
TRANSEASTERN POWER TRUST
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NOTICE TO READER

The accompanying condensed interim consolidated financial statements of the Trust have been prepared by and are the responsibility of management. The condensed interim consolidated financial statements have not been reviewed by the Trust's auditors.

Transeastern Power Trust

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at	September 30, 2016	December 31, 2015
ASSETS		
Current		
Cash	\$ 94,714	\$ 1,711,071
Trade and other receivables	3,866,466	2,399,594
Green certificates (Note 4)	1,622,859	222,446
Prepaid and other assets	465,438	177,453
	6,049,477	4,510,564
Long-term		
Restricted cash (Note 7)	2,938,428	2,246,266
Restricted green certificates (Note 4)	10,858,196	4,738,734
Property, plant and equipment (Note 5)	65,918,539	48,858,718
	65,918,539	48,858,718
TOTAL ASSETS	\$ 85,764,640	\$ 60,354,282
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 7,189,525	\$ 3,560,082
Due to related parties (Note 10)	563,133	233,855
Distributions payable (Note 6)	-	659,892
Vendor take-back loan and acquisition instalment payments (Note 3)	818,322	818,322
Current portion of capital leases (Note 7)	4,740,679	2,743,473
Debt facility (Note 7)	4,299,386	4,498,772
	17,611,045	12,514,396
Milestone units	-	1,067,186
Convertible debentures (Note 7)	15,932,026	12,386,700
Vendor take-back loan (Note 3)	7,808,725	-
Warrant liability	700,211	879,265
Deferred tax liabilities	2,276,700	1,242,490
Long-term portion of capital leases (Note 7)	29,667,141	24,450,892
	73,995,848	52,540,929
Unitholders equity	11,768,792	7,813,353
TOTAL LIABILITIES AND UNITHOLDERS EQUITY	\$ 85,764,640	\$ 60,354,282

Nature of operations and going concern (Note 1)

Subsequent events (Note 13)

Transeastern Power Trust

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE LOSS (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
REVENUE				
Sale of electricity	\$ 578,302	\$ 220,371	\$ 1,385,510	\$ 527,568
Income from green certificates	1,955,862	1,320,378	4,809,997	1,850,837
	2,534,164	1,540,749	6,195,507	2,378,405
OPERATING EXPENSES				
Operating	710,595	632,605	2,121,197	1,273,273
Depreciation	909,478	1,434,841	2,200,499	1,800,908
	1,620,073	2,067,446	4,321,696	3,074,181
Cost of sales				
General and administrative	260,205	256,040	1,075,155	887,014
Legal and professional	64,382	457,466	351,032	554,586
Milestone units	-	359,695	(1,067,185)	790,599
Transaction costs (Note 3)	30,000	214,437	430,269	214,437
	1,974,660	3,355,084	5,110,967	5,520,817
Operating Income (Loss)	559,504	(1,814,335)	1,084,540	(3,142,412)
OTHER EXPENSES				
Fair value gain (loss) on debentures (Note 7)	(283,750)	465,781	1,092,550	(1,886,819)
Interest and finance charges (Note 8)	(726,983)	(1,439,783)	(2,514,614)	(2,176,010)
Loss on settlements	-	(948,019)	-	(948,019)
Foreign exchange gain (loss)	1,981	(17,802)	(54,254)	(16,978)
Warrant revaluation	(44,811)	-	362,558	-
	(494,059)	(3,754,158)	(29,220)	(8,170,238)
(LOSS) INCOME BEFORE TAX	(494,059)	(3,754,158)	(29,220)	(8,170,238)
Current income tax recovery	-	53,543	-	43,590
Deferred income tax recovery	41,965	-	188,238	-
	(452,094)	(3,700,615)	159,018	(8,126,648)
INCOME (LOSS) FOR THE PERIOD	(452,094)	(3,700,615)	159,018	(8,126,648)
Items to be reclassified subsequently to income:				
Foreign currency translation (loss) gain (Note 2)	(1,254,396)	2,437,819	(4,675,081)	2,319,984
	\$ (1,706,490)	\$ (1,262,796)	\$ (4,516,063)	\$ (5,806,664)
TOTAL COMPREHENSIVE LOSS AFTER TAX				
	\$ (1,706,490)	\$ (1,262,796)	\$ (4,516,063)	\$ (5,806,664)
Basic and diluted earnings (loss) per unit	\$ (0.01)	\$ (0.17)	\$ 0.00	\$ (0.53)
Weighted average number of units outstanding - basic and diluted	38,069,125	22,331,192	33,725,483	15,314,113

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

Transeastern Power Trust

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY (UNAUDITED)

	Trust Units	Trust Unit Value	Deficit	Comprehensive Loss - Foreign Currency Translation	Unitholders' Equity
Balance, December 31, 2014	11,349,122	\$ 9,539,427	\$ (3,765,906)	\$ (1,116,186)	\$ 4,657,335
Issuance of Trust units	13,658,331	11,840,085	-	-	11,840,085
Distribution reinvestment plan	672,069	582,391	-	-	582,391
Net loss for the period	-	-	(8,126,648)	-	(8,126,648)
Other comprehensive gain	-	-	-	2,202,149	2,202,149
Distribution to unitholders	-	-	(1,090,543)	-	(1,090,543)
Balance, September 30, 2015	25,679,522	\$ 21,961,903	\$ (12,983,097)	\$ 1,085,963	\$ 10,064,769
Balance, December 31, 2015	30,203,705	25,769,159	(18,078,132)	122,326	7,813,353
Distribution reinvestment plan (Note 9)	1,024,934	635,614	-	-	635,614
Net loss for the period	-	-	159,018	-	159,018
Other comprehensive loss	-	-	-	(4,675,081)	(4,675,081)
Issuance of Trust Units	1,665,579	1,002,358	-	-	1,002,358
Issued on acquisition of Wind Project	14,790,136	7,395,068	-	-	7,395,068
Issued on settlement of finance charges	221,867	110,934	-	-	110,934
Distribution to unitholders (Note 6)	1,040,883	520,442	(1,192,914)	-	(672,472)
Balance, September 30, 2016	48,947,104	\$ 35,433,575	\$ (19,112,028)	\$ (4,552,755)	\$ 11,768,792

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

Transeastern Power Trust
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the Nine Months Ended September 30,	2016	2015
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net income (loss)	\$ 159,018	\$ (8,126,648)
Items related to financing activities:		
Fees settled with subscription receipts	-	584,157
Fair value loss (gain) on debentures (Note 7)	(998,801)	1,886,819
Accretion expense	250,832	123,151
Warrant revaluation	362,558	-
Add (deduct) items not affecting cash:		
Depreciation (Note 5)	2,200,499	1,800,908
Deferred income tax expense (recovery)	(45,637)	(48,944)
Milestone units	(1,067,185)	790,599
Loss on settlement of debt	-	948,019
Net change in non-cash working capital:-		
Trade and other receivables	(1,466,872)	(275,686)
Green certificates-current and restricted	(3,053,636)	-
Prepaid and other assets	(287,985)	-
Other non-current assets	-	-
Accounts payable and accrued liabilities	2,041,384	-
Due to related parties	329,278	-
Convertible interest payable	-	-
	(1,576,547)	(2,317,625)
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	(2,066,387)	(5,583,588)
Additions to property, plant and equipment	-	(54,258)
	(2,066,387)	(5,637,846)
FINANCING ACTIVITIES		
Debt facility (repayment) proceeds	(450,218)	4,665,729
Distributions paid	(695,935)	(197,227)
Convertible debentures	4,544,127	(441,113)
Net proceeds from (repayment of) vendor take back loan	-	(872,820)
Capital leases	(2,438,769)	(791,467)
Issuance of Trust Units	1,067,844	5,727,537
	2,027,049	8,090,639
Effect of currency translation	(472)	1,173,842
CHANGE IN CASH	(1,616,357)	1,309,010
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,711,071	245,566
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 94,714	\$ 1,554,576
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash paid for interest	\$ 1,740,443	\$ 524,447

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

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

1. NATURE OF OPERATIONS AND GOING CONCERN

Transeastern Power Trust (“Transeastern” or the “Trust”) is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario that, through its subsidiaries, generates and sells electricity to licensed electricity buyers in Romania through its portfolio of hydroelectric generation facilities comprised of 11 run-of-river hydroelectric power plants with total capacity of over 5.1 MW (the “Hydro Projects”), two photovoltaic solar power production plants with a total capacity of over 16 MWp (the “Solar Projects”), and a 17.6MW operational wind project (the “Wind Project”), and together with the Hydro and Solar Projects, the “Projects”). All of the power projects facilities are located in Romania.

The Trust directly and indirectly owns all of the membership rights of Transeastern Power Coöperatief U.A. (“Netherlands Parent”), which owns all of the issued and outstanding shares of Transeastern Power B.V. (“Netherlands Holdco” and, together with the Netherlands Parent, the “Netherlands Subsidiaries”). The Netherlands Subsidiaries jointly own, directly or indirectly, 100% of five Romanian subsidiaries which hold the Hydro Projects, two Romanian subsidiaries that hold the Solar Projects, a Romanian subsidiary that holds the Wind Project, and a Romanian subsidiary that acts as a management company for the Romanian operations.

TSX Trust Company, (the “Trustee”), trustee of Transeastern, has delegated most of its powers and duties relating to the operations and governance of Transeastern to Transeastern Power Administrator Inc. (the “Administrator”) pursuant to an Administrative Services Agreement dated February 4, 2014. All of the shares of the Administrator are owned by Transeastern Management Inc. (the “Administrator Shareholder”), all of the shares of which are owned by Mr. Eadie, the Chief Executive Officer and Mr. Sood, the Chairman of the Administrator, and are subject to the terms of a unanimous shareholders agreement dated May 28, 2014.

Transeastern qualifies as a “mutual fund trust” and not a “SIFT trust” (each as defined in the Tax Act) in accordance with the restrictions set forth in the Trust Indenture. The Administrator is responsible for monitoring Transeastern’s investments and holdings of property to ensure Transeastern is not at any time a “SIFT trust” and does not hold any “non-portfolio property”.

The principal head and registered office of each of Transeastern, the Administrator, the Administrator Shareholder and Transeastern’s Canadian subsidiaries are located at Suite 1800, 181 Bay Street, Toronto, Ontario, Canada. References to Transeastern herein include reference to the applicable subsidiary where appropriate.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

Going Concern

These condensed interim consolidated financial statements are prepared under the going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. While management considers that the preparation of the financial statements under the going concern basis is appropriate, there is significant doubt about the Trust's ability to continue as a going concern without securing additional financing or operating assets with adequate positive cash flow. The Trust has a working capital deficiency of \$11,561,568 as at September 30, 2016 (December 31, 2015 - \$8,003,832), an accumulated deficit of \$19,112,028 as at September 30, 2016 (December 31, 2015 - \$18,078,132), and the Trust reported earnings of \$ 159,018 for the nine months ended September 30, 2016 (nine months ended September 30, 2015 - a loss of \$8,126,648). The cashflow forecasts prepared by management rely on the assumption that the operations will be profitable. The Trust's ability to continue as a going concern is dependent upon the Trust's ability to raise additional capital through equity and/or debt financings and achieve profitable operations. Should the Trust be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Trust believes that the recently acquired Wind Project, and assuming it closes the Debt Facility (as defined below), together with increased revenues from existing operations will provide sufficient cash flow for it to continue as a going concern for the foreseeable future, however, there can be no assurances that future revenues from operations will increase or that it will close the debt facility. Accordingly, the condensed interim consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Trust be unable to continue as a going concern.

The amount of energy produced by the Projects is seasonal and depends on water flows, sunshine, and wind. Under normal circumstances of operations, no disruptions are foreseen. However there are uncertainties that may arise due to the Projects' dependence on hydrology, water flows, sufficient sunshine and wind.

On April 5, 2016, the Trust announced the execution of a letter of intent for a proposed \$10 million secured debt facility (the "Debt Facility"), and on October 14, 2016 the Trust announced it had executed the credit agreement governing the Debt Facility (See Note 13).

On September 2, 2016, the Trust closed the acquisition of Holrom Renewable Energy S.R.L. which holds the Wind Project located in Tulcea County, Romania (for further details, see Note 3).

2. ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These condensed interim consolidated financial statements should be read in conjunction with the Trust's audited financial statements for the year ended December 31, 2015.

These condensed interim consolidated financial statements were authorized for issuance by the board of directors of the Administrator of the Trust on November 29, 2016.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

2. ACCOUNTING POLICIES (Continued)

Basis of Consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust. Control is achieved when the Trust is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The condensed interim consolidated financial statements include the accounts of the Trust and the following subsidiaries:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>	<u>Ownership Percentage</u>
Transeastern Power Holdings Inc.	Canada	100%
Transeastern Power Holdings 2 Inc.	Canada	100%
Transeastern Power Coöperatief U.A.	Netherlands	100%
Transeastern Power B.V.	Netherlands	100%
Holrom Renewable Energy S.R.L.	Romania	100%
Transeastern Hidroelectrica Del Ucea SPV I SRL	Romania	100%
Transeastern SPV III SRL	Romania	100%
Transeastern Power Services Limited	Romania	100%
Transeastern Vistea Hidroelectrica SPV IV SRL	Romania	100%
Zagra Hidro SA	Romania	100%
Rott Energy SA	Romania	100%
SC Corabia Solar SRL	Romania	100%
SC Power L.I.V.E One SA	Romania	100%
Transeastern Corporate Directorship SRL	Romania	100%
Transeastern Power Holdings B.C. Inc.	Canada	100%
Mediterranean Resources Ltd.	Canada	100%

Foreign Currency Translation

The functional currency of the Trust and its subsidiaries is the currency of the primary economic environment in which it each entity operates.

All figures of the Trust's financial statements are reflected in Canadian Dollars, which is the functional and presentation currency of the Trust. The functional currency of the Trust's operations is the Romanian Leu.

At the end of each reporting period, the Trust translates foreign currency balances as follows:

- monetary items are translated at the closing rate in effect at the consolidated balance sheet date;
- non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured;
- revenue and expense items are translated using the average exchange rate during the period; and
- exchange gains and losses arising from translation are included in the determination of net loss and comprehensive loss.

Foreign currency translation on the Trust's Romanian subsidiaries resulted in a translation loss of \$1,254,396 and \$4,675,081 charged to other comprehensive loss for the three and nine months ended September 30, 2016, respectively (three and nine months ended September 30, 2015: gains of \$2,437,819 and \$2,319,984, respectively).

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

3. ACQUISITIONS

i) Acquisition of Holrom Renewable Energy S.R.L., Romania

On September 2, 2016, the Trust closed the acquisition of the Wind Project located in Tulcea County, Romania.

The net purchase price of the Wind Project of €14.08 million (\$19.2 million) was paid to the vendor by way of €1.5 million (\$2.0 million) cash, €5.2 million (\$7.8 million) in the form of a vendor take-back loan, the issuance of 14,790,136 units of the Trust ("Trust Units") at a fair value of \$0.50 per Unit and the issuance of \$2,071,000 principal amount of 7.5% convertible unsecured debentures governed by the debenture indenture dated May 28, 2014, as amended.

The acquisition of the Wind Project is subject to certain conditions subsequent.

The transaction is accounted for using the acquisition method as set out in IFRS 3. The following table sets out the allocation of the purchase price consideration to assets acquired and liabilities assumed based on the Trust's preliminary estimates of fair value:

Assets Acquired	
Property, plant and equipment	\$ 23,247,488
Green certificates	4,466,239
Deferred tax assets	940,113
Debt service reserve	673,111
Working capital, including cash of \$58,179	1,588,059
Capital lease obligations	(9,652,224)
Future income tax liability	(2,019,960)
Net assets acquired	\$ 19,242,826
Consideration	
Cash	\$ 1,968,033
Units ¹	7,395,068
Vendor take-back loan	7,808,725
Convertible debenture	2,071,000
Total consideration	\$ 19,242,826

¹Trust Units were valued at the trading price of the Trust Units on the acquisition date of \$0.50 per Trust Unit.

ii) Romanian Solar Projects

On July 24, 2015, the Trust acquired the Solar Projects, being 100% of the shares of two Romanian photovoltaic solar power production companies, SC Corabia Solar SRL ("Corabia") and SC Power L.I.V.E. One SA ("Power LIVE"). The Solar Projects are fully operational and have a total capacity of over 16 MWp. The plants have been in production for over two years and have performed consistently over that timeframe.

Acquisition of Corabia

The acquisition price for Corabia was \$5,198,465, consisting of a cash payment of \$2,435,006, the issuance of \$2,431,194 of Trust Units and a vendor take back loan of €232,029 (\$333,054) due two years from close of the acquisition. The fair value of the vendor take-back loan was determined using a discount rate of 12%

The transaction was accounted for using the acquisition method as set out in IFRS 3 "Business Combinations".

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

3. ACQUISITIONS (Continued)

ii) Romanian Solar Projects (Continued)

The following table sets out the allocation of the purchase price consideration to assets acquired and liabilities assumed based on the Trust's preliminary estimates of fair value:

Assets Acquired	
Working capital	\$ (273,098)
Property, plant and equipment	15,063,432
Green certificates	1,458,728
Deferred tax	(392,701)
Restricted cash	942,328
Capital lease	(11,600,224)
<hr/>	
Net assets acquired	\$ 5,198,465
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Consideration	
Cash	\$ 2,435,006
Trust Units ¹	2,431,194
Vendor take-back loan	332,265
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Total consideration	\$ 5,198,465

¹Trust Units were valued at the trading price of the Units on the acquisition date of \$0.85 per Trust Unit.

Acquisition of Power LIVE

The acquisition price for Power LIVE was \$7,134,122, consisting of a cash payment of \$3,362,627, the issuance of \$3,359,171 of Trust Units and a vendor take back loan of €287,936 (\$412,324) due two years from close of the acquisition. The loan is recorded at amortized cost and has been discounted using a rate of 12%.

The transaction is accounted for using the acquisition method as set out in IFRS 3. The following table sets out the allocation of the purchase price consideration to assets acquired and liabilities assumed based on the Trust's preliminary estimates of fair value:

Assets Acquired	
Working capital	\$ (251,768)
Property, plant and equipment	20,862,560
Green certificates	2,010,284
Deferred tax	(954,389)
Restricted cash	1,257,643
Capital lease	(15,790,208)
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Net assets acquired	\$ 7,134,122
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Consideration	
Cash	\$ 3,362,627
Trust Units ¹	3,359,171
Vendor take-back loan	412,324
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Total consideration	\$ 7,134,122

¹Trust Units were valued at the trading price of the Trust Units on the acquisition date of \$0.85 per Unit.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

3. ACQUISITIONS (Continued)

iii) Acquisition of Mediterranean Resources Ltd.

On October 28, 2015, Transeastern, through a subsidiary, acquired all of the outstanding shares of Mediterranean Resources Ltd ("Mediterranean") from the shareholders of Mediterranean (the "Mediterranean Shareholders") by way of plan of arrangement. Pursuant to the terms of the acquisition, Mediterranean Shareholders received 4,156,812 Trust Units and 4,156,812 transferable Trust Unit purchase warrants, with each whole warrant (each, a "Transeastern Warrant") enabling the holder thereof to acquire one whole Unit at a price of \$1.00 per Unit for a period of 36 months commencing on the date of issuance of the Units, subject to certain acceleration provisions.

The acquisition of Mediterranean has been accounted for as an acquisition of assets, not a business combination. The difference between the purchase price of \$4,281,516 and the net assets acquired of \$3,183,737 has been recorded as a loss on the Trust's statement of operations. The purchase price has been allocated to the fair value of the net assets acquired as follows:

Assets Acquired	
Cash	\$ 3,491,893
Accounts payable	(308,156)
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Net assets acquired	\$ 3,183,737
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Consideration	
Units ¹	\$ 3,782,699
Warrants ²	498,817
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Total consideration	\$ 4,281,516
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Excess of consideration paid for net assets acquired	\$ 1,097,779

Total transaction costs incurred during the year ended December 31, 2015 related to the acquisitions of the Solar Projects and Mediterranean were \$665,419.

¹Units were valued at the trading price of the units on the acquisition date of \$0.91 per Unit.

²Fair value of \$0.12 per warrant calculated using the Black-Scholes option pricing model, using a unit price of \$0.91, a risk free rate of 0.6% and a volatility of 40%.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

4. GREEN CERTIFICATES

Pursuant to applicable Romanian legislation, new hydro plants with production capacity of less than 10MW that commenced operations before January 1, 2014, such as the Trust's Rott project, are entitled to receive three green certificates for each one MW of energy production that enters the Romanian power grid, with one green certificate restricted from trading until March 31, 2017. Projects with production capacity of less than 10MW that were accredited after January 1, 2014, such as the Trust's Zagra project, are entitled to receive 2.3 green certificates for each one MW of energy production that enters the Romanian power grid, none of which are restricted from trading. Refurbished hydro projects with capacity of less than 10MW, such as the Trust's Suha project, are entitled to receive two green certificates for each one MW of energy production that enters the Romanian power grid, none of which are restricted from trading.

The Solar projects are entitled to receive four tradeable green certificate and two restricted green certificates per MWh produced and the Wind Project is entitled to receive one tradeable green certificate and 0.35 to 1 restricted green certificate per MWh produced. Restricted green certificates are restricted from trading until March 31, 2017. The tradeable green certificates are usually sold in less than one year.

Prior to the acquisition of Rott, the previous owner received financial support from the government. Under applicable Romanian legislation, an energy producer that benefits from the support mechanism of green certificates and that receives additional state support may have its entitlement to green certificates reduced until the support amounts are paid back in kind via a reduction in green certificates issued. Currently, Rott's entitlement has been reduced by 1.04 green certificates to 1.96 green certificates per MW of energy produced.

As at September 30, 2016, the Trust has recognized tradable green certificates of \$1,622,859 (December 31, 2015: \$222,446) and restricted green certificates of \$10,858,196 (December 31, 2015: \$4,738,734).

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

5. PROPERTY, PLANT AND EQUIPMENT

	Land (\$)	Buildings (\$)	Equipment (\$)	Fixtures (\$)	Construction In Progress (\$)	Total (\$)
Cost						
Balance, December 31, 2014	296,065	10,317,976	5,038,928	23,076	1,725,371	17,401,416
Additions	-	11,099	40,966	2,193	-	54,258
Assets acquired on acquisition	381,142	10,168,234	24,569,043	-	-	35,118,419
Effect of currency translation	29,362	1,079,607	808,463	1,872	139,969	2,059,273
Balance, September 30, 2015	706,569	21,576,916	30,457,400	27,141	1,865,340	54,633,366
Balance, December 31, 2015	694,563	21,102,179	27,374,462	26,621	1,826,518	51,024,343
Additions	-	6,974,246	16,273,242	-	-	23,247,488
Effect of foreign currency translation	(58,294)	(1,728,887)	(2,185,774)	(2,236)	(153,320)	(4,128,511)
Balance, September 30, 2016	636,269	26,347,538	41,461,930	24,385	1,673,198	70,143,320
Accumulated Amortization						
Balance, December 31, 2014	-	(222,685)	(204,136)	(1,529)	-	(428,350)
Depreciation expense	-	(653,760)	(1,144,922)	(2,226)	-	(1,800,908)
Effect of currency translation	-	16,750	31,881	92	-	48,723
Balance, September 30, 2015	-	(859,695)	(1,317,177)	(3,663)	-	(2,180,535)
Balance, December 31, 2015	-	(953,762)	(1,234,703)	(15,489)	-	(2,203,954)
Depreciation expense	-	(902,205)	(1,276,289)	(22,005)	-	(2,200,499)
Effect of foreign currency translation	-	73,667	104,210	1,795	-	179,672
Balance, September 30, 2016	-	(1,782,300)	(2,406,782)	(35,699)	-	(4,224,781)
Net Book Value						
Balance, September 30, 2015	706,569	20,717,221	29,140,223	23,478	1,865,340	52,452,831
Balance, September 30, 2016	636,269	24,565,238	39,055,148	(11,314)	1,673,198	65,918,539

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

6. DISTRIBUTIONS PAYABLE

Record Date	August 10, 2016	March 31, 2016	December 31, 2015	September 28, 2015
Payment Date	August 15, 2016	April 15, 2016	January 15, 2016	October 15, 2015
Distributions declared ¹	\$ -	\$ 672,472	\$ 659,892	\$ 561,740
Distribution reinvestment plan	520,442	337,992	298,437	291,709
Trust Unit in-kind distribution	520,442	-	-	-
Cash distribution	\$ -	\$ 334,480	\$ 361,455	\$ 270,031
Trust Units issued or issuable pursuant to reinvestment plan	-	209,727	537,916	330,174

¹On August 15, 2016, Transeastern made an in-kind distribution of Units, in respect of the period from and including April 1, 2016 to August 10, 2016, to unitholders of record on August 10, 2016. (See Note 9)

7. DEBT

Convertible Debentures

On May 28, 2014, the Trust issued 11,763 debentures pursuant to a debenture indenture dated May 28, 2014 (the "Debentures") as part of its initial public offering at a price of \$1,000 per Debenture for proceeds of \$11,763,000. Transaction costs related to the issuance of the Debentures of \$1,890,725 were expensed. The Debentures bear an interest rate of 7.5% and mature on May 28, 2019 and have interest payable semi-annually. The outstanding principal under the Debentures may, at the option of the holder, be converted into Units at a conversion rate of 800 Units per \$1,000 of the principal amount of the Debentures.

During the year ended December 31, 2015, the Trust issued Debentures in the aggregate principal amount of \$2,000,000 towards the settlement of the note payable and the vendor take-back loan related to the acquisition of Suha.

On September 2, 2016, the Trust issued Debentures with a principal amount of \$2,071,000 to the vendor of Holrom Renewable Energy R.L.

On September 2, 2016, the Trust also issued, on a private placement basis, 4,233 convertible debenture units (each, a "Convertible Debenture Unit"), with each Convertible Debenture Unit being comprised of \$1,000 principal amount of 7.5% unsecured convertible debentures and 800 Trust Unit purchase warrants (each, a "Warrant"), at a subscription price of \$700 per Convertible Debenture Unit.

Such debentures consisted of \$625,000 principal amount of Debentures and \$3,608,000 principal amount series 2 debentures (the "Series 2 Debentures") pursuant to a first supplemental debenture indenture dated September 1, 2016.

The principal amount of the Debentures is payable at maturity in cash or, at the Trust's option and subject to satisfaction of certain conditions, by delivery of Trust Units or a combination of cash and Trust Units. At maturity, the outstanding principal of the Series 2 Debentures is payable in cash or, at the option of the holder, by delivery of Trust Units or a combination of cash and Trust Units.

An aggregate of 3,386,400 Warrants were issued, with each Warrant being exercisable into one Trust Unit at an exercise price of \$1.00 until May 28, 2019. The Convertible Debenture Units containing Series 2 Debentures were issued pursuant to an agency agreement and, in consideration for the services of the agent and certain finders, the Trust paid a cash commission equal to 7% of the gross proceeds of the offering and issued 176,792 broker warrants with each broker warrant being exercisable by the agent into one Trust Unit for an exercise price of \$1.00 until September 1, 2019.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

7. DEBT (Continued)

For the three and nine months ended September 30, 2016, the Trust accrued an aggregate interest expense of \$258,057 and \$774,170, respectively (three and nine months ended September 30, 2015 - \$222,369 and \$4,663,482, respectively), on the Debentures and Series 2 Debentures and recognized a mark-to-market gain of \$688,150 for the three and nine months ended September 30, 2016 (mark-to-market for the three and nine months ended September 30, 2015 - a gain of \$465,781 and a loss of \$1,886,819, respectively).

The Series 2 Debentures contain an embedded derivative related to the holders conversion option on redemption. The fair value assigned to the conversion feature is valued using a Black Scholes model with the main inputs to the valuation being the historical prices of the Trust Units to calculate volatility and risk free interest rate. At September 30, 2016 the fair value attributed to the convertible feature was \$176,792.

The Trust received consent of debenture holders, by extraordinary resolution, for the extension of the time for payment of interest owing on the Debentures. The time for payment of the June 30, 2016 interest payment has been extended until December 30, 2016.

A continuity of convertible debt is as follows:

Balance, December 31, 2014	\$ 9,410,400
Issuance	2,000,000
Fair value adjustment	976,300
<hr/>	
Balance, December 31, 2015	\$ 12,386,700
Issuance of Debentures on acquisition of Holrom Renewable Energy S.R.L.	2,071,000
Series 2 Debenture issuance, net of costs of \$340,413	2,185,087
Issuance, net of costs of \$55,710	288,040
Fair value adjustment	(998,800)
<hr/>	
Balance, September 30, 2016	\$ 15,932,027

Debt Facility

The Trust has a \$5 million debt facility with Sprott Resource Lending Partnership (the "Sprott Debt Facility"). The Sprott Debt Facility accrues interest at a rate of 10% per annum, compounded monthly. It has a two year term and is pre-payable at the Trust's option without penalty provided six months' interest has been paid. It is guaranteed by certain of the Trust's subsidiaries and is secured against the Hydro Projects. The debt agreement prescribed a bonus payment of \$300,000 on closing, which the Trust settled in Units. Debt is presented net of amortized financing costs of \$250,604. During the quarter ended June 30, 2016, the Trust prepaid \$450,000 of principal on this facility.

The Sprott Debt Facility includes financial covenants requiring that the Trust and all of its secured subsidiaries, to maintain certain levels in unrestricted cash and cash equivalents and working capital in the Credit Parties. If these covenants are breached, the lender's remedies include calling the debt and any accrued interest and taking possession of the assets of the Credit Parties. The Trust was in breach of these covenants as at September 30, 2016 and December 31, 2015, and since the Trust does not have the irrevocable right to defer payments for 12 months, the debt has been classified as current as at September 30, 2016 and December 31, 2015.

On August 15, 2016, the Trust issued an aggregate of 221,867 Trust Units in satisfaction of a \$100,000 anniversary payment at a deemed price of \$0.4507 per Trust Unit and a fair value of \$0.50 per Trust Unit, or a \$110,934 fair value in aggregate.

The Trust did not remit payment of interest due on September 30, 2016 in the amount of \$37,916 and subsequent to September 30, 2016, on October 31, 2016, the Trust did not remit interest of \$39,180 relating to the outstanding debt facility.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

7. DEBT (Continued)

Capital Leases

In connection with the acquisition of the Solar Projects and the Wind Project, the Trust assumed leasing contracts with Unicredit Leasing Corporation IFN SA which were initially entered into for the purpose of financing the construction of the photovoltaic solar plants and windmills. The interest rate on the leasing contracts on the solar projects is currently 8.5% for the remaining years until maturity in 2023. At the end of the contract, the ownership of the photovoltaic plants passes to the Trust for nominal consideration.

The interest rate on the leasing contract on the Wind Project is the three month EURIBOR rate plus 5% for the term of the lease, which ends in 2021. At the end of the lease, the ownership of the assets pass to the Trust for nominal consideration.

The capital lease agreements require the Solar Projects and the Wind Project to maintain a debt service reserve account equal to three months debt service obligations. As at September 30, 2016, the Trust has \$2,938,428 (December 31, 2015 - \$2,246,266) of restricted cash related to this requirement.

At September 30, 2016, the discounted balance of the capital lease facilities is \$34,407,820 (December 31, 2015 - \$27,194,365).

The following is a summary of the stated scheduled future minimum payments under the Trust's capital lease and term loan obligations as at September 30, 2016:

Within 1 year	\$	6,723,774
1 - 5 years		32,341,393
Greater than 5 years		4,894,548
	\$	<u>43,959,715</u>

8. INTEREST AND FINANCE CHARGES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Debenture interest (Note 7)	\$ 258,058	\$ 222,369	\$ 774,171	\$ 663,482
Interest on debt facility (Note 7)	160,030	-	452,183	-
Interest on capital leases	308,895	1,168,662	1,308,227	1,517,704
Finance income	-	48,752	(19,967)	(5,176)
	\$ 726,983	\$ 1,439,783	\$ 2,514,614	\$ 2,176,010

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

9. TRUST UNITS

Trust Units

	Trust Units	Trust Unit Value
Balance, December 31, 2014	11,349,122	\$ 9,539,427
Issuance of Trust Units	13,658,331	11,840,085
Distribution reinvestment plan	672,069	582,391
Balance, September 30, 2015	25,679,522	\$ 21,961,903
Balance, December 31, 2015	30,203,705	25,769,159
Distribution reinvestment plan	1,024,934	635,614
Issuance of trust units	1,665,579	1,002,358
Issued on settlement of finance charges	221,867	110,934
Issued on acquisition of Holrom Renewable Energy S.R.L. (Note 3)	14,790,136	7,395,068
Distribution to unitholders (Note 6)	1,040,883	520,442
Balance, September 30, 2016	48,947,104	\$ 35,433,575

Trust Unit Activity

- i) On January 15, 2016, the Trust issued 537,916 Trust Units with an ascribed value of \$297,622 to settle its fourth quarter 2015 distributions payable.
- ii) On April 5, 2016, the Trust closed the first tranche of a private placement, issuing 1,156,043 units for gross proceeds of \$810,000 and cash costs of issue of \$119,000. Each unit is comprised of one Trust Unit and one Trust Unit purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one Trust Unit for a period of 36 months from the date of issuance at an exercise price of \$1.00 per Trust Unit. The Warrants contain an acceleration provision providing that, if: (i) four months and one day have passed since the closing date and (ii) the closing price of the Trust Units on the TSX Venture Exchange ("TSXV") or such other exchange on which the Trust Units are listed for trading is higher than \$1.25 for 20 consecutive trading days, then on the 20th consecutive trading day the expiry date of the Warrants will be accelerated to the date that is ten (10) business days after the acceleration trigger date. The fair value of the 1,156,043 Warrants was estimated at \$46,011 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 8.75%; expected volatility from 47%; a risk-free interest rate of 0.50% and an expected life of 2.50 years.

In connection with the closing of this tranche of the private placement, Transeastern issued non-transferable broker warrants to purchase up to 68,118 Trust Units containing the same terms as the Warrants, with the exception of the exercise price which is \$1.20 per Trust Unit. The fair value of the 68,118 broker warrants was estimated at \$2,711 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 8.75%; expected volatility from 47%; a risk-free interest rate of 0.50% and an expected life of 2.50 years.
- iii) On April 15, 2016, the Trust issued 487,018 Trust Units with an ascribed value of \$337,992 to settle its first quarter 2016 distributions payable.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

9. TRUST UNITS (Continued)

- iv) On May 13, 2016, the Trust closed a second tranche of the private placement, issuing 316,399 Trust Units for gross proceeds of \$222,000 and cash costs of issue of \$27,510. Each unit is comprised of one Trust Unit and one Warrant. The fair value of the 316,399 Warrants was estimated at \$12,593 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 8.75%; expected volatility from 47%; a risk-free interest rate of 0.50% and an expected life of 2.50 years.

In connection with the closing of this tranche of the Private Placement, the Trust issued non-transferable broker warrants to purchase up to 22,145 Trust Units containing the same terms as the Warrants, with the exception of the exercise price which is \$1.20 per Trust Unit. The fair value of the 22,145 broker warrants was estimated at \$881 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 8.75%; expected volatility from 47%; a risk-free interest rate of 0.50% and an expected life of 2.50 years.

- v) On June 15, 2016, certain officers and directors of the Trust purchased 183,333 Trust Units at a price of \$0.63 per Trust Unit under the terms of the Trust's Unit Purchase Plan ("Plan"). Pursuant to the terms of the Plan, the Trust issued a further 9,804 deferred matching Trust Units to these individuals with an ascribed fair value of \$4,902.
- vi) On August 15, 2016, the Trust issued an aggregate of 221,867 Trust Units in satisfaction of a \$100,000 anniversary payment to its senior secured lender.
- vii) On August 15, 2016, the Trust issued 1,040,883 Trust Units with a fair value of \$520,442 as an in-kind distribution.
- viii) On September 2, 2016, the Trust issued 14,740,136 Trust Units at a fair value of \$0.50 in partial satisfaction for the purchase price of the Wind Project.

Warrants

As at September 30, 2016, the Trust has 15,537,045 Warrants issued and outstanding:

- i) 10,411,148 of the Warrants entitle the holder thereof to acquire one Trust Unit for a period of 36 months from the date of issuance at an exercise price of \$1.00 per Trust Unit. The Warrants contain an acceleration provision providing that if, after November 25, 2015, the closing price of the Units on the TSXV is higher than \$1.50 for 20 consecutive trading days, then on the 20th consecutive trading day the expiry date of the warrants will be accelerated to the date that is the 10th (tenth) business day after the acceleration trigger date.
- ii) 1,472,442 of the Warrants entitle the holder thereof to acquire one Trust Unit for a period of 36 months from the date of issuance at an exercise price of \$1.00 per Unit. The Warrants contain an acceleration provision providing that, if: (i) four months and one day have passed since the closing date and (ii) the closing price of the Units on the TSXV or such other exchange on which the Units are listed for trading is higher than \$1.25 for 20 consecutive trading days, then on the 20th consecutive trading day, the expiry date of the warrants will be accelerated to the date that is ten (10) business days after the acceleration trigger date.
- iii) 90,263 of the Warrants outstanding are broker warrants with the same terms as the Warrants described in (ii) above, with the exception of the exercise price which is \$1.20 per Trust Unit.
- iv) 3,386,400 of the Warrants entitle the holder thereof to acquire one Trust Unit until May 28, 2019 at an exercise price of \$1.00 per Trust Unit.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

9. TRUST UNITS (Continued)

Warrants (Continued)

- v) 176,792 of the Warrants outstanding are broker warrants with the same terms as the Warrants described in (iv) above.

Restricted Trust Units

On March 31, 2015, the Trust issued 150,000 restricted trust units (the "RTUs") pursuant to the Trust's RTU Plan as compensation to a third party consultant for services, of which 75,000 RTUs vested on issuance and the remaining 75,000 RTUs vested on June 30, 2015. The RTUs can be settled in either cash or by issuing Units, at the option of the Trust, pursuant to the Trust's RTU Plan.

10. RELATED PARTY TRANSACTIONS

Apart from the transactions disclosed elsewhere in these condensed interim consolidated financial statements, all transactions are in the normal course of business and are recorded at the exchange value agreed to by the related parties. Inter-company transactions and balances are eliminated upon consolidation.

Key management of the Trust consists of members of the board of directors and officers of the Trust and Administrator. During the three and nine months ended September 30, 2016, the Trust expensed \$233,895 and \$805,521, respectively of salaries and benefits to the officers of the Trust in addition to \$33,750 and \$101,250, respectively in directors' fees.

As at September 30, 2016, the Trust has amounts payable of \$563,133 to related parties consisting of advances to the Trust as well as reimbursement of payments of expenses incurred on behalf of the Trust by the Executive Chairman and the Chief Executive Officer. These advances are non-interest bearing and due on demand.

Renovatio Group Limited ("RGL") holds significant influence over the Trust and is a related party. The Trust sells power and GCs to RGL and has operations and maintenance contracts with subsidiaries of RGL. During the three and nine months ended September 30, 2016, the Trust expensed \$356,176 and \$842,720 of operations and maintenance and balancing fees and recognised \$2,085,424 and \$4,430,505 in sales of power and GCs to RGL and its subsidiaries.

11. SEGMENT INFORMATION

In accordance with IFRS 8, "Operating Segments," the Trust has identified the following operating segments: (i) the Hydro Project, being three hydroelectric run of river companies (located in Romania) which consists of Rott, Zagra and Suha; (ii) the Solar Projects (located in Romania) which consist of Corabia and Power LIVE; (iii) the Wind Project (located in Romania) which consists of Holrom Renewable Energy S.R.L. and (iv) corporate overhead which includes the management of the Projects (located in Romania) and corporate costs for administration of the Trust (located in Canada). The operating segments have been identified based upon the nature of operations and technology used in the generation of electricity. The Trust analyzes the performance of its operating segments based on their operating income (loss), which is defined as revenue less operating expenses.

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

11. SEGMENT INFORMATION (Continued)

Segment Assets and Liabilities

	September 30, 2016	December 31, 2015
Assets		
Hydro Projects	\$ 17,262,604	\$ 15,185,070
Solar Projects	39,687,317	43,090,307
Wind Project	28,642,403	-
Corporate	172,316	2,078,905
	\$ 85,764,640	\$ 60,354,282
Liabilities		
Hydro Projects	\$ 4,597,977	\$ 1,778,065
Solar Projects	27,182,352	30,289,774
Wind Project	17,977,009	-
Corporate	24,238,510	20,473,090
	\$ 73,995,848	\$ 52,540,929

Profit (loss) by Segment

Nine Months Ended September 30, 2016

	Wind Project	Hydro Projects	Solar Projects	Corporate Overhead	Total
Revenue	\$ 263,955	\$ 802,330	\$ 5,129,222	\$ -	\$ 6,195,507
Operating					
Depreciation	(230,045)	(659,329)	(1,541,170)	-	(2,200,499)
Expenses	(169,012)	(462,642)	(1,965,247)	(1,009,044)	(3,605,945)
(Loss) profit for the period	\$ (135,102)	\$ (319,641)	\$ 1,622,805	\$ (1,009,044)	\$ 159,018

Nine Months Ended September 30, 2015

	Hydro Projects	Solar Projects	Corporate Overhead	Total
Revenue	\$ 948,160	\$ 1,430,245	\$ -	\$ 2,378,405
Operating				
Depreciation	(565,807)	(1,235,100)	-	(1,800,907)
Expenses	(2,391,622)	(576,293)	(5,736,231)	(8,704,146)
Loss for the period	(2,009,269)	(381,148)	(5,736,231)	(8,126,648)

Transeastern Power Trust

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)

12. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with current period financial statement presentation.

13. SUBSEQUENT EVENTS

- i) On October 14, 2016, the Trust announced that it had entered into a \$10 million secured debt facility (the "Debt Facility") with RE Royalties Ltd.

The Debt Facility is for a three year term, subject to a one year extension at the option of Transeastern under certain conditions. Interest on the Debt Facility is initially payable at a fixed rate of 5% per annum, compounding semi-annually. The Debt Facility also provides for annual additional variable interest payments calculated as a percentage of the revenues of certain of Transeastern's current Romanian operating subsidiaries. The variable interest payments are for a twenty year term, subject to Transeastern's ongoing early prepayment option. The Debt Facility will be secured by a first charge over the assets of each of the Trust and its subsidiaries, with the exception of certain of its Romanian operating subsidiaries. The net proceeds of the Debt Facility will be used to repay existing secured indebtedness at both the Trust and Romanian subsidiary levels and for ongoing working capital purposes.