LIMITED PARTNERSHIP LAND POOL (2007)

FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

MANAGEMENT'S RESPONSIBLITY

To the unitholders of Limited Partnership Land Pool (2007):

These financial statements are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies in the notes to the financial statements. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

MNP LLP, an independent firm of certified professional accountants, was engaged to audit the financial statements in accordance with International Financial Reporting Standards and provide an independent auditor's opinion.

Michael Pereira, President
GP LPLP 2007 Inc.
General Partner of Limited Partnership Land Pool (2007)
March 15, 2019

Independent Auditor's Report

To the Unitholders of Limited Partnership Land Pool

Opinion

We have audited the financial statements of Limited Partnership Land Pool (the "Partnership"), which comprise the balance sheet as at December 31, 2018 and December 31, 2017, and the statements of comprehensive income, Partners' equity (deficit) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

MNP LLP

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

MNP LLP

Calgary, Alberta
March 15, 2019

Chartered Professional Accountants

LIMITED PARTNERSHIP LAND POOL (2007)
BALANCE SHEETS
As at December 31, 2018 and 2017
(In Canadian dollars)

		2018	2017
Assets	**Notes**		
Cash		**9,433**	-
Accounts receivable		**-**	57,333
Vendor take-back mortgage receivable	3	**20,558,411**	20,558,411
Total assets		**20,567,844**	20,615,744
Liabilities			
Accounts payable and accrued liabilities		**10,000**	32,079
Loan payable to related party	5	**11,659,392**	12,195,935
Total liabilities		**11,669,392**	12,228,014
Commitments and contingencies	6		
Equity			
General partner		**100**	100
Limited partners		**8,898,352**	8,387,630
Total equity		**8,898,452**	8,387,730
Total liabilities and equity		**20,567,844**	20,615,744

See accompanying notes to the financial statements.

GP LPLP 2007 Inc.
General Partner of Limited Partnership Land Pool (2007)

LIMITED PARTNERSHIP LAND POOL (2007)
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

		2018	2017
Revenues	**Notes**		
Sale of land held for future development	3	**-**	46,234,000
Interest income		**1,332,500**	58,411
Rental income and other revenue		**-**	28,005
		1,332,500	46,320,416
Expenses			
Cost of sales	3	**-**	26,323,145
Sales commissions	3	**-**	1,029,360
Interest	5	**803,895**	1,636,295
General and administrative		**17,883**	22,733
		821,778	29,011,533
Earnings being comprehensive income		**510,722**	17,308,883

See accompanying notes to the financial statements.

LIMITED PARTNERSHIP LAND POOL (2007)
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

	Net Partners' Contributions	Deficit	Partners' Equity (Deficit)
At December 31, 2016	39,523,155	(48,444,308)	(8,921,153)
Earnings being comprehensive income for the year	-	17,308,883	17,308,883
At December 31, 2017	39,523,155	(31,135,425)	8,387,730
Earnings being comprehensive income for the year	-	510,722	510,722
At December 31, 2018	39,523,155	(30,624,703)	8,898,452

See accompanying notes to the financial statements.

LIMITED PARTNERSHIP LAND POOL (2007)
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

	Notes	**2018**	2017
Cash from (used for):			
Operating activities			
Sale of land held for future development		**-**	25,734,000
Rental income		**-**	28,005
Sales commissions		**57,333**	(1,080,828)
Interest on financings		**-**	(88,857)
Interest on vendor take-back mortgage receivable	3	**1,332,500**	-
Payments for legal and professional services	3	**(39,962)**	(236,306)
Cash flows from operating activities		**1,349,871**	24,356,014
Financing activities			
Repayment of financings		**-**	(9,055,439)
Advances on loan payable to a related party		**-**	207,711
Repayment of loan payable to a related party	5	**(1,340,438)**	(15,547,000)
Cash flows used for financing activities		**(1,340,438)**	(24,394,728)
Increase (decrease) in cash		9,433	(38,714)
Cash, beginning of year		**-**	38,714
Increase (decrease) in cash		**9,433**	(38,714)
Cash, end of year		**9,433**	-

See accompanying notes to the financial statements.

1. ORGANIZATION AND OPERATION OF THE PARTNERSHIP

Limited Partnership Land Pool (2007) (the “Partnership”) is a limited partnership formed under the laws of the Province of Alberta on June 28, 2007 pursuant to the Partnership Act (Alberta), and its governed by the terms of a limited partnership agreement dated as of June 28, 2007 (the “Partnership Agreement”). It commenced operations on June 28, 2007 and raised funds from the sale of limited partnership units (“Units”) through an offering memorandum dated June 30, 2007. As at December 31, 2018, the Partnership had 43,840,421 Units outstanding (December 31, 2017 – 43,840,421 Units).

The affairs of the Partnership, including the liquidation and distribution of the Partnership’s assets, are managed by GP-LPLP 2007 Inc. (the "General Partner"), a wholly owned subsidiary of Genesis Land Development Corp. (“Genesis”).

The Partnership was established to acquire raw (primarily agricultural) land near Airdrie and Delacour, Alberta (the “Properties”) and generate capital appreciation by obtaining various levels of municipal approvals leading eventually towards the re-designation of land use (rezoning) of the Properties from farm land to commercial, industrial, residential, recreational, or any combination thereof. Pursuant to a project management agreement dated June 29, 2007 (the “Management Agreement”), Genesis was appointed as the project manager (the “Manager”).

The Partnership did not raise sufficient equity capital to acquire the Properties and used short term debt from a first position third party lender and from Genesis to complete these purchases and to service the debts as permitted by the Partnership Agreement. The long-term continuation of these Partnership debts was approved as required by the Partnership Agreement by a special resolution of limited partners at a meeting of limited partners held on October 10, 2013. Pursuant to the Management Agreement, Genesis guaranteed the Partnership’s third-party debt and advanced additional funds that could not be obtained from third-party lenders to the Partnership at an interest rate of prime + 3%.

The Partnership's financial statements for the year ended December 31, 2018 were authorized for issue in accordance with a resolution of the directors of the General Partner on March 15, 2019. The Partnership's head office is located at 7315 - 8th Street N.E., Calgary, Alberta T2E 8A2.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Partnership are set out below. These policies have been consistently applied to each of the years presented, unless otherwise indicated.

a) Statement of compliance

The financial statements represent the financial statements of the Partnership prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

b) Basis of presentation

The financial statements have been prepared under historical cost convention except for the financial assets classified as fair value through profit or loss that have been measured at fair value. The financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

c) Land held for future development

Land held for future development is measured at the lower of cost and estimated net realizable value ("NRV"). Cost includes land acquisition costs including legal fees, other direct costs of development and construction, property taxes and certain borrowing costs. Land held for future development is reviewed at least annually for impairment or whenever events or changes in circumstances indicate the carrying value may exceed NRV. An impairment loss is recognized in the statements of comprehensive income when the carrying value exceeds the NRV. NRV is the estimated selling price less estimated costs, including the cost to complete and selling costs.

d) Cash and cash equivalents

Cash consists of cash held with banks.

e) Distributions and allocation of profit

Pursuant to the Management Agreement, the Manager could earn a management fee on the sale of each property, or portion thereof, through participation in the net sale proceeds from each property above a specified threshold amount (the "Minimum Purchase Price"). The Minimum Purchase Price calculation was adjusted to reflect Partnership debt, with debt, equity capital and the priority return to limited partners (50% of the gross proceeds of the Partnership units issued pursuant to the offering memorandum) being allocated to each property pro rata based on acquisition costs.

The Minimum Purchase Price for the Delacour property was $60,569,294 as at August 28, 2017. As a result, the Manager did not earn any compensation for managing the development and sale of the Delacour property.

The Minimum Purchase Price for the Airdrie property was $41,663,250 as at December 15, 2017. As a result, the Manager did not earn any compensation for managing the development and sale of the Airdrie property.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Allocation of expenses

The Partnership and the Manager are equally responsible for the Partnership's development costs. Any general and administrative expenses charged directly by Genesis, and not by a third party retained by the General Partner or Genesis, are limited to $150,000 per year. For the years ended December 31, 2018 and 2017, no general and administrative costs were charged by the Manager.

g) Income taxes

The Partnership is not subject to income taxes. The income or loss for income tax purposes is allocated to the Partners based upon their proportionate share of the outstanding Partnership units. These financial statements include only the assets, liabilities and operations of the Partnership and do not include other assets or liabilities, including income taxes, of the Limited Partners.

h) Significant judgments, accounting estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as at the reporting date. Actual results could differ from these estimates. Such estimates include the amounts relating to the determination of liabilities and accruals and the potential impairment of amounts receivable and land held for future development. By their nature these amounts are subject to measurement uncertainty and changes in such estimates may materially affect the financial statements in future years.

i) Standards and amendments to existing standards effective January 1, 2018

The Partnership adopted new IFRSs and interpretations as of January 1, 2018, as noted below:

i) IFRS 15, "Revenue from contracts with customers"

As required, the Partnership adopted IFRS 15 as of January 1, 2018. IFRS 15 replaces existing standards and interpretations on revenue recognition. The standard outlines a single comprehensive model for revenue recognition arising from contracts with customers.

IFRS 15 requires that revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

This is achieved by applying the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Standards and amendments to existing standards effective January 1, 2018 (continued)

i) IFRS 15, "Revenue from contracts with customers" (continued)

Revenue recognition

(i) Development land sales

Development sales to third parties are recognized when the Partnership's performance obligations are satisfied and transfer of control has passed to the purchaser. Performance obligations are satisfied after agreed to services pertaining to the property have been substantially performed.

Indications of transfer of control include registering the subdivision plan with the land titles office and transferring title of the land to the purchaser on receipt of full payment indicating significant risk and rewards of ownership are transferred to the purchaser. In situations where extended payment terms are provided to a purchaser, an appropriate rate of interest is included and the Partnership secures adequate security for the remaining unpaid portion before title to the land is transferred to the purchaser.

Deposits received upon signing of contracts for purchases of land on which revenue recognition criteria have not been met are recorded as customer deposits.

(ii) Rental income and other revenue

Rental income is recognized on a straight-line basis over the term of the rental agreement.

(iii) Interest income

Interest income is recognized as it accrues using the effective interest rate method.

Impact of the application of IFRS 15

The Partnership completed an assessment of the impact of IFRS 15. The assessment indicates that the revenue recognition for the Partnership remains unchanged, with the exception of revenues from development land sales.

IFRS 15 requires that the Partnership recognize a development land sale when the land parcel has been delivered to the customer and related services that have been contractually agreed to between the Partnership and the customer have been substantially performed, without reference to receipt of a minimum 15% non-refundable deposit, which was an additional criterion under the prior standard.

Neither of the development land transactions made during the year ended December 31, 2017 is impacted by the transition to IFRS 15.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Standards and amendments to existing standards effective January 1, 2018 (continued)

ii) IFRS 9, "Financial instruments"

As required, the Partnership adopted IFRS 9 as of January 1, 2018. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model.

a) Financial assets

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets:

- Financial assets at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments or principal and interest on the principal amount outstanding.
- Financial assets at fair value through other comprehensive income ("FVOCI"): assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss ("FVTPL"): assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Financial assets at FVTPL are carried on the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive income.

Financial assets classified as amortized cost are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest income is recognized in the Statements of Comprehensive Income.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the Partnership transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

Under IFRS 9, the loss allowance for trade receivables must be calculated using the expected credit loss model and recorded at the time of initial recognition. Title to land sold is typically transferred on receipt of full payment from the purchaser. In situations where extended payment terms are provided to a purchaser, the Partnership secures adequate security for the remaining unpaid portion before title to the land is transferred to the purchaser. As such, there is no material impact of the loss allowance for trade receivables due to the above.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Standards and amendments to existing standards effective January 1, 2018 (continued)

ii) IFRS 9, "Financial instruments"

b) Financial liabilities

The classification of financial liabilities is determined by the Partnership at initial recognition. The classification categories are as follows:

- Financial liabilities at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the statements of comprehensive income.
- Financial liabilities at FVTPL: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the statements of comprehensive income.

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented on the balance sheet when, and only when, the Partnership has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Upon adoption of IFRS 9 the Partnership's financial instruments are classified as follows:

• Cash	FVTPL
• Amounts receivable	Amortized cost
• Vendor-take-back mortgage receivable	Amortized cost
• Accounts payable and accrued liabilities	Amortized cost
• Loans and credit facilities	Amortized cost

Impact of the application of IFRS 9

The Partnership completed an assessment of the impact of IFRS 9 on its financial statements and determined that there was no material effect on the carrying value of its financial instruments related to this new requirement and no reclassification was required in the transition to IFRS 9.

Note 4b provides a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 along with a comparison to IAS 39.

k) Future changes in accounting policies

The Partnership has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and has determined that these IFRSs will not have an impact on the Partnership.

(In Canadian dollars)

3. LAND HELD FOR FUTURE DEVELOPMENT

During the year ended December 31, 2017, the Partnership completed the sale of the Delacour and Airdrie properties to third parties. The Delacour property was sold for $5,234,000 and closed on August 28, 2017. The Airdrie property was sold for $41,000,000 and closed on December 15, 2017. On the Airdrie property sale, the Partnership received $20,500,000 in cash and granted the purchaser a $20,500,000 three-year vendor take-back mortgage bearing interest at the rate of 6.5% per annum. Interest on the vendor take-back mortgage is payable annually, in arrears.

The first interest installment of $1,332,500 was received in December 2018 (2017 – nil).The carrying value of the vendor take-back mortgage as at December 31, 2018, comprising the principal amount of $20,500,000 plus accrued interest of $58,411, was $20,558,411 (2017 - $20,558,411).

The following table summarizes the net margin from the sale of the Properties:

	Delacour	Airdrie	Total
Sales revenue	**5,234,000**	**41,000,000**	**46,234,000**
Cost of sales			
Net carrying value as at December 31, 2016	(5,024,640)	(21,095,954)	(26,120,594)
2017 development costs	(4,138)	(52,325)	(56,463)
Legal costs and disbursements	(39,342)	(106,746)	(146,088)
	(5,068,120)	(21,255,025)	(26,323,145)
Gross margin	**165,880**	**19,744,975**	**19,910,855**
Sales commissions	(209,360)	(820,000)	(1,029,360)
Net Margin	**(43,480)**	**18,924,975**	**18,881,495**

(In Canadian dollars)

4. FINANCIAL INSTRUMENTS

a) Risks associated with financial instruments

The General Partner has overall responsibility for the establishment and oversight of the Partnership's risk management framework. The General Partner has implemented and monitors compliance with risk management policies. The Partnership has exposure to the following risks from its use of financial instruments:

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. At December 31, 2018, the carrying value of the vendor take-back mortgage receivable represents the maximum credit exposure. The following table shows the contracted principal payments, excluding accrued interest, for the vendor-take back mortgage receivable.

	2019	2020	2021	Total
Vendor take-back mortgage receivable	-	20,500,000	-	**20,500,000**
	-	20,500,000	-	**20,500,000**

(ii) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, and interest rates, will affect the Partnership's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

(iii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Partnership is exposed to interest rate risk to the extent that certain financings are at a floating rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately $117,000 on floating rate loans existing at December 31, 2018 (2017- $122,000).

(iv) Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they are due. The Partnership has limited liquidity to meet its obligations and is wholly dependent on Genesis to meet its debt and other obligations. The following are the contractual maturities of financial liabilities as at December 31, 2018:

	<1 Year	>1 Year	Total
Accounts payable and accrued liabilities	10,000	-	**10,000**
Loan payable to related parties	11,659,392	-	**11,659,392**
	11,669,392	-	**11,669,392**

(In Canadian dollars)

4. FINANCIAL INSTRUMENTS (CONTINUED)

b) Fair value of financial instruments

The following table shows the pre-transition IAS 39 and the post-transition IFRS 9 classification and measurement categories, and reconciles the IAS 39 and IFRS 9 carrying amounts as at January 1, 2018, as a result of adopting IFRS 9.

Financial Assets

As at Jan. 1, 2018	IAS 39 Measurement Basis	IFRS 9 Measurement Basis	IAS 39 Carrying Amount	IFRS 9 Carrying Amount	Impact on measurement
Cash	FVTPL	FVTPL	-	-	No change
Amounts receivable	Amortized cost	Amortized cost	57,333	57,333	No change
Vendor-take-back mortgage receivable	Amortized cost	Amortized cost	20,558,411	20,558,411	No change

Financial Liabilities

As at Jan. 1, 2018	IAS 39 Measurement Basis	IFRS 9 Measurement Basis	IAS 39 Carrying Amount	IFRS 9 Carrying Amount	Impact on measurement
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	32,079	32,079	No change
Loans payable to related party	Amortized cost	Amortized cost	12,195,935	12,195,935	No change

The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the relatively short term periods to maturity.

The fair value of the Partnership's related party balances approximate their carrying values due to the variable interest rates applied to these instruments, which approximate market interest rates.

As at December 31, 2018, the fair value of the Partnership's vendor take-back mortgage receivable was approximately $20,254,000, reflecting a 0.65% increase in three-year fixed mortgage rates since October 12, 2017 when the interest rate on the vendor take-back mortgage was negotiated.

Fair value measurements recognized in the balance sheet are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. All of the Partnership's financial instruments recorded at fair value are categorized under Level 1 as defined below.

The three fair value hierarchy levels are as follows:

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

(In Canadian dollars)

4. FINANCIAL INSTRUMENTS (CONTINUED)

b) Fair value of financial instruments

The estimated fair value of financial assets and liabilities as at December 31, 2018 and December 31, 2017 are presented in the following table:

		Carrying Value		Fair Value	
	Measurement Basis	As at Dec. 31, 2018	As at Dec. 31, 2017	As at Dec. 31, 2018	As at Dec. 31, 2017
Financial Assets					
Cash	FVTPL	9,433	-	9,433	-
Amounts receivable	Amortized cost	-	57,333	-	57,333
Vendor-take-back mortgage receivable	Amortized cost	20,558,411	20,558,411	20,254,000	20,558,411
Financial Liabilities					
Accounts payable and accrued liabilities	Amortized cost	10,000	32,079	10,000	32,079
Loans payable to related party	Amortized cost	11,659,392	12,195,935	11,659,392	12,195,935

Cash is classified under Level 1 of the hierarchy. The fair values of the Partnership's amounts receivable, vendor-take-back mortgage receivable, accounts payable and accrued liabilities and loans and credit facilities are classified as Level 2 of the hierarchy. During the year ended December 31, 2018 and 2017, no transfers were made between the levels in the fair value hierarchy.

5. RELATED PARTY TRANSACTIONS

Pursuant to the Management Agreement and a loan agreement dated August 2, 2012, interest accrues on advances from Genesis at a rate of prime plus 3%, compounded annually. The advances from Genesis are secured by a charge on the vendor take-back mortgage receivable.

On December 15, 2017, the net cash proceeds from the sale of the Airdrie property, after the repayment in full of the outstanding first priority loan payable to a third-party lender, were used to pay down the Genesis loan by $15,547,000. On December 15, 2018, interest income of $1,332,500 from the vendor take-back mortgage was applied towards the Genesis loan.

During the year ended December 31, 2018, the Partnership paid current interest of $803,895 (2017 - $1,005,607) on the Genesis loan and made principal repayments of $536,643 (2017 - $14,333,682). As at December 31, 2018, the amount due to Genesis was $11,659,392 (2017 - $12,195,935).

6. COMMITMENTS AND CONTINGENCIES

The Partnership, the General Partner, Genesis, two limited partners (LPLP 2007 Subco Inc. and LPLP 2007 Subco #2 Inc.), two affiliated limited partnerships (LP RRSP Limited Partnership #1 & LP RRSP Limited Partnership #2) and various third parties were named as co-defendants in an eighth amended statement of claim filed in the Alberta Court of Queens' Bench by a unitholder of the Partnership, a unitholder in LP RRSP Limited Partnership #1 and a unitholder in LP RRSP Limited Partnership #2. This eighth amended statement of claim was served on the Partnership on September 22, 2017. The eighth amended statement of claim is brought pursuant to the Class Proceedings Act and seeks pecuniary and non-pecuniary damages of $60.0 million, including general and special damages. The General Partner's view is that this claim is completely without merit. Any potential liability to the Partnership is currently indeterminate.