchases pursuant to applicable block purchase exceptions. The bid commenced on January 8, 2016 and expired on January 7, 2017.

On January 11, 2017, the TSX accepted the Trust's Notice of Intention to renew the prior bid (the "current bid"), which commenced on January 13, 2017 and will remain effective until the earlier of January 12, 2018 or the date on which the Trust has purchased the maximum number of Units permitted under the current bid. Under the current bid, the Trust has the ability to purchase for cancellation up to a maximum of 6,595,470 Units (representing 10% of the Trust's public float of 65,954,706 Units at the time of entering the current bid through the facilities of the TSX). Daily purchases under the current bid are limited to 13,490 Units, other than purchases pursuant to applicable block purchase exceptions. Subsequent to year end, 59,100 Units were purchased at a cost of $0.4 million inclusive of transaction costs.

The following table summarizes the Trust's activity under its NCIB program for the periods ended as indicated:

	Three months ended December 31,		Year-ended December 31,	
	2016	2015	2016	2,015
Units repurchased (number of units)	—	716,954	534,392	1,329,654
Total cash consideration	$ —	$ 4,127	$ 2,911	$ 8,052

As at February 27, 2017, 1,923,146 units have been purchased under the prior and current bids at a total cost of $11.4 million.

LIQUIDITY

	Three months ended December 31,		Year-ended December 31,	
Significant Sources and Uses of Cash	**2016**	**2015**	**2016**	**2015**
Cash generated from (utilized in) operating activities	**$ 7,874**	$ 4,972	**$ 13,980**	$ 16,817
Cash generated from (utilized in) investing activities	**(4,151)**	(11,016)	**(30,908)**	(55,614)
Cash generated from (utilized in) financing activities	**(9,400)**	(4,299)	**7,947**	(20,596)

Cash generated from operating activities for the three months ended December 31, 2016 was $7.9 million (three months ended December 31, 2015 - generated from $5.0 million). The year over year increase was mainly as a result of changes in non-cash working capital. Cash generated from operating activities for the year ended December 31, 2016 was $14.0 million (year ended December 31, 2015 - generated from $16.8 million). The year over year decrease was mainly as a result of changes in non-cash working capital and a gain on sale recognized in 2015.

Cash utilized in investing activities for the three months ended December 31, 2016 was $4.2 million (three months ended December 31, 2015 - utilized in $11.0 million). The year over year change resulted from a decrease in renewable power asset additions, an increase in lending portfolio principal repayments and lower lending portfolio additions. Cash utilized in investing activities for the year ended December 31, 2016 was $30.9 million (year ended December 31, 2015 - utilized in $55.6 million). When compared to the prior year, the change resulted primarily from a decline in the renewable power asset additions net of a decrease in principal repayments on the lending portfolio.

Cash utilized in financing activities for the three months ended December 31, 2016 was $9.4 million (three months ended December 31, 2015 - utilized in $4.3 million). The year over year change was mainly due to a decrease in debt borrowings. Cash generated from financing activities for the year ended December 31, 2016 was $7.9 million (year ended December 31, 2015 - utilized in $20.6 million). The year over year change was as a result of obtaining long term permanent financing on renewable power projects in addition to drawing on the revolving credit facility.

DERIVATIVE FINANCIAL INSTRUMENTS

During 2015, we entered into bond forward contracts for our Ontario Ground Mount Solar power project in order to mitigate interest rate volatility risk, fix the expected economic return on this project, and lock in project financing on $48.0 million of anticipated 20 year term financing.

During the year ended December 31, 2016, sale agreements for bond forward purchase contracts which were designated as hedges for the interest rate risk associated with the first tranche of project financing for four of the ten Ontario Ground Mount Solar projects matured and a fair value loss of $1.5 million was realized on the settlement. This realized fair value loss is included in other comprehensive income and will be amortized to interest expense in the consolidated statements of comprehensive income over the term of the related debt. The sale agreements for bond forward purchase contracts hedging the interest rate risk associated with approximately $28 million of remaining debt expected to be placed on the remaining six Ontario ground-mount solar power portfolio were extended to align with the anticipated project completion dates. The Trust has assessed the outstanding sale agreements to be a highly effective cash flow hedge and has recognized the unrealized fair value changes of the derivative financial liability in other comprehensive income in the consolidated statements of comprehensive income.

During the three months and year ended December 31, 2016, the unrealized fair value gains, net of income taxes, of $1.1 million and fair value losses of $0.6 million, respectively, (three months and year ended December 31, 2015 - $0.3 million and $1.1 million, losses respectively) were recognized in other comprehensive income on the consolidated statements of comprehensive income.

As at December 31, 2016, the Trust recognized a derivative financial liability on the consolidated statements of financial position of $0.8 million (December 31, 2015 – $1.5 million).

Subsequent to year end, coincident with the placement with the second tranche of project financing, sale agreements for bond forward purchase contracts which were designated as hedges for the interest rate risk associated with the second tranche of project financing for two of the ten Ontario Ground Mount Solar projects were settled and a fair value loss of $0.3 million, which will be amortized to interest expense in the consolidated statements of comprehensive income over the term of the related debt, was realized on the settlement.

COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2016, the Trust, through a subsidiary, provided a guarantee for up to $45.0 million pursuant to the requirements of a senior construction loan associated with the Empire Lakeshore residential project. The guarantee will be in place for the term of the construction loan and will proportionately scale down as the construction loan is repaid as unit closings begin to occur.

The Trust is contingently liable for letters of credit in the amount of $4.2 million that have been provided to support third party performance.

The Trust may also be contingently liable for certain obligations of joint venture partners. However, the Trust would have available to it the other joint venture partners' share of assets to satisfy any obligations that may arise. Guarantees of the other underlying development project loan amounts of third parties relate to guarantees of $5.6 million.

The following tables summarizes the Trust's significant contractual obligations as at December 31, 2016:

		Payments Due by Period			
As at	**Total**	**1 - 3 years**	**4 -5 Years**	**After 5 years**
Debt (principal only)	$ 222,684	$ 132,232	$ 90,452	$ —
Operational and maintenance contracts	1,411	1,411	—	—
Rooftop lease, land right and easement	18,011	2,511	1,721	13,779
Committed capital expenditures	6,520	6,520	—	—
Total contractual obligations	$ 248,626	$ 142,674	$ 92,173	$ 13,779

As at December 31, 2016, deferred income taxes, DUIP and tenant improvement costs have not been included above as the timing and amount of future payments are uncertain. Payments pursuant to various asset management agreements have not been included in the table above due to the variable nature of the charges.

FINANCIAL COVENANTS

The revolving credit facility, the financial guarantees, certain mortgages on income properties and the renewable power term debt contain financial covenants that require the Trust to meet certain financial ratios and financial condition tests. A failure to meet these tests could result in default and, if not cured or waived, could result in an acceleration of the repayment in the underlying financing. For the year ended December 31, 2016, the Trust was in compliance with these financial covenants.

5. QUARTERLY FINANCIAL INFORMATION

	2016				2015[1]			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Total income	**$ 26,380**	$24,836	$25,043	$22,672	$27,326	$20,282	$23,724	$18,782
Add (deduct):								
Fair value (gain) loss, net, in development and investment holdings	**(6,206)**	(3,442)	(2,802)	(2,026)	(5,524)	(401)	(2,126)	(124)
Operating cash distributions included in fair value (gain) loss, net in development and investment holdings	—	—	—	—	104	33	11	—
Share of income from equity accounted investments	**(42)**	22	33	11	—	—	—	—
Adjusted total income	**$ 20,132**	$21,416	$22,274	$20,657	$21,906	$19,914	$21,609	$18,658
Net income (loss)	**$(15,379)**	$ 2,801	$ 2,847	(3,633)	$ 4,292	$ 3,193	$ 7,114	4,331
Add (deduct):								
Amortization and Depreciation[2]	**1,356**	1,209	1,136	933	852	229	160	91
Provision for lending portfolio losses and related tax impact	**4,249**	—	—	2,063	—	1,478	—	—
Net fair value losses (gains)[3]	**20,465**	(1,568)	3,322	3,492	2,097	243	(778)	(191)
Deferred income taxes expense	**(3,774)**	5,437	110	332	(299)	1,159	1,047	1,217
Initial set-up, acquisition and transaction related costs	—	—	—	3,475	—	—	150	—
Renewable power principal debt service[3]	**(510)**	—	—	—	—	—	—	—
Non-controlling interests	**(107)**	(5)	(30)	(188)	76	(30)	—	—
Straight-line rent	**(28)**	(20)	(60)	41	(55)	(105)	(114)	(66)
Amortization of deferred financing costs and realized fair value loss on derivative financial liabilities	**68**	62	72	26	28	4	—	—
Interest earned on residential development and investment holdings[4]	**1,551**	1,519	1,472	1,395	1,273	1,246	1,207	1,169
Distributions received from development and investment holdings and AFS investments excluding return of capital	—	—	—	—	(748)	203	182	170
Amortization of lending portfolio discount	—	—	—	—	—	(257)	(255)	(266)
Amortization of mortgages payable premium	**(351)**	(350)	(350)	(386)	(365)	(447)	(407)	(420)
Deferred unit compensation expense	**193**	186	261	85	95	91	132	83
Normalized initial direct leasing costs and lease incentives	**(496)**	(526)	(534)	(579)	(615)	(621)	(604)	(598)
Normalized capital expenditures on renewable power	**(54)**	(73)	(80)	(51)	(72)	—	—	—
AFAD	**$ 7,183**	$ 8,672	$ 8,166	$ 7,005	$ 6,559	$ 6,386	$ 7,834	$ 5,520
AFAD per unit (basic and fully diluted)	**$ 0.10**	$ 0.12	$ 0.11	$ 0.10	$ 0.09	$ 0.09	$ 0.11	$ 0.08
AFAD per unit (basic and fully diluted) excluding disposition gains	**$ 0.10**	$ 0.12	$ 0.11	0.10	$ 0.09	$ 0.09	$ 0.08	0.08

(1) Certain comparative results have been reclassified to conform to the presentation adopted in the current period
(2) Excludes amortization and depreciation and renewable power principal debt service attributable to non-controlling interest
(3) Includes fair value adjustments in development and investment holdings and fair value adjustment to income properties
(4) Includes interest income earned and accrued on the contractual value of the two Empire residential participating mortgage investments based on the agreements' stated interest rates of 8.0% - 9.0%

The quarterly results of operations of the Trust are impacted by the underlying seasonal nature of the renewable power portfolio with solar irradiation highest during the summer months and wind production generally best during the winter months. Weather and seasonal related quarter to quarter fluctuations may occur from time to time, but as these renewable power investments were undertaken with a long term view, they are expected to achieve production in line with expected long term averages.

6. NON-IFRS MEASURES AND OTHER DISCLOSURES

We have presented certain Non-IFRS Measures because we believe these non-IFRS measures are important in evaluating the Trust's underlying operating performance, debt management and our ability to earn and pay cash distributions to unitholders. These non-IFRS measures do not have standardized meanings prescribed by IFRS and may not be comparable with similar measures presented by other issuers.

Investors are cautioned not to view Non-IFRS Measures as alternatives to financial measures calculated in accordance with IFRS.

"Adjusted EBITDA" is defined by the Trust as net income (loss) per the consolidated financial statements adjusted for income tax expense (recovery), interest expense net of other interest income, fair value adjustments to income properties, depreciation and amortization of renewable power and intangible assets and certain non-recurring and/or non-cash items. This non-IFRS measure is an important measure used by the Trust to assess our ongoing business operations while eliminating the impact of financing methods, capital structure and income tax rates; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. Reconciliations of Adjusted EBITDA to net income (loss) can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Income (Loss) to Adjusted EBITDA and Net Operating Income".

"Adjusted EBITDA margin" is a calculation of Adjusted EBITDA divided by Adjusted total income. This non-IFRS measure is an important measure used by the Trust to assess our ongoing business operations while eliminating the impact of financing methods, capital structure and income tax rates; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

"Adjusted funds available for distribution ("AFAD")" This non-IFRS measure is an important measure used by the Trust as an indicator to evaluate the Trust's rate of distribution while preserving the long-term value of the business; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

AFAD is a measure adjusted from net income (loss) per the consolidated financial statements and includes a deduction for an estimated amount of normalized initial direct leasing costs and lease incentives that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on our expected renewals and new leasing activity. Coincident with the commencement of principal payment on the renewable power debt, AFAD includes a deduction for the principal portion of the debt service. As principal payments occur quarterly and semi-annually, an estimate for each reporting period, based on the amortization tables is included. Our calculation of AFAD includes a deduction for normalized capital expenditures on operational renewable power assets. AFAD also includes adjustments to remove the impact of one time or non-recurring expenses, such as transaction costs. Our calculation of AFAD excludes the impact of certain non-cash items such as amortization and depreciation, straight-line rent, deferred income taxes expense (recovery) , fair value gains (losses), provision for lending portfolio losses and related tax impact, amortization of lending portfolio discount, amortization of mortgages payable premium, amortization of deferred financing costs and realized fair value loss on derivative financial liabilities, and deferred unit compensation expense. Our calculation of AFAD includes interest income earned on the Empire residential participating mortgage investments based on the stated interest rates in the agreements. The interest accrual represents a conservative measure of the expected future cash return from the development projects and more appropriately reflects returns that are being earned over time to the completion dates. The amounts included in AFAD represent the interest only portion of the return on these investments and do not include the Trust's estimate of the participation profit that it expects to receive upon completion of the project pursuant to the participation agreements. AFAD excludes net income (loss) attributable to non-controlling interests, including amortization and depreciation and principal repayments attributable to non controlling interests. AFAD includes cash operating distributions received from development and investment holdings and available-for-sale investments.

In prior periods, the Trust had included Funds available for distribution ("FAD"), a non-IFRS measure, in the MD&A, as part of the calculation to derive AFAD, which the Trust believes is an important measure used to evaluate the Trust's rate of distribution while preserving long-term value. In previous public disclosures, FAD was presented primarily as part of the calculation of AFAD, and not as a separate measure, and the elements thereof are now incorporated directly into the Trust's definition of AFAD described above. Accordingly, the Trust has discontinued presenting FAD in its MD&A and public disclosures and is of the view that AFAD is the more relevant metric.

The AFAD reconciliation to net income (loss) can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Income (Loss) to AFAD".

Reconciliations of AFAD to cash generated from operating activities are also included and can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Cash Generated from Operating Activities to AFAD".

"Adjusted total income" is defined by the Trust as the total income per the consolidated financial statements less fair value adjustments in development and investment holdings plus income (loss) from equity accounted investments. This non-IFRS measure excludes the fair value component in total income which is non-cash and is an important measure used by the Trust in evaluating operating performance; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. Reconciliations of adjusted total income to total income can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Total Income to Adjusted Total Income".

"Annualized AFAD return on average Trust net assets" is AFAD for the applicable period divided by the total unitholders' equity per the consolidated financial statements. Total unitholders' equity is calculated as the average of the opening and ending total unitholders' equity of the Trust of the respective periods. For periods less than 12 months, AFAD is annualized. For example, quarterly results are multiplied by four to derive the annualized AFAD, except where otherwise noted. The measure is not adjusted to reflect the timing of when AFAD was earned or for fluctuations in the balance of the total unitholders' equity over the period. This non-IFRS measure is an important measure used by the Trust in evaluating the returns on the Trust's total unitholders' equity; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

"Comparative properties NOI" includes NOI of same properties owned in the current and prior comparative period and excludes lease termination fees and other, straight-line rent, and amortization of lease incentives. As at December 31, 2016, the comparative properties NOI includes 17 income properties co-owned with Dream Office REIT and excludes the 6 income properties co-owned with Dream Industrial REIT, the wholly owned acquired office property and a property undergoing a significant repositioning (219 Laurier Ave. W). This non-IFRS measure is an important measure used by the Trust in evaluating the performance of the same properties owned in the current and comparative periods; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A reconciliation of comparative properties NOI to total NOI can be found in the Reportable Operating Segments Results of Operations - Income Properties section of this MD&A under the heading Net Operating Income. A reconciliation of net income (loss) to NOI can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Income (Loss) to Adjusted EBITDA and Net Operating Income".

"Debt-to-gross asset value" represents the total contractual debt payable for the Trust or operating segment divided by gross asset value of the Trust or operating segment as at the applicable reporting date. This non-IFRS measure is an important measure in evaluating the amount of debt leverage; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A calculation of debt-to-gross asset value can be found in the Capital Resources and Liquidity section of this MD&A under the heading Summary of Debt.

"Expected yield" is a measure of the return on investments determined as the cash flow generated from the respective group of assets, net of operating expenses, and net of debt service costs related to such group of assets, as a percentage of the total stabilized equity investment in the respective group of assets. The stabilized equity investment value is calculated as the expected funded equity at the reporting date net of debt financing expected to be secured against the respective group of assets. This non-IFRS measure is an important measure used by the Trust in evaluating the income-producing capability of investments; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

"Gross asset value" is total assets per the consolidated financial statements less assets held-for-sale. This non-IFRS measure is an important measure as it includes total assets on a basis consistent with that of total contractual debt payable which also excludes debt related to assets held-for sale when calculating debt-to-gross asset value; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

"Interest coverage ratio" the Trust believes this non-IFRS measure is an important measure in determining our ability to cover interest expense based on our operating performance; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. Interest coverage ratio is calculated on a rolling four fiscal quarter basis as net operating income less general and administrative expenses, less gain on disposition of development and investment holdings; all divided by interest expense excluding unamortized balance of mortgages payable premiums. The basis of this measurement was amended from previous periods to more closely align with the interest coverage calculation as required under the revolving credit facility covenant. A reconciliation of net income (loss) to NOI can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Income (Loss) to Adjusted EBITDA and Net Operating Income". The table below calculates the interest coverage ratio for the periods indicated.

	Year ended	
	December 31, 2016	December 31, 2015
Net operating income	**$ 51,592**	$ 51,418
General administration expenses	**(14,990)**	(13,872)
Gain on disposition of development and investment holdings	**—**	(3,112)
Total	**36,602**	34,434
Interest expense incurred, at contractual rate	**10,041**	10,171
Interest coverage ratio (times)	**3.65**	3.39

"Internal rate of return ("IRR")" for residential development projects is calculated based on the estimated net pre-tax cash flow expected to be generated from each project considering real estate development revenues, expenditures, construction time-line and sale dates; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

"Net assets attributable to Unitholders of the Trust" refers to the net difference between total assets and total liabilities less the amount of assets and liabilities attributable to non-controlling interests. This non-IFRS measure is an important measure in evaluating the Trust's and Asset Manager's performance. It is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

"Net asset value ("NAV") per unit" represents the net asset value attributable to unitholders of the Trust divided by the number of units outstanding at the end of the period. This non-IFRS measure is an important measure used by the Trust in evaluating the Trust's and Asset Manager's performance as it is an indicator of the intrinsic value of the Trust; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A reconciliation of net asset value per unit can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Asset Value to Unitholders' Equity".

"Net asset value ("NAV")" represents total unitholders' equity per the consolidated financial statements, less deferred income taxes payable or receivable, deferred unit incentive plan payable, and the unamortized balance of the mortgages payable premiums. The mortgages payable premiums represent the current unamortized balance of fair market value adjustments recorded for these instruments at the Trust's listing date. Since we intend to hold the mortgages payable to maturity, this historical fair value adjustment is removed for the calculation of the NAV. A fair value adjustment for renewable power projects developed by the Trust is included once they become operational and long-term financing is arranged. This non-IFRS measure is an important measure used by the Trust in evaluating the Trust's and Asset Manager's performance as it is an indicator of the intrinsic value of the Trust; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A reconciliation of net asset value can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Asset Value to Total Unitholders' Equity".

"Net operating income ("NOI")" is defined by the Trust as net income (loss) per the consolidated financial statements adjusted for: income tax expense (recovery), interest expense net of other interest income, depreciation and amortization, transaction costs, provision for lending portfolio losses, general and administrative expenses, fair value adjustments to income properties and fair value adjustments in development and investment holdings. This non-IFRS measure is an important measure used by the Trust in evaluating operating performance; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. Reconciliations of NOI to net income (loss) can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Income (Loss) to Adjusted EBITDA and Net Operating Income".

"Stabilized Equity" is calculated as the expected funded equity at the reporting date, net of debt financing expected to be secured against the respective group of assets. This non-IFRS measurement is an important measure used by the Trust since it incorporates the impact of expected debt financing when assessing expected yields from the respective investments. It is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

"Stabilized NOI" for an individual property is defined by the Trust as income property revenues less income property operating expenses adjusted for items such as average lease-up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. This non-IFRS measurement is an important measure used by the Trust in determining the fair value of individual income properties.

"Total contractual debt payable" represents total debt per the consolidated statements of financial position less note payable, unamortized balance of mortgages payable premiums and unamortized balance of deferred financing costs plus the construction loan facility. This non-IFRS measure is an important measure used in the management of our debt levels as an indicator principal amounts outstanding; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A reconciliation of total contractual debt payable to debt per the consolidated financial statements can be found in the Capital Resources and Liquidity section of this MD&A under the heading Summary of Debt.

RECONCILIATION OF NET INCOME (LOSS) TO AFAD

For the three months ended December 31, 2016	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
Net income (loss)	$ (22,416)	$ 263	$ (81)	$ 6,810	$ 45	**$ (15,379)**
Add (deduct):						
Amortization and Depreciation[3]	291	1,065	—	—	—	**1,356**
Provision for lending portfolio losses and related tax impact	—	—	3,596	—	653	**4,249**
Fair value losses (gains)[5]	26,671	—	—	(6,207)	—	**20,464**
Deferred income tax expense (recovery)	—	—	—	—	(3,774)	**(3,774)**
Renewable power principal debt service[4]	—	(510)	—	—	—	**(510)**
Non-controlling interests	—	(107)	—	—	—	**(107)**
Straight-line rent	(28)	—	—	—	—	**(28)**
Amortization of deferred financing costs and realized fair value loss on derivative financial liabilities	33	16	—	—	19	**68**
Interest earned on residential development and investment holdings[2]	—	—	—	1,552	—	**1,552**
Amortization of mortgages payable premium	(351)	—	—	—	—	**(351)**
Deferred unit compensation expense	—	—	—	—	193	**193**
Normalized initial direct leasing costs and lease incentives	(496)	—	—	—	—	**(496)**
Normalized capital expenditures on renewable power	—	(54)	—	—	—	**(54)**
AFAD	**$ 3,704**	**$ 673**	**$ 3,515**	**$ 2,155**	**$ (2,864)**	**$ 7,183**

For the year-ended December 31, 2016	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
Net income (loss)	$ (21,329)	$ 4,386	$ 7,525	$ 16,908	$ (20,854)	**$ (13,364)**
Add (deduct):						
Amortization and Depreciation[3]	866	3,768	—	—	—	**4,634**
Provision for lending portfolio losses and related tax impact	—	—	6,312	—	—	**6,312**
Fair value gains (losses)[5]	40,187	—	—	(14,477)	—	**25,710**
Transaction Costs	—	—	—	—	3,475	**3,475**
Deferred income tax expense	—	—	—	—	2,105	**2,105**
Renewable power principal debt service	—	(510)	—	—	—	**(510)**
Non-controlling interests	—	(330)	—	—	—	**(330)**
Straight-line rent	(67)	—	—	—	—	**(67)**
Amortization of deferred financing costs and realized fair value loss on derivative financial liabilities	139	61	—	—	28	**228**
Interest earned on residential development and investment holdings[2]	—	—	—	5,938	—	**5,938**
Amortization of mortgages payable premium	(1,437)	—	—	—	—	**(1,437)**
Deferred unit compensation expense	—	—	—	—	725	**725**
Normalized initial direct leasing costs and lease incentives	(2,135)	—	—	—	—	**(2,135)**
Normalized capital expenditures on renewable power	—	(258)	—	—	—	**(258)**
AFAD	**$ 16,224**	**$ 7,117**	**$ 13,837**	**$ 8,369**	**$ (14,521)**	**$ 31,026**

(1) Includes other Trust amounts not specifically related to the segments

(2) Includes interest income earned and accrued on the contractual value of the two Empire residential participating mortgage investments based on the agreements' stated interest rates of 8.0% - 9.0%

(3) Excludes amortization and depreciation attributable to non-controlling interest (three months ended December 31, 2016 - $0.1 million, year ended December 31, 2016 - $0.3 million)

(4) Excludes renewable power principal debt service attributable to non-controlling interest (three months ended December 31, 2016 - $0.1 million, year ended December 31, 2016 - $0.1 million)

(5) Includes fair value adjustments in development and investment holdings and fair value adjustments to income properties

RECONCILIATION OF NET INCOME (LOSS) TO AFAD

For the three months ended December 31, 2015[4]	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
Net income (loss)	$ (1,905)	$ 948	$ 3,433	$ 6,282	$ (4,466)	**$ 4,292**
Add (Deduct):						
Amortization and depreciation	167	736	(51)	—	—	**852**
Net fair value losses (gains)[3]	7,542	—	—	(5,445)	—	**2,097**
Deferred income taxes expense (recovery)	—	—	—	—	(299)	**(299)**
Non-controlling interests	—	76	—	—	—	**76**
Straight-line rent	(55)	—	—	—	—	**(55)**
Amortization of deferred financing costs	28	—	—	—	—	**28**
Interest earned on residential development and investment holdings[2]	—	—	—	1,273	—	**1,273**
Distributions received from development and investment holdings and AFS investments excluding return of capital	—	—	—	(748)	—	**(748)**
Amortization of mortgages payable premium	(365)	—	—	—	—	**(365)**
Deferred unit compensation expense	—	—	—	—	95	**95**
Normalized initial direct leasing costs and lease incentives	(615)	—	—	—	—	**(615)**
Normalized capital expenditures on renewable power	—	(72)	—	—	—	**(72)**
AFAD	**$ 4,797**	**$ 1,688**	**$ 3,382**	**$ 1,362**	**$ (4,670)**	**$ 6,559**

For the year ended December 31, 2015[4]	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
Net income (loss)	$ 13,192	$ 1,603	$ 11,501	$ 12,201	$ (19,567)	**$ 18,930**
Add (deduct):						
Amortization and depreciation	500	954	(122)	—	—	**1,332**
Provision for lending portfolio losses and related tax impact	—	—	2,011	—	(533)	**1,478**
Net fair value losses (gains)[3]	9,334	—	—	(7,963)	—	**1,371**
Deferred income taxes expense	—	—	—	—	3,124	**3,124**
Non-controlling interest	—	46	—	—	—	**46**
Straight-line rent	(340)	—	—	—	—	**(340)**
Amortization of deferred financing costs	32	—	—	—	—	**32**
Interest earned on residential development and investment holdings[2]	—	—	—	4,895	—	**4,895**
Distributions received from development and investment holdings and AFS investments excluding return of capital	—	—	—	(193)	—	**(193)**
Amortization of lending portfolio discount	—	—	(778)	—	—	**(778)**
Amortization of mortgages payable premium	(1,639)	—	—	—	—	**(1,639)**
Deferred unit compensation expense	—	—	—	—	401	**401**
Initial set-up, acquisition and transaction related costs	—	—	—	—	150	**150**
Normalized initial direct leasing costs and lease incentives	(2,438)	—	—	—	—	**(2,438)**
Normalized capital expenditures on renewable power	—	(72)	—	—	—	**(72)**
AFAD	**$ 18,641**	**$ 2,531**	**$ 12,612**	**$ 8,940**	**$ (16,425)**	**$ 26,299**

(1) Includes other Trust amounts not specifically related to the segments
(2) Includes interest income earned and accrued on the contractual value of the two Empire residential participating mortgage investments based on the agreements' stated interest rates of 8.0% - 9.0%
(3) Includes fair value adjustments in development and investment holdings and fair value adjustments to income properties
(4) Certain comparative results have been reclassified to conform to the presentation adopted in the current period

RECONCILIATION OF CASH GENERATED FROM OPERATING ACTIVITIES TO AFAD

For the three months ended	**December 31, 2016**	December 31, 2015[2]
Cash generated from operating activities	**$ 7,874**	$ 4,972
Add (deduct):		
Straight-line rent	**35**	—
Initial direct leasing costs and lease incentives[3]	**2,749**	1,803
Share of income from equity accounted investments and other	**611**	(185)
Interest capitalized and extension fees received on lending portfolio balance	**1,271**	778
Change in non-cash working capital	**(5,672)**	(1,471)
Non-controlling interests[4]	**(177)**	76
Renewable power principal debt service	**(510)**	—
Normalized initial direct leasing costs and lease incentives[3]	**(496)**	(615)
Normalized capital expenditures on renewable power	**(54)**	(72)
Interest earned on residential development and investment holdings[1]	**1,552**	1,273
AFAD	**$ 7,183**	$ 6,559

For the year-ended	**December 31, 2016**	December 30, 2015[2]
Cash generated from operating activities	**$ 13,980**	$ 16,817
Add (deduct):		
Straight-line rent	**(49)**	—
Initial direct leasing costs and lease incentives[3]	**8,002**	5,985
Share of income from equity accounted investments and other	**24**	104
Interest capitalized and extension fees received on lending portfolio balance	**3,500**	3,364
Change in non-cash working capital	**(336)**	(2,019)
Non-controlling interests[4]	**(605)**	46
Renewable power principal debt service	**(510)**	—
Current tax impact on provision for lending portfolio losses	**—**	(533)
Initial set-up, acquisition and transaction related costs	**3,475**	150
Normalized initial direct leasing costs and lease incentives[3]	**(2,135)**	(2,438)
Normalized capital expenditures on renewable power	**(258)**	(72)
Interest earned on residential development and investment holdings[1]	**5,938**	4,895
AFAD	**$ 31,026**	$ 26,299

(1) Includes interest income earned and accrued on the contractual value of the two Empire residential participating mortgage investments based on the agreements stated interest rates of 8.0% - 9.0%

(2) Certain comparative results have been reclassified to conform to the presentation adopted in the current period

(3) Actual initial direct leasing costs and lease incentives include amounts paid in respect of tenants with a weighted average lease term of approximately 11 years, in excess of the weighted average remaining lease term of 5.5 years of the portfolio, and therefore may not be indicative of normalized trends

(4) Includes amortization and depreciation attributable to non-controlling interest (three months and year ended December 31, 2016 - $0.1 million and $0.2 million, respectively)

RECONCILIATION OF TOTAL INCOME TO ADJUSTED TOTAL INCOME

For the three months ended December 31, 2016	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Total
TOTAL INCOME	$ 13,819	$ 2,712	$ 3,334	$ 6,515	**$ 26,380**
Less: Fair value adjustments in development and investment holdings	—	—	—	(6,207)	**(6,207)**
Share of income (loss) from equity accounted investments	—	—	—	(42)	**(42)**
ADJUSTED TOTAL INCOME	**$ 13,819**	**$ 2,712**	**$ 3,334**	**$ 266**	**$ 20,131**

For the three months ended December 31, 2015[1]	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Total
TOTAL INCOME	$ 15,048	$ 2,493	$ 3,503	$ 6,282	**$ 27,326**
Less: Fair value adjustments in development and investment holdings	—	—	—	(5,420)	**(5,420)**
ADJUSTED TOTAL INCOME	**$ 15,048**	**$ 2,493**	**$ 3,503**	**$ 862**	**$ 21,906**

For the year-ended December 31, 2016	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Total
TOTAL INCOME	$ 56,775	$ 12,906	$ 13,332	$ 15,918	**$ 98,931**
Less: Fair value adjustments in development and investment holdings	—	—	—	(14,477)	**(14,477)**
Share of income (loss) from equity accounted investments	—	—	—	24	**24**
ADJUSTED TOTAL INCOME	**$ 56,775**	**$ 12,906**	**$ 13,332**	**$ 1,465**	**$ 84,478**

For the year-ended December 31, 2015[1]	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Total
TOTAL INCOME	$ 60,341	$ 3,632	$ 13,940	$ 12,201	**$ 90,114**
Less: Fair value adjustments in development and investment holdings	—	—	—	(8,027)	**(8,027)**
ADJUSTED TOTAL INCOME	**$ 60,341**	**$ 3,632**	**$ 13,940**	**$ 4,174**	**$ 82,087**

[1] Certain comparative results have been reclassified to conform to the presentation adopted in the current period

RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA AND NET OPERATING INCOME

For the three months ended December 31, 2016	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
NET INCOME (LOSS)	$ (22,416)	$ 263	$ (81)	$ 6,810	$ 45	**$ (15,379)**
Income tax expense (recovery)	—	—	—	—	(3,776)	**(3,776)**
Interest expense net of other interest income	1,951	605	(181)	(337)	126	**2,164**
Fair value adjustments to income properties	26,671	—	—	—	—	**26,671**
Depreciation and Amortization	—	1,135	—	—	—	**1,135**
ADJUSTED EBITDA	$ 6,206	$ 2,003	$ (262)	$ 6,473	$ (3,605)	**$ 10,815**
Provision for lending portfolio losses	—	—	3,596	—	—	**3,596**
General and administrative expenses	—	—	—	—	3,605	**3,605**
Fair value adjustments in development and investment holdings	—	—	—	(6,207)	—	**(6,207)**
NET OPERATING INCOME	**$ 6,206**	**$ 2,003**	**$ 3,334**	**$ 266**	**$ —**	**$ 11,809**

For the three months ended December 31, 2015[2]	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
NET INCOME (LOSS)	$ (1,905)	$ 948	$ 3,433	$ 6,282	$ (4,466)	**$ 4,292**
Income tax expense	—	—	—	—	1,192	**1,192**
Interest expense net of other interest income	2,052	214	—	—	(30)	**2,236**
Fair value adjustments to income properties	7,542	—	—	—	—	**7,542**
Depreciation and Amortization	—	736	—	—	—	**736**
ADJUSTED EBITDA	$ 7,689	$ 1,898	$ 3,433	$ 6,282	$ (3,304)	**$ 15,998**
Provision for lending portfolio losses	—	—	—	—	—	**—**
General and administrative expenses	2	—	70	—	3,304	**3,376**
Fair value adjustments in development and investment holdings	—	—	—	(5,420)	—	**(5,420)**
NET OPERATING INCOME	**$ 7,691**	**$ 1,898**	**$ 3,503**	**$ 862**	**$ —**	**$ 13,954**

For the year-ended December 31, 2016	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
NET INCOME (LOSS)	$ (21,329)	$ 4,386	$ 7,525	$ 16,908	$ (20,854)	**$ (13,364)**
Income tax expense	—	—	—	—	1,821	**1,821**
Interest expense net of other interest income	7,832	1,675	(505)	(966)	568	**8,604**
Fair value adjustment to income properties	40,187	—	—	—	—	**40,187**
Depreciation and Amortization	—	4,043	—	—	—	**4,043**
Transaction costs	—	—	—	—	3,475	**3,475**
ADJUSTED EBITDA	$ 26,690	$ 10,104	$ 7,020	$ 15,942	$ (14,990)	**$ 44,766**
Provision for lending portfolio losses	—	—	6,312	—	—	**6,312**
General and administrative expenses	—	—	—	—	14,990	**14,990**
Fair value adjustments in development and investment holdings	—	—	—	(14,477)	—	**(14,477)**
NET OPERATING INCOME	**$ 26,690**	**$ 10,104**	**$ 13,332**	**$ 1,465**	**$ —**	**$ 51,591**

For the year-ended December 31, 2015[2]	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
NET INCOME (LOSS)	$ 13,192	$ 1,603	$ 11,501	$ 12,201	$ (19,567)	**$ 18,930**
Income tax expense	—	—	—	—	6,363	**6,363**
Interest expense net of other interest income	7,953	222	—	—	(192)	**7,983**
Fair value adjustments to income properties	9,334	—	—	—	—	**9,334**
Depreciation and Amortization	—	954	—	—	—	**954**
ADJUSTED EBITDA	$ 30,479	$ 2,779	$ 11,501	$ 12,201	$ (13,396)	**$ 43,564**
Provision for lending portfolio losses	—	—	2,011	—	—	**2,011**
General and administrative expenses	2	44	428	—	13,396	**13,870**
Fair value adjustments in development and investment holdings	—	—	—	(8,027)	—	**(8,027)**
NET OPERATING INCOME	**$ 30,481**	**$ 2,823**	**$ 13,940**	**$ 4,174**	**$ —**	**$ 51,418**

(1) Includes other Trust amounts not specifically related to the segments
(2) Certain comparative results have been reclassified to conform to the presentation adopted in the current period

RECONCILIATION OF NET ASSET VALUE TO TOTAL UNITHOLDERS' EQUITY

As at December 31, 2016	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
TOTAL UNITHOLDERS' EQUITY	$ 240,402	$ 83,174	$ 141,784	$ 207,084	$ (26,706)	**$ 645,738**
Fair value adjustment renewable power assets	—	4,523	—	—	—	**4,523**
Unamortized balance of mortgages payable premiums	1,183	—	—	—	—	**1,183**
Deferred income taxes payable	—	—	—	—	4,903	**4,903**
Deferred unit incentive plan payable	—	—	—	—	1,107	**1,107**
NAV	**$ 241,585**	**$ 87,697**	**$ 141,784**	**$ 207,084**	**$ (20,696)**	**$ 657,454**
NAV PER UNIT	**$ 3.34**	**$ 1.21**	**$ 1.96**	**$ 2.86**	**$ (0.28)**	**$ 9.09**

As at September 30, 2016	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
TOTAL UNITHOLDERS' EQUITY	$ 261,304	$ 81,440	$ 160,363	$ 188,715	$ (24,498)	**$ 667,324**
Fair value adjustment renewable power assets	—	4,586	—	—	—	**4,586**
Unamortized balance of mortgages payable premiums	1,525	—	—	—	—	**1,525**
Deferred income taxes payable	—	—	—	—	8,268	**8,268**
Deferred unit incentive plan payable	—	—	—	—	921	**921**
NAV	**$ 262,829**	**$ 86,026**	**$ 160,363**	**$ 188,715**	**$ (15,309)**	**$ 682,624**
NAV PER UNIT	**$ 3.63**	**$ 1.19**	**$ 2.22**	**$ 2.61**	**$ (0.21)**	**$ 9.44**

As at December 31, 2015	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
TOTAL UNITHOLDERS' EQUITY	$ 262,803	$ 105,031	$ 161,194	$ 164,019	$ 120	**$ 693,167**
Unamortized balance of mortgages payable premiums	2,623	—	—	—	—	**2,623**
Deferred income taxes payable	—	—	—	—	3,021	**3,021**
Deferred unit incentive plan payable	—	—	—	—	498	**498**
NAV	**$ 265,426**	**$ 105,031**	**$ 161,194**	**$ 164,019**	**$ 3,639**	**$ 699,309**
NAV PER UNIT	**$ 3.66**	**$ 1.45**	**$ 2.22**	**$ 2.26**	**$ 0.05**	**$ 9.64**

[1] Includes other Trust amounts not specifically related to the segments

7. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Trust does not have a Chief Executive Officer or a Chief Financial Officer. The President and Chief Responsible Officer and Chief Financial Officer of DAM (the "Certifying Officers") are responsible for the design of the Trust's disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109") and the Trust's internal control over financial reporting ("ICFR") (as defined by NI 52-109).

As at December 31, 2016, the financial year-end, the Certifying Officers, together with other members of management, have evaluated the design and effectiveness of the Trust's DC&P. Based on that evaluation, the Certifying Officers have concluded that, as at December 31, 2016, the DC&P are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management to allow timely decisions of required disclosures by the Trust and its consolidated subsidiary entities within the required time periods.

The Trust's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Using the framework established in "2013 Committee of Sponsoring Organizations (COSO) Internal Control Framework", published by the Committee of Sponsoring Organizations of the Treadway Commission, the Certifying Officers, together with other members of management, have evaluated the design and operation of the Trust's ICFR. Based on that evaluation, the Certifying Officers have concluded that the Trust's IFCR was effective as at December 31, 2016.

There were no changes in the Trust's ICFR during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Trust's ICFR.

8. RISKS AND RISK MANAGEMENT

Dream Alternatives is exposed to various risks and uncertainties, many of which are beyond our control. The following is a review of material factors that may impact our business operations. Additional risks and uncertainties are described in our most recent Annual Report and our current Annual Information Form, which are posted on our website at www.dreamalternatives.ca and on SEDAR at www.sedar.com. The occurrence of any of such risks could materially and adversely affect our investments, future prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders. Although we believe that the risk factors described below and in our Annual Information Form are the most material risks that we will face, they are not the only risks. Additional risk factors not presently known to us or that we currently believe are immaterial could also materially adversely affect our investments, future prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders and thereby adversely affect the value of our Units.

RISKS INHERENT IN THE REAL ESTATE INDUSTRY MAY ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE

Returns on real estate and real estate related assets and investments are generally subject to a number of factors and risks, including changes in general economic conditions (which could affect the availability, terms and cost of mortgage financings and other types of credit), changes in local economic conditions (such as an oversupply of properties or a reduction in demand for real estate in a particular area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

These factors and risks could cause fluctuations in the value of the real estate and real estate related assets and investments owned by us or in the value of the real estate securing mortgages and other loans we issue. These fluctuations could materially adversely affect us.

The income-producing properties in our investment portfolio generate income through rent payments made by our tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than those of the existing lease. The Trust's income and funds available for distribution to its Unitholders would be adversely affected if we were unable to lease a significant amount of the available space in the particular property on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to us, which may adversely affect us.

Further, the Trust's development projects related commitments are subject to those risks usually attributable to construction projects, which may include: (i) construction or other unforeseen delays; (ii) cost overruns and (iii) an increase in interest rates during the life of the development. Where the Trust's development commitments relate to properties intended for sale, such as certain residential projects, the Trust is also subject to the risk that purchasers of such properties may become unable or unwilling to meet their obligations or that the Trust may not be able to close the sale of a significant number of units in a development project on economically favourable terms.

RISKS INHERENT IN CERTAIN OF OUR INVESTMENTS MAY ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE

Our investments include direct and indirect investments in real estate, mortgages and other loans, renewable power projects, development and investment holdings, and securities of private companies, each of which can be relatively illiquid. While investments in illiquid assets have the potential to produce above-average growth opportunities, they may be difficult to value or sell at the time and price preferred by the owner. Accordingly, there is a risk that we would be unable to dispose of our illiquid assets in a timely way in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain of our assets, including certain types of real estate. The costs of holding certain of our assets, including real estate, are considerable and during an economic recession we may be faced with ongoing expenditures with a declining prospect of rental income. In such circumstances, it may be necessary for us to dispose of properties, or interests in properties, at discounted prices in order to generate sufficient cash for operations and making distributions. Where we are unable to dispose of illiquid assets, or we are forced to sell such assets at a discounted price, our ability to make cash distributions, our financial results and the value of our Units may be adversely affected.

The illiquidity of certain of our investments may also delay or prevent the repositioning of our portfolio as we currently intend, and such delays or inability to implement these plans could materially adversely affect our financial results and the value of our Units. The Trust may undertake strategic property dispositions from time to time in order to recycle its capital and maintain an optimal portfolio composition. The Trust may be subject to unexpected costs or liabilities related to such dispositions, which could adversely affect the Trust's financial position and results of operations and its ability to meet its obligations.

INVESTMENTS IN CERTAIN ASSETS CARRY CREDIT RISK AND COUNTER PARTY RISK

There is a risk that a borrower or issuer of an investment security will not make a payment on debt or that an originating lender will not make its payment on a loan participation interest purchased by us or that an issuer or an investment security or an originating lender retaining the original loan in which it grants participations may suffer adverse changes in financial condition, lowering the credit quality of its security or participation and increasing the volatility of the security or participation price. Such changes in the credit quality of a security or participation can affect its liquidity and make it more difficult to sell if we wish to do so. In addition, with respect to loans made or held by us, a change in the financial condition of a borrower could have a negative financial impact on us.

While we intend to diversify our investments to ensure that we do not have excessive concentration in any single borrower or counterparty, or related group of borrowers or counterparties, the Trust currently holds various lending instruments and investments with the same counterparty or related counterparties within its lending portfolio and development and investment holdings portfolio – see Note 29 to the consolidated financial statements. A change in the financial condition of a single borrower or counterparty or related group of borrowers or counterparties to which the Trust has concentrated exposure could significantly and adversely affect the overall performance of the Trust.

Our renewable power operations are highly dependent upon parties to certain agreements fulfilling their contractual obligations, including counterparties to PPAs, construction, operating and maintenance agreements and other key suppliers. An inability or failure of any such party to meet its contractual commitments or a failure or refusal to accept delivery of power by counterparties to our PPAs or FIT contracts may have a material adverse effect on our renewable power business as it may not be possible to replace the agreement with an agreement on equivalent terms and conditions. In addition, should one or more of our key suppliers or contractors be unable to meet their contractual obligations, we could experience construction delays, increases in construction costs and losses of revenue. Failure of any key supplier or contractor to meet its contractual obligations may lead to potential defaults under our PPAs.

RISKS RELATED TO LENDING PORTFOLIO

If a borrower under a loan defaults under any terms of the loan, we may have the ability to exercise our enforcement remedies in respect of the loan. Exercising enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact our cash flow. In addition, as a result of potential declines in real estate values, there is no assurance that we will be able to recover all or substantially all of the outstanding principal and interest owed to us in respect of such loans by exercising our enforcement remedies. Our inability to recover all or substantially all of the principal and interest owed to us in respect of such loans could materially adversely affect us.

There can be no assurance that any of the loans comprising our borrowers' portfolio can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. The lenders, the borrowers or both may elect to not renew any loan. If loans are renewed, the principal balance, the interest rates and the other terms and conditions will be subject to negotiation between the lenders and the borrowers at the time of renewal.

In addition, the composition of our lending portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in it being less diversified at some times than at other times. A lack of diversification may result in exposure to economic downturns or other events that have an adverse and disproportionate effect on particular types of securities, industries or geographies.

THE NATURE OF OUR INVESTMENTS MAY EXPOSE US TO SECTOR, CONCENTRATION AND OTHER SIMILAR RISKS

While our intention is to diversify our investments, our current investments are relatively concentrated in a limited number of market sectors or asset types or in a limited number of issuers. An investment in the Trust may therefore involve greater risk and volatility than an investment in an issuer with a broader portfolio of assets since the performance of one particular industry, market or issuer could significantly and adversely affect the overall performance of the Trust.

COMPETITION FOR INVESTMENT OPPORTUNITIES MAY ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE

Our performance depends on our ability to source or acquire assets including mortgage and corporate loans, real estate, renewable power projects and other investment opportunities at favourable yields or potential rates of return. We will compete with other investors, managers, corporations, institutions, developers, and owners of real estate for investment opportunities in the financing and/or acquisition of assets, including real estate and real estate and other lending. Certain competitors may have a higher risk tolerance, greater financial and other resources, and greater operating flexibility than us, allowing these competitors to more aggressively pursue investment opportunities. Accordingly, we may be unable to acquire sufficient real property, real property lending assets, renewable power projects, or other assets or investment opportunities at favourable yields or terms or at all.

WE MAY NOT BE ABLE TO SOURCE SUITABLE INVESTMENTS

Our strategy involves investing and reinvesting in suitable investment opportunities, pursuing such opportunities, consummating investments and, in the case of real estate assets and renewable power projects, effectively operating and leasing such properties. There can be no assurance as to the pace of growth through investments and/or acquisitions or that we will be able to acquire assets on an accretive basis, and as such, there can be no assurance that distributions to Unitholders will increase in the future.

ENVIRONMENTAL RISKS

As an owner of real estate, we are subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties and potential liability for the costs of removal or remediation of certain hazardous substances or ground contamination. The presence of such substances, if any, could materially adversely affect our ability, or our property or asset manager’s ability, to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against us. In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental site assessment to be conducted. Although such an assessment provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we, acting on the recommendations of DAM, may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We have formal policies and procedures which cause DAM to review and monitor environmental exposure. These policies include the requirement to conduct a Phase I environmental site assessment, or review a current Phase I, before we acquire real properties or originate any real estate lending.

FOREIGN EXCHANGE RISKS

The Trust's foreign exchange exposure mainly relates to fluctuations in the British pound against the Canadian dollar of the net investment in the United Kingdom Wind portfolio. In addition, the Trust's results are reported in Canadian dollars therefore, fluctuations in the value of the British pound will impact the Trust's consolidated total comprehensive income and financial condition. The Trust does not hedge this exposure.

WE MAY INCUR SIGNIFICANT CAPITAL EXPENDITURES AND OTHER FIXED COSTS

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long term, the condition of the properties in which we have an interest must be maintained or, in some cases, improved to meet market demand. Maintaining or upgrading a rental property in accordance with market standards can entail significant costs, which we may not be able to pass on to our tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization.

If the actual costs of maintaining or upgrading a property in which we have an interest exceed our estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if we are not permitted to raise rents due to legal constraints, we will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of our properties is located or similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced.

Any failure to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that we earn from such properties; for example, such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing leases. Any such event could have a material adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on Units.

SOLAR OR WIND RESOURCE AND ASSOCIATED SOLAR OR WIND ENERGY

The strength and consistency of the solar or wind resource at any project site may vary from the anticipated solar or wind resource. Weather patterns could change or the historical data could prove to be an inaccurate reflection of the strength and consistency of the solar or wind resource in the future. The conclusions of solar or wind resource studies and energy production estimates in relation to any solar or wind energy facility are based on a particular methodology and a set of assumptions about the existence of certain conditions and the assumption that these conditions will continue in the future. The assumptions and factors are inherently uncertain and may result in actual energy production being different from estimates. A decline in solar or wind conditions at any of our solar or wind energy facility could materially adversely affect revenues and cash flows from such facility.

FINANCING RISKS, LEVERAGE AND RESTRICTIVE COVENANTS MAY LIMIT OUR ABILITY FOR GROWTH

Ownership of certain of our assets and the industries in which we operate are capital intensive. We will require access to capital to maintain the real estate and other assets in which we have an interest, as well as to fund our growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms. Our access to third-party financing will be subject to a number of factors, including general market conditions; the market's perception of our growth potential; our current and expected future earnings; our cash flow and cash distributions, and cash interest payments; and the market price of our Units. Our failure to access required capital could materially adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the Units and our ability to implement our growth strategy.

A significant portion of our financing is debt. Accordingly, we are subject to the risks associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest, and that, on maturities of such debt, we may not be able to refinance the outstanding principal under such debt or that the terms of such refinancing will be more onerous than those of the existing debt. If we are unable to refinance debt at maturity on terms acceptable to us or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses and could alter our debt-to-equity ratio or be dilutive to Unitholders. Such losses could have a material adverse effect on our financial position or cash flows.

The degree to which we are leveraged could have important consequences to our operations. A high level of debt will reduce the amount of funds available for the payment of distributions to Unitholders; limit our flexibility in planning for and reacting to changes in the economy and in the industry, and increase our vulnerability to general adverse economic and industry conditions; limit our ability to borrow additional funds, dispose of assets, encumber our assets and make potential investments; place us at a competitive disadvantage compared to other owners of similar assets that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of then outstanding borrowings; and impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

SENSITIVITY TO INTEREST RATES

When concluding financing agreements or extending such agreements, we will depend on our ability to agree on terms, including in respect of interest payments and amortization that do not restrict our ability to pay distributions. In addition, we may enter into future financing agreements with variable interest rates if the current historical low level of interest rates continues. Given the historically low interest rates, there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by us to service debt, resulting in a decrease in distributions to Unitholders, and could materially adversely affect the trading price of the Units. In addition, increasing interest rates may put competitive pressure on the levels of funds available for distributions paid by us to Unitholders, increasing the level of competition for capital faced by us, which could have a material adverse effect on the trading price of the Units.

We may implement hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders should current variable interest rates increase. However, to the extent that we fail to adequately manage these risks, our financial results, and our ability to pay distributions to Unitholders and make interest payments under future financings may be adversely affected. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by financial institutions, could have a material adverse effect on our ability to sell any of our investments.

In addition, the market price for our Units and the value of our mortgage portfolio at any given time may be affected by the level of interest rates prevailing at such time. Our income includes interest payments on the mortgages comprising our lending portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of our mortgages are based), we may find it difficult to make additional mortgages bearing rates sufficient to achieve our investment objectives and to support our rate of distributions. A decline in interest rates could depress the housing market, which may affect our investment holding mortgage investments in condominium and home development. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect our ability to maintain our distributions at a consistent level. As well, if interest rates increase, the value of our lending portfolio may be negatively impacted.

GOVERNMENT AND REGULATORY RISKS

We are subject to laws and regulations governing the development, ownership, operation and leasing of certain of our assets, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting us (including with retroactive effect). Any changes in the laws to which we are subject could materially adversely affect the distributions received by the Trust from Dream Alternatives Master LP or by Unitholders from the Trust. It is not possible to predict whether there will be any further changes in any regulatory regime to which we are subject or the effect of any such change on our investments.

The real estate development process is subject to a variety of laws and regulations. In particular, governmental authorities regulate such matters as zoning and permitted land uses, levels of density and building standards. We will have to continue to obtain approvals from various governmental authorities and comply with local, provincial and federal laws, including laws and regulations concerning the protection of the environment in connection with such development projects. Obtaining such approvals and complying with such laws and regulations may result in delays which may cause us to incur additional costs which impact the profitability of a development project, or may restrict development activity altogether with respect to a particular project.

The construction and operation of renewable power projects is subject to extensive regulation by various government agencies at the municipal, provincial and federal levels. As legal requirements frequently change and are subject to interpretation and discretion, we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Any new law or regulation could require additional expenditures to achieve or maintain compliance or could adversely affect our ability to generate and deliver power. If we fail to meet regulatory requirements, we may become subject to enforcement action and the operation of our facilities could be adversely affected or be subject to fines, penalties or additional costs, or revocation of our permits or licenses.

The profitability of any wind or solar power project will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations, future growth and development of the independent power industry. Government regulations and incentives currently have a favourable impact on the building of wind and solar power facilities. Should the current governmental regulations or incentive programs be modified, our renewable power business may be materially adversely affected.

AN INVESTMENT IN THE TRUST IS SUBJECT TO CERTAIN TAX RISKS

There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of “mutual fund trusts” will not be changed in a manner that adversely affects Unitholders. If we cease to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations applicable to us would be materially and adversely different in certain respects, including that Units may cease to be qualified investments for Plans.

Although we are of the view that all expenses to be claimed by us will be reasonable and deductible and that the cost amount and capital cost allowance claims of entities indirectly owned by us will have been correctly determined, there can be no assurance that the Tax Act, or the interpretation of the Tax Act, will not change, or that the CRA will agree with our determinations. If the CRA successfully challenges the deductibility of such expenses, our taxable income will increase or change.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to which entities indirectly owned by us are able to deduct depreciation, interest and loan expenses relating to our investments for purposes of the Tax Act.

We will endeavour to ensure that Units continue to be qualified investments for Plans; however, there can be no assurance that this will occur. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

We are subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the interpretation and application of tax laws taken by the Company, which could lead to reassessments. These reassessments could have a material impact on the Company in future periods.

JOINT VENTURE RISKS

Many of our investments, including certain renewable power projects, mortgage loans, property developments and income properties, are made as joint ventures or partnerships with third parties. These structures involve certain additional risks, including the possibility that the co-venturers/partners may, at any time, have economic or business interests inconsistent with ours, the risk that such co-venturers/partners could experience financial difficulties which could result in additional financial demands on us to maintain and operate such properties or repay debt in respect of such properties, and the need to obtain the co-venturers’/partners’ consents with respect to certain major decisions in respect of such properties. We attempt to mitigate these risks by performing due diligence procedures on potential partners and contractual arrangements, and by closely monitoring and supervising the joint ventures or partnerships.

RISKS RELATED TO DEVELOPMENT PROJECTS

Before a development project generates any revenues, material expenditures are incurred to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model suites and sales facilities. It generally takes several fiscal periods for a development to achieve cumulative positive cash flow. If the development projects in which we participate are not developed and marketed successfully and do not generate positive cash flows in a timely manner, this may have a material adverse effect on our business and results of operations.

The Trust expects to be increasingly involved in investments which develop residential condominiums. These developments are often carried out with an experienced residential developer as the Trust's partner. Purchaser demand for residential condominiums is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for home buyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand.

INSURANCE RISKS

We carry, or cause to be carried, general liability, umbrella liability and excess liability insurance with limits which are typically obtained for similar operations in Canada and otherwise acceptable to the Trust Board on the recommendation of DAM. For the property risks we cause “All Risks” property insurance, including, but not limited to, flood, earthquake and loss of rental income insurance (with at least a 24 month indemnity period), to be carried. We also cause boiler and machinery insurance, covering all boilers, pressure vessels, HVAC systems and equipment breakdown, to be carried. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We may carry, or may cause to be carried, title insurance on certain of our real estate assets but will not necessarily insure all titles. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

RELIANCE ON DAM FOR MANAGEMENT SERVICES

We rely on DAM with respect to the asset management of our investments. Consequently, our ability to achieve our investment objectives depends in large part on DAM and its ability to properly advise us. Although the management agreement we have entered into with DAM (the "management agreement") does not have a fixed term, DAM has the right to terminate the management agreement with 180 days' prior written notice if Dream Alternatives Master LP and/or the Trust defaults in the performance or observance of any material term, condition or agreement of the management agreement in a manner that results in material harm and such default continues unremedied for a period of 60 days. The management agreement may also be terminated in other circumstances, such as upon the occurrence of an event of default or insolvency of DAM within the meaning of such agreement. Accordingly, there can be no assurance that DAM will continue to be our Asset Manager. If DAM should cease for any reason to be our Asset Manager, our ability to meet our objectives and execute our strategy may be adversely affected. We may be unable to duplicate the quality and depth of management available to DAM by becoming a self-managed Trust or by hiring another asset manager. In addition, the cost of obtaining substitute services may be greater than the fees we will pay DAM under the management agreement.

We depend on the management and administration services provided by DAM under the management agreement. DAM personnel and support staff that provide services to us under the management agreement are not required to have as their primary responsibility the management and administration of the Trust or Dream Alternatives Master LP or to act exclusively for either of us, and the management agreement does not require that the services we receive be provided to us by any specific individuals employed by DAM. Any failure to effectively manage our operations or to implement our strategy could materially adversely affect us.

RELIANCE ON DREAM ALTERNATIVES MASTER LP TO PROVIDE US WITH THE FUNDS NECESSARY TO PAY DISTRIBUTIONS AND MEET OUR FINANCIAL OBLIGATIONS

The Trust's sole material asset is its limited partnership interest in Dream Alternatives Master LP. The cash distributions to Unitholders are dependent on the ability of Dream Alternatives Master LP to pay distributions in respect of its LP A Units. The ability of Dream Alternatives Master LP to pay distributions or make other payments or advances to us may be subject to contractual restrictions contained in any instruments governing the indebtedness of Dream Alternatives Master LP or investments held by it. The ability of Dream Alternatives Master LP to pay distributions or make other payments or advances is also dependent on the ability of Dream Alternatives Master LP's subsidiaries to pay distributions or make other payments or advances to Dream Alternatives Master LP. The Trust depends on distributions and other payments from Dream Alternatives Master LP and, indirectly, its subsidiaries and investments, to provide the Trust with the funds necessary to pay distributions to its Unitholders and to meet its financial obligations.

Although we believe that the risk factors described in our 2016 Annual Report and in our 2016 Annual Information Form filed on SEDAR are the most material risks that we will face, they are not the only risks. Additional risk factors not presently known to us or that we currently believe are immaterial could also materially adversely affect our investments, future prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to unitholders and thereby adversely affect the value of our units. The occurrence of any of such risks could materially and adversely affect our investments, future prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to unitholders.

9. SIGNIFICANT ACCOUNTING POLICIES

9.1 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but that are inherently uncertain and unpredictable, the results of which form the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Dream Alternatives' critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 4 to the consolidated financial statements.

9.2 FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

Standards issued but not yet effective up to the date of issuance of the Trust's financial statements that are likely to have an impact on the Trust are listed below. This listing is of standards and interpretations issued that the Trust reasonably expects to be applicable at a future date. The Trust intends to adopt those standards when they become effective.

STATEMENT OF CASH FLOWS

IAS 7, "Statement of Cash Flows ("IAS 7"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning on or after January 1, 2017. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

REVENUE RECOGNITION

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model 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 application permitted. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

FINANCIAL INSTRUMENTS

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The entity's own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets - "fair value through other comprehensive income" - will exist. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

FINANCIAL INSTRUMENTS – DISCLOSURES

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

LEASES

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

10. BASIS OF PRESENTATION

This "MD&A" is a discussion of the operating results, cash flows and financial position of Dream Alternatives and should be read in conjunction with the consolidated financial statements of Dream Alternatives for the three months and year ended December 31, 2016, prepared in accordance with IFRS.

When we refer to terms such as "we", "us", and "our", we are referring to the Trust, Dream Alternatives Master LP and its subsidiaries. When we refer to the term "Units" we are referring to the Units of the Trust. When we refer to "Unitholders" we are referring to holders of the Units of the Trust.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation, including, but not limited to, statements relating to the Trust's objectives, strategies to achieve those objectives, the Trust's strategies with respect of our legacy assets and income properties, the Trusts' beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth and drivers thereof, results of operations, performance, business prospects and opportunities, market conditions, acquisitions or divestitures, leasing transactions, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, litigation and the real estate, lending and renewable power industries in general, in each case, that are not historical facts as well as statements regarding targeted return on equity (levered and unlevered) and IRR; expected yield; expected level of repatriation of equity from our income properties; AFAD; stabilized yield; stabilized NOI; expected commencement and completion dates of our retail, residential, renewable power and development and investment holdings projects; anticipated returns from our renewable power and development and investment holdings projects as well as the future contributions to NAV; development timelines on current and future retail, residential, renewable power and development and investment holdings projects; timing of distributions or future cash return from our development and investment holdings portfolio; our plans and proposals for future retail, residential and development and investment holdings projects, including projected sizes, density and uses; anticipated costs of our retail, residential and development, investment holdings and renewable power projects, including estimated normalized initial direct leasing costs and lease incentives and estimated normalized capital expenditures on operational renewable power assets; timing of achieving milestones in our retail, residential, renewable power and development and investment holdings projects; expected sources, amounts, and timing of financings for our projects; expected cash flows, economic returns and funded equity of projects in future periods; expected renewals, occupancies and leasing activity in our income properties portfolio and in the retail component of our development and investment holdings portfolio; anticipated demand for our retail, residential and development and investment holdings projects; expected operational installed capacity of our development stage renewable power projects; expected AFAD and cash yield on renewable power projects once operational; anticipated expected fair value gains on the carrying value of investment and development holdings and renewable power projects; the sustainability of cash distributions; the variability in the Trust's income tax expense; and anticipated adjusted cash generated from (utilized in) operating activities in future periods. Forward-looking statements generally can be identified by words such as "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "could", "likely", "plan", "project", "continue" or similar expressions suggesting future outcomes or events. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Trust's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. The assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein as well as assumptions relating to general and local economic and business conditions; the regulatory environment; the real estate market in general; the financial condition of tenants and borrowers; interest and mortgage rates; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions and renewable power projects; and the development, construction and operation of our real estate and renewable power projects on anticipated terms.

All the forward-looking statements contained in this MD&A are based on what we believe are reasonable assumptions; there can be no assurance that actual results will be consistent with these forward-looking statements. Factors or risks that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; changes to the regulatory environment; environmental risks; local real estate conditions, including the development of properties in close proximity to the Trust's properties and changes in real estate values; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' and borrowers' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; dependence on our partners in the development, construction and operation of our real estate and renewable power projects; uncertainty surrounding the development and construction of new projects and delays and cost overruns in the design, development, construction and operation of projects; adverse weather conditions and variability in wind conditions and solar irradiation; our ability to execute strategic plans and meet financial obligations; interest and mortgage rates and regulations; inflation; availability of equity and debt financing; foreign exchange fluctuations; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of February 27, 2017. Dream Alternatives does not undertake to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators. Certain filings are also available on our web site at www.dreamalternatives.ca.

Certain market information has been obtained from Standard & Poor's, publications prepared by independent, third-party commercial firms that provide information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

Average market rent disclosed in the MD&A is the Asset Manager's best estimate of the net rental rate that would be achieved in the event of a unit becoming vacant in a non-arm's length lease after a reasonable marketing period with an inducement and lease term appropriate for the particular space. Market rent by property is determined on a quarterly basis by our Asset Manager's leasing and portfolio management teams. The basis of calculating market rents depends on leasing deals that are completed for similar space of comparable properties in the area. Market rents may differ by property or by suite within the property, and are dependent upon a number of factors. Some of the factors considered include the condition of the space, the location within the building, the amount of office build-out required for the suites, appropriate lease term, and normal tenant inducements. On a quarterly basis, market rental rates are compared against the external appraisal information that is gathered for our properties and/or other comparable properties managed by the Asset Manager, as well as other external market data sources. The current estimated market rents are at a point in time and are subject to change based on future market conditions.

In addition, certain disclosures incorporated by reference into this report including, but not limited to, information regarding our largest tenants and development and investment holdings' development partners were obtained from publicly available information. We have not independently verified any such information.

11. ADDITIONAL INFORMATION

11.1 INCOME PROPERTIES AND ASSETS HELD FOR SALE SUPPLEMENTAL INFORMATION

The table below provides supplemental information on our income properties portfolio as at December 31, 2016.

Property	Property type	City	Trust's ownership	Total GLA (in sq.ft.)	Owned share of total GLA (in sq.ft.)	Year built	Year renovated	Average tenant size (in sq.ft.)
GTA and Southwestern Ontario								
London City Centre	Office	London	60.0%	540,893	324,536	1974	in progress	22,672
Valhalla Executive Centre (300, 302 & 304 The East Mall)	Office	Toronto	50.1%	326,401	163,527	1973	in progress	9,169
50 Sussex Centre	Office	Mississauga	50.1%	350,817	175,760	1987		8,323
90 Sussex Centre	Office	Mississauga	50.1%	302,699	151,652	1989		12,405
West Metro Corporate Centre (185 The West Mall)	Office	Toronto	50.1%	297,292	148,944	1989	2006	13,000
West Metro Corporate Centre (191 The West Mall)	Office	Toronto	50.1%	158,260	79,289	1985		16,414
West Metro Corporate Centre (195 The West Mall)	Office	Toronto	50.1%	160,812	80,567	1984	2009	160,812
Commerce West (401/405 The West Mall)	Office	Toronto	60.0%	411,842	247,106	1985	2007	17,558
2810 Matheson Blvd.	Office	Mississauga	50.1%	139,146	69,712	1989		13,251
80 Whitehall Dr.	Office	Markham	60.0%	60,805	36,483	1990		30,403
6501-6523 Mississauga Rd.	Office	Mississauga	60.0%	84,725	50,835	1982		3,156
6531-6559 Mississauga Rd.	Office	Mississauga	60.0%	71,258	42,755	1978		2,254
10 Lower Spadina Ave.	Office	Toronto	60.0%	60,239	36,144	1988		6,693
49 Ontario St.	Office	Toronto	60.0%	87,105	52,263	1972		43,553
Tillsonburg Gateway (680 Broadway St.)(1)	Retail	Tillsonburg	50.1%	47,016	23,555	2003		11,754
55 Norfolk St. S.	Office	Simcoe	60.0%	12,887	7,733	1987	2000	12,887
349 Carlaw Ave.	Office	Toronto	100.0%	33,894	33,894	1967	2015	5,155
Western Canada								
Lansdowne Village	Retail	Kamloops	60.0%	190,661	114,396	1970	2008	5,661
Gateway Business Centre	Office	Victoria	60.0%	181,601	108,960	1999		26,259
1082 Stock Rd.	Industrial	Regina	50.0%	46,157	23,079	2012		46,157
1105 Pettigrew Ave.	Industrial	Regina	50.0%	12,234	6,117	1980	2012	12,234
363 Maxwell Cres.	Industrial	Regina	50.0%	23,415	11,708	1984	1997	23,415
1640 Broder St.	Industrial	Regina	50.0%	11,169	5,585	1989	1997	11,169
2190 Industrial Dr.	Industrial	Regina	50.0%	11,677	5,839	1989		11,677
125 McDonald St.	Industrial	Regina	50.0%	14,080	7,040	1975		14,080
Eastern Canada								
219 Laurier Ave. W.	Office	Ottawa	60.0%	187,783	112,670	1965		43,314
460 Two Nations Crossing	Office	Fredericton	60.0%	50,945	30,567	2008		50,945
Wedgewood Plaza	Retail	Halifax	65.0%	36,406	23,664	1994		12,887
				3,912,219	**2,174,383**			**11,085**

(1) Classified as asset held-for-sale as at December 31, 2016

11.2 DEVELOPMENT AND INVESTMENT HOLDINGS PARTNERS AND SUPPLEMENTAL INFORMATION

Empire Communities ("Empire"[1])

Empire has established a tradition of creating prestigious, award-winning new homes, condominiums, and communities in the GTA, Hamilton, and Niagara regions, while earning a reputation for outstanding attention to detail and customer service. The company received recognition as Ontario's 2013 Green Builder of the Year. Past awards include The President's Award from the Ontario New Home Warranty Program for Outstanding Service and Achievement, the Ontario Community of the Year Award for its Wyndfield and Wyndance communities, and previous Green Builder of the Year Awards from the Hamilton-Halton Home Builders' Association and Building Industry and Land Development Association.

The participating mortgage investments are in a high-rise condominium development and a detached/semi-detached/townhouse development being constructed by Empire, each in the form of a mortgage instrument and a participating agreement, which allows us to participate in a percentage of the profits of the development in excess of the proceeds of the mortgages. We expect to receive repayment of amounts owing under the mortgage instruments and our share of proceeds under the participating agreements from both Empire developments upon the respective completion dates. Upon receipt of all proceeds, we will retain no further ownership interest or security on these developments.

Villarboit Development Corporation ("Villarboit"[2])

Villarboit is a Toronto-based developer of retail properties. The company is responsible for all primary aspects of our retail development projects including acquisitions, site planning, construction and leasing, as well as property and asset management.

The Villarboit investments are retail assets under development and retail assets completed and operational that commenced in 2012 or later and are in various stages of leasing and construction. The investments consist of six non-recourse participating loan investments with initial terms of 10 years and one 19.8% co-ownership interest. Our security under the participating loans ranges from an approximately 65% to 89% interest in the properties and does not have recourse to Villarboit directly. Investments structured as participating mortgages have a stated interest rate of up to 13%, and the co-ownership investment is expected to generate a cash return once the development is complete.

Bayfield LP Investments

The Bayfield LP investments consist of limited partnership interests of less than 20% in two separate limited partnerships that own co-ownership interests in three shopping centres and one office tower. RioCan REIT has an ownership interest in these properties, and a subsidiary of RioCan REIT is the property manager of each of the retail properties. Cash distributions received from the Bayfield LP investments during the quarter were consistent with the annual target distribution rate as communicated by the limited partnerships' asset manager, Bayfield Realty Advisors.

Hotel PUR

Hotel PUR is an award-winning, full service hotel situated in the heart of the Saint-Roch District of Québec City, Québec. The investment was made in partnership with Global Edge Investments Hospitality Inc. ("GEI")[3], a North American hospitality investment company with development and asset management expertise in hotels, restaurants and on-line hospitality companies. The hotel is managed by Crescent Hotels & Resorts, one of the top five leading third-party hotel management companies in North America.

(1) As disclosed on Empire's website at www.empirecommunities.com
(2) Based on information disclosed on Villarboit's website at www.villarboit.com
(3) As disclosed on GEI's website at www.globaledgeinvestments.com

11.3 RENEWABLE POWER SUPPLEMENTAL INFORMATION

Ontario Rooftop Solar
Ontario Rooftop Solar comprises three rooftop solar portfolios, which consist of ten rooftop solar power projects located in Ontario, and has an installed capacity of 3.1 MW. The assets are unlevered as at December 31, 2016.

Ontario Ground-Mount Solar
Ontario Ground-Mount Solar is a portfolio of ten ground-mount solar power projects located in Ontario with an installed capacity of 4.8 MW. All solar power projects are declared operational. Each project has a 20-year PPA with the Independent Electricity System Operator through the Feed-in Tariff ("FIT") program.

Nova Scotia Wind
Nova Scotia Wind is a wind power portfolio consisting of eight turbines located in Nova Scotia with a total capacity of 13.2 MW. The Trust owns on a stabilized equity basis an approximate 80.0% economic interest in this portfolio, representing an installed capacity at a share of 10.5 MW. The portfolio is divided into three projects each of which have a 20-year PPA with Nova Scotia Power Inc. through the Community Feed-in-Tariff program.

United Kingdom Wind
United Kingdom Wind is a wind power portfolio located in the U.K. that consist of 32 fully operational distributed-scale wind turbines. During 2016, the management of the portfolio was transitioned from the original developer who holds a non controlling economic interest of approximately 9%. The Trust owns an economic interest of approximately 91% of the portfolio based on the form and structure of the investment. Each of the turbines has a FIT accreditation which provides for payments from local utilities within the U.K. that are indexed to inflation for a remaining term of approximately 20 years as guaranteed by the Office of Gas and Electricity Markets ("OFGEM"), the U.K. government regulator for the electricity and downstream natural gas markets. The assets are unlevered as at December 31, 2016.

11.4 ADDITIONAL INFORMATION

Additional information relating to Dream Hard Asset Alternatives Trust, including the Trust's Annual Information Form and audited consolidated financial statements and accompanying notes are available on SEDAR at www.sedar.com. The Trust’s voting units trade on the TSX under the symbol "DRA.UN".

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Asset Manager of Dream Hard Asset Alternatives Trust prepares the Annual Report, which includes the consolidated financial statements, the notes thereto and management's discussion and analysis. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using the Asset Manager's best estimates and judgments when appropriate.

The Board of Trustees is responsible for ensuring that the Asset Manager fulfills its responsibility for financial reporting and internal control. The audit committee, which comprises Trustees, meets with the Asset Manager as well as the external auditors to satisfy itself that the Asset Manager is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditors. The audit committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditor, has audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditor has full and unrestricted access to the audit committee, with or without the Asset Manager present.

Michael J. Cooper
Portfolio Manager

Pauline Alimchandani
Chief Financial Officer

Toronto, Ontario, February 27, 2017

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Dream Hard Asset Alternatives Trust

We have audited the accompanying consolidated financial statements of Dream Hard Asset Alternatives Trust and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 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 the auditor's 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, the auditor considers 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dream Hard Asset Alternatives Trust and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 27, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	Note		**December 31, 2016**		December 31, 2015
ASSETS					
NON-CURRENT ASSETS					
Income properties	6	**$**	**479,401**	$	520,395
Lending portfolio	7		**35,259**		47,947
Development and investment holdings	8		**187,295**		164,019
Renewable power assets	9		**132,794**		120,521
Other non-current assets	10		**7,122**		3,087
Equity accounted investments			**18,823**		—
TOTAL NON-CURRENT ASSETS			**860,694**		855,969
CURRENT ASSETS					
Lending portfolio - current portion	7		**106,697**		113,336
Amounts receivable	12		**3,177**		4,471
Income tax receivable			**2,151**		—
Prepaid expenses and other current assets			**2,891**		3,015
Cash			**11,757**		20,764
TOTAL CURRENT ASSETS			**126,673**		141,586
Assets held-for-sale	6		**4,231**		—
TOTAL ASSETS		**$**	**991,598**	$	997,555
LIABILITIES					
NON-CURRENT LIABILITIES					
Construction loan facility	13	**$**	**—**	$	14,534
Amounts payable and accrued liabilities	16		**509**		—
Debt	13		**216,515**		221,483
Deferred income taxes	23		**4,903**		3,021
Deferred unit incentive plan	14		**1,107**		498
TOTAL NON-CURRENT LIABILITIES			**223,034**		239,536
CURRENT LIABILITIES					
Debt - current portion	13		**91,284**		35,317
Derivative financial liabilities	15		**845**		1,531
Amounts payable and accrued liabilities	16		**26,824**		23,512
Income tax payable	23		**—**		2,599
TOTAL CURRENT LIABILITIES			**118,953**		62,959
Liabilities related to assets held-for-sale			**2,285**		—
TOTAL LIABILITIES			**344,272**		302,495
UNITHOLDERS' EQUITY					
Unitholders' equity			**593,911**		596,541
Retained earnings			**56,977**		98,078
Accumulated other comprehensive loss	18		**(5,150)**		(1,452)
TOTAL UNITHOLDERS' EQUITY			**645,738**		693,167
Non-controlling interests			**1,588**		1,893
TOTAL EQUITY			**647,326**		695,060
TOTAL LIABILITIES AND EQUITY		**$**	**991,598**	$	997,555

See the accompanying notes to the consolidated financial statements
Commitments and contingencies (Note 27)

On behalf of the Board of Trustees of Dream Hard Asset Alternatives Trust:

Andrew Lapham
Chair

James Eaton
Trustee

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars)	Note	2016	(Note 2) 2015
INCOME			
Income properties revenue		**$ 56,775**	$ 60,341
Renewable power revenue		**12,906**	3,632
Lending portfolio interest income and lender fees		**13,332**	13,940
Fair value adjustments and operating cash distributions in development and investment holdings	8	**15,918**	9,089
Gain on disposition of development and investment holdings		**—**	3,112
TOTAL INCOME		**98,931**	90,114
EXPENSES			
Income properties, operating	19	**(30,085)**	(29,860)
Renewable power, operating	20	**(6,845)**	(1,763)
Interest expense	21	**(10,176)**	(8,532)
Provision for lending portfolio losses	7	**(6,312)**	(2,011)
General and administrative	22	**(14,990)**	(13,870)
TOTAL EXPENSES		**(68,408)**	(56,036)
Fair value adjustments to income properties	6	**(40,187)**	(9,334)
OPERATING INCOME (LOSS)		**(9,664)**	24,744
Other interest income		**1,572**	549
Transaction costs	16	**(3,475)**	—
Share of income from equity accounted investments		**24**	—
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE		**(11,543)**	25,293
INCOME TAX EXPENSE			
Current income tax recovery (expense)	23	**284**	(3,239)
Deferred income tax expense	23	**(2,105)**	(3,124)
TOTAL INCOME TAX EXPENSE		**(1,821)**	(6,363)
NET INCOME (LOSS)		**(13,364)**	18,930
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified subsequently to net income (loss):			
Fair value adjustments to derivative financial liabilities hedges, net of tax	15	**(602)**	(1,122)
Realized fair value loss from derivative financial liabilities hedges, net of tax		**20**	—
Fair value adjustments to development and investment holdings available-for-sale, net of tax		**(31)**	(836)
Unrealized foreign currency translation loss		**(3,085)**	(19)
TOTAL OTHER COMPREHENSIVE LOSS		**(3,698)**	(1,977)
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ (17,062)**	$ 16,953
NET INCOME ATTRIBUTABLE TO			
Unitholders		**$ (13,694)**	$ 18,976
Non-controlling interests		**330**	(46)
NET INCOME (LOSS)		**$ (13,364)**	$ 18,930
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO			
Unitholders		**$ (17,392)**	$ 16,999
Non-controlling interests		**330**	(46)
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ (17,062)**	$ 16,953

See the accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year-ended December 31, 2016

(in thousands of Canadian dollars, except for number of units)	Note	**Number of units**	**Unitholders' equity**	**Retained earnings**	**Accumulated other comprehensive loss**	**Non-controlling interests**	**Total**
Balance as at January 1, 2016		**72,562,487**	**$ 596,541**	**$ 98,078**	**$ (1,452)**	**$ 1,893**	**$ 695,060**
Net income (loss) for the period		**—**	**—**	**(13,694)**	**—**	**330**	**(13,364)**
Other comprehensive loss		**—**	**—**	**—**	**(3,698)**	**—**	**(3,698)**
Distributions paid and payable	17	**—**	**—**	**(28,972)**	**—**	**—**	**(28,972)**
Distribution Reinvestment Plan	17	**303,325**	**1,730**	**—**	**—**	**—**	**1,730**
Deferred units exchanged for Trust units	14	**20,302**	**116**	**—**	**—**	**—**	**116**
Cancellation of Trust units	17	**(534,392)**	**(4,476)**	**1,565**	**—**	**—**	**(2,911)**
Distributions to non-controlling interests		**—**	**—**	**—**	**—**	**(635)**	**(635)**
Balance as at December 31, 2016		**72,351,722**	**$ 593,911**	**$ 56,977**	**$ (5,150)**	**$ 1,588**	**$ 647,326**

For the year-ended December 31, 2015

(in thousands of Canadian dollars, except for number of units)	Note	Number of units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests	Total
Balance as at January 1, 2015		73,666,978	$ 606,150	$ 105,532	$ 525	$ 1,955	$ 714,162
Net income for the period		—	—	18,976	—	(46)	18,930
Other comprehensive loss		—	—	—	(1,977)	—	(1,977)
Distributions paid and payable	17	—	—	(29,386)	—	—	(29,386)
Distribution Reinvestment Plan	17	217,247	1,349	—	—	—	1,349
Deferred units exchanged for Trust units	14	7,916	50	—	—	—	50
Cancellation of Trust units	17	(1,329,654)	(11,008)	2,956	—	—	(8,052)
Distributions to non-controlling interests		—	—	—	—	(16)	(16)
Balance as at December 31, 2015		**72,562,487**	**$ 596,541**	**$ 98,078**	**$ (1,452)**	**$ 1,893**	**$ 695,060**

See the accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	Note		2016		(Note 3) 2015
Generated from (utilized in) operating activities					
Net income		**$**	**(13,364)**	$	18,930
Non-cash items:					
Amortization and depreciation	26		**3,700**		(1,053)
Other adjustments	26		**31,310**		(206)
Change in non-cash working capital	26		**336**		2,019
Investment in lease incentives and initial direct leasing costs			**(8,002)**		(5,985)
Realized gains from sale of development and investment holdings asset			**—**		3,112
Generated from operating activities		**$**	**13,980**	$	16,817
Generated from (utilized in) investing activities					
Investments in building improvements		**$**	**(8,862)**	$	(5,386)
Acquisition of income properties, including transaction costs			**—**		(17,915)
Cash distributions from development and investment holdings			**—**		5,413
Cash advances to development and investment holdings			**(8,835)**		(2,942)
Proceeds from sale of development and investment holdings asset			**—**		9,525
Net proceeds from disposal of income properties			**11,466**		—
Additions to renewable power assets			**(20,378)**		(98,823)
Lending portfolio additions, net of lender fees	7		**(39,843)**		(55,083)
Principal repayments received from lending portfolio	7		**56,286**		109,597
Deposit in investment holdings	10		**(1,943)**		—
Investments in equity accounted investments	11		**(18,799)**		—
Generated from (utilized in) investing activities		**$**	**(30,908)**	$	(55,614)
Generated from (utilized in) financing activities					
(Repayment) borrowings on construction loan facility, net	13	**$**	**(14,534)**	$	14,534
Changes in restricted cash balance			**299**		(2,019)
Long-term debt borrowings, net			**56,283**		92,411
Lump sum repayments of mortgage payable and note payable	13		**(7,922)**		(83,805)
Mortgages repayments	13		**(8,870)**		(5,593)
Settlement of derivative financial liabilities	15		**(1,512)**		—
Distributions and contributions to non-controlling interests			**(635)**		—
Advance on revolving credit facility, net	13		**15,000**		—
Distributions paid on units	17		**(27,251)**		(28,072)
Trust units repurchased and cancelled	17		**(2,911)**		(8,052)
Generated from (utilized in) financing activities		**$**	**7,947**	$	(20,596)
Foreign exchange on cash held in foreign currency		**$**	**(26)**	$	—
Decrease in cash		**$**	**(9,007)**	$	(59,393)
Cash, beginning of year			**20,764**		80,157
Cash, end of year		**$**	**11,757**	$	20,764

See the accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All dollar amounts are presented in thousands of Canadian dollars, except for unit, per unit, and MW amounts, unless otherwise stated)

1. ORGANIZATION

Dream Hard Asset Alternatives Trust ("Dream Alternatives" or the "Trust") is an open-ended trust established under the laws of the Province of Ontario by a Declaration of Trust dated April 28, 2014, amended and restated on July 8, 2014. The consolidated financial statements of Dream Alternatives include the accounts of Dream Alternatives and its consolidated subsidiaries. The Trust was formed by and is managed by Dream Asset Management Corporation ("DAM" or the "Asset Manager"). The Trust is focused on hard asset alternative investments comprising real estate, real estate lending, real estate development and renewable power.

The Trust's registered office is 30 Adelaide Street East, Suite 301, Toronto, Ontario, Canada, M5C 3H1. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "DRA.UN". Dream Alternatives' consolidated financial statements for the year ended December 31, 2016 were authorized for issuance by the Board of Trustees on February 27, 2017, after which date they may only be amended with the Board of Trustees' approval.

For simplicity, throughout the notes, reference is made to the units of the Trust as follows:

- "units" meaning Trust voting units, and
- "unitholders" meaning holders of Trust voting units.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Trust's consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The consolidated financial statements are prepared on a historical cost basis, except for income properties, development and investment holdings and certain financial instruments that are measured at fair value. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements unless otherwise indicated.

Certain prior year comparative results have been reclassified to conform to the current year's consolidated financial statement presentation.

BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Trust and its subsidiaries. All intercompany transactions have been eliminated in these consolidated financial statements.

Subsidiaries are those entities that the Trust controls by having the power to govern the financial and operating policies of the entity and has exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the investee to affect the amount of the investor's return. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Trust controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Trust and are subsequently deconsolidated from consolidated financial statements on the date that control ceases.

NON-CONTROLLING INTERESTS

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Net income and comprehensive income of subsidiaries is recognized directly in equity attributable to non-controlling interests and owners of the Trust within equity. Changes in the Trust's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

JOINT ARRANGEMENTS

The Trust may enter into joint arrangements through joint operations and joint ventures. Joint arrangements are contractual arrangements that give two or more parties joint control of the arrangement. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement, whereas a joint venture is a joint arrangement whereby the parties that have joint control only have rights to the net assets of the arrangement.

The Trust, through its subsidiaries, is a co-owner in several properties that are subject to joint control and has direct rights to the income property, and obligations for the liabilities relating to the co-ownership. Therefore these joint arrangements are considered to be joint operations. For these properties, the Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the consolidated financial statements.

Interests in joint ventures are accounted for using the equity method of accounting. The Trust's equity accounted investments are initially recognized at cost. The consolidated financial statements include the Trust's share of the profit or loss and other comprehensive income (loss), after adjustments to align the accounting policies with those of the Trust, from the date that joint control commences until the date that joint control ceases. When the Trust's share of losses, if any, exceeds the carrying amount of the joint venture, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Trust has a legal or constructive obligation or has made a payment on behalf of the joint venture.

INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for using the equity method. Investments in associates are those entities in which the Trust has significant influence, but no control or joint control, over the financial and operating policies.

Investments in associates are recognized initially at cost including any transaction costs. The consolidated financial statements include the Trust's share of the profit or loss and other comprehensive income (loss), after adjustments to align the accounting policies with those of the Trust, from the date that significant influence commences until the date that significant influence ceases. When the Trust's share of losses, if any, exceeds the carrying amount of the associate, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Trust has a legal or constructive obligation or has made a payment on behalf of the associate.

SEGMENT REPORTING

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) that is subject to risks and rewards that are different from those of other reportable segments. The Trust's primary format for segment reporting is based on business segments. The business segments: income properties, renewable power, lending portfolio, and development and investment holdings, are based on the Trust's management and internal reporting structure. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Portfolio Manager of Dream Alternatives. The operating segments derive their revenue primarily from rental income, lessees, power sales, interest income and loan fees.

3. ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

The principal accounting policies applied in the preparation of these consolidated financial statements are described below.

INCOME PROPERTIES

Income properties are initially recorded at cost, including related transaction costs in connection with asset acquisitions, and include office, retail and industrial properties held to earn rental income and/or for capital appreciation. After initial recognition, income properties are carried at fair value, determined based on available market evidence at the consolidated statements of financial position dates. The Asset Manager estimates the fair value of each income property using the most appropriate valuation methodology determined for each property on a highest and best use basis, which may include the overall capitalization method, the discounted cash flow method or, in certain limited circumstances, land values. Related fair value gains and losses are recorded in net income in the statements of comprehensive income in the period in which they arise. The fair value of each income property is based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the consolidated balance sheet dates, less future estimated cash outflows in respect of such properties. To determine fair value, the Trust first considers whether it can use current prices in an active market for a similar property in the same location and condition that is subject to similar leases and other contracts. The Trust has concluded that there is insufficient market evidence on which to base income property valuation using this approach, except for those properties valued using land values; therefore, it uses the income approach for the remaining properties. The income approach is one in which the fair value is estimated by capitalizing the net rental income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method, whereby the net operating income is capitalized at the requisite overall capitalization rate, and/or the discounted cash flow method, in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. Each property is subject to an appraisal by an independent valuator approximately once every three years.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of income properties. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of income properties and are amortized on a straight-line basis over the term of the lease as a reduction of income properties' revenue.

LENDING PORTFOLIO

The lending portfolio is comprised of fixed-interest-rate amortizing and interest-only mortgage and loan investments that the Trust intends on holding until maturity, which are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, the lending portfolio investments are measured at amortized cost using the effective interest rate method, less any impairment losses. The lending portfolio investments are assessed on each reporting date to determine whether there is objective evidence of impairment. A lending portfolio investment is considered to be impaired if there has been a deterioration of credit quality subsequent to its initial recognition such that the Trust no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

An impairment loss in respect of a specific lending portfolio investment 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. If practical, impairment may be measured based on an instrument's fair value using an observable market price. Losses are recognized in the statements of comprehensive income and reflected in an allowance account against the lending portfolio investment. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive income. A provision for lending portfolio losses represents the Asset Manager's best estimate of impaired lending portfolio investments at each reporting date. Judgment is required as to the timing of designating a lending portfolio as impaired and the amount of any provision required.

The Trust recognizes interest, lender fees and other income from the lending portfolio in the consolidated statements of comprehensive income using the effective interest rate method. Interest and other income includes the Trust's share of any fees received, as well as the effect of any premium or discount received on the mortgage. The effective interest rate method discounts the future cash payments and receipts through the expected life of the lending portfolio mortgage or loan to its carrying amount.

DEVELOPMENT AND INVESTMENT HOLDINGS

Development and investment holdings include mortgages receivable secured against retail and residential development properties and include participation rights in the profits of the underlying developments. The participation rights represent an embedded derivative. The Trust has elected to designate each of the entire combined contracts as financial assets at fair value through profit or loss, and, accordingly, development and investment holdings are initially recorded at the cost of acquisition and are subsequently carried at fair value. Transaction costs are expensed as incurred. These participating mortgages are classified as development and investment holdings on the consolidated statements of financial position. Income earned and the changes in fair value are recorded in the consolidated statements of comprehensive income (loss) as fair value adjustments and operating cash distributions in development and investment holdings.

In the year ended December 31, 2016, the Trust reclassified the cash flows related to capital components of development and investment holdings on the consolidated statements of cash flows, from operating activities to investing activities. These capital components include incremental investments, distributions of capital received and proceeds related to capital received on disposition. The revised classification of the cash flows, which provides more relevant information to users in assessing the realized long-term investment returns over the term of each development and holdings project, is considered a change in accounting policy and has been applied retrospectively.

As a result, for the comparative years, cash flows generated from (utilized in) operating activities decreased by $14,556 for the year ended December 31, 2015. Cash flows generated from (utilized in) investing activities increased by $14,556 for the year ended December 31, 2015.

Absent the change of the above-mentioned reclassification, cash flows generated from (utilized in) operating activities would have been lower by $8,835 and cash flows generated from (utilized in) investing activities would have been higher by $8,835 for the year ended December 31, 2016.

There was no impact on the consolidated statements of financial position as at December 31, 2015 and December 31, 2016, the consolidated statements of comprehensive income (loss) for the years ended December 31, 2015 and December 31, 2016, or the consolidated statements of changes in equity for the years ended December 31, 2015 and December 31, 2016.

DEVELOPMENT AND INVESTMENT HOLDINGS AVAILABLE-FOR-SALE

Development and investment holdings available-for-sale ("AFS Investments") consist of two limited partnership interests and one co-ownership interest. The Trust's ownership interest in the two limited partnerships is less than 20%. The limited partnerships own interests in three shopping centres and one office tower. The co-ownership interest is a less than 20% interest in a commercial retail development. These AFS Investments are not subject to control, joint control or significant influence and are non-derivative financial instruments that have been classified as AFS Investments because they do not qualify for classification in any other financial instrument category. The Trust does not intend to sell these investments at the present time. AFS Investments are financial assets that do not earn contractual cash flows nor qualify as FVTPL. AFS Investments are initially recognized at the cost of acquisition, including directly attributable transaction costs, and are subsequently carried at their fair value. They are classified as development and investment holdings on the consolidated statements of financial position and fair value adjustments are reflected in other comprehensive income ("OCI") on the consolidated statements of comprehensive income. Realized gains on sale are recognized in net income in the consolidated statements of comprehensive income.

RENEWABLE POWER ASSETS

Renewable power assets are measured at cost less accumulated depreciation and impairment charges, if any. Cost includes expenditures that are directly attributable to the acquisition and construction of the asset including interest costs paid or accrued during construction. Annual depreciation rates estimated by the Trust are listed in the table below. The depreciation methods, residual values, and estimates of the useful lives of its renewable power assets are reviewed by management at least annually.

Asset class	Depreciation method and period
Solar power equipment	
Solar modules, inverters and racking	4%, straight-line
Wind power equipment	
Wind generation equipment, electrical system, foundations and roads	4% to 5%, straight-line

On sale or retirement, renewable power assets and their related accumulated depreciation are removed from the consolidated statements of financial position, and any related gain or loss is reflected in net income in the consolidated statements of comprehensive income.

The cost of replacing a component of an item of renewable power assets is recognized in the carrying amount of the item if it is probable that the Trust will receive future economic benefits from the replacement components, and if the cost of the components can be measured reliably. The carrying amount of the replaced component is derecognized.

INTANGIBLE ASSETS

Intangible assets are related to provincial government contracts to supply wind power at rates above fixed price contracts and are recorded at cost less accumulated amortization and impairment charges, if any. Amortization takes place over the contractual term of the agreements related to the assets, which are 20 years on a straight-line basis. These intangible assets are classified as other non-current assets on the consolidated statements of financial position.

IMPAIRMENT OF RENEWABLE POWER ASSETS AND INTANGIBLE ASSETS

Renewable power assets and intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds the greater of the value-in-use or fair value less costs to sell.

For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows. The amount of the loss is recognized in the consolidated statements of comprehensive income within operating expenses.

The carrying amount is reduced by the impairment loss directly. If, in a subsequent year, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in net income in the consolidated statements of comprehensive income.

IMPAIRMENT OF EQUITY ACCOUNTED INVESTMENTS AND INVESTMENTS IN ASSOCIATES

The Trust assesses, at each reporting date, whether there is objective evidence that its interest in equity accounted investments and investments in associates are impaired. If impaired, the carrying value of the Trust's equity accounted investment balance is written down to its estimated recoverable amount, which is the greater of its value-in-use or fair value less costs to sell, with any differences charged to net income in the consolidated statements of comprehensive income.

REVENUE RECOGNITION

Revenue from income properties, lending portfolio, and renewable power assets is recognized as it is earned to the extent that it is probable that the economic benefits will flow to the Trust and that the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable.

INCOME PROPERTIES

The Trust accounts for tenant leases as operating leases given that it has retained substantially all of the risks and benefits of ownership of its income properties. Revenues from income properties include base rents, recoveries of operating expenses including property taxes, percentage participation rents, lease termination fees, parking income, and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred and collectability is reasonably assured. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. Other revenues are recorded as earned.

LENDING PORTFOLIO

Mortgage interest and fees revenues are recognized in the consolidated statements of comprehensive income using the effective interest method. Mortgage interest and fees revenues include the discount or premium incurred by the Trust at the time the mortgages were acquired, if any. The effective interest method derives the interest rate that discounts the estimated future cash payments and receipts over the expected life of the mortgages to its carrying amount. When calculating the effective interest rate, future cash flows are estimated considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and transaction costs paid or received, including the incremental revenues and costs that are directly attributable to the acquisition or issuance of the mortgage.

RENEWABLE POWER ASSETS

Revenue from renewable power assets is determined based on the amount of energy generated at the contracted rates and is recognized on an accrual basis when the energy produced is received by the client. Several power-generating sites are eligible for additional payments under government programs designed to provide additional fees based on the supply of renewable energy. These amounts are related to energy generated and are based on the megawatt hours ("MWh") of electricity supplied. These amounts are recorded as revenue in the period in which the energy is generated. Amounts are determined based on a spot amount or fixed amount per MWh generated, depending on the location of where the energy is produced.

BUSINESS COMBINATIONS

The purchase method of accounting is used for acquisitions meeting the definition of a business. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquiror, the liabilities incurred by the acquiror to former owners of the acquiree, and the equity interests issued by the acquiror.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Trust's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Trust's share of the net assets acquired, the difference is recognized directly in profit or loss for the year as a gain on acquisition. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

CASH

Cash excludes cash subject to restrictions that prevent its use for current purposes. Excluded from cash are amounts held for repayment of tenant security deposits, as required by various lending agreements. These security deposits are included in accounts payable and accrued liabilities. Cash as at December 31, 2016 included cash of $6,194 (December 31, 2015 – $7,470) held in bank accounts that require both the Trust's and third parties' approval prior to distribution.

LEASES

Leases that substantially transfer all the benefits and risks of ownership of property and equipment to the Trust, or otherwise meet the criteria for capitalizing a lease under IFRS, are accounted for as finance leases. An asset is recognized at the time a finance lease is entered into together with its related long-term obligation. Property and equipment recognized under finance leases are amortized on the same basis under income properties or renewable power assets. Payments on operating leases are expensed on a straight-line basis.

DISTRIBUTIONS

Distributions to Unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction to retained earnings.

INCOME TAXES

The Trust follows the balance sheet liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused tax losses and unused tax credits, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting years (carry-forward period assumptions), it is reasonably possible that actual results could differ from the estimates used in the Trust's historical analysis. If the Trust's results of operations are less than projected and there is insufficient objectively verifiable evidence to support the likely realization of its deferred tax assets, adjustments would be required to reduce or eliminate its deferred tax assets.

UNIT-BASED COMPENSATION PLAN

As described in Note 14, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the granting of deferred Trust Units and income deferred Trust Units to Trustees, officers, employees and affiliates and their service providers (including the Asset Manager). Unvested deferred Trust Units are recorded as a liability, and compensation expense is recognized over the vesting period at amortized cost based on the fair value of the Units. Once vested, the liability is re-measured at each reporting date at amortized cost, based on the fair value of the corresponding Units, with changes in fair value recognized in net income in the statements of comprehensive income.

FINANCIAL INSTRUMENTS

DESIGNATION OF FINANCIAL INSTRUMENTS

The following summarizes the Trust's classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
Financial assets		
Lending portfolio	Loans and receivables	Amortized cost
Development and investment holdings	Fair value through profit or loss	Fair value
Development and investment holdings available-for-sale	Available for sale	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities		
Debt	Other liabilities	Amortized cost
Construction loan facility	Other liabilities	Amortized cost
Derivative financial liabilities	Designated as cash flow hedge	Fair value
Amounts payable and accrued liabilities	Other liabilities	Amortized cost

The accounting policies for the lending portfolio, development and investment holdings, and development and investment holdings available-for-sale have been discussed previously.

FINANCIAL ASSETS

The Trust classifies its non-derivative financial assets with fixed or determinable payments that are not quoted in an active market as loans and receivables. Loans and receivables are initially measured at fair value, less any related transaction costs, and are subsequently measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment, if applicable. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include payment delinquency and significant financial difficulty of the counterparty. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of comprehensive income within operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence collection is not possible. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Trust transfers substantially all risks and rewards of ownership.

FINANCIAL LIABILITIES

The Trust classifies its financial liabilities, other than derivative financial liabilities, on initial recognition as other liabilities measured at amortized cost. Financial liabilities are initially recognized at fair value less related transaction costs. Financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in net income in the consolidated statements of comprehensive income over the expected life of the debt.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

The Trust documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Trust also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction is recognized in other comprehensive income in the consolidated statements of comprehensive income. The gain or loss relating to the ineffective portion, if any, is recognized immediately in the statements of comprehensive income in net income.

The realized gain or loss recognized on settlement of a hedging instrument designated as a cash flow hedge will be reclassified to net income over the term of the related debt. When a hedging instrument no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in accumulated other comprehensive income at that time are recognized in net income.

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Trust's foreign operations are measured using the currency of the primary economic environment in which the foreign operations are conducted ("the functional currency"). The functional currency of the Trust's foreign operations located in the United Kingdom is the British pound. The functional currency of the Trust and Canadian operations is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars, which is the Trust's presentation currency.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the Trust's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the exchange rates effective at the financial statement reporting date for monetary assets and liabilities denominated in foreign currencies, if any, are recognized in the consolidated statements of comprehensive income.

FOREIGN OPERATIONS

The results and financial position of the foreign operations are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income in the consolidated statements of comprehensive income.

ASSET RETIREMENT OBLIGATIONS

The Trust is subject to certain legal and constructive obligations associated with the retirement of renewable power assets, which are recorded as liabilities when those obligations have occurred and are measured as the present value of the expected costs to settle the liability, discounted at the current pre-tax rate specific to the liability. The liability is accreted up to the date the liability will be incurred, with a corresponding charge to interest expense. The carrying amount of long-term provisions is reviewed quarterly, with changes in the estimates of timing or amount of cash flows added to or deducted from the cost of the related asset.

INTEREST EXPENSE

Interest expense includes interest on mortgages payable secured by income properties, amortization of ancillary costs incurred in connection with the arrangement of borrowing, interest on the revolving loan facility, interest on the construction loan facility and amortization of fair value adjustments on assumed mortgages payable.

CAPITALIZATION OF BORROWING COSTS

The Trust capitalizes borrowing costs that are directly attributable to qualifying assets by determining whether the borrowings are general or specific to a project. Interest is capitalized during periods of active development and construction, starting from the commencement of development until the date all activities necessary to prepare the asset for its intended use are complete. Interest on general borrowings that are directly attributable to an asset is capitalized based upon a weighted average cost of borrowing. Borrowing costs are capitalized to qualifying assets that necessarily take a substantial period of time to prepare for their intended use or sale. The Trust considers a substantial period of time to be a period longer than six months to complete.

EQUITY

The Trust presents Units as equity, notwithstanding the fact that the Trust's Units meet the definition of a financial liability. Under IAS 32, the Units are considered a puttable financial instrument because of the holder's option to redeem Units, generally at any time, subject to certain restrictions, at a redemption price per Unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date or 100% of the closing market price on the redemption date. The total amount payable by Dream Alternatives in any calendar month will not exceed $50 unless waived by Dream Alternatives' Board of Trustees at their sole discretion. The Trust has determined that the Units can be presented as equity and not financial liabilities because the Units have all of the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- Units entitle the holder to a pro-rata share of the Trust's net assets in the event of its liquidation. Net assets are those assets that remain after deducting all other claims on the assets.
- Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments.
- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the Trust to redeem the Units for cash or another financial asset, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments.
- The total expected cash flows attributable to the Units over their lives are based substantially on the net income and the changes in the recognized net assets and unrecognized net assets of the Trust over the life of the Units.

Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issuance of Units are recognized directly in Unitholders' equity as a reduction of the proceeds received.

PROVISIONS

Provisions for legal claims are recognized when the Trust has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

ASSETS HELD-FOR-SALE

Assets and associated liabilities (or disposal groups) are classified as held-for-sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Income properties designated as held-for-sale are recorded at fair value until disposal and the remainder of the disposal group is stated at the lower of the carrying amount and fair value less costs to sell.

ACCOUNTING FOR LEVIES IMPOSED BY GOVERNMENT

IFRIC 21, "Levies" ("IFRIC 21"), provides guidance on accounting for levies in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

CRITICAL ACCOUNTING JUDGMENTS

The following are the critical accounting judgments used in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

JOINT ARRANGEMENTS AND SUBSIDIARIES

The Trust holds investments in various assets, and its ownership interest in these investments is established through diverse structures. Significant judgment is applied in assessing whether the investment structure results in control, joint control or significant influence over the operations of the investment, or whether the Trust's investment is passive in nature. For joint arrangements, judgment is applied in determining whether the Trust has an interest in the net assets of the arrangement or a direct interest in the underlying assets and a direct obligation for the underlying liabilities of the arrangement. The Trust considers the contractual rights and obligations of the arrangement, and other relevant factors, in determining the appropriate accounting treatment for its investments.

In determining if an entity is a subsidiary of the Trust, the Trust makes significant judgments about whether it has control over such an entity. In addition to voting rights, the Trust considers the contractual rights and obligations arising from other arrangements and other relevant factors relating to an entity in determining if the Trust has power and variable returns. The contractual rights and obligations considered by the Trust include, among others, the approvals and decision-making process over significant operating, financing and investing activities, the responsibilities and scope of decision-making power of the Trust, the termination provisions of agreements, the types and determination of fees paid to the Trust and the significance of any investment by the Trust (if any). The Trust reviews its prior conclusions when facts and circumstances change.

INCOME PROPERTIES AND AFS INVESTMENTS

Critical judgments are made in respect of the fair values of income properties and AFS Investments. The fair values of these investments are reviewed regularly by the Asset Manager with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of office, retail and industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of income properties, determined on a rotational basis, are valued by qualified valuation professionals. For income properties not subject to independent appraisals, internal valuations are prepared by the Asset Manager and reviewed during each reporting period.

For income properties, the Asset Manager makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to income properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of income properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the income property.

DEVELOPMENT AND INVESTMENT HOLDINGS

Critical judgments are made in determining the fair value of development and investment holdings. The fair value of these investments is reviewed by the Asset Manager regularly with reference to the applicable local market conditions and in discussion with the development's construction management company. The Trust makes judgments with respect to the completion dates of the developments, the leasing and management cost assumptions for the buildings and/or unit sales in order to determine the Trust's interest and participating income. Generally, the development and investment holdings are valued using a number of approaches that typically include a discounted cash flow analysis, direct capitalization approach and direct comparison approach. For the year ended December 31, 2016, the primary methods of valuation used by the Trust are discounted cash flow or the direct capitalization approach. The discounted cash flow model is calculated based on future interest and participating profit payments as determined by the Asset Manager and project managers' estimates of unit sales proceeds and/or net operating income of the development properties. With the direct capitalization rate method, the fair value is determined by applying a capitalization rate to stabilized net operating income ("NOI"). The fair value methodologies applied have been consistent with the prior year with the exception of the valuation for the Investment Holdings retail assets under development. In the prior year the methodology used for the retail assets under development was to calculate the future value by applying the direct capitalization method and discounting this future value to the reporting date. In the current year the retail assets under development are being valued using a blended approach which includes calculating future values by applying the direct capitalization method to in-place net operating income and the direct comparison approach. The change in methodology at December 31, 2016 is in line with the methodology used by the third party appraisals and had minimal impact to the fair values.

DEPRECIATION OF RENEWABLE POWER ASSETS

The Trust makes estimates and assumptions when determining the annual depreciation rates, residual values, and the useful lives of its depreciable assets. The assets' depreciation rates are detailed in Note 3.

BUSINESS COMBINATIONS

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits to investors. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgment is used by the Asset Manager in determining whether an acquisition qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether an acquisition is a business combination or an asset acquisition, the Trust applies judgment when considering whether the acquisition is capable of producing outputs and whether the market participant could produce outputs if missing elements exist. In particular, the Trust considers whether employees were assumed in the acquisition and whether an operating platform has been acquired.

IMPAIRMENT

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, equity accounted investments, lending portfolio and renewable power assets. Such estimates and assumptions primarily relate to the timing and amount of future cash flows.

IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), requires management to use judgment in determining if the Trust's financial assets are impaired. In making this judgment, the Trust evaluates, among other factors, the duration and extent to which the fair value of the investment is less than its carrying amount, and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

IAS 36, "Impairment of Assets" ("IAS 36"), requires management to use judgment in determining the recoverable amount of assets tested for impairment. Judgment is involved in estimating the fair value less the cost to sell or value-in-use of the cash-generating units ("CGUs"), including estimates of growth rates, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in accordance with IFRS requires the Trust to make estimates and assumptions that affect the carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of total comprehensive income for the period. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements relate to the following:

VALUATION OF INCOME PROPERTIES, DEVELOPMENT AND INVESTMENT HOLDINGS AND AFS INVESTMENTS

The fair values of income properties, development and investment holdings and AFS Investments are dependent on estimates regarding stabilized or forecasted net operating income ("NOI") and capitalization and discount rates applicable to those assets. The determination of stabilized or forecasted NOI incorporates various assumptions including those regarding contractual rents, expected future market rents, renewal rates and maintenance costs. Capitalization and discount rates reflect market uncertainties and are based on the location, size and quality of the asset and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of income properties, development and investment holdings and AFS Investments may change materially.

VALUATION OF FINANCIAL INSTRUMENTS

The Trust makes estimates and assumptions relating to the fair value measurement and disclosure of the development and investment holdings, AFS Investments, lending portfolio and mortgages payable. The fair values of development and investment holdings are determined based on discounted cash flows and the direct capitalization rate method using discount rates and cap rates that reflect current market conditions for instruments with similar terms and risks. The fair values of AFS Investments are determined by applying cap rates, which reflect current market conditions for properties with similar terms and risks, to the Asset Manager's assessment of stabilized NOI. There are no quoted prices in an active market for the lending portfolio investments. The Trust determines fair value based on its assessment of the current lending market for lending portfolio investments having the same or similar terms, in consultation with the manager and servicer of the lending portfolio, and other publicly available information. The critical assumptions underlying the fair value measurements and disclosures include the market interest rates for mortgages, discount rates for development and investment holdings and stabilized NOI for AFS Investments.

For certain financial instruments, including cash, amounts receivable, amounts payable and accrued liabilities, deposits, and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity.

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Assumptions are made to estimate the fair value of derivative financial liabilities and to assess the effectiveness of the hedging arrangement. The basis of valuation and assessment of effectiveness for the Trust's derivatives is set out in Note 15; however, the fair values reported may differ from how they are ultimately recognized if there is volatility in interest rates between the valuation date and settlement date.

5. ADOPTION OF ACCOUNTING STANDARDS

CURRENT ACCOUNTING POLICY CHANGES

There were a number of new standards and interpretations effective from January 1, 2016, that the Trust applied for the first time. The nature and impact of each new relevant standard and/or amendment is described below. Other than the changes described below, the accounting policies adopted are consistent with those of previous financial years.

PRESENTATION OF FINANCIAL STATEMENTS

IAS 1, "Presentation of Financial Statements" ("IAS 1"), was amended by the IASB to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment gives guidance that information within the consolidated balance sheets and statements of comprehensive income should not be aggregated or disaggregated in a manner that obscures useful information, and that disaggregation may be required in the statements of comprehensive income in the form of additional subtotals as they are relevant to understanding the entity's financial position or performance. The amendments to IAS 1 are effective for periods beginning on or after January 1, 2016. This amendment did not have an impact on the Trust's consolidated financial statements.

ACQUISITIONS OF INTERESTS IN JOINT OPERATIONS

IFRS 11, "Joint Arrangements" ("IFRS 11"), has been amended to require the application of IFRS 3 to transactions where an investor obtains an interest in a joint operation that constitutes a business. The amendment to IFRS 11 must be applied prospectively and is effective for periods beginning on or after January 1, 2016. This amendment did not have any impact on the Trust's consolidated financial statements as the Trust did not obtain any interest in a joint operation that constituted a business.

FUTURE ACCOUNTING POLICY CHANGES

Standards issued but not yet effective up to the date of issuance of the Trust's consolidated financial statements that are likely to have an impact on the Trust are listed below. This listing is of standards and interpretations issued that the Trust reasonably expects to be applicable at a future date. The Trust intends to adopt those standards when they become effective.

STATEMENT OF CASH FLOWS

IAS 7, "Statement of Cash Flows ("IAS 7"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning on or after January 1, 2017. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

REVENUE RECOGNITION

IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”), provides a comprehensive revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model 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 application permitted. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

FINANCIAL INSTRUMENTS

The final version of IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39, “Financial Instruments: Recognition and Measurement” ("IAS 39"). IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity’s own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. The entity’s own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets – “fair value through other comprehensive income” will exist. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

FINANCIAL INSTRUMENTS – DISCLOSURES

IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

LEASES

IFRS 16, “Leases” (“IFRS 16”), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

6. INCOME PROPERTIES

For the years ended		December 31, 2016		December 31, 2015
Balance, beginning of year	**$**	**520,395**	$	499,264
Add (Deduct):				
Acquisition of properties		**—**		18,677
Disposition of properties		**(11,466)**		—
Building improvements		**7,709**		6,199
Lease incentives and initial direct leasing costs		**7,871**		6,089
Amortization of lease incentives		**(866)**		(500)
Reclassified to assets held-for-sale		**(4,055)**		—
Fair value adjustments to income properties		**(40,187)**		(9,334)
Balance, end of year	**$**	**479,401**	$	520,395
Change in unrealized losses included in net income for the year				
Change in fair value for income properties	**$**	**(39,772)**	$	(9,334)

The Trust's income properties consist of interests in office and industrial properties co-owned with Dream Office REIT and Dream Industrial REIT, respectively, which are accounted for as joint operations, and a wholly-owned office property.

Income properties have been reduced by $565 (December 31, 2015 – $547) related to straight-line rent receivables, which have been reclassified to other non-current assets. During the year ended December 31, 2016, the Trust classified a non-core income property with a carrying value of $4,055, held through a 50.1% co-ownership interest, as assets held-for-sale. Management had committed to a plan of sale of the underlying property and the sale was considered to be highly probable.

During the year ended December 31, 2016, the Trust also sold its 60% interest in 2010 Winston Park Drive for gross proceeds of $11,835. Net proceeds were $4,223 after repayment of mortgages.

Income properties are measured at fair value using the income approach, which is derived from the overall capitalization rate method or discounted cash flow method, or in certain limited circumstances, based on land values. The fair values of income properties were determined by using capitalization rates ("cap rates") of 5.0% to 8.0% (December 31, 2015 – 5.5% to 7.8%), resulting in a weighted average cap rate of 6.4% (December 31, 2015 – 6.5%) and discount rates of 5.8% to 9.0% (December 31, 2015 – 5.8% to 8.5%).

Generally, under the overall capitalization rate method, an increase in stabilized net operating income ("NOI") will result in an increase to the fair value. An increase in the cap rate will result in a decrease to the fair value. The cap rate magnifies the effect of a change in stabilized NOI. If the weighted average cap rate were to increase by 25 basis points ("bps"), the fair value would decrease by $16,666. If the weighted average cap rate were to decrease by 25 bps, the fair value would increase by $17,920.

Income properties with a fair value of $478,201 as at December 31, 2016 (December 31, 2015 – $520,395) are pledged as security for the mortgages.

Four of the 18 income properties co-owned with Dream Office REIT with a fair value of $260,043 were valued by an external appraiser in the fourth quarter of December 31, 2016. As well, three additional income properties co-owned with Dream Office REIT with a fair value of $53,419 were valued by an external appraiser during the year. Income properties with an approximate total value of $180,349 were valued by an external appraiser during the year ended December 31, 2015.

Subsequent to year end, the Trust acquired from Dream Office REIT, a 40% interest in two co-owned properties, 10 Lower Spadina Ave. and 49 Ontario Street, in which it already held a 60% interest, for gross consideration of $18,400 before ordinary course purchase adjustments and transaction costs. This acquisition effectively increases the Trust's ownership interest in these two properties to 100%.

During the year ended December 31, 2015, the Trust acquired a 50% co-ownership interest in a portfolio of six industrial commercial real estate properties located in Regina, Saskatchewan. The acquisition was structured as a 50/50 co-ownership with Dream Industrial REIT (TSX: DIR.UN), whose asset manager is also DAM. The purchase price, including transaction costs, was $9,953. During the year ended December 31, 2015, the Trust also acquired a 100% ownership interest in 349 Carlaw Avenue, an office property located in Toronto, Ontario. A subsidiary of DAM had a partial interest in the office property prior to acquisition. The purchase price, including transaction costs, was $8,724.

7. LENDING PORTFOLIO

For the years ended		December 31, 2016		December 31, 2015
Balance, beginning of year	**$**	**161,283**	$	213,572
Add (Deduct):				
Lending portfolio advances		**39,843**		55,083
Changes in accrued interest receivable		**(72)**		(28)
Provision for lending portfolio losses		**(6,312)**		(2,011)
Interest capitalized to lending portfolio balance		**3,572**		3,364
Amortization of lending portfolio discount		**—**		778
Lender fees and extension fees received, net of amortization		**(72)**		122
Principal repayments at maturity and contractual repayments and prepayments		**(56,286)**		(109,597)
Balance, end of year	**$**	**141,956**	$	161,283
Less: Current portion		**106,697**		113,336
Non-current portion of lending portfolio	**$**	**35,259**	$	47,947

The table below provides a summary of the Trust's lending portfolio:

As at		December 31, 2016		December 31, 2015
Weighted average effective interest rate (year-end)		**8.6%**		7.8%
Security allocation (1st mortgages/other)		**52.0% / 48.0%**		66.6% / 33.4%
Maturity dates		**2017 - 2020**		2016 - 2018
Balance of accrued interest	**$**	**1,162**	$	1,192
Loans with prepayment options	**$**	**51,990**	$	56,693

Principal repayments, based on contractual maturity dates, are as follows:

2017	$	113,979
2018		20,500
2019		—
2020		14,710
Total principal repayments	$	149,189
Provision for lending portfolio losses		(8,323)
Accrued interest balance		1,162
Unamortized balance of lender fees received		(72)
Balance as at December 31, 2016	**$**	**141,956**

During the year ended December 31, 2016, a provision for lending portfolio losses of $6,312 was recognized (year ended December 31, 2015 – $2,011). The provision relates to two loans the value of which was determined based on the net realizable value from the sale of the underlying real estate property and related transaction costs.

8. DEVELOPMENT AND INVESTMENT HOLDINGS

The Trust has entered into debt agreements which allow the Trust to participate in the remaining profits of the developments after the payment of interest and an equal preferred return to the equity partners is paid. The table below provides a continuity of development and investment holdings:

	Investment holdings				
	FVTPL(1)	**AFS(2)(3)**	**Total investment holdings**	**Development holdings**	**Total development and investment holdings**
Balance as at January 1, 2015	$ 15,962	$ 16,662	**$ 32,624**	$ 136,092	**$ 168,716**
Advances	—	—	**—**	382	**382**
Acquisitions	2,560	—	**2,560**	—	**2,560**
Distributions received	(4,628)	(933)	**(5,561)**	—	**(5,561)**
Dispositions	—	—	**—**	(9,525)	**(9,525)**
Fair value gains (losses)	(420)	(620)	**(1,040)**	8,487	**7,447**
Balance as at December 31, 2015	**$ 13,474**	**$ 15,109**	**$ 28,583**	**$ 135,436**	**$ 164,019**
Advances	—	—	**—**	8,835	**8,835**
Fair value adjustments	—	(36)	**(36)**	14,477	**14,441**
Balance as at December 31, 2016	**$ 13,474**	**$ 15,073**	**$ 28,547**	**$ 158,748**	**$ 187,295**

(1) Fair value through profit and loss ("FVTPL")
(2) Available-for-sale ("AFS")
(3) Comparative results reclassified to conform with current period presentation

During the year ended December 31, 2016, the Trust advanced $8,835 to development holdings, $8,059 of which pertained to residential assets under development.

Investment holdings include two long-term development loans secured by real property comprised of retail assets completed and operational and a hospitality asset recorded through FVTPL, and two limited partnerships and one co-ownership investment with interests of less than 20% recorded as AFS investments. Development holdings include six long-term development loans secured by real property comprised of two residential and four retail assets under development.

During the year ended December 31, 2015, the Trust invested $2,560 in a hospitality asset located in Québec City, Québec. This asset is included in investment holdings. The principal amount plus accrued interest at 9.0% is redeemable on the third anniversary unless the redemption right is waived by the Trust. If the redemption right is waived, the Trust's investment will convert into a 50% equity interest. As at December 31, 2016, fair value of the investment was $2,452 (December 31, 2015 – $2,452).

During the year ended December 31, 2015, notices of default were issued relating to four retail development loans with a carrying value of $62,600, which are included in development holdings. The Trust is in the process of preparing a court application so as to determine available remedies that will ensure the best course of action and achieve the best possible outcome for the Trust. Given the technical nature of the default, there was no impact to the fair value of these loans as at December 31, 2016.

Two of the four retail assets under development with a fair value of $18,319 were valued by an external appraiser during the year ended December 31, 2016.

The fair value methodologies and material assumptions for each respective category are summarized in the table below:

As at			December 31, 2016	December 31, 2015
	Method	Unobservable inputs	Range	Range
Development Holdings				
Residential assets under development	Discount future anticipated proceeds from unit sales	Discount rates	**9.5% - 12.5%**	13.0% - 15.0%
Retail assets under development	Blended approach which includes calculating current value by applying direct capitalization method to in-place net operating income ("NOI") and the direct comparison approach	Capitalization rates	**6.0% - 6.9%**	6.3% - 6.9%
Investment Holdings				
Retail assets completed and operational	Calculate current value by applying direct capitalization method to stabilized net operating income ("NOI")	Capitalization rates	**6.3%**	6.3% - 6.9%
Hospitality asset	Discount future cash flows to reporting date	Discount rates	**13.0%**	13.0%
Available-for-sale	Calculate value by applying direct capitalization method to stabilized net operating income ("NOI") and where applicable discount back to the reporting date	Capitalization rates Discount rates	**6.3% - 7.75%** **7.5%**	6.4% - 7.5% 7.5%

The fair value methodologies applied have been consistent with the prior year with the exception of the retail assets under development. At December 31, 2015, the methodology used for the retail assets under development was to calculate the future value by applying the direct capitalization method and discounting this future value to the reporting date at a discount rate of 15%. The Asset Manager approximates the fair value of development holdings retail assets under development as at December 31, 2016 by using a blended approach which includes calculating the current value by applying the direct capitalization rate method to in place net operating income and the direct comparison approach. Any residual land value associated with the development holdings retail assets under development is based on comparable market sales. The change in methodology at December 31, 2016 is in line with the methodology used by the third party appraisals and had minimal impact to the fair values.

Generally, an increase in anticipated proceeds from unit sales or an increase in stabilized NOI will result in an increase in fair values. An increase in the capitalization rates or in the discount rates will result in a decrease in fair values. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower rate resulting in a greater impact to the fair value than a higher rate.

9. RENEWABLE POWER ASSETS

The table below provides a continuity of renewable power assets for the years ended December 31, 2016 and 2015.

	Solar power	Wind power	Total
Balance as at January 1, 2015	$ 11,277	$ 14,604	$ 25,881
Additions and acquired renewable power assets during the period	58,096	37,482	95,578
Depreciation of renewable power assets	(330)	(608)	(938)
Balance as at December 31, 2015	**$ 69,043**	**$ 51,478**	**$ 120,521**
Additions and acquired renewable power assets during the period	**15,943**	**3,408**	**19,351**
Depreciation of renewable power assets	**(1,817)**	**(2,129)**	**(3,946)**
Foreign currency loss	**—**	**(3,132)**	**(3,132)**
Balance as at December 31, 2016	**$ 83,169**	**$ 49,625**	**$ 132,794**

As at	December 31, 2016	December 31, 2015
Gross book value	**$ 137,719**	$ 121,500
Accumulated depreciation	**(4,925)**	(979)
Total renewable power assets	**$ 132,794**	$ 120,521

SOLAR POWER PROJECTS AND NON-CONTROLLING INTERESTS

The non-controlling partners in the Trust's rooftop solar power projects are unrelated parties. The aggregate non-controlling interests of all rooftop solar power projects of $87 (December 31, 2015 – $81) are recorded in the consolidated statements of financial position.

WIND POWER PROJECTS AND NON-CONTROLLING INTERESTS

During the year ended December 31, 2015, the Trust invested in a portfolio of 25 fully operational distributed-scale wind turbines located in the United Kingdom ("U.K.") for total consideration of $16,520, including cash paid of $15,698, transaction costs incurred, and consideration payable which has been fully paid as at December 31, 2016. The acquisition was accounted for as an asset acquisition. The Trust, indirectly through a subsidiary, acquired an economic interest of approximately 91% based on the form of investment made in the subsidiary. During 2016, the management of the portfolio was transitioned from the original developer who holds the 9% non-controlling economic interest. As at December 31, 2016, this portfolio is now managed by the operating subsidiary. In addition, during the year ended December 31, 2016, the Trust invested in seven additional operational and under construction wind turbines within the same portfolio for cash consideration of $3,210 including transaction costs. All power generation will be sold under long-term power purchase agreements.

The Trust, indirectly through a subsidiary on a stabilized equity basis, has an 80% economic interest in the wind power portfolio in the province of Nova Scotia with an installed capacity of 13.2 MW (10.5 MW at the Trust's share) and also has control over the project's general partner. The Trust's non-controlling partner's 20% economic interest in the Nova Scotia wind power project is owned by an unrelated party and its non-controlling interest is reflected on the consolidated statements of financial position in the amount of $1,601 (December 31, 2015 – $1,842). The assets and liabilities and results of operations of the limited partnership have been consolidated in the Trust's consolidated financial statements.

The operating results of the renewable power segment are subject to significant seasonal variations with solar irradiation highest during the summer months and wind production generally best during the winter months.

10. OTHER NON-CURRENT ASSETS

As at	**December 31, 2016**	December 31, 2015
Deposits and other	**$ 4,726**	$ 612
Intangible assets, net of amortization – wind power contract	**1,831**	1,928
Straight-line rent receivable	**565**	547
Total	**$ 7,122**	$ 3,087

During the year ended December 31, 2016 the Trust advanced a deposit of $1,943 pursuant to a purchase and sale agreement for the purchase of a development holding asset located in Mississauga, Ontario. Intangible assets are net of $113 of accumulated amortization as at December 31, 2016 (December 31, 2015 – $16).

11. EQUITY ACCOUNTED INVESTMENTS

During the year ended December 31, 2016, the Trust invested $11,540, including transaction costs, for a 37.5% equity interest in a Lakeshore East Development. The Trust's Asset Manager will act as lead co-developer, owning a 12.5% equity interest, with the residual interest held by a third party co-developer. The equity method of accounting was adopted for this investment.

During the year ended December 31, 2016, the Trust invested $2,211, including transaction costs, for a 50% equity interest in a partnership formed for the development of a residential condominium located in downtown Toronto, Ontario. The project is currently in the development phase and will be co-managed by DAM and an external party. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2016, the Trust also purchased for $5,072, including transaction costs, a 28% interest in a limited partnership from an entity related to DAM. This investment relates to a development project for a mixed use property in downtown Toronto, Ontario and is managed by a third party to the Trust. Given the ownership percentage and decision making abilities of the Trust pursuant to the partnership agreements, the Trust is considered to have significant influence over this investment, and accordingly, the equity method of accounting was applied.

Each equity accounted investment is subject to a shareholder or limited partnership agreement that governs distributions from these investments. In addition, distributions must also comply with the respective credit agreements.

12. AMOUNTS RECEIVABLE

As at		December 31, 2016		December 31, 2015
Trade receivables	$	2,367	$	2,244
Less: Provision for impairment of trade receivables		(381)		(525)
Other amounts receivable		1,191		2,752
Total	$	3,177	$	4,471

Other amounts receivable are net of credit balances aggregating $292 (December 31, 2015 – $253).

The movement in the provision for impairment of trade receivables during the years ended December 31, 2016 and 2015 was as follows:

As at		December 31, 2016		December 31, 2015
Balance, beginning of period	$	525	$	335
Provision for impairment of trade receivables		437		394
Recovery of impaired trade receivables		(77)		(146)
Receivables written off during the period as uncollectible		(504)		(58)
Balance, end of period	$	381	$	525

The carrying value of amounts receivable approximates fair value as the Trust expects to realize these amounts within the next 12 months. As at December 31, 2016, trade receivables of approximately $291 (December 31, 2015 – $125) were past due but not considered impaired as the Trust has ongoing relationships with these counterparties and the aging of these trade receivables is not indicative of expected default.

The Trust leases office, retail and industrial properties to tenants under operating leases. Minimum rental commitments including non-cancellable tenant operating leases over the remaining terms are as follows:

As at December 31, 2016		
No more than 1 year	$	10,780
1 – 5 years		35,283
5+ years		21,122
Total	$	**67,185**

13. DEBT

As at		December 31, 2016		December 31, 2015
Mortgages payable	$	243,261	$	254,404
Term loans		50,100		—
Revolving loan facility		15,000		—
Total debt before undernoted	$	308,361	$	254,404
Note payable		—		310
Unamortized balance of premiums		1,183		2,623
Unamortized balance of deferred financing costs		(1,745)		(537)
Total	$	307,799	$	256,800
Less: current portion		91,284		35,317
Total non-current long-term debt	$	216,515	$	221,483

The scheduled principal repayments and maturities for debt are as follows:

		Outstanding balance
2017	$	90,469
2018		70,081
2019		8,021
2020		66,252
2021		32,793
2022 and thereafter		40,745
Balance as at December 31, 2016	$	308,361

MORTGAGES AND NOTES PAYABLE

Mortgages payable are secured by charges on specific income properties, bear interest at a weighted average face rate of 3.7% (December 31, 2015 – 3.8%) and mature between 2017 and 2028. The weighted average effective interest rate of mortgages payable is 3.2% at December 31, 2016 (December 31, 2015 – 2.9%).

During the year ended December 31, 2016, a mortgage payable of $16,390 matured and was refinanced for a five year term at a rate of 2.9% and for additional proceeds of $1,610. In addition mortgages payable of $2,698 matured and were refinanced for a three year term at a fixed rate of 2.6% and a $785 mortgage matured and was repaid. As at December 31, 2016, a mortgage payable of $2,256 was reclassified to liabilities related to assets-held-for-sale. Subsequent to year end, the Trust repaid this mortgage upon maturity.

During the year ended December 31, 2016, the Trust disposed of a property co-owned with Dream Office REIT which was previously classified as assets held-for-sale and discharged the respective mortgage of $6,825, and financed an income property that was acquired late in 2015 on an unencumbered basis through a $4,500 five-year interest only loan, at a fixed rate of 3.3%.

Subsequent to year end, in conjunction with the Trust's acquisition of 40% interest in each of two co-owned income properties from Dream Office REIT, $6,489 of mortgages were assumed and $10,792 of additional proceeds were received upon refinancing of one of the properties.

Total lump sum and regular long-term debt principal repayments, including notes payable of $310, were $16,792 for the year ended December 31, 2016 (December 31, 2015 - $89,398).

TERM LOANS, CONSTRUCTION LOAN FACILITY AND RESTRICTED CASH

During the year ended December 31, 2016, the Trust closed the first tranche of long-term permanent financing for four of the ten Ontario Ground Mount Solar projects for proceeds of $21,632 net of deferred financing fees of $523. The financing was secured on a non-recourse basis at a fixed face rate of 4.0% and amortizes over a 19.5 year term. Subsequent to year end, the Trust closed the second tranche for two additional Ontario Ground Mount Solar projects for proceeds of $10,973, net of deferred financing fees of $100. The financing was secured on a non-recourse basis at a fixed face rate of 4.5% and amortizes over a 19.5 year term.

During the year ended December 31, 2016, the Trust closed the second tranche of project financing for its Nova Scotia wind portfolio of $13,489, net of deferred financing fees of $244, and converted the $14,534 construction loan facility balance, net of deferred financing costs of $466 at December 31, 2015 to a 19.5 year term debt. The financing was secured on a non-recourse basis at a fixed rate of 4.7% and amortizes over a 19.5 year term.

		December 31, 2016		December 31, 2015
Construction loan facility, net of deferred financing costs	$	—	$	14,534

Restricted cash and the balance of available funds held in escrow under the construction loan facility as at December 31, 2016 is $1,720 (December 31, 2015 - $2,019).

REVOLVING CREDIT FACILITY

A demand revolving credit facility (the "facility") is available up to a formula-based maximum not to exceed $50,000. The available credit under the revolving credit facility, as determined by the formula, declined to $43,000 as at December 31, 2016 from $50,000 as at December 31, 2015. The facility is in the form of rolling one-month Bankers' Acceptances ("BA") rates and bears interest at the BA rate plus 2.0%, or at the bank's prime rate plus 1.0% (2.7% as at December 31, 2016, 2.7% as at December 31, 2015), payable monthly. The facility is secured by a general security agreement over all assets of Dream Alternatives Lending Services LP and Dream Alternatives Master LP, which are subsidiaries of the Trust. This facility matures on July 31, 2017. As at December 31, 2016, $15,000 was drawn on the revolving loan facility (December 31, 2015 – $nil). As at December 31, 2016, funds available under this facility were $22,953 (December 31, 2015 – $44,237), as determined by the formula-based maximum calculation, net of $4,202 (December 31, 2015 – $4,232) of letters of credit issued against the facility and net of an amount applied against the facility equal to the unrealized fair value loss on the derivative financial liability of $845 (December 31, 2015 – $1,531).

14. DEFERRED UNIT INCENTIVE PLAN

The deferred unit incentive plan ("DUIP") provides for the grant of deferred Trust Units ("DTUs") to Trustees, officers and employees as well as affiliates and their service providers, including the Asset Manager. DTUs are granted at the discretion of the Trustees and receive distributions in the form of income deferred Trust Units as they are declared and paid by the Trust. Once granted, each DTU and the related distribution of income deferred Trust Units from such DTUs vest evenly over a three-year or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to postpone the receipt of Units, such Units will be issued immediately on vesting. As at December 31, 2016, up to a maximum of 3.0 million DTUs were issuable under the DUIP. Distributions on the unvested DTUs are paid in the form of Units converted at the market price on the date of distribution.

		Total
Balance as at January 1, 2015	$	147
Compensation expense		492
Trust units issued		(50)
Re-measurements of carrying value of deferred trust units		(91)
Balance as at December 31, 2015		**498**
Compensation expense		**536**
Trust units issued		**(116)**
Re-measurements of carrying value of deferred trust units		**189**
Balance as at December 31, 2016	**$**	**1,107**

The following is a summary of the Trust's DUIP activity:

	December 31, 2016	December 31, 2015
Units outstanding, beginning of year	**190,158**	98,556
Granted	**122,310**	95,148
Distributions paid in units	**18,190**	10,548
Vested and paid out	**(20,311)**	(7,921)
Cancelled	**(10,664)**	(6,173)
Units outstanding, end of year	**299,683**	190,158

During the year ended December 31, 2016, $536 (December 31, 2015 – $492) of compensation expense, related to the DTUs and a fair value gain of $189 (December 31, 2015 – $91), representing the re-measurement of the DUIP liability during the period were recognized in general and administrative expenses. As at December 31, 2016, 41,223 (December 31, 2015 – 8,916) DTUs that vested remained unexercised.

15. DERIVATIVE FINANCIAL LIABILITIES

During the year ended December 31, 2016, sale agreements for bond forward purchase contracts which were designated as hedges for the interest rate risk associated with the first tranche of project financing for the Ontario Ground Mount Solar projects matured and a fair value loss of $1,512 was realized on the settlement. This realized fair value loss was recognized in other comprehensive income (loss) and will be amortized to interest expense in the consolidated statements of comprehensive income (loss) over the term of the related debt. As at December 31, 2016, the sale agreements for bond forward purchase contracts hedging the interest rate risk associated with approximately $28,000 of debt were extended to align with the anticipated project completion dates. Subsequent to the year end, sale agreements for bond forward purchase contracts associated with the second tranche of project financing were settled and a fair value loss of $267 was realized on settlement. The Trust has assessed the outstanding sale agreements to be a highly effective cash flow hedge and has recognized the unrealized fair value changes of the derivative financial liability in other comprehensive income (loss) in the consolidated statements of comprehensive income (loss).

As at December 31, 2016, the Trust recognized a derivative financial liability on the consolidated statements of financial position of $845 (December 31, 2015 – $1,531).

Unrealized fair value losses recorded in other comprehensive income (loss) in the consolidated statements of comprehensive income (loss) and the related income tax effects are shown in the following tables for the years indicated:

		2016		2015
Fair value losses	**$**	**(826)**	$	(1,531)
Deferred income tax recovery		**224**		409
Fair value losses, net of deferred income tax recovery	**$**	**(602)**	$	(1,122)

There was no hedge ineffectiveness recorded in net income in the consolidated statements of comprehensive income for the year ended December 31, 2016. Realized losses of $20, net of taxes of $8, were reclassified to net income during the year ended December 31, 2016.

16. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

As at		**December 31, 2016**		**December 31, 2015**
Accrued liabilities and other payables	**$**	**22,311**	$	18,360
Distributions payable		**2,411**		2,420
Accrued interest		**856**		845
Rent received in advance		**1,755**		1,887
Total	**$**	**27,333**	$	23,512
Less: non-current portion		**509**		—
Current portion of accounts payable and accrued liabilities	**$**	**26,824**	$	23,512

Included in the accrued liabilities and other payables as at December 31, 2016 are transaction costs of $3,475 charged in the period regarding management's best estimate of certain costs applicable to the transaction underlying the formation of the Trust in 2014, which was treated as a business combination.

17. UNITHOLDERS' EQUITY

DREAM ALTERNATIVES UNITS

Dream Alternatives is authorized to issue an unlimited number of Units and an unlimited number of Special Trust Units ("STUs"). Each Unit represents an undivided beneficial interest in the Trust. Each Unit is transferable and entitles the holder thereof to:

- an equal participation in distributions of the Trust;
- rights of redemption; and
- one vote at meetings of Unitholders.

The STUs may only be issued to holders of exchangeable securities and entitle the holder to exchange the exchangeable securities for Units. The STUs have a nominal redemption value, entitle the holder to vote at the Trust level and do not receive distributions. At December 31, 2016, there were no STUs issued and outstanding.

DISTRIBUTIONS

Pursuant to its declaration of trust, Dream Alternatives expects to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is determined by the Trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. The Trustees may declare distributions out of the income, net realized capital gains and capital of the Trust to the extent such amounts have not already been paid, allocated or distributed. The following table provides details of the distribution payments:

	2016	2015
Paid in cash	$ 27,251	$ 28,072
Paid by way of reinvestment in units	1,730	1,349
Payable at beginning of period	(2,420)	(2,455)
Payable at end of period	2,411	2,420
Total	**$ 28,972**	$ 29,386

On December 19, 2016, the Trust announced a cash distribution of $0.033 per unit for the month of December 2016. The monthly distribution for December 2016 was paid on January 15, 2017. On January 20, 2017, the Trust announced a cash distribution of $0.033 per unit for the month of January 2017, which was paid on February 15, 2017 to unitholders of record as at January 31, 2017. On February 16, 2017, the Trust announced a cash distribution of $0.033 per unit for the month of February 2017.

DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The Distribution Reinvestment and Unit Purchase Plan ("DRIP") allows holders of Units, other than Unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dream Alternatives reinvested in additional Units. Unitholders who participate in the DRIP receive an additional distribution of Units equal to 4% of each cash distribution that was reinvested. For the year ended December 31, 2016, 303,325 units were issued under the DRIP (December 31, 2015 – 217,247 units).

NORMAL COURSE ISSUER BID

The Trust received acceptance of its Notice of Intention to renew its prior normal course issuer bid from the TSX on January 6, 2016. The bid commenced on January 8, 2016 and expired on January 7, 2017 . Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 7,029,230 units (representing 10% of the Trust’s public float of 70,292,303 units at the time of entering the bid through the facilities of the TSX).

The Trust received acceptance of its Notice of Intention to renew its prior normal course issuer bid from the TSX on January 11, 2017. The bid commenced on January 13, 2017 and will remain in effect until the earlier of January 12, 2018 or the date on which the Trust has purchased the maximum number of Units permitted under the bid. Under the bid the Trust has the ability to purchase for cancellation up to a maximum of 6,595,470 Units (representing 10% of the Trust’s public float of 65,954,706 Units at the time of entering the bid through the facilities of the TSX).

During the year ended December 31, 2016, the Trust repurchased 534,392 units (year ended December 31, 2015 – 1,329,654 units), at a total cost of $2,911 (year ended December 31, 2015 – $8,052) inclusive of transaction costs. The excess book value over the purchase price of the units purchased of $1,565 (year ended December 31, 2015 – $2,956) was recorded as a gain directly to retained earnings. Subsequent to year-end, 59,100 units were purchased at a total cost of $382, inclusive of transaction costs.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Fair value adjustments to and realized fair value loss from derivative financial liabilities hedges, net of tax	Fair value adjustments to development and investment holdings available-for-sale, net of tax	Unrealized foreign currency translation loss	Total
Balance as at January 1, 2015	$ —	$ 525	$ —	$ 525
Other comprehensive loss during the period	(1,122)	(538)	(19)	(1,679)
Reallocation of cash distributions received to net income	—	(298)	—	(298)
Balance as at December 31, 2015	**$ (1,122)**	**$ (311)**	**$ (19)**	**$ (1,452)**
Other comprehensive loss during the period	**(602)**	**(31)**	**(3,085)**	**(3,718)**
Realized fair value loss	**20**	**—**	**—**	**20**
Balance as at December 31, 2016	**$ (1,704)**	**$ (342)**	**$ (3,104)**	**$ (5,150)**

As at December 31, 2016, fair value adjustments to the derivative financial liabilities hedges are net of income taxes of $624 (December 31, 2015 – $406) and fair value adjustments to development and investment holdings available-for-sale are net of income taxes of $132 (December 31, 2015 – $127).

19. INCOME PROPERTIES OPERATING EXPENSES

		2016		2015
Income properties operating costs	$	**19,764**	$	19,385
Realty tax expense		**9,156**		9,251
Salary and other compensation		**1,165**		1,224
Total	$	**30,085**	$	29,860

20. RENEWABLE POWER OPERATING EXPENSES

		2016		2015
Renewable power operating costs	$	**2,496**	$	604
General office and other		**306**		205
Depreciation and amortization on renewable power assets		**4,043**		954
Total	$	**6,845**	$	1,763

21. INTEREST EXPENSE

		2016		2015
Interest expense incurred, at contractual rate of debt and other bank charges	$	**11,413**	$	10,139
Amortization of mortgages payable premiums		**(1,437)**		(1,639)
Amortization of deferred financing costs		**200**		32
Total	$	**10,176**	$	8,532

The amortization of mortgages payable premiums is amortized to interest expense over the expected life of the debt using the effective interest rate method. There was no interest expense capitalized to the renewable power assets under construction for the year ended December 31, 2016 (year ended December 31, 2015 – $405).

22. GENERAL AND ADMINISTRATIVE EXPENSES

		2016		2015
Salary and other compensation	$	**1,884**	$	1,404
Trust, service and professional fees		**2,039**		1,844
General office and other		**348**		491
Asset management fees		**10,719**		10,131
Total	$	**14,990**	$	13,870

23. INCOME TAXES

During the year ended December 31, 2016, the Trust recognized an income tax expense amount of $1,821 (income tax expense for the year ended December 31, 2015 – $6,363).

The income tax expense amount on pre-tax earnings differs from the income tax expense amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.8% for the year ended December 31, 2016 (year ended December 31, 2015 – 26.5%) as illustrated in the table below.

For years ended		2016		2015
Current income tax (recovery) expense:				
Current income taxes with respect to profits in the period	$	**7**	$	3,373
Current tax adjustments in respect of prior periods		**(291)**		(134)
Current income tax (recovery) expense		**(284)**		3,239
Deferred income tax (recovery) expense:				
Origination and reversal of temporary differences	$	**1,789**	$	2,913
Deferred tax adjustments in respect of prior periods		**331**		—
Expense (benefit) arising from previously unrecognized temporary difference		**(44)**		210
Impact of changes in income tax rates		**29**		1
Deferred income tax expense		**2,105**		3,124
Total income tax expense	$	**1,821**	$	6,363

For years ended		2016		2015
Earnings (loss) before income tax expense for the period	$	**(11,543)**	$	25,293
Earnings not subject to tax		**—**		(313)
Total taxable earnings (loss)		**(11,543)**		24,980
Combined federal and provincial tax rate		**26.8%**		26.5%
Income tax expense (recovery) before the undernoted	$	**(3,094)**	$	6,620
Effect on taxes of:				
Adjustment in expected future tax rates		**4,203**		—
Non-deductible expenses		**223**		130
Difference between Canadian rates and rates in foreign jurisdiction		**4**		—
Tax adjustments in respect of prior periods		**40**		—
Rate differences		**(151)**		(879)
Change in unrecognized deferred tax asset		**688**		—
Other items		**(92)**		492
Total income tax expense	$	**1,821**	$	6,363

The movement in the deferred income tax assets and liabilities during the year ended December 31, 2016 and the net components of the Trust's net deferred income tax liabilities are illustrated in the following table:

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other	Hedge	Loss carry forward	Total
Balance as at January 1, 2015	$ (3,725)	$ (176)	$ (17)	$ 1,181	$ 2,307	$ —	$ —	**$ (430)**
(Charged) credited to:			—					
Earnings for the period	(3,203)	(658)	(352)	1,545	(456)	—	—	**(3,124)**
Other comprehensive loss	—	—	—	127	—	406	—	**533**
Balance as at December 31, 2015	$ (6,928)	$ (834)	$ (369)	$ 2,853	$ 1,851	$ 406	$ —	**$ (3,021)**
(Charged) credited to:								
(Loss) Earnings for the period	4,260	(1,248)	178	(5,365)	(803)	—	873	**(2,105)**
Other comprehensive loss	—	—	—	5	—	218	—	**223**
Balance as at December 31, 2016	$ (2,668)	$ (2,082)	$ (191)	$ (2,507)	$ 1,048	$ 624	$ 873	**$ (4,903)**

24. SEGMENTED INFORMATION

The Trust has identified its reportable operating segments as income properties, renewable power, lending portfolio and development and investment holdings based on how the chief operating decision-maker views the financial results of the business.

For the years ended December 31, 2016 and December 31, 2015, tax expense and the majority of general and administrative expenses were not allocated to the segment expenses as these costs are not specifically managed on a segmented basis.

SEGMENTED RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2016

For the year ended December 31, 2016	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
INCOME						
Income properties revenue	$ 56,775	$ —	$ —	$ —	$ —	**$ 56,775**
Renewable power revenue	—	12,906	—	—	—	**12,906**
Lending portfolio interest income and lender fees	—	—	13,332	—	—	**13,332**
Fair value adjustments and operating cash distributions in development and investment holdings	—	—	—	15,918	—	**15,918**
TOTAL INCOME	**56,775**	**12,906**	**13,332**	**15,918**	**—**	**98,931**
EXPENSES						
Income properties, operating	(30,085)	—	—	—	—	**(30,085)**
Renewable power, operating	—	(6,845)	—	—	—	**(6,845)**
Interest expense	(7,832)	(1,675)	—	—	(669)	**(10,176)**
Provision for lending portfolio losses	—	—	(6,312)	—	—	**(6,312)**
General and administrative	—	—	—	—	(14,990)	**(14,990)**
TOTAL EXPENSES	**(37,917)**	**(8,520)**	**(6,312)**	**—**	**(15,659)**	**(68,408)**
Fair value adjustments to income properties	(40,187)	—	—	—	—	**(40,187)**
OPERATING INCOME (LOSS)	**(21,329)**	**4,386**	**7,020**	**15,918**	**(15,659)**	**(9,664)**
Other interest income	—	—	505	966	101	**1,572**
Share of income from equity accounted investments	—	—	—	24	—	**24**
Transaction costs	—	—	—	—	(3,475)	**(3,475)**
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	**(21,329)**	**4,386**	**7,525**	**16,908**	**(19,033)**	**(11,543)**
INCOME TAX EXPENSE						
Current income tax recovery	—	—	—	—	284	**284**
Deferred income tax (expense)	—	—	—	—	(2,105)	**(2,105)**
TOTAL INCOME TAX EXPENSE	**—**	**—**	**—**	**—**	**(1,821)**	**(1,821)**
NET INCOME (LOSS)	**(21,329)**	**4,386**	**7,525**	**16,908**	**(20,854)**	**(13,364)**
OTHER COMPREHENSIVE LOSS						
Items that will be reclassified subsequently to net income (loss):						
Fair value adjustments to derivative financial liabilities hedges, net of tax	—	—	—	—	(602)	**(602)**
Realized fair value loss from derivative financial liabilities hedges, net of tax	—	—	—	—	20	**20**
Fair value adjustments to development and investment holdings available-for-sale, net of tax	—	—	—	(31)	—	**(31)**
Unrealized foreign currency translation loss	—	(3,083)	—	—	(2)	**(3,085)**
TOTAL OTHER COMPREHENSIVE LOSS	**—**	**(3,083)**	**—**	**(31)**	**(584)**	**(3,698)**
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ (21,329)**	**$ 1,303**	**$ 7,525**	**$ 16,877**	**$ (21,438)**	**$ (17,062)**

[1] Includes other Trust amounts not specifically related to the segments

SEGMENTED RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2015

For the year ended December 31, 2015	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other[1]	Total
INCOME						
Income properties revenue	$ 60,341	$ —	$ —	$ —	$ —	**$ 60,341**
Renewable power revenue	—	3,632	—	—	—	**3,632**
Lending portfolio interest income and lender fees	—	—	13,940	—	—	**13,940**
Fair value adjustments and operating cash distributions in development and investment holdings	—	—	—	9,089	—	**9,089**
Gain on disposition of development and investment holdings	—	—	—	3,112	—	**3,112**
TOTAL INCOME	**60,341**	**3,632**	**13,940**	**12,201**	**—**	**90,114**
EXPENSES						
Income properties, operating	(29,860)	—	—	—	—	**(29,860)**
Renewable power, operating	—	(1,763)	—	—	—	**(1,763)**
Interest expense	(7,953)	(222)	—	—	(357)	**(8,532)**
Provision for lending portfolio losses	—	—	(2,011)	—	—	**(2,011)**
General and administrative	(2)	(44)	(428)	—	(13,396)	**(13,870)**
TOTAL EXPENSES	**(37,815)**	**(2,029)**	**(2,439)**	**—**	**(13,753)**	**(56,036)**
Fair value adjustments to income properties	(9,334)	—	—	—	—	**(9,334)**
OPERATING INCOME (LOSS)	**13,192**	**1,603**	**11,501**	**12,201**	**(13,753)**	**24,744**
Other interest income	—	—	—	—	549	**549**
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	**13,192**	**1,603**	**11,501**	**12,201**	**(13,204)**	**25,293**
INCOME TAX EXPENSE						
Current income tax expense	—	—	—	—	(3,239)	**(3,239)**
Deferred income tax expense	—	—	—	—	(3,124)	**(3,124)**
TOTAL INCOME TAX EXPENSE	**—**	**—**	**—**	**—**	**(6,363)**	**(6,363)**
NET INCOME (LOSS)	**13,192**	**1,603**	**11,501**	**12,201**	**(19,567)**	**18,930**
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that will be reclassified subsequently to net income (loss):						
Fair value adjustments to derivative financial liabilities hedges, net of tax	—	—	—	—	(1,122)	**(1,122)**
Fair value adjustments to development and investment holdings available-for-sale, net of tax	—	—	—	(836)	—	**(836)**
Unrealized foreign currency translation loss	—	(28)	—	—	9	**(19)**
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**—**	**(28)**	**—**	**(836)**	**(1,113)**	**(1,977)**
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ 13,192**	**$ 1,575**	**$ 11,501**	**$ 11,365**	**$ (20,680)**	**$ 16,953**

(1) Includes other Trust amounts not specifically related to the segments

SEGMENTED ASSETS AND LIABILITIES – AS AT DECEMBER 31, 2016

As at December 31, 2016	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other(1)	Total
ASSETS						
TOTAL NON-CURRENT ASSETS	$ 480,358	$ 134,625	$ 35,259	$ 208,242	$ 2,210	**$ 860,694**
TOTAL CURRENT ASSETS	7,069	8,029	106,697	407	4,471	**126,673**
Assets held-for-sale	4,231	—	—	—	—	**4,231**
TOTAL ASSETS	**$ 491,658**	**$ 142,654**	**$ 141,956**	**$ 208,649**	**$ 6,681**	**$ 991,598**
LIABILITIES						
TOTAL NON-CURRENT LIABILITIES	$ 152,640	$ 48,875	$ —	$ 509	$ 21,010	**$ 223,034**
TOTAL CURRENT LIABILITIES	96,331	9,017	172	1,056	12,377	**118,953**
Liabilities related to assets held-for-sale	2,285	—	—	—	—	**2,285**
TOTAL LIABILITIES	**$ 251,256**	**$ 57,892**	**$ 172**	**$ 1,565**	**$ 33,387**	**$ 344,272**

SEGMENTED ASSETS AND LIABILITIES – AS AT DECEMBER 31, 2015

As at December 31, 2015	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other(1)	Total
ASSETS						
TOTAL NON-CURRENT ASSETS	$ 521,538	$ 122,465	$ 47,947	$ 164,019	$ —	**$ 855,969**
TOTAL CURRENT ASSETS	6,401	11,443	113,336	—	10,406	**141,586**
TOTAL ASSETS	**$ 527,939**	**$ 133,908**	**$ 161,283**	**$ 164,019**	**$ 10,406**	**$ 997,555**
LIABILITIES						
TOTAL NON-CURRENT LIABILITIES	$ 221,483	$ 14,534	$ —	$ —	$ 3,519	**$ 239,536**
TOTAL CURRENT LIABILITIES	43,653	12,450	89	—	6,767	**62,959**
TOTAL LIABILITIES	**$ 265,136**	**$ 26,984**	**$ 89**	**$ —**	**$ 10,286**	**$ 302,495**

(1) Includes other Trust amounts not specifically related to the segments

25. RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, the Trust and its subsidiaries enter into transactions with related parties that are contracted under commercial terms. DAM, which is a subsidiary of Dream Unlimited Corp. (TSX: DRM), is the Trust's Asset Manager and is a related party on the basis that it provides key management personnel services to the Trust.

ASSET MANAGEMENT AGREEMENT

On July 8, 2014, the Trust entered into a management agreement (the "Management Agreement") with DAM, pursuant to which DAM provides a broad range of asset management services to the Trust for the following fees:

- Base annual management fee calculated and payable on a monthly basis, equal to 1.00% of the gross value of the initial assets at the Trust's Listing, plus the gross cost of any asset acquired on the date of such acquisition, plus the gross amount invested in any assets following acquisition, less the gross amount previously included in the calculation of this amount in respect of any asset disposed of or repaid;
- Acquisition/origination fee equal to:
  - (a) 0.40% of the principal amount of any loan originated by the Trust or a subsidiary having an expected term of less than five years;
  - (b) 1.00% of the principal amount of any loan originated by the Trust or a subsidiary having an expected term of five years or more; and
  - (c) 1.00% of the gross cost of any asset acquired or originated by the Trust or a subsidiary represented by all other investments, assets or projects; and
- Disposition fee equal to 0.25% of the gross sale proceeds of any asset (including all indebtedness) sold by the Trust or any subsidiary represented by loans, investments, assets or projects disposed of during the fiscal year, including any part of the initial assets, except for the disposition of individual loans having a term to maturity of 12 months or less and excluding the regular and scheduled repayment of loans.

In addition, the Trust will reimburse DAM for reasonable out-of-pocket costs and expenses incurred in connection with the performance of the management services described in the Management Agreement and the costs and expenses incurred in providing such other services which the Trust and DAM agree to in writing that are to be provided from time to time by DAM.

Pursuant to the Asset Management Agreement, the Trust incurred the following amounts:

		2016		2015
Fees paid by the Trust under the Management Agreement:				
Base annual management fee	**$**	**10,000**	$	9,691
Acquisition/origination fee and disposition fees		**474**		1,293
Expense recoveries relating to financing arrangements and other		**1,924**		1,764
Total	**$**	**12,398**	$	12,748

AMOUNTS DUE TO RELATED PARTIES

Amounts payable and accrued liabilities at December 31, 2016 included $1,018 (December 31, 2015 – $822) related to the Management Agreement. Total amounts payable and accrued liabilities due to DAM at December 31, 2016 were $1,427 (December 31, 2015 – $1,303).

TRANSACTIONS WITH DAM

During the year ended December 31, 2016, the Trust entered into various related party transactions as disclosed in Note 11 - Equity accounted investments.

During the year ended December 31, 2015, the Trust acquired a 100% interest in an office property for $8,724, including transaction costs of $324. A subsidiary of DAM had a partial interest in the property prior to acquisition. The purchase price of the initial transaction was determined by reference to an independent appraisal. DAM currently provides property management services for this property.

26. SUPPLEMENTARY CASH FLOW INFORMATION

Amortization and depreciation includes:

For the years ended,		**December 31, 2016**		December 31, 2015
Lease incentives	**$**	**866**	$	500
Lender fees		**—**		(122)
Lending portfolio discount		**—**		(778)
Deferred financing costs		**200**		32
Renewable power assets		**3,946**		938
Intangible assets – wind power contract		**97**		16
Realized fair value loss on derivative financial liabilities		**28**		—
Mortgages payable premiums		**(1,437)**		(1,639)
Total	**$**	**3,700**	$	(1,053)

Other adjustments include:

For the years ended,		**December 31, 2016**		December 31, 2015
Straight-line rent adjustment	**$**	**(17)**	$	(340)
Gain on disposition of development and investment holdings asset		**—**		(3,112)
Share of income from equity accounted investments		**(24)**		—
Fair value adjustments to development and investment holdings		**(14,477)**		(8,067)
Operating cash distribution received from development and investment holdings and available-for-sale investments		**—**		(193)
Fair value adjustments to income properties		**40,187**		9,334
Interest capitalized and extension fees received on lending portfolio balance		**(3,500)**		(3,364)
Deferred unit compensation expense		**725**		401
Provision for lending portfolio losses		**6,312**		2,011
Deferred income tax expense		**2,104**		3,124
Total	**$**	**31,310**	$	(206)

Non-cash working capital includes cash generated from (utilized in):

For the years ended,	December 31, 2016	December 31, 2015
Lending portfolio interest income accrual	**$ 72**	$ 28
Other non-current assets	**(2,268)**	(23)
Amounts receivable and income tax receivable	**(1,113)**	1,555
Prepaid expenses	**(208)**	(92)
Amounts payable and accrued liabilities	**6,624**	(1,146)
Income tax payable/receivable	**(2,599)**	1,697
Assets held-for-sale reclass	**(172)**	—
Total	**$ 336**	$ 2,019

During the year ended December 31, 2016, cash interest paid was $10,701 (year ended December 31, 2015 – $9,779) and cash taxes paid were $4,466 (year ended December 31, 2015 – $1,542). For the same period, investments in building improvements included settlement of $1,152 of payable (December 31, 2015 – non-cash transaction of $813) and investments in lease incentives and initial direct leasing costs included a settlement of $131 of payable (December 31, 2015 – non-cash transaction of $104). Additions to renewable power assets included settlement of $1,024 of payable (December 31, 2015 – $3,232).

27. COMMITMENTS AND CONTINGENCIES

Dream Alternatives and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of the Asset Manager, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of Dream Alternatives.

PROPERTY MANAGEMENT AGREEMENT

The Trust's co-owned Office Portfolio and Industrial Portfolio are property managed by Dream Office Management Corp. ("DOMC") and Dream Industrial Management Corp. ("DIMC"), respectively. The Trust's wholly owned office property is managed by DAM. DOMC is owned by Dream Office REIT, the co-owner of the Trust's Office Portfolio. DIMC is owned by Dream Industrial REIT, the co-owner of the Trust's Industrial Portfolio. Pursuant to the property management agreements, DOMC, DIMC and DAM will perform property management services including tenant administration, leasing services, accounting, etc., for a fee of 3.0% to 3.5% of income property revenues. The property management agreement can be terminated upon an unremedied default by the property manager, DOMC, DIMC or DAM, or if there is a change in the ownership of the property.

SERVICES AGREEMENT

The Trust entered into a services agreement ("Service Agreement") with DOMC on July 8, 2014. The Service Agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the Service Agreement is terminated in accordance with its terms or by mutual agreement of the parties. The Service Agreement was renewed on July 8, 2015. Pursuant to the Service Agreement, DOMC provides administrative and support services including the use of office space, office equipment, communication services and computer systems, and the provision of personnel in connection with accounts payable, human resources, taxation and other services. DOMC receives a monthly fee sufficient to reimburse it for all the expenses incurred in providing these services.

COMMERCIAL MORTGAGE SERVICING AGREEMENT

On July 8, 2014, Dream Alternatives Lending Services LP ("Lending Services LP"), a subsidiary of the Trust, entered into a commercial mortgage servicing agreement ("Mortgage Servicing Agreement") with Canadian Mortgage Servicing Corporation ("CMSC") to manage and service the loan portfolio and select other debt investments for the following fees:

- A monthly fee of 1.25 basis points ("bps") (15 bps annually), calculated on the principal amount of each mortgage in the loan portfolio outstanding at the beginning of each month; and
- Origination fees paid by a borrower of up to 1% of the principal amount of each new mortgage investment originated by CMSC and up to 50% of the origination fee paid by a borrower in excess of 1%.

In addition, Lending Services LP reimburses CMSC for all reasonable third-party disbursements and expenses made or incurred in connection with the performance of the services described in the Mortgage Servicing Agreement. The agreement can be terminated upon 90 days' written notice.

OTHER COMMITMENTS

During the year ended December 31, 2016, the Trust, through a subsidiary, provided a guarantee for up to $45,000 pursuant to the requirements of a senior construction loan associated with the Empire Lakeshore residential project. The guarantee will be in place for the term of the construction loan and will proportionately scale down as the construction loan is repaid as unit closings begin to occur. Guarantees of the other underlying development project loan amounts of third parties relate to guarantees of $5,625.

The Trust is contingently liable for letters of credit in the amount of $4,202 that have been provided to support third party performance.

The Trust may also be contingently liable for certain obligations of joint venture partners. However, the Trust would have available to it the other joint venture partners' share of assets to satisfy any obligations that may arise.

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $1,764.

Rooftop lease agreements are agreements which the Trust has entered into with six building owners. These agreements provide the Trust with rooftop access, as well as the rights to operate solar panels on rooftops which the Trust does not own. These agreements are typically 20-year contracts with renewal options available.

The Trust also enters into operations and maintenance agreements related to its renewable power assets. The Trust's commitments with respect to renewable power assets are outlined in the table below**:**

	Rooftop lease agreements	Land right and easement	Operational and maintenance contracts	Total
2017	$ 241	$ 596	$ 502	**$ 1,339**
2018	241	596	486	**1,323**
2019	241	596	423	**1,260**
2020	241	597	—	**838**
2021	283	600	—	**883**
2022 and thereafter	3,875	9,904	—	**13,779**
Total	**$ 5,122**	**$ 12,889**	**$ 1,411**	**$ 19,422**

28. CAPITAL MANAGEMENT

The primary objectives of the Trust's capital management are to ensure it remains within its quantitative banking covenants and to establish a credit rating.

The Trust's capital consists of debt, including mortgage payables, notes payable, term loans, revolving loan facility and Unitholders' equity. The Trust's objectives in managing capital are to ensure that adequate funds are available to maintain consistent and sustainable Unitholder distributions, to fund leasing costs and capital expenditure requirements, and to provide the resources needed to acquire new properties, originate new real estate lending, acquire and develop development properties and acquire renewable power assets.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross book value. Other significant indicators include the weighted average interest rate, average term to maturity of debt and variable debt as a proportion of total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for Unitholder distributions and capital expenditures, and for evaluating the need to raise funds for further expansion. Various mortgage payables, term loans associated with renewable power portfolios and the revolving loan facility have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These covenants include loan-to-value ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited partnership level. During the period ended December 31, 2016, the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The Trust's equity consists of Units in which the carrying value is impacted by earnings, Unitholder distributions and Unit repurchases pursuant to its normal course issuer bid. The Trust endeavors to make annual distributions to Unitholders. Any amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures, other investments as the Trust sees fit, and working capital requirements. The Asset Manager monitors distributions through various ratios to ensure adequate resources are available. These ratios include the proportion of distributions paid in cash, DRIP participation ratio, and total distributions as a percent of funds available for distribution.

29. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

IFRS 7, "Presentation of Financial Statements" ("IFRS 7"), places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risks.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has exposure to interest rate risk primarily as a result of its variable-rate debt payable included in mortgages payable. There are no variable-rate mortgages or loans within the lending portfolio. In addition, there is interest rate risk associated with the Trust's fixed-rate debt payable due to the expected requirement to refinance such debts in the year of maturity. The Trust is exposed to the variability in market interest rates on maturing debt payable and lending portfolio investments to be renewed. Variable-rate debt payable at December 31, 2016 was approximately 15.6% (December 31, 2015 – 15.4%) of the Trust's total debt payable. In order to manage exposure to interest rate risk, the Trust endeavors to maintain an appropriate mix of fixed and variable rate debt, manage maturities of fixed rate debt, match the nature of the debt with the cash flow characteristics of the underlying asset and undertake hedging strategies when appropriate.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on fixed rate assets and liabilities maturing within one year and variable-rate financial assets and liabilities held at the consolidated statements of financial position date. A 1% change is considered a reasonable level of fluctuation on variable-rate financial assets and liabilities.

		Interest rate risk			
		-1%		1%	
As at December 31, 2016	Amounts	Income	Equity	Income	Equity
Financial liabilities					
Variable-rate debt payable	38,185	382	382	(382)	(382)
Derivative financial liability[1]	23,341	—	(233)	—	233

(1) Notional amount

Foreign exchange risk is the risk that an investment's value will fluctuate due to changes in currency exchange rates. The Trust's functional and presentation currency is the Canadian dollar. The Trust's exposure to foreign exchange risk at December 31, 2016 includes the Trust's British pound investment in a wind power subsidiary operating in the United Kingdom. The Trust's investment in the U.K. wind power subsidiary is exposed to foreign exchange risk related to its invested equity and operating profits received by the Trust. The U.K. wind power investment is described in detail in Note 9. The effect of changes in foreign exchange rates is recognized in Other Comprehensive Income.

Credit risk related to income properties and AFS Investments arises from the possibility that tenants in income properties may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Credit risk related to the lending portfolio and development and investment holdings arises from the possibility that a borrower may not be able to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Trust. The Trust mitigates risk by actively monitoring the mortgage and loan investments and initiating recovery procedures, in a timely manner, when required.

The maximum exposure to credit risk at December 31, 2016 was the fair value of the Trust's development and investment holdings and the contractual value of its lending portfolio, including interest receivable, which totalled $337,638. The Trust has recourse under these investments in the event of default by the borrower, in which case, the Trust would have a claim against the underlying collateral. Cash, deposits and restricted cash carry minimal credit risk as all funds are maintained with highly reputable lenders.

The Trust also holds various instruments with the same counterparty or related counterparties within its lending and development and investment holdings portfolios. As at December 31, 2016, the Trust had approximately $136,187 of development and investment holdings assets with, or guaranteed by, the same borrowers or related group of borrowers. Security over certain underlying assets has been posted and the underlying investments are actively monitored.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations as they become due. Accordingly, there is a liquidity risk that we would be unable to dispose of our illiquid assets in a timely way in response to changing economic or investment conditions. The Trust manages lending portfolio advances, maturities of debt, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations as they become due.

30. FAIR VALUE MEASUREMENTS

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the years ended December 31, 2016 and December 31, 2015.

The following tables summarize fair value measurements recognized or disclosed in the consolidated financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the fair value measurements.

		Fair value		
As at December 31, 2016	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Recurring measurements				
Income properties	**$ 479,401**	**$ —**	**$ —**	**$ 479,401**
Development and investment holdings	**187,295**	**—**	**—**	**187,295**
Derivative financial liabilities	**845**	**—**	**—**	**845**

		Fair value		
As at December 31, 2015	Carrying value	Level 1	Level 2	Level 3
Recurring measurements				
Income properties	$ 520,395	$ —	$ —	$ 520,395
Development and investment holdings	164,019	—	—	164,019
Derivative financial liabilities	1,531	—	—	1,531

Financial instruments carried at amortized cost are noted below:

		Fair value		
As at December 31, 2016	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Fair values disclosed				
Lending portfolio	**$ 141,956**	**$ —**	**$ —**	**$ 141,998**
Debt	**307,799**	**—**	**—**	**310,679**

		Fair value		
As at December 31, 2015	Carrying value	Level 1	Level 2	Level 3
Fair values disclosed				
Lending portfolio	$ 161,283	$ —	$ —	$ 160,158
Debt	256,800	—	—	258,472
Construction loan facility	14,534	—	—	14,534

At December 31, 2016, amounts receivable, cash, restricted cash, deposits, amounts payable and accrued liabilities, and distributions payable were carried at amortized cost, which approximates fair value due to their short-term nature.

INCOME PROPERTIES AND AFS INVESTMENTS

The Trust's accounting policy as indicated in Note 3 is to estimate the fair value of each income property using the most appropriate valuation methodology determined for each property on a highest and best use basis, which may include the overall capitalization method, the discounted cash flow method or, in certain circumstances, land values. Income properties and AFS Investments are measured at fair value using the income approach, which is derived from two methods: overall capitalization rate method and discounted cash flow method, which results in these measurements being classified as Level 3 in the fair value hierarchy. Valuations of these income properties are most sensitive to changes in discount rates and capitalization rates. In applying the overall capitalization rate method, the stabilized net operating income ("stabilized NOI") of each property is divided by an appropriate capitalization rate ("cap rate").

The key assumptions in the valuation of income properties are as follows:

- Cap rate – based on actual location, size and quality of the properties and taking into account any available market data at the valuation date.
- Stabilized NOI – revenues, less property operating expenses adjusted for items such as market rental rates, average lease-up costs, long-term vacancy rates, non-recoverable capital expenditures, straight-line rents and other non-recurring items.
- Discount rate – reflecting current market assessments of the uncertainty in the amount and timing of cash flows.
- Terminal rate – taking into account assumptions regarding vacancy rates and market rents.
- Cash flows – based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

Income properties are valued on a highest and best use basis. For all of the Trust's income properties, the current use is considered the highest and best use.

INCOME PROPERTIES VALUATION PROCESS

The Trust is responsible for determining the fair value measurements included in the consolidated financial statements. DAM, in its capacity as Asset Manager for the Trust, provides the Trust with a valuation of each income property every quarter, as calculated by the respective property managers. The valuations team is headed by an experienced valuator. From time to time, DAM engages independent, professionally qualified valuators who hold a recognized relevant professional qualification and have recent experience in the locations and categories of the income properties to complete valuations of selected properties. DAM's objective is to have each property valued by an independent valuator at least once every three years. For properties subject to an independent valuation report, the valuations team verifies all major inputs to the valuations and reviews the results with the independent valuators. Discussion of valuation processes, key inputs and results are held between the Trust and the valuations team at least once every quarter, in line with the Trust's quarterly reporting rules. Changes in Level 3 fair values are analyzed at each reporting date during the quarterly valuation discussions between the Trust and the valuations team.

LENDING PORTFOLIO

There are no quoted prices in an active market for the lending portfolio investments. The Trust determines fair value based on its assessment of the current lending market for lending portfolio investments of the same or similar terms in consultation with CMSC, the manager and servicer of the lending portfolio, and other available information.

DEBT

The fair value of debt as at December 31, 2016 was determined by discounting the expected cash flows of each debt instrument using an assessment of the market interest rate ranging from 2.9% to 4.1%. The market interest rates were determined using the Government of Canada benchmark bond yield for instruments with corresponding maturity dates, plus a credit spread in accordance with the Trust's assessment of credit risk. In determining the adjustment for credit risk, the Trust considered market conditions, the value of the properties that the mortgages are secured by and other indicators of the Trust's creditworthiness.

DEVELOPMENT AND INVESTMENT HOLDINGS

The fair value of development and investment holdings are valued using a number of approaches that typically include a discounted cash flow analysis, direct capitalization approach and direct comparison approach. For the year ended December 31, 2016, the primary methods of valuation used by the Trust are discounted cash flow or the direct capitalization approach. The discounted cash flow model is calculated based on future interest and participating profit payments as determined by the Asset Manager and project managers' estimates of unit sales proceeds and/or net operating income of the development properties. With the direct capitalization rate method, the fair value is determined by applying a capitalization rate to stabilized NOI. In determining the discount rate and cap rate, the Trust considered market conditions, time to completion of the development, the market cap rate, the percentage of space leased on units sold, and other available information.

DERIVATIVE FINANCIAL LIABILITIES

The fair value of derivative financial liabilities is calculated using the Government of Canada benchmark bond yield corresponding with the maturity dates applicable to bond forward contracts and the committed hedged debt payable. The effectiveness of the hedging arrangement is assessed using a regression analysis of the impact of interest rate changes on the valuation of the hedging agreement in relation to the underlying debt subject to the hedging arrangement.

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The Toronto Stock Exchange
Listing Symbol:

DRA.UN

For more information, please visit
dreamalternatives.ca

DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The purpose of our Distribution Reinvestment and Unit Purchase Plan ("DRIP") is to provide Unitholders with a convenient way of investing in additional units without incurring transaction costs such as commissions, service charges or brokerage fees. By participating in the Plan, you may invest in additional units in two ways:

Distribution reinvestment: Unitholders will have cash distributions from Dream Alternatives Trust reinvested in additional units as and when cash distributions are made. If you register in the DRIP, you will also receive a "bonus" distribution of units equal to 4% of the amount of your cash distribution reinvested pursuant to the Plan. In other words, for every $1.00 of cash distributions reinvested by you under the Plan, $1.04 worth of units will be purchased.

Cash purchase: Unitholders may invest in additional units by making cash purchases. To enroll, contact:
Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1

Attention: Dividend Reinvestment Services
or call their Customer Contact Centre at
1 800 564-6253 (toll free) or (514) 982-7555

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