TREZ CAPITAL
TG INCOME TRUST III

Management Discussion and Analysis
Fourth Quarter 2019
December 31, 2019

Management's Discussion and Analysis

Basis of Presentation

This Management's Discussion and Analysis ("MD&A") has been prepared and includes material financial information as of April 1, 2020. This MD&A should be read in conjunction with the audited financial statements for the year ended December 31, 2019 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

Additional information related to TG Income Trust III (the "Trust"), including the Trust's audited financial statements for the year ended December 31, 2019 are available on SEDAR at www.sedar.com or www.trezcapital.com.

Forward-Looking Statements

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

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

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

Non-IFRS Financial Measures

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

- Income from operations per unit – represents the income from operations for the period divided by the total number of Series A, C, D and E units outstanding at the reporting date;
- Mortgage portfolio – represents investments in mortgages net of accrued interest and fees receivable, and mortgage syndications;
- Average mortgage investment – represents the mortgage portfolio divided by the number of mortgage investments at the reporting date;
- Weighted average interest rate – represents the weighted average effective interest rate on the mortgage portfolio at the reporting date; and
- Loan-to-value ("LTV") – is a measure of risk determined at the time of loan underwriting calculated as (i) the sum of advanced and un-advanced mortgage commitments on a mortgage investment, including all other third party advanced and un-advanced debt which has priority or ranks pari-passu to the Trust's debt (ii) divided by the pro forma estimate of the value of the underlying real estate collateral at that time if already developed or after completion of development in the case of a development project. Weighted average LTV is the dollar weighted average of mortgage LTVs in a portfolio.

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

Review and Approval by the Board of Governors

The Board of Governors approved the content of this MD&A on April 1, 2020.

Financial Highlights and Key Performance Indicators

	Three months ended December 31		Year ended December 31	
	2019	**2018**	**2019**	**2018**
OPERATING RESULTS				
Revenue	1,711,989	1,578,712	6,900,751	5,315,965
Income from operations	631,860	1,307,576	5,518,496	4,706,216
Income from operations per Series A, C, D and E units	0.08	0.19	0.74	0.81
Cash flow from operations	692,957	990,555	3,887,754	(83,376)
Distributions to Series A, C, D and E unitholders	1,340,844	1,003,762	4,760,906	3,441,890
FINANCIAL POSITION				
Redeemable units outstanding (Series A, C, D and E)			7,452,623	5,794,320
Subordinated units outstanding			372,632	289,717
Total assets			85,865,538	64,114,829
Mortgage portfolio			67,988,792	60,268,112
Total number of mortgage investments			42	32
Average mortgage investments			1,618,781	1,883,379
Weighted average interest rate			10.29%	11.01%
Weighted average loan to value			65.65%	71.31%

Revenue increased by $0.1m and $1.6m for the three months and year ended December 31, 2019 compared to the same periods in 2018. The increase is mostly due to the Trust holding a higher mortgage portfolio balance over the period as compared to 2018.

Income from operations includes interest income from loans invested in both Canada and the United States, fair value gains on investments held at fair value, other income, related foreign exchange gains or losses and provisions for mortgage losses. Income from operations decreased by $0.7m and increased by $0.8m for the three months and year ended December 31, 2019 compared to the same periods of 2018. Increased revenues associated with the change in investments in mortgages contributed to higher income from operations, but the increase in revenues was offset by a $1.1 million provision for mortgage losses.

In 2019 the Trust also invested in Special Purpose Entities which are classified as Investment held at fair value and these contributed $21,965 to revenue and income from operations. These allow the Trust to participate in loan sharing arrangements with third party US based financial institutions.

Distributions to unitholders vary by unit series type. The series currently issued and outstanding in the Trust are Series A, B, C, D, and E units (collectively “redeemable units”). The redeemable units have a term of 45 months from the date of issuance, at which time they are redeemed at a price equal to the subscription price of $10 per unit. The Series A, C, D, and E redeemable units have a fixed return of 7.10%, 7.20%, 7.50%, and 7.10% per annum respectively. The Trust makes a distribution to the Series B subordinated units on a quarterly basis. The amount to be distributed is an estimate of the expected annual distribution based on the year-to-date financial results of the Trust. The Series B distribution to be made in respect of the December 31 year-end will be equal to the amount by which the taxable income and the non-taxable portion of the net realized capital gains of the Trust for the particular year exceeds the sum of : (a) the aggregate fixed return for all Series A, C, D and E redeemable units for such year (including the non-taxable portion of any realized capital gains attributed thereto); and (b) the previous distributions made to the Series B unitholder in that year. The year-end distribution will be paid in arrears upon completion of the year end audit.

During the three months and year ended December 31, 2019, the Trust made distributions of $1.3m and $4.8m to holders of redeemable units. As at December 31, 2019, $1.3m is payable to the holders of Series A, C, D, and E redeemable units.

As at December 31, 2019, the Trust's mortgage investment portfolio was valued at $73.7 million and comprised of 42 mortgages, 34 of which were invested in the United States and 8 invested in Canada. The mortgage investment portfolio had a weighted average interest rate of 10.29% and an average mortgage investment of $1.6m at December 31, 2019.

Business Objective

The investment objective of the Trust is to invest in real estate investments in Canada and the United States (subject to the applicable investment objectives and restrictions of the Trust) as follows: (a) interest-bearing loans secured by variously ranking charges in real property; (b) loans comprising a base interest rate, various ranking security charges and a participation in profits; (c) loans secured with variously ranking charges by a developer's interest in the entity which is developing the real estate; (d) registered and/or unregistered real real property interests through an indirect unsecured interest in real property; and (e) joint ventures which may also involve registered and/or unregistered real property interests and loan combinations to generate a fixed return for the Trust's unitholders.

The Trust seeks to achieve this objective through prudent investments to qualified real estate investors and developers, focusing primarily on short-term bridge financing needs not currently serviced by traditional real estate lenders.

Current Business Environment

Subsequent to Year End

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. These impacts could include increases in expected credit losses for mortgage investments and potential future decreases in revenue or the profitability of our ongoing operations.

The following commentary below with respect to Canada and the United States economies was prepared at the end of Q4, before the global pandemic ravaged the markets. It currently is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the economy and the Trust.

The United States

U.S. Economy:

Outside of weakness in the manufacturing sector, economic data at the end of 2019 pointed towards positive-growth momentum in early 2020. Monthly job growth remained favourable, as 145,000 jobs were added in December, while firmer wage growth supported strong consumer spending. In addition, the housing market showed signs of improvement over the second half of the year, as new single-family construction reached its highest monthly rate since 2007 by December.

Many of the headwinds that were present early in 2019 – rising interest rates, an escalating trade dispute with China and softening global demand – have diminished. The Fed reversed its policy stance and reduced its short-term interest rate, bringing it to a target range of 1.50% – 1.75%. The Fed's current "wait-and-see" policy stance confirms that economic conditions remain favourable with a limited risk of accelerating inflation. The recent phase- one trade agreement between the U.S. and China reduced the risk of further tariffs, which could have a negative impact on manufacturers and consumers. Finally, recent reports indicate that global manufacturing activity has stabilized after a slide through most of 2019.

While many analysts see slower growth in 2020, it appears that recession risks have been reduced. Through December, U.S. employment had expanded for 111 consecutive months, bringing the unemployment rate to 3.5%. With labour market conditions becoming quite tight, employers will find it increasingly difficult to find qualified staff for open positions. This will likely be an increasingly growing constraint to expansion.

Real Estate Market:

Despite rising levels of construction that one would expect at this stage of the commercial real estate cycle, most U.S. property types continued to experience healthy demand and declining vacancy and availability rates over the course of 2019. The lone exception was the industrial sector, where building completions exceeded demand, causing the availability rate to increase by 20 basis points over the year. At 7.25%, the industrial availability rate remained quite low by historical standards. New construction finally improved leasing options for space-constrained tenants, as many e-commerce and retail users needed modern distribution and warehousing facilities to accommodate changing online consumer purchases. Continued employment growth and rising wages benefited from the demand in the office, retail and apartment sectors.

After a disappointing spring season, the nation's housing market showed continued improvement in late 2019. Low unemployment, low mortgage rates and rising wages helped to boost existing home sales in December to 10.8% above levels of the previous year, according to the National Association of Realtors. As the inventory of available homes for sale dwindled in recent months, new development has been on the rise.

Investor confidence in the commercial real estate market remained strong, as there were large amounts of equity and debt capital available for investment. According to Real Capital Analytics ("RCA"), overall commercial sales-transaction volume was down 6% in 2019, due to fewer portfolio transactions. Despite the decline, the 2019 transaction volume neared record levels. Commercial property prices continued to increase at healthy rates, rising 7.8% in 2019, according to RCA.

Canada

Canadian Economy:

Canada's economy added close to 35,000 jobs in December. The additional jobs represent a turnaround from the job losses that occurred over the previous two months, reflecting a GM plant closure and layoffs at other prominent Canadian firms. Despite some bright spots in the labour and housing markets, fourth quarter gross domestic product ("GDP") growth appeared to be trending at, or slightly below, the 1.3% annual rate reported in the third quarter. Although some analysts believe that growth will be subdued in early 2020, there are some factors that may support growth in Canada's export markets. Global economic growth appeared to be steadier, while the signing of the phase-one U.S.-China trade accord and the ratification of the U.S.-Mexico-Canada Agreement are likely to reduce trade uncertainty.

In addition, Canada has some flexibility to maneuver expectations on the policy front. While other central banks have moved to a more accommodative policy stance by reducing rates over the past year, including the U.S. Federal Reserve Board ("Fed"), the Bank of Canada ("BoC") maintained steady policy rates. At its January meeting, the BoC held its target overnight policy rate at 1.75%. The BoC's guidance report mentioned that it is paying attention to developments in consumer spending, housing and business investment. Any further softening in these areas, as well as the appreciation of the Canadian dollar, would likely cause the BoC to lower rates in order to stimulate economic activity.

For Canada to achieve higher growth over the near term, it appears that activity will need to shift more towards exports and investment activity, since the consumer sector is burdened with high debt levels. While trade risks remain, the resolution of trade disputes may improve the outlook on exports.

Real Estate Market:

The fundamentals of Canada's office and industrial real estate markets remained relatively healthy at Q4, one exception was Alberta which continued to experience headwinds. In the fourth quarter of 2019, the national office vacancy rate fell to 10.9%, the lowest level since late 2014. Suburban office markets experienced the most improvement over the course of 2019, with vacancy down 170 basis points over the year. The suburban markets of London, Waterloo and Montreal have contributed disproportionately to this decline. Meanwhile, the national industrial market remained exceedingly tight in the fourth quarter of 2019, with an availability rate of 3% and an annual rental rate over 12%. While industrial completions have been on the rise, Coldwell Banker Richard Ellis ("CBRE") noted that the market is expected to remain strong, as e-commerce, third-party logistics and retail firms revamp their supply chains to meet evolving consumer needs.

After reaching a low point in May, overall home prices were on the rise and experienced improved sales activity, according to the Canadian Real Estate Association ("CREA"). CREA's home price index advanced 3.4% for the year ended in December 2019. With improving activity in the greater Toronto, Vancouver and Montreal regions, the overall inventory of homes available for sale at the current sales rate in December reached 4.2 months – the lowest rate since 2007, according to CREA.

Capital markets appeared to look beyond short-term economic fluctuations and trade disputes, and towards the solid fundamentals of commercial real estate markets. According to CBRE, Canadian REITS had a solid year, with total returns exceeding 20% in 2019. Direct investment volumes were on pace to reach $42 billion, which would match record levels over the last two years. Such strong momentum is positive as 2020 unfolds.

Sources: *Sources: CBRE, Oxford Economics, U.S. Bureau of Labor Statistics, U.S. Bureau of Census, U.S. Federal Reserve, National Association of Realtors, Real Capital Analytics, Bank of Canada, Canadian Real Estate Association*

Portfolio

A summary of our mortgage portfolio is presented below:

	December 31, 2019	December 31, 2018
Mortgage portfolio	$67,988,792	$60,268,112
Provision for mortgage losses	(1,273,000)	(136,977)
Accrued interest	583,429	538,241
Mortgage syndications	6,371,596	1,391,308
Investments in mortgages	$73,670,817	$62,060,684

As at December 31, 2019, the Trust's mortgage portfolio was comprised of 42 mortgage investments (December 31, 2018 – 32). The provision for mortgage losses at December, 2019 was $1,273,000 (December 31, 2018 - $136,977). IFRS 9 general Stage 1 provisions of $173,000 represent management's estimate of the expected credit losses on mortgages in the company's portfolio that have not experienced a significant increase in credit risk since initial recognition. The expected credit losses on mortgages with increased credit risks were assessed individually for each investment in mortgages and commitments. Management estimated the expected credit loss for these as $1,100,000, which was due to a decrease in the mortgage collateral value held on one of the mortgages held in Alberta.

Asset Type

A summary of our mortgage portfolio by asset type is presented below:

	December 31, 2019			December 31, 2018		
	Number	**$ Amount**	**% of Portfolio**	**Number**	**$ Amount**	**% of Portfolio**
Residential	38	$57,098,715	84.0%	30	$59,435,643	98.6%
Industrial	2	5,250,000	7.7%	2	832,469	1.4%
Retail	-	-	-	-	-	-
Other	2	5,640,077	8.3%	-	-	-
Total	42	$67,988,792	100.0%	32	$60,268,112	100.0%

As at December 31, 2019, 84.0% of the Trust's mortgage portfolio was secured by residential projects. The Manager has significant expertise in underwriting residential development financings and has several long-standing relationships with developers with successful track records.

Security

A summary of our mortgage portfolio by priority of security is presented below:

	December 31, 2019			December 31, 2018		
	Number	**$ Amount**	**% of Portfolio**	**Number**	**$ Amount**	**% of Portfolio**
First	37	$54,455,812	80.1%	31	$59,935,643	99.4%
Second	5	13,532,980	19.9%	1	332,469	0.6%
Total	42	$67,988,792	100.0%	32	$60,268,112	100.0%

As at December 31, 2019, a significant portion of the allocation of mortgages is to first mortgages.

Loan-to-Value

Summaries of our mortgage portfolio by period, loan-to-value and security are presented below:

	December 31, 2019			December 31, 2018		
	Number	**$ Amount**	**% of Portfolio**	**Number**	**$ Amount**	**% of Portfolio**
55% or less	7	$18,156,607	26.7%	2	$3,902,879	6.5%
56-60%	2	3,628,838	5.3%	3	4,172,905	6.9%
61-65%	10	13,284,047	19.5%	7	8,827,613	14.6%
66-70%	3	6,527,302	9.6%	4	7,848,353	13.0%
71-75%	8	9,461,808	13.9%	5	13,019,796	21.7%
76-80%	5	7,342,475	10.8%	6	11,840,200	19.7%
81-85%	4	7,919,320	11.6%	3	9,603,572	15.9%
86% or more	3	1,668,395	2.5%	2	1,052,794	1.7%
Total	42	$67,988,792	100.0%	32	$60,268,112	100.0%

The loan-to-value is determined at the time of underwriting of the loan and is based on the estimated project value after the loan proceeds have been expended on it. The loan-to-value estimate would only be adjusted at the time of a loan renewal or modification, when there is a change in loan structure such as a partial discharge on loans secured by multiple properties, or when the loan becomes challenged. As at December 31, 2019, the weighted average loan-to-value for the portfolio had decreased slightly to 65.65% (December 31, 2018 – 71.31%).

Maturity

A summary of our mortgage portfolio by maturity date is presented below:

	December 31, 2019			December 31, 2018		
	Number	**$ Amount**	**% of Portfolio**	**Number**	**$ Amount**	**% of Portfolio**
Past due	-	-	-	-	-	-
2019	-	-	-	15	$29,719,959	49.3%
2020	19	$27,285,475	40.1%	10	17,819,275	29.6%
2021	17	21,151,364	31.1%	7	12,728,878	21.1%
2022	4	13,758,587	20.2%	-	-	-
2023	2	5,793,366	8.6%	-	-	-
Total	42	$67,988,792	100.0%	32	$60,268,112	100.0%

There were no mortgages that are past due or in default as at December 31, 2019 (December 31, 2018 - none).

Interest Rate

A summary of our mortgage portfolio by effective interest rate is presented below:

	December 31, 2019			December 31, 2018		
	Number	**$ Amount**	**% of Portfolio**	**Number**	**$ Amount**	**% of Portfolio**
7.99% or less	2	$7,085,615	10.4%	2	$7,864,886	13.0%
8.00% - 8.99%	2	2,915,961	4.3%	1	500,000	0.8%
9.00% – 9.99%	4	9,667,648	14.2%	2	4,594,189	7.6%
10.00% – 10.99%	17	32,645,755	48.0%	11	16,813,581	27.9%
11.00% - 11.99%	5	5,904,351	8.7%	2	6,013,240	10.0%
12.00%+	12	9,769,462	14.4%	14	24,482,216	40.7%
Total	42	$67,988,792	100.0%	32	$60,268,112	100.0%

The weighted average interest rate as at December 31, 2019 was 10.29% (December 31, 2018 – 11.01%). The decrease in rate is the result of larger loan balances held with an interest rate of less than 11.00% in the year ended December 31, 2019.

Geographic Diversification

A summary of our mortgage portfolio by province and state is presented below:

	December 31, 2019			December 31, 2018		
	Number	**$ Amount**	**% of Portfolio**	**Number**	**$ Amount**	**% of Portfolio**
Texas	27	$36,474,035	53.6%	21	$37,502,582	62.2%
Arizona	2	2,000,501	2.9%	1	1,730,359	2.9%
Florida	4	5,866,785	8.6%	3	5,346,781	8.9%
Oregon	-	-	-	1	2,863,830	4.8%
Washington	-	-	-	1	4,091,653	6.8%
Georgia	1	1,090,708	1.6%	-	-	-
British Columbia	3	8,058,613	11.9%	2	2,563,357	4.2%
Alberta	4	13,467,727	19.8%	3	6,169,550	10.2%
Ontario	1	1,030,423	1.5%	-	-	-
Total	42	$67,988,792	100.0%	32	$60,268,112	100.0%

As at December 31, 2019, 66.7% of the Trust's mortgage portfolio is located in USA (December 31, 2018 – 85.6%). The Manager has significant experience with operating in the United States and many of the Trust's Texas - based borrowers have long-standing relationships with the Manager.

Results from Operations

	Three months ended December 31		Year ended ended December 31	
	2019	**2018**	**2019**	**2018**
Revenue	1,711,989	1,578,712	6,900,751	5,315,965
Income from operations	631,860	1,307,576	5,518,496	4,706,216
Financing costs:				
Amortization of deferred financing costs	(5,318)	(9,006)	(18,172)	(21,810)
Distributions to holders of redeemable units (Series A, C, D, and E)	(1,340,844)	(1,003,762)	(4,760,906)	(3,441,890)
Distribution to holders of subordinated trust units (Series B)	787,284	(461,298)	(572,660)	(1,453,443)

Revenue

Revenue increased by $0.1m and $0.8k during the three months and year ended December 31, 2019 compared to the same periods of 2018. This was mostly the result of the Trust holding a higher mortgage portfolio balance over the period as compared to 2018. The higher mortgage portfolio balance was the result of the increase of available capital from proceeds of additional units issued during the year.

Financing Costs

For the three months and year ended December 31, 2019, the Trust's charges relating to the credit facility were $5,318 and $18,172 respectively (2018 - $9,006 and $21,810).

For the three months and year ended December 31, 2019, the fund recorded distributions of $1,340,844 and $4,760,906 respectively (2018 - $1,003,762 and $3,441,890) to Series A, C, D, and E unitholders. The Series A, C, D, and E unitholders are entitled to a fixed return. The increase in distribution is the result of additional units issued in the year ended December 31, 2019 and units issued in the prior periods being outstanding for a longer period of time.

Distribution to Subordinated trust units (Series B)

The Trust will make a distribution to the Series B Unitholders on a quarterly basis. As at December 31, 2019, the Trust had over distributed to holders of Series B units and has a Due from Series B Unitholders in the amount of $787,284 (2018 distributions - $461,298 and $1,453,443). The decrease in distribution to Series B unitholders over the prior periods is due to a decrease in comprehensive income for the period as a result of a $1.1 million provion for mortgage losses recorded in relation to a decrease in the mortgage collateral value held on one of the mortgages in Alberta.

Financial Condition

Liquidity and Capital Resources

The liquidity needs of the Trust arise from working capital requirements, debt servicing with respect to the revolving credit facility, distributions to unitholders, future mortgage investment funding requirements, and future mandatory redemptions.

Cash flows from the Trust's mortgage investments, available funding under the Trust's revolving credit facility and cash-on-hand represent the primary sources of liquidity. Cash flow from operations is dependent upon interest payments, principal repayments from borrowers, and funding of existing and new loans.

Payment of quarterly distributions and amounts due on redemption or termination of the Trust may, in certain circumstances, be funded by the Subordinated Trust Units (Manager's Support Investment) as described in the Related Party Transactions section below.

The capital requirements of the Trust parallel with the 45-month maturity schedule and notional amounts of each series (other than the Series B units). The Trust will receive cash from maturing investments in order to make scheduled payments on the mandatory redemption of units that are listed below. Within the next 12 months, the Trust will receive $27.3m from maturing loans, and have $23.0 million in redeemable and Series B units to mature during the same time horizon.

The maturity schedule as at December 31, 2019:

	Less than 12 months	12 – 24 months	More than 24 months
Series A redeemable units	$ 10,433,570	$ -	$ -
Series C redeemable units	11,445,000	21,003,400	-
Series D redeemable units	-	-	20,149,270
Series E redeemable units	-	-	11,494,990
Series B subordinated units	1,075,476	1,027,607	1,551,952
	$ 22,954,046	$ 22,031,007	$ 33,196,212

Credit Facility

The Trust has a credit facility with a Canadian bank providing for borrowings up to $2,000,000 by way of a demand revolving loan. The amount available under the credit facility is further limited by a margin requirement and is also limited by the Trusts eligible Canadian loan portfolio. As at December 31 2019, the borrowing available under the credit facility was $480,000 (December 31, 2018 – $10,000). Interest is calculated at the bank's prime rate plus 1.1% per annum and a standby fee is calculated on the undrawn portion of the facility at 0.35% per annum. As at December 31, 2019, no amounts have been drawn down on the credit facility (December 31, 2018 – nil).

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

(a) permit its ratio of bank debt to EBITDA at any time to exceed 2.50 to 1.00;

(b) permit its ratio of bank debt to tangible net worth at any time to exceed 0.65 to 1.00; or

(c) permit its tangible net worth at any time to be less than $20,000,000.

These covenants place restrictions on, among other things, the ability of the Trust to incur additional indebtedness, to pay distribution to Series B unitholders, and to sell or otherwise dispose of assets. During the three months and year ended December 31, 2019, the Trust was in compliance with all such covenants.

The credit facility is collateralized by a general security agreement creating a first priority security interest in all personal property of the Trust and a floating charge over all of the Trust's real property, and an assignment of the Trust's beneficial interest in all mortgages held. During the three months and year ended December 31, 2019, financing costs associated with the credit facility were $5,138 and $18,172 respectively.

Trust Units

Series A, C, D, and E: Redeemable Units

The Trust has authorized the issuance of an unlimited number of Redeemable Units. Redeemable Units may, from time to time, be issued in one or more series in such number and with such fixed return and term as the Manager may determine.

The Redeemable Units rank equally as to the payment of their respective fixed returns. The Series A, C, D, and E Redeemable Units have a term of 45 months from the date of issue, at which time they are to be redeemed at a price equal to the subscription price of $10 per unit. The Redeemable Units have no residual equity interest in the Trust, are redeemable at Unitholders' option and, accordingly, are classified as financial liabilities.

Redeemable Units are redeemable at the demand of the Unitholders on thirty days' notice in increments not less than $5,000, at a redemption price equal to 95% of the subscription price paid. Any gains on redemption will be recognized in the statement of comprehensive income in the period during which the redemptions take place. Such gains will form part of Net Revenue and therefore are available to pay the aggregate fixed return during the period in which the redemptions take place.

As at December 31, 2019, there were 1,043,357 Series A units, 3,244,840 Series C units, 2,014,927 Series D units and 1,149,499 Series E units outstanding respectively.

Series B: Subordinated Trust Units

As at December 31, 2019, the Manager has met its commitment to invest $3,726,322 in the Trust (the "Manager's Support Investment") (December 31, 2018 - $2,897,169) and in return received 372,632 Series B units (December 31, 2018 – 289,717). Series B units are subordinated to payment of the fixed return on all other units, the amount repayable on redemption or retraction of all other units and other liabilities of the trust. In order to meet any shortfall in the monies otherwise payable quarterly to unitholders as a distribution, or in respect of payments due to unitholders (other than Series B Unitholders) on retraction, and or redemption of Units (other than Series B units) or termination of the Trust, the Manager has agreed that Series B Units in the following aggregate subscription amounts will be subscribed for by the Manager at all times during the term of the Trust:

(a) until the Trust has issued units other than the Series B Units for an aggregate subscription price of $5,000,000, 10% of such aggregate subscription price, up to an aggregate amount of $500,000;

(b) upon the Trust having issued units (other than the Series B Units) for an aggregate subscription price of $5,000,000 until the Trust has issued units (other than Series B Units) for an aggregate subscription Price of $10,000,000, $500,000 (no additional Series B Units will be subscribed for by the Manager); and

(c) upon and after the Trust having issued units (other than the Series B Units) for an aggregate subscription price up to $10,000,000, 5% of such aggregate subscription price.

The Series B Units are non-voting, have no Fixed Return and an indefinite term, except as Series A, C, D and E are redeemed. They are subordinated to payment of the Fixed Return for all other Units, the amount repayable on Redemption or Retraction of all other Units and all other liabilities of the Trust.

As at December 31, 2019 there were 372,632 Series B units (December 31, 2018 – 289,717) outstanding.

Distributions

For the three months and year ended December 31, 2019, the Trust had recognized distributions to Series A, C, D, and E unitholders totaling $1,340,844 and $4,760,906. As at December 31, 2019, distributions payable to Series A, C, D, and E unitholders totaled $1,341,015 (December 31, 2018 - $1,003,762). The increase in distributions over the prior period is in line with the increase in redeemable units and the units being outstanding for a longer period of time.

The Trust makes a distribution to the Series B Unitholder on a quarterly basis and the amount is an estimate of the expected annual distribution based on the year to date financial results of the Trust. As at December 31, 2019, the Trust had over distributed to holders of Series B units throughout the year and has a Due from Series B Unitholders in the amount of $787,284 (2018 - $461,298 distribution payable).

Statement of Cash Flows

The statement of cash flows for the three months and year ended December 31, 2019 and December 31, 2018 are as follows:

	Three months ended December 31		Year ended December 31	
	2019	**2018**	**2019**	**2018**
Net change in cash related to				
Operating	$692,957	$(648,149)	$3,887,754	$(83,841)
Investing	(16,336,305)	(2,038,140)	(9,799,969)	(20,786,553)
Financing	130,393	2,271,799	11,161,860	17,960,116
Increase (decrease) in cash	$(15,512,955)	$(414,490))	$5,249,645	$(2,910,278)

The increase (decrease) in net cash flow for the periods was mainly due to the following factors:

- Operating – cash from operating activities increased by $1.3m and $3.9m during the three months and year ended December 31, 2019 respectively compared to the same period of 2018. For the year ended December 31, the increase in cash was as a result of higher interest received in the year and items not involving cash such as unrealized foreign exchange gains.
- Investing – cash flows from investing activies increased by $14.3m for the three months ended December 31,2019 compared to the same period for 2018. Cash flows from investing activies increased by $11m due to a decrease in funding of investments in mortgages and higher principal repayments received on investments in mortgages.

  Financing – cash flows from financing activities decreased by $2.1m and $6.8m during the three months and year ended December 31, 2019 compared to the same period of 2018. Cash flow from financing activities includes proceeds from issuance of Series A, C, D, and E redeemable units and Series B subordinated units net off by distributions paid to holders of redeemable units and Series B subordinated units and payments on redemption of the units. The Trust raised $16.8m through issuance of redeemable units during the year end December 31, 2019. During the same period in 2018 the proceeds received were $21.6m. There was also an increase in distributions of $1.3m to Series A, C, D and E unitholders for the year ended December 31, 2019.

Quarterly Financial Information

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

	Three months ended December 31, 2019	**Three months ended September 30, 2019**	**Three months ended June 30, 2019**	**Three months ended March 31, 2019**	**Three months ended December 31, 2018**	**Three months ended September 30, 2018**	**Three months ended June 30, 2018**	**Three months ended March 31, 2018**
Revenue	1,711,989	$1,790,186	$1,718,732	$1,679,842	$1,578,712	$1,371,836	$1,270,986	$1,094,431
Foreign exchange	19,871	(147,017)	(45,031)	(110,257)	(233,784)	(93,864)	(183,855)	(60,895)
Income from operations	631,860	1,643,169	1,673,701	1,569,585	1,307,576	1,277,972	1,087,131	1,033,536
Financing costs								
Distributions to unitholders of Series A, C, D, and E redeemable units	1,340,844	1,192,456	1,153,236	1,074,370	1,003,762	946,447	792,455	699,088
Amortization of deferred financing costs	5,138	4,949	4,408	3,677	9,006	4,285	4,249	4,270
Income (loss) for the period	714,122	445,764	516,057	491,538	294,670	327,240	290,427	330,178
Other comprehensive income (loss)	73,162	40,263	(73,740)	(59,938)	166,627	(49,671)	40,259	53,713
Comprehensive income (loss) for the period	787,284	486,027	$442,317	$431,600	$461,298	$277,569	$330,686	$383,891

Q4 2019 vs. Q4 2018

Revenue of $1.7m was slightly higher by $0.1m versus Q4 of 2018. Income from operations of $0.6m decreased by $0.7m as compared to Q4 2018. The decrease was mostly a result of a $1.1m mortgage loss provision related to one mortgage recorded in Q4 of 2019. This was offset by slightly higher revenue primarily driven by an increase in investments in mortgages from the same period last year. The proceeds from new units issuance were used to fund additional investments in mortgages.

Distributions to unitholders of Series A, C, D, and E redeemable units of $1.3m were up 34% from the three months ended December 31, 2018. The Series A, C, D, and E units are entitled to a fixed return of 7.1%, 7.2%, 7.5% and 7.1% per annum respectively. The increase is consistent with additional units issued since December 31, 2018.

Q4 2019 vs. Q3 2019

Revenue was relatively flat from the last quarter. Income from operations decreased by 61.5% from last quarter due to increase in provisioning for loans when compared to the previous quarter.

Distributions to unitholders of Series A, C, D, and E redeemable units of $1.3m were up 12% from last quarter. The increase is the result of the the existing units being outstanding for an extended period of time.

Related Party Transactions and Commitments

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

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

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

During the three months and year ended December 31, 2019, the Trust purchased investments in mortgages of $0.4m and $10.3m (December 31, 2018 - $4.1m and $20.2m) and sold investments in mortgages of $9.0m and $15.9m respectively (December 31, 2018 – $2.2m and $10.0m) to entities under common management.

As at December 31, 2019, amounts receivable of $3,539 (December 31, 2018 – $9,291) are due from the Manager. The receivable is composed of certain reimbursable expenses.